

# GUIDANCE TO GROWTH

Q1 FY2016 EARNINGS CALL

DECEMBER 8, 2015

analogic 

# 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 Financials

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.

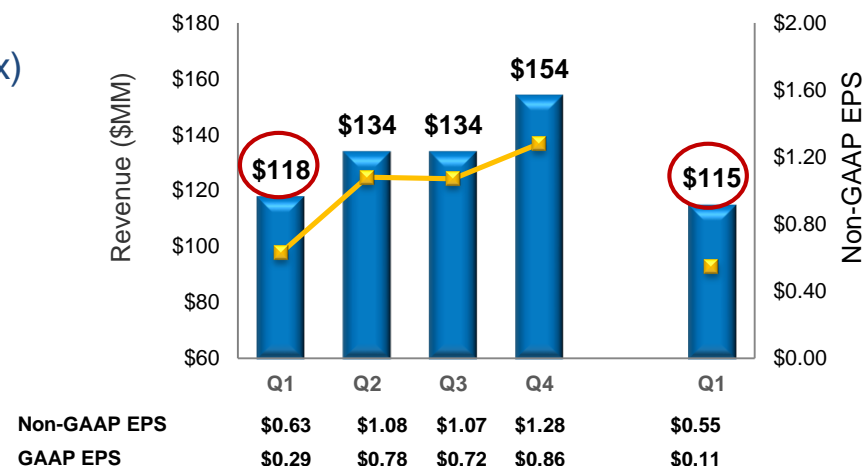
Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on our reported results and, therefore, should not be relied 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 First Quarter FY2016 press release issued December 8, 2015 available at our website <http://investor.analogic.com>.

# Q1'16 Highlights

## Financial Highlights (Q1'16 vs. prior year)

- Revenue \$115MM, down 3% (down 2% constant f/x)
- Gross Margin 44%, flat (impacted by 1 pt. on f/x)
- GAAP Operating Margin 2%, down 2 pts.
- Non-GAAP Operating Margin 8%, down 1 pt.
- GAAP EPS \$0.11, down \$0.18 (includes \$3.3M restructuring or \$0.26 per share pre-tax)
- Non-GAAP EPS \$0.55, down \$0.08

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 Q1 FY 2016 earnings release available at <http://investor.analogic.com>.

# Q1'16 Segment Highlights

## Medical Imaging, revenue down 3% year on year

- CT & MR softness on timing of shipments in the quarter
- Solid growth in private label CT shipments in China
- Mammography double digit growth driven by new Chinese customers



Private label CT

## Ultrasound, revenue declines 3% in the quarter (flat on constant currency)

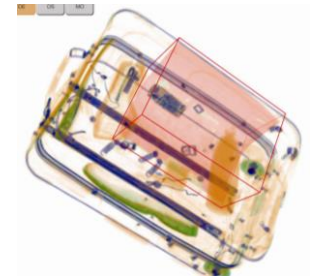
- Launched and started selling bk5000 into Surgery, introduced bk3500 into POC
- Emerging markets up, seasonality in North America, Europe down on f/x
- Legacy OEM Probes were down due to faster than anticipated reduction in demand
- Technology partnership beginning to see product revenue, major launch at RSNA
- Sonic Window now in clinical testing with leading dialysis players



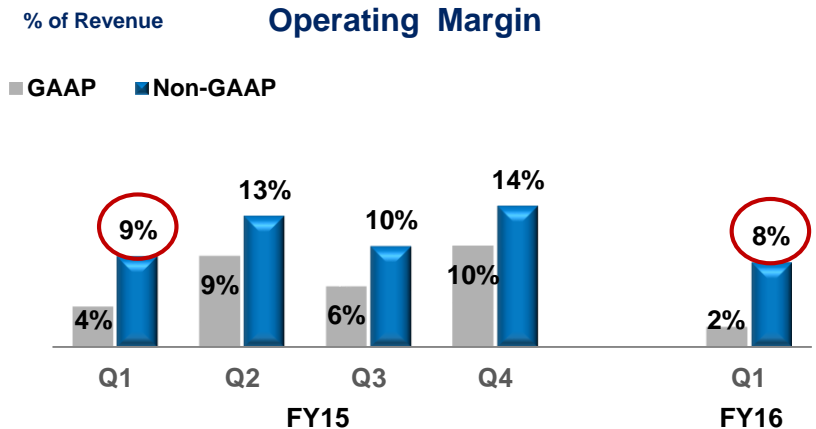
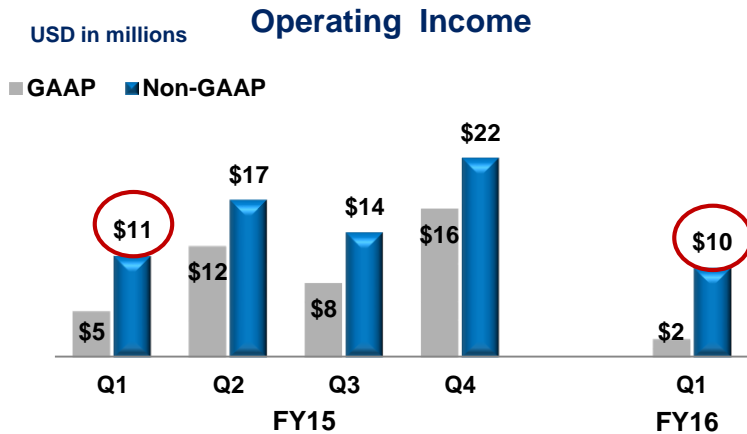
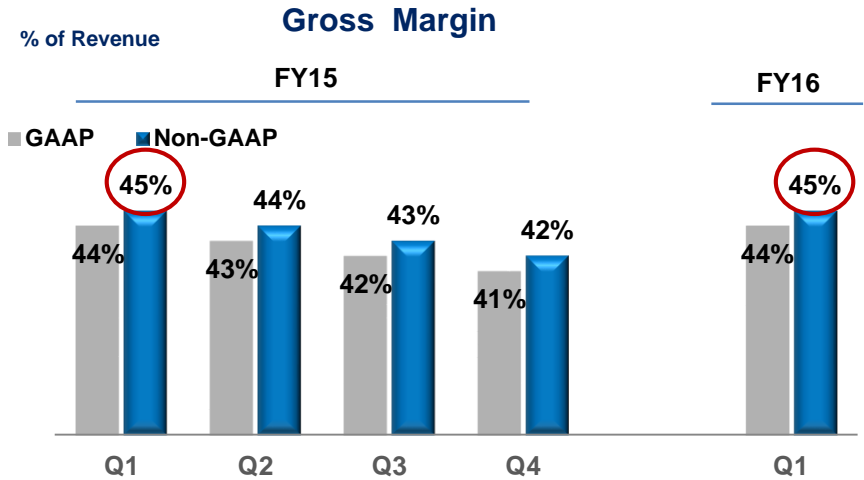
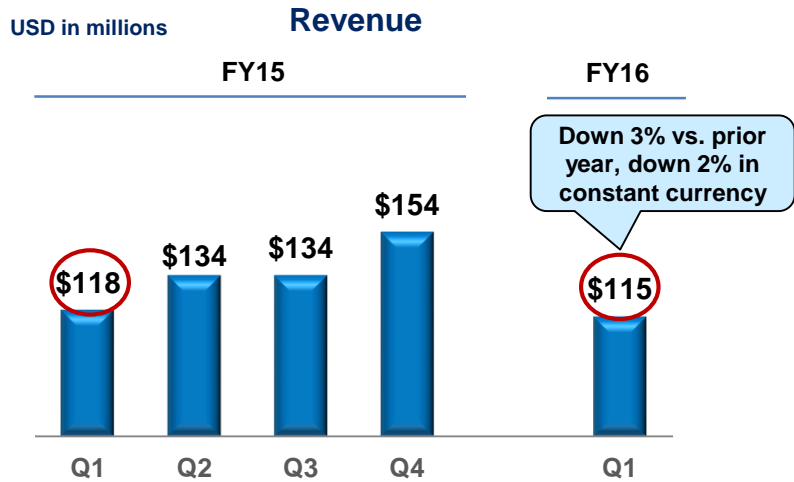
bk5000™

## Security and Detection, down 3% compared to prior year

- Medium speed shipments slowed in the quarter
- Continued demand in high speed
- Rapid DNA payment delays impacted revenue recognition



# Quarterly Performance



\* 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 Q1 FY 2016 earnings release available at <http://investor.analogic.com>.

# Q1'16 Financial Results

	GAAP		Non-GAAP	
	Three months ended October 31		Three months ended October 31	
	Q1 FY16	Q1 FY15	Q1 FY16	Q1 FY15
Products	\$ 114.1	\$ 116.9	\$ 114.2	\$ 117.0
Engineering	0.8	1.4	0.8	1.4
<b>Total Revenue</b>	<b>\$ 114.9</b>	<b>\$ 118.3</b>	<b>\$ 115.0</b>	<b>\$ 118.4</b>
<b>Gross Profit</b>	<b>50.9</b>	<b>52.0</b>	<b>52.0</b>	<b>53.1</b>
<b>Gross Margin</b>	<b>44%</b>	<b>44%</b>	<b>45%</b>	<b>45%</b>
<b>Operating Expenses</b>	<b>49.0</b>	<b>47.0</b>	<b>42.2</b>	<b>42.5</b>
<b>Op Ex % of Revenue</b>	<b>43%</b>	<b>40%</b>	<b>37%</b>	<b>36%</b>
<b>Operating Income</b>	<b>2.0</b>	<b>5.0</b>	<b>9.8</b>	<b>10.6</b>
<b>Operating Margin</b>	<b>2%</b>	<b>4%</b>	<b>9%</b>	<b>9%</b>
Other Income (Expense)	(0.5)	0.1	(0.5)	0.1
<b>Income Before Taxes</b>	<b>1.5</b>	<b>5.1</b>	<b>9.3</b>	<b>10.7</b>
Income Tax Provision (Benefit)	0.2	1.4	2.3	2.8
<b>Effective tax rate</b>	<b>10%</b>	<b>28%</b>	<b>25%</b>	<b>26%</b>
<b>Net Income</b>	<b>\$ 1.4</b>	<b>\$ 3.7</b>	<b>\$ 7.0</b>	<b>\$ 7.9</b>
<b>Diluted EPS</b>	<b>\$ 0.11</b>	<b>\$ 0.29</b>	<b>\$ 0.55</b>	<b>\$ 0.63</b>

Revenue decreased 3%, down 2% in constant currency

Gross Margin flat. (f/x impact on Q1 approximately 1 pt.)

Q1 16 GAAP Operating Expense includes \$3.3M of restructuring \$10M restructuring for the year \$4M in FY16 savings \$11M in FY17 savings

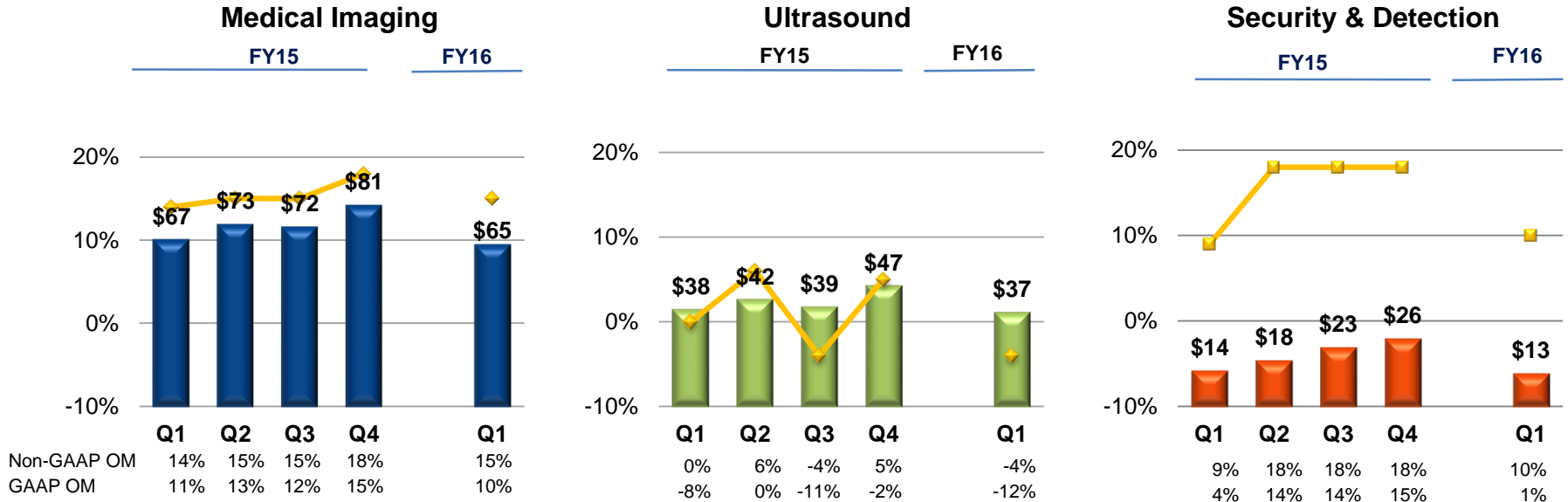
Q1 16 GAAP effective tax rate affected by geographic mix and discrete items.

\* 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 Q1 FY 2016 earnings release available at <http://investor.analogic.com>.



# Operating Performance by Segment

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



— Non-GAAP Operating Margin\*

- **Medical Imaging** revenue down 3% due to softness in CT and MR offset by an increase in Mammography; non-GAAP operating margin up 1 pt. as compared to Q1 '15.
- **Ultrasound** revenue down 3% (flat on f/x) due to seasonal decline in North America, Europe f/x and OEM probes partially offset by growth in emerging markets; non-GAAP operating margin was down 4pts. due to customer mix and unfavorable f/x.
- **Security & Detection** revenue decreased 3% from Q1 '15 on payment delays; non-GAAP operating margin improved 1% on product mix.

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# Working Capital and Cash Flow

(Unaudited - in millions)

	Q1 FY16	Q4 FY15	Q1 FY15
<b>Cash and Investments</b>	\$ 130.5	\$ 123.8	116.4
Accounts receivable	93.8	119.3	86.0
Inventories	144.6	132.7	136.6
Other Working Capital, Net	(42.9)	(51.0)	(51.1)
<b>Non-Cash Working Capital</b>	<b>195.6</b>	<b>201.0</b>	<b>171.4</b>
<b>Net Working Capital</b>	<b>\$ 326.1</b>	<b>\$ 324.8</b>	<b>287.8</b>

## Cash Flow

(Unaudited - in millions)

	Q1 FY16	Q4 FY15	Q1 FY15
Operating Cash Flow from operations	\$ 13.7	\$ 12.6	14.0
Capital Spending	2.8	2.8	2.7
<b>Free cash flow*</b>	<b>10.9</b>	<b>9.8</b>	<b>11.3</b>
Stock repurchased and dividends paid	4.9	4.9	5.1
<b>Cash flow after stock repurchase and dividends</b>	<b>\$ 6.0</b>	<b>\$ 5.0</b>	<b>6.2</b>

- **Accounts receivable** down sequentially on lower revenue.
- **Inventory** up sequentially due to expected increased demand in the second half to support launch of new Ultrasound products.
- **Operating cash** flow of \$14M, **Free cash** flow of \$11M

# FY16 Outlook: Continuing growth trajectory in 2<sup>nd</sup> Half

*Driven by Growth in Ultrasound System Sales*

**Medical Imaging business is stable; slower in 1H, picking up in 2H; expect overall revenue flat**

- MRI stable, CT mix shifting to higher level content private label systems in China
- Mammography outlook improving on new China customers and shift to 3D tomo

**Ultrasound solid double digit growth in direct system sales dragged by OEM probes in the year; see overall mid-single digit revenue growth**

- bk3000/5000 continuing growth in Urology and Surgery, bk3500 for POC starts in Q3
- Systems for our technology partner entering production, layering on new growth throughout the year
- Sonic Window for guided dialysis procedures, expect commercial sales layering in new growth in 2H

**Security and Detection projected flat to slightly down from strong prior year**

- Overall threat detection demand stays roughly steady at current levels
- Remain optimistic about the Rapid DNA market

***FY16 expect revenue growth in the low-single digits and our focus on costs driving continued Non-GAAP operating margin expansion of approximately 1 pt.***

# Appendix

# Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)	Three Months Ended	
	October 31, 2015	October 31, 2014
<b>GAAP Net Revenue</b>	\$ 114,948	\$ 118,316
Acquisition-related revenues	42	47
<b>Non-GAAP Net Revenue</b>	<u>\$ 114,990</u>	<u>\$ 118,363</u>
<b>GAAP Gross Profit</b>	\$ 50,939	\$ 51,999
Share-based compensation expense	162	204
Acquisition-related revenues and expenses	858	872
<b>Non-GAAP Gross Profit</b>	<u>\$ 51,959</u>	<u>\$ 53,075</u>
Percentage of Total Net Revenue	45%	45%
<b>GAAP Operating Expenses</b>	\$ 48,951	\$ 47,042
Share-based compensation expense	(2,220)	(2,387)
BK Medical distributor matter inquiry related costs	(26)	(770)
Restructuring	(3,283)	58
Acquisition-related expenses	(1,203)	(1,418)
<b>Non-GAAP Operating Expenses</b>	<u>\$ 42,219</u>	<u>\$ 42,525</u>
Percentage of Total Net Revenue	37%	36%
<b>GAAP Income From Operations</b>	\$ 1,988	\$ 4,957
Share-based compensation expense	2,382	2,591
Acquisition-related revenues and expenses	2,061	2,290
BK Medical distributor matter inquiry related costs	26	770
Restructuring	3,283	(58)
<b>Non-GAAP Income From Operations</b>	<u>\$ 9,740</u>	<u>\$ 10,550</u>
Percentage of Total Net Revenue	8%	9%
<b>GAAP Other Income (Expense), net</b>	\$ (458)	\$ 118
BK Medical distributor matter inquiry related costs	-	-
Acquisition related loss	-	-
<b>Non-GAAP Other Income (Expense), net</b>	<u>\$ (458)</u>	<u>\$ 118</u>
Percentage of Total Net Revenue	0%	0%
<b>GAAP Net Income</b>	\$ 1,376	\$ 3,654
Share-based compensation expense	1,684	1,821
Acquisition related revenues, expenses and loss	1,722	1,938
BK Medical distributor matter inquiry related costs	17	489
Restructuring	2,171	(37)
Tax benefit	-	-
<b>Non-GAAP Net Income</b>	<u>\$ 6,969</u>	<u>\$ 7,865</u>
Percentage of Total Net Revenue	6%	7%
<b>GAAP Diluted Net Income Per Share</b>	\$ 0.11	\$ 0.29
Effect of non-GAAP adjustments	0.44	0.34
<b>Non-GAAP Diluted Net Income Per Share</b>	<u>\$ 0.55</u>	<u>\$ 0.63</u>

# Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	31-Oct-14	31-Jan-15	30-Apr-15	31-Jul-15	31-Oct-15
<b>GAAP Net Revenue</b>	\$ 118,316	\$ 133,945	\$ 133,559	\$ 154,471	\$ 114,948
Acquisition-related revenues	47	47	47	47	42
<b>Non-GAAP Net Revenue</b>	\$ 118,363	\$ 133,992	\$ 133,606	\$ 154,518	\$ 114,990
<b>GAAP Gross Profit</b>	\$ 51,999	\$ 57,493	\$ 55,953	\$ 64,042	\$ 50,939
Share-based compensation expense	204	245	246	203	162
Acquisition-related revenues and expenses	871	884	889	932	858
<b>Non-GAAP Gross Profit</b>	\$ 53,074	\$ 58,622	\$ 57,089	\$ 65,177	\$ 51,959
Percentage of Total Net Revenue	45%	44%	43%	42%	45%
<b>GAAP Operating Expenses</b>	\$ 47,042	\$ 45,192	\$ 48,316	\$ 48,339	\$ 48,951
Share-based compensation expense	(2,388)	(2,179)	(3,146)	(2,326)	(2,220)
BK Medical distributor matter inquiry related costs	(770)	(376)	(258)	974	(26)
Restructuring	58	152	107	37	(3,283)
Acquisition-related expenses	(1,418)	(1,373)	(1,398)	(1,398)	(1,203)
<b>Non-GAAP Operating Expenses</b>	\$ 42,524	\$ 41,417	\$ 43,621	\$ 45,626	\$ 42,219
Percentage of Total Net Revenue	36%	31%	33%	28%	37%
<b>GAAP Income From Operations</b>	\$ 4,957	\$ 12,301	\$ 7,637	\$ 15,703	\$ 1,988
Share-based compensation expense	2,592	2,424	3,393	2,530	2,382
BK Medical distributor matter inquiry related costs	770	376	258	974	2,061
Restructuring	(58)	(152)	(107)	(37)	26
Acquisition-related revenues and expenses	2,290	2,257	2,287	2,330	3,283
<b>Non-GAAP Income From Operations</b>	\$ 10,550	\$ 17,205	\$ 13,468	\$ 21,500	\$ 9,740
Percentage of Total Net Revenue	9%	13%	10%	14%	8%
<b>GAAP Other Income (Expense), net</b>	\$ 118	\$ (169)	\$ 201	\$ 285	\$ (458)
BK Medical distributor matter inquiry related costs	-	-	-	599	-
Acquisition related loss	-	-	-	-	-
<b>Non-GAAP Other Income (Expense), net</b>	\$ 118	\$ (169)	\$ 201	\$ 884	\$ (458)
Percentage of Total Net Revenue	0%	0%	0%	1%	0%
<b>GAAP Net Income (Loss)</b>	\$ 3,654	\$ 9,830	\$ 9,124	\$ 10,873	\$ 1,376
Share-based compensation expense	1,821	1,710	2,366	1,790	1,684
BK Medical distributor matter inquiry related costs	489	239	165	1,457	1,722
Restructuring	(37)	(96)	(68)	(24)	17
Acquisition related revenues, expenses and loss	1,938	1,903	1,924	1,976	2,171
Tax benefit	-	-	-	-	-
<b>Non-GAAP Net Income</b>	\$ 7,865	\$ 13,587	\$ 13,511	\$ 16,072	\$ 6,969
Percentage of Total Net Revenue	7%	10%	10%	10%	6%
<b>GAAP Diluted Net Income (Loss) Per Share</b>	\$ 0.29	\$ 0.78	\$ 0.72	\$ 0.86	\$ 0.11
Effect of non-GAAP adjustments	0.34	0.30	0.35	0.42	0.44
<b>Non-GAAP Diluted Net Income Per Share</b>	\$ 0.63	\$ 1.08	\$ 1.07	\$ 1.28	\$ 0.55

# Non-GAAP Segment Financial Reconciliation

(in thousands, except per share data)

	Three Months Ended				
	31-Oct-14	31-Jan-15	30-Apr-15	31-Jul-15	31-Oct-15
<b>Medical Imaging</b>					
<b>GAAP Income (Loss) from Operations</b>	\$ 7,395	\$ 9,449	\$ 8,544	\$ 12,516	\$ 6,249
Share-based compensation expense	1,165	1,077	1,660	1,008	1,054
Restructuring	(29)	(94)	(66)	(23)	1,975
Acquisition related expenses	767	744	750	750	749
<b>Non-GAAP Income From Operations</b>	<b>\$ 9,298</b>	<b>\$ 11,176</b>	<b>\$ 10,889</b>	<b>\$ 14,250</b>	<b>\$ 10,027</b>
Percentage of Total Net Revenue	14%	15%	15%	18%	15%
<b>Ultrasound</b>					
<b>GAAP Income (Loss) from Operations</b>	\$ (2,992)	\$ 196	\$ (4,248)	\$ (830)	\$ (4,421)
Share-based compensation expense	765	710	913	802	744
BK Medical distributor matter inquiry related costs	770	376	258	974	26
Restructuring	(20)	(30)	(21)	(7)	735
Acquisition related revenues and expenses	1,512	1,443	1,499	1,500	1,278
<b>Non-GAAP Income (Loss) From Operations</b>	<b>\$ 35</b>	<b>\$ 2,694</b>	<b>\$ (1,600)</b>	<b>\$ 2,439</b>	<b>\$ (1,639)</b>
Percentage of Total Net Revenue	0%	6%	-4%	5%	-4%
<b>Security and Detection</b>					
<b>GAAP Income (Loss) from Operations</b>	\$ 554	\$ 2,656	\$ 3,341	\$ 4,017	\$ 160
Share-based compensation expense	662	637	819	720	584
Restructuring	(9)	(28)	(19)	(7)	573
Acquisition related expenses	11	70	38	81	35
<b>Non-GAAP Income (Loss) From Operations</b>	<b>\$ 1,218</b>	<b>\$ 3,335</b>	<b>\$ 4,179</b>	<b>\$ 4,811</b>	<b>\$ 1,352</b>
Percentage of Total Net Revenue	9%	18%	18%	18%	10%
<b>Analogic</b>					
<b>GAAP Income (Loss) from Operations</b>	\$ 4,957	\$ 12,301	\$ 7,637	\$ 15,703	\$ 1,988
Share-based compensation expense	2,592	2,424	3,393	2,530	2,382
BK Medical distributor matter inquiry related costs	770	376	258	974	26
Restructuring	(58)	(152)	(107)	(37)	3,283
Acquisition related gains and expenses	2,290	2,257	2,287	2,330	2,062
<b>Non-GAAP Income From Operations</b>	<b>\$ 10,551</b>	<b>\$ 17,205</b>	<b>\$ 13,468</b>	<b>\$ 21,500</b>	<b>\$ 9,741</b>
Percentage of Total Net Revenue	9%	13%	10%	14%	8%

Thank You