

# ANGIODYNAMICS INC

## **FORM 8-K** (Current report filing)

Filed 03/30/17 for the Period Ending 03/30/17

|             |   |
|-------------|---|
| Address     | 14 PLAZA DRIVE<br>LATHAM, NY 12110                    |
| Telephone   | 5187981215  |
| CIK         | 0001275187  |
| Symbol      | ANGO  |
| SIC Code    | 3841 - Surgical and Medical Instruments and Apparatus |
| Industry    | Medical Equipment, Supplies & Distribution            |
| Sector      | Healthcare  |
| Fiscal Year | 05/31   |

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **March 30, 2017**

**AngioDynamics, Inc.**

(Exact Name of Registrant as Specified in Charter)

|   |   |   |
|---|---|---|
| <b>Delaware</b><br>(State or Other Jurisdiction of Incorporation) | <b>000-50761</b><br>(Commission File<br>Number) | <b>11-3146460</b><br>(IRS Employer<br>Identification No.) |
|---|---|---|

|  |                            |
|--|----------------------------|
| <b>14 Plaza Drive Latham, New York</b><br>(Address of Principal Executive Offices) | <b>12110</b><br>(Zip Code) |
|--|----------------------------|

**(518) 795-1400**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
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## **Item 2.02 – Results of Operations and Financial Condition.**

On March 30, 2017, AngioDynamics, Inc. (“AngioDynamics” or the “Company”) issued a press release announcing financial results for the fiscal third quarter ended February 28, 2017. A copy of the press release is attached hereto as Exhibit 99.1.

The information set forth in Item 2.02 of this Form 8-K (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

### **Forward-Looking Statements**

This document and its attachments contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding AngioDynamics’ expected future financial position, results of operations, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include the words such as “expects,” “reaffirms,” “intends,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” “optimistic,” or variations of such words and similar expressions, are forward-looking statements. These forward looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ from AngioDynamics’ expectations. Factors that may affect the actual results achieved by AngioDynamics include, without limitation, the ability of AngioDynamics to develop its existing and new products, technological advances and patents attained by competitors, infringement of AngioDynamics’ technology or assertions that AngioDynamics’ technology infringes the technology of third parties, the ability of AngioDynamics to effectively compete against competitors that have substantially greater resources, future actions by the FDA or other regulatory agencies, domestic and foreign health care reforms and government regulations, results of pending or future clinical trials, overall economic conditions, the results of on-going litigation, challenges with respect to third-party distributors or joint venture partners or collaborators, the results of sales efforts, the effects of product recalls and product liability claims, changes in key personnel, the ability of AngioDynamics to execute on strategic initiatives, the effects of economic, credit and capital market conditions, general market conditions, market acceptance, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations and competition, the ability of AngioDynamics to integrate purchased businesses, as well as the risk factors listed from time to time in AngioDynamics’ SEC filings, including but not limited to its Annual Report on Form 10-K for the year ended May 31, 2016 and its quarterly reports on Form 10-Q for the fiscal periods ended August 31, 2016 and November 30, 2016. AngioDynamics does not assume any obligation to publicly update or revise any forward-looking statements for any reason.

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**Item 9.01 – Financial Statements and Exhibits.**

(d) *Exhibits .*

| <u>Exhibit No.</u> | <u>Description</u>                  |
|--------------------|-------------------------------------|
| 99.1               | Press Release dated March 30, 2017. |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ANGIODYNAMICS, INC.  
(Registrant)

Date: March 30, 2017

By: /s/ Stephen A. Trowbridge  
Stephen A. Trowbridge  
Senior Vice President and General Counsel

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## EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u>                  |
|--------------------|-------------------------------------|
| 99.1               | Press Release dated March 30, 2017. |



## FOR IMMEDIATE DISTRIBUTION

Company Contact:

AngioDynamics Inc.  
Caitlin Stefanik  
(518) 795-1418  
[cstefanik@angiodynamics.com](mailto:cstefanik@angiodynamics.com)

Investor Relations Contacts:

FTI Consulting  
Jim Polson  
(312) 553-6730  
[Jim.Polson@fticonsulting.com](mailto:Jim.Polson@fticonsulting.com),  
Kotaro Yoshida  
(212) 850-5690  
[Kotaro.Yoshida@fticonsulting.com](mailto:Kotaro.Yoshida@fticonsulting.com)

Media Contact:

FTI Consulting  
Kimberly Ha  
(212) 850-5612  
[kimberly.ha@fticonsulting.com](mailto:kimberly.ha@fticonsulting.com)

**AngioDynamics Reports Fiscal 2017 Third Quarter Results**

- **Q3 net sales of \$85.6 million, down 2% year-over-year**
- **Q3 GAAP earnings per share of \$0.08; non-GAAP adjusted EPS up 27% from Q3 Fiscal 2016**
- **Q3 operating cash generation of \$14.4 million; free cash flow generation of \$14.0 million**
- **Revised FY2017 revenue and adjusted EPS guidance; free cash flow guidance unchanged**

ALBANY, N.Y., March 30, 2017 (GLOBE NEWSWIRE) – AngioDynamics (NASDAQ:ANGO), a leading provider of innovative, minimally invasive medical devices for vascular access, surgery, peripheral vascular disease and oncology, today reported financial results for the 2017 fiscal year third quarter ended February 28, 2017.

“The quarter demonstrates continued execution on our core imperatives to improve our operational efficiency, strengthen our balance sheet and move forward on initiatives that will enable us to deliver sustainable top line revenue growth,” said Jim Clemmer, President and Chief Executive Officer of AngioDynamics. “We have already taken several positive steps to improve our operational efficiency and simplify our supply chain, and in February we made the decision to consolidate operations in Denmead, U.K. and Manchester, Ga. into our New York facilities.”

Mr. Clemmer added, “As the quarter ended, we obtained CE Mark certification for the Solero Microwave Tissue Ablation System . With an initial launch in Europe in April, we await FDA approval in the U.S. which we believe will fortify our global position in the high-growth ablation market. To support our long-term performance, we will remain focused on delivering high value products within growing markets by better leveraging our renewed R&D process and our existing portfolio of high value offerings like BioFlo and NanoKnife.”

**Third Quarter 2017 Financial Results**

Net sales for the fiscal third quarter were \$85.6 million compared with \$87.4 million a year ago. Currency did not have an impact in the quarter.

The following comparisons exclude the Boston Scientific supply agreement.

Peripheral Vascular net sales in the third quarter were \$48.5 million compared to \$49.8 million in the fiscal year 2016 third quarter. Vascular Access net sales in the third quarter were \$23.7 million compared to \$24.9 million a year ago. Oncology/Surgery net sales in the third quarter were \$13.0 million compared to \$12.1 million in the fiscal year 2016 third quarter. Overall U.S. net sales in the third quarter were \$67.4 million compared to \$69.5 million in the year ago third quarter. Overall International net sales in the third quarter were \$17.8 million compared to \$17.2 million a year ago.

In the third quarter of fiscal 2017, the Company recorded net income of \$2.9 million, or \$0.08 on a per share basis. The Company recorded net income of \$0.6 million, or \$0.02 on a per share basis, in the third quarter of fiscal 2016. Excluding the items shown in the attached quarterly non-GAAP reconciliation table, adjusted net income for the third quarter of fiscal 2017 was \$6.9 million, or \$0.19 per share, compared to an adjusted net income of \$5.4 million, or \$0.15 per share, in the third quarter of fiscal 2016.

Adjusted EBITDA in the third quarter of fiscal 2017, excluding the items shown in the attached reconciliation table, was \$15.5 million compared to \$13.9 million in the third quarter of fiscal 2016.

In the third quarter of fiscal 2017, the Company generated \$14.4 million in operating cash flow and \$14.0 million in free cash flow. As of February 28, 2017, cash and cash equivalents were \$35.6 million and debt was \$98.8 million.

“Our commitment to prudent financial management during the quarter was evidenced by year-on-year and sequential gross margin expansion, EPS growth and strong cash flow,” said Michael Greiner, Executive Vice President and Chief Financial Officer of AngioDynamics. “To further enhance our financial performance and strengthen our operations, the consolidation of our manufacturing operations, which is expected to be completed and fully integrated by the end of the third quarter of the 2018 fiscal year, will drive additional efficiencies and improve margins. We are confident that a solid operating platform and strong balance sheet will fuel our long-term growth potential.”

#### **Nine Months Financial Results**

For the nine months ended February 28, 2017, net sales were \$262.7 million compared to \$260.5 million a year ago. The Company’s net income was \$17.9 million, or \$0.49 per share, compared to a net loss of \$0.5 million, or \$0.01 per share a year ago. Excluding the items shown in the attached quarterly non-GAAP reconciliation table, adjusted net income was \$20.2 million, or \$0.55 per share, compared to adjusted net income of \$14.4 million, or \$0.40 per share, a year ago. Adjusted EBITDA, excluding the items shown in the attached reconciliation table, was \$46.5 million compared to \$38.9 million in the year ago period.

#### **Fiscal Year 2017 Financial Guidance**

The company is revising its FY2017 revenue guidance from a range of \$355 million to \$360 million to a range of \$352 million to \$355 million. The company is increasing its FY2017



adjusted EPS guidance from a range of \$0.65 to \$0.67 to a range of \$0.68 to \$0.70. The company's free cash flow guidance remains unchanged at greater than \$35 million.

#### **Conference Call**

AngioDynamics will host a conference call today at 8:00am ET to discuss its third quarter results. To participate in the live call by telephone, please call 888-299-7212 and reference the Conference ID: 6053267 . In addition, a live webcast and archived replay of the call will be available at [investors.angiodynamics.com/events](http://investors.angiodynamics.com/events) . To access the live webcast, please go to the website 15-minutes prior to its start to register, download and install the necessary software.

#### **Use of Non-GAAP Measures**

Management uses non-GAAP measures to establish operational goals, and believes that non-GAAP measures may assist investors in analyzing the underlying trends in AngioDynamics' business over time. Investors should consider these non-GAAP measures in addition to, not as a substitute for or as superior to, financial reporting measures prepared in accordance with GAAP. In this news release, AngioDynamics has reported net sales excluding a supply agreement; adjusted EBITDA; adjusted gross profit; adjusted net income, adjusted earnings per share and free cash flow. Management uses these measures in its internal analysis and review of operational performance. Management believes that these measures provide investors with useful information in comparing AngioDynamics' performance over different periods. By using these non-GAAP measures, management believes that investors get a better picture of the performance of AngioDynamics' underlying business. Management encourages investors to review AngioDynamics' financial results prepared in accordance with GAAP to understand AngioDynamics' performance taking into account all relevant factors, including those that may only occur from time to time but have a material impact on AngioDynamics' financial results. Please see the tables that follow for a reconciliation of non-GAAP measures to measures prepared in accordance with GAAP.

#### **About AngioDynamics**

AngioDynamics Inc. is a leading provider of innovative, minimally invasive medical devices used by professional healthcare providers for vascular access, surgery, peripheral vascular disease and oncology. AngioDynamics' diverse product lines include market-leading ablation systems, fluid management systems, vascular access products, angiographic products and accessories drainage products, thrombolytic products and venous products. More information is available at [AngioDynamics.com](http://AngioDynamics.com).

#### **Trademarks**

AngioDynamics, the AngioDynamics logo, BioFlo, NanoKnife and Solero are trademarks and/or registered trademarks of AngioDynamics Inc., an affiliate or a subsidiary.

#### **Safe Harbor**

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding AngioDynamics' expected future financial position, results of operations, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include the words such as

“expects,” “reaffirms,” “intends,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” “optimistic,” or variations of such words and similar expressions, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ from AngioDynamics’ expectations. Factors that may affect the actual results achieved by AngioDynamics include, without limitation, the ability of AngioDynamics to develop its existing and new products, technological advances and patents attained by competitors, infringement of AngioDynamics’ technology or assertions that AngioDynamics’ technology infringes the technology of third parties, the ability of AngioDynamics to effectively compete against competitors that have substantially greater resources, future actions by the FDA or other regulatory agencies, domestic and foreign health care reforms and government regulations, results of pending or future clinical trials, overall economic conditions, the results of on-going litigation, challenges with respect to third-party distributors or joint venture partners or collaborators, the results of sales efforts, the effects of product recalls and product liability claims, changes in key personnel, the ability of AngioDynamics to execute on strategic initiatives, the effects of economic, credit and capital market conditions, general market conditions, market acceptance, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations and competition, the ability of AngioDynamics to integrate purchased businesses, as well as the risk factors listed from time to time in AngioDynamics’ SEC filings, including but not limited to its Annual Report on Form 10-K for the year ended May 31, 2016 and its quarterly report on Form 10-Q for the fiscal periods ended August 31, 2016 and November 30, 2016. AngioDynamics does not assume any obligation to publicly update or revise any forward-looking statements for any reason.

In the United States, the NanoKnife System has received a 510(k) clearance by the Food and Drug Administration for use in the surgical ablation of soft tissue, and is similarly approved for commercialization in Canada, the European Union and Australia. The NanoKnife System has not been cleared for the treatment or therapy of a specific disease or condition.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**  
(in thousands, except per share data)

|  | Three months ended |                 | Nine months ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016 |
|  | (unaudited)        |                 | (unaudited)       |                 |
| Net sales  | \$ 85,602          | \$ 87,434       | \$ 262,729        | \$ 260,471      |
| Cost of sales (exclusive of intangible amortization) | 41,810             | 43,900          | 128,895           | 127,682         |
| Gross profit   | 43,792             | 43,534          | 133,834           | 132,789         |
| % of net sales                                       | 51.2%              | 49.8%           | 50.9%             | 51.0%           |
| <b>Operating expenses</b>                            |                    |                 |                   |                 |
| Research and development                             | 5,951              | 5,808           | 18,573            | 18,116          |
| Sales and marketing                                  | 19,469             | 20,955          | 58,481            | 63,534          |
| General and administrative                           | 7,000              | 6,901           | 22,952            | 22,897          |
| Amortization of intangibles                          | 4,360              | 4,458           | 12,886            | 13,356          |
| Change in fair value of contingent consideration     | 122                | (31)            | (15,386)          | 630             |
| Acquisition, restructuring and other items, net      | 1,750              | 3,042           | 12,028            | 9,098           |
| Medical device excise tax                            | -                  | 435             | -                 | 2,416           |
| Total operating expenses                             | 38,652             | 41,568          | 109,534           | 130,047         |
| Operating income                                     | 5,140              | 1,966           | 24,300            | 2,742           |
| Other (expense), net                                 | (583)              | (1,021)         | (2,425)           | (3,173)         |
| Income (loss) before income taxes                    | 4,557              | 945             | 21,875            | (431)           |
| Income tax expense (benefit)                         | 1,670              | 351             | 3,954             | 84              |
| Net income (loss)                                    | \$ 2,887           | \$ 594          | \$ 17,921         | \$ (515)        |
| <b>Earnings (loss) per share</b>                     |                    |                 |                   |                 |
| Basic  | \$ 0.08            | \$ 0.02         | \$ 0.49           | \$ (0.01)       |
| Diluted  | \$ 0.08            | \$ 0.02         | \$ 0.48           | \$ (0.01)       |
| <b>Weighted average shares outstanding</b>           |                    |                 |                   |                 |
| Basic  | 36,625             | 36,146          | 36,557            | 36,083          |
| Diluted  | 37,126             | 36,390          | 37,068            | 36,083          |

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**GAAP TO NON-GAAP RECONCILIATION**  
(in thousands, except per share data)

**Reconciliation of Gross Profit to non-GAAP Adjusted Gross Profit**

|   | Three months ended |                  | Nine months ended |                   |
|---|--------------------|------------------|-------------------|-------------------|
|   | Feb 28,<br>2017    | Feb, 29<br>2016  | Feb 28,<br>2017   | Feb, 29<br>2016   |
|   | (unaudited)        |                  | (unaudited)       |                   |
| Gross profit                              | \$ 43,792          | \$ 43,534        | \$ 133,834        | \$ 132,789        |
| Recall expenses included in cost of sales | 14                 | 6                | 216               | (92)              |
| Adjusted gross profit                     | <u>\$ 43,806</u>   | <u>\$ 43,540</u> | <u>\$ 134,050</u> | <u>\$ 132,697</u> |
| Adjusted gross profit % of sales          | 51.2%              | 49.8%            | 51.0%             | 50.9%             |

**Reconciliation of Net Income to non-GAAP Adjusted Net Income:**

|   | Three months ended |                 | Nine months ended |                  |
|---|--------------------|-----------------|-------------------|------------------|
|   | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016  |
|   | (unaudited)        |                 | (unaudited)       |                  |
| Net income (loss)                                   | \$ 2,887           | \$ 594          | \$ 17,921         | \$ (515)         |
| Recall expenses included in cost of sales           | 14                 | 6               | 216               | (92)             |
| Amortization of intangibles                         | 4,360              | 4,458           | 12,886            | 13,356           |
| Change in fair value of contingent consideration    | 122                | (31)            | (15,386)          | 630              |
| Acquisition, restructuring and other items, net (1) | 1,750              | 3,042           | 12,028            | 9,098            |
| Tax effect of non-GAAP items (2)                    | (2,219)            | (2,680)         | (7,429)           | (8,038)          |
| Adjusted net income                                 | <u>\$ 6,914</u>    | <u>\$ 5,389</u> | <u>\$ 20,236</u>  | <u>\$ 14,439</u> |

**Reconciliation of Diluted Earnings Per Share to non-GAAP Adjusted Diluted Earnings Per Share:**

|   | Three months ended |                 | Nine months ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016 |
|   | (unaudited)        |                 | (unaudited)       |                 |
| Diluted earnings (loss) per share                   | \$ 0.08            | \$ 0.02         | \$ 0.48           | \$ (0.01)       |
| Recall expenses included in cost of sales           | \$ 0.00            | 0.00            | \$ 0.01           | (0.00)          |
| Amortization of intangibles                         | \$ 0.12            | 0.12            | \$ 0.34           | 0.37            |
| Change in fair value of contingent consideration    | \$ 0.00            | (0.00)          | \$ (0.41)         | 0.02            |
| Acquisition, restructuring and other items, net (1) | \$ 0.05            | 0.08            | \$ 0.33           | 0.25            |
| Tax effect of non-GAAP items (2)                    | \$ (0.06)          | (0.07)          | \$ (0.20)         | (0.22)          |
| Adjusted diluted earnings per share                 | <u>\$ 0.19</u>     | <u>\$ 0.15</u>  | <u>\$ 0.55</u>    | <u>\$ 0.40</u>  |

Adjusted diluted sharecount 37,126      36,390      37,068      36,083

(1) Includes costs related to mergers and acquisition activities, integrations, restructurings, asset impairments and write-offs, litigation, and other items.

(2) Represents the net tax effect of non-GAAP adjustments. Based on our historical non-GAAP earnings, our tax effect of non-GAAP items has been calculated assuming no valuation allowance on our deferred tax assets and an effective tax rate of 36%.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**GAAP TO NON-GAAP RECONCILIATION (Continued)**  
(in thousands, except per share data)

**Reconciliation of Net Income to EBITDA and Adjusted EBITDA:**

|   | Three months ended |                 | Nine months ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016 |
|   | (unaudited)        |                 | (unaudited)       |                 |
| Net income (loss)                                     | \$ 2,887           | \$ 594          | \$ 17,921         | \$ (515)        |
| Income tax expense (benefit)                          | (1,670)            | (351)           | (3,954)           | (84)            |
| Other (expense), net                                  | (583)              | (1,021)         | (2,425)           | (3,173)         |
| Depreciation and amortization                         | 6,091              | 6,860           | 18,168            | 20,931          |
| EBITDA  | 11,231             | 8,826           | 42,468            | 23,673          |
| Recall expenses included in cost of sales             | 14                 | 6               | 216               | (92)            |
| Change in fair value of contingent consideration      | 122                | (31)            | (15,386)          | 630             |
| Acquisition, restructuring and other items, net (1,2) | 1,750              | 2,794           | 12,028            | 8,097           |
| Credit card fees                                      | 702                | 654             | 2,099             | 2,107           |
| Stock-based compensation                              | 1,693              | 1,640           | 5,078             | 4,500           |
| Adjusted EBITDA                                       | \$ 15,512          | \$ 13,889       | \$ 46,503         | \$ 38,915       |
| Per diluted share:                                    |                    |                 |                   |                 |
| EBITDA  | \$ 0.30            | \$ 0.24         | \$ 1.15           | \$ 0.66         |
| Adjusted EBITDA                                       | \$ 0.42            | \$ 0.38         | \$ 1.25           | \$ 1.08         |

(1) Includes costs related to mergers and acquisition activities, integrations, restructurings, asset impairments and write-offs, litigation, and other items.

(2) Excludes depreciation expense captured in the depreciation and amortization component of the reconciliation.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**NET SALES BY PRODUCT CATEGORY AND BY GEOGRAPHY**  
(unaudited in thousands)

|                               | Three months ended |                  |             |                                 |                                | Nine months ended |                   |                   |                                 |                                |      |
|-------------------------------|--------------------|------------------|-------------|---------------------------------|--------------------------------|-------------------|-------------------|-------------------|---------------------------------|--------------------------------|------|
|                               | Feb 28,<br>2017    | Feb, 29<br>2016  | %<br>Growth | Currency<br>Impact<br>(Pos) Neg | Constant<br>Currency<br>Growth | Feb 28,<br>2017   | Feb, 29<br>2016   | %<br>Growth       | Currency<br>Impact<br>(Pos) Neg | Constant<br>Currency<br>Growth |      |
| Net Sales by Product Category |                    |                  |             |                                 |                                |                   |                   |                   |                                 |                                |      |
| Peripheral                    |                    |                  |             |                                 |                                |                   |                   |                   |                                 |                                |      |
| Vascular                      | \$ 48,496          | \$ 49,779        | -3%         | -3%                             |                                | \$ 152,800        | \$ 147,940        | 3%                |                                 |                                |      |
| Vascular Access               | 23,680             | 24,911           | -5%         | -5%                             |                                | 72,238            | 74,576            | -3%               |                                 |                                |      |
| Oncology/Surgery              | <u>12,993</u>      | <u>12,054</u>    | 8%          | 8%                              |                                | <u>35,837</u>     | <u>35,859</u>     | 0%                |                                 |                                |      |
| Total Excluding               |                    |                  |             |                                 |                                |                   |                   |                   |                                 |                                |      |
| Supply Agreement              | 85,169             | 86,744           | -2%         | -2%                             | 0%                             | -2%               | 260,875           | 258,375           | 1%                              | 0%                             | 1%   |
| Supply Agreement              | <u>433</u>         | <u>690</u>       | -37%        | -37%                            | 0%                             | -37%              | <u>1,854</u>      | <u>2,096</u>      | -12%                            | 0%                             | -12% |
| Total                         | <u>\$ 85,602</u>   | <u>\$ 87,434</u> | -2%         | -2%                             | 0%                             | -2%               | <u>\$ 262,729</u> | <u>\$ 260,471</u> | 1%                              | 0%                             | 1%   |
| Net Sales by Geography        |                    |                  |             |                                 |                                |                   |                   |                   |                                 |                                |      |
| United States                 | \$ 67,366          | \$ 69,501        | -3%         | -3%                             | 0%                             | -3%               | \$ 209,901        | \$ 208,523        | 1%                              | 0%                             | 1%   |
| International                 | 17,803             | 17,243           | 3%          | 3%                              | 1%                             | 4%                | 50,974            | 49,852            | 2%                              | 2%                             | 4%   |
| Supply Agreement              | <u>433</u>         | <u>690</u>       | -37%        | -37%                            | 0%                             | -37%              | <u>1,854</u>      | <u>2,096</u>      | -12%                            | 0%                             | -12% |
| Total                         | <u>\$ 85,602</u>   | <u>\$ 87,434</u> | -2%         | -2%                             | 0%                             | -2%               | <u>\$ 262,729</u> | <u>\$ 260,471</u> | 1%                              | 0%                             | 1%   |

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|  | <u>Feb 28,</u><br>2017   | <u>May 31,</u><br>2016   |
|--|--------------------------|--------------------------|
|  | (unaudited)              | (unaudited)              |
| <b>Assets</b>                                    |                          |                          |
| Current Assets                                   |                          |                          |
| Cash and cash equivalents                        | \$ 35,571                | \$ 32,333                |
| Marketable securities                            | 1,203                    | 1,653                    |
| Total cash and investments                       | <u>36,774</u>            | <u>33,986</u>            |
| Accounts receivable, net                         | 46,302                   | 52,867                   |
| Inventories                                      | 57,681                   | 55,370                   |
| Prepaid income taxes                             | 309                      | 788                      |
| Prepaid expenses and other                       | 3,985                    | 3,243                    |
| Total current assets                             | <u>145,051</u>           | <u>146,254</u>           |
| Property, plant and equipment, net               | 46,180                   | 48,284                   |
| Other non-current assets                         | 1,757                    | 3,827                    |
| Intangible assets, net                           | 150,078                  | 166,577                  |
| Goodwill   | 361,252                  | 361,252                  |
| Total Assets                                     | <u><u>\$ 704,318</u></u> | <u><u>\$ 726,194</u></u> |
| <b>Liabilities and Stockholders' Equity</b>      |                          |                          |
| Current Liabilities                              |                          |                          |
| Accounts payable                                 | \$ 15,357                | \$ 15,616                |
| Accrued liabilities                              | 20,753                   | 21,942                   |
| Current portion of long-term debt                | 5,000                    | 16,250                   |
| Current portion of contingent consideration      | 9,531                    | 12,919                   |
| Total current liabilities                        | <u>50,641</u>            | <u>66,727</u>            |
| Long-term debt, net of current portion           | 92,519                   | 104,291                  |
| Deferred income taxes, long-term                 | 25,304                   | 21,684                   |
| Contingent consideration, net of current portion | 3,104                    | 25,356                   |
| Other long-term liabilities                      | 1,000                    | 908                      |
| Total Liabilities                                | <u>172,568</u>           | <u>218,966</u>           |
| Stockholders' equity                             | <u>531,750</u>           | <u>507,228</u>           |
| Total Liabilities and Stockholders' Equity       | <u><u>\$ 704,318</u></u> | <u><u>\$ 726,194</u></u> |

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Three months ended |                 | Nine months ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016 |
|  | (unaudited)        | (unaudited)     | (unaudited)       | (unaudited)     |
| <b>Cash flows from operating activities:</b>   |                    |                 |                   |                 |
| Net income (loss)  | \$ 2,887           | \$ 594          | \$ 17,921         | \$ (515)        |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                    |                 |                   |                 |
| Depreciation and amortization  | 6,169              | 6,979           | 18,455            | 21,289          |
| Stock-based compensation   | 1,693              | 1,640           | 5,078             | 4,500           |
| Change in fair value of contingent consideration   | 122                | (31)            | (15,386)          | 630             |
| Fixed and intangible asset impairments and disposals                                     | 78                 | 53              | 3,822             | 675             |
| Deferred income taxes  | 1,554              | 203             | 3,624             | (388)           |
| Change in accounts receivable allowance  | 5                  | 1,017           | (605)             | 1,355           |
| Write-off of other assets  | -                  | -               | 2,685             | -               |
| Other  | 41                 | 261             | (535)             | -               |
| Changes in operating assets and liabilities, net of acquisitions:                        |                    |                 |                   |                 |
| Receivables  | 3,855              | (2,416)         | 6,898             | 2,492           |
| Inventories  | (1,027)            | 4,930           | (2,585)           | 1,457           |
| Prepaid and other assets   | (747)              | 1,359           | (1,215)           | (782)           |
| Accounts payable and accrued liabilities   | (265)              | (2,195)         | (1,405)           | (4,041)         |
| Net cash provided by (used in) operating activities                                      | 14,365             | 12,394          | 36,752            | 26,672          |
| <b>Cash flows from investing activities:</b>   |                    |                 |                   |                 |
| Additions to property, plant and equipment   | (412)              | (727)           | (2,258)           | (1,895)         |
| Acquisition of businesses, net of cash acquired  | -                  | (2,000)         | -                 | (2,000)         |
| Acquisition of intangible assets   | -                  | (18)            | -                 | (18)            |
| Proceeds from sale or maturity of marketable securities                                  | -                  | -               | 450               | 25              |
| Net cash provided by (used in) investing activities                                      | (412)              | (2,745)         | (1,808)           | (3,888)         |
| <b>Cash flows from financing activities:</b>   |                    |                 |                   |                 |
| Repayment of long-term debt  | (17,721)           | (7,500)         | (139,131)         | (11,250)        |
| Proceeds from issuance of long-term debt and revolver borrowings                         | -                  | -               | 116,471           | -               |
| Deferred financing costs on long-term debt   | (158)              | -               | (1,335)           | -               |
| Payment of Contingent Consideration  | -                  | -               | (9,850)           | (9,850)         |
| Repurchase of shares   | -                  | -               | (7,840)           | -               |
| Proceeds from exercise of stock options and ESPP   | 3,865              | 703             | 10,269            | 1,933           |
| Net cash provided by (used in) financing activities                                      | (14,014)           | (6,797)         | (31,416)          | (19,167)        |
| Effect of exchange rate changes on cash  | (32)               | 49              | (290)             | (111)           |
| Increase (Decrease) in cash and cash equivalents   | (93)               | 2,901           | 3,238             | 3,506           |
| <b>Cash and cash equivalents</b>   |                    |                 |                   |                 |
| Beginning of period  | 35,664             | 18,996          | 32,333            | 18,391          |
| End of period  | \$ 35,571          | \$ 21,897       | \$ 35,571         | \$ 21,897       |



**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
**GAAP TO NON-GAAP RECONCILIATION**  
(in thousands)

**Reconciliation of Free Cash Flows:**

|   | Three months ended |                 | Nine months ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Feb 28,<br>2017    | Feb, 29<br>2016 | Feb 28,<br>2017   | Feb, 29<br>2016 |
|   | (unaudited)        |                 | (unaudited)       |                 |
| Net cash provided by (used in) operating activities | \$ 14,365          | \$ 12,394       | \$ 36,752         | \$ 26,672       |
| Additions to property, plant and equipment          | (412)              | (727)           | (2,258)           | (1,895)         |
| Free Cash Flow                                      | \$ 13,953          | \$ 11,667       | \$ 34,494         | \$ 24,777       |