



**Midwest IDEAS
Conference
The Gwen Hotel
Chicago, Illinois**

August 29, 2019



Cautionary Note

Forward Looking Statements

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 of our identified material weaknesses in the Company’s internal control over financial reporting adversely affecting its ability to report its financial condition and results of operations in a timely and accurate manner; any 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, 2018 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.

Note Regarding the Presentation of Non-GAAP Financial Measures: This presentation includes certain “non-GAAP financial measures” as defined in Regulation G under the federal Securities Exchange Act of 1934. Non-GAAP measures include Adjusted EBITDA, Adjusted EBITDA Margin, adjusted earnings per share, leverage ratios, free cash flow. As required under Regulation G, Reconciliations of GAAP and non-GAAP financial results are included in schedules at the Appendix. These schedules reconcile the non-GAAP financial measures included in this presentation to the most direct comparable financial measure under generally-accepted accounting principles in the United States. The non-GAAP measures contained herein are used by the Company’s management to analyze the Company’s business results and are provided for informational and analytical context.

Hanger

At a Glance



Who We Are:

- ✓ Industry leader in orthotics & prosthetics services
- ✓ \$4.2 billion¹ addressable O&P domestic U.S. market
- ✓ Pioneered prosthetic devices in 1861
- ✓ Focus on custom devices

By The Numbers (\$ as of YE 2018):

- ✓ Net Revenue \$1.049 billion
- ✓ Adjusted EBITDA² \$121 million
- ✓ 4,700 FTEs; 906 locations (incl. 805 patient care & satellite locations) in 45 states and D.C. (as of June 30, 2019)
- ✓ Two segments: Patient Care (82% revenue); Products & Services (18% revenue)

¹ Source: Hanger Inc. estimates

² Adjusted EBITDA is a non GAAP-measure. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

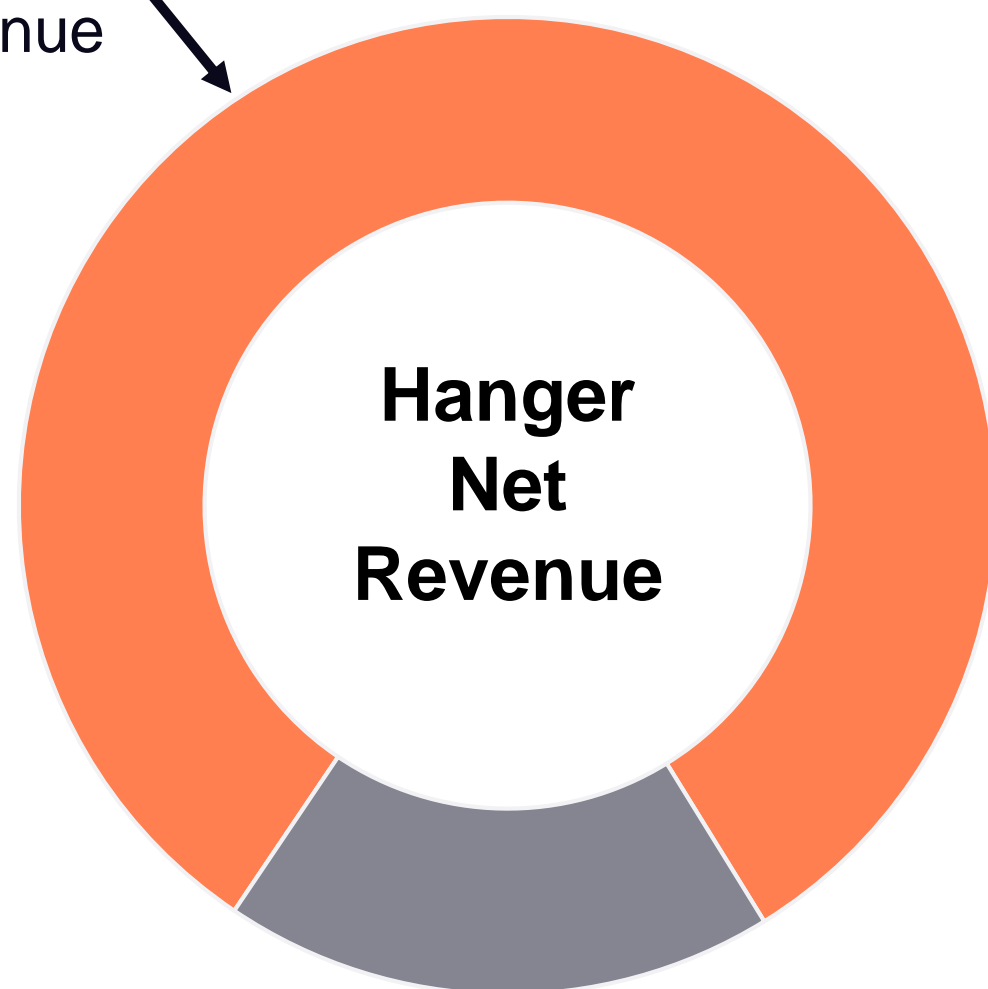
Business Mix

Primary Focus on the Provision of Specialty Health Care

2018 Hanger Net Revenue

\$1.049 billion

Patient Care
\$857.4 million
81.8% revenue

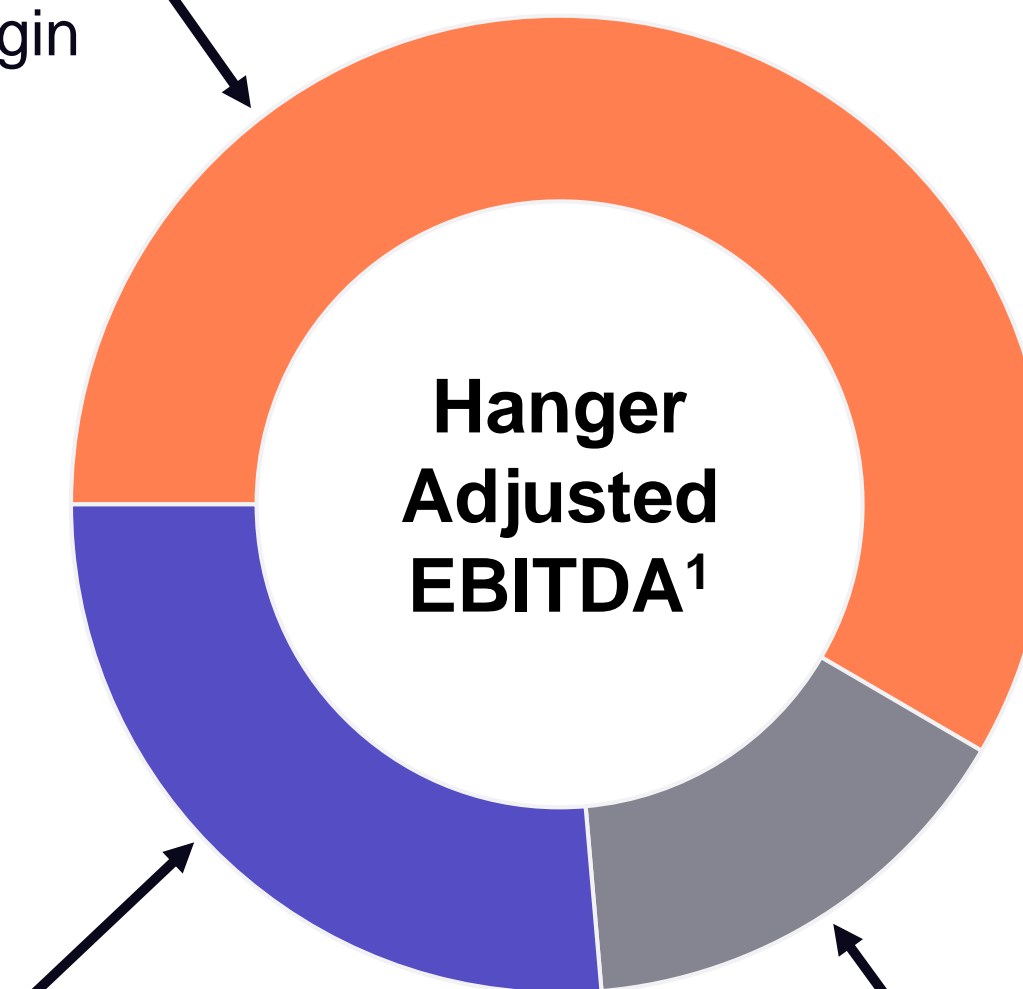


Products & Services
\$191.4 million
18.2% revenue

2018 Adjusted EBITDA¹

\$121.1 million - 11.5% EBITDA margin

Patient Care
\$150.9 million
17.6% margin



G&A expense
(\$66.3) million

Products & Services
\$36.5 million
19.1% margin

¹ Adjusted EBITDA is a non GAAP-measure. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

Investment Thesis

Industry Leader Building Sustainable Competitive Advantage

Market Leader

1

- **The leading provider** of orthotic and prosthetic services in the United States
- Provides approximately **20% of all O&P services** in the United States

Sizeable Market

2

- **\$4.2 billion market** for prescription prostheses, orthoses and prefabricated or off-the-shelf orthoses
- **Broad demand drivers** across injuries and multiple, high prevalence disease etiologies

Differentiators

3

- **Competitive differentiation through investments** in clinical outcomes, centralized revenue cycle management, patient engagement and supply chain to drive growth

Growth Levers

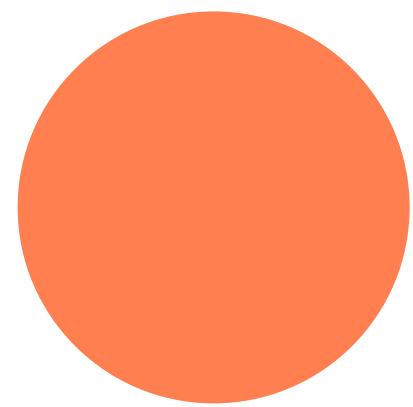
4

- **Multi-tier strategy** to grow organically, steadily expand margins and pursue M&A to drive incremental growth opportunities

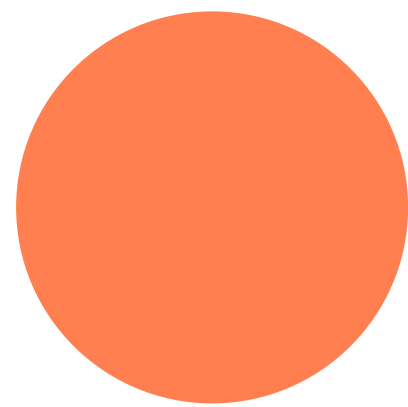
Premier scalable provider in a large market for specialized healthcare services

Discussion Points

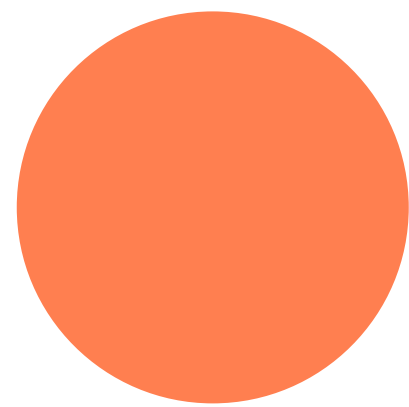
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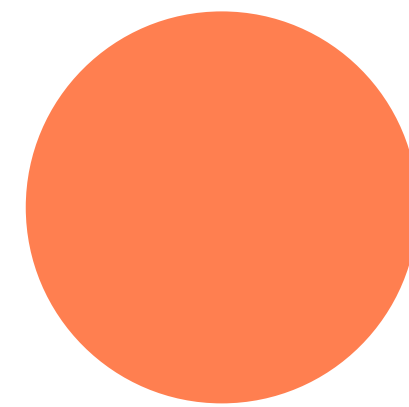
Our
Market



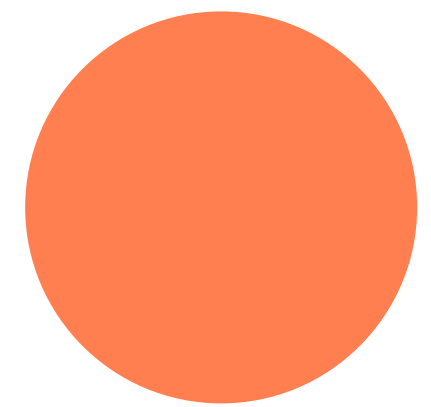
Patient Care



Products &
Services



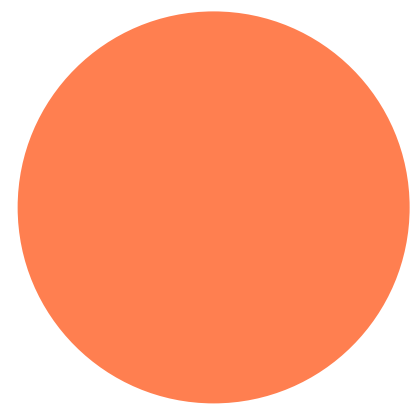
Focused
Growth
Strategy



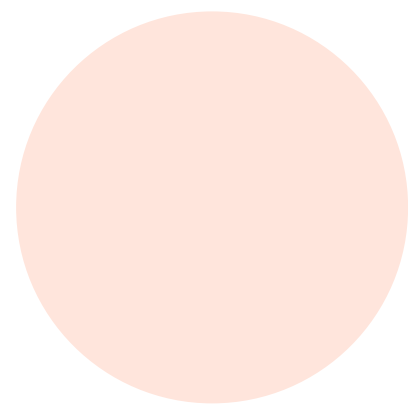
Financial
Performance

Discussion Points

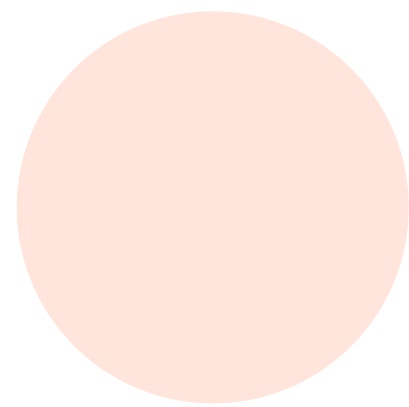
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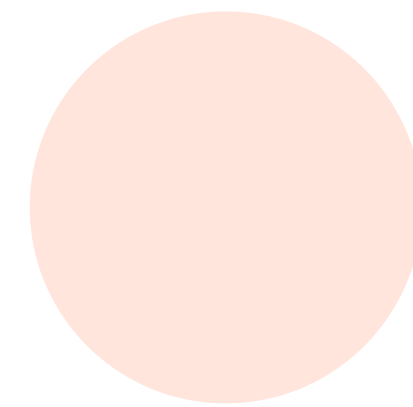
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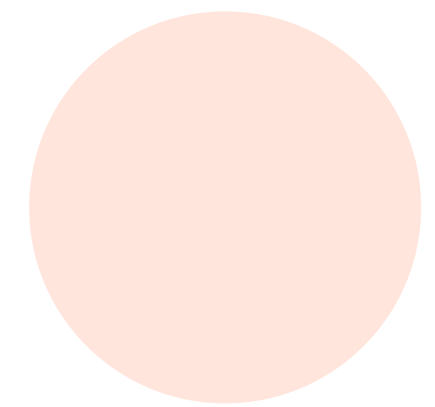
Patient Care



Products &
Services



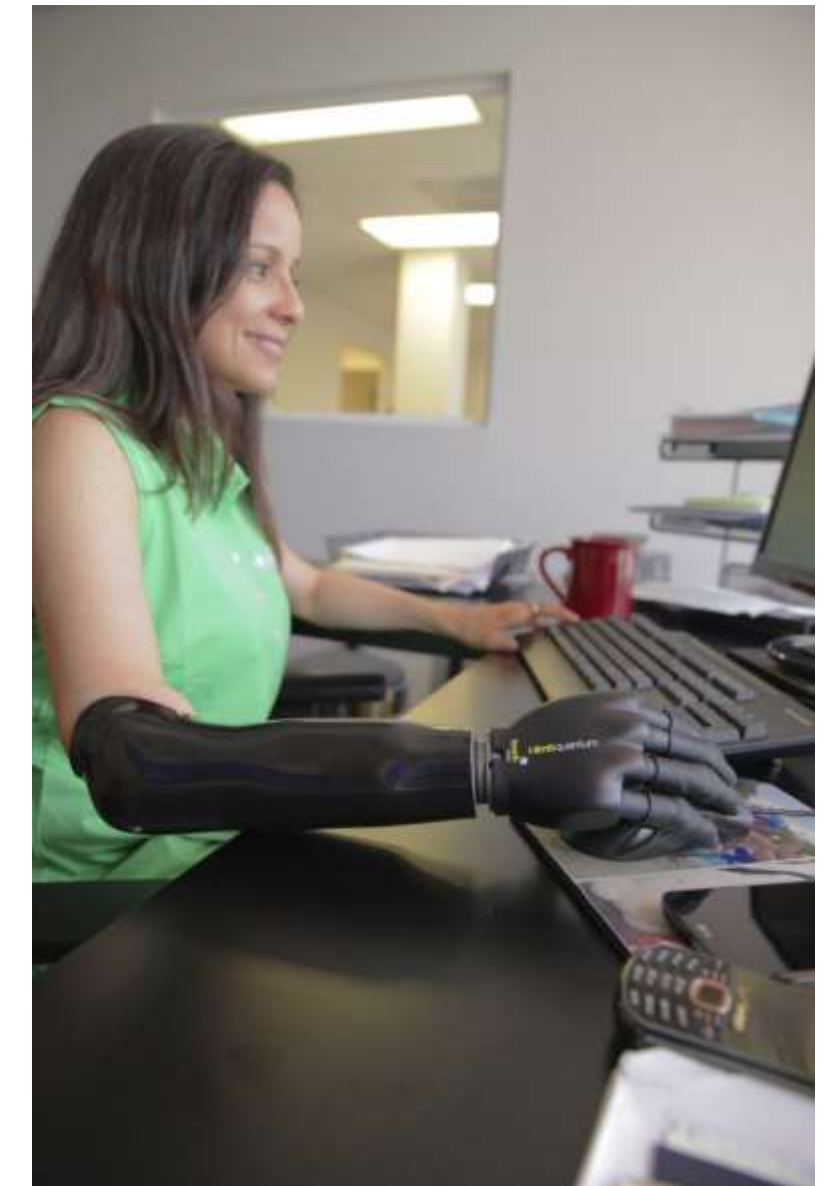
Focused
Growth
Strategy



Financial
Performance

Orthotics and Prosthetics (O&P)

95% of Hanger's Revenue is Related to O&P Services and Distribution



Orthotics

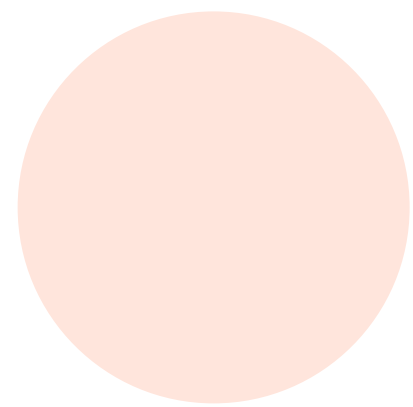
- ✓ Orthotic devices modify the structural and functional characteristics of the neuromuscular and skeletal system
- ✓ Prescribed for injuries, musculoskeletal, neurological or orthopedic disorders
- ✓ Hanger Clinic emphasizes fabrications of customized devices

Prosthetics

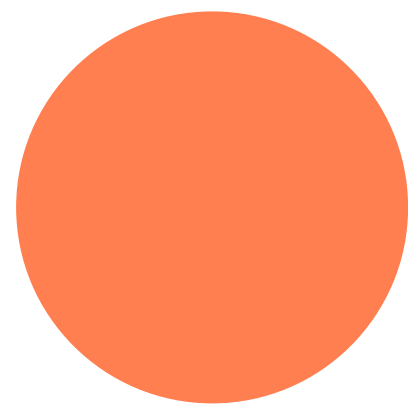
- ✓ Prosthetic devices replace a missing limb or portion of a limb
- ✓ Provided to patients with amputated or congenitally absent limbs to replace the function and appearance of a limb
- ✓ Prosthetics are customized to meet the unique location and characteristics of the patient and their residual limb
- ✓ Prostheses have an average useful life ranging 3-5 years

Discussion Points

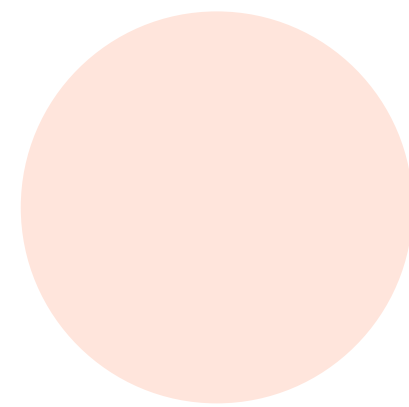
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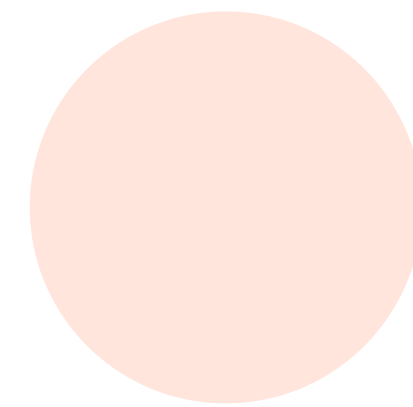
Our
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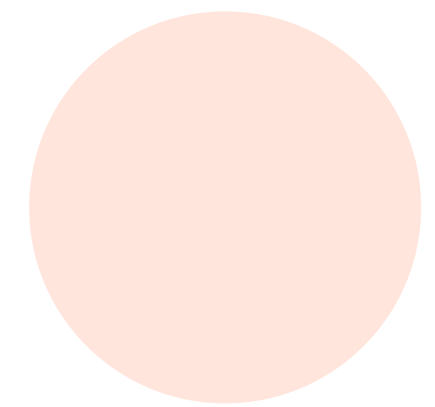
Patient Care



Products &
Services



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Growth
Strategy



Financial
Performance

Patient Care Differentiators

Building Sustainable Advantages in a Fragmented Industry



National network and market leadership



Driving patient engagement, connectivity and satisfaction



Unique ability to measure and improve patient outcomes



Optimizing reimbursement through centralized revenue cycle management

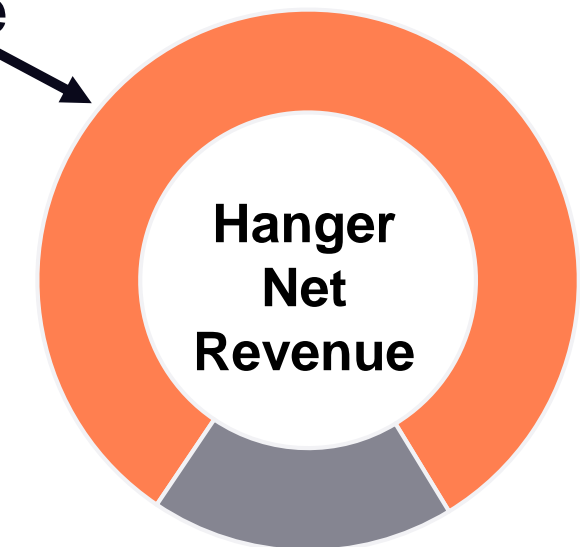


Enhancing productivity and cost management through an enterprise supply chain

Patient Care¹

\$857.4 million

81.8% of revenue

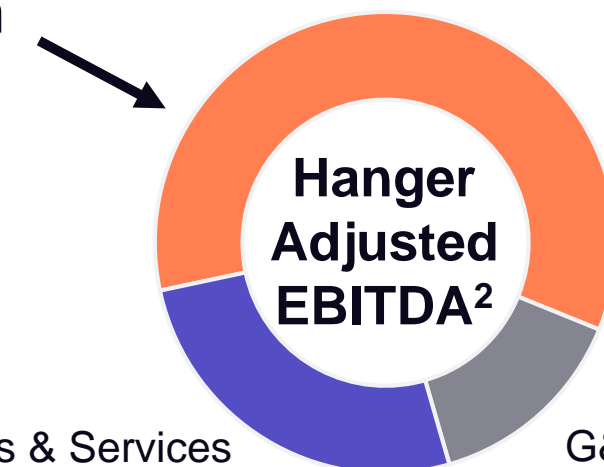


Products & Services

Patient Care¹

\$150.9 million

17.6% margin



Products & Services

G&A Expense

¹ Referenced amounts reflect 2018 actual results.

² Adjusted EBITDA is a non GAAP-measure. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

Scale as a Competitive Advantage

National Network Brings Hanger Closer to the Community



1

1,500 Clinicians

- ✓ Hanger employs over 20% of the board certified, O&P clinicians in the U.S.
- ✓ Competitors are spread out in small local practitioner settings.

2

Nationwide Network

- ✓ Hanger's broad provider footprint allows for a healthy diversity of payor and referral sources.
- ✓ Geographic diversity insulates Hanger from local or market specific challenges.

3

805 Patient Care Locations

- ✓ Hanger is the only O&P provider operating a nationwide network of patient care clinics in 45 states and D.C.

4

2 million Annual Patient Encounters

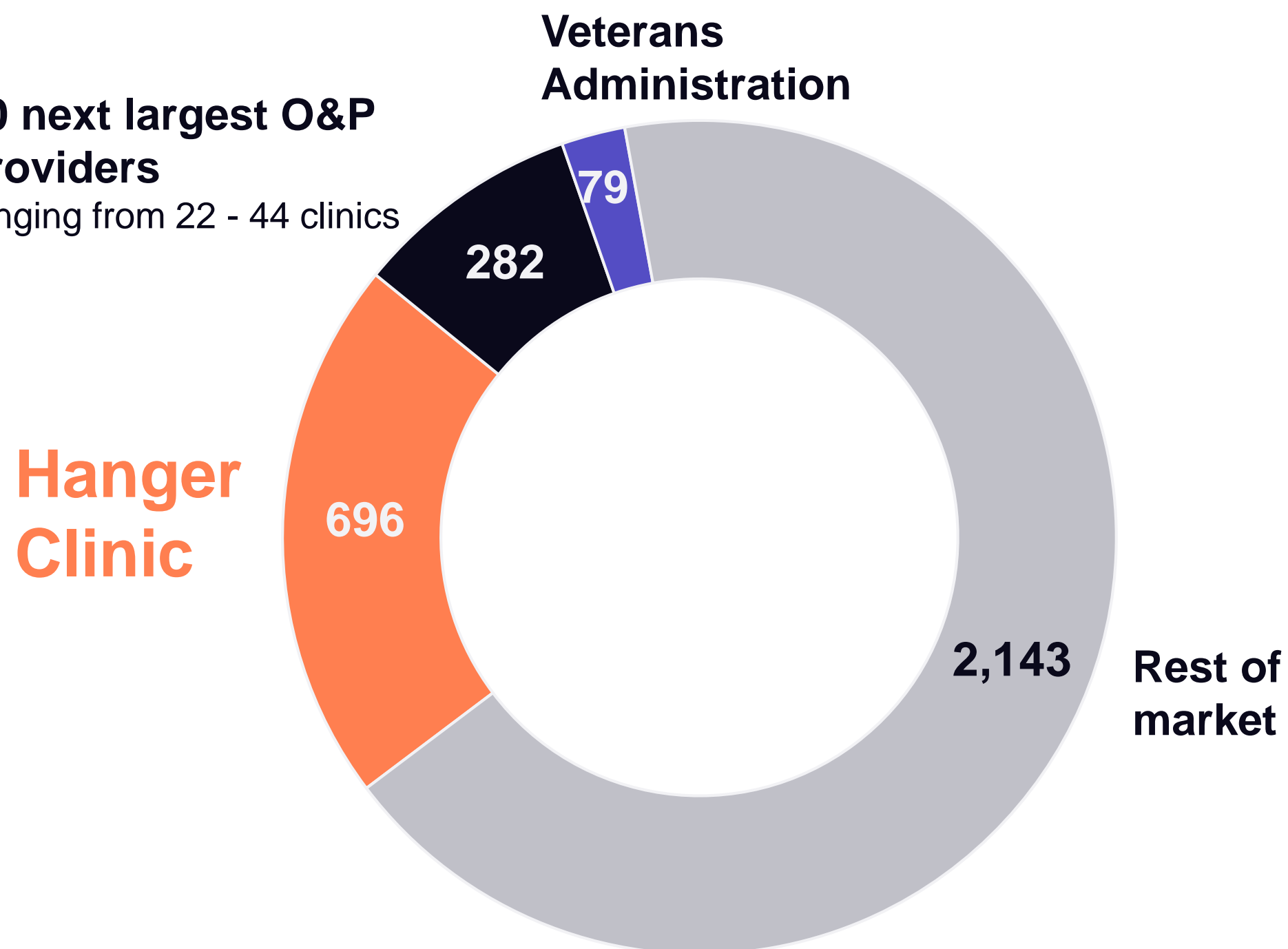
- ✓ Hanger has the highest volume of O&P patients as compared with any provider.
- ✓ Enables Hanger to develop and deliver best practices in O&P care.

Market Leader

In a Fragmented Industry

O&P Patient Care Clinic Market
(by location)
Approximately 3,200 Clinics

10 next largest O&P providers
ranging from 22 - 44 clinics

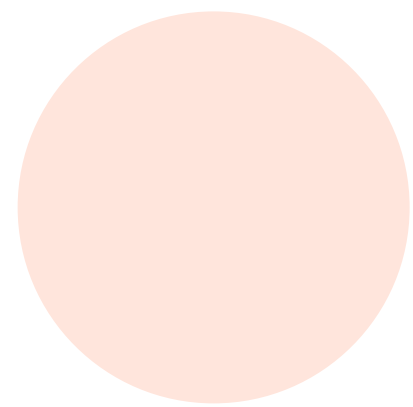


- ✓ Hanger currently operates 805 patient care clinics nationally
 - ✓ 696 patient care clinics
 - ✓ 109 satellite locations
- ✓ 22% of O&P clinics in the nation
- ✓ VA: Next largest at 2%
- ✓ Rest of market is comprised of diverse small providers

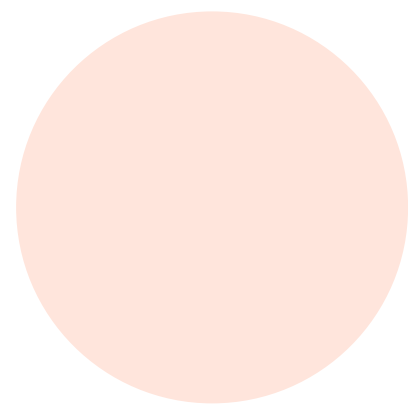
Source: American Board For Certification 2017. Figures reflect Hanger as of 6.30.19

Discussion Points

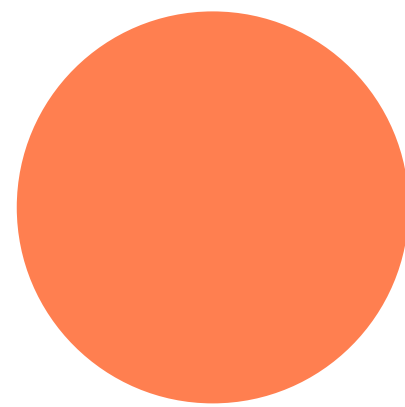
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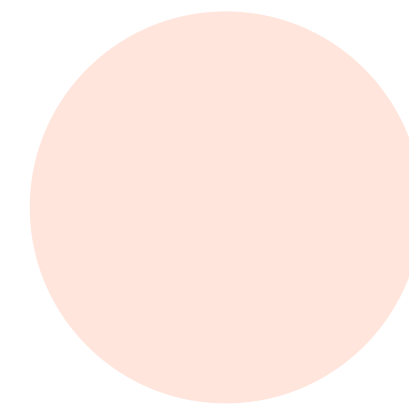
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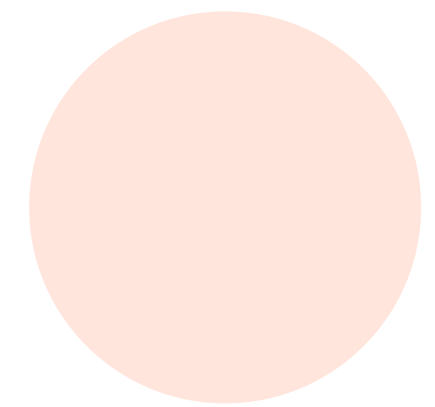
Patient Care



Products &
Services



Focused
Growth
Strategy



Financial
Performance

Products and Services

National Scale Supports Profitable Growth



71% of products & services net revenue derived from the distribution of O&P components and related devices through “SPS”

- ✓ 5.7% net revenue growth in 2018
- ✓ Comprehensive catalog for independent O&P providers
- ✓ One-stop O&P industry destination with 400,000 SKUs across more than 300 manufactures
- ✓ Leading dedicated O&P distributor in the industry



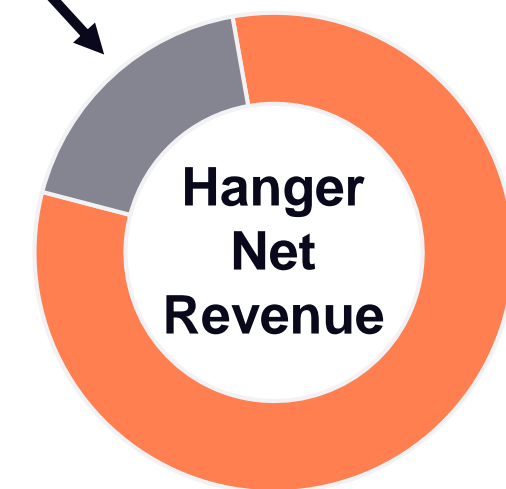
Remaining 29% of net revenue from therapeutic solutions “ACP”

- ✓ Rehabilitation technologies and clinical programs to skilled nursing facilities (SNFs)
- ✓ Facing headwinds due to challenging conditions and the reimbursement environment in SNFs
- ✓ Goal to stabilize revenue and earnings

Products & Services¹

\$191.4 million

18.2% of revenue

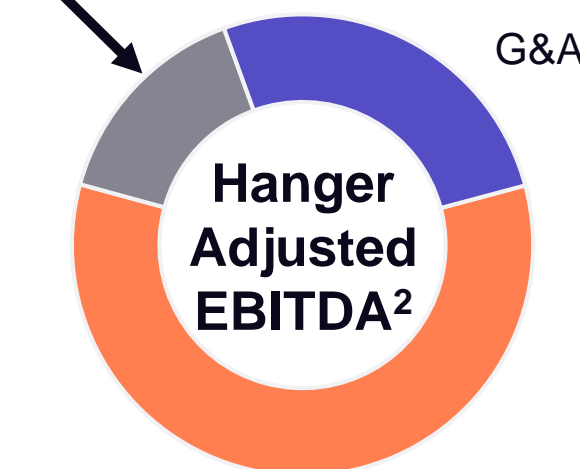


Patient Care

Products & Services¹

\$36.5 million

19.1% margin



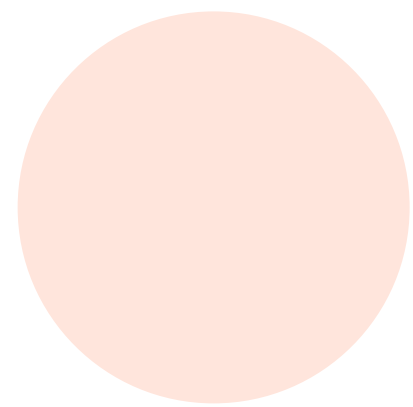
Patient Care

¹ Referenced amounts reflect 2018 actual results.

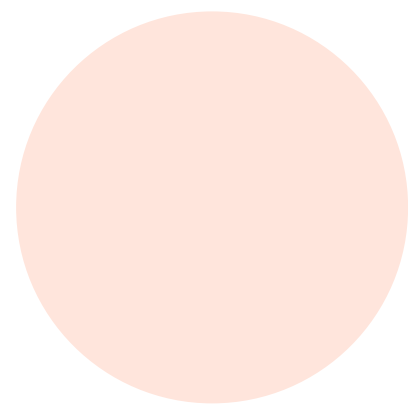
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Discussion Points

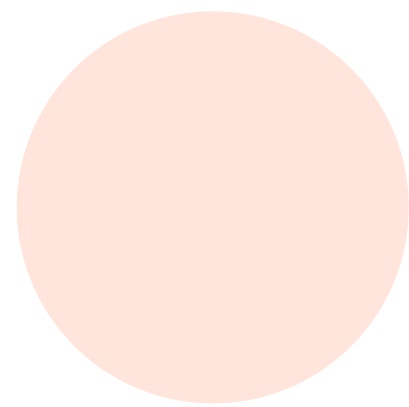
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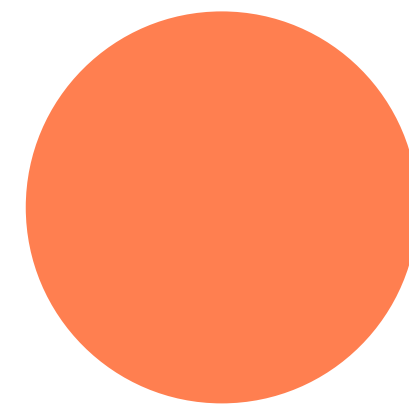
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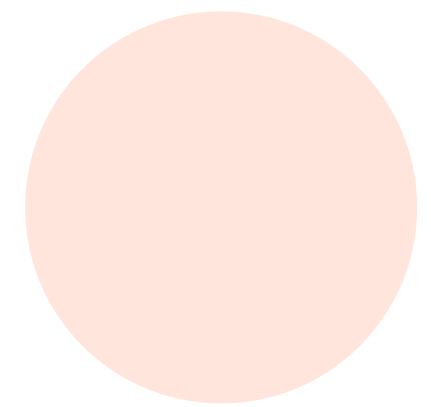
Patient Care



Products &
Services



Focused
Growth
Strategy



Financial
Performance

Growth Strategy

Two-Fold Approach



Drive **organic** revenue growth

- ✓ Exceed industry growth rate of 1.5 - 2.0%
 - Increase referral volumes through differentiation
 - Focus on high-value custom O&P
 - Capitalize on base of strong prosthetic growth
 - Implement new delivery strategies for lower margin orthotic categories
 - Stabilize therapeutic solutions business



Select, in-market **acquisitions**

- ✓ Disciplined approach to O&P acquisitions
 - Focus on synergistic geographies and specialties
 - Seek good cultural fit
 - Ensure valuations are accretive
 - Fully integrate into centralized infrastructure

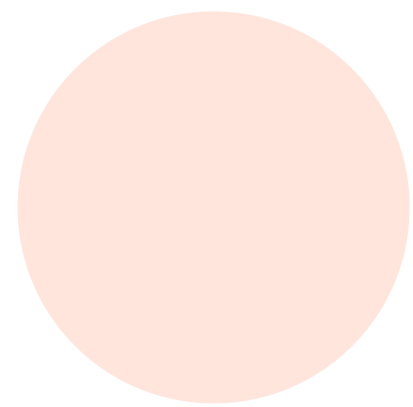


Realize benefits of a scalable platform

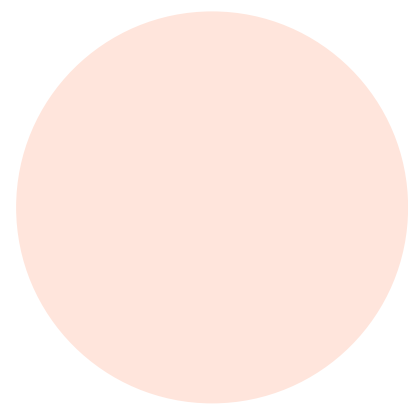
- ✓ Achieve consistent operating leverage
 - Revenue growth consistently higher than market
 - Increasing clinician utilization
 - Leveraging of G&A and supporting infrastructure costs, contributing to gradual margin expansion
 - Earnings growth on revenue gains amplified by margin expansion

Discussion Points

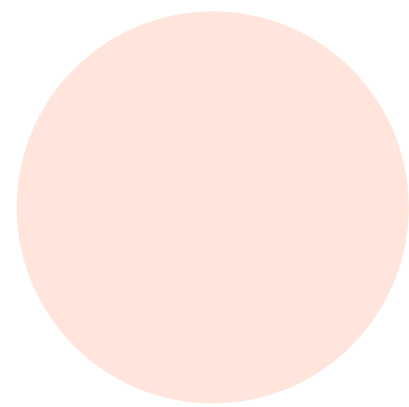
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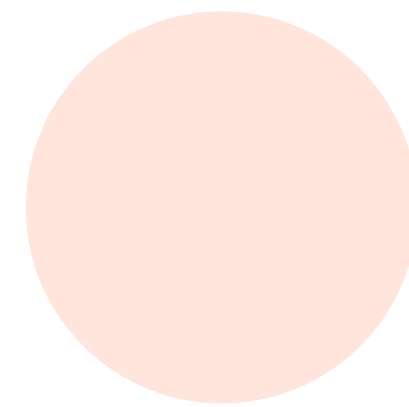
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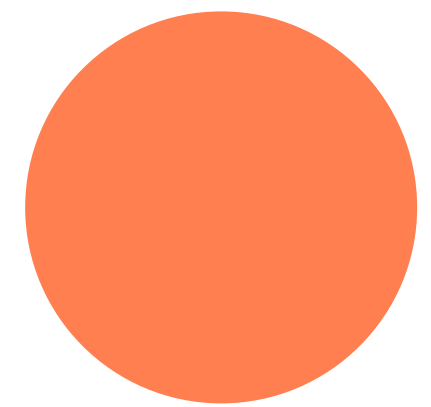
Patient Care



Products &
Services



Focused
Growth
Strategy

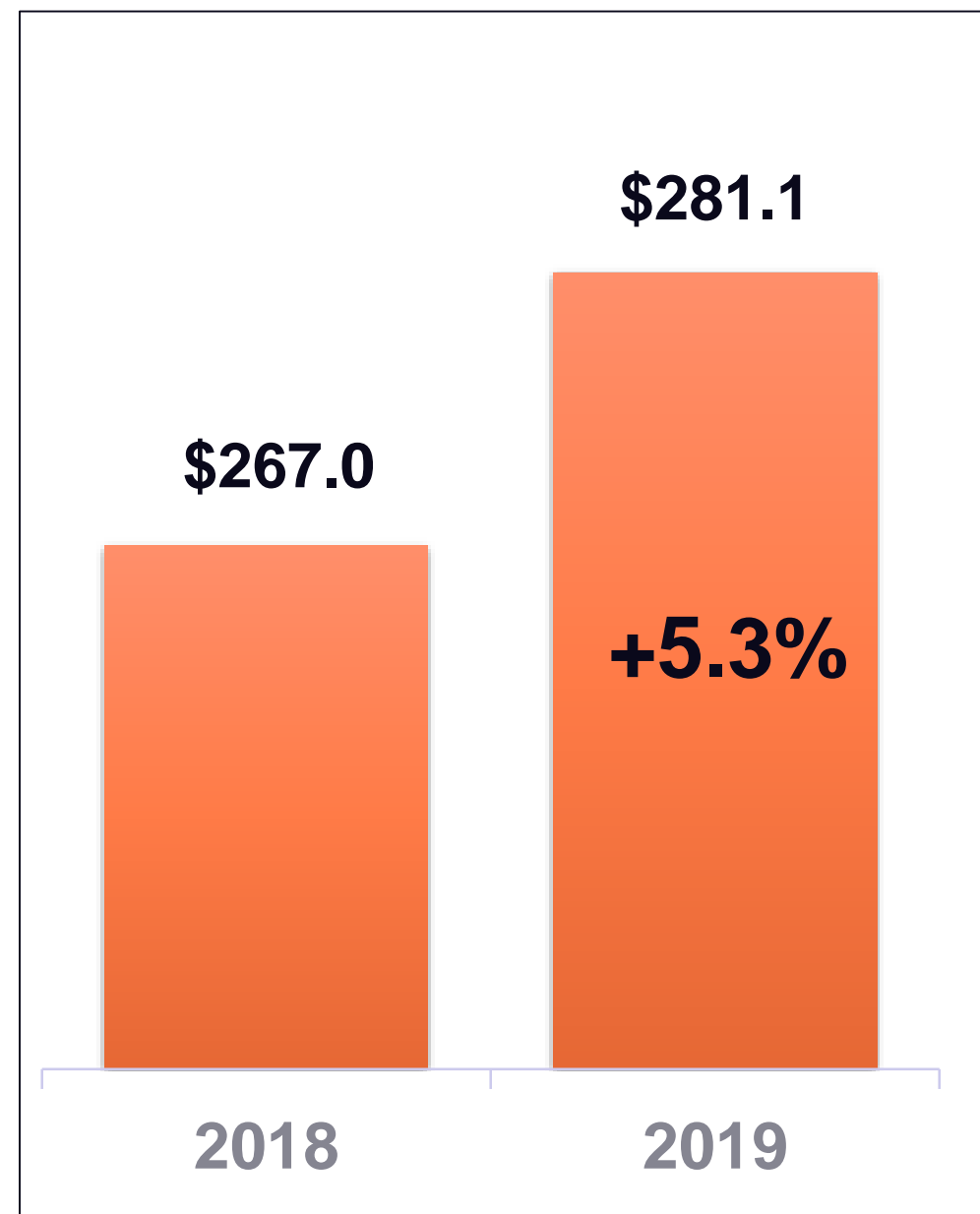


Financial
Performance

Second Quarter and YTD 2019 Revenue Performance

Patient Care and O&P Distribution Drive Revenue Growth

Second Quarter



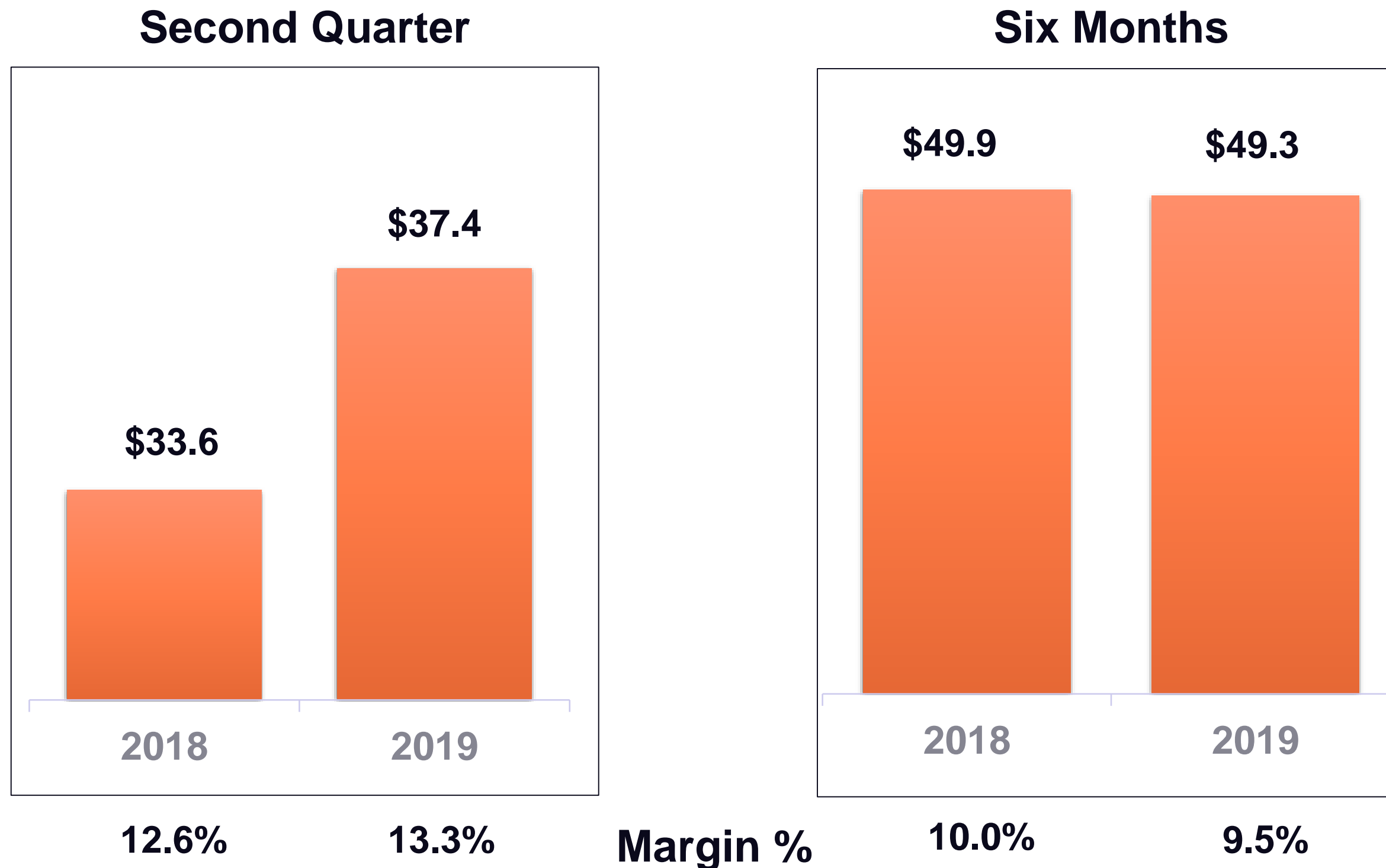
Six Months



- ✓ Second quarter 2019 benefited from shift in prosthetics deliveries of our Patient Care segment from the first quarter into the second quarter.

Second Quarter and YTD 2019 Adjusted EBITDA¹ Performance

Strong Patient Care Segment Earnings Flow-Through



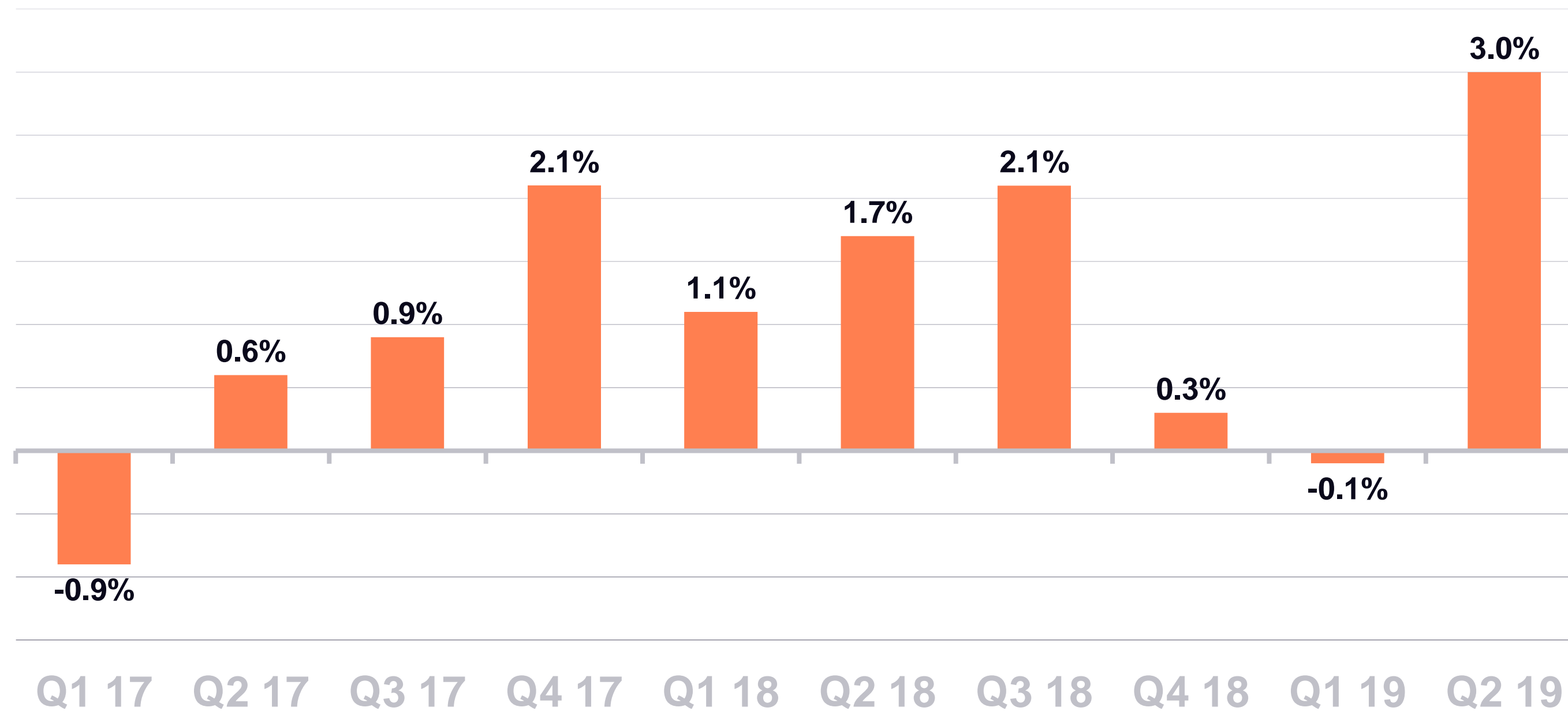
- ✓ Patient Care margin increased to 20.5% in Q2 as compared with 18.9% in Q2 2018. YTD segment margin of 16.3% versus 15.8% in prior year.
- ✓ Patient Care segment margin growth offset by Products & Services segment.

1. Adjusted EBITDA and Adjusted Net Earnings are non-GAAP-measures. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

Same Clinic Rate of Growth

Revenue on Per Day Basis

Quarterly % change¹

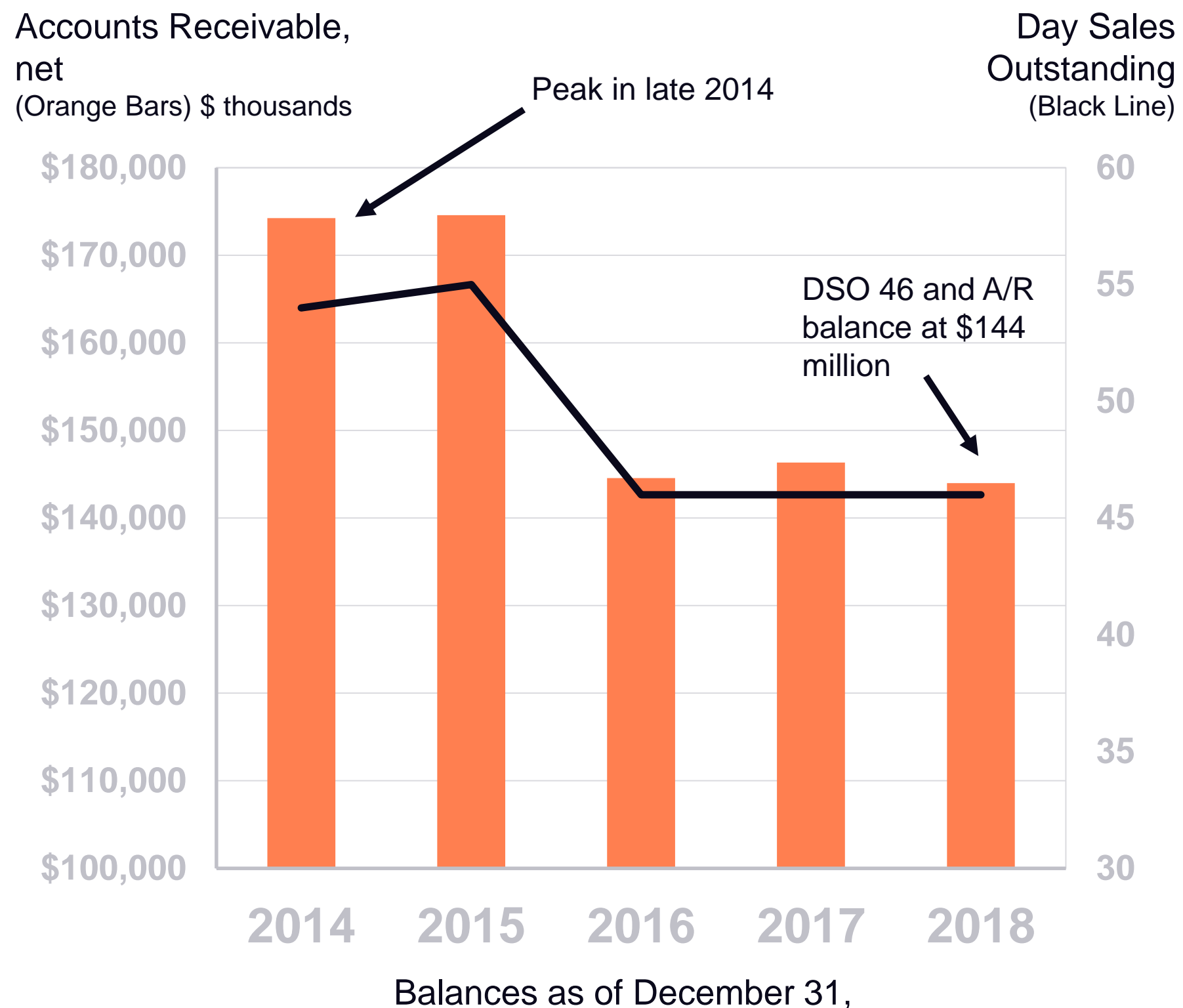
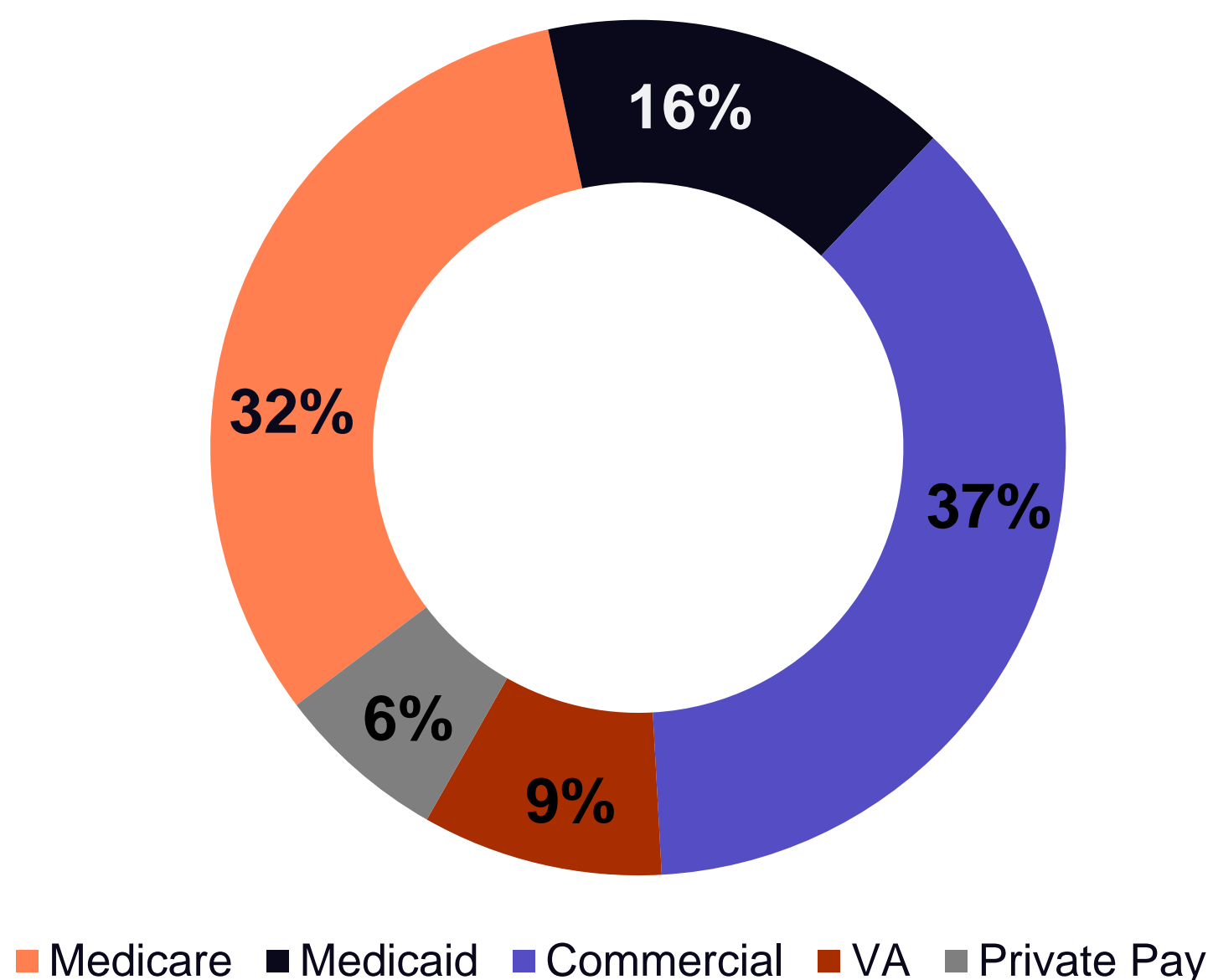


¹ Same clinic revenue growth per day excludes the effect of change in rate of disallowances for 2017. Beginning in 2018, Hanger instituted reporting same clinic revenue growth per day that includes the impact of disallowed revenue, as this measure now better reflects year-year changes.

Payor Mix and Accounts Receivables Trend

Multi-Year Improvements in Working Capital Conversion

Payor Mix, Percentage of Patient Care Net Revenue 2018



- ✓ Commercial mix excludes Medicare and Medicaid Managed Care
- ✓ Diverse reimbursement mix combined with improved A/R aging has driven stronger working capital characteristics

Cash Flow, Liquidity and Capital Allocation Priorities

Use Excess Cash Flow to Execute Growth Strategy

Strong Cash Flow

- ✓ 2018 Free Cash Flow (Adjusted EBITDA¹ - CapEx) of \$92.3 million
- ✓ 2018 Capex, including purchase of equipment leased to third parties totaled, \$28.8 million
- ✓ Estimated CapEx of approximately \$35 million in 2019

Flexible Balance Sheet²

- ✓ \$133.0 million in liquidity, comprised of:
 - \$94.8 million of borrowing capacity under revolving credit facility
 - \$38.2 million in cash and cash equivalents
- ✓ Net debt of \$469.0 million
 - 63% hedged or otherwise bearing fixed rate
 - \$32 million in annualized cash interest expense, or 6.3%

Disciplined Capital Allocation Strategy

- ✓ Pro forma leverage of approximately 3.8x at end of Q2 2019 reflecting M&A activity, cash usage and lower Adjusted EBITDA
- ✓ Objective of managing Free Cash Flow to support both anticipated acquisitions and de-leveraging
- ✓ Re-invest in technology infrastructure to advance financial systems and re-engineer supply chain to achieve freight and labor efficiencies

¹ Adjusted EBITDA is a non GAAP-measure. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

² Amounts stated as of June 30.2019

2019 Outlook¹

Annual Outlook Reaffirmed in the Second Quarter of 2019



Net revenue in a range between \$1.075 billion and \$1.105 billion



Adjusted EBITDA¹ in a range between \$121 million and \$126 million



Hanger's financial outlook for 2019 does not incorporate contributions from potential future acquisitions, beyond those set at the time of original guidance in Q1 2019

Note: Guidance affirmed as of August 7, 2019. This presentation is not a reiteration or affirmation of prior guidance.

¹ *Adjusted EBITDA is a non-GAAP-measure.*

Adjusted EBITDA is provided on a non-GAAP basis only because a reconciliation to the most comparable GAAP financial measure, net income, is not available without unreasonable effort due to the unpredictable nature of reconciling items that render such a reconciliation not meaningful for investors. Please see the Appendix for a reconciliation of GAAP to non-GAAP metrics.

Investment Thesis

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- **The leading provider** of orthotic and prosthetic services in the United States
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Growth Levers

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- **Multi-tier strategy** to grow organically, steadily expand margins and pursue M&A to drive incremental growth opportunities

Premier scalable provider in a large market for specialized healthcare services

| **Appendix**
Non-GAAP
Reconciliations

Non-GAAP Reconciliations

Net Loss to Adjusted EBITDA

	For the Years Ended December 31,		
	2018	2017	2016
Net loss - as reported (GAAP)	\$ (858)	\$ (104,671)	\$ (106,471)
Adjustments to calculate EBITDA:			
Depreciation and amortization	36,455	39,259	44,887
Interest expense, net	37,566	57,688	45,199
Loss on extinguishment of debt	16,998	—	6,031
Non-service defined benefit plan expense	703	736	786
Benefit (provision) for income taxes	5,238	27,297	(15,910)
Loss from discontinued operations, net of taxes	—	—	(935)
Adjustments - Net loss to EBITDA	96,960	124,980	80,058
EBITDA (Non-GAAP)	96,102	20,309	(26,413)
Further adjustments to calculate Adjusted EBITDA:			
Impairment of intangible assets	183	54,735	86,164
Third-party professional fees	12,461	32,301	37,244
Equity-based compensation	13,065	12,930	9,763
Acquisition-related expenses	510	—	—
Disaster recovery / unclaimed property settlement	(2,221)	—	—
Severance expenses	957	64	2,487
Further adjustments - EBITDA to Adjusted EBITDA	24,955	100,030	135,658
Adjusted EBITDA (Non-GAAP)	\$ 121,057	\$ 120,339	\$ 109,245

Non-GAAP Reconciliations

Net Income to Segment Adjusted EBITDA

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Patient Care				
Net income from operations - as reported (GAAP)	\$ 41,774	\$ 35,020	\$ 57,531	\$ 52,113
Depreciation & amortization	4,502	4,998	9,054	9,896
EBITDA (Non-GAAP)	46,276	40,018	66,585	62,009
Further adjustments to calculate Adjusted EBITDA:				
Equity-based compensation	1,101	1,220	2,195	2,240
Severance expenses	—	—	(11)	—
Further adjustments - EBITDA to Adjusted EBITDA	1,101	1,220	2,184	2,240
Adjusted EBITDA (Non-GAAP)	47,377	41,238	68,769	64,249
Products & Services				
Net income from operations - as reported (GAAP)	4,924	7,453	9,022	13,332
Depreciation & amortization	2,596	2,503	5,139	5,005
EBITDA (Non-GAAP)	7,520	9,956	14,161	18,337
Further adjustments to calculate Adjusted EBITDA:				
Equity-based compensation	246	(166)	490	104
Severance expenses	—	—	—	—
Further adjustments - EBITDA to Adjusted EBITDA	246	(166)	490	104
Adjusted EBITDA (Non-GAAP)	7,766	9,790	14,651	18,441
Corporate & Other				
Net loss from operations - as reported (GAAP)	(23,595)	(22,144)	(45,429)	(44,493)
Depreciation & amortization	1,662	1,771	3,340	3,701
EBITDA (Non-GAAP)	(21,933)	(20,373)	(42,089)	(40,792)
Further adjustments to calculate Adjusted EBITDA:				
Third-party professional fees	1,745	2,940	3,394	6,640
Equity-based compensation	2,103	2,268	4,030	3,562
Acquisition related expenses	328	—	498	—
Disaster recovery / unclaimed property settlement	—	(2,221)	—	(2,221)
Severance expenses	(1)	—	—	—
Further adjustments - EBITDA to Adjusted EBITDA	4,175	2,987	7,922	7,981
Adjusted EBITDA (Non-GAAP)	(17,758)	(17,386)	(34,167)	(32,811)
Total Adjusted EBITDA (Non-GAAP)	\$ 37,385	\$ 33,642	\$ 49,253	\$ 49,879

Non-GAAP Reconciliations

Adjusted EBITDA Margin: 2018 & 2017 Net Revenue and Segment

	For the Twelve Months Ended December 31,	
	2018	2017
Net Revenue (a)		
Patient Care	\$ 857,382	\$ 851,973
Products & Services	191,378	188,796
Net revenue	<u>\$ 1,048,760</u>	<u>\$ 1,040,769</u>
EBITDA		
Patient Care	\$ 145,918	\$ 143,781
Products & Services	35,720	(17,513)
Corporate & Other	(85,536)	(105,959)
EBITDA (Non-GAAP)	<u>\$ 96,102</u>	<u>\$ 20,309</u>
Adjusted EBITDA		
Patient Care	\$ 150,881	\$ 148,007
Products & Services	36,503	38,504
Corporate & Other	(66,327)	(66,172)
Adjusted EBITDA (Non-GAAP)	<u>\$ 121,057</u>	<u>\$ 120,339</u>
Adjusted EBITDA Margin (Non-GAAP)		
Patient Care	17.6%	17.4%
Products & Services	19.1%	20.4%
Net revenue	11.5%	11.6%

(a) Excludes intersegment revenue

(b) EBITDA and Adjusted EBITDA are "Non-GAAP" measures.

Non-GAAP Reconciliations

Adjusted EBITDA Margin: Second Quarter and YTD, 2019 vs 2018 and TTM as of June 30, 2019

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Trailing Twelve Months Ended June 30,
	2019	2018	2019	2018	2019
Net Revenue (a)					
Patient Care	\$ 231,168	\$ 218,158	\$ 421,769	\$ 406,665	\$ 872,486
Products & Services	49,930	48,808	95,748	94,296	192,830
Net revenue	<u>\$ 281,098</u>	<u>\$ 266,966</u>	<u>\$ 517,517</u>	<u>\$ 500,961</u>	<u>\$ 1,065,316</u>
EBITDA (b)					
Patient Care	\$ 46,276	\$ 40,018	\$ 66,585	\$ 62,009	\$ 150,494
Products & Services	7,520	9,956	14,161	18,337	31,544
Corporate & Other	(21,933)	(20,373)	(42,089)	(40,792)	(86,833)
EBITDA (Non-GAAP)	<u>\$ 31,863</u>	<u>\$ 29,601</u>	<u>\$ 38,657</u>	<u>\$ 39,554</u>	<u>\$ 95,205</u>
Adjusted EBITDA (b)					
Patient Care	\$ 47,377	\$ 41,238	\$ 68,769	\$ 64,249	\$ 155,401
Products & Services	7,766	9,790	14,651	18,441	32,713
Corporate & Other	(17,758)	(17,386)	(34,167)	(32,811)	(67,683)
Adjusted EBITDA (Non-GAAP)	<u>\$ 37,385</u>	<u>\$ 33,642</u>	<u>\$ 49,253</u>	<u>\$ 49,879</u>	<u>\$ 120,431</u>
Adjusted EBITDA Margin (Non-GAAP)					
Patient Care	20.5 %	18.9 %	16.3 %	15.8 %	17.8 %
Products & Services	15.6 %	20.1 %	15.3 %	19.6 %	17.0 %
Net revenue	13.3 %	12.6 %	9.5 %	10.0 %	11.3 %

(a) Excludes intersegment revenue

(b) EBITDA and Adjusted EBITDA are "Non-GAAP" measures.