

# Financial Outlook

Scott Ullem  
Chief Financial Officer



Edwards

# Edwards has delivered strong financial performance



## Sales Growth

Strong sales growth  
exceeding medtech sector



## Profitability

Healthy gross profit and  
operating margins



## Capital Allocation

Balance sheet management and  
disciplined capital deployment

## Long-Term Shareholder Returns

# Edwards Financial Objectives



Sales Growth

## STRONG SALES GROWTH EXCEEDING MEDTECH SECTOR

- > Sales growth fueled by successful long-term investments in R&D and advancements of focused breakthrough therapies
- > Sustained leadership position supported by strong evidence-based value to patients and clinicians and healthcare system
- > Addressing large, growing unmet patient needs

# Delivering strong 2021 performance despite COVID impact

*(\$ in millions except earnings per share)*

	2020 Investor Conference	October Guidance (Unchanged)
<b>Sales</b>	\$4,900 - 5,300	\$5,200 - 5,400
<b>FX Impact on Sales</b>	~\$35 (~1% upside to sales)	~\$70 (~1.5% upside to sales)
<b>Adjusted Gross Profit Margin</b>	76-77%	76-77%
<b>Adjusted Earnings Per Share</b>	\$2.00 - \$2.20	High-end of the range \$2.07 - \$2.27

# 2021 Sales Guidance – Product Group

*(\$ in millions)*

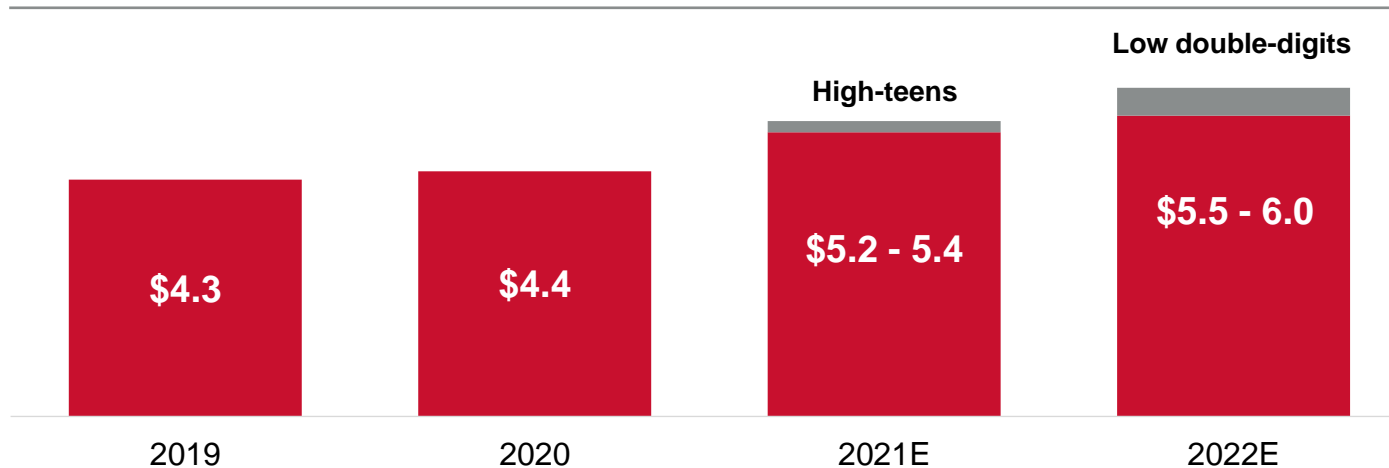
	2020 Investor Conference	October Guidance (Unchanged)
<b>Transcatheter Aortic Valve Replacement</b>	\$3,200 - 3,600	\$3,400 - 3,600
<b>Transcatheter Mitral &amp; Tricuspid Therapies</b>	~\$80	\$80 - 100
<b>Surgical Structural Heart</b>	\$800 - 900	\$875 - 925
<b>Critical Care</b>	\$725 - 800	\$800 - 850
<b>Total Edwards</b>	\$4,900 - 5,300	\$5,200 - 5,400

# Low double-digit sales growth expected in 2022



2022  
Expectations

- Gradual COVID recovery and assumes no significant impact from new variants
- Growth across all major regions
- FX impact expected to be approximately \$120 million or 2% downside to reported sales at current rates
- Expect high variability in year-over-year growth rates by quarter



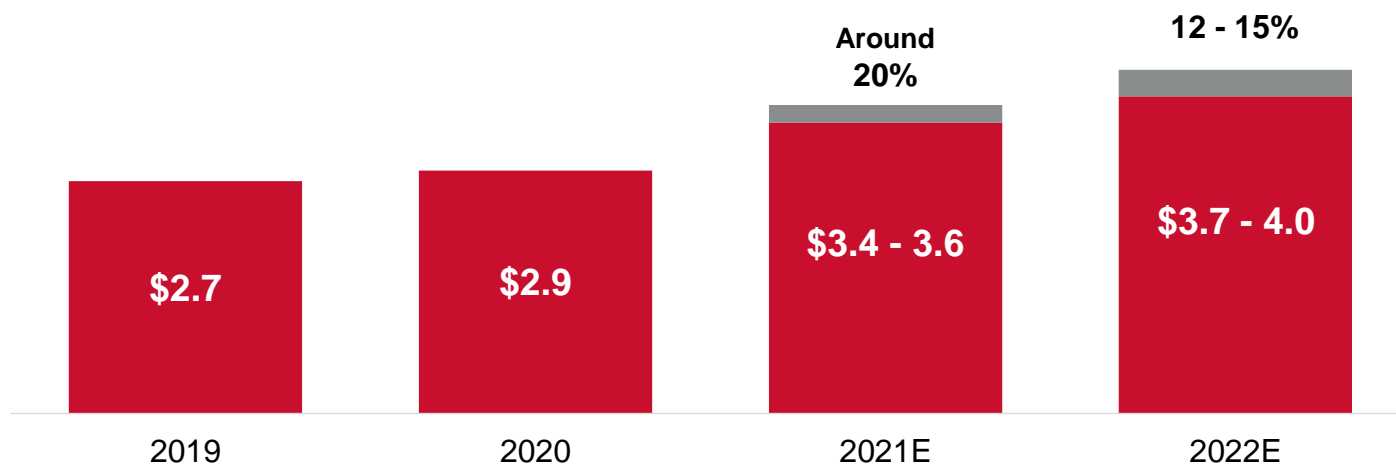
\$ in billions; underlying growth rates

# TAVR sustains double-digit sales growth in 2022



2022  
Expectations

- Double-digit growth across all major regions
- Anticipated stable ASP and share position
- Q2 expiration of ~\$40M annual royalty revenue



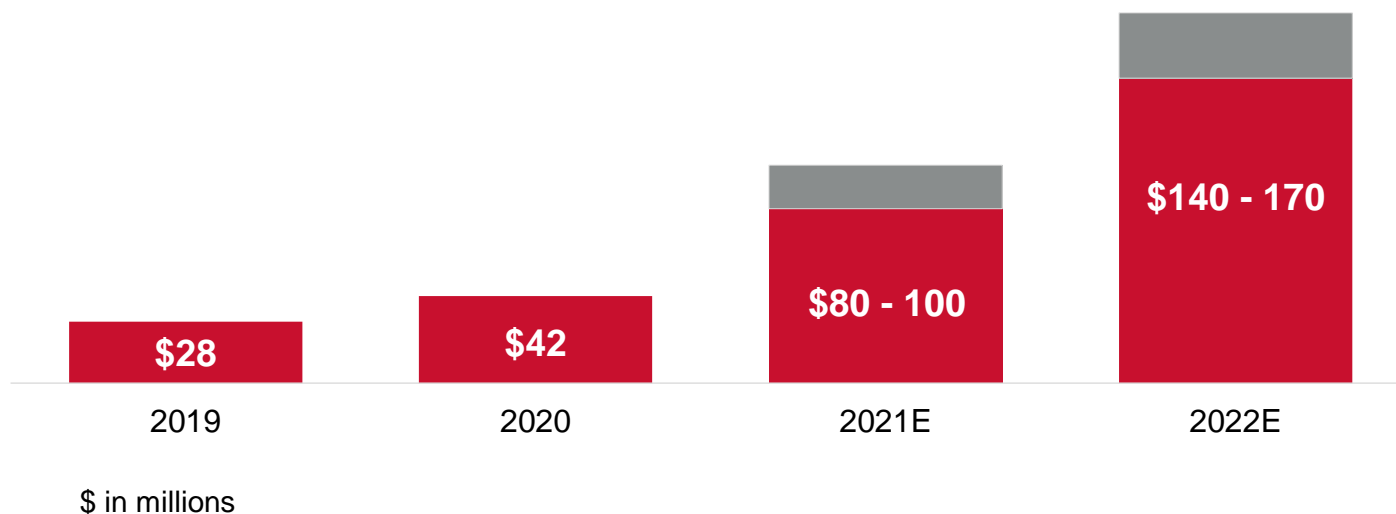
\$ in billions; underlying growth rates

# TMTT continues strong momentum



2022  
Expectations

- Remain focused on excellent patient outcomes
- PASCAL expansion in Europe drives growth
- PASCAL in the U.S. and EVOQUE TR in Europe approved late 2022 with negligible impact on 2022 sales
- Build enrollment in ENCIRCLE, TRISCEND II, and MISCEND trials



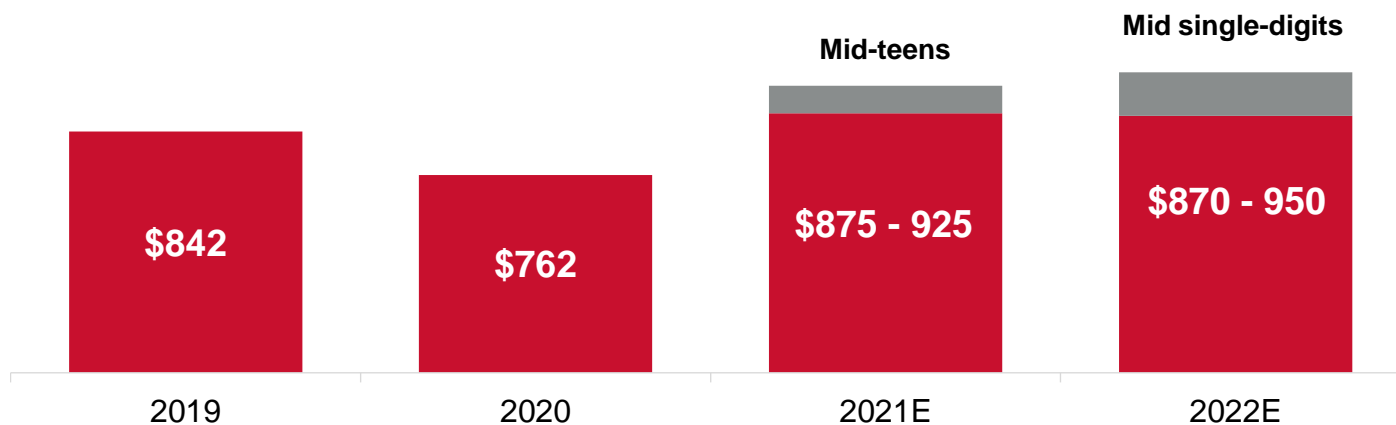


# Surgical Structural Heart brings leading innovations



2022  
Expectations

- Increased adoption of RESILIA products drives growth
- MITRIS U.S. launch
- Ongoing mechanical to tissue valve conversion



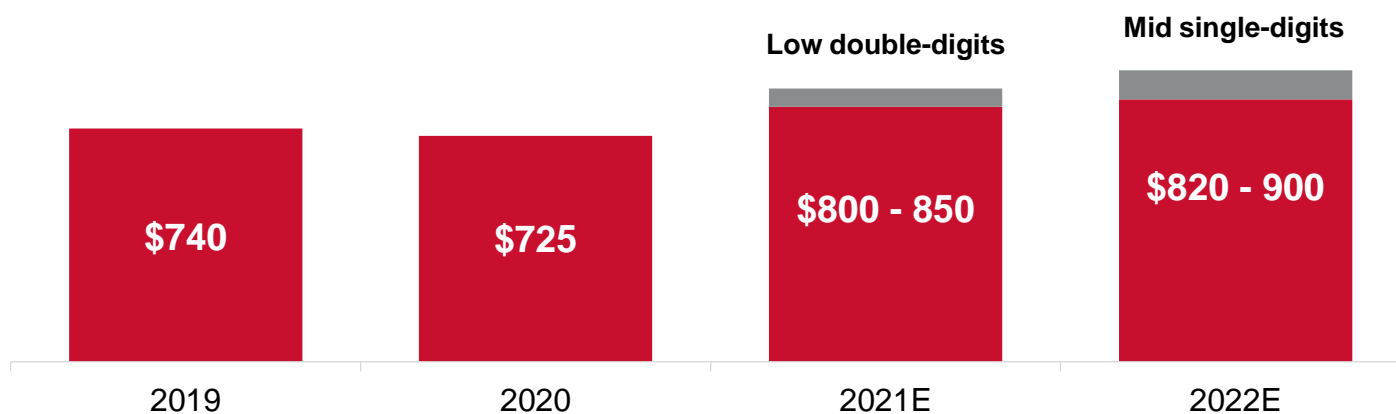
\$ in millions; underlying growth rates

# Critical Care shifting focus to Smart Recovery



2022  
Expectations

- Accelerated adoption of Smart Recovery and the expansion of HPI technology
- Launch Viewfinder connectivity solution
- Advance Smart BP enrollment



\$ in millions; underlying growth rates

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Profitability

## HEALTHY PROFITABILITY

- Generating strong gross profit
- Funding growing field organization and strengthening global supply chain
- Investing aggressively in innovation for profitable organic growth
- Maintaining efficient tax structure

# 2022 Gross Profit margin favorably impacted by FX



## GROSS PROFIT MARGIN

Between 78 - 79%



- FX impact
- Operational efficiencies
- Product mix



- Investments in manufacturing capacity
- Expiration of TAVR royalty

# 2022 Operating Expenses



## OPEX

SG&A: 28 - 30%; R&D: 17 - 18%



- FX impact
- Leveraging scale
- Nominal impact from inflation



- TMTT U.S. launch
- Investments in clinical trials and product development
- Normalization of pre-COVID activities

# Expanding Operating Margin in 2022



2022  
Expectations



## Gross Profit Margin

Adjusted Gross Profit margin forecast 78 - 79%, lifted primarily by foreign exchange



## Selling General and Administrative

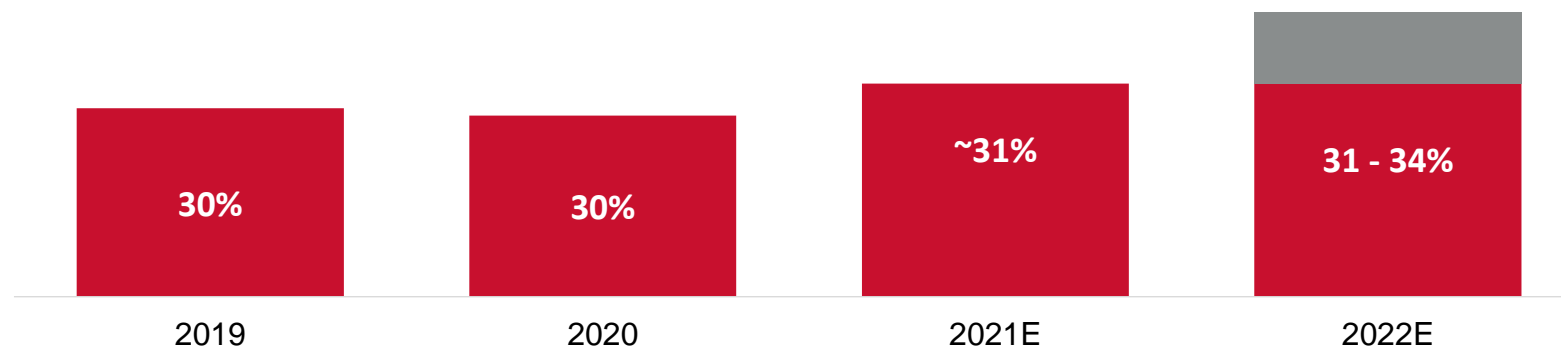
Continuing to support high-touch model for TAVR and ongoing build-out of TMTT commercial and clinical teams



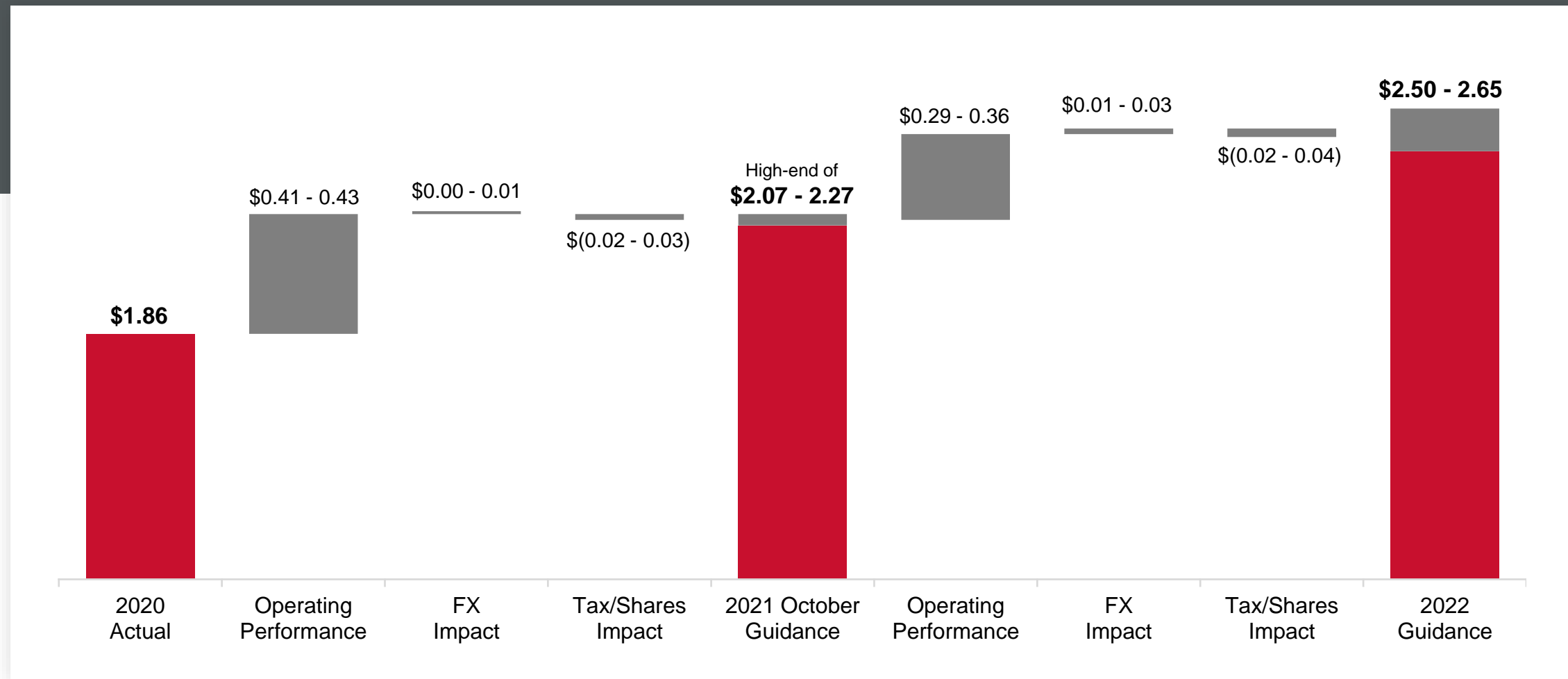
## Research & Development

Targeted investments to continue profitable organic growth

## Adjusted Operating Margin



# Operating performance drives Adjusted EPS growth



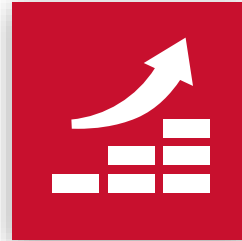


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## Capital Allocation

### ROBUST CASH FLOW AND DISCIPLINED CAPITAL DEPLOYMENT

- > Supports global capacity expansion
- > Strategic acquisitions to support and supplement R&D initiatives
- > Returning capital to shareholders through opportunistic share repurchases

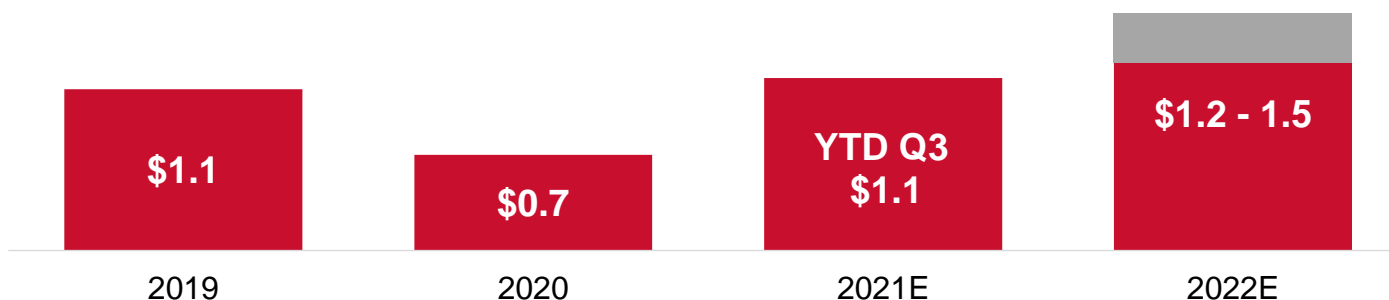
# Cash Flow and Capital Deployment



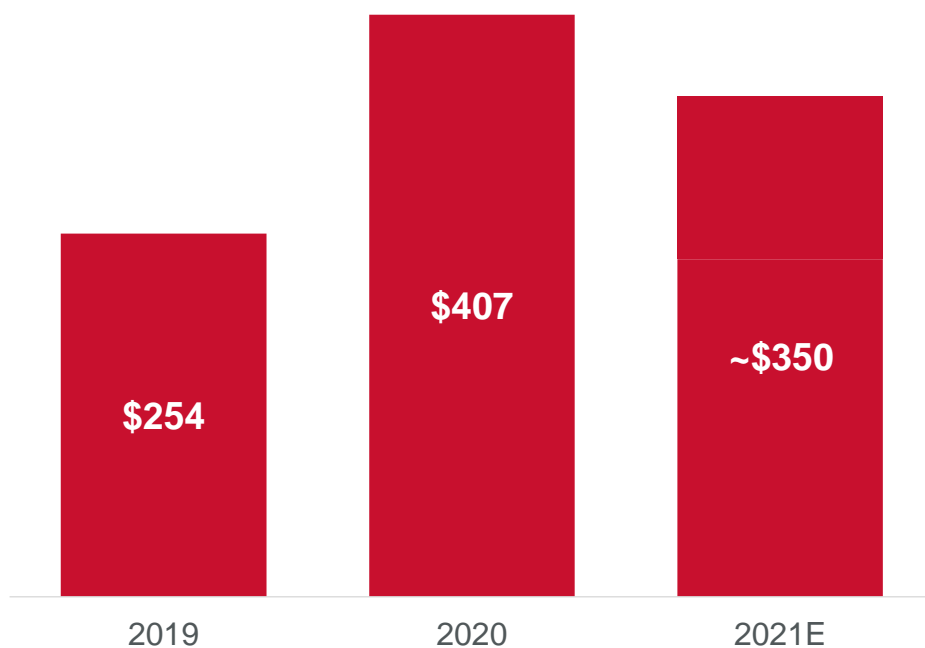
2022  
Expectations

- Continued growth results in significant cash flows that fund future internal and external opportunities
- EPS model expects diluted shares outstanding between 630 and 635 million
- Includes ~\$200M of accelerated tax payments starting in 2022 due to change in tax treatment of R&D

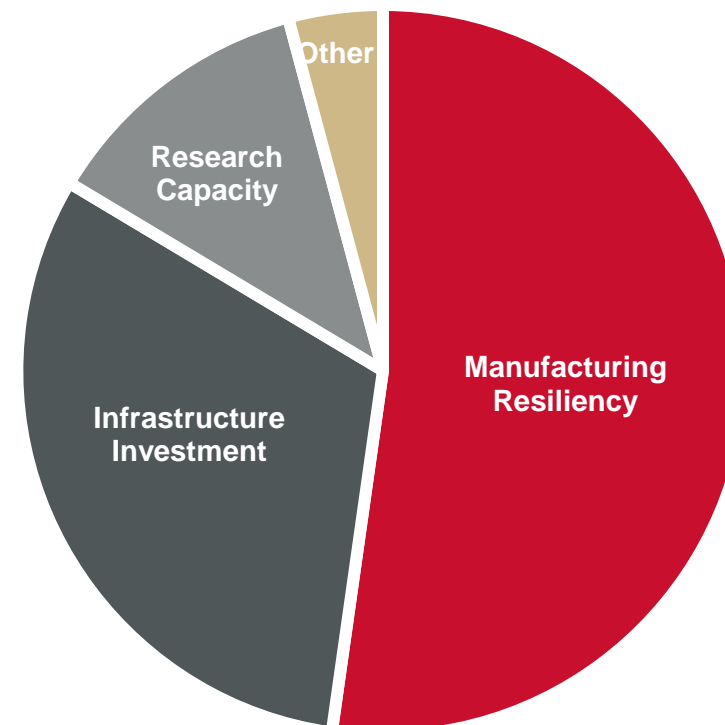
## Adjusted Free Cash Flow (\$ in billions)



# Investing Capital for the Future



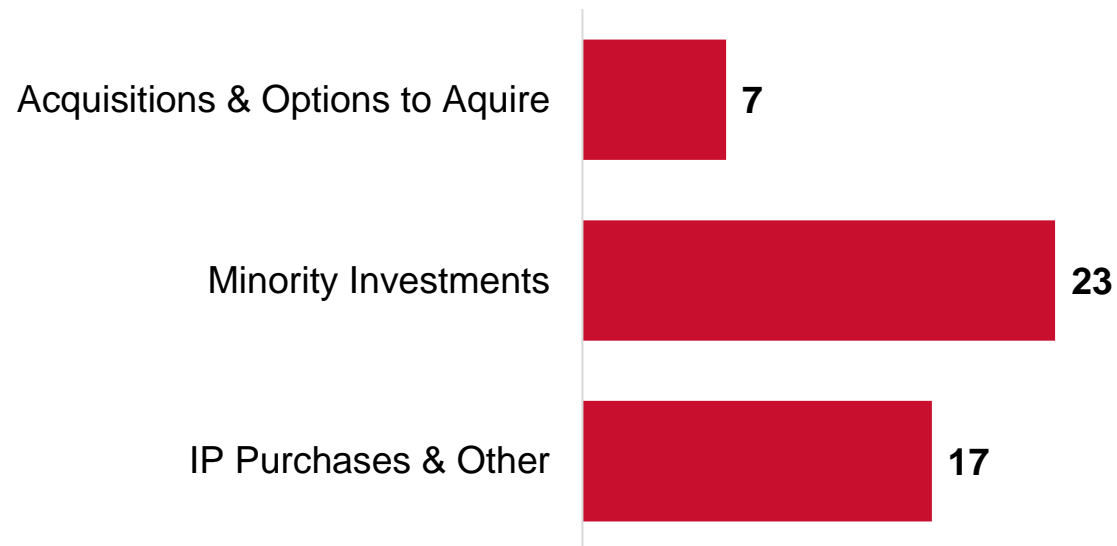
CAPEX (\$ in millions)



Where are we investing?

# Acquisitions & Divestitures

## CLOSED TRANSACTIONS SINCE 2016



## FOCUS

- Structural heart
- Smaller tuck-ins
- Early-stage, pre-revenue companies
- Strategic fit



## EXIT

- Non-strategic products
- Low growth potential

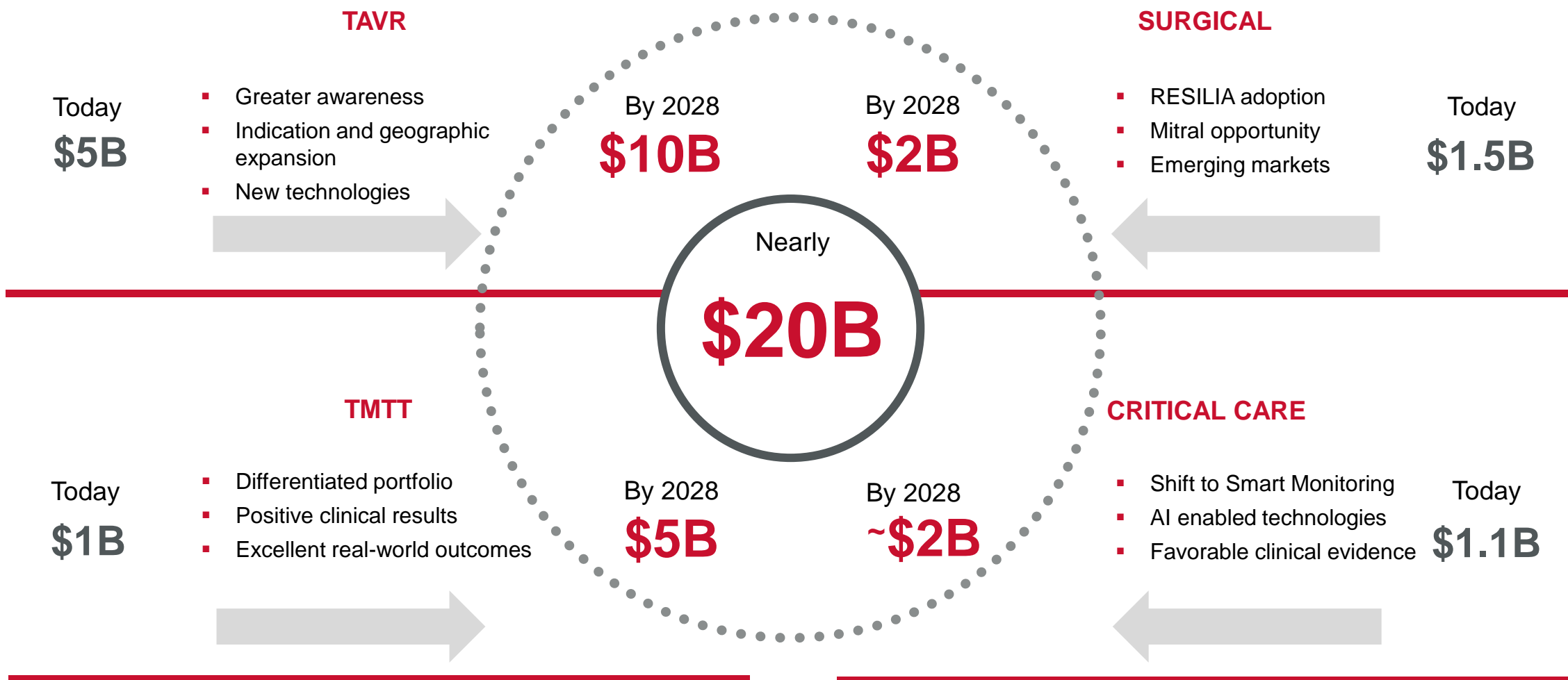
# 2022 Guidance Summary

*(\$ and shares in millions except earnings per share)*

<b>Sales</b>	\$5,500 - 6,000
<b>Underlying growth</b>	Low double-digits
<b>FX Impact on Sales</b>	~(\$120) (2% downside to sales)
<b>Gross Profit Margin*</b>	78 - 79%
<b>SG&amp;A % of Sales</b>	28 - 30%
<b>R&amp;D % of Sales</b>	17 - 18%

<b>Operating Margin*</b>	Expansion to 31 - 34%
<b>Tax rate*</b>	11 - 15% (~3pp ETB benefit)
<b>Earnings Per Share*</b>	\$2.50 - 2.65
<b>Shares Outstanding</b>	630 - 635
<b>Free Cash Flow*</b>	\$1,200 - 1,500

# Global Market Opportunity



# Longer-Term Guidance



## SALES GROWTH

### Underlying Sales Growth

- Innovation expected to drive organic growth that exceeds medtech sector

### Global Market Opportunity

Nearly

**\$20B**

By 2028



## OPERATING EFFICIENCY

### Gross Profit Margin

- Mix and efficiencies expected to benefit longer-term margin

### SG&A

- Disciplined focus on leveraging scale and controlling G&A expenses, partially offset by investments to support growth initiatives

### R&D

- Significant investments in clinical trials to expand indications and develop new technologies



## EARNINGS

### Tax Rate

- Upward pressure

### Earnings Per Share

- Routine share repurchases to offset dilution from employee shares
- Opportunistically reduce net shares outstanding
- FX volatility mitigated by consistent hedging strategy



# Edwards' plan generates strong financial performance



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# Edwards

Helping Patients is Our Life's Work, and  
*life is now*