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# Transaction Update

January 6, 2017

# Disclaimers

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and may often be identified by the use of words such as "will", "may", "could", "should", "would,", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue", "target", "build", "expand" or the negative thereof or comparable terminology, and may include (without limitation) information regarding the Company's expectations, goals or intentions regarding the future, including, but not limited to, its full year 2016 guidance, the transaction, the expected timetable for completing the transaction, benefits and synergies of the combined business or the transaction, future opportunities for the Company and products and any other statements regarding the Company's and the combined business's future operations, anticipated business levels, future earnings, planned activities, anticipated growth, market opportunities, strategies, competition, and other expectations and targets for future periods. These forward-looking statements are based on Management's current expectations, estimates, forecasts and projections about the Company and assumptions Management believes are reasonable, all of which are subject to risks and uncertainties that could cause actual results and events to differ materially from those stated in the forward-looking statements. These risks and uncertainties include, but are not limited to, decreased demand for the Company's products; decreased free cash flow; the inability to recapture conversion delays or part/resource shortages on anticipated timing, or at all; changes in product mix; increased competition from competitors; lack of continued growth or improving efficiencies; unexpected changes in the Company's arrangements with its largest customers; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction; changes in relevant tax and other laws; the parties' ability to consummate the transaction; the conditions to the completion of the transaction; the regulatory approvals required for the transaction not being obtained on the terms expected or on the anticipated schedule; inherent uncertainties involved in the estimates and judgments used in the preparation of financial statements, and the providing of estimates of financial measures, in accordance with GAAP and related standards or on an adjusted basis; the integration of the acquired business by the Company being more difficult, time-consuming or costly than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) being greater than expected following the transaction; the retention of certain key employees of the business being difficult; the Company's and the business's expected or targeted future financial and operating performance and results; the scope, timing and outcome of any ongoing legal proceedings and the impact of any such proceedings on the Company's and the business's consolidated financial condition, results of operations or cash flows; the Company's and the business's ability to protect their intellectual property and preserve their intellectual property rights; the effect of any changes in customer and supplier relationships and customer purchasing patterns; the ability to attract and retain key personnel; changes in third-party relationships; the impacts of competition; changes in economic and financial conditions of the Company's business or the business; uncertainties and matters beyond the control of management; and the possibility that the Company may be unable to achieve expected synergies and operating efficiencies in connection with the Transaction within the expected time-frames or at all and to successfully integrate the business. For more detailed information on the risks and uncertainties, associated with the Company's business activities, see the risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission (the "SEC"). You can access the Company's Form 10-K through the SEC website at www.sec.gov, and the Company strongly encourages you to do so. The Company undertakes no obligation to update any statements herein for revisions or changes after the date of this communication.

# Natural Evolution of a Productive Partnership

20+ Years of Working Together


A Leading Pure-Play
Infusion Therapy Company

- Estimated ~$1.35 billion in combined revenues in FY '17
- Nearly 9,000 employees worldwide
- Significant focus and scale in the core IV business segment globally

> Complementary Product Portfolios will provide customers with a full suite of IV therapy devices and solutions

> Unified distribution channel with a full product offering for the US market as a completely vertically integrated supplier

> Significant OUS Presence allows us to compete more successfully on a global scale as the category develops

> Compelling Economics enabling us to provide meaningful value for customers, employees, and shareholders worldwide

# Revised Transaction Terms

| | Original Announcement October '16 | Updated Announcement January '17 |
|---|---|---|
| Acquired Business | > ICU Medical will acquire Hospira Infusion Systems (HIS) business from Pfizer. | > ICU Medical will acquire Hospira Infusion Systems (HIS) business from Pfizer. |
| Purchase Price | > $1 billion | > Up to $900 million |
| Consideration | > $400 million equity (3.2 million newly issued shares ~ $125 = Pfizer obtains 16.6% primary ownership position)<br>> $600 million in cash | > $400 million equity (3.2 million newly issued shares ~ $125 = Pfizer obtains 16.6% primary ownership position)<br>> $275 million in cash |
| Earn-Out | > N/A | > Up to $225 million if agreed targets are met through 12/2019, payable Q1 2020 |
| Funding | > $300 million in amortizing financing plus $100 million unfunded revolver | > $75 million in interest-only seller financing from Pfizer, three year maturity date |
| Timing | > Close in Q1 | > Close in Q1 (expect February 2017) |

# Revised Opening Balance Sheet, February 2017

| | Original Deal Terms: October 2016* | Revised Deal Terms: January 2017* |
|---|---|---|
| February Cash Balance Forecast | $445 million | $445 million |
| Financing | $300 million | $75 million |
| Cash Paid to Pfizer and Transaction Fees | $620 million | $295 million |
| Cash at Close | $125 million | $225 million |
| (Net Debt)/Net Cash at Close | ($175 million) | $150 million |

- Conservative balance sheet to ensure ability to fund operational improvement and risk mitigation given industry history
- Optionality for efficient use of cash and further shareholder return



* All amounts are estimates

# Revised Deal Forecast

## Original October 2016
2017 Standalone Full-Year Estimates for HIS

| | |
|---|---|
| Total Revenue* | $1.1 billion |
| Adjusted EBITDA | $75 million |

What we believed:

- Significant stand up costs in separation from PFE
- Loss of certain key customer contracts

## Revised January 2017
2017 Standalone Full-Year Estimates for HIS

| | |
|---|---|
| Total Revenue* | $1.0 billion |
| Adjusted EBITDA | $35 - $40 million |

What we know today in addition:

- Additional revenue shortfalls across all market segments
- Negative manufacturing variance due to drop in revenues
- Slightly higher operating and required stand up costs

## Pro Forma Combined 2018 and Beyond Long Term Goals*

- ~ $300 million EBITDA run rate in 2018

- ~ $250 million EBITDA run rate in 2018
- Customer declines annualize into early 2018
- ~ $300 million EBITDA run rate will take longer to achieve



* Excludes OEM contract manufacturing business

# 2017 Guidance Framework

| | |
|---|---|
| ICU Medical's previously announced adjusted EBITDA mid-point guidance for 2016 as of November 9, 2016 | ~ $133 million |
| Plus impact of normal ICU Medical direct growth and new customer wins | Likely in line with historical levels |
| Plus expected HIS adjusted EBITDA | $35-$40 million |
| Minus impact of excess inventory between HIS and ICU | ($TBD) |
| Minus impact to ICU from additional HIS revenue decline | ($TBD) |
| FY 2017 guidance to be provided post-close | |

# Use of Non-GAAP Financial Information

This presentation contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial measures should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. There are material limitations in using these non-GAAP financial measures because they are not prepared in accordance with GAAP and may not be comparable to similarly titled non-GAAP financial measures used by other companies, including peer companies. Our management believes that the non-GAAP data provides useful supplemental information to management and investors regarding our performance and facilitates a more meaningful comparison of results of operations between current and prior periods. We use non-GAAP financial measures in addition to and in conjunction with GAAP financial measures to analyze and assess the overall performance of our business, in making financial, operating and planning decisions, and in determining executive incentive compensation. The non-GAAP financial measures included in this presentation are adjusted EBITDA and adjusted diluted earnings per share ("Adjusted Diluted EPS").

**Adjusted EBITDA excludes the following items:** Intangible asset amortization expense: We do not acquire businesses or capitalize certain patent costs on a predictable cycle. The amount of purchase price allocated to intangible assets and the term of amortization can vary significantly and are unique to each acquisition. Capitalized patent costs can vary significantly based on our current level of development activities. We believe that excluding amortization of intangible assets provides the users of our financial statements with a consistent basis for comparison across accounting periods.

**Depreciation expense:** We exclude depreciation expense in deriving adjusted EBITDA because companies utilize productive assets of different ages and the depreciable lives can vary significantly resulting in considerable variability in depreciation expense among companies.

**Stock compensation expense:** Stock-based compensation is generally fixed at the time the stock-based instrument is granted and amortized over a period of several years. The value of stock options is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. The value of our restricted stock awards is determined using the grant date stock price, which may not be indicative of our operational performance over the expense period. Additionally, in order to establish the fair value of performance-based stock awards, which are currently an element of our ongoing stock-based compensation, we are required to apply judgment to estimate the probability of the extent to which performance objectives will be achieved. Based on the above factors, we believe it is useful to exclude stock-based compensation in order to better understand our operating performance.

**Restructuring and strategic transaction:** We incur restructuring and strategic transaction charges that result from events, which arise from unforeseen circumstances and/or often occur outside of the ordinary course of our ongoing business. Although these events are reflected in our GAAP financial statements, these unique transactions may limit the comparability of our ongoing operations with prior and future periods.

**Adjusted Diluted EPS excludes**, net of tax, intangible asset amortization expense, stock compensation expense, restructuring and strategic transaction, legal settlement and bargain purchase gain, which was tax free. We apply our GAAP consolidated effective tax rate to our non-GAAP financial measures, other than when the underlying item has a materially different tax treatment. From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The following tables reconcile our expected GAAP and non-GAAP financial measures:

# Reconciliation of GAAP to Non-GAAP

## Fiscal Year 2016 Outlook (Unaudited) in millions except per share data

| | Low End of Guidance | High End of Guidance |
|---|---|---|
| GAAP net income | $ 69 | $ 70 |
| Non-GAAP adjustments: | | |
| Stock compensation expense | 15 | 15 |
| Depreciation and amortization expense | 19 | 19 |
| Restructuring and strategic transaction | 7 | 7 |
| Bargain purchase gain | (2) | (2) |
| Provision for income taxes | 24 | 25 |
| Total non-GAAP adjustments | 63 | 64 |
| Adjusted EBITDA | $ 132 | $ 134 |
| GAAP diluted earnings per share | $ 3.96 | $ 4.06 |
| Non-GAAP adjustments: | | |
| Stock compensation expense | $ 0.87 | $ 0.87 |
| Amortization expense | $ 0.16 | $ 0.16 |
| Restructuring and strategic transaction | $ 0.38 | $ 0.38 |
| Bargain purchase gain | $ (0.09) | $ (0.09) |
| Estimated income tax impact from adjustments | $ (0.48) | $ (0.48) |
| Adjusted diluted earnings per share | $ 4.80 | $ 4.90 |

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