



STERIS plc Announces Financial Results for Fiscal 2016 Fourth Quarter and Full Year; Provides Fiscal 2017 Outlook

May 18, 2016

- **38% revenue growth in fourth quarter, with 5% constant currency organic growth**
- **Fourth quarter adjusted EPS trimmed by a 34% tax rate; FY17 tax rate expectations remain unchanged at 25%**
- **Record revenue and adjusted earnings for the full year fiscal 2016**
- **Synergy Health integration and cost synergies on track**
- **FY17 revenue outlook up 25-26% and adjusted EPS of \$3.85-\$4.00**

LEICESTER, U.K. - (May 18, 2016) - STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2016 fourth quarter and full year ended March 31, 2016. Fiscal 2016 fourth quarter revenue increased 38% to \$690.3 million compared with \$501.6 million for STERIS Corporation ("Old STERIS") in the fourth quarter of fiscal 2015, driven by growth in all four segments. Constant currency organic revenue growth was 5% for the fourth quarter of fiscal 2016. For the full fiscal year, revenue increased 21% to \$2.24 billion, compared with \$1.85 billion for Old STERIS in fiscal 2015. All succeeding references to results from prior year periods are for Old STERIS.

"Our people delivered an extraordinary year, with strong operating performance and meaningful progress in achieving our long-term strategic goals," said Walt Rosebrough, President and Chief Executive Officer of STERIS. "We closed the combination with Synergy Health during the year, and are pleased with our progress. We begin fiscal 2017 as one team and are looking forward to our fifth consecutive year of record performance."

Fourth Quarter and Full Year 2016 Operating Results

As reported, net income for the fourth quarter was \$57.7 million, or \$0.67 per diluted share, compared with net income of \$41.4 million, or \$0.69 per diluted share in the fourth quarter of fiscal 2015. Adjusted net income (see Non-GAAP Financial Measures) for the fourth quarter of fiscal 2016 was \$77.9 million, or \$0.90 per diluted share, compared with adjusted net income for the previous year fourth quarter of \$59.3 million or \$0.98 per diluted share. Despite strong operating results, adjusted earnings per diluted share declined year-over-year due to an increase in the share count and a 34.4% adjusted effective tax rate. The higher tax rate was caused by geographic income mix and discrete item adjustments, which more than offset the tax benefit from the combination with Synergy.

As reported, net income for the full year fiscal 2016 was \$110.8 million or \$1.56 per diluted share, compared with net income of \$135.1 million or \$2.25 per diluted share in fiscal 2015. Adjusted net income for the full year fiscal 2016 increased 34% to \$241.5 million or \$3.39 per diluted share compared with \$179.6 million or \$2.99 per diluted share in fiscal 2015. Fiscal 2016 earnings per diluted share included approximately \$5 million in cost synergies as a result of the combination with Synergy.

Fourth Quarter Segment Results

Healthcare Products revenue grew 5% in the quarter to \$335.1 million compared with \$319.4 million in the fourth quarter of fiscal 2015. Consumable revenue grew 25% and service revenue increased 6% respectively during the quarter. Those gains were partially offset by a 6% decline in capital equipment revenue, which was a result of level loading of shipments during the year and soft shipments outside of the U.S. Healthcare Products operating income was \$60.6 million compared with \$56.8 million in last year's fourth quarter. The increase in profitability was primarily due to increased volume, favorable foreign currency exchange rates and the suspension of the Medical Device Excise Tax.

Healthcare Specialty Services revenue in the quarter was \$157.9 million compared with \$65.3 million in the fourth quarter of fiscal 2015, reflecting the addition of Synergy Health and organic volume growth. Healthcare Specialty Services operating income increased to \$6.5 million compared with \$5.6 million in last year's fourth quarter, primarily due to the increased volume.

Fiscal 2016 fourth quarter revenue for **Applied Sterilization Technologies** increased to \$110.4 million compared with \$51.7 million in the same period last year. Revenue benefited from the addition of Synergy Health and increased volume from the segment's core medical device Customers. Segment operating income increased to \$38.4 million in the fourth quarter of fiscal 2016 compared with operating income of \$14.7 million in the same period last year, due primarily to the addition of Synergy Health and high-single digit organic volume growth.

Life Sciences fourth quarter revenue grew 31% to \$85.5 million compared with \$65.1 million in the fourth quarter of fiscal 2015. Contributing to growth, consumable revenue grew 51%, service revenue increased 34% and capital equipment revenue grew 8%. Life Sciences operating income was \$27.0 million compared with \$14.5 million in the prior year's fourth quarter, driven by double digit organic growth and recent acquisitions.

Cash Flow

Net cash provided by operations for fiscal 2016 was \$254.7 million, compared with \$246.0 million in fiscal 2015. Free cash flow (see Non-GAAP Financial Measures) for fiscal 2016 was \$129.1 million compared with \$161.6 million in the prior year. The decline in free cash flow is primarily due to expenses related to the combination with Synergy Health and other acquisitions as well as a contribution made for the settlement of a legacy pension obligation. The total of these non-recurring items, which reduced free cash flow year-over-year, is approximately \$100 million.

Dividend Announcement

The Company announced today that STERIS's Board of Directors has authorized a quarterly dividend of \$0.25 per common share. The dividend is payable June 29, 2016 to shareholders of record at the close of business on June 8, 2016.

Outlook

STERIS expects fiscal 2017 revenue growth in the range of 25% to 26%, including approximately 7% organic revenue growth. Adjusted net earnings per diluted share are anticipated to be in the range of \$3.85 - \$4.00 for the full fiscal year. The Company has based its outlook on twelve month forward rates as of March 31, 2016, which suggests that changes in foreign currency will not have a material impact on the Company's fiscal 2017

financial results. The Company continues to expect \$15 million in cost synergies as a result of the combination with Synergy and an adjusted effective tax rate of approximately 25% in fiscal 2017.

Fiscal 2017 free cash flow is anticipated to be approximately \$250 million, including approximately \$50 million in additional cash expenses related to the integration of Synergy Health. Capital expenditures are anticipated to be approximately \$190 million, reflecting the impact of acquisitions, continued expansion within Applied Sterilization Technologies, IT system upgrades, new product development and general maintenance and repair for existing facilities.

Conference Call

As previously announced, STERIS management will host a conference call today 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 1-800-369-8428 in the United States and Canada, and 1-773-799-3378 internationally, then referencing the password "STERIS".

For those unable to listen to the conference call live, a replay will be available beginning at 12:00 p.m. Eastern time today, either over the Internet at www.steris-ir.com or via phone by calling 1-888-402-8742 in the United States and Canada, and 1-203-369-3723 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 and free cash flow 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, 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, net capital expenditures, 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.

Forward-Looking Statements

This release and the 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 specified in this release 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," "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 herein and in STERIS's, STERIS Corporation's and Synergy's other securities filings, including Item 1A of STERIS Corporation's Annual Report on Form 10-K for the year ended March 31, 2015 and in Synergy's annual report and accounts for the year ended 29 March 2015 (section headed "principal risks and uncertainties"). 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 the press release 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 meet expectations regarding the accounting and tax treatments of the Combination, (b) the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in connection with the Combination within the expected time-frames or at all and to successfully integrate Synergy's operations with those of STERIS Corporation, (c) the integration of Synergy's operations with those of STERIS Corporation being more difficult, time-consuming or costly than expected, (d) 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 transaction, (e) the retention of certain key employees of Synergy being difficult, (f) 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, (g) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, (h) 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, (i) 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, (j) the potential of international unrest, economic downturn or effects of currencies, tax assessments, adjustments or anticipated rates, raw material costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (k) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's products and services, (l) 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 STERIS Corporation's Form 10-K for the year ended March 31, 2015 and Synergy's annual report and accounts for the year ended 29 March 2015 and other securities filings, may adversely impact STERIS's performance, results, prospects or value, (m) the possibility that anticipated financial results or benefits of recent acquisitions, including the Combination, or of STERIS's restructuring efforts will not be realized or will be other than anticipated and (n) the effects of the contractions in credit availability, as well as the ability of STERIS's Customers and suppliers to adequately access the credit markets when needed.

[STERIS 4Q16 Financials](#)

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