

Financial Outlook

Scott B. Ullem
Chief Financial Officer



Key Financial Messages

Exceptional Revenue Growth

- > 2x peer average growth rate
- Durable leadership positions in new and growing therapies
- Successful R&D investments in therapies that benefit patients

Strong Profitability

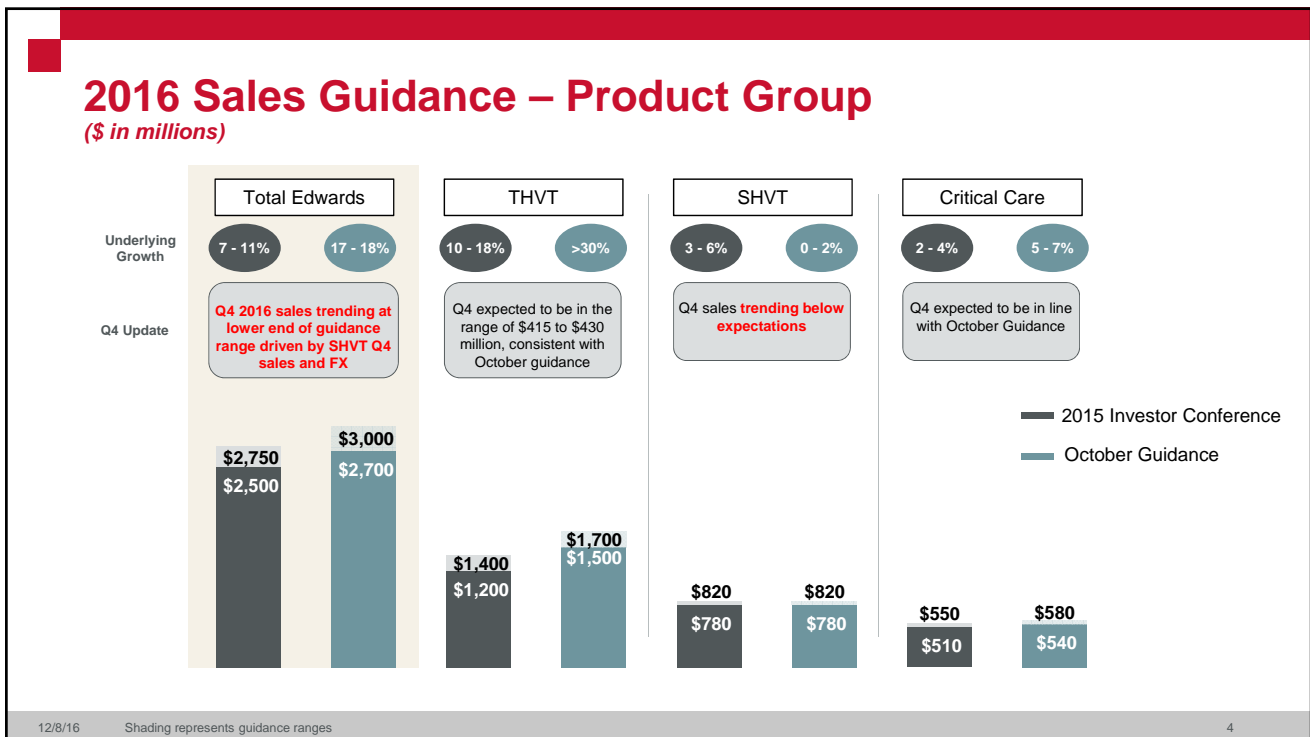
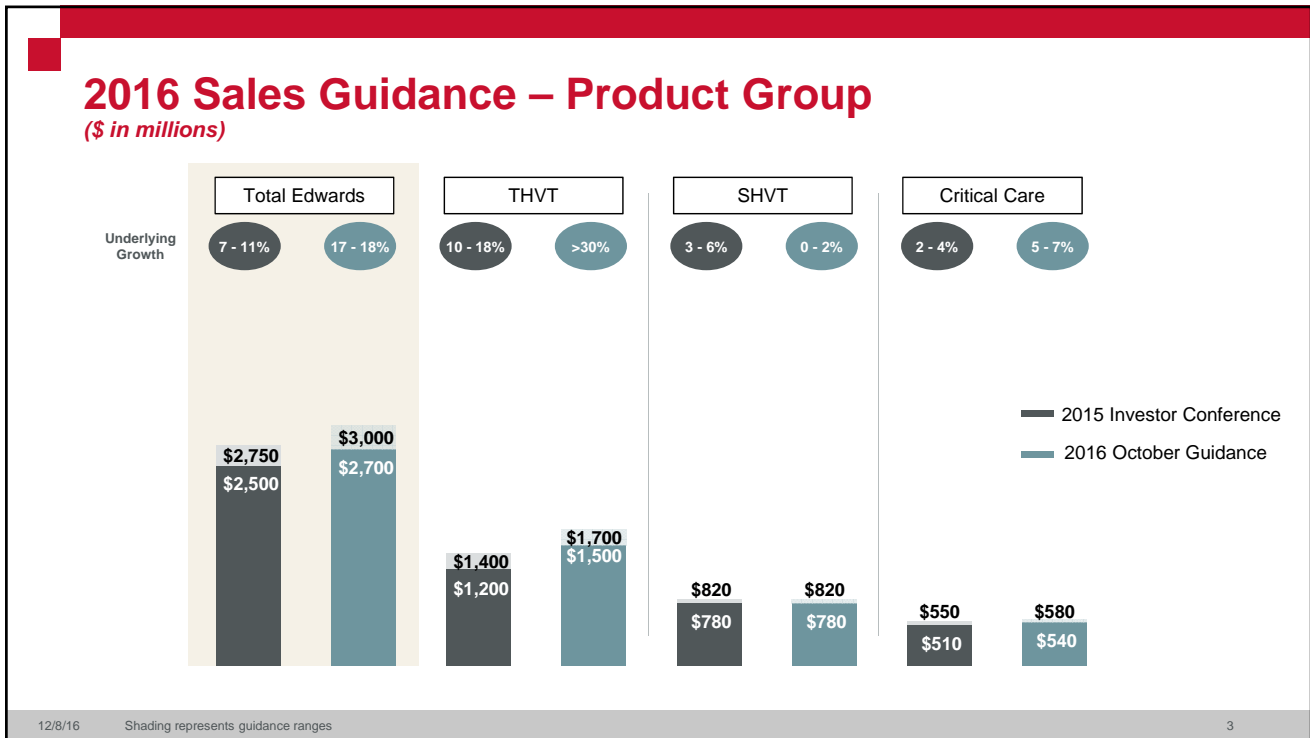
- Maintaining mid-70% gross margin while investing in capacity
- Disciplined SG&A expense management
- Aggressive investments in high potential R&D

Robust Cash Flow and Disciplined Capital Deployment

- Successful share repurchase strategy
- Cash flow sufficient to fund strategic acquisitions
- Balance sheet flexibility

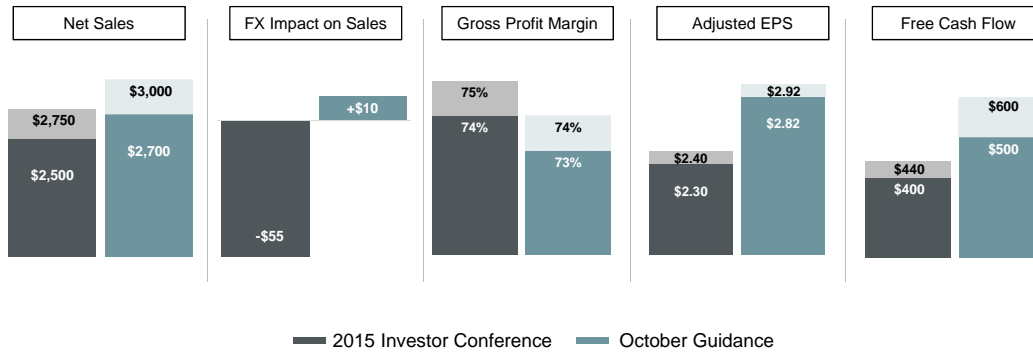
Long-term Shareholder Returns

- Stock price up ~20x since spinoff in 2000
- Pay for performance plan aligns management incentives with investors
- Tenured management team and consistent strategy



2016 Exceeding Original Expectations

(\$ in millions, except earnings per share data, excludes special items)



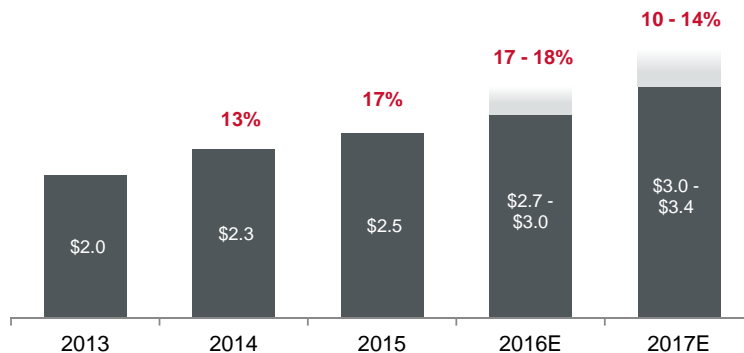
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Shading represents guidance ranges

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Expect Strong Organic Sales Growth in 2017 and Beyond

(underlying growth rates and actual \$ in billions at actual FX rates)



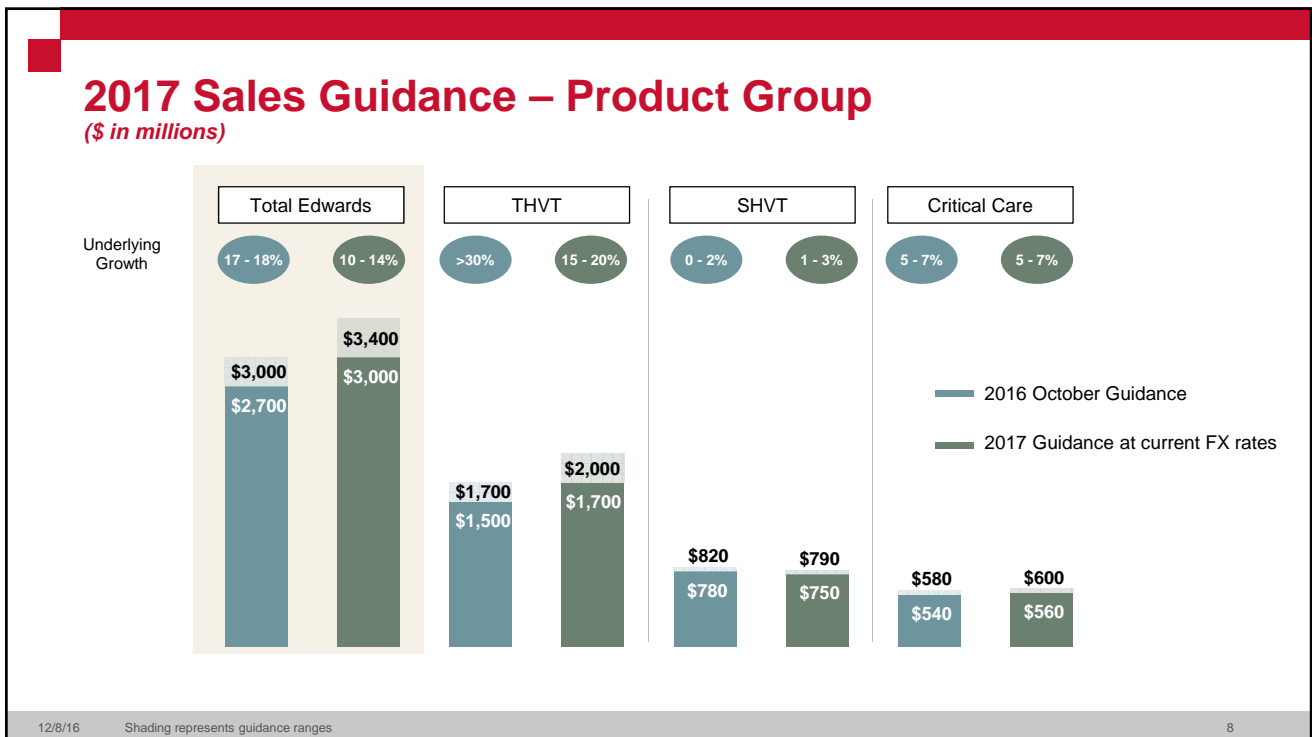
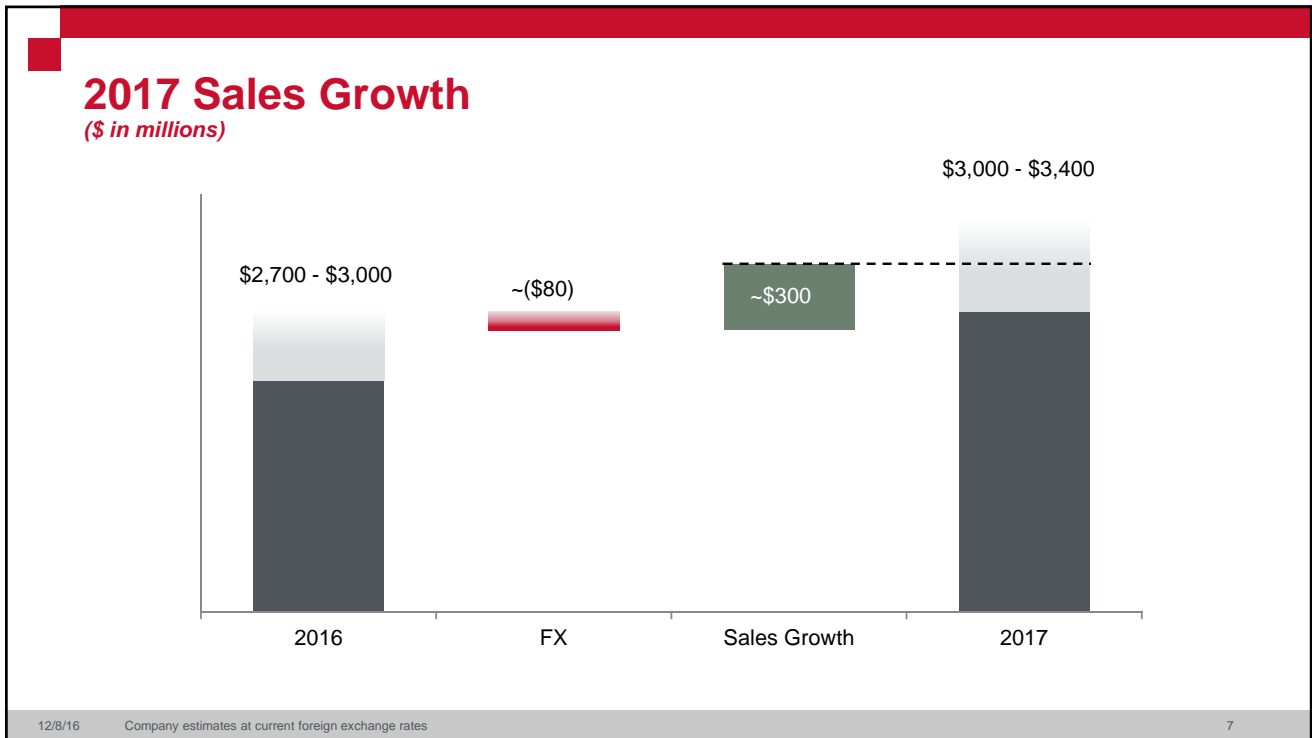
Sales growth fueled by **successful R&D investments**

Significantly higher than med tech peers

New initiatives expected to complement TAVR growth in future years

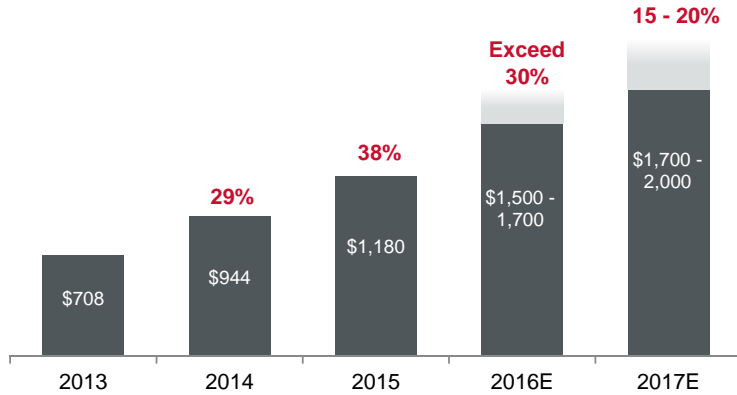
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Transcatheter Heart Valves Continuing to Grow Rapidly

(underlying growth rates, \$ in millions at actual FX rate)



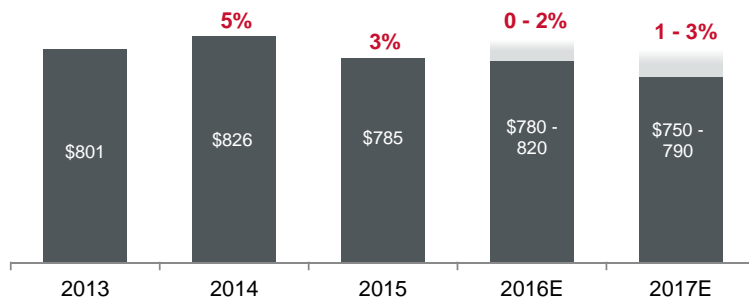
- **Primary growth drivers** are indication expansion, technology advancements and therapy awareness
- Growth rate lower as base grows
- Developing new approaches to **increase awareness**
- Initiating **groundbreaking trial** to expand therapy to treat severe asymptomatic AS patients

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Surgical Heart Valve Therapy

(underlying growth rates, \$ in millions at actual FX rates)



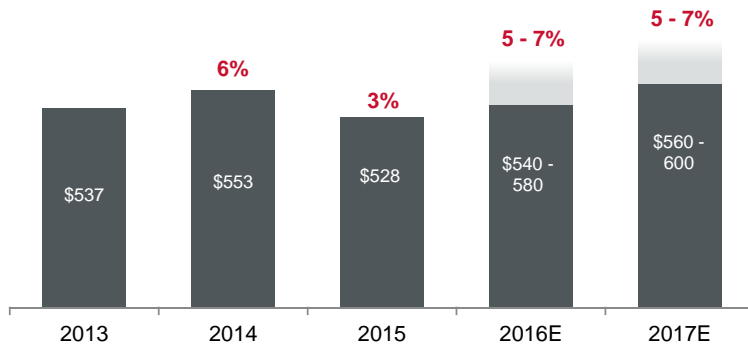
- **New technologies driving sales** growth as unit volume is tempered by TAVR
- Mitral valve **supply issues not expected to repeat** in 2017
- **Stronger growth** from regions where TAVR is less penetrated

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Critical Care

(underlying growth rates, \$ in millions at actual FX rates)



- **Sustainable growth** driven by ESR, core disposables and new monitoring products
- **Strengthening core** hemodynamic product portfolio with the launch of HemoSphere in 2017
- **Continued innovation** with a predictive analytics suite and semi-closed loop system in development

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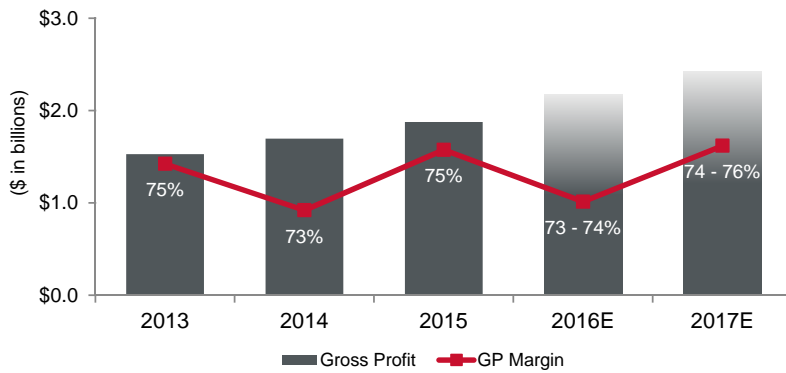
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Gross Profit Margin

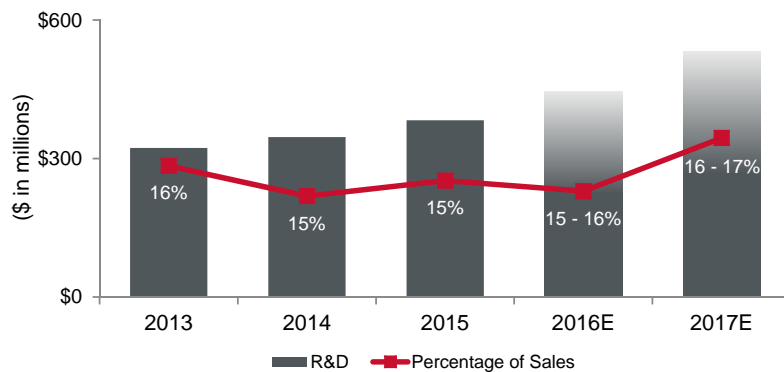


- **Relatively high** gross profit margins reflect innovative products
- **2016** gross profit margin was **negatively impacted** vs. 2015 **by FX and investments** in production and capacity
- **2017** gross margin **improvement** driven equally by product mix and FX

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Research & Development Investment

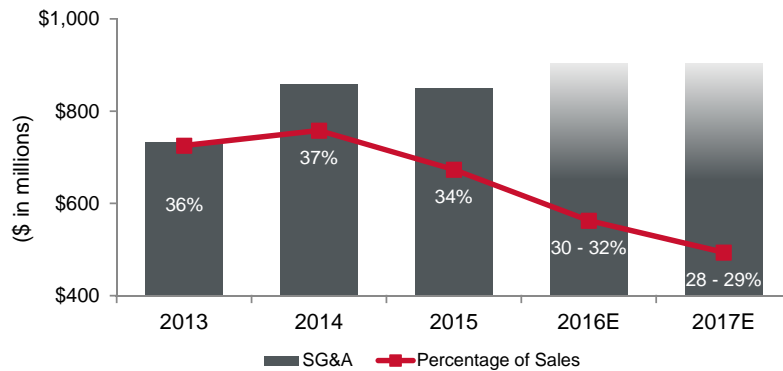


- **TAVR investment** focused on new technologies and large clinical trials to expand indications
- **2017 will be a pivotal year** of clinical experience of transcatheter mitral and tricuspid therapies

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Selling, General & Administrative Expense



- Disciplined expense controls and sales growth have resulted in **significant P&L leverage**
- Suspension of the **Medical Device Excise Tax** contributed ~1% improvement in 2016 SG&A ratio
- FX did not materially affect SG&A ratio in 2016
- **Future investments** will be required to support commercialization of new structural heart products

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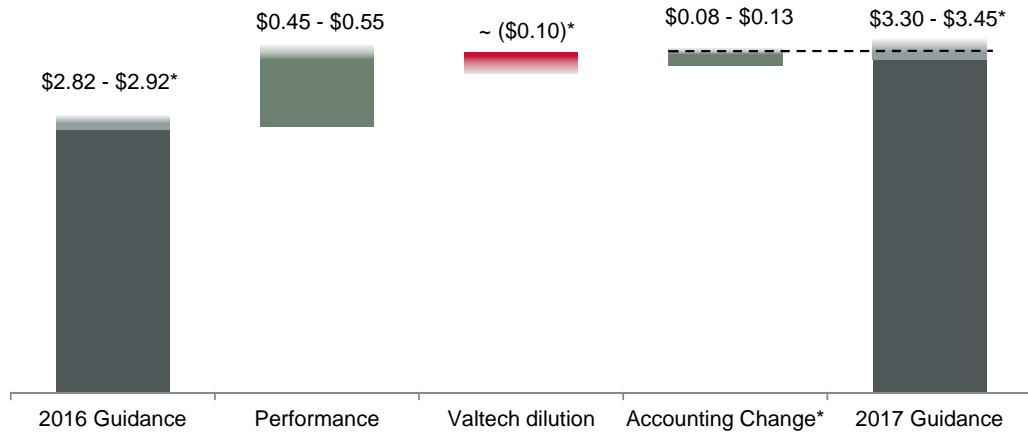
Accounting for Stock-Based Compensation

- Effective January 1, 2017, the accounting for employee stock option expense will change (ASU 2016 - 09)
- Expecting a positive impact on Edwards' financial results in 2017:
 - ~200 basis point reduction in estimated tax rate with corresponding increases in reported net income and EPS
 - Increase of ~\$25 in calculation of Free Cash Flow
 - Increase in calculation of shares outstanding (estimated 1.5 million additional shares)
- Edwards financial guidance includes the forecasted impact of the new accounting standard
- This accounting benefit will fluctuate up and down in each reporting period, making period comparisons less consistent. We intend to highlight the impact each period.
- Full 2015 – 2016 reconciliation at edwards.com

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Performance Drives Growth in Adjusted EPS



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*Net of share repurchase; actual impact will be driven by employee option exercises and Edwards stock price. 2016 would be ~\$0.25 higher had Edwards adopted to accounting change on 1/1/16

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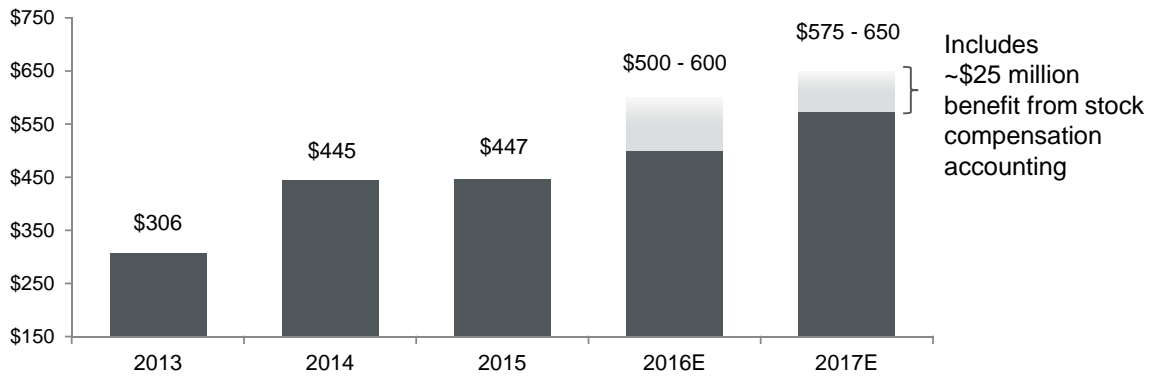
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Robust Free Cash Flow

(\$ in millions; Operating Cash Flow minus Capital Expenditures)



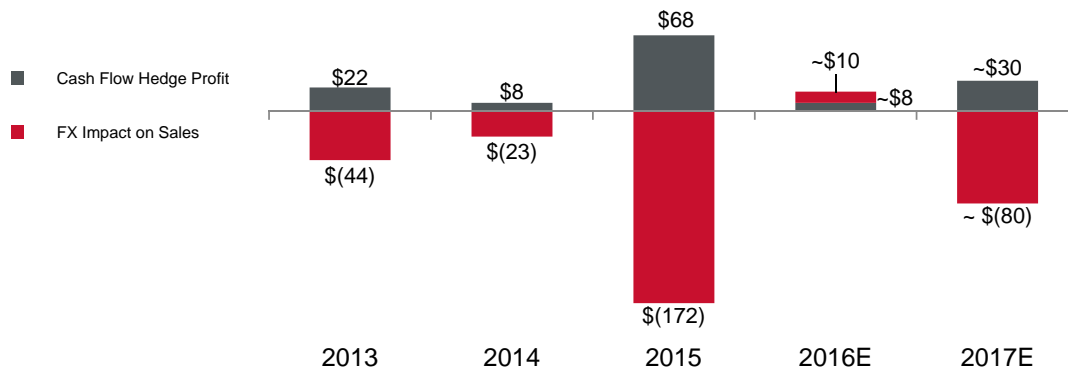
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Excludes special items

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Annual Impact of Strengthening US\$

(\$ in millions; assumes current FX rates)



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Disciplined Capital Allocation Priorities

- Fund strategic external investments:
 - Selective acquisitions, likely smaller in size
 - Minority investments and options
 - Intellectual property
- Capital expenditures to support growth
- Share repurchase is the preferred method for returning capital to investors

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Valtech Cardio Financial Overview

- \$340 million deliverable at closing (expected early-2017)
 - ~\$300 million stock
 - ~\$40 million cash
- Intending to repurchase shares to offset dilution
 - Share repurchase offsets dilution from new issuance
 - Net new interest expense = \$0.01 per share
- 2017 financial impact
 - \$10-15 million sales potential
 - Adjusted EPS impact, net of share repurchase: ~\$(0.10)
- Future milestones
 - Based on regulatory approvals and sales
 - First potential milestone payment: \$50 million in 2017-2018
 - \$350 million total potential liability will be re-assessed periodically and changes reflected in Balance Sheet and Income Statement

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\$1 Billion Additional Share Repurchase Authorization

- Current \$750 million share repurchase authorization granted July 2014
 - Approximately \$275 million remaining
 - \$400 million repurchases completed year to date
- Share Repurchase Strategy
 - Offset dilution from employee stock awards and 2017 accounting change
 - Offset dilution from Valtech acquisition
 - Execute opportunistic repurchases to reduce net shares outstanding
- Commitment to returning capital to shareholders
 - Approximately \$1 billion in share repurchases 2014-2016YTD
 - Expect ongoing share repurchases in 2017 and beyond

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Longer-Term Financial Expectations

Sales	<ul style="list-style-type: none"> • Our long-term strategic plan projects organic underlying sales growth at a substantially higher rate than industry average • Organic innovation may produce variable quarterly growth rates
Gross Margin	<ul style="list-style-type: none"> • Modest margin expansion due to improving mix, partially offset by continuing investments in capacity and new products
Research & Development	<ul style="list-style-type: none"> • Significant investments in clinical trials to expand indications and develop new technologies
Selling, General & Administrative Expense	<ul style="list-style-type: none"> • Disciplined focus on leveraging our scale and controlling growth in SG&A • Additional investments to support new product introduction
Tax rate	<ul style="list-style-type: none"> • Less predictability due to stock-option accounting change and potential policy changes
Shares Outstanding	<ul style="list-style-type: none"> • Net reduction over time

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Pay for Performance Compensation Program

- Long-term performance awards aligned with shareholder value creation
- Annual incentive compensation based on:
 - Financial Performance
 - Underlying sales growth (50%), net income (30%), free cash flow (20%)
 - Key Operating Drivers
 - Rigorous milestones towards strategic priorities
- Active management and oversight by Board of Directors Compensation Committee and independent outside advisors

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2017 Guidance Summary

(\$ and shares in millions except Adjusted EPS; excludes special items)

Measure	FY 2017
Reported Sales	\$3,000 - \$3,400
Underlying growth	10% - 14%
Gross margin	74% - 76%
SG&A % of Sales	28% - 29%
R&D % of Sales	16% - 17%
Interest expense	~\$10
Tax rate	23% - 24%
Adjusted EPS	\$3.30 - \$3.45
Free cash flow	\$575 - \$650
Diluted shares outstanding	216 - 218

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