

50 YEARS OF IMAGING INNOVATION

analogic



Q2 FY2018 EARNINGS CALL

MARCH 5, 2018



Safe Harbor

Any statements about future expectations, plans, and prospects for the Company, including statements containing the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including risks relating to product development and commercialization, limited demand for the Company’s products, risks associated with competition, uncertainties associated with regulatory agency approvals, competitive pricing pressures, downturns in the economy, the risk of potential intellectual property litigation, acquisition related risks, and other factors discussed in our most recent quarterly or annual report filed with the Securities and Exchange Commission. In addition, the forward-looking statements included in this presentation represent the Company’s views as of the date of this document. While the Company anticipates that subsequent events and developments will cause the Company’s views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company’s views as of any later date.

Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures that are not in accordance with, nor an alternative to, generally accepted accounting principles and may be different from such non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Management uses non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the underlying baseline operating results and trends in the Company's business.

With respect to forwarding looking measures, we provide an outlook for our non-GAAP operating margins and earnings. We do not provide operating margin or earnings outlook on a GAAP basis. Many of the items that we exclude from our Non-GAAP operating margin and earnings calculations, such as amortization of intangibles, acquisition related costs, restructuring expenses, and one-time tax adjustments, are less capable of being controlled or reliably predicted by management. These items could cause our GAAP operating margins and earnings to vary materially from the corresponding Non-GAAP figures presented in our outlook statements.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on our reported results and, therefore, should not be relied upon as the sole financial measures to evaluate our financial results. The non-GAAP financial measures are meant to supplement, and to be viewed in conjunction with, GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures can be found in the appendix to this presentation and our Second Quarter FY2018 press release issued March 5, 2018 available at our website <http://investor.analogic.com>.

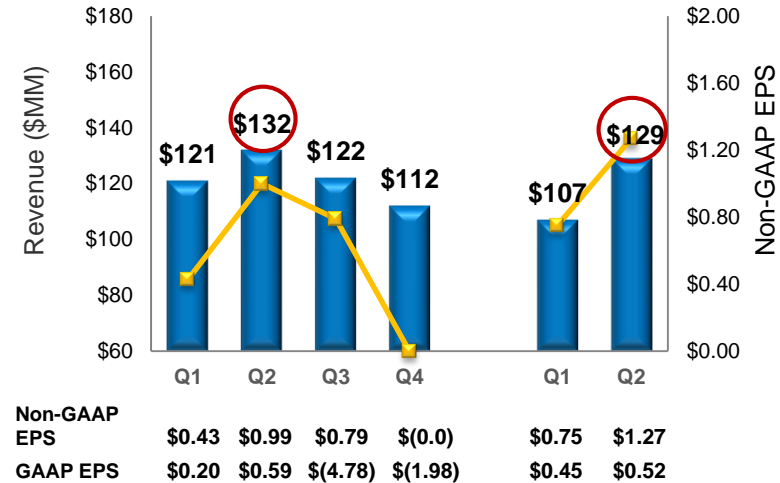
Q2 FY18 Business Summary

- **Q2 performance improvements evident in Ultrasound, Security and Motion Controls**
- **Ultrasound enhancement driven by increased sales in North America and Europe**
- **Security revenue driven by improved high-speed check bag system shipments**
- **Medical Imaging revenue challenges persist**
- **Sale process proceeding; No comment on guidance at this time**

Q2 FY18 Financial Highlights

- Revenue \$129M, down 2% but better than expected
- GAAP Gross Margin 44%, flat vs. Q2 FY17
- GAAP Operating Margin 12%, Non-GAAP* Operating Margin 15%
- GAAP EPS \$0.52, down \$0.07
- Non-GAAP* EPS \$1.27, up \$0.28
- Operating cash flow of \$21 million

Revenue and Non-GAAP* EPS



* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q2 FY 2018 earnings release available at <http://investor.analogic.com>.

Q2 FY18 Financial Results

(In millions, except per share data)

	GAAP		Non-GAAP	
	Three months ended January 31 Q2 FY18	Three months ended January 31 Q2 FY17	Three months ended January 31 Q2 FY18	Three months ended January 31 Q2 FY17
Products	\$ 126.7	\$ 130.3	\$ 126.8	\$ 130.5
Engineering	2.5	1.2	2.5	1.2
Total Revenue	\$ 129.2	\$ 131.5	\$ 129.3	\$ 131.7
Gross Profit	56.9	57.7	57.5	58.7
Gross Margin	44.0%	43.9%	44.5%	44.6%
Research & Development	15.6	16.2	15.1	15.6
Selling & Marketing	13.2	17.4	12.1	15.7
General & Administrative	12.1	4.0	10.9	10.7
Restructuring	0.2	0.3	-	-
Asset Impairment Charges	-	10.4	-	-
Operating Expenses	41.1	48.2	38.2	42.0
Op Ex % of Revenue	31.8%	36.7%	29.5%	31.9%
Operating Income	15.7	9.5	19.4	16.7
Operating Margin	12.2%	7.2%	15.0%	12.7%
Other Income (Expense)	0.9	0.0	0.9	0.0
Income Before Taxes	16.7	9.5	20.3	16.7
Income Tax Provision	10.1	2.0	4.4	4.1
Effective tax rate	60.7%	20.8%	21.4%	24.7%
Net Income	\$ 6.5	\$ 7.5	\$ 16.0	\$ 12.6
Diluted EPS	\$ 0.52	\$ 0.59	\$ 1.27	\$ 0.99

- GAAP Gross Margin up 0.2pts on segment/product mix.
- GAAP Operating Expenses decreased \$7.1M:
 - R&D down \$0.6M on headcount related savings
 - Sales & Marketing down \$4.2M on headcount and T&E savings
 - G&A up \$8.1M on prior year contingent consideration adjustments
- Non-GAAP Operating Expenses decreased \$3.9M
- Non-GAAP Income tax rate is down 5.2 pts. compared to Q2'17 on geographic mix of earnings.

* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q2 FY 2018 earnings release available at <http://investor.analogic.com>.

(Amounts and percentages may not foot due to rounding to millions)

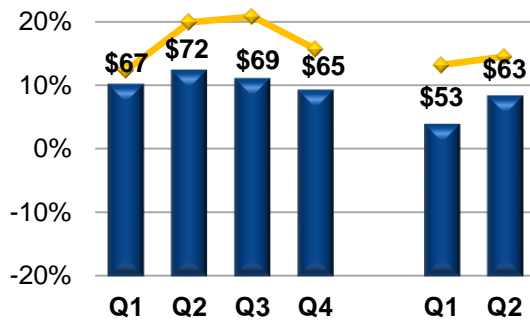
Operating Performance by Segment

Revenue \$M and Non-GAAP* Operating Margin Trend

Medical Imaging

FY17

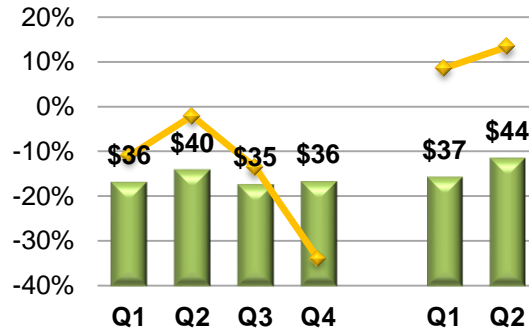
FY18



Ultrasound

FY17

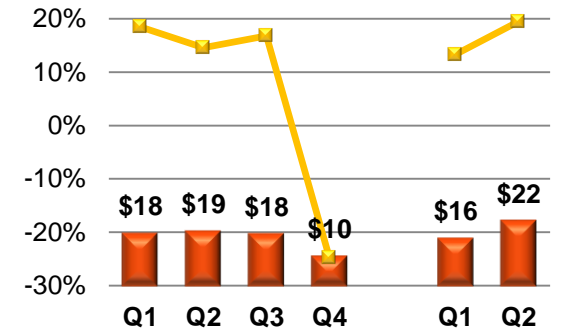
FY18



Security & Detection

FY17

FY18



	Q1	Q2	Q3	Q4	Q1	Q2
Non-GAAP OM	12%	20%	21%	16%	13%	15%
GAAP OM	10%	17%	18%	10%	9%	12%

— Non-GAAP Operating Margin*

- **Medical Imaging** revenue down 12% in the quarter – CT down 31%, MR down 13%; offset by favorability in Motion up 48% and Mammography is flat.
- **Ultrasound** revenue up 8%, continued growth in North America, Europe and Asia/China partially offset by discontinued Oncura product sales
- **Security & Detection** revenue up 18% on increases in high speed, Checkpoint and Rapid DNA payment

* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q2FY 2018 earnings release available at <http://investor.analogic.com>.

Six Months FY18 Financial Results

(In millions, except per share data)

	GAAP		Non-GAAP	
	Six months ended January 31 FY18	January 31 FY17	Six months ended January 31 FY18	January 31 FY17
Products	\$ 232.4	\$ 250.6	\$ 232.7	\$ 250.9
Engineering	3.6	2.1	3.6	2.1
Total Revenue	\$ 236.0	\$ 252.7	\$ 236.3	\$ 252.9
Gross Profit	104.6	109.3	106.0	111.3
Gross Margin	44.3%	43.3%	44.8%	44.0%
Research & Development	30.6	32.1	29.7	31.1
Selling & Marketing	25.6	35.5	23.5	32.2
General & Administrative	24.0	17.6	21.0	23.5
Restructuring	0.7	0.3	-	-
Asset Impairment Charges	-	10.4	-	-
Operating Expenses	81.0	95.9	74.2	86.9
Op Ex % of Revenue	34.3%	38.0%	31.4%	34.3%
Operating Income	23.6	13.4	31.8	24.5
Operating Margin	10.0%	5.3%	13.5%	9.7%
Other Income (Expense)	1.2	(0.4)	1.2	(0.4)
Income Before Taxes	24.8	13.0	33.0	24.0
Income Tax Provision	12.6	2.9	7.7	6.1
Effective tax rate	50.8%	22.7%	23.4%	25.3%
Net Income	\$ 12.2	\$ 10.0	\$ 25.3	\$ 18.0
Diluted EPS	\$ 0.97	\$ 0.79	\$ 2.01	\$ 1.41

- GAAP Gross Margin up 1.1pts on segment/product mix and cost down efforts.
- GAAP Operating Expenses decreased \$14.9M:
 - R&D down \$1.4M on headcount related savings
 - Sales & Marketing down \$9.9M on headcount and T&E savings
 - G&A up \$6.4 on prior year contingent consideration adjustments higher legal fees and AIP
- Non-GAAP Operating Expenses decreased \$12.7M
- Non-GAAP Income tax rate is down 1.9 pts. compared to Q2'17 due to impacts from the tax reform and geographic mix of earnings.

* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q2 FY 2018 earnings release available at <http://investor.analogic.com>.

(Amounts and percentages may not foot due to rounding to millions)

Working Capital and Cash Flow

(Unaudited - in millions)

	Q2 FY18	Q1 FY18	Q2 FY17
Cash and Cash Equivalents	\$ 101.9	\$ 96.8	\$ 153.0
Accounts receivable	\$ 84.6	\$ 73.1	\$ 91.6
Inventories	127.4	131.3	143.8
Total Investments	100.4	86.1	-
Other Working Capital, Net	(53.6)	(50.1)	(57.7)
Non-Cash Working Capital	\$ 258.8	\$ 240.4	\$ 177.7
Net Working Capital	\$ 360.6	\$ 337.2	\$ 330.7
Cash and Cash Equivalents	\$ 101.9	\$ 96.8	\$ 153.0
Short Term Investments	63.8	50.6	-
Long Term Investments	36.6	35.5	-
Cash and Investments	\$ 202.3	\$ 182.9	\$ 153.0

Cash Flow

(Unaudited - in millions)

	Q2 FY18	Q1 FY18	Q2 FY17
Operating Cash Flow from operations	\$ 21.4	\$ 14.2	\$ 14.2
Capital Spending	1.4	2.4	2.5
Free cash flow*	20.0	11.8	11.8
Stock repurchased and dividends paid	\$ 1.2	\$ 2.2	\$ 1.3
Cash flow after stock repurchase and dividends	18.8	9.6	10.5

- **Operating cash flow** of \$21M, **Cap Ex** at \$1M resulting in **Free cash** flow of \$20M
- **Cash and liquid investments** of \$202M
- **Accounts receivables** up sequentially on higher revenues
- **Inventory** down sequentially

*Free cash flow is defined as operating cash flow minus capital expenditures

(Amounts may not foot due to rounding to millions)

Thank You

Appendix

Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
GAAP Income From Operations	\$ 15,743	\$ 9,450	\$ 23,618	\$ 13,408
Share-based compensation expense	1,898	2,597	3,881	4,160
Acquisition-related revenues and expenses	1,461	(6,065)	2,923	(3,853)
Non-routine other legal costs	77	12	654	15
Restructuring	197	267	731	299
Asset impairment charges	-	10,423	-	10,423
Non-GAAP Income From Operations	<u>\$ 19,376</u>	<u>\$ 16,684</u>	<u>\$ 31,807</u>	<u>\$ 24,452</u>
Percentage of Total Net Revenue	15.0%	12.7%	13.5%	9.7%
GAAP Other Income (Expense), net	\$ 939	\$ 28	\$ 1,175	\$ (414)
Acquisition-related revenues and expenses	1	-	1	-
Non-GAAP Other Income (Expense), net	<u>\$ 940</u>	<u>\$ 28</u>	<u>\$ 1,176</u>	<u>\$ (414)</u>
Percentage of Total Net Revenue	0.7%	0.0%	0.5%	-0.2%
GAAP Tax Provision	\$ 10,133	\$ 1,968	\$ 12,586	\$ 2,948
GAAP Tax Rate	60.7%	20.8%	50.8%	22.7%
Non-GAAP Tax Provision	4,355	4,123	\$ 7,704	\$ 6,074
Non-GAAP Tax Rate	21.4%	24.7%	23.4%	25.3%
GAAP Net Income	\$ 6,549	\$ 7,510	\$ 12,207	\$ 10,046
Share-based compensation expense	1,493	1,791	3,377	2,857
Acquisition-related revenues and expenses	1,264	(3,500)	2,378	(1,748)
Non-routine other legal costs	101	8	466	10
Restructuring	159	169	517	189
Asset impairment charges	(15)	-	13	-
Valuation Allowance Tax Effect	(72)	-	(161)	-
Transition Tax Impact	6,482	6,610	6,482	6,610
Non-GAAP Net Income	<u>\$ 15,961</u>	<u>\$ 12,588</u>	<u>\$ 25,279</u>	<u>\$ 17,964</u>
Percentage of Total Net Revenue	12.4%	9.6%	10.7%	7.1%
GAAP Diluted EPS	\$ 0.52	\$ 0.59	\$ 0.97	\$ 0.79
Effect of non-GAAP adjustments	\$ 0.75	\$ 0.40	1.04	0.62
Non-GAAP Diluted EPS	<u>\$ 1.27</u>	<u>\$ 0.99</u>	<u>\$ 2.01</u>	<u>\$ 1.41</u>

(Amounts may not foot due to rounding to millions)

Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	31-Oct-16	31-Jan-17	30-Apr-17	31-Jul-17	31-Oct-17	31-Jan-18
GAAP Income (Loss) From Operations	\$ 3,953	\$ 9,450	\$ (64,603)	\$ (15,565)	\$ 7,874	\$ 15,743
Share-based compensation expense	1,563	2,597	2,195	3,076	1,984	1,898
Non-routine other legal costs	4	12	8	251	577	77
Restructuring	32	267	2,080	4,787	535	197
Acquisition-related revenues and expenses	2,212	(6,065)	(23)	1,668	1,462	1,461
Asset impairment charges	-	10,423	73,051	1,036	-	-
Non-GAAP Income (Loss) From Operations	\$ 7,764	\$ 16,684	\$ 12,708	\$ (4,748)	\$ 12,432	\$ 19,376
GAAP Operating Margin	3.3%	7.2%	-52.9%	-14.0%	7.4%	12.2%
Effect of non-GAAP adjustments	3.1%	5.5%	63.3%	9.7%	4.2%	2.8%
Non-GAAP Operating Margin	6.4%	12.7%	10.4%	-4.2%	11.6%	15.0%
GAAP Other Income (Expense), net	\$ (442)	\$ 28	\$ 57	\$ 854	\$ 238	\$ 939
Acquisition related loss	-	-	-	-	-	1
Non-GAAP Other Income (Expense), net	\$ (442)	\$ 28	\$ 57	\$ 854	\$ 238	\$ 940
Percentage of Total Net Revenue	0%	0%	0%	1%	0%	1%
GAAP Net Income (Loss)	\$ 2,531	\$ 7,510	\$ (59,664)	\$ (24,619)	\$ 5,659	\$ 6,549
Share-based compensation expense	1,066	1,791	1,453	2,111	1,885	1,493
Non-routine other legal costs	2	8	433	159	365	101
Restructuring	21	169	1,367	3,219	358	159
Acquisition related revenues, expenses and loss	1,752	(3,500)	338	1,307	1,114	1,264
Asset impairment charges	-	6,610	66,035	657	28	(15)
Valuation Allowance Tax Effect	-	-	-	17,184	(89)	(72)
Transition Tax Impact	-	-	-	-	-	6,482
Non-GAAP Net Income	\$ 5,372	\$ 12,588	\$ 9,962	\$ 18	\$ 9,498	\$ 15,961
Percentage of Total Net Revenue	4%	10%	8%	0%	9%	12%
GAAP Diluted EPS	\$ 0.20	\$ 0.59	\$ (4.78)	\$ (1.98)	\$ 0.45	\$ 0.52
Effect of non-GAAP adjustments	0.23	0.40	5.57	1.98	0.30	0.75
Non-GAAP Diluted EPS	\$ 0.43	\$ 0.99	\$ 0.79	\$ -	\$ 0.75	\$ 1.27

(Amounts may not foot due to rounding to millions)

Non-GAAP Segment Financial Reconciliation

(in thousands, except per share data)

	Three Months Ended					
	31-Oct-16	31-Jan-17	30-Apr-17	31-Jul-17	31-Oct-17	31-Jan-18
Medical Imaging						
GAAP Income from Operations	\$ 6,722	\$ 12,339	\$ 12,223	\$ 6,668	\$ 4,848	\$ 7,375
Share-based compensation expense	889	1,424	1,255	1,789	1,061	1,041
Non-routine other legal costs	-	-	-	-	311	42
Restructuring	20	85	238	1,059	67	(4)
Acquisition related expenses	733	733	733	733	733	733
Non-GAAP Income From Operations	\$ 8,363	\$ 14,581	\$ 14,448	\$ 10,249	\$ 7,020	\$ 9,187
Percentage of Total Net Revenue	12%	20%	21%	16%	13%	14%
Ultrasound						
GAAP Income (Loss) from Operations	\$ (5,807)	\$ (4,568)	\$ (79,354)	\$ (18,151)	\$ 1,288	\$ 4,349
Share-based compensation expense	415	745	549	746	586	541
Non-routine other legal costs	4	12	8	251	173	23
Restructuring	6	172	1,758	3,572	448	202
Acquisition related revenues and expenses	1,428	(6,815)	(756)	934	729	728
Asset impairment charges	-	9,811	73,051	236	-	-
Non-GAAP Income (Loss) From Operations	\$ (3,954)	\$ (643)	\$ (4,743)	\$ (12,411)	\$ 3,225	\$ 5,843
Percentage of Total Net Revenue	-11%	-2%	-14%	-35%	9%	13%
Security & Detection						
GAAP Income (Loss) from Operations	\$ 3,038	\$ 1,679	\$ 2,528	\$ (4,083)	\$ 1,737	\$ 4,019
Share-based compensation expense	259	428	391	540	336	316
Non-routine other legal costs	-	-	-	-	92	12
Restructuring	6	10	84	156	20	(1)
Acquisition related expenses	52	17	-	-	-	-
Asset impairment charges	-	612	-	800	-	-
Non-GAAP Income (Loss) From Operations	\$ 3,355	\$ 2,746	\$ 3,003	\$ (2,587)	\$ 2,185	\$ 4,346
Percentage of Total Net Revenue	18%	15%	17%	-25%	13%	19%
Analogic						
GAAP Income (Loss) from Operations	\$ 3,953	\$ 9,450	\$ (64,603)	\$ (15,565)	\$ 7,873	\$ 15,743
Share-based compensation expense	1,563	2,597	2,195	3,076	1,984	1,899
Non-routine other legal costs	4	12	8	251	577	77
Restructuring	32	267	2,080	4,787	535	197
Acquisition related gains and expenses	2,212	(6,065)	(23)	1,667	1,462	1,461
Asset impairment charges	-	10,423	73,051	1,036	-	-
Non-GAAP Income (Loss) From Operations	\$ 7,764	\$ 16,684	\$ 12,708	\$ (4,748)	\$ 12,430	\$ 19,377
Percentage of Total Net Revenue	6%	13%	10%	-4%	12%	15%

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