

50 YEARS OF IMAGING INNOVATION

analogic



Q1 FY2018 EARNINGS CALL

DECEMBER 6, 2017



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 First Quarter FY2018 press release issued December 6, 2017 available at our website <http://investor.analogic.com>.

Agenda

- Opening Comments – Fred Parks, President and CEO
- Security Business Update – Jim Ryan, SVP/GM Security and Power Technologies
- Quarterly Financial Results – Mike Bourque, SVP CFO
- Business Outlook – Fred Parks, President and CEO
- Q&A

Q1 FY18 Business Summary

- **Encouraged by Q1 Ultrasound performance**
 - Re-focused strategy on core business driving positive results led by strength in surgical ultrasound sales
 - Benefits of prior year cost reductions yielding improved profitability
- **Security gaining traction with high speed and ConneCT**
 - \$4 million TSA contract granted for continued algorithm development
- **Medical Imaging results as expected on lower CT and MRI**
- **Encouraging Q1 results in increased confidence in FY18**
 - FY17 cost reductions benefitting bottom line in FY18

Security Business Update



US Checked

- Continued demand for refurbishment and medium speed system replacements
- Stable over the foreseeable future



Int'l Checked

- Smiths XCT high-speed success at large international airports
- Positioning for value-conscious, smaller airports



Global Checkpoint

- TSA development award for next-generation detection algorithm development and operational testing
- Trials in FY18; setting up for initial deployment in FY19



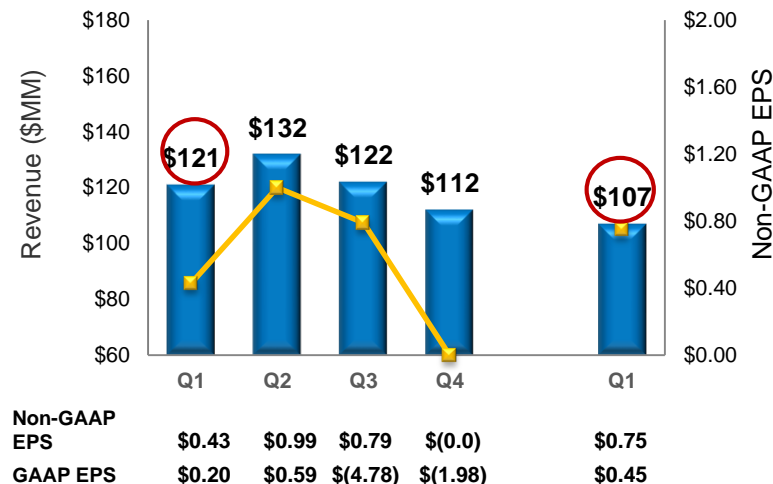
Rapid DNA

- Rapid DNA Act of 2017 signed into law
- Trials and initial sales underway; awaiting funding for broader deployment

Q1 FY18 Financial Highlights

- Revenue \$107M, down 12% but better than expected
- GAAP Gross Margin 45%
- GAAP Operating Margin 7%, Non-GAAP* Operating Margin 12%
- GAAP EPS \$0.45, up \$0.25
- Non-GAAP* EPS \$0.75, up \$0.32
- Operating cash flow of \$14 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 Q1 FY 2018 earnings release available at <http://investor.analogic.com>.

Q1 FY18 Financial Results

(In millions, except per share data)

	GAAP		Non-GAAP	
	Three months ended October 31 Q1 FY18	Three months ended October 31 Q1 FY17	Three months ended October 31 Q1 FY18	Three months ended October 31 Q1 FY17
Products	\$ 105.8	\$ 120.2	\$ 105.9	\$ 120.4
Engineering	1.1	0.9	1.1	0.9
Total Revenue	\$ 106.9	\$ 121.1	\$ 107.0	\$ 121.3
Gross Profit	47.8	51.6	48.4	52.6
Gross Margin	44.7%	42.6%	45.3%	43.4%
Research & Development	15.0	15.9	14.6	15.5
Selling & Marketing	12.4	18.2	11.3	16.5
General & Administrative	11.9	13.6	10.1	12.8
Restructuring	0.5	0.0	-	-
Asset Impairment Charges	-	-	-	-
Operating Expenses	39.9	47.7	36.0	44.8
Op Ex % of Revenue	37.3%	39.4%	33.6%	37.0%
Operating Income	7.9	4.0	12.4	7.8
Operating Margin	7.4%	3.3%	11.6%	6.4%
Other Income (Expense)	0.2	(0.4)	0.2	(0.4)
Income Before Taxes	8.1	3.5	12.7	7.3
Income Tax Provision (Benefit)	2.5	1.0	3.2	2.0
Effective tax rate	30.2%	27.9%	25.0%	26.6%
Net Income	\$ 5.7	\$ 2.5	\$ 9.5	\$ 5.4
Diluted EPS	\$ 0.45	\$ 0.20	\$ 0.75	\$ 0.43

- GAAP Gross Margin up 2.1pts on segment/product mix and cost down efforts.
- GAAP Operating Expenses decreased \$7.8M:
 - R&D down \$0.8M on headcount related savings
 - Sales & Marketing down \$5.8M on headcount and T&E savings
 - G&A down \$1.7M on previous year CEO transition expenses, lower variable comp, consulting, partially offset by higher legal fees.
- Non-GAAP Operating Expenses decreased \$8.8M (\$7.8M, net of non-ordinary charges);
- Non-GAAP Income tax rate is down 1.6 pts. compared to Q1'17 given the pre-tax profit, timing 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 Q1 FY 2018 earnings release available at <http://investor.analogic.com>.

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

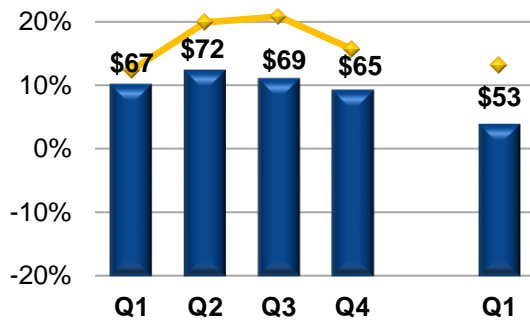
Operating Performance by Segment

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

Medical Imaging

FY17

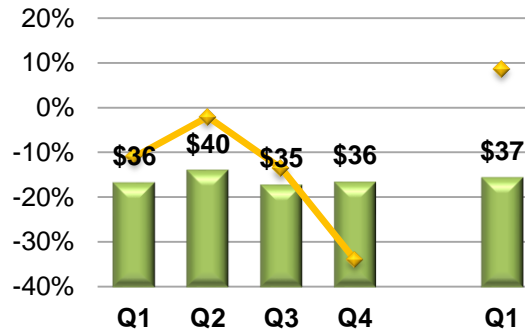
FY18



Ultrasound

FY17

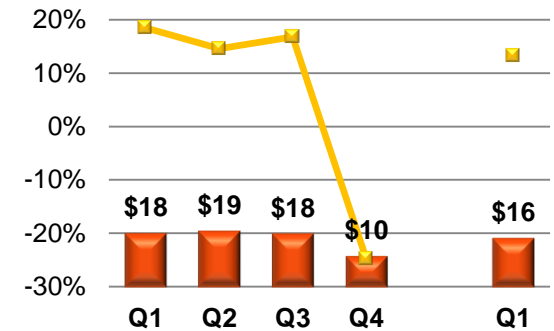
FY18



Security & Detection

FY17

FY18



	Q1	Q2	Q3	Q4	Q1
Non-GAAP OM	12%	21%	18%	20%	13%
GAAP OM	10%	16%	14%	17%	9%

— Non-GAAP Operating Margin*

- **Medical Imaging** revenue down 21% on lower CT, MRI and Mammography offset by favorability in Motion; non-GAAP op margin 13%.
- **Ultrasound** revenue up 4%, growth in direct surgery sales in North America and Europe partially offset by lower system sales in Oncura; non-GAAP op margin 9%
- **Security & Detection** revenue down 10% on timing of medium speed partially offset by increases in high speed and Rapid DNA; non-GAAP op margin 13%

* 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 Q1FY 2018 earnings release available at <http://investor.analogic.com>.

Working Capital and Cash Flow

Working Capital

(Unaudited - in millions)

	Q1 FY18	Q4 FY17	Q1 FY17
Cash and Cash Equivalents	\$ 96.8	\$ 129.3	\$ 142.0
Accounts receivable	\$ 73.1	\$ 77.6	\$ 91.9
Inventories	131.3	130.6	145.3
Total Investments	86.1	45.0	-
Other Working Capital, Net	(50.1)	(52.7)	(62.6)
Non-Cash Working Capital	\$ 240.4	\$ 200.5	\$ 174.6
Net Working Capital	\$ 337.2	\$ 329.8	\$ 316.6
Cash and Cash Equivalents	\$ 96.8	\$ 129.3	\$ 142.0
Short Term Investments	50.6	18.8	-
Long Term Investments	35.5	26.2	-
Cash and Investments	\$ 182.9	\$ 174.3	\$ 142.0

Cash Flow

(Unaudited - in millions)

	Q1 FY18	Q4 FY17	Q1 FY17
Operating Cash Flow from operations	\$ 14.1	\$ 23.0	\$ 26.5
Capital Spending	2.4	1.4	3.3
Free cash flow*	11.8	21.6	23.2
Stock repurchased and dividends paid	\$ 2.2	\$ 4.1	\$ 1.2
Cash flow after stock repurchase and dividends	9.6	17.6	22.0

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

(Amounts may not foot due to rounding to millions)

- **Operating cash flow** of \$14M, **Cap Ex** at \$2M resulting in **Free cash flow** of \$12M
- **Cash and liquid investments** of \$183M
- **Accounts receivables** down sequentially on lower revenues
- **Inventory flat**

FY 2018 Outlook

Optimistic after Q1 FY18 performance, FY17 cost reductions continue to drive profitability

For FY 2018 we expect revenue between \$450 and \$460 million with non-GAAP operating margins of 10% to 11% delivering non-GAAP diluted EPS of between \$2.75 to \$2.90. Sequential improvement throughout the fiscal year.

Ultrasound: Low-single digit non-GAAP operating margin on down low-single digit revenue

- Core growth in optimized Urology / Surgery portfolio
- Lower annual operating expenses by \$20 million

Medical Imaging: Low-double digit revenue decline with mid-teens non-GAAP operating margins

- CT OEM customer sourcing decisions partially offset by private label CT system growth in China
- MRI and Mammo down for the year with Motion Controls up
- Investment year for CT growth, and for MRI and Mammo technology refresh

Security and Detection: Double-digit revenue growth with mid-teens non-GAAP operating margin

- Continued demand for medium speed and strong back-log for high speed systems
- TSA and EU certification complete; ConneCT enters early phase of deployment
- Growth in Rapid DNA

Q&A

Appendix

Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	Three Months Ended	
	October 31, 2017	October 31, 2016
GAAP Income From Operations	\$ 7,874	\$ 3,953
Share-based compensation expense (Note 1)	1,984	1,563
Acquisition-related revenues and expenses (Note 2)	1,462	2,212
Non-routine other legal costs (Note 3)	577	4
Restructuring (Note 4)	535	32
Non-GAAP Income From Operations	\$ 12,432	\$ 7,764
Percentage of Total Net Revenue	11.6%	6.4%
GAAP Other Income (Expense), net	\$ 238	\$ (442)
Non-routine other legal costs (Note 3)	-	-
Acquisition related loss	-	-
Non-GAAP Other Income (Expense), net	\$ 238	\$ (442)
Percentage of Total Net Revenue	0.2%	-0.4%
GAAP Tax Provision (Note 5)	\$ 2,453	\$ 980
GAAP Tax Rate	30.2%	27.9%
Non-GAAP Tax Provision (Note 5)	3,171	1,950
Non-GAAP Tax Rate	25.0%	26.6%
GAAP Net Income	\$ 5,659	\$ 2,531
Share-based compensation expense (Note 1)	1,885	1,066
Acquisition-related revenues and expenses (Note 2)	1,114	1,752
Non-routine other legal costs (Note 3)	365	2
Restructuring (Note 4)	358	21
Asset impairment charges	28	-
Valuation Allowance Tax Effect	89	-
Non-GAAP Net Income	\$ 9,498	\$ 5,372
Percentage of Total Net Revenue	8.9%	4.4%
GAAP Diluted EPS	\$ 0.45	\$ 0.20
Effect of non-GAAP adjustments	\$ 0.30	\$ 0.23
Non-GAAP Diluted EPS	\$ 0.75	\$ 0.43

(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
GAAP Income (Loss) From Operations	\$ 3,953	\$ 9,450	\$ (64,603)	\$ (15,565)	\$ 7,874
Share-based compensation expense	1,563	2,597	2,195	3,076	1,984
BK Medical distributor matter inquiry related costs	4	12	8	251	577
Restructuring	32	267	2,080	4,787	535
Acquisition-related revenues and expenses	2,212	(6,065)	(23)	1,668	1,462
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
GAAP Operating Margin	3.3%	7.2%	-52.9%	-14.0%	7.4%
Effect of non-GAAP adjustments	3.1%	5.5%	63.3%	9.7%	4.2%
Non-GAAP Operating Margin	6.4%	12.7%	10.4%	-4.2%	11.6%
GAAP Other Income (Expense), net	\$ (442)	\$ 28	\$ 57	\$ 854	\$ 238
BK Medical distributor matter inquiry related costs	-	-	-	-	-
Non-GAAP Other Income (Expense), net	\$ (442)	\$ 28	\$ 57	\$ 854	\$ 238
Percentage of Total Net Revenue	0%	0%	0%	1%	0%
GAAP Net Income (Loss)	\$ 2,531	\$ 7,510	\$ (59,664)	\$ (24,619)	\$ 5,659
Share-based compensation expense	1,066	1,791	1,453	2,111	1,885
BK Medical distributor matter inquiry related costs	2	8	433	159	365
Restructuring	21	169	1,367	3,219	358
Acquisition related revenues, expenses and loss	1,752	(3,500)	338	1,307	1,114
Asset impairment charges	-	6,610	66,035	657	28
Valuation Allowance Tax Effect	-	-	-	17,184	89
Non-GAAP Net Income	\$ 5,372	\$ 12,588	\$ 9,962	\$ 18	\$ 9,498
Percentage of Total Net Revenue	4%	10%	8%	0%	9%
GAAP Diluted EPS	\$ 0.20	\$ 0.59	\$ (4.78)	\$ (1.98)	\$ 0.45
Effect of non-GAAP adjustments	0.23	0.40	5.57	1.98	0.30
Non-GAAP Diluted EPS	\$ 0.43	\$ 0.99	\$ 0.79	\$ -	\$ 0.75

(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
Medical Imaging					
GAAP Income (Loss) from Operations	\$ 6,722	\$ 12,339	\$ 12,223	\$ 6,668	\$ 4,848
Share-based compensation expense	889	1,424	1,255	1,789	1,061
Non-routine other legal costs (Note 3)	0	0	0	0	311
Restructuring	20	85	238	1,059	67
Acquisition related expenses	733	733	733	733	733
Non-GAAP Income (Loss) From Operations	\$ 8,363	\$ 14,581	\$ 14,448	\$ 10,249	\$ 7,020
Percentage of Total Net Revenue	12%	20%	21%	16%	13%
Ultrasound					
GAAP Income (Loss) from Operations	\$ (5,807)	\$ (4,568)	\$(79,354)	\$(18,151)	\$ 1,288
Share-based compensation expense	415	745	549	746	586
Non-routine other legal costs (Note 3)	4	12	8	251	173
Restructuring	6	172	1,758	3,572	448
Acquisition related revenues and expenses	1,428	(6,815)	(756)	934	729
Asset impairment charges	-	9,811	73,051	236	-
Non-GAAP Income (Loss) From Operations	\$ (3,954)	\$ (643)	\$ (4,743)	\$(12,411)	\$ 3,225
Percentage of Total Net Revenue	-11%	-2%	-14%	-35%	9%
Security & Detection					
GAAP Income (Loss) from Operations	\$ 3,038	\$ 1,679	\$ 2,528	\$ (4,083)	\$ 1,737
Share-based compensation expense	259	428	391	540	336
Non-routine other legal costs (Note 3)	0	0	0	0	92
Restructuring	6	10	84	156	20
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
Percentage of Total Net Revenue	18%	15%	17%	-25%	13%
Analogic					
GAAP Income (Loss) from Operations	\$ 3,953	\$ 9,450	\$(64,603)	\$(15,565)	\$ 7,874
Share-based compensation expense	1,563	2,597	2,195	3,076	1,984
Non-routine other legal costs (Note 3)	4	12	8	251	577
Restructuring	32	267	2,080	4,787	535
Acquisition related gains and expenses	2,212	(6,065)	(23)	1,667	1,462
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
Percentage of Total Net Revenue	6%	13%	10%	-4%	12%

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