



STERIS Announces Financial Results for Fiscal 2020 First Quarter

08/05/19

• **First quarter revenue grows 9% as reported, 10% constant currency organic revenue growth; • EPS as reported increases to \$0.99, adjusted EPS increases to \$1.23; • Outlook updated to reflect stronger than anticipated performance**

Dublin, Ireland, Aug. 05, 2019 (GLOBE NEWSWIRE) -- STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2020 first quarter ended June 30, 2019. Revenue as reported for the quarter increased 9% to \$696.8 million compared with \$638.8 million in the first quarter of fiscal 2019, with growth across all segments. Constant currency organic revenue (see Non-GAAP Financial Measures) growth was 10% for the first quarter of fiscal 2020.

"We are pleased with the strong start to our new fiscal year, as the momentum we saw in fiscal 2019 has carried over into fiscal 2020," said Walt Rosebrough, President and Chief Executive Officer of STERIS. "Reflecting the out-performance in the first quarter and our expectations for the full year, we are increasing our fiscal 2020 outlook for both revenue and adjusted EPS."

First Quarter 2020 Operating Results

As reported, net income for the first quarter was \$84.6 million, or \$0.99 per diluted share, compared with net income of \$70.0 million, or \$0.82 per diluted share in the first quarter of fiscal 2019. Adjusted net income (see Non-GAAP Financial Measures) for the first quarter of fiscal 2020 was \$105.0 million, or \$1.23 per diluted share, compared with adjusted net income for the previous year's first quarter of \$85.6 million or \$1.00 per diluted share.

First Quarter Segment Results

Healthcare Products revenue as reported grew 6% in the quarter to \$309.8 million compared with \$292.0 million in the first quarter of fiscal 2019, driven by 7% growth in capital equipment revenue, 2% growth in service revenue and 8% growth in consumable revenue. Constant currency organic revenue growth for Healthcare Products was 7% during the quarter. Healthcare Products operating income was \$73.7 million compared with \$61.7 million in last year's first quarter. The increase in profitability was primarily due to increased revenue and favorable product mix.

Fiscal 2020 first quarter revenue for **Applied Sterilization Technologies** increased 11% as reported to \$154.3 million compared with \$139.5 million in the same period last year. Constant currency organic revenue increased 13%, primarily driven by increased volume from the segment's core medical device Customers. Segment operating income increased to \$68.0 million in the first quarter of fiscal 2020 compared with operating income of \$56.2 million in the same period last year, due primarily to revenue growth.

Healthcare Specialty Services as reported revenue grew 11% in the quarter to \$135.9 million compared with \$122.2 million in the first quarter of fiscal 2019. Constant currency organic revenue growth was 13%. Healthcare Specialty Services operating income was \$16.8 million compared with \$13.0 million in last year's first quarter, benefiting from the additional volume and improved productivity.

Life Sciences first quarter revenue as reported grew 14% to \$96.8 million compared with \$85.0 million in the first quarter of fiscal 2019, driven by 40% growth in capital equipment revenue, 1% growth in service revenue and 9% growth in consumable revenue. Constant currency organic revenue grew 15% in the quarter. Operating income was \$33.0 million compared with \$29.9 million in the prior year's first quarter, primarily driven by additional volume.

Cash Flow

Net cash provided by operations for the first three months of fiscal 2020 was \$109.3 million, compared with \$100.8 million in fiscal 2019. Free cash flow (see Non-GAAP Financial Measures) for the first three months of fiscal 2020 was \$59.6 million compared with \$75.8 million in the prior year period. The decline in free cash flow is due to increased capital spending as anticipated.

Fiscal 2020 Outlook

Based on current performance and expectations for the full fiscal year, the Company is updating its prior outlook for revenue and adjusted earnings per diluted share. Constant currency organic revenue growth is now expected to be in the range of 6-7%, compared with 5-6% previously. Reflecting June 30, 2019 forward rates, the Company now expects that currency movements will negatively impact reported revenue by approximately \$10 million in fiscal 2020. Adjusted earnings per diluted share are now anticipated to be in the range of \$5.38 - \$5.53, compared with \$5.28 - \$5.43 previously. Operating profit increases due to volume and an anticipated adjusted effective tax rate at the low-end of the previously provided range of 19-20% are the primary drivers of the higher earnings per diluted share range.

Capital spending is anticipated to be approximately \$280 million and free cash flow is expected to be approximately \$300 million, both unchanged from prior outlook.

Dividend and Repurchase Announcement

STERIS's Board of Directors has increased the quarterly interim dividend from \$0.34 to \$0.37 per share. The dividend is payable September 26, 2019 to shareholders of record at the close of business on September 10, 2019.

STERIS's Board of Directors also has approved an increase in its May 7, 2019 share repurchase authorization of an additional \$300 million (net of taxes, fees and commissions) of the Company's ordinary shares. Shares may be repurchased from time to time through open market transactions, including 10b5-1 plans. Any repurchase program may be activated, suspended or discontinued at any time. Capital allocation priorities for the Company remain unchanged.

Conference Call

As previously announced, STERIS management will host a conference call tomorrow, August 6, 2019 at 10:00 a.m. Eastern time. The conference call can be heard live over the Internet at www.steris-ir.com or via phone by dialing 1-833-535-2199 in the United States or 1-412-902-6776 internationally,

then asking to join the conference call for STERIS plc.

For those unable to listen to the conference call live, a replay will be available beginning at 12:00 p.m. Eastern Time on August 6, 2019, either over the Internet at www.steris-ir.com or via phone. To access the replay of the call, please use the access code 10133575 and dial 1-877-344-7529 in the United States or 1-412-317-0088 internationally.

About STERIS

STERIS's mission is to HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare and life science product and service solutions around the globe. For more information, visit www.steris.com.

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Non-GAAP Financial Measures

Adjusted net income, free cash flow and constant currency organic revenue are non-GAAP measures that may be used from time to time and should not be considered replacements for GAAP results. Non-GAAP financial measures are presented in this release with the intent of providing greater transparency to supplemental financial information used by management and the Board of Directors in their financial analysis and operational decision making. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented. The Company believes that the presentation of these non-GAAP financial measures, when considered along with our GAAP financial measures, provides a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure.

Adjusted net income excludes the amortization of intangible assets acquired in business combinations, acquisition-related transaction costs, integration costs related to acquisitions, the re-measurement of deferred taxes and taxation of prior unremitted earnings impacts of the TCJA, and certain other unusual or non-recurring items. STERIS believes this measure is useful because it excludes items that may not be indicative of or are unrelated to our core operating results and provides a baseline for analyzing trends in our underlying businesses.

The Company defines free cash flow as cash flows from operating activities less purchases of property, plant, equipment and intangibles, plus proceeds from the sale of property, plant, equipment, and intangibles. STERIS believes that free cash flow is a useful measure of the Company's ability to fund future principal debt repayments and growth outside of core operations, pay cash dividends, and repurchase ordinary shares.

To measure the percentage organic revenue growth, the Company removes the impact of significant acquisitions and divestitures that affect the comparability and trends in revenue. To measure the percentage constant currency organic revenue growth, the impact of changes in currency exchange rates and acquisitions and divestitures that affect the comparability and trends in revenue are removed. The impact of changes in currency exchange rates is calculated by translating current year results at prior year average currency exchange rates.

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These adjusted financial measures should not be considered in isolation or as a substitute for reported sales, gross profit, operating income, net earnings and net earnings per diluted share, the most directly comparable GAAP financial measures. These non-GAAP financial measures are an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures below, provide a more complete understanding of the business. The Company strongly encourages investors and shareholders to review its financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Forward-Looking Statements

This release and the referenced conference call may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to STERIS or its industry, products or activities that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date the statement is made and may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," "outlook," "impact," "potential," "confidence," "improve," "optimistic," "deliver," "orders," "backlog," "comfortable," "trend", and "seeks," or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, actions of regulatory agencies, and changes in laws, government regulations, labeling or product approvals or the application or interpretation thereof. Other risk factors are described in STERIS's other securities filings, including Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2019. Many of these important factors are outside of STERIS's control. No assurances can be provided as to any result or the timing of any outcome regarding matters described in STERIS's securities filings or otherwise with respect to any regulatory action, administrative proceedings, government investigations, litigation, warning letters, cost reductions, business strategies, earnings or revenue trends or future financial results. References to products are summaries only and should not be considered the specific terms of the product clearance or literature. Unless legally required, STERIS does not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, (a) STERIS's ability to achieve the expected benefits regarding the accounting and tax treatments of the Redomiciliation transaction, (b) 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 Redomiciliation, (c) STERIS's ability to meet expectations regarding the accounting and tax treatment of the Tax Cuts and Jobs Act ("TCJA") or the possibility that anticipated benefits resulting from the TCJA will be less than estimated, (d) changes in tax laws or interpretations that could increase our consolidated tax liabilities, including changes in tax laws that would result in STERIS being treated as a domestic corporation for United States federal tax purposes,

(e) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, (f) the possibility that market demand will not develop for new technologies, products or applications or services, or business initiatives will take longer, cost more or produce lower benefits than anticipated, (g) the possibility that application of or compliance with laws, court rulings, certifications, regulations, regulatory actions, including without limitation those relating to FDA warning notices or letters, government investigations, the outcome of any pending FDA requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product introductions, affect the production and marketing of existing products or services or otherwise affect STERIS's performance, results, prospects or value, (h) the potential of international unrest, economic downturn or effects of currencies, tax assessments, tariffs and/or other trade barriers, adjustments or anticipated rates, raw material costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (i) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's products and services, (j) the possibility of delays in receipt of orders, order cancellations, or delays in the manufacture or shipment of ordered products or in the provision of services, (k) the possibility that anticipated growth, cost savings, new product acceptance, performance or approvals, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental, or other issues or risks associated with STERIS's businesses, industry or initiatives including, without limitation, those matters described in our Annual Report on Form 10-K for the year ended March 31, 2019, and other securities filings, may adversely impact STERIS's performance, results, prospects or value, (l) the impact on STERIS and its operations, or tax liabilities, of Brexit or the exit of other member countries from the EU, and the Company's ability to respond to such impacts, (m) the impact on STERIS and its operations of any legislation, regulations or orders, including but not limited to any new trade or tax legislation, regulations or orders, that may be implemented by the U.S. administration or Congress, or of any responses thereto, (n) the possibility that anticipated financial results or benefits of recent acquisitions, or of STERIS's restructuring efforts, or of recent divestitures, or of the targeted restructuring plan will not be realized or will be other than anticipated, and (o) the effects of contractions in credit availability, as well as the ability of STERIS's Customers and suppliers to adequately access the credit markets when needed.

Attachment

- [STERIS 1Q20 Financial Tables Final](#)



Source: STERIS plc