

# ANGIODYNAMICS INC

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

Filed 03/29/18 for the Period Ending 03/29/18

|             |   |
|-------------|---|
| 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**

**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 29, 2018**

**AngioDynamics, Inc.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation)

**000-50761**  
(Commission File  
Number)

**11-3146460**  
(IRS Employer  
Identification No.)

**14 Plaza Drive Latham, New York**  
(Address of Principal Executive Offices)

**12110**  
(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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## Item 2.02 – Results of Operations and Financial Condition.

On March 29, 2018, AngioDynamics, Inc. (“AngioDynamics”) issued a press release announcing financial results for the fiscal third quarter ended February 28, 2018. 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 contain 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, 2017 and its quarterly reports on Form 10-Q for the fiscal periods ended August 31, 2017 and November 30, 2017. AngioDynamics does not assume any obligation to publicly update or revise any forward-looking statements for any reason.

## Item 9.01 – Financial Statements and Exhibits

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| (d) 99.1           | <i>Exhibits .</i><br><a href="#">Press Release dated March 29, 2018.</a> |

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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 29, 2018

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



## PRESS RELEASE

Investor Contact:

AngioDynamics, Inc.  
Michael C. Greiner, Executive Vice President & CFO  
(518) 795-1821

# AngioDynamics Reports Fiscal 2018 Third Quarter Financial Results

## *Fiscal 2018 Third Quarter Highlights*

- **Net sales of \$83.9 million, a decrease of 2.0% year over year**
- **Gross margin expanded 300 basis points year over year to 54.2%**
- **GAAP EPS of \$0.37; Adjusted EPS of \$0.25 per share**
- **Announced the launch of a wireless ultrasound device**
- **FDA granted Breakthrough designation to NanoKnife<sup>®</sup> System for the treatment of Stage III pancreatic cancer**

**Latham, New York, March 29, 2018** – AngioDynamics, Inc. (NASDAQ: ANGO), a leading provider of innovative, minimally invasive medical devices for vascular access, peripheral vascular disease, surgery and oncology, today announced financial results for the third quarter of fiscal year 2018, which ended February 28, 2018.

“Our third quarter results demonstrate continued execution against our operational goals as evidenced by meaningful gross margin expansion and strong profitability. Revenue growth remains negatively impacted by competitive headwinds in our Venous and PICCs product lines, but we continue to believe that our ongoing portfolio evaluation and reshaping efforts will drive long-term sustainable top-line growth,” commented Jim Clemmer, President and Chief Executive Officer of AngioDynamics, Inc. “We

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remain committed to creating value through both organic efforts and M&A as we continue transforming AngioDynamics into a dynamic leader in our industry.”

### **Third Quarter 2018 Financial Results**

Net sales for the third quarter of fiscal 2018 were \$83.9 million, a decrease of 2.0%, compared to \$85.6 million a year ago, primarily related to declines in the Company’s Venous Insufficiency business, as well as a negative year-over-year comparison related to the RFA product line, which was discontinued in Japan. Japanese RFA sales in the third quarter of fiscal 2017 were \$1.7 million.

Currency did not have a significant impact on the Company’s sales in the quarter.

Peripheral Vascular net sales in the third quarter of fiscal 2018 were \$48.5 million, a decrease of 0.8% from \$48.9 million a year ago, as growth in the Fluid Management, AngioVac, and Angiographic Catheter product lines was offset by declines in the Venous Insufficiency business. Vascular Access net sales were \$23.3 million, a decrease of 1.7% from \$23.7 million a year ago, as growth in Midlines and other BioFlo related products was more than offset by declines in PICCs. Oncology/Surgery net sales were \$12.1 million, a decrease of 7.2% from \$13.0 million a year ago, as lower sales related to the discontinued RFA product noted above were only partially offset by mid-teens growth in sales of both NanoKnife and the Solero <sup>®</sup> Microwave Tissue Ablation System.

U.S. net sales in the third quarter of fiscal 2018 were \$65.8 million, a decrease of 2.8% from \$67.7 million a year ago, primarily due to declines in the Venous, PICCs, and RFA businesses. International net sales in the third quarter of fiscal 2018 were \$18.1 million, an increase of 0.7% from \$17.9 million a year ago, primarily due to consistent performance across each of the business units, partially offset by the decrease in sales of our discontinued RFA product line in Japan.

Gross margin for the third quarter of fiscal 2018 expanded 300 basis points to 54.2% from 51.2% a year ago largely as a result of ongoing operational improvements, recently completed facility consolidations, and the

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expiration of a royalty arrangement in the second quarter of this fiscal year.

The Company recorded net income of \$14.0 million, or \$0.37 per share, in the third quarter of fiscal 2018. This compares to net income of \$2.9 million, or \$0.08 per share, a year ago. The improvement in net income was primarily attributable to the re-measurement of deferred taxes pursuant to the U.S. Tax Reform, resulting in a tax benefit of \$9.9 million, compared to a prior-year tax expense of \$1.7 million.

Excluding the items shown in the non-GAAP reconciliation table below, adjusted net income for the third quarter of fiscal 2018 was \$9.5 million, or \$0.25 per share, compared to adjusted net income of \$6.9 million, or \$0.19 per share, in the third quarter of fiscal 2017.

Adjusted EBITDAS in the third quarter of fiscal 2018, excluding the items shown in the reconciliation table below, was \$16.8 million, compared to \$14.9 million in the third quarter of fiscal 2017.

In the third quarter of fiscal 2018, the Company generated \$4.3 million in operating cash flow and \$3.9 million in free cash flow. As of February 28, 2018, the Company had \$53.6 million in cash and cash equivalents and \$93.8 million in debt, excluding the impact of deferred financing costs.

### **Nine Months Financial Results**

For the nine months ended February 28, 2018:

- Net sales were \$256.0 million, a decrease of 2.6%, compared to \$262.7 million for the same period a year ago.
  - The Company's net income was \$14.2 million, or \$0.38 per share, compared to net income of \$17.9 million, or \$0.49 per share, a year ago.
  - Excluding the items shown in the non-GAAP reconciliation table below, adjusted net income for the nine months ended February 28, 2018 was \$19.9 million, or \$0.53 per share, compared to adjusted net income of \$20.2 million, or \$0.55 per share, a year ago.
  - Adjusted EBITDAS, excluding the items shown in the reconciliation table
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below, was \$41.5 million, compared to \$44.4 million for the same period a year ago.

### **Fiscal Year 2018 Financial Guidance**

The Company reaffirms its previously announced financial guidance and expects its fiscal year 2018 net sales in the range of \$345 to \$350 million and free cash flow in the range of \$30 to \$35 million, excluding the cash payment related to the previously disclosed Department of Justice legal matters that the Company now anticipates paying during the fourth quarter. The Company expects its adjusted earnings per share in the range of \$0.64 to \$0.68, excluding any impact from the recently enacted 2017 Tax Reform Act. Including the impact of Tax Reform, guidance for adjusted earnings per share is \$0.70 to \$0.74.

### **Conference Call**

The Company's management will host a conference call today at 8:00 a.m. ET to discuss its third quarter 2018 results.

To participate in the conference call, dial 1-877-407-0784 (domestic) or 1-201-689-8560 (international) and refer to the passcode 13677111.

This conference call will also be webcast and can be accessed from the "Investors" section of the AngioDynamics website at [www.angiodynamics.com](http://www.angiodynamics.com). The webcast replay of the call will be available at the same site approximately one hour after the end of the call.

A recording of the call will also be available from 11:00 a.m. ET on Thursday, March 29, 2018, until 11:59 p.m. ET on Thursday, April 5, 2018. To hear this recording, dial 1-844-512-2921 (domestic) or 1-412-317-6671 (international) and enter the passcode 13677111.

### **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

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as superior to, financial reporting measures prepared in accordance with GAAP. In this news release, AngioDynamics has reported adjusted EBITDAS, adjusted gross margin, 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, Inc.**

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. For more information, visit [www.angiodynamics.com](http://www.angiodynamics.com).

### **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

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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 fourth 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 fourth-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, 2017. 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.

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**ANGIODYNAMICS, INC. AND SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENTS**

(in thousands, except per share data)

|  | Three months ended   |                      | Nine months ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|  | (unaudited)          |                      | (unaudited)          |                      |
| Net sales  | \$ 83,851            | 85,602               | \$ 255,968           | \$ 262,729           |
| Cost of sales (exclusive of intangible amortization) | 38,403               | 41,810               | 126,560              | 128,895              |
| Gross profit   | 45,448               | 43,792               | 129,408              | 133,834              |
| % of net sales                                       | 54.2%                | 51.2%                | 50.6%                | 50.9%                |
| <b>Operating expenses</b>                            |                      |                      |                      |                      |
| Research and development                             | 6,457                | 5,951                | 19,005               | 18,573               |
| Sales and marketing                                  | 18,009               | 19,418               | 56,378               | 58,343               |
| General and administrative                           | 7,723                | 7,051                | 23,319               | 23,090               |
| Amortization of intangibles                          | 4,191                | 4,360                | 12,433               | 12,886               |
| Change in fair value of contingent consideration     | 31                   | 122                  | 218                  | (15,386)             |
| Acquisition, restructuring and other items, net      | 4,177                | 1,750                | 11,932               | 12,028               |
| Total operating expenses                             | 40,588               | 38,652               | 123,285              | 109,534              |
| Operating income                                     | 4,860                | 5,140                | 6,123                | 24,300               |
| Interest expense, net                                | (740)                | (627)                | (2,223)              | (2,156)              |
| Other income (expense), net                          | (49)                 | 44                   | 238                  | (269)                |
| Total other expense, net                             | (789)                | (583)                | (1,985)              | (2,425)              |
| Income before income taxes                           | 4,071                | 4,557                | 4,138                | 21,875               |
| Income tax expense (benefit)                         | (9,948)              | 1,670                | (10,095)             | 3,954                |
| Net income   | \$ 14,019            | \$ 2,887             | \$ 14,233            | \$ 17,921            |
| <b>Earnings per share</b>                            |                      |                      |                      |                      |
| Basic  | \$ 0.38              | \$ 0.08              | \$ 0.38              | \$ 0.49              |
| Diluted  | \$ 0.37              | \$ 0.08              | \$ 0.38              | \$ 0.48              |
| <b>Weighted average shares outstanding</b>           |                      |                      |                      |                      |
| Basic  | 37,122               | 36,625               | 37,031               | 36,557               |
| Diluted  | 37,442               | 37,126               | 37,358               | 37,068               |

**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    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|   | (unaudited)          |                      | (unaudited)          |                      |
| Gross profit                              | \$ 45,448            | \$ 43,792            | \$ 129,408           | \$ 133,834           |
| Recall expenses included in cost of sales | -                    | 14                   | -                    | 216                  |
| Adjusted gross profit                     | <u>\$ 45,448</u>     | <u>\$ 43,806</u>     | <u>\$ 129,408</u>    | <u>\$ 134,050</u>    |
| Adjusted gross profit % of sales          | 54.2%                | 51.2%                | 50.6%                | 51.0%                |

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

|   | Three months ended   |                      | Nine months ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|   | (unaudited)          |                      | (unaudited)          |                      |
| Net income  | \$ 14,019            | \$ 2,887             | \$ 14,233            | \$ 17,921            |
| Recall expenses included in cost of sales           | -                    | 14                   | -                    | 216                  |
| Amortization of intangibles                         | 4,191                | 4,360                | 12,433               | 12,886               |
| Change in fair value of contingent consideration    | 31                   | 122                  | 218                  | (15,386)             |
| Acquisition, restructuring and other items, net (1) | 4,177                | 1,750                | 11,932               | 12,028               |
| Tax effect of non-GAAP items (2)                    | (12,893)             | (2,219)              | (18,890)             | (7,429)              |
| Adjusted net income                                 | <u>\$ 9,525</u>      | <u>\$ 6,914</u>      | <u>\$ 19,926</u>     | <u>\$ 20,236</u>     |

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

|   | Three months ended   |                      | Nine months ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|   | (unaudited)          |                      | (unaudited)          |                      |
| Diluted earnings per share                          | \$ 0.37              | \$ 0.08              | \$ 0.38              | \$ 0.48              |
| Recall expenses included in cost of sales           | -                    | -                    | -                    | 0.01                 |
| Amortization of intangibles                         | 0.11                 | 0.12                 | 0.33                 | 0.34                 |
| Change in fair value of contingent consideration    | 0.00                 | 0.00                 | 0.01                 | (0.41)               |
| Acquisition, restructuring and other items, net (1) | 0.11                 | 0.05                 | 0.32                 | 0.33                 |
| Tax effect of non-GAAP items (2)                    | (0.34)               | (0.06)               | (0.51)               | (0.20)               |
| Adjusted diluted earnings per share                 | <u>\$ 0.25</u>       | <u>\$ 0.19</u>       | <u>\$ 0.53</u>       | <u>\$ 0.55</u>       |

Adjusted diluted share count 37,442      37,126      37,358      37,068

(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. On December 22, 2017, President Trump signed into law the tax legislation commonly known as the Tax Cuts and Jobs Act (the "Act") that reduced the federal corporate tax rate to 21% and as such, resulted in an overall effective tax rate of 23%. Since the enactment date occurred during FY 2018, a blended rate must be determined in accordance with IRC Section 15 and therefore the statutory rates are prorated based on the number of days within the taxable year before and after the effective date of the change in the tax rate. The effective tax rate for the nine months ended February 28, 2018 is based on a blended rate of 30.62% that is used to tax effect the non-GAAP. The effective tax rate for the three months ended February 28, 2018 includes a catch-up for the updated 23% effective tax rate, and as such, the effective tax rate is 23.62%. The effective tax rate for the three and nine months ended February 28, 2017 was 36%. The current and prior year tax rates are based on our historical non-GAAP earnings and our tax effect of non-GAAP items has been calculated assuming no valuation allowance on our deferred tax assets.

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

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

|   | Three months ended   |                      | Nine months ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|   | (unaudited)          |                      | (unaudited)          |                      |
| Net income  | \$ 14,019            | \$ 2,887             | \$ 14,233            | \$ 17,921            |
| Income tax expense (benefit)                          | (9,948)              | 1,670                | (10,095)             | 3,954                |
| Interest expense, net                                 | 740                  | 627                  | 2,223                | 2,156                |
| Depreciation and amortization                         | 5,718                | 6,169                | 17,395               | 18,455               |
| Stock-based compensation                              | 2,058                | 1,693                | 5,821                | 5,078                |
| EBITDAS   | \$ 12,587            | \$ 13,046            | \$ 29,577            | \$ 47,564            |
| Recall expenses included in cost of sales             | -                    | 14                   | -                    | 216                  |
| Change in fair value of contingent consideration      | 31                   | 122                  | 218                  | (15,386)             |
| Acquisition, restructuring and other items, net (1,2) | 4,216                | 1,750                | 11,656               | 12,028               |
| Adjusted EBITDAS                                      | \$ 16,834            | \$ 14,932            | \$ 41,451            | \$ 44,422            |
| Per diluted share:                                    |                      |                      |                      |                      |
| EBITDAS   | \$ 0.34              | \$ 0.35              | \$ 0.79              | \$ 1.28              |
| Adjusted EBITDAS                                      | \$ 0.45              | \$ 0.40              | \$ 1.11              | \$ 1.20              |

- (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       |                         |             |                                 |                                |
|-------------------------------|-------------------------|-------------------------|-------------|---------------------------------|--------------------------------|-------------------------|-------------------------|-------------|---------------------------------|--------------------------------|
|                               | February<br>28,<br>2018 | February<br>28,<br>2017 | %<br>Growth | Currency<br>Impact<br>(Pos) Neg | Constant<br>Currency<br>Growth | February<br>28,<br>2018 | February<br>28,<br>2017 | %<br>Growth | Currency<br>Impact<br>(Pos) Neg | Constant<br>Currency<br>Growth |
| Net Sales by Product Category |                         |                         |             |                                 |                                |                         |                         |             |                                 |                                |
| Peripheral Vascular           | \$ 48,517               | \$ 48,929               | -1%         |                                 |                                | \$ 149,751              | \$ 154,654              | -3%         |                                 |                                |
| Vascular Access               | 23,279                  | 23,680                  | -2%         |                                 |                                | 69,091                  | 72,238                  | -4%         |                                 |                                |
| Oncology/Surgery              | 12,055                  | 12,993                  | -7%         |                                 |                                | 37,126                  | 35,837                  | 4%          |                                 |                                |
| Total                         | <u>\$ 83,851</u>        | <u>\$ 85,602</u>        | -2%         | 0%                              | -2%                            | <u>\$ 255,968</u>       | <u>\$ 262,729</u>       | -3%         | 1%                              | -2%                            |
| Net Sales by Geography        |                         |                         |             |                                 |                                |                         |                         |             |                                 |                                |
| United States                 | \$ 65,787               | \$ 67,656               | -3%         | 0%                              | -3%                            | \$ 203,020              | \$ 211,295              | -4%         | 0%                              | -4%                            |
| International                 | \$ 18,064               | \$ 17,946               | 1%          | 2%                              | 3%                             | 52,948                  | 51,434                  | 3%          | 1%                              | 4%                             |
| Total                         | <u>\$ 83,851</u>        | <u>\$ 85,602</u>        | -2%         | 0%                              | -2%                            | <u>\$ 255,968</u>       | <u>\$ 262,729</u>       | -3%         | 1%                              | -2%                            |

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

|  | February 28,<br>2018<br>(unaudited) | May 31,<br>2017 |
|--|-------------------------------------|-----------------|
| <b>Assets</b>                                    |                                     |                 |
| Current Assets                                   |                                     |                 |
| Cash and cash equivalents                        | \$ 52,292                           | \$ 47,544       |
| Marketable securities                            | 1,281                               | 1,215           |
| Total cash and investments                       | 53,573                              | 48,759          |
| Accounts receivable, net                         | 41,827                              | 44,523          |
| Inventories                                      | 56,564                              | 54,506          |
| Prepaid income taxes                             | 103                                 | 336             |
| Prepaid expenses and other                       | 4,502                               | 5,790           |
| Total current assets                             | 156,569                             | 153,914         |
| Property, plant and equipment, net               | 43,058                              | 45,234          |
| Other assets                                     | 3,038                               | 1,886           |
| Intangible assets, net                           | 134,512                             | 145,675         |
| Goodwill   | 361,252                             | 361,252         |
| Total Assets                                     | \$ 698,429                          | \$ 707,961      |
| <b>Liabilities and Stockholders' Equity</b>      |                                     |                 |
| Current Liabilities                              |                                     |                 |
| Accounts payable                                 | \$ 16,350                           | \$ 18,087       |
| Accrued liabilities                              | 30,973                              | 38,804          |
| Current portion of long-term debt                | 5,000                               | 5,000           |
| Current portion of contingent consideration      | 2,080                               | 9,625           |
| Total current liabilities                        | 54,403                              | 71,516          |
| Long-term debt, net of current portion           | 87,798                              | 91,320          |
| Deferred income taxes                            | 15,962                              | 26,112          |
| Contingent consideration, net of current portion | 1,149                               | 3,136           |
| Other long-term liabilities                      | 789                                 | 850             |
| Total Liabilities                                | 160,101                             | 192,934         |
| Stockholders' equity                             | 538,328                             | 515,027         |
| Total Liabilities and Stockholders' Equity       | \$ 698,429                          | \$ 707,961      |

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

|   | Three months ended   |                      | Nine months ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|   | (unaudited)          |                      | (unaudited)          |                      |
| <b>Cash flows from operating activities:</b>                                      |                      |                      |                      |                      |
| Net income  | \$ 14,019            | \$ 2,887             | \$ 14,233            | \$ 17,921            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |                      |                      |
| Depreciation and amortization   | 5,718                | 6,169                | 17,395               | 18,455               |
| Stock-based compensation  | 2,058                | 1,693                | 5,821                | 5,078                |
| Change in fair value of contingent consideration                                  | 31                   | 122                  | 218                  | (15,386)             |
| Deferred income taxes   | (10,044)             | 1,554                | (10,150)             | 3,624                |
| Change in accounts receivable allowance   | (315)                | 5                    | (35)                 | (605)                |
| Fixed and intangible asset impairments and disposals                              | 22                   | 78                   | 30                   | 3,822                |
| Write-off of other assets   | -                    | -                    | -                    | 2,685                |
| Other   | (78)                 | 41                   | (635)                | (535)                |
| Changes in operating assets and liabilities:                                      |                      |                      |                      |                      |
| Accounts receivables  | 598                  | 3,855                | 2,897                | 6,898                |
| Inventories   | (2,511)              | (1,027)              | (1,913)              | (2,585)              |
| Prepaid expenses and other  | 155                  | (747)                | (548)                | (1,215)              |
| Accounts payable, accrued and other liabilities                                   | (5,338)              | (265)                | (9,797)              | (1,405)              |
| Net cash provided by operating activities   | <u>4,315</u>         | <u>14,365</u>        | <u>17,516</u>        | <u>36,752</u>        |
| <b>Cash flows from investing activities:</b>                                      |                      |                      |                      |                      |
| Additions to property, plant and equipment  | (425)                | (412)                | (1,647)              | (2,258)              |
| Acquisition of intangible and other assets  | (1,265)              | -                    | (1,265)              | -                    |
| Proceeds from sale or maturity of marketable securities                           | -                    | -                    | -                    | 450                  |
| Net cash used in investing activities   | <u>(1,690)</u>       | <u>(412)</u>         | <u>(2,912)</u>       | <u>(1,808)</u>       |
| <b>Cash flows from financing activities:</b>                                      |                      |                      |                      |                      |
| Proceeds from issuance of and borrowings on long-term debt                        | -                    | -                    | -                    | 116,471              |
| Repayment of long-term debt   | (1,250)              | (17,721)             | (3,750)              | (139,131)            |
| Deferred financing costs on long-term debt  | -                    | (158)                | -                    | (1,335)              |
| Payment of acquisition related contingent consideration                           | -                    | -                    | (9,500)              | (9,850)              |
| Repurchase of common stock  | -                    | -                    | -                    | (7,840)              |
| Proceeds from exercise of stock options and employee stock purchase plan          | 822                  | 3,865                | 2,560                | 10,269               |
| Net cash used in financing activities   | <u>(428)</u>         | <u>(14,014)</u>      | <u>(10,690)</u>      | <u>(31,416)</u>      |
| Effect of exchange rate changes on cash and cash equivalents                      | 239                  | (32)                 | 834                  | (290)                |
| Increase in cash and cash equivalents   | 2,436                | (93)                 | 4,748                | 3,238                |
| Cash and cash equivalents at beginning of period                                  | 49,856               | 35,664               | 47,544               | 32,333               |
| Cash and cash equivalents at end of period  | <u>\$ 52,292</u>     | <u>\$ 35,571</u>     | <u>\$ 52,292</u>     | <u>\$ 35,571</u>     |



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

**Reconciliation of Free Cash Flows:**

|  | Three months ended   |                      | Nine months ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2018 | February 28,<br>2017 | February 28,<br>2018 | February 28,<br>2017 |
|  | (unaudited)          |                      | (unaudited)          |                      |
| Net cash provided by operating activities  | \$ 4,315             | \$ 14,365            | \$ 17,516            | \$ 36,752            |
| Additions to property, plant and equipment | (425)                | (412)                | (1,647)              | (2,258)              |
| Free Cash Flow                             | <u>\$ 3,890</u>      | <u>\$ 13,953</u>     | <u>\$ 15,869</u>     | <u>\$ 34,494</u>     |

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