First Quarter 2018 Results

Financial Community Supplement

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This presentation contains certain “forward-looking statements” relating to the Company. All statements, other than statements of historical fact included herein, are “forward looking statements.” These forward-looking statements are often identified by the use of forward-looking terminology such as “preliminary,” “intends,” “expects,” “plans,” “anticipates,” “believes,” “views” or similar expressions and involve known and unknown risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks, and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These uncertainties include, but are not limited to, the risk that additional information may arise during the course of the Company’s ongoing financial statement preparation and closing processes that would require the Company to make additional adjustments or revisions to its estimates or financial statements and other financial data, to identify additional material weaknesses, or to take any other necessary action relating to the Company’s accounting practices; the time required to complete the Company’s financial statements and other financial data and accounting review; the time required to prepare its periodic reports for filings with the Securities and Exchange Commission; the impact of the Tax Cuts and Jobs Act on the Company’s financial statements; any regulatory review of, or litigation relating to, the Company’s accounting practices, financial statements and other financial data, periodic reports or other corporate actions; changes in the demand for the Company’s O&P products and services; uncertainties relating to the results of operations or recently acquired O&P patient care clinics; the Company’s ability to enter into and derive benefits from managed-care contracts; the Company’s ability to successfully attract and retain qualified O&P clinicians; federal laws governing the health care industry; uncertainties inherent in investigations and legal proceedings; governmental policies affecting O&P operations; and other risks and uncertainties generally affecting the health care industry. For additional information and risk factors that could affect the Company, see its Form 10 K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission. The information contained in this presentation is made only as of the date hereof, even if subsequently made available by the Company on its website or otherwise.

The Company has provided in this presentation certain non-generally accepted accounting principles (“GAAP”) measures for specified periods. A reconciliation of the non-GAAP measures to the comparable GAAP measures is included in this presentation.

First Quarter 2018 Adjusted EBITDA[a] Growth

Same clinic revenue growth, lower benefits and bad debt expense, and other expense timing considerations drove growth in Adjusted EBITDA. Adjusted loss per share, which typically occurs in the first quarter due to seasonality, declined year-over-year as a result of lower interest expense.

	Q1 2018	Q1 2017
Net Revenue (mm)	$234.0	$233.7
Adjusted EBITDA (mm)[a]	$16.2	$14.3
Adjusted EPS[a]	($0.13)	($0.17)

Note: [a] Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 6, 7, 8 and 9 of this presentation.

First quarter 2018 in-line with preliminary view on May 14, 2018

- **Net revenue** was consistent with prior year quarter, reflecting growth in the Patient Care segment of 0.5% and a decline of 1.2% in the Products and Services segment
- **Adjusted EBITDA**[a] grew by $1.9 million. This growth resulted primarily from lower benefits and bad debt expense
- **GAAP interest expense** decline of $1.7 million year-over-year, reflecting the initial positive impact from the March 2018 debt refinancing
- **Patient Care** segment income from operations and Adjusted EBITDA[a] grew 17.5% and 10.5%, respectively:
  - Same clinic revenue per day growth of 1.1% driven by strong growth in prosthetic services of 6.0% year-over-year
  - Disallowed gross revenue was 4.2% or $8.3 million, up slightly year-over year, but consistent with the disallowed revenue percentage for 2017
  - The adoption of a new revenue accounting standard, ASC 606, reduced Patient Care revenue by $0.9 million for the first three months of 2018. This prospective change reclassifies certain patient non-payments as a reduction in net revenue
- **Products and Services** segment revenue and Adjusted EBITDA declined, but at rates slower than in 2017, as anticipated:
  - Decline in therapeutic solutions revenue of $1.3 million was partially offset by a $0.7 million increase in O&P distribution revenue
  - Flow through from the lower revenue in therapeutic solutions resulted in a $0.2 million decline in segment income from operations and a $0.3 million decline in segment Adjusted EBITDA[a], respectively.

Note: [a] Amounts reflect non-GAAP measures. Please refer to “Reconciliations for Non-GAAP Amounts” on slides 6, 7, 8 and 9 of this presentation.

2018 View (Subject to Material Change)

- **Reiterating 2018 outlook** as first published on May 14, 2018
  - Full Year 2018 Revenue and Adjusted EBITDA[a] currently anticipated to be generally consistent with 2017
  - The growth in Adjusted EBITDA and income from operations in the first quarter of 2018 is primarily related to the timing of expenses in that period
- **Additional considerations**
  - Hanger anticipates commencing its relisting on a national stock exchange in the third quarter

Note: [a] Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 6, 7, 8 and 9 of this presentation.

Reconciliations for Non-GAAP Amounts: Adjusted EPS

Earnings Per Share (or "EPS") is defined as net income divided by our diluted common shares during the applicable period. Adjusted EPS is defined as EPS adjusted for impairments of intangible assets, third-party professional fees in excess of normal amounts incurred in connection with our financial statement remediation, debt extinguishment costs, severance expenses associated with significant reductions in force and expenses incurred in connection with our acquisitions and certain other charges.

We utilize Adjusted EPS to assess our operating and financial performance. We believe that this measure enhances a user's understanding of normal operating results excluding certain charges.

Adjusted EPS is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation nor as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as a measure of profitability or liquidity. In addition, the calculation of Adjusted EPS is susceptible to varying interpretations and calculations, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EPS may not be indicative of historical operating results, and we do not intend these measures to be predictive of future results of operations.

	Three Months Ended March 31,	
	2018	2017
Net loss - as reported (GAAP)	$ (22,618)	$ (17,734)
Adjustments:		
Impairment of intangible assets	-	-
Amortization expense	1,953	2,452
Third-party professional fees	3,700	11,537
Loss on extinguishment of debt	16,998	-
Severance expenses associated with reduction in force	-	43
(Income) loss from discontinued operations before taxes	-	-
Specified adjustments prior to tax effect	$ 22,651	$ 14,032
Tax effect of specified adjustments (a)	(4,717)	(2,313)
Specified adjustments after taxes	17,934	11,719
Adjusted net income (Non-GAAP)	$ (4,684)	$ (6,015)
Basic and diluted loss per share - as reported (GAAP)	$ (0.62)	$ (0.49)
Effect of above listed specified adjustments	0.49	0.32
Adjusted diluted income per share (Non-GAAP)	$ (0.13)	$ (0.17)
Shares used to compute basic and diluted earnings per common share	36,498,482	36,084,630

(a) "Tax effect of specified adjustments" reflects the difference between the Company's effective provision for taxes and the application of a combined federal and state statutory tax rate of 24% and 38% respectively for the 2018 and 2017 periods to the Company's earnings from continuing operations before taxes, after the incorporation of the identified above adjustments.

Reconciliations for Non-GAAP Amounts: EBITDA and Adjusted EBITDA

EBITDA is defined as operating income before depreciation and amortization. Adjusted EBITDA is defined as operating income before certain charges, impairments of intangible assets, third-party professional fees in excess of normal amounts incurred in connection with our financial statement remediation, debt extinguishment costs, expenses associated with equity-based compensation, severance expenses associated with significant reductions in force and expenses incurred in connection with our acquisitions.

We use EBITDA and Adjusted EBITDA as measures to assess the relative level of our indebtedness and our compliance with certain debt covenants which are based on these measures. Additionally, we utilize these measures to assess our operating and financial performance. We believe that these measures enhance a user's understanding of normal operating income excluding certain charges, depreciation and amortization.

Neither EBITDA or Adjusted EBITDA are measures of financial performance computed in accordance with GAAP and should not be considered in isolation nor as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as a measure of profitability or liquidity. In addition, the calculation of EBITDA and Adjusted EBITDA is susceptible to varying interpretations and calculations, and the amounts presented may not be comparable to similarly titled measures of other companies. EBITDA and Adjusted EBITDA may not be indicative of historical operating results, and we do not intend these measures to be predictive of future results of operations.

	Three Months Ended March 31,	
	2018	**2017**
Net loss - as reported (GAAP)	$ (22,618)	$ (17,734)
Adjustments to calculate EBITDA:		
Depreciation and amortization	9,330	10,137
Interest expense, net	12,263	14,009
Loss on extinguishment of debt	16,998	-
Non-service defined benefit plan expense	176	184
Benefit for income taxes	(6,196)	(6,000)
(Income) loss from discontinued operations, net of income taxes	-	-
Specified adjustments - net loss to EBITDA	32,571	18,330
EBITDA (Non-GAAP)	9,953	596
Further adjustments to calculate Adjusted EBITDA:		
Impairment of intangible assets	-	-
Third-party professional fees	3,700	11,537
Equity-based compensation	2,584	2,165
Acquisition-related expenses	-	-
Severance expenses associated with reduction in force	-	43
Specified further adjustments - EBITDA to Adjusted EBITDA	6,284	13,745
Adjusted EBITDA (Non-GAAP)	$ 16,237	$ 14,341

Reconciliations for Non-GAAP Amounts: EBITDA and Adjusted EBITDA (continued)

	Three Months Ended March 31,	
	2018	2017
Patient Care		
Income from operations - as reported (GAAP)	$ 17,093	$ 14,543
Depreciation and amortization	4,898	5,429
EBITDA (Non-GAAP)	21,991	19,972
Further adjustments to calculate Adjusted EBITDA:		
Impairment of intangible assets	-	-
Third-party professional fees	-	-
Equity-based compensation	1,020	771
Severance expenses associated with reduction in force	-	73
Specified further adjustments - EBITDA to Adjusted EBITDA	1,020	844
Adjusted EBITDA (Non-GAAP)	23,011	20,816
Products & Services		
Income from operations - as reported (GAAP)	5,879	6,069
Depreciation and amortization	2,502	2,670
EBITDA (Non-GAAP)	8,381	8,739
Further adjustments to calculate Adjusted EBITDA:		
Impairment of intangible assets	-	-
Third-party professional fees	-	-
Equity-based compensation	270	284
Severance expenses associated with reduction in force	-	(30)
Specified further adjustments - EBITDA to Adjusted EBITDA	270	254
Adjusted EBITDA (Non-GAAP)	8,651	8,993

Reconciliations for Non-GAAP Amounts: EBITDA and Adjusted EBITDA (continued)

Corporate & Other

Income from operations - as reported (GAAP)	(22,349)	(30,153)
Depreciation and amortization	1,930	2,038
EBITDA (Non-GAAP)	(20,419)	(28,115)
Further adjustments to calculate Adjusted EBITDA:		
Impairment of intangible assets	-	-
Third-party professional fees	3,700	11,537
Equity-based compensation	1,294	1,110
Severance expenses associated with reduction in force	-	-
Specified further adjustments - EBITDA to Adjusted EBITDA	4,994	12,647
Adjusted EBITDA (Non-GAAP)	(15,425)	(15,468)
Adjusted EBITDA (Non-GAAP)	$ 16,237	$ 14,341