STERIS Announces Financial Results for Fiscal 2024 Fourth Quarter and Full Year

05/08/24

- *Total fiscal 2024 revenue increased 12% to $5.5 billion*
- *Total fiscal 2024 U.S. GAAP earnings per diluted share of $3.81; adjusted earnings per diluted share increased to $8.83*
- *Targeted restructuring plan announced*

DUBLIN, IRELAND , May 08, 2024 (GLOBE NEWSWIRE) -- STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2024 fourth quarter ended March 31, 2024. Total revenue for the fourth quarter of fiscal 2024 increased 10% to $1.5 billion compared with $1.4 billion in the fourth quarter of fiscal 2023. Constant currency organic revenue from continuing operations for the fourth quarter increased 7% to $1.4 billion compared with $1.3 billion in the fourth quarter of fiscal 2023.

Total revenue for fiscal 2024 increased 12% to $5.5 billion compared with $5.0 billion in fiscal 2023. Constant currency organic revenue from continuing operations for fiscal 2024 increased 10% to $5.0 billion compared with $4.5 billion in fiscal 2023.

"We are pleased with the strong finish to the fiscal year, as our Healthcare segment continued their trend of outperformance, driven primarily by strength in the United States," said Dan Carestio, President and CEO of STERIS. "We have made several strategic decisions in fiscal 2024 that will position STERIS for future growth, including today's targeted restructuring announcement and the announcement to divest the Dental segment. Heading into fiscal 2025, I am confident in our ability to deliver on our long-term commitments of mid-to-high single digit revenue growth and double-digit earnings growth."

Total Company Fourth Quarter and Full Year Operating Results
U.S. GAAP net loss for the fourth quarter was $1.4 million or ($0.01) per diluted share, compared with net income of $187.2 million or $1.88 per diluted share in the fourth quarter of fiscal 2023. Adjusted net income (see Non-GAAP Financial Measures) for the fourth quarter of fiscal 2024 was $256.3 million or $2.58 per diluted share, compared with the previous year's fourth quarter of $229.2 million or $2.30 per diluted share.

U.S. GAAP full year net income was $378.2 million, or $3.81 per diluted share, compared with $107.0 million, or $1.07 per diluted share in fiscal 2023. Adjusted net income for fiscal 2024 was $877.6 million, or $8.83 per diluted share, compared with adjusted net income of $822.2 million, or $8.20 per diluted share in fiscal 2023.

The fiscal 2024 fourth quarter and full year U.S. GAAP results were negatively impacted by a pre-tax loss of $206.4 million recognized upon reclassification of the net assets and operations of the Dental segment to discontinued operations as a result of the recently announced transaction to divest the segment and $44.4 million of pre-tax charges associated with the recording of a targeted restructuring program. Fiscal 2023 U.S. GAAP net income was impacted by a $490.6 million pre-tax, non-cash impairment charge recorded in the second quarter related to the goodwill associated with the Dental segment acquired in the June 2021 acquisition of Cantel.

Fourth Quarter Segment Results from Continuing Operations
Healthcare revenue as reported grew 14% in the quarter to $1,007.9 million compared with $884.6 million in the fourth quarter of fiscal 2023. This performance reflected 19% improvement in capital equipment revenue, 14% growth in consumable revenue and 9% growth in service revenue. Constant currency organic revenue increased 9% for the quarter compared with the prior year. Healthcare operating income was $245.2 million compared with $208.8 million in last year's fourth quarter. This improvement was primarily attributable to the increase in volume along with favorable pricing and the addition of the surgical instrumentation assets purchased from BD.

Fiscal 2024 fourth quarter revenue for **Applied Sterilization Technologies (AST)** increased 5% as reported to $250.9 million compared with $239.1 million in the same period last year. This performance reflected 7% growth in service revenue, partially offset by a 43% decline in capital equipment revenue. Constant currency organic revenue in the quarter increased 5%. Segment operating income was $114.2 million in the fourth quarter of fiscal 2024, compared with operating income of $105.8 million in the same period last year.

Life Sciences fourth quarter revenue as reported increased 2% to $160.6 million compared with $157.5 million in the fourth quarter of fiscal 2023. This performance reflected 13% growth in service revenue and 3% improvement in consumable revenue partially offset by an 8% decline in capital equipment revenue. Constant currency organic revenue increased 2% in the quarter compared with the prior year. Reflecting improvement in price, operating income increased to $64.5 million in the fourth quarter of fiscal 2024 compared with $61.1 million in the prior year's fourth quarter.

Fourth Quarter Results from Discontinued Operations
Dental fourth quarter revenue as reported was flat at $103.8 million compared with $103.6 million in the fourth quarter of fiscal 2023. Constant currency organic revenue was also flat in the quarter. Segment operating income was $22.4 million in the fourth quarter of fiscal 2024 compared with $21.5 million in the prior year's fourth quarter. U.S. GAAP fourth quarter net loss and diluted loss per share from discontinued operations were $154.3 million and ($1.55), including a pre-tax loss of $206.4 million recognized upon reclassification of the net assets and operations of the Dental segment to discontinued operations.

Cash Flow
Net cash provided by operations for fiscal 2024 was $973.3 million, compared with $756.9 million in fiscal 2023. Free cash flow (see Non-GAAP Financial Measures) for fiscal 2024 was $620.3 million compared with $409.6 million in the prior year period. The increase in free cash flow during the period was driven by higher generation of cash from operations, including less use of cash for working capital requirements.

Restructuring
STERIS today is also announcing a targeted restructuring plan, which includes restructuring of the Healthcare surgical business in Europe, as well as

other actions including impairment of an internally developed X-ray accelerator, product rationalizations and facility consolidations.

The Company anticipates total pre-tax restructuring charges of approximately $100 million with $44.4 million recorded in the fiscal 2024 fourth quarter and the balance expected to be recorded in fiscal 2025. The restructuring plan will be excluded from adjusted earnings per diluted share. Of the $100 million charge, approximately $50 million is non-cash. EBIT improvement resulting from these actions is anticipated to be approximately $25 million per year, with the majority of the benefit being in fiscal 2026 and beyond due to the timing of actions.

Fiscal 2025 Outlook
For fiscal 2025, the Company expects as reported revenue from continuing operations to increase 6.5-7.5%. Based on forward rates through March 31, 2025, currency is expected to be neutral to revenue in fiscal 2025. Constant currency organic revenue from continuing operations is anticipated to increase 6-7%. In April 2024, the Company completed a divestiture of its Controlled Environment Services business within the Life Sciences segment. Total annual revenue for this business in fiscal 2024 was approximately $35 million which will be excluded from constant currency organic revenue growth from continuing operations in fiscal 2025. Adjusted earnings per diluted share from continuing operations is anticipated to be in the range of $9.05 to $9.25 compared with $8.20 in adjusted earnings from continuing operations in fiscal 2024. The fiscal 2025 outlook assumes an effective tax rate of approximately 23%. Capital expenditures are anticipated to be approximately $360 million and free cash flow is expected to be approximately $700 million.

Conference Call
As previously announced, STERIS management will host a conference call tomorrow, May 9, 2024 at 9:00 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 tomorrow either at www.steris-ir.com or via phone. To access the replay of the call, please use the access code 5159698 and dial 1-877-344-7529 in the United States or 1-412-317-0088 internationally.

About STERIS
STERIS is a leading global provider of products and services that support patient care with an emphasis on infection prevention. WE HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare, life sciences and dental products and services. For more information, visit www.steris.com.

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Non-GAAP Financial Measures
Adjusted net income, adjusted income from operations, 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 U.S. 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 U.S. 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 and adjusted income from operations exclude the amortization of intangible assets acquired in business combinations, acquisition and divestiture related transaction costs and gains or losses, integration costs related to acquisitions, tax restructuring costs, 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 U.S. GAAP financial measures. These non-GAAP financial measures are an additional way of viewing aspects of the Company's operations that, when viewed with U.S. GAAP results and the reconciliations to corresponding U.S. 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 release 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, statements related to the expected benefits

of and timing of completion of the restructuring plan, 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, 2023. 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) the ability to consummate the previously announced sale of STERIS's Dental business segment (the "Transaction") on the expected terms and within the anticipated time period, or at all, which is dependent on the satisfaction of certain closing conditions, some of which are outside of STERIS's control, (b) STERIS's ability to realize the expected benefits of the Transaction, including the earnout payment, (c) the risk that regulatory approvals that are required to complete the Transaction may not be received, may take longer than expected or may impose adverse conditions, (d) the impact of the COVID-19 pandemic or similar public health crises on STERIS's operations, supply chain, material and labor costs, performance, results, prospects, or value, (e) STERIS's ability to achieve the expected benefits regarding the accounting and tax treatments of the redomiciliation to Ireland , (f) operating costs, Customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, Customers, clients or suppliers) being greater than expected, (g) STERIS's ability to successfully integrate acquired businesses into its existing businesses, including unknown or inestimable liabilities, impairments, or increases in expected integration costs or difficulties in connection with the integration of such businesses, (h) uncertainties related to tax treatments under the TCJA and the IRA, (i) the possibility that Pillar Two Model Rules could increase tax uncertainty and adversely impact STERIS's provision for income taxes and effective tax rate and subject STERIS to additional income tax in jurisdictions who adopt Pillar Two Model Rules, (j) STERIS's ability to continue to qualify for benefits under certain income tax treaties in light of ratification of more strict income tax treaty rules (through the MLI) in many jurisdictions where STERIS has operations, (k) 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, (l) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, including as a result of inflation, (m) 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, (n) the possibility that application of or compliance with laws, court rulings, certifications, regulations, or 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, the outcome of any pending or threatened litigation brought by private parties, 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, result in costs to STERIS that may not be covered by insurance, or otherwise affect STERIS's performance, results, prospects or value, (o) the potential of international unrest, including the Russia-Ukraine or Israel-Hamas military conflicts, 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, (p) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's products and services, (q) the possibility of delays in receipt of orders, order cancellations, or delays in the manufacture or shipment of ordered products, due to supply chain issues or otherwise, or in the provision of services, (r) 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, impairments, regulatory, governmental, or other issues or risks associated with STERIS's businesses, industry or initiatives including, without limitation, those matters described in STERIS's various securities filings, may adversely impact STERIS's performance, results, prospects or value, (s) 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, (t) the impact on STERIS and its operations of any legislation, regulations or orders, including but not limited to any new trade or tax legislation (including CAMT and excise tax on stock buybacks), regulations or orders, that may be implemented by the U.S. administration or Congress, or of any responses thereto, (u) the possibility that anticipated financial results or benefits of recent acquisitions, of STERIS's restructuring efforts, or of recent divestitures, including anticipated revenue, productivity improvement, cost savings, growth synergies and other anticipated benefits, will not be realized or will be other than anticipated, (v) the level of STERIS's indebtedness limiting financial flexibility or increasing future borrowing costs, (w) rating agency actions or other occurrences that could affect STERIS's existing debt or future ability to borrow funds at rates favorable to STERIS or at all, (x) the effects of changes in credit availability and pricing, as well as the ability of STERIS's Customers and suppliers to adequately access the credit markets, on favorable terms or at all, when needed, and (y) the possibility that our expectations about the pre-tax savings resulting from the restructuring plan, the number of positions eliminated pursuant to the restructuring plan and the costs, charges and cash expenditures associated with the restructuring plan may not be realized on the timeline or timelines we expect, or at all.

Attachment

- STERIS 4Q24 Financial Tables

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Source: STERIS plc