

# GUIDANCE TO GROWTH

Q2 FY2016 EARNINGS CALL

MARCH 2, 2016

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 Second Quarter FY2016 press release issued March 2, 2016 available at our website <http://investor.analogic.com>.

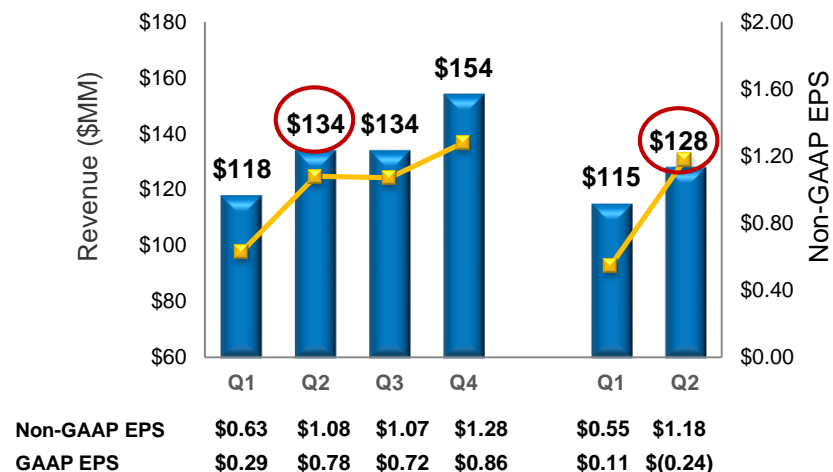
# Q2'16 Highlights

*Strong profitability despite Security challenges*

## Financial Highlights (Q2'16 vs. prior year)

- Revenue \$128M, down 5% (down 4% on constant f/x)
- Gross Margin 46%, up 3 pts. (includes (0.5) pts. f/x)
- Non-GAAP Operating Margin 15%, up 2pts.
- Non-GAAP EPS \$1.18, up \$0.10
- GAAP EPS \$(0.24), down \$1.02, includes:
  - \$13.3M from BK Distributor matter (\$1.07 per share)
  - \$3.1M of restructuring (\$0.25 per share)

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

# Q2'16 Segment Highlights

## Medical Imaging, revenue flat versus prior year

- CT softness on timing of shipments in the quarter
- Solid improving mix on growing private label CT shipments in China
- Mammography continued double digit growth driven by new OEM customers

## Ultrasound, revenue increased 5% on constant currency (2% as reported)

- Ultrasound direct increased 11% on constant currency, impacted by expected reduction in OEM probes
- North America, Europe and China all up on constant currency
- First product revenue shipments to our technology partner for general imaging
- Sonic Window first order received (after quarter end)

## Security and Detection, down 39% versus prior year

- International airport purchasing delays cause delays in high speed shipments
- Medium speed TSA shipment demand softened
- Rapid DNA continued payment delays impact revenue recognition

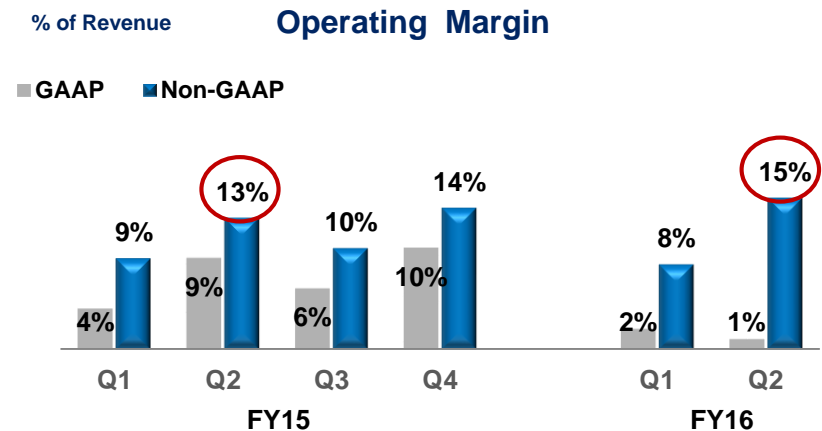
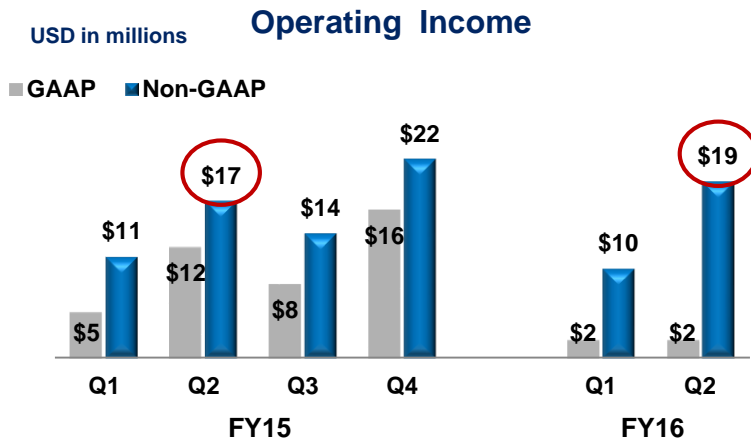
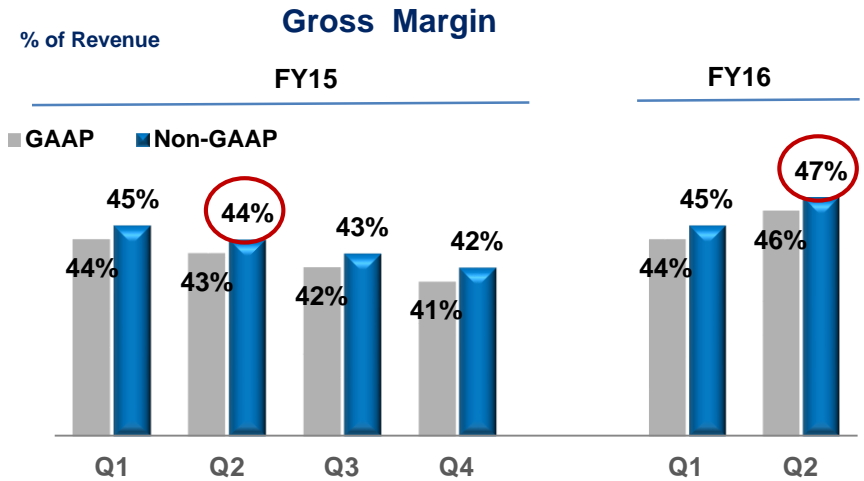
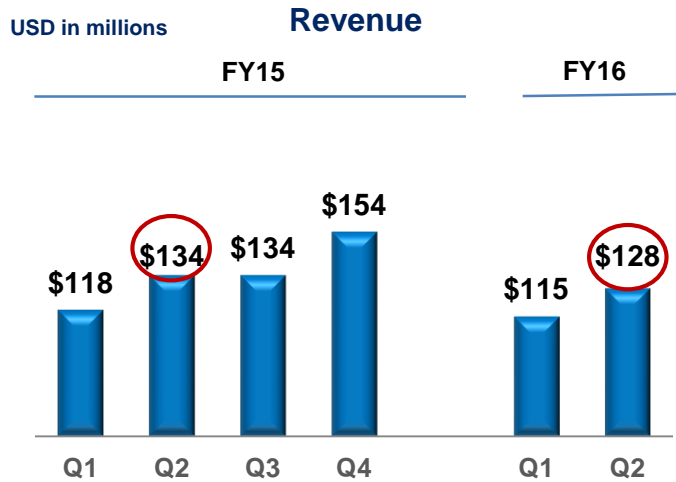


Private label CT



bk3500

# 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 Q2 FY 2016 earnings release available at <http://investor.analogic.com>.

# Q2'16 Financial Results

	GAAP		Non-GAAP	
	Three months ended January 31		Three months ended January 31	
	Q2 FY16	Q2 FY15	Q2 FY16	Q2 FY15
Products	\$ 125.9	\$ 131.3	\$ 126.0	\$ 131.3
Engineering	1.9	2.7	1.9	2.7
<b>Total Revenue</b>	<b>\$ 127.9</b>	<b>\$ 133.9</b>	<b>\$ 128.0</b>	<b>\$ 134.0</b>
<b>Gross Profit</b>	<b>58.8</b>	<b>57.5</b>	<b>59.8</b>	<b>58.6</b>
<b>Gross Margin</b>	<b>46%</b>	<b>43%</b>	<b>47%</b>	<b>44%</b>
<b>Operating Expenses</b>	<b>57.3</b>	<b>45.2</b>	<b>40.7</b>	<b>41.4</b>
<b>Op Ex % of Revenue</b>	<b>45%</b>	<b>34%</b>	<b>32%</b>	<b>31%</b>
<b>Operating Income</b>	<b>1.5</b>	<b>12.3</b>	<b>19.1</b>	<b>17.2</b>
<b>Operating Margin</b>	<b>1%</b>	<b>9%</b>	<b>15%</b>	<b>13%</b>
Other Income (Expense)	(3.5)	(0.2)	(0.3)	(0.2)
<b>Income (Loss) Before Taxes</b>	<b>(2.0)</b>	<b>12.1</b>	<b>18.8</b>	<b>17.0</b>
Income Tax Provision (Benefit)	1.0	2.3	3.9	3.5
<b>Effective tax rate</b>	<b>-51%</b>	<b>19%</b>	<b>21%</b>	<b>20%</b>
<b>Net Income (Loss)</b>	<b>\$ (3.0)</b>	<b>\$ 9.8</b>	<b>\$ 14.9</b>	<b>\$ 13.6</b>
<b>Diluted EPS</b>	<b>\$ (0.24)</b>	<b>\$ 0.78</b>	<b>\$ 1.18</b>	<b>\$ 1.08</b>

Revenue decreased 5%, down 4% in constant currency

Gross Margin up 3 pts. (f/x impact on Q1 approximately 0.5 pt.)

Q2 '16 GAAP Operating Expense increased \$12.1M:  
 \$9.9M for the BK Distributor matter  
 \$3.3M in restructuring costs

Q2 '16 GAAP Other Income (Expense) increased \$3.3M of which \$3.2M is related to the BK Distributor matter

Q2'16 GAAP effective tax rate -51% due to booking a reserve against a portion of the deduction on the BK Distributor matter.

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

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

# Six months FY 2016 Financial Results

	GAAP		Non-GAAP	
	Six months ended January 31		Six months ended January 31	
	FY16	FY15	FY16	FY15
Products	\$ 240.1	\$ 248.2	\$ 240.2	\$ 248.3
Engineering	2.8	4.1	2.8	4.1
<b>Total Revenue</b>	<b>\$ 242.8</b>	<b>\$ 252.3</b>	<b>\$ 243.0</b>	<b>\$ 252.4</b>
<b>Gross Profit</b>	<b>109.7</b>	<b>109.5</b>	<b>111.8</b>	<b>111.7</b>
<b>Gross Margin</b>	<b>45%</b>	<b>43%</b>	<b>46%</b>	<b>44%</b>
<b>Operating Expenses</b>	<b>106.2</b>	<b>92.2</b>	<b>82.9</b>	<b>83.9</b>
<b>Op Ex % of Revenue</b>	<b>44%</b>	<b>37%</b>	<b>34%</b>	<b>33%</b>
<b>Operating Income</b>	<b>3.5</b>	<b>17.3</b>	<b>28.9</b>	<b>27.8</b>
<b>Operating Margin</b>	<b>1%</b>	<b>7%</b>	<b>12%</b>	<b>11%</b>
Other Income (Expense)	(4.0)	(0.1)	(0.8)	(0.1)
<b>Income (Loss) Before Taxes</b>	<b>(0.5)</b>	<b>17.2</b>	<b>28.1</b>	<b>27.7</b>
Income Tax Provision (Benefit)	1.1	3.7	6.3	6.3
<b>Effective tax rate</b>	<b>-244%</b>	<b>22%</b>	<b>22%</b>	<b>23%</b>
<b>Net Income (Loss)</b>	<b>\$ (1.6)</b>	<b>\$ 13.5</b>	<b>\$ 21.9</b>	<b>\$ 21.5</b>
<b>Diluted EPS</b>	<b>\$ (0.13)</b>	<b>\$ 1.07</b>	<b>\$ 1.73</b>	<b>\$ 1.70</b>

Revenue decreased 4%, down 3% in constant currency

Gross Margin up 2 pts. (f/x impact on Q2 approximately 0.5 pt.)

YTD '16 GAAP Operating Expense increased \$14.0M:

\$9.2M for the BK Distributor matter  
\$6.6M in restructuring

YTD' 16 GAAP Other Income (Expense) increased \$3.9M of which \$3.2M is due to the BK Distributor matter

YTD' 16 GAAP effective tax rate -244% due to booking a reserve against a portion of the deduction on the BK Distributor matter.

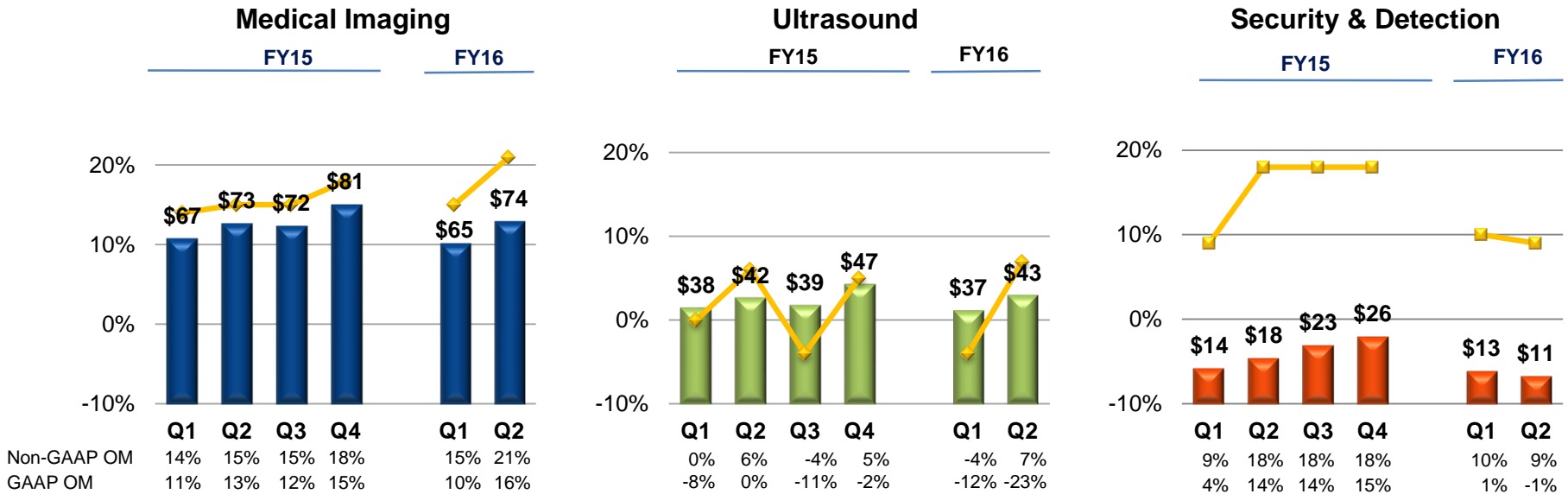
\* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q2 FY 2016 earnings release available at <http://investor.analogic.com>.

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



# Operating Performance by Segment

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



— Non-GAAP Operating Margin\*

- **Medical Imaging** revenue flat due to double digit growth in mammography impacted by CT softness; non-GAAP operating margin up approximately 6 pts. in the quarter as compared to Q2 '15 due to customer mix and improved cost controls.
- **Ultrasound** revenue increased 5% in constant currency despite 5 pt. impact from the OEM probes sales (2% as reported); non-GAAP operating margin increased 1 pt. on improved mix despite unfavorable f/x which was a 2 pt. impact.
- **Security & Detection** revenue decreased 39% from Q2 '15 due to lower volume across all products; non-GAAP operating margin decreased 9 pts. on lower revenue.

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

# Working Capital and Cash Flow

(Unaudited - in millions)

	Q2 FY16	Q1 FY16	Q4 FY15
<b>Cash and Investments</b>	\$ 120.1	\$ 130.5	\$ 123.8
Accounts receivable	95.2	93.8	119.3
Inventories	149.7	144.6	132.7
Other Working Capital, Net	(63.8)	(50.9)	(59.0)
<b>Non-Cash Working Capital</b>	<b>181.1</b>	<b>187.6</b>	<b>193.0</b>
<b>Net Working Capital</b>	<b>\$ 301.2</b>	<b>\$ 318.1</b>	<b>\$ 316.8</b>

## Cash Flow

(Unaudited - in millions)

	Q2 FY16	Q1 FY16	Q4 FY15
Operating Cash Flow from operations	\$ 5.2	\$ 13.7	\$ 12.6
Capital Spending	1.7	2.8	2.8
<b>Free cash flow*</b>	<b>3.5</b>	<b>10.9</b>	<b>9.8</b>
Stock repurchased and dividends paid	4.9	4.9	4.9
<b>Cash flow after stock repurchase and dividends</b>	<b>\$ (1.4)</b>	<b>\$ 6.0</b>	<b>\$ 5.0</b>

- **Accounts receivable** increased sequentially on higher revenue
- **Inventory** up sequentially due to delay of Security shipments
- **Operating cash** flow of \$5M, **Free cash** flow of \$3M
- **Investing activity**, purchase of Oncura \$8.0M in Q2'16 Cash Flow

(Amounts may not foot due to rounding to millions)

# FY16 Outlook: Strong Ultrasound, Solid Medical Imaging, Lower Security

*Improving margins driven by favorable mix and cost controls*

## **Medical Imaging business picking up in 2H; expect overall revenue flat**

- MRI stable, CT mix shifting to higher level content private label systems in China
- Mammography strengthening on new OEM customers

## **Ultrasound total revenue up double digits in 2H, including drag from legacy OEM probes; expect upper single-digit revenue growth full year**

- North America direct sales growing at double digits in the second half
- bk3500 for Point of Care call points starts in Q3
- Sonic Window commercially launched with modest sales in 2H
- Entered telemedicine market with Oncura acquisition, accelerates growth
- Sales to technology partner entered production, expect solid growth in second half

## **Security and Detection projected significantly down compared to strong prior year**

- US TSA replacement on medium speed remains challenged
- International tender delays impact high speed in this year
- Regulatory approval delays affect market adoption and customer payment delays impact revenue

***In the second half, we see strong Ultrasound growth and solid Medical Imaging, impacted by Security declines. For the year we expect revenue down mid-single digits (low single digits on constant currency) with favorable mix and cost focus driving continued Non-GAAP operating margin expansion of over 1 pt.***

# Appendix

# Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	January 31, 2016	January 31, 2015	January 31, 2016	January 31, 2015
<b>GAAP Income From Operations</b>	\$ 1,509	\$ 12,301	\$ 3,497	\$ 17,258
Share-based compensation expense	1,760	2,424	4,143	5,015
Acquisition-related revenues and expenses	2,492	2,257	4,554	4,547
BK Medical distributor matter inquiry related costs	10,208	376	10,234	1,146
Restructuring	3,147	(152)	6,430	(210)
<b>Non-GAAP Income From Operations</b>	<u>\$ 19,116</u>	<u>\$ 17,206</u>	<u>\$ 28,857</u>	<u>\$ 27,756</u>
Percentage of Total Net Revenue	15%	13%	12%	11.0%
<b>GAAP Other Income (Expense), net</b>	\$ (3,507)	\$ (169)	\$ (3,965)	\$ (51)
BK Medical distributor matter inquiry related costs	3,211	-	3,211	-
<b>Non-GAAP Other Income (Expense), net</b>	<u>\$ (296)</u>	<u>\$ (169)</u>	<u>\$ (754)</u>	<u>\$ (51)</u>
Percentage of Total Net Revenue	0%	-0.1%	0%	0%
<b>GAAP Net Income (Loss)</b>	\$ (2,985)	\$ 9,830	\$ (1,609)	\$ 13,484
Share-based compensation expense	1,228	1,710	2,912	3,531
Acquisition related revenues, expenses and loss	1,989	1,903	3,711	3,841
BK Medical distributor matter inquiry related costs	12,640	239	12,657	728
Restructuring	2,010	(96)	4,181	(133)
<b>Non-GAAP Net Income (Loss)</b>	<u>\$ 14,882</u>	<u>\$ 13,586</u>	<u>\$ 21,852</u>	<u>\$ 21,451</u>
Percentage of Total Net Revenue	12%	10.1%	9%	8.5%
<b>GAAP Diluted Net Income (Loss) Per Share</b>	\$ (0.24)	\$ 0.78	\$ (0.13)	\$ 1.07
Effect of non-GAAP adjustments	1.43	0.30	1.86	0.63
<b>Non-GAAP Diluted Net Income (Loss) Per Share</b>	<u>\$ 1.18</u>	<u>\$ 1.08</u>	<u>\$ 1.73</u>	<u>\$ 1.70</u>

# Non-GAAP Statement of Operations Reconciliation

	31-Oct-14	31-Jan-15	30-Apr-15	31-Jul-15	31-Oct-15	31-Jan-16
<b>GAAP Income From Operations</b>	\$ 4,957	\$ 12,301	\$ 7,637	\$ 15,703	\$ 1,988	\$ 1,509
Share-based compensation expense	2,592	2,424	3,393	2,530	2,382	1,760
BK Medical distributor matter inquiry related costs	770	376	258	974	2,061	2,492
Restructuring	(58)	(152)	(107)	(37)	26	10,208
Acquisition-related revenues and expenses	2,290	2,257	2,287	2,330	3,283	3,147
<b>Non-GAAP Income From Operations</b>	<u>\$ 10,550</u>	<u>\$ 17,206</u>	<u>\$ 13,468</u>	<u>\$ 21,500</u>	<u>\$ 9,740</u>	<u>\$ 19,116</u>
Percentage of Total Net Revenue	9%	13%	10%	14%	8%	15%
<b>GAAP Other Income (Expense), net</b>	\$ 118	\$ (169)	\$ 201	\$ 285	\$ (458)	\$ (3,507)
BK Medical distributor matter inquiry related costs	-	-	-	599	-	3,211
Acquisition related loss	-	-	-	-	-	-
<b>Non-GAAP Other Income (Expense), net</b>	<u>\$ 118</u>	<u>\$ (169)</u>	<u>\$ 201</u>	<u>\$ 884</u>	<u>\$ (458)</u>	<u>\$ (296)</u>
Percentage of Total Net Revenue	0%	0%	0%	1%	0%	0%
<b>GAAP Net Income (Loss)</b>	\$ 3,654	\$ 9,830	\$ 9,124	\$ 10,873	\$ 1,376	\$ (2,985)
Share-based compensation expense	1,821	1,710	2,366	1,790	1,684	1,228
BK Medical distributor matter inquiry related costs	489	239	165	1,457	1,722	1,989
Restructuring	(37)	(96)	(68)	(24)	17	12,640
Acquisition related revenues, expenses and loss	1,938	1,903	1,924	1,976	2,171	2,010
Tax benefit	-	-	-	-	-	-
<b>Non-GAAP Net Income</b>	<u>\$ 7,865</u>	<u>\$ 13,586</u>	<u>\$ 13,511</u>	<u>\$ 16,072</u>	<u>\$ 6,969</u>	<u>\$ 14,882</u>
Percentage of Total Net Revenue	7%	10%	10%	10%	6%	12%
<b>GAAP Diluted Net Income (Loss) Per Share</b>	\$ 0.29	\$ 0.78	\$ 0.72	\$ 0.86	\$ 0.11	\$ (0.24)
Effect of non-GAAP adjustments	0.34	0.30	0.35	0.42	0.44	1.43
<b>Non-GAAP Diluted Net Income Per Share</b>	<u>\$ 0.63</u>	<u>\$ 1.08</u>	<u>\$ 1.07</u>	<u>\$ 1.28</u>	<u>\$ 0.55</u>	<u>\$ 1.18</u>

# 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	31-Jan-16
<b>Medical Imaging</b>						
<b>GAAP Income (Loss) from Operations</b>	\$ 7,395	\$ 9,449	\$ 8,544	\$ 12,516	\$ 6,249	\$ 11,636
Share-based compensation expense	1,165	1,077	1,660	1,008	1,054	708
Restructuring	(29)	(94)	(66)	(23)	1,975	1,830
Acquisition related expenses	767	744	750	750	749	981
<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>	<b>\$ 15,155</b>
Percentage of Total Net Revenue	14%	15%	15%	18%	15%	21%
<b>Ultrasound</b>						
<b>GAAP Income (Loss) from Operations</b>	\$ (2,992)	\$ 196	\$ (4,248)	\$ (830)	\$ (4,421)	\$ (9,938)
Share-based compensation expense	765	710	913	802	744	522
BK Medical distributor matter inquiry related costs	770	376	258	974	26	10,208
Restructuring	(20)	(30)	(21)	(7)	735	786
Acquisition related revenues and expenses	1,512	1,443	1,499	1,500	1,278	1,410
<b>Non-GAAP Income (Loss) From Operations</b>	<b>\$ 35</b>	<b>\$ 2,695</b>	<b>\$ (1,600)</b>	<b>\$ 2,439</b>	<b>\$ (1,639)</b>	<b>\$ 2,987</b>
Percentage of Total Net Revenue	0%	6%	-4%	5%	-4%	7%
<b>Security and Detection</b>						
<b>GAAP Income (Loss) from Operations</b>	\$ 554	\$ 2,656	\$ 3,341	\$ 4,017	\$ 160	\$ (189)
Share-based compensation expense	662	637	819	720	584	530
Restructuring	(9)	(28)	(19)	(7)	573	531
Acquisition related expenses	11	70	38	81	35	102
<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>	<b>\$ 974</b>
Percentage of Total Net Revenue	9%	18%	18%	18%	10%	9%
<b>Analogic</b>						
<b>GAAP Income (Loss) from Operations</b>	\$ 4,957	\$ 12,301	\$ 7,637	\$ 15,703	\$ 1,988	\$ 1,509
Share-based compensation expense	2,592	2,424	3,393	2,530	2,382	1,760
BK Medical distributor matter inquiry related costs	770	376	258	974	26	10,208
Restructuring	(58)	(152)	(107)	(37)	3,283	3,147
Acquisition related gains and expenses	2,290	2,257	2,287	2,330	2,062	2,492
<b>Non-GAAP Income From Operations</b>	<b>\$ 10,551</b>	<b>\$ 17,206</b>	<b>\$ 13,468</b>	<b>\$ 21,500</b>	<b>\$ 9,741</b>	<b>\$ 19,116</b>
Percentage of Total Net Revenue	9%	13%	10%	14%	8%	15%

Thank You