



STERIS Announces Financial Results for Fiscal 2021 Third Quarter

February 2, 2021

- **Third quarter revenue increases 4% as reported; 1% constant currency organic**
- **Third quarter earnings per diluted share increase to \$1.33 on a U.S. GAAP basis and \$1.73 on an adjusted basis**
- **Increased free cash flow driven by net income growth and working capital improvements**

DUBLIN, IRELAND, Feb. 02, 2021 (GLOBE NEWSWIRE) -- STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2021 third quarter ended December 31, 2020. Revenue as reported for the quarter increased 4% to \$808.9 million compared with \$774.3 million in the third quarter of fiscal 2020, with growth in all three segments. Constant currency organic revenue (see Non-GAAP Financial Measures) increased 1% for the third quarter of fiscal 2021 compared to strong constant currency organic revenue results in the third quarter of fiscal 2020.

"We continue to be impressed by the resilience of our business and the good work by STERIS Associates," said Walt Rosebrough, President and Chief Executive Officer of STERIS. "In our third quarter, Healthcare capital equipment orders continued their sequential improvement, resulting in near record backlog at the end of December. As anticipated, Life Sciences consumable Customers appear to have worked through inventory, resulting in a return to more normalized revenue growth rates, and AST continues its path of strong growth. We are well positioned to finish another record year in revenue and income during fiscal 2021 and look forward to welcoming Cantel Medical to the STERIS family in fiscal 2022."

As reported, net income for the third quarter increased to \$114.5 million or \$1.33 per diluted share, compared with \$104.9 million, or \$1.23 per diluted share in the third quarter of fiscal 2020. Adjusted net income (see Non-GAAP Financial Measures) for the third quarter of fiscal 2021 increased to \$149.2 million, or \$1.73 per diluted share, compared with the previous year's third quarter of \$124.0 million or \$1.45 per diluted share.

Third Quarter Segment Results

Healthcare revenue as reported grew 2% in the quarter to \$521.7 million compared with \$509.2 million in the third quarter of fiscal 2020. This performance reflected a 14% increase in consumable revenue, in part benefiting from \$15.5 million in revenue from Key Surgical, and 1% growth in service revenue offset by a 5% decline in capital equipment revenue. Constant currency organic revenue declined 1% during the quarter. Healthcare operating income was \$115.4 million compared with \$105.2 million in last year's third quarter. The increase in profitability was primarily due to lower operating expenses due to business disruption from COVID-19 and the favorable impact from Key Surgical.

Fiscal 2021 third quarter revenue for **Applied Sterilization Technologies** increased 13% as reported to \$176.5 million compared with \$156.3 million in the same period last year. Constant currency organic revenue increased 10%, driven primarily by increased demand from medical device Customers in the quarter. Segment operating income was \$81.6 million in the third quarter of fiscal 2021 compared with operating income of \$65.5 million in the same period last year primarily due to the increased volume, lower operating expenses and favorable foreign currency impact.

Life Sciences third quarter revenue as reported grew 2% to \$110.8 million compared with \$108.8 million in the third quarter of fiscal 2020, driven by 7% growth in consumable revenue and 5% growth in service revenue offset by a 9% decline in capital equipment revenue. While capital equipment shipments declined compared with the prior year period, orders remained strong and backlog ended the quarter at record levels. Constant currency organic revenue was flat in the quarter. Operating income was \$41.5 million in the third quarter of fiscal 2021 compared with \$37.7 million in the prior year's third quarter, primarily driven by revenue mix and lower operating expenses.

Cash Flow

Net cash provided by operations for the first nine months of fiscal 2021 was \$501.8 million, compared with \$391.3 million in fiscal 2020. Free cash flow (see Non-GAAP Financial Measures) for the first nine months of fiscal 2021 was \$337.7 million compared with \$238.1 million in the prior year period. The increase in free cash flow is primarily due to increases in net income and working capital improvements somewhat offset by higher capital expenditures.

Dividend Announcement

STERIS's Board of Directors has approved a quarterly interim dividend of \$0.40 per share. The dividend is payable March 25, 2021 to shareholders of record at the close of business on February 24, 2021.

Conference Call

As previously announced, STERIS management will host a conference call tomorrow, February 3, 2021 at 10:00 a.m. ET. The conference call can be heard 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. ET on February 3, 2021, either at www.steris-ir.com or via phone. To access the replay of the call, please use the access code 10150937 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, adjusted EBIT, 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, redomiciliation and tax restructuring costs, COVID-19 incremental costs, and certain other unusual or non-recurring items. COVID-19 incremental costs includes the additional costs attributable to COVID-19 such as enhanced cleaning protocols, personal protective equipment for our employees, event cancellation fees, and payroll costs associated with our response to COVID-19, net of any government subsidies available. 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This press release and the referenced conference call may contain forward-looking statements within the meaning of the federal securities laws about STERIS. 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. These forward-looking statements are based on current expectations, estimates or forecasts about our businesses, the industries in which we operate and current beliefs and assumptions of management and are subject to uncertainty and changes in circumstances. Investors should understand that these statements are not guarantees of performance or results. Many important factors could affect actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements. No assurances can be provided as to any result or the timing of any outcome regarding matters described in STERIS's or Cantel'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. Unless legally required, we do 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. These risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, without limitation:

- the failure to obtain Cantel stockholder approval of the proposed transaction;
- the possibility that the closing conditions to the proposed transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval and any conditions imposed on the combined entity in connection with consummation of the proposed transaction;
- delay in closing the proposed transaction or the possibility of non-consummation of the proposed transaction;
- the risk that the cost savings and any other synergies from the proposed transaction may not be fully realized or may take longer to realize than expected, including that the proposed transaction may not be accretive within the expected timeframe or to the extent anticipated;
- the occurrence of any event that could give rise to termination of the merger agreement;
- the risk that shareholder/stockholder litigation in connection with the proposed transaction may affect the timing or occurrence of the proposed transactions or result in significant costs of defense, indemnification and liability;
- risks related to the disruption of the proposed transaction to STERIS, Cantel and our respective managements;
- risks relating to the value of the STERIS shares to be issued in the transaction;
- the effect of announcement of the proposed transaction on our ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties;
- the impact of the COVID-19 pandemic on STERIS's or Cantel's operations, performance, results, prospects, or value;
- STERIS's ability to achieve the expected benefits regarding the accounting and tax treatments of the redomiciliation to Ireland ("Redomiciliation");
- 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;

- 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;
- 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;
- the potential for increased pressure on pricing or costs that leads to erosion of profit margins;
- 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;
- the possibility that application of or compliance with laws, court rulings, certifications, regulations, regulatory actions, including without limitation any of the same relating to FDA, EPA or other regulatory authorities, government investigations, the outcome of any pending or threatened FDA, EPA or other regulatory warning notices, actions, requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product or service introductions, affect the production, supply and/or marketing of existing products or services or otherwise affect STERIS's or Cantel's performance, results, prospects or value;
- 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;
- the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's or Cantel's products and services;
- 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;
- 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 and Cantel's businesses, industry or initiatives including, without limitation, those matters described in STERIS's and Cantel's respective Annual Reports on Form 10-K for the year ended March 31, 2020 and July 31, 2020, respectively, and other securities filings, may adversely impact STERIS's and/or Cantel's performance, results, prospects or value;
- the impact on STERIS and its operations, or tax liabilities, of Brexit or the exit of other member countries from the EU, and STERIS's ability to respond to such impacts;
- the impact on STERIS, Cantel and their respective 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;
- the possibility that anticipated financial results or benefits of recent acquisitions, including the acquisition of Key Surgical, or of STERIS's restructuring efforts, or of recent divestitures, or of restructuring plans will not be realized or will be other than anticipated;
- the effects of contractions in credit availability, as well as the ability of STERIS's and Cantel's Customers and suppliers to adequately access the credit markets when needed;
- STERIS's ability to complete the acquisition of Cantel, including the fulfillment of closing conditions and obtaining financing, on terms satisfactory to STERIS or at all; and
- other risks described in STERIS's and Cantel's respective most recent Annual Reports on Form 10-K and other reports filed with the Securities and Exchange Commission.

Investors are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law. This cautionary statement is applicable to all forward-looking statements contained herein and in the referenced conference call.

Attachment

- [STE 3Q21 Financial Tables](#)



Source: STERIS plc