STERIS Announces Financial Results for Fiscal 2025 Third Quarter

02/05/25

- *Total revenue from continuing operations increased 6%; constant currency organic revenue grew 6%*
- *As reported diluted EPS from continuing operations increased to $1.75; adjusted EPS increased to $2.32*
- *Fiscal 2025 outlook updated*

DUBLIN, IRELAND, Feb. 05, 2025 (GLOBE NEWSWIRE) -- STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2025 third quarter ended December 31, 2024. Total revenue from continuing operations for the third quarter of fiscal 2025 increased 6% to $1.4 billion compared with $1.3 billion in the third quarter of fiscal 2024. Constant currency organic revenue from continuing operations for the third quarter also increased 6%.

"We are pleased with our results through the first nine months of the fiscal year," said Dan Carestio, President and CEO of STERIS. "We are updating our outlook primarily to reflect a significant shift in foreign currency based on forward rates through March 31, 2025. We appreciate the efforts of our global Associates who continue to focus on our Customers and look forward to another year of solid performance."

Third Quarter Results from Continuing Operations
As reported, net income for the third quarter was $173.6 million or $1.75 per diluted share, compared with net income of $148.4 million or $1.49 per diluted share in the third quarter of fiscal 2024. Adjusted net income for the third quarter of fiscal 2025 was $229.1 million or $2.32 per diluted share, compared with the previous year's third quarter of $207.6 million or $2.09 per diluted share.

Healthcare revenue as reported grew 7% in the quarter to $976.0 million compared with $916.2 million in the third quarter of fiscal 2024. This performance reflected 9% improvement in consumable revenue, 13% growth in service revenue, and a 5% decline in capital equipment revenue. Constant currency organic revenue also increased 7% for the quarter compared with the prior year. Healthcare operating income was $246.9 million compared with $223.9 million in last year's third quarter. The increase in operating income was primarily due to improved volume, price and productivity.

Fiscal 2025 third quarter revenue for **Applied Sterilization Technologies (AST)** increased 10% as reported to $258.1 million compared with $234.9 million in the same period last year. This performance reflected 10% growth in service revenue and a 5% decline in capital equipment revenue. Constant currency organic revenue in the quarter also increased 10%. Segment operating income was $115.8 million in the third quarter of fiscal 2025, compared with operating income of $105.2 million in the same period last year. The operating income increase compared with the prior year primarily reflects improved volume and price.

Life Sciences third quarter revenue as reported decreased 7% to $136.4 million compared with $146.6 million in the third quarter of fiscal 2024, primarily due to the divestiture of the CECS business on April 1, 2024 and a decline in capital equipment revenue. This performance reflected 14% growth in consumable revenue offset by a 31% decline in capital equipment revenue and 12% decline in service revenue. Constant currency organic revenue decreased 1% in the quarter compared with the prior year. Reflecting improvement in mix and price, operating income increased to $58.1 million in the third quarter of fiscal 2025 compared with $56.7 million in the prior year's third quarter.

Cash Flow
Net cash provided by operations for the first nine months of fiscal 2025 was $887.3 million, compared with $718.5 million in fiscal 2024. Free cash flow for the first nine months of fiscal 2025 was $588.1 million compared with $457.0 million in the prior year period. The increase in free cash flow during the period was driven primarily by improved working capital.

Fiscal 2025 Outlook Updated
For fiscal 2025, the Company now expects as reported revenue to increase approximately 6% compared with prior expectations of 6.5% to 7.5%. This change is primarily due to currency, as forward rates through March 31, 2025, are now expected to be unfavorable to revenue in fiscal 2025, as well as lower than anticipated revenue for capital equipment in the Healthcare segment. Constant currency organic revenue from continuing operations is also now anticipated to be approximately 6%, compared with prior expectations of 6% to 7%. Adjusted earnings per diluted share from continuing operations is anticipated to be in the range of $9.05 to $9.15 compared with prior expectations of $9.05 to $9.25, mainly driven by an approximately ten cent negative impact from currency. 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. This outlook does not reflect any potential impact from new tariffs.

Conference Call
As previously announced, STERIS management will host a conference call tomorrow, February 6, 2025, 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 2513153 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 and life sciences products and services. For more information, visit www.steris.com.

Company Contact:

Julie Winter, Vice President, Investor Relations and Corporate Communications
Julie_Winter@steris.com

Non-GAAP Financial Measures

Adjusted net income, adjusted income from operations, free cash flow, adjusted EPS 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, adjusted EPS 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 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, 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. 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 impact of public health crises on STERIS's operations, supply chain, material and labor costs, performance, results, prospects, or value, (b) STERIS's ability to achieve the expected benefits regarding the accounting and tax treatments of the redomiciliation to Ireland, (c) operating costs, Customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, Customers, clients or suppliers) being greater than expected, (d) 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, (e) uncertainties related to tax treatments under the TCJA and the IRA, (f) 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, (g) 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, (h) 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, (i) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, including as a result of inflation, (j) 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, (k) 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, including the Isomedix litigation, 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, (l) 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, (m) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS’s products and services, (n) 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, (o) 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, (p) 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, (q) 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, (r) 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, (s) the level of STERIS’s indebtedness limiting financial flexibility or increasing future borrowing costs, (t) 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, (u) 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 (v) 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 announced restructuring plan may not be realized on the timeline or timelines we expect, or at all.

Attachment

- STERIS 3Q25 Financial Tables

STERIS

Source: STERIS plc