



## STERIS Announces Financial Results for Fiscal 2018 Third Quarter

February 7, 2018

- **Third quarter as reported revenue increases 2%; revenue grows 5% on a constant currency organic basis**
- **Third quarter GAAP earnings improve to \$1.11 per diluted share; adjusted earnings per diluted share increase 14% to \$1.12**
- **Fiscal 2018 earnings outlook increased**
- **Company announces \$7 million one-time special bonus for U.S. employees**

DERBY, U.K. - (February 7, 2018) - STERIS plc (NYSE: STE) ("STERIS" or the "Company") today announced financial results for its fiscal 2018 third quarter ended December 31, 2017. Fiscal 2018 third quarter revenue as reported was \$661.9 million compared with \$646.8 million in the third quarter of fiscal 2017. Revenue growth as reported was limited by divestitures. Constant currency organic revenue (see Non-GAAP Financial Measures) growth was 5% for the third quarter of fiscal 2018.

"Our third quarter performance reflects the underlying strength and balanced revenue streams of our business. Our performance to date and expectations for the full year suggest that we are on track for another solid year of growth and record performance," said Walt Rosebrough, President and Chief Executive Officer of STERIS. "Like many companies, the recent tax reform in the U.S. will result in significant additional earnings for STERIS to strategically grow our business and return value to Customers, employees and shareholders. One of our first actions on that front will be a one-time special discretionary bonus of \$1,000 to all U.S. employees other than senior executives."

As reported, net income for the third quarter was \$94.8 million, or \$1.11 per diluted share, compared with a net loss of \$5.0 million, or (\$0.06) per diluted share in the third quarter of fiscal 2017. The fiscal 2018 third quarter includes a net tax benefit of \$25.7 million or \$0.30 per diluted share from the re-measurement of U.S. deferred tax balances and the related taxation of unremitted earnings of non-U.S. subsidiaries as a result of the new U.S. Tax Cut and Jobs Act ("TCJA").

On an adjusted basis, excluding the net tax benefit of \$25.7 million, net income (see Non-GAAP Financial Measures) for the third quarter of fiscal 2018 was \$96.3 million, or \$1.12 per diluted share, compared with adjusted net income for the previous year's third quarter of \$84.0 million or \$0.98 per diluted share. Third quarter fiscal 2018 adjusted earnings reflect solid organic revenue growth, continued margin expansion and a lower effective tax rate. The lower effective tax rate added approximately \$0.05 per diluted share, including the benefit of TCJA. The Company's fiscal 2019 adjusted effective tax rate is expected to be in the low 20%, including the impact of TCJA.

### Third Quarter Segment Results

**Healthcare Products** revenue as reported was flat in the quarter at \$324.9 million compared with the third quarter of fiscal 2017. Consumable revenue grew 9% and service revenue grew 6%, offset by a 9% decline in capital equipment revenue. Backlog for capital equipment increased 6% or \$9 million year-over-year. Healthcare Products operating income was \$64.0 million compared with \$65.7 million in last year's third quarter. The decline in profitability was primarily due to flat revenue and higher allocated corporate costs.

**Healthcare Specialty Services** as reported revenue in the quarter was \$117.4 million compared with \$129.2 million in the third quarter of fiscal 2017, reflecting the impact of the linen divestitures year-over-year. Constant currency organic revenue grew 9% in the quarter. Healthcare Specialty Services operating income was \$6.5 million compared with \$1.9 million in last year's third quarter, primarily due to continued improvement within IMS in North America.

Fiscal 2018 third quarter revenue for **Applied Sterilization Technologies** increased 13% as reported to \$128.7 million compared with \$114.4 million in the same period last year. Constant currency organic revenue increased 9%, primarily due to increased volume from the segment's core medical device Customers. Segment operating income increased to \$43.2 million in the third quarter of fiscal 2018 compared with operating income of \$36.6 million in the same period last year, due to the revenue growth and changes in currency rates.

**Life Sciences** third quarter revenue as reported grew 16% to \$90.9 million compared with \$78.6 million in the third quarter of fiscal 2017 with growth across the segment. Capital equipment revenue increased 33%, consumable revenue grew 12% and service revenue improved by 8%. Constant currency organic revenue grew 14% in the quarter. Operating income improved to \$27.2 million compared with \$23.9 million in the prior year's third quarter.

### Cash Flow

Net cash provided by operations for the first nine months of fiscal 2018 was \$327.9 million, compared with \$289.4 million in fiscal 2017. Free cash flow (see Non-GAAP Financial Measures) for the first nine months of fiscal 2018 was \$216.4 million compared with \$182.0 million in the prior year. The improvement in free cash flow is primarily due to higher earnings and lower requirements to fund operating assets and liabilities.

### Fiscal 2018 Outlook

The Company continues to expect constant currency organic revenue growth to be in the range of 4-5% for fiscal 2018. Adjusted earnings per diluted share are now anticipated to be in the range of \$4.10 - \$4.16, which assumes operational earnings at the high end of the prior outlook and an adjusted effective tax rate of approximately 25%. Prior outlook for adjusted earnings per diluted share was \$3.96 to \$4.09. The one-time special bonus is expected to be excluded from adjusted earnings per diluted share.

Free cash flow for fiscal 2018 is expected to be approximately \$300 million, and capital spending is anticipated to be approximately \$160 million.

### Dividend Announcement

STERIS's Board of Directors has authorized a quarterly interim dividend of \$0.31 per share. The dividend is payable March 28, 2018 to shareholders of record at the close of business on February 28, 2018.

## 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](http://www.steris-ir.com) or via phone by dialing 1- 877-317-6789 in the United States or 1-412-317-6789 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 today, either over the Internet at [www.steris-ir.com](http://www.steris-ir.com) or via phone. To access the replay of the call, please use the access code 10116196 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](http://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 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 encourage 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 securities filings, including Item 1A of STERIS's Annual Report on Form 10-K for the year ended March 31, 2017. 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 meet expectations regarding the accounting and tax treatments of the Combination (the "Combination") with STERIS Corporation and Synergy Health plc ("Synergy"), (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 the operations of the companies, (c) the integration of the operations of the companies 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) 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, (g) 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, (h) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, (i) 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, (j) 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, (k) 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, (l) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's products and services, (m) 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, (n) 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's 10-K for the year ended March 31, 2017 and other securities filings, may adversely impact STERIS's performance, results, prospects or value, (o) the impact on STERIS and its operations of the "Brexit" or the exit of other member countries from the EU, (p) 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, (q) the possibility that anticipated financial results or benefits of recent acquisitions, including the Combination, or of STERIS's restructuring efforts, or of recent divestitures will not be realized or will be other than anticipated, and (r) 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.

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