UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number 001-38848

STERIS plc

(Exact name of registrant as specified in its charter)

Ireland	**98-1455064**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
70 Sir John Rogerson's Quay, Dublin 2, Ireland	**D02 R296**
(Address of principal executive offices)	**(Zip code)**

353 1 232 2000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Trading symbol(s)	Name of Exchange on Which Registered
Ordinary Shares, $0.001 par value	STE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," and Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of ordinary shares outstanding as of February 5, 2021: 85,352,713

STERIS plc and Subsidiaries

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PART 1—FINANCIAL INFORMATION

As used in this Quarterly Report on Form 10-Q, STERIS plc and its consolidated subsidiaries together are called “STERIS,” the “Company,” “we,” “us,” or “our,” unless otherwise noted.

ITEM 1. FINANCIAL STATEMENTS

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2020	March 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 252,502**	$ 319,581
Accounts receivable (net of allowances of $11,605 and $12,051 respectively)	**556,117**	586,481
Inventories, net	**294,132**	248,259
Prepaid expenses and other current assets	**73,324**	54,430
Total current assets	**1,176,075**	1,208,751
Property, plant, and equipment, net	**1,226,895**	1,111,855
Lease right-of-use assets, net	**149,741**	131,837
Goodwill	**2,926,551**	2,356,085
Intangibles, net	**1,043,904**	565,473
Other assets	**57,614**	51,581
Total assets	**$ 6,580,780**	$ 5,425,582
Liabilities and equity		
Current liabilities:		
Accounts payable	**$ 134,471**	$ 149,341
Accrued income taxes	**13,068**	14,013
Accrued payroll and other related liabilities	**152,331**	128,261
Lease obligations due within one year	**21,364**	19,809
Accrued expenses and other	**184,633**	192,183
Total current liabilities	**505,867**	503,607
Long-term indebtedness	**1,713,199**	1,150,521
Deferred income taxes, net	**264,041**	160,270
Long-term lease obligations	**130,217**	114,114
Other liabilities	**89,264**	90,346
Total liabilities	**$ 2,702,588**	$ 2,018,858
Commitments and contingencies (see Note 8)		
Ordinary shares, with $0.001 par value; 500,000 shares authorized; 85,337 and 84,924 ordinary shares issued and outstanding, respectively	**1,996,843**	1,982,164
Retained earnings	**1,872,533**	1,647,175
Accumulated other comprehensive loss	**(2,386)**	(235,463)
Total shareholders’ equity	**3,866,990**	3,393,876
Noncontrolling interests	**11,202**	12,848
Total equity	**3,878,192**	3,406,724
Total liabilities and equity	**$ 6,580,780**	$ 5,425,582

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Product	**$ 375,314**	$ 363,795	**$ 1,015,926**	$ 1,009,196
Service	**433,610**	410,466	**1,218,062**	1,198,708
Total revenues	**808,924**	774,261	**2,233,988**	2,207,904
Cost of revenues:				
Product	**202,881**	195,105	**535,234**	539,664
Service	**260,182**	247,803	**737,288**	712,377
Total cost of revenues	**463,063**	442,908	**1,272,522**	1,252,041
Gross profit	**345,861**	331,353	**961,466**	955,863
Operating expenses:				
Selling, general, and administrative	**182,373**	172,927	**510,250**	527,667
Research and development	**16,438**	16,487	**48,812**	48,321
Restructuring expenses	**20**	(448)	**110**	667
Total operating expenses	**198,831**	188,966	**559,172**	576,655
Income from operations	**147,030**	142,387	**402,294**	379,208
Non-operating expenses, net:				
Interest expense	**8,899**	9,813	**27,056**	30,702
Interest (income) and miscellaneous expense	**(1,299)**	(1,378)	**(4,776)**	(2,163)
Total non-operating expenses, net	**7,600**	8,435	**22,280**	28,539
Income before income tax expense	**139,430**	133,952	**380,014**	350,669
Income tax expense	**24,842**	29,285	**71,294**	66,083
Net income	**114,588**	104,667	**308,720**	284,586
Less: Net income (loss) attributable to noncontrolling interests	**87**	(263)	**171**	297
Net income attributable to shareholders	**$ 114,501**	$ 104,930	**$ 308,549**	$ 284,289
Net income per share attributed to shareholders				
Basic	**$ 1.34**	$ 1.24	**$ 3.62**	$ 3.35
Diluted	**$ 1.33**	$ 1.23	**$ 3.59**	$ 3.32
Cash dividends declared per share ordinary outstanding	**$ 0.40**	$ 0.37	**$ 1.17**	$ 1.08

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Net income	**$ 114,588**	$ 104,667	**$ 308,720**	$ 284,586
Less: Net income (loss) attributable to noncontrolling interests	**87**	(263)	**171**	297
Net income attributable to shareholders	**114,501**	104,930	**308,549**	284,289
Other comprehensive income (loss)				
Amortization of pension and postretirement benefit plan costs, (net of taxes of $173, $171, $520 and $512, respectively)	**(510)**	(504)	**(1,530)**	(1,515)
Change in cumulative currency translation adjustment	**128,737**	77,299	**234,607**	12,371
Total other comprehensive income	**128,227**	76,795	**233,077**	10,856
Comprehensive income	**$ 242,728**	$ 181,725	**$ 541,626**	$ 295,145

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2020	**2019**
Operating activities:		
Net income	**$ 308,720**	$ 284,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	**160,193**	146,294
Deferred income taxes	**783**	(1,139)
Share-based compensation expense	**19,924**	18,862
Loss (gain) on the disposal of property, plant, equipment, and intangibles, net	**865**	(540)
Loss on sale of businesses, net	**5**	2,553
Other items	**4,494**	(2,506)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	**60,574**	29,860
Inventories, net	**(7,520)**	(32,816)
Other current assets	**(8,906)**	3,615
Accounts payable	**(30,974)**	(18,610)
Accruals and other, net	**(6,373)**	(38,833)
Net cash provided by operating activities	**501,785**	391,326
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	**(164,497)**	(153,649)
Proceeds from the sale of property, plant, equipment and intangibles	**417**	387
Proceeds from the sale of businesses	**—**	439
Acquisition of businesses, net of cash acquired	**(869,431)**	(107,166)
Other	**(2,392)**	—
Net cash used in investing activities	**(1,035,903)**	(259,989)
Financing activities:		
Proceeds from the issuance of long-term obligations	**550,000**	—
Payments on long-term obligations	**(35,000)**	—
Proceeds (payments) under credit facilities, net	**23,782**	(48,467)
Deferred financing fees and debt issuance costs	**(3,122)**	(1,206)
Acquisition related deferred or contingent consideration	**(2,968)**	(452)
Repurchases of ordinary shares	**(14,560)**	(40,322)
Cash dividends paid to ordinary shareholders	**(99,696)**	(91,595)
Contributions from noncontrolling interest	**2,258**	6,050
Distributions to noncontrolling interest	**(627)**	(840)
Payment for acquisition of subsidiary's interests in noncontrolling interest	**(3,552)**	—
Stock option and other equity transactions, net	**26,018**	22,958
Net cash provided by (used in) financing activities	**442,533**	(153,874)
Effect of exchange rate changes on cash and cash equivalents	**24,506**	1,134
(Decrease) in cash and cash equivalents	**(67,079)**	(21,403)
Cash and cash equivalents at beginning of period	**319,581**	220,633
Cash and cash equivalents at end of period	**$ 252,502**	$ 199,230

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31, 2020					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at September 30, 2020	**85,251**	**$ 1,990,880**	**$ 1,786,878**	**$ (130,613)**	**$ 15,310**	**$ 3,662,455**
Comprehensive income:						
Net income	—	—	114,501	—	87	114,588
Other comprehensive income	—	—	—	128,227	—	128,227
Repurchases of ordinary shares	(9)	(5,417)	5,290	—	—	(127)
Equity compensation programs and other	95	11,380	—	—	—	11,380
Cash dividends – $0.40 per ordinary share	—	—	(34,136)	—	—	(34,136)
Distributions to noncontrolling interest	—	—	—	—	(627)	(627)
Payment for acquisition of subsidiary's interests in noncontrolling interest	—	—	—	—	(3,552)	(3,552)
Other changes in noncontrolling interest	—	—	—	—	(16)	(16)
Balance at December 31, 2020	**85,337**	**$ 1,996,843**	**$ 1,872,533**	**$ (2,386)**	**$ 11,202**	**$ 3,878,192**

	Nine Months Ended December 31, 2020					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at March 31, 2020	**84,924**	**$ 1,982,164**	**$ 1,647,175**	**$ (235,463)**	**$ 12,848**	**$ 3,406,724**
Comprehensive income:						
Net income	—	—	308,549	—	171	308,720
Other comprehensive income	—	—	—	233,077	—	233,077
Repurchases of ordinary shares	(121)	(31,065)	16,505	—	—	(14,560)
Equity compensation programs and other	534	45,744	—	—	—	45,744
Cash dividends – $1.17 per ordinary share	—	—	(99,696)	—	—	(99,696)
Contributions from noncontrolling interest	—	—	—	—	2,258	2,258
Distributions to noncontrolling interest	—	—	—	—	(627)	(627)
Payment for acquisition of subsidiary's interests in noncontrolling interest	—	—	—	—	(3,552)	(3,552)
Other changes in noncontrolling interest	—	—	—	—	104	104
Balance at December 31, 2020	**85,337**	**$ 1,996,843**	**$ 1,872,533**	**$ (2,386)**	**$ 11,202**	**$ 3,878,192**

STERIS PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31, 2019					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at September 30, 2019	84,797	$ 1,981,660	$ 1,472,725	$ (225,717)	$ 8,977	$ 3,237,645
Comprehensive income:						
Net income	—	—	104,930	—	(263)	104,667
Other comprehensive income	—	—	—	76,795	—	76,795
Repurchases of ordinary shares	(25)	(669)	(1,785)	—	—	(2,454)
Equity compensation programs and other	19	6,116	—	—	—	6,116
Cash dividends $0.37 per ordinary share	—	—	(31,375)	—	—	(31,375)
Distributions to noncontrolling interest	—	—	—	—	(840)	(840)
Contributions from noncontrolling interest	—	—	—	—	6,050	6,050
Other changes in noncontrolling interest	—	—	—	—	(538)	(538)
Balance at December 31, 2019	84,791	$ 1,987,107	$ 1,544,495	$ (148,922)	$ 13,386	$ 3,396,066

	Nine Months Ended December 31, 2019					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at March 31, 2019	84,517	$ 1,998,564	$ 1,339,024	$ (159,778)	$ 7,988	$ 3,185,798
Comprehensive income:						
Net income	—	—	284,289	—	297	284,586
Other comprehensive income	—	—	—	10,856	—	10,856
Repurchases of ordinary shares	(304)	(53,099)	12,777	—	—	(40,322)
Equity compensation programs and other	578	41,642	—	—	—	41,642
Cash dividends – $1.08 per ordinary share	—	—	(91,595)	—	—	(91,595)
Distributions to noncontrolling interest	—	—	—	—	(840)	(840)
Contributions from noncontrolling interest	—	—	—	—	6,050	6,050
Other changes in noncontrolling interest	—	—	—	—	(109)	(109)
Balance at December 31, 2019	84,791	$ 1,987,107	$ 1,544,495	$ (148,922)	$ 13,386	$ 3,396,066

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS plc is a leading provider of infection prevention and other procedural products and services. Our 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. We offer our Customers a unique mix of innovative consumable products, such as detergents, gastrointestinal ("GI") endoscopy accessories, barrier product solutions, and other products and services, including: equipment installation and maintenance, microbial reduction of medical devices, instrument and scope repair solutions, laboratory testing services, on-site and off-site reprocessing, and capital equipment products, such as sterilizers and surgical tables, and connectivity solutions such as operating room ("OR") integration.

Our fiscal year ends on March 31. References in this Quarterly Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

Interim Financial Statements

We prepared the accompanying unaudited consolidated financial statements of the Company according to accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. This means that they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our unaudited interim consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) management believes are necessary to fairly state our financial condition, results of operations, and cash flows for the periods presented.

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020. The Consolidated Balance Sheet at March 31, 2020 was derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

We use the consolidation method to report our investment in our subsidiaries. Therefore, the accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. We eliminate inter-company accounts and transactions when we consolidate these accounts. Investments in equity of unconsolidated affiliates, over which the Company has significant influence, but not control, over the financial and operating polices, are accounted for primarily using the equity method. These investments are immaterial to the Company's Consolidated Financial Statements.

Use of Estimates

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three and nine month periods ended December 31, 2020 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2021.

Revenue Recognition and Associated Liabilities

We adopted Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" and the subsequently issued amendments on April 1, 2018. At the time of adoption, certain of our capital equipment contracts were comprised of a single integrated performance obligation, which resulted in the deferral of the corresponding capital equipment revenue and cost of revenues until installation was complete. Since the adoption of the standard, there have been changes made in our selling philosophy, product architecture, and manufacturing processes with respect to this product line, that impact whether the promises to transfer the individual goods or services to the Customer are separately identifiable from other promises in the contract. After review of these changes, we have concluded that these contracts consist of multiple performance obligations that are capable of being distinct and meet the criteria for revenue to be recognized when the Customer obtains control of the asset, which is upon delivery of each performance obligation. Revenues and costs of revenues related to these contracts totaling $14,609 and $7,560, respectively, that had previously been deferred were recognized in our fiscal 2021 first quarter.

Revenue is recognized when obligations under the terms of the contract are satisfied and control of the promised products or services have transferred to the Customer. Revenues are measured at the amount of consideration that we expect to be paid in exchange for the products or services. Product revenue is recognized when control passes to the Customer, which is generally based on contract or shipping terms. Service revenue is recognized when the Customer benefits from the service, which occurs either upon completion of the service or as it is provided to the Customer. Our Customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor, and we have no further obligations related to bringing about resale. Our standard return and restocking fee policies are applied to sales of products. Shipping and handling costs charged to Customers are included in Product revenues. The associated expenses are treated as fulfillment costs and are included in Cost of revenues. Revenues are reported net of sales and value-added taxes collected from Customers.

We have individual Customer contracts that offer discounted pricing. Dealers and distributors may be offered sales incentives in the form of rebates. We reduce revenue for discounts and estimated returns, rebates, and other similar allowances in the same period the related revenues are recorded. The reduction in revenue for these items is estimated based on historical experience and trend analysis to the extent that it is probable that a significant reversal of revenue will not occur. Estimated returns are recorded gross on the Consolidated Balance Sheets.

In transactions that contain multiple performance obligations, such as when products, maintenance services, and other services are combined, we recognize revenue as each product is delivered or service is provided to the Customer. We allocate the total arrangement consideration to each performance obligation based on its relative standalone selling price, which is the price for the product or service when it is sold separately.

Payment terms vary by the type and location of the Customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. We do not evaluate whether the selling price contains a financing component for contracts that have a duration of less than one year.

We do not capitalize sales commissions as substantially all of our sales commission programs have an amortization period of one year or less.

Certain costs to fulfill a contract are capitalized and amortized over the term of the contract if they are recoverable, directly related to a contract and generate resources that we will use to fulfill the contract in the future. At December 31, 2020, assets related to costs to fulfill a contract were not material to our Consolidated Financial Statements.

Refer to Note 9, titled "Business Segment Information" for disaggregation of revenue.

Product Revenue

Product revenues consist of revenues generated from sales of consumables and capital equipment. These contracts are primarily based on a Customer’s purchase order and may include a Distributor, Dealer or Group Purchasing Organization ("GPO") agreement. We recognize revenue for sales of product when control passes to the Customer, which generally occurs either when the products are shipped or when they are received by the Customer. Revenue related to capital equipment products is deferred until installation is complete if the capital equipment and installation are highly integrated and form a single performance obligation.

Service Revenue

Within our Healthcare and Life Sciences segments, service revenues consist of revenue generated from parts and labor associated with the maintenance, repair and installation of capital equipment. These contracts are primarily based on a Customer’s purchase order and may include a Distributor, Dealer, or Group Purchasing Organization ("GPO") agreement. For maintenance, repair and installation of capital equipment, revenue is recognized upon completion of the service. Healthcare service revenues also include outsourced reprocessing services and instrument repairs. Contracts for outsourced reprocessing services are primarily based on an agreement with a Customer, ranging in length from several months to 15 years. Outsourced reprocessing services revenue is recognized ratably over the contract term using a time-based input measure, adjusted for volume and other performance metrics, to the extent that it is probable that a significant reversal of revenue will not occur. Contracts for instrument repairs are primarily based on a Customer’s purchase order, and the associated revenue is recognized upon completion of the repair.

(dollars in thousands, except as noted)

We also offer preventive maintenance and separately priced extended warranty agreements to our Customers, which require us to maintain and repair our products over the duration of the contract. Generally, these contract terms are cancellable without penalty and range from one to five years. Amounts received under these Customer contracts are initially recorded as a service liability and are recognized as service revenue ratably over the contract term using a time-based input measure.

Within our Applied Sterilization Technologies segment, service revenues include contract sterilization and laboratory services. Sales contracts for contract sterilization and laboratory services are primarily based on a Customer's purchase order and associated Customer agreement and revenues are generally recognized upon completion of the service.

Contract Liabilities

Payments received from Customers are based on invoices or billing schedules as established in contracts with Customers. Deferred revenue is recorded when payment is received in advance of performance under the contract. Deferred revenue is recognized as revenue upon completion of the performance obligation, which generally occurs within one year. During the first nine months of fiscal 2021, $38,181 of the March 31, 2020 deferred revenue balance was recorded as revenue. During the first nine months of fiscal 2020, $46,744 of the March 31, 2019 deferred revenue balance was recorded as revenue.

Refer to Note 6, titled "Additional Consolidated Balance Sheet Information" for Deferred revenue balances.

Service Liabilities

Payments received in advance of performance for cancellable preventive maintenance and separately priced extended warranty contracts are recorded as service liabilities. Service liabilities are recognized as revenue as performance is rendered under the contract.

Refer to Note 6, titled "Additional Consolidated Balance Sheet Information" for Service liability balances.

Remaining Performance Obligations

Remaining performance obligations reflect only the performance obligations related to agreements for which we have a firm commitment from a Customer to purchase and exclude variable consideration related to unsatisfied performance obligations. With regard to products, these remaining performance obligations include capital equipment and consumable orders which have not shipped. With regard to service, these remaining performance obligations primarily include installation, certification, and outsourced reprocessing services. As of December 31 2020, the transaction price allocated to remaining performance obligations was approximately $1,014,800. We expect to recognize approximately 50% of the transaction price within one year and approximately 42% beyond one year. The remainder has yet to be scheduled for delivery.

Recently Issued Accounting Standards Impacting the Company

Recently Issued Accounting Standards Impacting the Company are presented in the following table:

Standard	Date of Issuance	Description	Date of Adoption	Effect on the financial statements or other significant matters
Standards that have been adopted in fiscal 2021				
ASU 2016-13, "Measurement of Credit Losses on Financial Instruments"	June 2016	The standard required a financial asset (or group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The standard was effective for annual periods beginning after December 15, 2019.	First Quarter Fiscal 2021	We adopted this standard effective April 1, 2020 with no material impact to our consolidated financial statements.

(dollars in thousands, except as noted)

ASU 2018-13 "Fair Value Measurement (Topic 820) Disclosure Framework- Changes to Disclosure Requirements for Fair Value Measurement"	August 2018	The standard modified the disclosure requirements by adding, removing, and modifying certain required disclosures for fair value measurements for assets and liabilities disclosed within the fair value hierarchy. The standard was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.	First Quarter Fiscal 2021	We adopted this standard effective April 1, 2020 with no material impact on our consolidated financial statements as it modifies disclosure requirements only.
ASU 2018-14 "Compensation- Retirement Benefits - Defined Benefit Plans- General Topic (715-20): Disclosure Framework- Changes to the Disclosure Requirements for Defined Benefit Plans"	August 2018	The standard modified the disclosure requirements by adding, removing, and modifying certain required disclosures for employers that sponsor defined benefit pension or other post-retirement benefit plans. The standard also clarified disclosure requirements for defined benefit pension plans relating to the projected benefit obligation and accumulated benefit obligation. The standard was effective for fiscal years ending after December 15, 2019.	First Quarter Fiscal 2021	We adopted this standard effective April 1, 2020 with no material impact on our consolidated financial statements as it modifies disclosure requirements only.
ASU 2018-15 "Intangibles- Goodwill and Other- Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract"	August 2018	The standard aligned the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard was effective for fiscal years beginning after December 15, 2019.	First Quarter Fiscal 2021	We adopted this standard on April 1, 2020 using the prospective method. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

(dollars in thousands, except as noted)

Standards that have not yet been adopted				
ASU 2020-06 "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)"	August 2020	This standard simplifies the accounting for convertible instruments and its application of the derivatives scope exception for contracts in an entity's own equity. The standard reduces the number of accounting models that require separating embedded conversion features from convertible instruments. As a result, only conversion features accounted for under the substantial premium model and those that require bifurcation will be accounted for separately. For contracts in an entity's own equity, the new standard eliminates some of the current requirements for equity classification. The standard also addresses how convertible instruments are accounted for in the diluted earnings per share calculation and requires enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity. The standard is effective for annual periods beginning after December 15, 2021 and interim periods within that year. Early adoption is permitted for annual periods beginning after December 15, 2020 and interim periods within that year.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.
ASU 2019-12 "Income Taxes (Topic 740)"	December 2019	The standard provides final guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance simplifies accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2020.

2. Business Acquisitions and Divestitures

Fiscal 2021

On November 18, 2020, we acquired all of the outstanding units and equity of Key Surgical, LLC ("Key Surgical"). Key Surgical is a global provider of sterile processing, operating room and endoscopy consumable products serving hospitals and surgical facilities. Key Surgical is being integrated into our Healthcare segment. The total purchase price of the acquisition was $849,717, net of cash acquired and remains subject to customary working capital adjustments. Acquisition related costs of $10,842 are reported in the selling, general, and administrative expense line of the Consolidated Statements of Income. The purchase price for the acquisition was financed with a combination of cash on hand, credit facility borrowings and proceeds from the issuance of new long-term obligations. Please refer to note 5 titled, "Debt" for more information.

The table below summarizes the preliminary allocation of the purchase price to the net assets acquired for the Key Surgical acquisition based on fair values at the acquisition date.

(dollars in thousands)	**Key Surgical** [1]
Cash	**$ 12,615**
Accounts receivable	**13,967**
Inventory	**22,167**
Property, plant and equipment	**6,032**
Other assets	**6,680**
Intangible assets [2]	**491,009**
Goodwill	**423,239**
Total Assets	**$ 975,709**
Current liabilities	**(17,683)**
Non-current liabilities	**(95,694)**
Total Liabilities	**(113,377)**
Net Assets	**$ 862,332**

[1] Purchase price allocation is still preliminary as of December 31, 2020, as valuation has not been finalized.

[2] Intangible assets resulting from the Key Surgical acquisition may consists of patents, trade names, Customer Relationships, non-compete agreements, and technologies, pending the outcome of the final valuation.

In addition to Key Surgical, we also completed two tuck-in acquisitions during the third quarter fiscal 2021, which continued to expand our product and service offerings in the Healthcare segment. The aggregate purchase price associated with these transactions was approximately $20,908, net of cash acquired and including deferred consideration of $1,194. Acquisition related costs are reported in the selling, general, and administrative expense line of the Consolidated Statements of Income and amounts are not material.

Purchase price allocations will be finalized within a measurement period not to exceed one year from closing.

Fiscal 2020

During the first nine months of fiscal 2020, we completed several tuck-in acquisitions which continued to expand our product and service offerings in the Healthcare and Applied Sterilization Technologies segments. The aggregate purchase price associated with these transactions was approximately $117,259, net of cash acquired and including deferred consideration of $894. Acquisition related costs are reported in the selling, general, and administrative expense line of the Consolidated Statements of Income and amounts are not material. The purchase price for the acquisitions was financed with both cash on hand and with credit facility borrowings.

(dollars in thousands, except as noted)

Purchase price allocations were finalized within a measurement period not to exceed one year from closing. Any final adjustments recorded were not material.

During the first quarter of fiscal 2020, we sold the operations of our hospital sterilization services business that was located in China. We recorded proceeds of $439, net of cash divested, and recognized a pre-tax loss on the sale of $2,330 in the selling, general and administrative expense line of the Consolidated Statements of Income. The business generated annual revenues of approximately $5,000.

3. Inventories, Net

We use the last-in, first-out ("LIFO") and first-in, first-out ("FIFO") cost methods to value inventory. Inventory valued using the LIFO cost method is stated at the lower of cost or market. Inventory valued using the FIFO cost method is stated at the lower of cost or net realizable value. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final fiscal year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	December 31, 2020	March 31, 2020
Raw materials	**$ 102,212**	$ 94,321
Work in process	**42,109**	35,643
Finished goods	**185,762**	151,381
LIFO reserve	**(18,753)**	(16,937)
Reserve for excess and obsolete inventory	**(17,198)**	(16,149)
Inventories, net	**$ 294,132**	$ 248,259

4. Property, Plant and Equipment

Information related to the major categories of our depreciable assets is as follows:

	December 31, 2020	March 31, 2020
Land and land improvements [1]	**$ 69,591**	$ 65,994
Buildings and leasehold improvements	**567,113**	531,267
Machinery and equipment	**753,851**	682,488
Information systems	**186,421**	181,112
Radioisotope	**567,353**	508,593
Construction in progress [1]	**211,183**	159,731
Total property, plant, and equipment	**2,355,512**	2,129,185
Less: accumulated depreciation and depletion	**(1,128,617)**	(1,017,330)
Property, plant, and equipment, net	**$ 1,226,895**	$ 1,111,855

[1] Land is not depreciated. Construction in progress is not depreciated until placed in service.

(dollars in thousands, except as noted)

5. Debt

Indebtedness was as follows:

	December 31, 2020	March 31, 2020
Credit Agreement	**$ 304,618**	$ 275,449
Term Loan	**550,000**	—
Private Placement	**864,425**	878,409
Deferred financing costs	**(5,844)**	(3,337)
Total long term debt	**$ 1,713,199**	$ 1,150,521

On November 18, 2020, we entered into a Term Loan Agreement with various financial institutions as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (the “Credit Agreement”) providing for a $550,000 Term Loan (the “Term Loan”) in connection with our acquisition of Key Surgical. The proceeds of the Term Loan were used to fund a portion of the purchase price, to prepay and terminate existing indebtedness of Key Surgical and to pay fees and expenses incurred in connection with the Key Surgical acquisition and entry into the Credit Agreement. For more information on the Key Surgical acquisition refer to Note 2 titled, "Business Acquisitions and Divestitures".

The Term Loan matures on November 20, 2023. No principal payments are due on the Term Loan for the period ending December 31, 2021. For the period beginning January 1, 2022 through December 31, 2022, quarterly principal payments, each in the amount of 1.25% of the original principal amount of the Term Loan, are due on the last business day of each fiscal quarter. For the period beginning January 1, 2023 through September 30, 2023, quarterly principal payments, each in the amount of 1.875% of the original principal amount of the Term Loan, are due on the last business day of each fiscal quarter. The remaining unpaid principal balance of the Term Loan, together with accrued and unpaid interest thereon, is due and payable on November 20, 2023.

The Term Loan bears interest from time to time at either the Base Rate or the Eurocurrency Rate, plus the Applicable Margin, as calculated and defined in the Credit Agreement. The Applicable Margin is determined based on the ratio of Consolidated Total Debt to Consolidated EBITDA, each as defined in the Credit Agreement. Interest on borrowings made at the Base Rate (“Base Rate Advances”) is payable quarterly in arrears and interest on borrowings made at the Eurocurrency Rate (“Eurocurrency Rate Advances”) is payable at the end of the relevant interest period therefor, but in no event less frequently than every three months. There is no premium or penalty for prepayment of Base Rate Advances, but prepayments of Eurocurrency Rate Advances are subject to a breakage fee.

All of the lenders under the Credit Agreement are also lenders under our revolving credit agreement dated as of March 23, 2018.

Additional information regarding our indebtedness is included in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020.

(dollars in thousands, except as noted)

6. Additional Consolidated Balance Sheet Information

Additional information related to our Consolidated Balance Sheets is as follows:

	December 31, 2020	March 31, 2020
Accrued payroll and other related liabilities:		
Compensation and related items	**$ 67,883**	$ 42,205
Accrued vacation/paid time off	**14,663**	9,917
Accrued bonuses	**51,100**	53,041
Accrued employee commissions	**14,591**	19,298
Other postretirement benefit obligations-current portion	**1,488**	1,488
Other employee benefit plans obligations-current portion	**2,606**	2,312
Total accrued payroll and other related liabilities	**$ 152,331**	$ 128,261
Accrued expenses and other:		
Deferred revenues	**$ 44,308**	$ 53,299
Service liabilities	**38,948**	47,505
Self-insured risk reserves-current portion	**9,711**	7,342
Accrued dealer commissions	**25,174**	15,827
Accrued warranty	**6,796**	7,381
Asset retirement obligation-current portion	**1,202**	2,671
Other	**58,494**	58,158
Total accrued expenses and other	**$ 184,633**	$ 192,183
Other liabilities:		
Self-insured risk reserves-long-term portion	**$ 17,452**	$ 17,452
Other postretirement benefit obligations-long-term portion	**8,587**	9,880
Defined benefit pension plans obligations-long-term portion	**10,152**	10,987
Other employee benefit plans obligations-long-term portion	**2,341**	2,333
Accrued long-term income taxes	**10,841**	11,959
Asset retirement obligation-long-term portion	**12,379**	9,843
Other	**27,512**	27,892
Total other liabilities	**$ 89,264**	$ 90,346

7. Income Tax Expense

The Tax Cuts and Jobs Act (the “TCJA”) was enacted on December 22, 2017. The TCJA reduced the U.S. federal corporate income tax rate to 21.0%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. The Company applied the guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cut and Jobs Act when accounting for the enactment-date effects of the TCJA.

We consider the tax expense recorded for the TCJA to be complete at this time. However, it is possible that additional legislation, regulations and/or guidance may be issued in the future that may result in additional adjustments to the tax expense recorded related to the TCJA. We will continue to monitor and assess the impact of any new developments.

The effective income tax rates for the three month periods ended December 31, 2020 and 2019 were 17.8% and 21.9%, respectively. The effective income tax rates for the nine month periods ended December 31, 2020 and 2019 were 18.8% and 18.8%, respectively. The fiscal 2021 effective tax rate for the current quarter decreased when compared to fiscal 2020, primarily due to an increase in favorable discrete items.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and local, as well as foreign jurisdictions. We are no longer subject to United States federal examinations for years before fiscal 2016 and, with limited exceptions, we are no longer subject to United States state and local, or non-United States, income tax examinations by tax authorities for years before fiscal 2015. We remain subject to tax authority audits in various jurisdictions wherever we do business.

In May 2019, we received two notices of proposed tax adjustment from the U.S. Internal Revenue Service (the "IRS") regarding the deductibility of interest paid on certain intercompany debt. The notices relate to fiscal years 2016 and 2017. In September 2019, we received another notice of proposed adjustment for the same issue, for the 2018 fiscal year. The IRS adjustments would result in a cumulative tax liability of approximately $40,000. Notices have not been received for subsequent periods. We are contesting the IRS's assertions. We have not established reserves related to these notices. An unfavorable outcome is not expected to have a material adverse impact on our consolidated financial position but could be material to our consolidated results of operations and cash flows for any one period.

8. Commitments and Contingencies

We are, and will likely continue to be, involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, and the nature of our business, products, Customers, regulatory environment, and industries in which we participate. These legal proceedings, investigations and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), commercial claims (e.g., breach of contract, economic loss, warranty, misrepresentation), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

We believe we have adequately reserved for our current litigation and claims that are probable and estimable, and further believe that the ultimate outcome of these pending lawsuits and claims will not have a material adverse effect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome or effect of current or future litigation, investigations, claims or other proceedings (including without limitation the matters discussed below). For certain types of claims, we presently maintain insurance coverage for personal injury and property damage and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us.

Civil, criminal, regulatory or other proceedings involving our products or services could possibly result in judgments, settlements or administrative or judicial decrees requiring us, among other actions, to pay damages or fines or effect recalls, or be subject to other governmental, Customer or other third party claims or remedies, which could materially effect our business, performance, prospects, value, financial condition, and results of operations.

For additional information regarding these matters, see the following portions of our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020: Item 1 titled "Business - Information with respect to our Business in General - Government Regulation", and the "Risk Factors" in Item 1A titled "Product related regulations and claims".

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

We are subject to taxation from United States federal, state and local, and non-U.S. jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of statutes of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. We describe income taxes further in Note 7 to our consolidated financial statements titled, "Income Tax Expense" in this Quarterly Report on Form 10-Q.

9. Business Segment Information

We operate and report our financial information in three reportable business segments: Healthcare, Applied Sterilization Technologies and Life Sciences. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income.

Prior to April 1, 2020, we operated and reported our financial information in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. The Healthcare Products and Healthcare Specialty Services segments were combined and are now reported as one segment, simply called Healthcare, consistent with the way management now operates and views the business. Prior periods have been recast in the financial tables below for comparability.

Our Healthcare segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment. The segment also provides a range of specialty services for healthcare providers including hospital sterilization services and instrument and scope repairs.

Our Applied Sterilization Technologies ("AST") segment provides contract sterilization and testing services for medical device and pharmaceutical manufacturers.

Our Life Sciences segment designs, manufactures and sells consumable products, equipment maintenance, specialty services and capital equipment primarily to pharmaceutical manufacturers around the world.

We disclose a measure of segment income that is consistent with the way management operates and views the business. The accounting policies for reportable segments are the same as those for the consolidated Company.

For the three and nine months ended December 31, 2020, revenues from a single Customer did not represent ten percent or more of any reportable segment’s revenues. Additional information regarding our segments is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.

(dollars in thousands, except as noted)

Financial information for each of our segments is presented in the following table:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Healthcare	**$ 521,662**	$ 509,222	**$ 1,392,247**	$ 1,440,237
Applied Sterilization Technologies	**176,462**	156,266	**498,371**	463,459
Life Sciences	**110,800**	108,773	**343,370**	304,208
Total revenues	**$ 808,924**	$ 774,261	**$ 2,233,988**	$ 2,207,904
Operating income (loss):				
Healthcare	**$ 115,412**	$ 105,227	**$ 302,565**	$ 298,777
Applied Sterilization Technologies	**81,626**	65,468	**222,416**	198,889
Life Sciences	**41,541**	37,731	**136,435**	103,085
Corporate	**(47,941)**	(45,260)	**(158,463)**	(151,613)
Total operating income before adjustments	**$ 190,638**	$ 163,166	**$ 502,953**	$ 449,138
Less: Adjustments				
Amortization of acquired intangible assets [1]	**$ 23,194**	$ 17,508	**$ 62,649**	$ 53,407
Acquisition and integration related charges [2]	**11,563**	1,721	**13,984**	5,585
Redomiciliation and tax restructuring costs [3]	**296**	487	**850**	3,274
(Gain) on fair value adjustment of acquisition related contingent consideration	**(500)**	—	**(500)**	—
Net loss on divestiture of businesses [1]	**—**	76	**5**	2,553
Amortization of inventory and property "step up" to fair value [1]	**1,784**	602	**3,101**	1,783
COVID-19 incremental costs [4]	**7,251**	—	**20,460**	—
Restructuring charges [5]	**20**	385	**110**	3,328
Total operating income	**$ 147,030**	$ 142,387	**$ 402,294**	$ 379,208

[1] For more information regarding our recent acquisitions and divestitures refer to Note 2 titled" Business Acquisitions and Divestitures" and our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.
[2] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
[3] Costs incurred in connection with the Redomiciliation and tax restructuring.
[4] 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.
[5] For more information regarding our restructuring efforts refer to Note 17 titled, "Restructuring".

Additional information regarding our fiscal 2021 and fiscal 2020 revenue is disclosed in the following tables:

(dollars in thousands, except as noted)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Healthcare:				
Capital equipment	**$ 147,855**	$ 155,408	**$ 407,610**	428,894
Consumables	**148,839**	130,255	**355,390**	362,370
Service	**224,968**	223,559	**629,247**	648,973
Total Healthcare Revenues	**$ 521,662**	$ 509,222	**$ 1,392,247**	$ 1,440,237
Applied Sterilization Technologies Service Revenues	**$ 176,462**	$ 156,266	**$ 498,371**	$ 463,459
Life Sciences:				
Capital equipment	**$ 28,993**	$ 31,762	**$ 88,664**	$ 84,993
Consumables	**49,627**	46,370	**164,262**	132,939
Service	**32,180**	30,641	**90,444**	86,276
Total Life Sciences Revenues	**$ 110,800**	$ 108,773	**$ 343,370**	$ 304,208
Total Revenues	**$ 808,924**	$ 774,261	**$ 2,233,988**	$ 2,207,904

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Ireland	**$ 20,316**	$ 16,126	**$ 51,779**	$ 46,405
United States	**572,397**	562,502	**1,613,554**	1,611,755
Other locations	**216,211**	195,633	**568,655**	549,744
Total Revenues	**$ 808,924**	$ 774,261	**$ 2,233,988**	$ 2,207,904

Assets include the current and long-lived assets directly attributable to the segment based on the management of the location or on utilization. Certain corporate assets were allocated to the reportable segments based on revenues. Assets attributed to sales and distribution locations are only allocated to the Healthcare and Life Sciences segments.

Individual facilities, equipment, and intellectual properties are utilized for production by both the Healthcare and Life Sciences segments at varying levels over time. As a result, an allocation of total assets, capital expenditures, and depreciation and amortization is not meaningful to the individual performance of the Healthcare and Life Sciences segments. Therefore, their respective amounts are reported together.

	December 31, 2020	March 31, 2020
Assets:		
Healthcare and Life Sciences	**$ 3,595,753**	$ 2,705,377
Applied Sterilization Technologies	**2,985,027**	2,720,205
Total assets	**$ 6,580,780**	$ 5,425,582

The fiscal 2021 increase in Healthcare and Life Sciences was primarily due to the acquisition of Key Surgical.

10. Shares and Preferred Shares

Ordinary shares

We calculate basic earnings per share based upon the weighted average number of shares outstanding. We calculate diluted earnings per share based upon the weighted average number of shares outstanding plus the dilutive effect of share equivalents calculated using the treasury stock method.

The following is a summary of shares and share equivalents outstanding used in the calculations of basic and diluted earnings per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
Denominator (shares in thousands):	2020	2019	2020	2019
Weighted average shares outstanding—basic	**85,330**	84,788	**85,153**	84,740
Dilutive effect of share equivalents	**702**	840	**698**	890
Weighted average shares outstanding and share equivalents—diluted	**86,032**	85,628	**85,851**	85,630

Options to purchase the following number of shares were outstanding but excluded from the computation of diluted earnings per share because the combined exercise prices, unamortized fair values, and assumed tax benefits upon exercise were greater than the average market price for the shares during the periods, so including these options would be anti-dilutive:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(shares in thousands)	2020	2019	2020	2019
Number of share options	**278**	347	**370**	270

Additional Authorized Shares

The Company has an additional authorized share capital of 50,000,000 preferred shares of $0.001 par value each, plus 25,000 deferred ordinary shares of €1.00 par value each, in order to satisfy minimum statutory capital requirements for all Irish public limited companies.

11. Repurchases of Ordinary Shares

On May 7, 2019, our Board of Directors authorized a share repurchase program resulting in a share repurchase authorization of approximately $78,979 (net of taxes, fees and commissions). On July 30, 2019, our Board of Directors approved an increase in the May 7, 2019 authorization of an additional amount of $300,000 (net of taxes, fees and commissions). As of December 31, 2020, there was approximately $333,932 (net of taxes, fees and commissions) of remaining availability under the Board authorized share repurchase program. The share repurchase program has no specified expiration date.

Under the authorization, the Company may repurchase its shares from time to time through open market purchases, including 10b5-1 plans. Any share repurchases may be activated, suspended or discontinued at any time. Due to the uncertainty surrounding the COVID-19 pandemic, share repurchases were suspended on April 9, 2020.

From the start of fiscal 2021 through April 9, 2020, we repurchased 35,000 of our ordinary shares for the aggregate amount of $5,047 (net of fees and commissions) pursuant to the authorizations. During the first nine months of fiscal 2020, we repurchased 205,059 of our ordinary shares for the aggregate amount of $30,000 (net of fees and commissions) pursuant to the authorizations.

During the first nine months of fiscal 2021 we obtained 85,574 of our ordinary shares in the aggregate amount of $9,512 in connection with share based compensation award programs. During the first nine months of fiscal 2020, we obtained 100,124 of our ordinary shares in the aggregate amount of $10,318 in connection with share based compensation award programs.

(dollars in thousands, except as noted)

12. Share-Based Compensation

We maintain a long-term incentive plan that makes available shares for grants, at the discretion of the Board of Directors or the Compensation and Organizational Development Committee of the Board of Directors, to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, stock appreciation rights and share grants. We satisfy share award incentives through the issuance of new ordinary shares.

Stock options provide the right to purchase our shares at the market price on the date of grant, or for options granted to employees in fiscal 2019 and thereafter, 110% of the market price on the date of grant, subject to the terms of the plan and agreements. Generally, one-fourth of the stock options granted to employees become exercisable for each full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or in some cases earlier if the option holder is no longer employed by us. Restricted shares and restricted share units generally cliff vest after a four year period or vest in tranches of one-fourth of the number granted for each year of employment after the grant date. As of December 31, 2020, 3,592,261 ordinary shares remained available for grant under the long-term incentive plan.

The fair value of stock option awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our option grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general and administrative expenses in a manner consistent with the employee's compensation and benefits.

The following weighted-average assumptions were used for options granted during the first nine months of fiscal 2021 and 2020:

	Fiscal 2021	Fiscal 2020
Risk-free interest rate	**0.46 %**	2.26 %
Expected life of options	**6.0 years**	6.2 years
Expected dividend yield of stock	**0.96 %**	1.22 %
Expected volatility of stock	**23.04 %**	20.27 %

The risk-free interest rate is based upon the U.S. Treasury yield curve. The expected life of options is reflective of historical experience, vesting schedules and contractual terms. The expected dividend yield of stock represents our best estimate of the expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a time frame similar to that of the expected life of the grant. An estimated forfeiture rate of 2.78% and 2.77% was applied in fiscal 2021 and 2020, respectively. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

A summary of share option activity is as follows:

	Number of Options	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2020	1,796,126	$ 91.29		
Granted	288,936	181.33		
Exercised	(385,090)	68.75		
Forfeited	(47,955)	121.18		
Outstanding at December 31, 2020	**1,652,017**	**$ 111.43**	**6.9 years**	**$ 129,044**
Exercisable at December 31, 2020	**897,953**	**$ 83.41**	**5.6 years**	**$ 95,303**

We estimate that 736,801 of the non-vested stock options outstanding at December 31, 2020 will ultimately vest.

(dollars in thousands, except as noted)

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $189.54 closing price of our ordinary shares on December 31, 2020 over the exercise prices of the stock options, multiplied by the number of options outstanding or outstanding and exercisable, as applicable. The aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of ordinary shares.

The total intrinsic value of stock options exercised during the first nine months of fiscal 2021 and fiscal 2020 was $36,850 and $36,939, respectively. Net cash proceeds from the exercise of stock options were $26,018 and $22,958 for the first nine months of fiscal 2021 and fiscal 2020, respectively.

The weighted average grant date fair value of stock option grants was $27.66 and $23.52 for the first nine months of fiscal 2021 and fiscal 2020, respectively.

Stock appreciation rights (“SARS”) carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise and therefore, are classified as liabilities. The fair value of the outstanding SARS as of December 31, 2020 and 2019 was $491 and $629, respectively.

A summary of the non-vested restricted share and share unit activity is presented below:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2020	575,830	30,894	$ 98.07
Granted	139,229	14,208	164.58
Vested	(158,250)	(16,238)	84.61
Forfeited	(23,997)	(228)	103.36
Non-vested at December 31, 2020	**532,812**	**28,636**	**$ 120.26**

Restricted shares granted are valued based on the closing stock price at the grant date. The value of restricted shares and units that vested during the first nine months of fiscal 2021 at the time of grant was $14,764.

As of December 31, 2020, there was a total of $51,583 in unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plan. We expect to recognize the cost over a weighted average period of 2.1 years.

13. Financial and Other Guarantees

We generally offer a limited parts and labor warranty on capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the countries where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenues are recognized. The amounts we expect to incur on behalf of our Customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets. Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our warranty liability during the first nine months of fiscal 2021 were as follows:

	Warranties
Balance, March 31, 2020	$ 7,381
Warranties issued during the period	7,411
Settlements made during the period	(7,996)
Balance, December 31, 2020	**$ 6,796**

14. Derivatives and Hedging

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from transactions denominated in foreign currencies, including inter-company transactions. We may also enter into commodity swap contracts to hedge price changes in nickel that impact raw materials included in our cost of revenues. During the third quarter of fiscal 2021, we also held forward foreign currency contracts to hedge a portion of our expected non-U.S. dollar denominated earnings against our reporting currency, the U.S. dollar. These foreign currency exchange contracts will mature during fiscal 2021. We did not elect hedge accounting for these forward foreign currency contracts; however, we may seek to apply hedge accounting in future scenarios. We do not use derivative financial instruments for speculative purposes.

(dollars in thousands, except as noted)

None of these contracts are designated as hedging instruments and do not receive hedge accounting treatment; therefore, changes in their fair value are not deferred but are recognized immediately in the Consolidated Statements of Income. At December 31, 2020, we held foreign currency forward contracts to buy 30.5 million British pounds, 35.0 million Mexican pesos and 2.2 million Canadian dollars; and to sell 4.0 million euros. At December 31, 2020 we held commodity swap contracts to buy 946.8 thousand pounds of nickel.

	Asset Derivatives		Liability Derivatives	
Balance sheet location	Fair Value at December 31, 2020	Fair Value at March 31, 2020	Fair Value at December 31, 2020	Fair Value at March 31, 2020
Prepaid & Other	**$ 1,377**	$ 124	**$ —**	**$ —**
Accrued expenses and other	$ —	$ —	**$ 659**	$ 912

The following table presents the impact of derivative instruments and their location within the Consolidated Statements of Income:

		Amount of gain (loss) recognized in income			
		Three Months Ended December 31,		Nine Months Ended December 31,	
	Location of gain (loss) recognized in income	2020	2019	2020	2019
Foreign currency forward contracts	Selling, general and administrative	**$ 741**	$ 79	**$ 661**	$ 784
Commodity swap contracts	Cost of revenues	**$ 153**	$ (398)	**$ 904**	$ 271

Additionally, we hold our debt in multiple currencies to fund our operations and investments in certain subsidiaries. We designate portions of foreign currency denominated intercompany loans as hedges of portions of net investments in foreign operations. Net debt designated as non-derivative net investment hedging instruments totaled $51,323 at December 31, 2020. These hedges are designed to be fully effective and any associated gain or loss is recognized in Accumulated Other Comprehensive Income and will be reclassified to income in the same period when a gain or loss related to the net investment in the foreign operation is included in income.

(dollars in thousands, except as noted)

15. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial assets and liabilities using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions.

The following table shows the fair value of our financial assets and liabilities at December 31, 2020 and March 31, 2020:

			Fair Value Measurements					
	Carrying Value		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,
Assets:								
Cash and cash equivalents	**$ 252,502**	$ 319,581	**$ 252,502**	$ 319,581	**$ —**	$ —	**$ —**	$ —
Forward and swap contracts [1]	**1,377**	124	**—**	—	**1,377**	124	**—**	—
Equity investments[2]	**10,484**	9,624	**10,484**	9,624	**—**	—	**—**	—
Other investments	**2,785**	2,507	**2,785**	2,507	**—**	—	**—**	—
Liabilities:								
Forward and swap contracts [1]	**$ 659**	$ 912	**$ —**	$ —	**$ 659**	$ 912	**$ —**	$ —
Deferred compensation plans [2]	**1,822**	1,475	**1,822**	1,475	**—**	—	**—**	—
Long term debt [3]	**1,713,199**	1,150,521	**—**	—	**1,781,304**	1,143,978	**—**	—
Contingent consideration obligations [4]	**17,931**	15,988	**—**	—	**—**	—	**17,931**	15,988

(1) The fair values of forward and swap contracts are based on period-end forward rates and reflect the value of the amount that we would pay or receive for the contracts involving the same notional amounts and maturity dates.

(2) We maintain a frozen domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of payment of previously earned compensation for an employee-specified term or until retirement or termination. Amounts deferred can be allocated to various hypothetical investment options (compensation deferrals have been frozen under the plan). We hold investments to satisfy the future obligations of the plan. Employees who made deferrals are entitled to receive distributions of their hypothetical account balances (amounts deferred, together with earnings (losses)). We also hold an investment in the common stock of Servizi Italia, S.p.A, a leading provider of integrated linen washing and outsourced sterile processing services to hospital Customers. Changes in the fair value of these investments are recorded in the "Interest income and miscellaneous expense line" of the Consolidated Statement of Income. During the third quarter and first nine months of fiscal 2021, we recorded gains of $210 and $138, respectively, related to these investments. During the third quarter and first nine months of fiscal 2020, we recorded gains (losses) of $636 and $(1,843), respectively, related to these investments.

(3) We estimate the fair value of our long-term debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements.

(4) Contingent consideration obligations arise from business acquisitions. The fair values are based on discounted cash flow analyses reflecting the possible achievement of specified performance measures or events and captures the contractual nature of the contingencies, commercial risk, and the time value of money. Contingent consideration obligations are classified in the consolidated balance sheets as accrued expense (short-term) and other liabilities (long-term), as appropriate based on the contractual payment dates.

(dollars in thousands, except as noted)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at December 31, 2020 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2020	$ 15,988
Additions	**334**
Assumed in acquisition of Key Surgical	**2,940**
Payments	**(917)**
Reversal	**(500)**
Currency translation adjustments	**86**
Balance at December 31, 2020	**$ 17,931**

(dollars in thousands, except as noted)

16. Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Amounts in Accumulated Other Comprehensive Income (Loss) are presented net of the related tax. Currency Translation is not adjusted for income taxes. Changes in our Accumulated Other Comprehensive Income (Loss) balances, net of tax, for the three months ended December 31, 2020 and 2019 were as follows:

	Defined Benefit Plans [1]		Currency Translation [2]		Total Accumulated Other Comprehensive Income (Loss)	
	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months
Beginning Balance	$ (7,833)	$ (6,813)	$ (122,780)	$ (228,650)	$ (130,613)	$ (235,463)
Other Comprehensive Income before reclassifications	**323**	**972**	**128,737**	**234,607**	**129,060**	**235,579**
Amounts reclassified from Accumulated Other Comprehensive (Loss)	**(833)**	**(2,502)**	**—**	**—**	**(833)**	**(2,502)**
Net current-period Other Comprehensive (Loss) Income	**(510)**	**(1,530)**	**128,737**	**234,607**	**128,227**	**233,077**
Balance at December 31, 2020	**$ (8,343)**	**$ (8,343)**	**$ 5,957**	**$ 5,957**	**$ (2,386)**	**$ (2,386)**

[1] The amortization (gain) of defined benefit pension items is reported in the Interest income and miscellaneous expense line of our Consolidated Statements of Income.
[2] The effective portion of gain or loss on net debt designated as non-derivative net investment hedging instruments is recognized in Accumulated Other Comprehensive Income and is reclassified to income in the same period when a gain or loss related to the net investment is included in income.

	Defined Benefit Plans [1]		Currency Translation [2]		Total Accumulated Other Comprehensive Income (Loss)	
	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months
Beginning Balance	$ (5,215)	$ (4,204)	$ (220,502)	$ (155,574)	$ (225,717)	$ (159,778)
Other Comprehensive Income (Loss) before reclassifications	195	576	77,299	12,371	77,494	12,947
Amounts reclassified from Accumulated Other Comprehensive (Loss)	(699)	(2,091)	—	—	(699)	(2,091)
Net current-period Other Comprehensive (Loss)	(504)	(1,515)	77,299	12,371	76,795	10,856
Balance at December 31, 2019	$ (5,719)	$ (5,719)	$ (143,203)	$ (143,203)	$ (148,922)	$ (148,922)

[1] The amortization (gain) of defined benefit pension items is reported in the Interest income and miscellaneous expense line of our Consolidated Statements of Income.
[2] The effective portion of gain or loss on net debt designated as non-derivative net investment hedging instruments is recognized in Accumulated Other Comprehensive Income and is reclassified to income in the same period when a gain or loss related to the net investment is included in income.

17. Restructuring

Fiscal 2019 Restructuring Plan. During the third quarter of fiscal 2019, we adopted and announced a targeted restructuring plan (the "Fiscal 2019 Restructuring Plan"), which included the closure of two manufacturing facilities, one in Brazil and one in England, as well as other actions including the rationalization of certain products. Fewer than 200 positions were eliminated. The Company relocated the production of certain impacted products to other existing manufacturing operations during fiscal 2020. These restructuring actions were designed to enhance profitability and improve efficiency.

Since inception of the Fiscal 2019 Restructuring Plan we have incurred pre-tax expenses totaling $43,961 related to these restructuring actions, of which $31,660 was recorded as restructuring expenses and $12,301 was recorded in cost of revenues, with a total of $34,062, $7,568 and $668 related to the Healthcare, Applied Sterilization Technologies and Life Sciences segments, respectively. Corporate related restructuring charges were $1,663. Additional restructuring expenses related to this plan are not expected to be material to our results of operations.

Liabilities related to restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued payroll and other related liabilities” and “Accrued expenses and other.” The remaining liability balances at December 31, 2020 and March 31, 2020 are not material.

For more information relating to our restructuring efforts, please refer to our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020.

18. Loans Receivable

In connection with an equity investment of $4,955, we agreed to provide a credit facility of up to approximately $11,606 for a term of up to seven years ending in 2025. The loan carries an interest rate of 4% compounded daily and payable annually. Outstanding principal borrowings under the agreement totaled $10,326 at December 31, 2020 and $7,084 at March 31, 2020. On January 4, 2021, we purchased the remaining outstanding shares of this equity investment. The acquisition agreement included the capitalization of the outstanding principal and interest borrowings of this credit facility in the amount of $10,536. For more information refer to Note 20, titled, "Subsequent Events".

In connection with the fiscal 2017 divestiture of Synergy Health Netherlands Linen Management Services, we entered into a loan agreement to provide financing of up to €15,000 for a term of up to 15 years. The loan carried an interest rate of 4% for the first four years and 12% thereafter. The loan was renegotiated during the third quarter of fiscal 2020. According to the new terms of the loan agreement, the outstanding balance at October 31, 2019, of €7,300, will be repaid in six equal annual installments beginning on October 18, 2022. The loan carries an interest rate of 4% for the first four years and 8% thereafter. Outstanding principal borrowings under the agreement totaled $8,966 (or €7,300) at December 31, 2020 and $8,072 (or €7,300) at March 31, 2020.

Amounts for loan receivables as noted above are recorded in the "Other assets" line of our Consolidated balance sheets. Interest income is not material.

19. COVID-19 Pandemic

The COVID-19 pandemic began to impact our business late in fiscal 2020. The pandemic and related public health recommendations and mandated precautions to mitigate the spread of COVID-19, including deferral of medical procedures and treatments and shelter-in-place orders or similar measures, have negatively affected and are expected to continue to negatively affect some of our operations, which may impact our financial position and cash flows. We have experienced and expect to continue to experience unpredictable fluctuations in demand for certain of our products and services, including some products and services that are experiencing increased demand. To date, we do not believe that the COVID-19 pandemic has had a significant impact on our operations, as we have been able to continue to operate our manufacturing facilities and meet the demand for essential products and services of our Customers. In response to the pandemic, we have implemented several measures that we believe will help us to protect the health and safety of our employees, preserve liquidity and enhance our financial flexibility. For our employees, we allowed employees to work remotely when possible and have implemented additional safety measures in compliance with applicable regulations to allow personnel to continue to work in our facilities. We suspended all non-essential travel and enacted a temporary hiring freeze on certain positions. To manage liquidity, we have suspended our stock repurchase program and deferred certain planned capital expenditures; however, we have continued to invest in expansion projects as planned. We do not believe that these actions will negatively impact our long-term ability to generate revenues or meet existing and future financial obligations.

While we have been impacted and expect this situation to continue to have an impact on our business, the full impact to our results of operations and financial position cannot be reasonably estimated at this time. For additional information and our risk factors related to the COVID-19 pandemic, please refer to our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020.

20. Subsequent Events

On January 12, 2021, we announced the signing of a definitive agreement to acquire Cantel Medical Corp. (NYSE: CMD "Cantel"), through a U.S. subsidiary. Cantel is a global provider of infection prevention products and services primarily to endoscopy and dental Customers. Under the terms of the agreement, we will acquire Cantel in a cash and stock transaction valued at $84.66 per Cantel common share, based on STERIS's closing share price of $200.46 on January 11, 2021. This represents a total equity value of approximately $3.6 billion and a total enterprise value of approximately $4.6 billion. The agreement has been unanimously approved by the Boards of Directors of both companies. The acquisition is subject to certain closing conditions, including Cantel shareholder vote and regulatory approvals.

We expect to fund the cash portion of the transaction consideration and repay or otherwise satisfy a significant amount of Cantel's existing debt obligations with approximately $2.0 billion of new debt. We have fully committed bridge financing and are working with our lenders and advisors on a long-term plan.

On January 4, 2021, we purchased the remaining outstanding shares of an equity investment that we made in fiscal 2019, for approximately $44,255, subject to any working capital adjustments. In addition to the purchase price, the acquisition agreement included the capitalization of the outstanding principal and accumulated interest under a credit facility in the amount of $10,536. For more information refer to Note 18 titled, "Loans Receivable". We plan to integrate the business into our Applied Sterilization Technologies business segment and to fund the transaction through a combination of cash on hand and credit facility borrowings.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of STERIS plc

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of STERIS plc and subsidiaries (the Company) as of December 31, 2020, the related consolidated statements of income, comprehensive income and shareholders’ equity for the three- and nine- month periods ended December 31, 2020 and 2019 and the consolidated statement of cash flows for the nine- month periods ended December 31, 2020 and 2019, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of March 31, 2020, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated May 29, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of March 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 9, 2021

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

In Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A"), we explain the general financial condition and the results of operations for STERIS including:

- what factors affect our business;
- what our earnings and costs were in each period presented;
- why those earnings and costs were different from prior periods;
- where our earnings came from;
- how this affects our overall financial condition;
- what our expenditures for capital projects were; and
- where cash will come from to fund future debt principal repayments, growth outside of core operations, repurchases of shares, cash dividends and future working capital needs.

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the third quarter and first nine months of fiscal 2021 and fiscal 2020. It may also be helpful to read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures

In the following sections of the MD&A, we may, at times, refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. GAAP. We sometimes use the following financial measures in the context of this report: backlog; debt-to-total capital; and days sales outstanding. We define these financial measures as follows:

- Backlog – We define backlog as the amount of unfilled capital equipment purchase orders at a point in time. We use this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- Debt-to-total capital – We define debt-to-total capital as total debt divided by the sum of total debt and shareholders' equity. We use this figure as a financial liquidity measure to gauge our ability to borrow and fund growth.
- Days sales outstanding ("DSO") – We define DSO as the average collection period for accounts receivable. It is calculated as net accounts receivable divided by the trailing four quarters' revenues, multiplied by 365 days. We use this figure to help gauge the quality of accounts receivable and expected time to collect.

We, at times, may also refer to financial measures which are considered to be "non-GAAP financial measures" under SEC rules. We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered an alternative to measures required by accounting principles generally accepted in the United States. Our calculations of these measures may differ from calculations of similar measures used by other companies and you should be careful when comparing these financial measures to those of other companies. Additional information regarding these financial measures, including reconciliations of each non- GAAP financial measure, is available in the subsection of MD&A titled, "Non-GAAP Financial Measures."

Revenues – Defined

As required by Regulation S-X, we separately present revenues generated as either product revenues or service revenues on our Consolidated Statements of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized differently than the Regulation S-X requirements. The terminology, definitions, and applications of terms that we use to describe revenues may be different from terms used by other companies. We use the following terms to describe revenues:

- Revenues – Our revenues are presented net of sales returns and allowances.
- Product Revenues – We define product revenues as revenues generated from sales of consumable and capital equipment products.
- Service Revenues – We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of our capital equipment. Service revenues also include hospital sterilization services, instrument and scope repairs, as well as revenues generated from contract sterilization and laboratory services offered through our Applied Sterilization Technologies segment.

- Capital Equipment Revenues – We define capital equipment revenues as revenues generated from sales of capital equipment, which includes: steam and gas sterilizers, low temperature liquid chemical sterilant processing systems, pure steam/water systems, surgical lights and tables, and integrated OR.
- Consumable Revenues – We define consumable revenues as revenues generated from sales of the consumable family of products, which includes dedicated consumables including V-PRO, SYSTEM 1 and 1E consumables, gastrointestinal endoscopy accessories, sterility assurance products, barrier protection solutions, cleaning consumables, and surgical instruments.
- Recurring Revenues – We define recurring revenues as revenues generated from sales of consumable products and service revenues.

General Company Overview and Executive Summary

STERIS plc is a leading provider of infection prevention and other procedural products and services. Our 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. We offer our Customers a unique mix of innovative consumable products, such as detergents, gastrointestinal ("GI") endoscopy accessories, barrier product solutions, and other products and services, including: equipment installation and maintenance, microbial reduction of medical devices, instrument and scope repair solutions, laboratory testing services, on-site and off-site reprocessing, and capital equipment products, such as sterilizers and surgical tables, and connectivity solutions such as operating room ("OR") integration.

We operate and report our financial information in three reportable business segments: Healthcare, Applied Sterilization Technologies and Life Sciences. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income. We describe our business segments in Note 9 to our consolidated financial statements, titled "Business Segment Information."

The bulk of our revenues are derived from the healthcare and pharmaceutical industries. Much of the growth in these industries is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years, and is dependent upon advancement in healthcare delivery, acceptance of new technologies, government policies, and general economic conditions. The pharmaceutical industry has been impacted by increased regulatory scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. Within healthcare, there is increased concern regarding the level of hospital acquired infections around the world; increased demand for medical procedures, including preventive screenings such as endoscopies and colonoscopies; and a desire by our Customers to operate more efficiently, all of which are driving increased demand for many of our products and services. During the first nine months of fiscal 2021, we experienced reduced demand for certain products and services resulting from the reduction of deferrable surgical procedures and increased demand for other products from our pharma Customers focused on vaccines and biologics, as a result of the COVID-19 pandemic. For more information on the COVID-19 pandemic please refer to the subsection below, titled "COVID-19 Pandemic".

Acquisitions and Divestitures. On November 18, 2020, we acquired all of the outstanding units and equity of Key Surgical, LLC ("Key Surgical"). Key Surgical is a global provider of sterile processing, operating room and endoscopy consumable products serving hospitals and surgical facilities. Key Surgical is being integrated into our Healthcare segment. The total purchase price of the acquisition was $849.7 million, net of cash acquired and remains subject to customary working capital adjustments. In addition to Key Surgical we also completed two tuck-in acquisitions during the third fiscal quarter of 2021, which continued to expand our product and service offerings in the Healthcare segment. The aggregate purchase price associated with these transactions was approximately $20.9 million, net of cash acquired and including deferred consideration of $1.2 million.

On January 12, 2021, we announced the signing of a definitive agreement to acquire Cantel Medical Corp. (NYSE: CMD "Cantel"), through a U.S. subsidiary. Cantel is a global provider of infection prevention products and services primarily to endoscopy and dental Customers. Under the terms of the agreement, we will acquire Cantel in a cash and stock transaction valued at $84.66 per Cantel common share, based on STERIS's closing share price of $200.46 on January 11, 2021. This represents a total equity value of approximately $3.6 billion and a total enterprise value of approximately $4.6 billion. The agreement has been unanimously approved by the Boards of Directors of both companies. The acquisition is subject to certain closing conditions, including Cantel shareholder vote and regulatory approvals. We expect to fund the cash portion of the transaction consideration and repay or otherwise satisfy a significant amount of Cantel's existing debt obligations with approximately $2.0 billion of new debt. We have fully committed bridge financing and are working with our lenders and advisors on a long-term plan.

During the first nine months of fiscal 2020, we completed several tuck-in acquisitions which continued to expand our product and service offerings in the Healthcare and Applied Sterilization Technologies segments. The aggregate purchase price associated with these transactions was approximately $117.3 million, net of cash acquired and including deferred consideration of $0.9 million.

COVID-19 Pandemic. The COVID-19 pandemic began to impact our business late in fiscal 2020. The pandemic and related public health recommendations and mandated precautions to mitigate the spread of COVID-19, including deferral of medical procedures and treatments and shelter-in-place orders or similar measures, have negatively affected and are expected to continue to negatively affect some of our operations, which may impact our financial position and cash flows. We have experienced and expect to continue to experience unpredictable fluctuations in demand for certain of our products and services, including some products and services that are experiencing increased demand. To date, we do not believe that the COVID-19 pandemic has had a significant impact on our operations, as we have been able to continue to operate our manufacturing facilities and meet the demand for essential products and services of our Customers. In response to the pandemic, we have implemented several measures that we believe will help us to protect the health and safety of our employees, preserve liquidity and enhance our financial flexibility. For our employees, we allowed employees to work remotely when possible and have implemented additional safety measures in compliance with applicable regulations to allow personnel to continue to work in our facilities. We suspended all non-essential travel and enacted a temporary hiring freeze on certain positions. To manage liquidity, we have suspended our stock repurchase program and deferred certain planned capital expenditures; however, we have continued to invest in expansion projects as planned. We do not believe that these actions will negatively impact our long-term ability to generate revenues or meet existing and future financial obligations.

While we have been impacted and expect this situation to continue to have an impact on our business, the full impact to our results of operations and financial position cannot be reasonably estimated at this time. For additional information and our risk factors related to the COVID-19 pandemic, please refer to our Annual Report on Form 10-K for the year ended March 31, 2020 dated May 29, 2020.

Highlights. Revenues increased 4.5%, to $808.9 million for the three months ended December 31, 2020, as compared to $774.3 million for the same period in the prior year. This increase reflects growth in all business segments and favorable fluctuations in currencies. Growth in the Healthcare segment was primarily attributable to the impact of our recent acquisitions. Growth in the Applied Sterilization Technologies segment was primarily due to volume. Growth in the Life Sciences segment was due to increased demand for our products and services from our pharma Customers focused on vaccines and biologics. Revenues increased 1.2%, to $2,234.0 million for the nine months ended December 31, 2020, as compared to $2,207.9 million for the same period in the prior year. The increase reflects organic growth in the Applied Sterilization Technologies and Life Sciences segments and favorable fluctuations in currencies, which were partially offset by a decline in the Healthcare segment. Growth in the Applied Sterilization Technologies segment was primarily due to volume. Growth in the Life Sciences segment was due to increased demand for our products and services from our pharma Customers focused on vaccines and biologics. The decline in the Healthcare segment was primarily due to reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic and reduced capital spending by Customers in response to the uncertainty surrounding the COVID-19 pandemic. The Healthcare decline was partially offset by the impact of our recent acquisitions and the recognition of $14.6 million of capital equipment revenues that were previously deferred, recorded in the first quarter of fiscal 2021 (for more information regarding this change refer to Note 1 of the consolidated statements, titled "Nature of Operations and Summary of Significant Accounting Policies").

Gross profit percentage for the third quarter of fiscal 2021 remained flat at 42.8% compared to the gross profit percentage for the third quarter of fiscal 2020. The favorable impact of improved productivity, favorable pricing, and recent acquisitions, were offset by the unfavorable impact of incremental costs associated with COVID-19 and mix and other. Gross profit percentage for the first nine months of fiscal 2021 was 43.0% compared to the gross profit percentage for the first nine months of fiscal 2020 of 43.3%. The unfavorable impact of incremental costs associated with COVID-19 and mix and other, exceeded the benefits of favorable pricing and improved productivity.

Operating income for the third quarter of fiscal 2021 was $147.0 million, compared to $142.4 million for third quarter of fiscal 2020. This increase was primarily attributable to increased revenues. Additional expenses from our recent acquisitions were partially offset by reduced selling, general, and administrative (“SG&A”) expenses during the third quarter of fiscal 2021, as certain expenses were suspended or decreased as a result of the COVID-19 pandemic. Operating income during the first nine months of fiscal 2021 was $402.3 million, compared to $379.2 million for the first nine months of fiscal 2020. This increase was primarily attributable to increased revenues and reduced SG&A expenses during the first nine months of fiscal 2021, as certain expenses were suspended or reduced as a result of the COVID-19 pandemic.

Cash flows from operations were $501.8 million and free cash flow was $337.7 million in the first nine months of fiscal 2021 compared to cash flows from operations of $391.3 million and free cash flow of $238.1 million for first nine months of fiscal 2020 (see the subsection below titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). The fiscal 2021 increases in cash flows from operations and free cash flow were primarily due to higher net income, working capital improvements and deferred tax payments under government COVID-19 relief programs.

Our debt-to-total capital ratio was 30.7% at December 31, 2020 and 25.3% at March 31, 2020. During the first nine months of fiscal 2021, we declared and paid quarterly cash dividends of $1.17 per ordinary share.

Additional information regarding our financial performance during the third quarter and first nine months of fiscal 2021 is included in the subsection below titled “Results of Operations.”

NON-GAAP FINANCIAL MEASURES

We, at times, refer to financial measures which are considered to be “non-GAAP financial measures” under SEC rules. We, at times, also refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparisons between the periods presented.

These non-GAAP financial measures are not intended to be, and should not be, considered separately from or as an alternative to the most directly comparable GAAP financial measures.

These non-GAAP financial measures are presented 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.

We believe that the presentation of these non-GAAP financial measures, when considered along with our GAAP financial measures and the reconciliation to the corresponding GAAP financial measures, provide the reader with a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure. It is important for the reader to note that the non-GAAP financial measure used may be calculated differently from, and therefore may not be comparable to, a similarly titled measure used by other companies.

We define free cash flow as net cash provided by operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles plus proceeds from the sale of property, plant, equipment, and intangibles, which are also presented within investing activities in the Consolidated Statements of Cash Flows. We use this as a measure to gauge our ability to pay cash dividends, fund growth outside of core operations, fund future debt principal repayments, and repurchase shares.

The following table summarizes the calculation of our free cash flow for the nine months ended December 31, 2020 and 2019:

	Nine Months Ended December 31,	
(dollars in thousands)	**2020**	2019
Net cash provided by operating activities	**$ 501,785**	$ 391,326
Purchases of property, plant, equipment and intangibles, net	**(164,497)**	(153,649)
Proceeds from the sale of property, plant, equipment and intangibles	**417**	387
Free cash flow	**$ 337,705**	$ 238,064

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the third quarter and first nine months of fiscal 2021 compared with the same fiscal 2020 periods. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

Revenues. The following tables compare our revenues for the three and nine months ended December 31, 2020 to the revenues for the three and nine months ended December 31, 2019:

(dollars in thousands)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Change	Percent Change
Total revenues	**$ 808,924**	$ 774,261	$ 34,663	4.5 %
Revenues by type:				
Service revenues	**433,610**	410,466	23,144	5.6 %
Consumable revenues	**198,466**	176,625	21,841	12.4 %
Capital equipment revenues	**176,848**	187,170	(10,322)	(5.5)%
Revenues by geography:				
Ireland revenues	**20,316**	16,126	4,190	26.0 %
United States revenues	**572,397**	562,502	9,895	1.8 %
Other foreign revenues	**216,211**	195,633	20,578	10.5 %

Revenues increased 4.5%, to $808.9 million for the three months ended December 31, 2020, as compared to $774.3 million for the same period in the prior year. This increase reflects growth in all business segments and favorable fluctuations in currencies. Growth in the Healthcare segment was primarily attributable to the impact of our recent acquisitions. Growth in the Applied Sterilization Technologies segment was primarily due to volume. Growth in the Life Sciences segment was due to increased demand for our products and services from our pharma Customers focused on vaccines and biologics.

Service revenues increased 5.6% for the three months ended December 31, 2020, as compared to the same period in the prior year, reflecting growth in all business segments. Consumable revenues increased by 12.4% for the three months ended December 31, 2020, as compared to the same period in the prior year, reflecting growth in the Healthcare and Life Sciences segments. Capital equipment revenues decreased 5.5%, for the three months ended December 31, 2020, as compared to the same period in the prior year, reflecting declines in the Healthcare and Life Sciences segments. The Healthcare segment's decline was primarily due to reduced capital spending by Customers in response to the uncertainty surrounding the COVID-19 pandemic. The Life Sciences segments's decline was primarily due to the timing of shipments.

Ireland revenues increased 26.0% to $20.3 million for the three months ended December 31, 2020, as compared to $16.1 million for the same period in the prior year, reflecting growth in service, consumable and capital equipment revenues.

United States revenues increased 1.8%, to $572.4 million for the three months ended December 31, 2020, as compared to $562.5 million for the same period in the prior year, reflecting growth in service and consumable revenues, which was partially offset by a decline in capital equipment revenues.

Revenues from other foreign locations, increased 10.5%, to $216.2 million for the three months ended December 31, 2020, as compared to $195.6 million for the same period in the prior year. Growth within Canada and the Europe, Middle East & Africa ("EMEA") and Asia Pacific regions was partially offset by a decline in the Latin American region.

(dollars in thousands)	Nine Months Ended December 31, 2020	2019	Change	Percent Change
Total revenues	**$ 2,233,988**	$ 2,207,904	$ 26,084	1.2 %
Revenues by type:				
Service revenues	**1,218,062**	1,198,708	19,354	1.6 %
Consumable revenues	**519,652**	495,309	24,343	4.9 %
Capital equipment revenues	**496,274**	513,887	(17,613)	(3.4)%
Revenues by geography:				
Ireland revenues	**51,779**	46,405	5,374	11.6 %
United States revenues	**1,613,554**	1,611,755	1,799	0.1 %
Other foreign revenues	**568,655**	549,744	18,911	3.4 %

Revenues increased 1.2%, to $2,234.0 million for the nine months ended December 31, 2020, as compared to $2,207.9 million for the same period in the prior year. The increase reflects organic growth in the Applied Sterilization Technologies and Life Sciences segments and favorable fluctuations in currencies, which were partially offset by a decline in the Healthcare segment. Growth in the Applied Sterilization Technologies segment was primarily due to volume. Growth in the Life Sciences segment was due to increased demand for our products and services from our pharma Customers focused on vaccines and biologics. The decline in the Healthcare segment was primarily due to reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic and reduced capital spending by Customers in response to the uncertainty surrounding the COVID-19 pandemic. The Healthcare decline was partially offset by the impact of our recent acquisitions and the recognition of $14.6 million of capital equipment revenues that were previously deferred, recorded in the first quarter of fiscal 2021 (for more information regarding this change refer to Note 1 of the consolidated statements, titled "Nature of Operations and Summary of Significant Accounting Policies").

Service revenues increased 1.6% for the nine months ended December 31, 2020, as compared to the same period in the prior year, reflecting growth in the Applied Sterilization and Life Science segments, which was partially offset by decline in the Healthcare segment. Consumable revenues increased by 4.9% for the nine months ended December 31, 2020, as compared to the same period in the prior year, reflecting growth in the Life Sciences segment, which was partially offset by a decline in the Healthcare segment. Capital equipment revenues decreased 3.4% for the nine months ended December 31, 2020, as compared to to the same period in the prior year, reflecting decline in the Healthcare segment, which was partially offset by growth in the Life Sciences segment. In the first quarter of fiscal 2021, we recognized $14.6 million of capital equipment revenues that were previously deferred (for more information regarding this change refer to Note 1 of the consolidated statements, titled "Nature of Operations and Summary of Significant Accounting Policies").

Ireland revenues increased 11.6% to $51.8 million for the nine months ended December 31, 2020, as compared to $46.4 million for the same period in the prior year, reflecting growth in service, consumable and capital equipment revenues.

United States revenues increased 0.1%, to $1,613.6 million for the nine months ended December 31, 2020, as compared to $1,611.8 million for the same period in the prior year, reflecting growth in service and consumable revenues, which was partially offset by a decline in capital equipment revenues. In the first quarter of fiscal 2021, we recognized $14.6 million of capital equipment revenues that were previously deferred (for more information regarding this change refer to Note 1 of the consolidated statements, titled "Nature of Operations and Summary of Significant Accounting Policies").

Revenues from other foreign locations increased 3.4%, to $568.7 million for the nine months ended December 31, 2020, as compared to $549.7 million for the same period in the prior year. Growth within Canada and the EMEA and Asia Pacific regions was partially offset by a decline in the Latin American region.

Gross Profit. The following table compares our gross profit for the three and nine months ended December 31, 2020 to the three and nine months ended December 31, 2019:

(dollars in thousands)	Three Months Ended December 31, 2020	2019	Change	Percent Change
Gross profit:				
Product	**$ 172,433**	$ 168,690	$ 3,743	2.2 %
Service	**173,428**	162,663	10,765	6.6 %
Total gross profit	**$ 345,861**	$ 331,353	$ 14,508	4.4 %
Gross profit percentage:				
Product	**45.9 %**	46.4 %		
Service	**40.0 %**	39.6 %		
Total gross profit percentage	**42.8 %**	42.8 %		

(dollars in thousands)	Nine Months Ended December 31, 2020	2019	Change	Percent Change
Gross profit:				
Product	**$ 480,692**	$ 469,532	$ 11,160	2.4 %
Service	**480,774**	486,331	(5,557)	(1.1)%
Total gross profit	**$ 961,466**	$ 955,863	$ 5,603	0.6 %
Gross profit percentage:				
Product	**47.3 %**	46.5 %		
Service	**39.5 %**	40.6 %		
Total gross profit percentage	**43.0 %**	43.3 %		

Our gross profit is affected by the volume, pricing, and mix of sales of our products and services, as well as the costs associated with the products and services that are sold.

Gross profit percentage for the third quarter of fiscal 2021 remained flat at 42.8% compared to the gross profit percentage for the third quarter of fiscal 2020. The favorable impact of improved productivity (90 basis points), favorable pricing (70 basis points), and recent acquisitions (10 basis points), were offset by the unfavorable impact of incremental costs associated with COVID-19 (50 basis points) and mix and other (120 basis points).

Gross profit percentage for the first nine months of fiscal 2021 was 43.0% compared to the gross profit percentage for the first nine months of fiscal 2020 of 43.3%. The unfavorable impact of incremental costs associated with COVID-19 (70 basis points) and mix and other (40 basis points), exceeded the benefits of favorable pricing (60 basis points) and improved productivity (20 basis points).

Operating Expenses. The following table compares our operating expenses for the three and nine months ended December 31, 2020 to the three and nine months ended December 31, 2019:

(dollars in thousands)	Three Months Ended December 31, 2020	2019	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	**$ 182,373**	$ 172,927	$ 9,446	5.5 %
Research and development	**16,438**	16,487	(49)	(0.3)%
Restructuring expenses	**20**	(448)	468	NM
Total operating expenses	**$ 198,831**	$ 188,966	$ 9,865	5.2 %

(dollars in thousands)	Nine Months Ended December 31, 2020	2019	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	**$ 510,250**	$ 527,667	$ (17,417)	(3.3)%
Research and development	**48,812**	48,321	491	1.0 %
Restructuring expenses	**110**	667	(557)	NM
Total operating expenses	**$ 559,172**	$ 576,655	$ (17,483)	(3.0)%

NM - Not meaningful.

Selling, General, and Administrative Expenses. Significant components of total selling, general, and administrative expenses ("SG&A") are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. SG&A increased 5.5% in the third quarter of fiscal 2021 over the same prior year period, largely due to our recent acquisitions. SG&A decreased 3.3% in the first nine months of fiscal 2021, over the same prior year period. Volume and performance driven employee compensation costs and travel and meeting costs have declined in the fiscal 2021 periods over same prior year periods, as a result of the COVID-19 pandemic and measures we have taken in response to it.

Research and Development. Research and development expenses decreased 0.3% and increased 1.0% in the third quarter and first nine months of fiscal 2021, respectively over the same prior year periods. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological platform innovations. During fiscal 2021, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of sterile processing combination technologies, procedural products and accessories, and devices and support accessories used in gastrointestinal endoscopy procedures.

Fiscal 2019 Restructuring Plan. Since inception of the Fiscal 2019 Restructuring Plan we have incurred pre-tax expenses totaling $44.0 million related to these restructuring actions, of which $31.7 million was recorded as restructuring expenses and $12.3 million was recorded in cost of revenues, with a total of $34.1 million, $7.6 million and $0.7 million related to the Healthcare, Applied Sterilization Technologies and Life Sciences segments, respectively. Corporate related restructuring charges were $1.7 million. Additional restructuring expenses related to this plan are not expected to be material to our results of operations. Additional restructuring expenses related to this plan are not expected to be material to our results of operations. For additional information on restructuring see Note17 of our Consolidated Financial Statements, titled "Restructuring".

Non-Operating Expenses, Net. Non-operating expenses, net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, and short-term investment balances, and other miscellaneous income. The following table compares our net non-operating expenses for the three and nine months ended December 31, 2020 and 2019:

(dollars in thousands)	Three Months Ended December 31, 2020	2019	Change
Non-operating expenses, net:			
Interest expense	**$ 8,899**	$ 9,813	$ (914)
Interest income and miscellaneous expense	**(1,299)**	(1,378)	79
Non-operating expenses, net	**$ 7,600**	$ 8,435	$ (835)

(dollars in thousands)	Nine Months Ended December 31, 2020	2019	Change
Non-operating expenses, net:			
Interest expense	**$ 27,056**	$ 30,702	$ (3,646)
Interest income and miscellaneous expense	**(4,776)**	(2,163)	(2,613)
Non-operating expenses, net	**$ 22,280**	$ 28,539	$ (6,259)

Interest expense decreased $0.9 million and $3.6 million during the third quarter and first nine months of fiscal 2021, respectively over the same prior year periods. These decreases were primarily due to lower interest rates on floating rate debt and an increased amount of capitalized interest expense. Interest (income) and miscellaneous expense changed by $0.1 million and $2.6 million, during the third quarter and first nine months of fiscal 2021, respectively over the same prior year periods, primarily due to movement on our equity investments (refer to our Note 15 to our consolidated financial statements, titled "Fair Value Measurements" for more information).

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the three and nine months ended December 31, 2020 and December 31, 2019:

(dollars in thousands)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Change	Percent Change
Income tax expense	**$ 24,842**	$ 29,285	$ (4,443)	(15.2)%
Effective income tax rate	**17.8 %**	21.9 %		

(dollars in thousands)	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019	Change	Percent Change
Income tax expense	**$ 71,294**	$ 66,083	$ 5,211	7.9%
Effective income tax rate	**18.8 %**	18.8 %		

We record income tax expense during interim periods based on our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. We analyze various factors to determine the estimated annual effective income tax rate, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

The effective income tax rates for the three month periods ended December 31, 2020 and 2019 were 17.8% and 21.9%, respectively. The effective income tax rates for the nine month periods ended December 31, 2020 and 2019 were 18.8% and 18.8%, respectively. The fiscal 2021 effective tax rate for the current quarter decreased when compared to fiscal 2020, primarily due to an increase in favorable discrete items.

Business Segment Results of Operations. We operate and report in three reportable business segments: Healthcare, Applied Sterilization Technologies and Life Sciences. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income. COVID-19 incremental costs also have been excluded from segment operating income. These costs include payroll costs associated with employees paid but not working as a result of measures taken in response to the COVID-19 pandemic.

Prior to April 1, 2020, we operated and reported our financial information in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. The Healthcare Products and Healthcare Specialty Services segments were combined and are now reported as one segment, simply called Healthcare, consistent with the way management now operates and views the business. Prior periods have been recast in the financial tables below for comparability.

Our Healthcare segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment. The segment also provides a range of specialty services for healthcare providers including hospital sterilization services and instrument and scope repairs.

Our Applied Sterilization Technologies ("AST") segment provides contract sterilization and testing services for medical device and pharmaceutical manufacturers.

Our Life Sciences segment designs, manufactures and sells consumable products, equipment maintenance, specialty services and capital equipment primarily to pharmaceutical manufacturers around the world.

We disclose a measure of segment income that is consistent with the way management operates and views the business. The accounting policies for reportable segments are the same as those for the consolidated Company.

Additional information regarding our segments is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.

The following table compares business segment revenues, segment operating income and total operating income for the three and nine months ended December 31, 2020 and 2019:

Financial information for each of our segments is presented in the following table:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Revenues:				
Healthcare	**$ 521,662**	$ 509,222	**$ 1,392,247**	$ 1,440,237
Applied Sterilization Technologies	**176,462**	156,266	**498,371**	463,459
Life Sciences	**110,800**	108,773	**343,370**	304,208
Total revenues	**$ 808,924**	$ 774,261	**$ 2,233,988**	$ 2,207,904
Operating income (loss):				
Healthcare	**$ 115,412**	$ 105,227	**$ 302,565**	$ 298,777
Applied Sterilization Technologies	**81,626**	65,468	**222,416**	198,889
Life Sciences	**41,541**	37,731	**136,435**	103,085
Corporate	**(47,941)**	(45,260)	**(158,463)**	(151,613)
Total operating income before adjustments	**$ 190,638**	$ 163,166	**$ 502,953**	$ 449,138
Less: Adjustments				
Amortization of acquired intangible assets [1]	**$ 23,194**	$ 17,508	**$ 62,649**	$ 53,407
Acquisition and integration related charges [2]	**11,563**	1,721	**13,984**	5,585
Redomiciliation and tax restructuring costs [3]	**296**	487	**850**	3,274
(Gain) on fair value adjustment of acquisition related contingent consideration	**(500)**	—	**(500)**	—
Net loss on divestiture of businesses [1]	**—**	76	**5**	2,553
Amortization of inventory and property "step up" to fair value [1]	**1,784**	602	**3,101**	1,783
COVID-19 incremental costs [4]	**7,251**	—	**20,460**	—
Restructuring charges [5]	**20**	385	**110**	3,328
Total operating income	**$ 147,030**	$ 142,387	**$ 402,294**	$ 379,208

[1] For more information regarding our recent acquisitions and divestitures refer to Note 2 titled" Business Acquisitions and Divestitures" and our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.
[2] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
[3] Costs incurred in connection with the Redomiciliation and tax restructuring.
[4] 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.
[5] For more information regarding our restructuring efforts refer to Note 17 titled, "Restructuring".

Healthcare revenues increased 2.4% to $521.7 million for the three months ended December 31, 2020, as compared to $509.2 million in the same prior year period. Consumables revenues grew 14.3%, as procedure volumes continued to rebound during our third fiscal quarter. Capital equipment revenue declined 4.9%, primarily due to reduced capital spending by Customers in response to the uncertainty surrounding the COVID-19 pandemic. Service revenues remained essentially flat over both periods. Fluctuations in currencies and the impact from our recent acquisitions were favorable during the third quarter of fiscal 2021. Healthcare revenues decreased 3.3% to $1,392.2 million for the nine months ended December 31, 2020, as compared to $1,440.2 million in the same prior year period. This decrease reflects declines capital equipment, service and consumable revenues of 5.0%, 3.0% and 1.9%, respectively. The declines were primarily due to reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic and reduced capital spending by Customers in response to the uncertainty surrounding the COVID-19 pandemic. Fluctuations in currencies and the impact from our recent acquisitions were favorable during the first nine months of fiscal 2021. At December 31, 2020, the Healthcare segment’s backlog amounted to $215.5 million, representing a increase of 2.7%, as compared to the backlog of $209.9 million at December 31, 2019. December 31, 2020 backlog was impacted by the recognition of capital equipment revenues that were previously deferred, recorded in the first quarter of fiscal 2021 (for more information regarding this change refer to Note 1 of the consolidated statements, titled "Nature of Operations and Summary of Significant Accounting Policies").

Applied Sterilization Technologies segment revenues increased 12.9% to $176.5 million for the three months ended December 31, 2020, as compared to $156.3 million for the same prior year period. Applied Sterilization Technologies segment revenues increased 7.5% to $498.4 million for the nine months ended December 31, 2020, as compared to $463.5 million for the same prior year period. The fiscal 2021 increases reflect organic growth and favorable fluctuations in currencies.

Life Sciences revenues increased 1.9% to $110.8 million for the three months ended December 31, 2020, as compared to $108.8 million for the same prior year period. This increase reflects growth in consumable and service revenues of 7.0% and 5.0%, respectively, which were partially offset by a 8.7% decline in capital equipment revenues. Life Sciences revenues increased 12.9% to $343.4 million for the nine months ended December 31, 2020, as compared to $304.2 million for the same prior year period. This increase reflects growth in consumable, service and capital equipment of 23.6%, 4.8% and 4.3%, respectively. The fiscal 2021 increases reflect growth due to demand from our pharma Customers focused on vaccines and biologics and favorable fluctuations in currencies. At December 31, 2020, the Life Sciences segment’s backlog amounted to $82.0 million, representing an increase of 14.5%, as compared to the backlog of $71.6 million at December 31, 2019.

The Healthcare segment’s operating income increased 9.7% to $115.4 million for the three months ended December 31, 2020, as compared to $105.2 million in the same prior year period. The Healthcare segment’s operating income increased 1.3% to $302.6 million for the nine months ended December 31, 2020, as compared to $298.8 million in the same prior year period. The segment's operating margins were 22.1% and 20.7% for the third quarter of fiscal 2021 and 2020, respectively. The segment's operating margins were 21.7% and 20.7% for the first nine months of fiscal 2021 and 2020, respectively. These increases in the fiscal 2021 periods were primarily due to favorable impact from our recent acquisitions and reduced expenditures, including reductions in travel and meeting spend due to the COVID-19 pandemic. Employee compensation associated with the Healthcare segment was also reduced due to lower volumes and measures taken in response to the COVID-19 pandemic.

The Applied Sterilization Technologies segment's operating income increased 24.7% to $81.6 million for the three months ended December 31, 2020, as compared to $65.5 million during the same prior year period. The Applied Sterilization Technologies segment's operating income increased 11.8% to $222.4 million for the nine months ended December 31, 2020, as compared to $198.9 million during the same prior year period. The segment's operating margins were 46.3% and 41.9% for the third quarter fiscal 2021 and 2020, respectively. The segment's operating margins were 44.6% and 42.9% for the first nine months of fiscal 2021 and 2020, respectively. These increases in the fiscal 2021 periods were primarily due to higher volumes and reduced expenditures, including reductions in travel and meeting spend due to the COVID-19 pandemic.

The Life Sciences segment’s operating income increased 10.1% to $41.5 million for the three months ended December 31, 2020, as compared to $37.7 million in the same prior year period. The Life Sciences segment’s operating income increased 32.4% to $136.4 million for the nine months ended December 31, 2020, as compared to $103.1 million in the same prior year period. The segment's operating margins were 37.5% and 34.7% for the third quarter of fiscal 2021 and 2020, respectively. The segment's operating margins were 39.7% and 33.9% for the first nine months of fiscal 2021 and 2020, respectively. These increases in the fiscal 2021 periods were primarily due to higher volumes and favorable mix.

Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the nine months ended December 31, 2020 and 2019:

(dollars in thousands)	Nine Months Ended December 31, 2020		2019	
Net cash provided by operating activities	**$**	**501,785**	$	391,326
Net cash (used in) investing activities	**$**	**(1,035,903)**	$	(259,989)
Net cash provided by (used in) financing activities	**$**	**442,533**	$	(153,874)
Debt-to-total capital ratio		**30.7 %**		25.2 %
Free cash flow	**$**	**337,705**	$	238,064

Net Cash Provided by Operating Activities – The net cash provided by our operating activities was $501.8 million for the first nine months of fiscal 2021 and $391.3 million for the first nine months of fiscal 2020. The increase in cash from operations was primarily due to higher net income, working capital improvements and deferred tax payments under government COVID-19 relief programs.

Net Cash Used In Investing Activities – The net cash used in investing activities totaled $1,035.9 million for the first nine months of fiscal 2021 and $260.0 million for the first nine months of fiscal 2020. The following discussion summarizes the significant changes in our investing cash flows for the first nine months of fiscal 2021 and fiscal 2020:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were $164.5 million for the first nine months of fiscal 2021 and $153.6 million during the same prior year period. The fiscal 2021 increase was primarily due to expansion projects in the Applied Sterilization Technologies segment.

- Acquisitions of businesses, net of cash acquired – During the first nine months of fiscal 2021 and 2020, we used $869.4 million and $107.2 million, respectively for the purchases of businesses. For more information on our acquisitions, refer to Note 2 of our consolidated financial statements, titled "Business Acquisitions and Divestitures".

- Other – During the first nine months of fiscal 2021, we provided $2.4 million under borrowing agreements. For more information on these loan agreements, refer to Note 18 of our consolidated financial statements, "Loans Receivable".

Net Cash Provided By (Used In) Financing Activities – The net cash provided by financing activities amounted to $442.5 million for the first nine months of fiscal 2021 compared with net cash used in financing activities of $153.9 million for the first nine months of fiscal 2020. The following discussion summarizes the significant changes in our financing cash flows for the first nine months of fiscal 2021 and fiscal 2020:

- Payments on long-term obligations – During the second quarter of fiscal 2021, we repaid $35.0 million of principal for private placement notes that matured in August 2020. For more information on our debt refer to our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.

- Proceeds from the issuance of long-term obligations – During the third quarter of fiscal 2021, we received proceeds of $550.0 million under our Term Loan. For more information refer to Note 5 of our consolidated financial statements, titled "Debt".

- Proceeds (payments) under credit facility, net – Net proceeds under credit facilities totaled $23.8 million in the first nine months of fiscal 2021 compared to net payments under credit facilities of $48.5 million in the first nine months of fiscal 2020.

- Deferred financing fees and debt issuance costs – During the first nine months of fiscal 2021, we paid $3.1 million for financing fees and debt issuance costs in connection with our Term Loan. During the first nine months of fiscal 2020, we paid $1.2 million for financing fees and debt issuance costs related to our Private Placement debt. For more information on our debt, refer to Note 5 of our consolidated financial statements, titled "Debt" or to our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.

- Repurchases of ordinary shares – From the start of fiscal 2021 through April 9, 2020, we purchased 35,000 of our ordinary shares in the aggregate amount of $5.0 million. During the first nine months of fiscal 2021, we obtained 85,574 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $9.5 million. During the first nine months of fiscal 2020, we purchased of 205,059 of our ordinary shares in the aggregate amount of $30.0 million. During the first nine months of fiscal 2020, we obtained 100,124 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $10.3 million. Due to the uncertainty surrounding the COVID-19 pandemic, share repurchases were suspended on April 9, 2020.

- Cash dividends paid to ordinary shareholders – During the first nine months of fiscal 2021, we paid total cash dividends of $99.7 million, or $1.17 per outstanding share. During the first nine months of fiscal 2020, we paid total cash dividends of $91.6 million, or $1.08 per outstanding share.

- Transactions with noncontrolling interest holders – During the first nine months of fiscal 2021, we received $2.3 million of contributions from noncontrolling interest holders and paid $0.6 million in distributions to noncontrolling interest holders. During the first nine months of fiscal 2021, we paid $3.5 million for the acquisition of a subsidiary's interests in noncontrolling interest. During the first nine months of fiscal 2020, we received $6.1 million of contributions from noncontrolling interest holders and paid $0.8 million in distributions to noncontrolling interest holders.
- Stock option and other equity transactions, net – We generally receive cash for issuing shares under our stock option programs. During the first nine months of fiscal 2021 and fiscal 2020, we received cash proceeds totaling $26.0 million and $23.0 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was $337.7 million in the first nine months of fiscal 2021 compared to $238.1 million in the first nine months of fiscal 2020 (see the subsection above titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). The increase in free cash flow was primarily due to working capital improvements and deferred tax payments under government COVID-19 relief programs.

Our debt-to-total capital ratio was 30.7% at December 31, 2020 and 25.2% at December 31, 2019.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020. Our commercial commitments were approximately $76.5 million at December 31, 2020, reflecting a net decrease of $3.7 million in commercial commitments from March 31, 2020. We had $304.6 million of outstanding borrowings under the Credit Agreement as of December 31, 2020. We had $9.0 million of letters of credit outstanding under the Credit Agreement at December 31, 2020.

Cash Requirements. We intend to use our existing cash and cash equivalent balances and cash generated from operations for short-term and long-term capital expenditures and our other liquidity needs. Our capital requirements depend on many uncertain factors, including our rate of sales growth, our Customers' acceptance of our products and services, the costs of obtaining adequate manufacturing capacities, the timing and extent of our research and development projects, changes in our expenses and other factors. To the extent that existing and anticipated sources of cash are not sufficient to fund our future activities, we may need to raise additional funds through additional borrowings or the sale of equity securities. There can be no assurance that our existing financing arrangements will provide us with sufficient funds or that we will be able to obtain any additional funds on terms favorable to us or at all.

In this regard, we expect to fund the cash portion of the Cantel acquisition consideration and repay or otherwise satisfy a significant amount of Cantel's existing debt obligations with approximately $2.0 billion of new debt. We have fully committed bridge financing and are working with our lenders and advisors on a long-term plan.

Critical Accounting Policies, Estimates, and Assumptions

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2020.

Contingencies

We are, and will likely continue to be, involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, and the nature of our business, products, Customers, regulatory environment, and industries in which we participate. These legal proceedings, investigations and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), commercial claims (e.g., breach of contract, economic loss, warranty, misrepresentation), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

We record a liability for such contingencies to the extent we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of proceedings, government investigations, and claims is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery. Refer to Note 8 of our consolidated financial statements titled, "Commitments and Contingencies" for additional information and to Item 1A of Part II titled, "Risk factors".

We are subject to taxation from United States federal, state and local, and non-U.S. jurisdictions. Tax positions are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. The IRS routinely conducts audits of our federal income tax returns.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, that have or are reasonably likely to have, a material current or future impact on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws about STERIS, Cantel and the proposed transaction. 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. 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 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, 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. 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.

Availability of Securities and Exchange Commission Filings

We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after we file such material with, or furnish such material to, the Securities Exchange Commission ("SEC.") You may access these documents on the Investor Relations page of our website at *http://www.steris-ir.com*. The information on our website and the SEC's website is not incorporated by reference into this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020. Our exposures to market risks have not changed materially since March 31, 2020.

Fluctuations in currency rates could affect our revenues, cost of revenues and income from operations and could result in currency exchange gains and losses. During the third quarter of fiscal 2021, we entered into forward currency contracts in order to hedge a portion of our expected non-U.S. dollar denominated earnings against our reporting currency, the U.S. dollar. These currency exchange contracts will mature during fiscal 2021. We have executed forward currency contracts to hedge a portion of results denominated in euros, Mexican pesos and Canadian dollars. We did not elect hedge accounting for these forward currency contracts; however, we may seek to apply hedge accounting in future scenarios. As a result, we may experience volatility due to (i) the timing mismatch of unrealized hedge gains or losses versus recognition of the underlying hedged earnings, and (ii) the impact of unrealized and realized hedge gains or losses being reported in selling, general and administrative expenses, whereas the offsetting economic gains and losses of the underlying hedged earnings are reported in the various line items of our Consolidated Statements of Income.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, including the assessment and input of our management, the PEO and PFO concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding our legal proceedings is included in this Form 10-Q in Note 8 to our consolidated financial statements titled, "Commitments and Contingencies", Item 7 of Part II, titled “Management's Discussion and Analysis of Financial Conditions and Results of Operations," of our Annual Report on Form 10-K for the year ended March 31, 2020, dated May 29, 2020.

ITEM 1A. RISK FACTORS

For a complete discussion of the Company’s risk factors, you should carefully review the risk factors included in Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. There have been no material changes to the risk factors set forth in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended March 31, 2020, except with regard to the risk factors set forth below related to the proposed acquisition of Cantel.

Risk or uncertainty	Discussion
Acquisition of Cantel Medical Corp.	
Failure to complete the acquisition or delays in completion could negatively impact the price of our shares as well as our future business and financial results.	The definitive agreement to acquire Cantel (the “Merger Agreement”) contains a number of conditions that must be satisfied or waived prior to the completion of the acquisition, including, without limitation, regulatory approvals and the approval of the acquisition by Cantel’s stockholders. There can be no assurance that all of the conditions to the acquisition will be so satisfied or waived. If the conditions to the acquisition are not satisfied or waived, we will be unable to complete the acquisition and the Merger Agreement may be terminated. Furthermore, the delay in the fulfillment of such conditions could result in unanticipated expenditures of funds and other resources and/or reduce the benefits of the acquisition of Cantel, even if ultimately consummated. If the acquisition is delayed or not completed for any reason, we may experience a variety of adverse impacts. These include, without limitation, potential negative impacts to the market price of our shares and potential negative reactions from Customers, employees, vendors, business partners and other third parties. Further, we will have expended time and resources that could otherwise have been spent on our existing business and the pursuit of other opportunities that could have been beneficial to us, and our ongoing business and financial results may be adversely affected.
We will be subject to business uncertainties while the acquisition is pending, which could adversely affect our business.	Uncertainty about the effect of the acquisition on employees and Customers may have an adverse effect on our business. These uncertainties may impair our ability to attract, retain and motivate key personnel until the acquisition is completed and for a period of time thereafter, and could cause Customers and others that deal with us or Cantel to seek to change those existing business relationships. In addition, the Merger Agreement restricts us from entering into certain corporate transactions and taking other specified actions without the consent of the other party. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the acquisition.

We will incur significant transaction and merger-related costs in connection with the acquisition, which may be in excess of those anticipated.	We have incurred substantial expenses in connection with the negotiation and effectuation of the transactions contemplated by the Merger Agreement and we expect to continue to incur a number of associated non-recurring costs. These costs have been, and will continue to be, significant. Non-recurring costs for the time period prior to the completion of the acquisition will include, among others, fees paid to financial, legal and accounting advisors and filing fees. We will also incur costs related to formulating and implementing integration plans. We will continue to assess the magnitude of these costs. Additional unanticipated costs may be incurred. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the two companies' businesses, will allow us to offset our costs over time, this net benefit may not be achieved or may not be achieved to the level expected. The costs described above could have a material adverse effect on our financial condition and operating results. Many of these costs will be borne by us even if the acquisition is not completed.
We expect to incur a substantial amount of debt to complete the acquisition. Increased debt may limit our financial flexibility.	We expect to incur additional long-term debt (which may include debt incurred under term loan and/or "bridge" facilities and/or debt securities) for purposes of funding the payment of the cash portion of the acquisition consideration, the satisfaction of certain Cantel debt obligations, including those that may be accelerated or subject to put or conversion rights in connection with the acquisition, and the payment of certain related fees and expenses. The success of such efforts will depend on, among other things, our and Cantel's financial position and performance, results of reviews by bond rating agencies, if any, as well as prevailing market conditions and other factors beyond our control. There can be no assurance that we will be able to execute such financing transactions on favorable terms or at all. Our increased indebtedness could have important consequences to investors, including: increasing our vulnerability to general adverse economic and industry conditions; limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements and limit our ability to pay dividends or repurchase our stock; requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures, dividends, stock repurchases and general corporate requirements; limiting our flexibility in planning for, or reacting to, changes in our business and industry; and putting us at a disadvantage compared to our competitors with less indebtedness.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 7, 2019, our Board of Directors authorized a share repurchase program resulting in a share repurchase authorization of approximately $79.0 million (net of taxes, fees and commissions). On July 30, 2019, our Board of Directors approved an increase in the May 7, 2019 authorization of an additional amount of $300.0 million (net of taxes, fees and commissions). As of December 31, 2020, there was approximately $333.9 million (net of taxes, fees and commissions) of remaining availability under the Board authorized share repurchase program. The share repurchase program has no specified expiration date.

Under the authorization, the Company may repurchase its shares from time to time through open market purchases, including 10b5-1 plans. Any share repurchases may be activated, suspended or discontinued at any time. Due to the uncertainty surrounding the COVID-19 pandemic, share repurchases were suspended on April 9, 2020.

From the start of fiscal 2021 through April 9, 2020, we repurchased 35,000 of our ordinary shares for the aggregate amount of $5.0 million (net of fees and commissions) pursuant to the authorizations.

During the first nine months of fiscal 2021, we obtained 85,574 of our ordinary shares in the aggregate amount of $9.5 million in connection with share based compensation award programs.

The following table summarizes the ordinary shares repurchase activity during the third quarter of fiscal 2021 under our ordinary share repurchase program:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans at Period End (in thousands)
October 1-31	—	$ —	—	$ 333,932
November 1-30	—	—	—	333,932
December 1-31	—	$ —	—	$ 333,932
Total	—	—	—	333,932

(1) Does not include 7 shares purchased during the quarter at an average price of $186.21 per share by the STERIS Corporation 401(k) Plan on behalf of an executive officer of the Company who may be deemed to be an affiliated purchaser.

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

Exhibit Number	Exhibit Description
2.1	Purchase Agreement, dated October 2, 2020, by and among KS Holdings LLC, Key Surgical Shareholders LLC, Key Surgical Management LLC, WSHP KS Investment LLC, Key Surgical LLC, STERIS Corporation, STERIS plc and Brian O'Connell and Scot Milchman (filed as Exhibit 2.1 to Form 8-K filed October 6, 2020 (Commission File No.001-38848) and incorporated herein by reference).
2.2	Agreement and Plan of Merger, dated January 12, 2021, by and among STERIS plc, Solar New US Holding Co, LLC, Crystal Merger Sub 1, LLC and Cantel Medical Corp. (filed as Exhibit 2.1 to STERIS plc Form 8-K filed January 12, 2021 (Commission File No. 001-38848), and incorporated herein by reference).
3.1	STERIS plc Amended Memorandum and Articles of Association (filed as Exhibit 3.1 to STERIS plc Form 10-K for the fiscal year ended March 31, 2019 (Commission File No. 001-38848), and incorporated herein by reference.
10.1	Term Loan Agreement dated as of November 18, 2020 by and among STERIS plc, STERIS Corporation, Synergy Health Limited and STERIS Limited, each as a borrower and guarantor, and certain material subsidiaries of STERIS plc as guarantors, various financial institutions as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit to STERIS plc Form 8-K filed November 18, 2020 (Commission File No. 001-38848), and incorporated herein by reference).
10.2	Guarantor Joinder Agreement dated December 18, 2020 among KS Apollo Holdings Inc., KS Apollo LLC, and Key Surgical LLC, pursuant to Credit Agreement in favor of JPMorgan Chase Bank, N.A., as Administrative Agent.
10.3	Guarantor Joinder Agreement dated December 18, 2020 among KS Apollo Holdings Inc., KS Apollo LLC, and Key Surgical LLC pursuant to Term Loan Agreement in favor of JPMorgan Chase Bank, N.A., as Administrative Agent.
10.4	Guarantor Supplement dated December 17, 2020 by KS Apollo Holdings Inc., KS Apollo LLC and Key Surgical LLC of Affiliate Guaranty dated March 5, 2019 of STERIS Corporation December 4, 2012 Note Purchase Agreements, as amended and restated, and Notes issues pursuant thereto.
10.5	Guarantor Supplement dated December 17, 2020 by KS Apollo Holdings Inc., KS Apollo LLC and Key Surgical LLC of Affiliate Guaranty dated March 5, 2019 of STERIS Corporation May 15, 2015 Note Purchase Agreements, as amended and restated, and Notes issues pursuant thereto.
10.6	Guarantor Supplement dated December 17, 2020 by KS Apollo Holdings Inc., KS Apollo LLC and Key Surgical LLC of Affiliate Guaranty dated March 5, 2019 of STERIS Limited January 23, 2017 Note Purchase Agreements, as amended and restated, and Notes issues pursuant thereto.
10.7	Voting Agreement, dated January 12, 2021, by and among STERIS plc, Solar New US Holding Co, LLC, Crystal Merger Sub 1, LLC, Charles M. Diker, Mark N. Diker and Diker Management LLC, (filed as Exhibit 10.1 to STERIS plc Form 8-K filed January 12, 2021 (Commission File No. 001-38848), and incorporated herein by reference).
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	Inline Schema Document.
101.CAL	Inline Calculation Linkbase Document.
101.DEF	Inline Definition Linkbase Document.
101.LAB	Inline Labels Linkbase Document.
101.PRE	Inline Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STERIS plc

/s/ KAREN L. BURTON

Karen L. Burton

Vice President, Controller and Chief Accounting Officer
February 9, 2021

EXHIBIT 10.2

GUARANTOR JOINDER AGREEMENT

This Guarantor Joinder Agreement (this "Agreement") dated as of December 18, 2020 is made by each of the parties on Schedule I hereto (the "Additional Guarantors"), in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") for the Lenders under the Credit Agreement referred to below.

RECITALS

WHEREAS, reference is made to the Credit Agreement, dated as of March 23, 2018 (as amended, amended and restated, supplemented or otherwise modified and in effect on the date hereof, the "Credit Agreement"), among STERIS Limited, Synergy Health Limited, STERIS plc ("STERIS plc") and STERIS Corporation, as Borrowers, the Guarantors parties thereto from time to time, the Lenders parties thereto and the Administrative Agent;

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make Advances to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, each Additional Guarantor is a wholly-owned Subsidiary of STERIS plc;

WHEREAS, the proceeds of the Advances will be used in part to enable the Borrowers to make valuable transfers to the Additional Guarantors in connection with the operation of their respective businesses;

WHEREAS, each Additional Guarantor acknowledges that it will derive a substantial direct or indirect benefit from the making of the Advances; and

Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Except as otherwise defined in this Agreement, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. Joinder. As of the date hereof, each Additional Guarantor hereby agrees that it shall become a "Guarantor" under and for all purposes of the Credit Agreement with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor under the Credit Agreement and the other Loan Documents, including those set forth in ARTICLE VIII of the Credit Agreement.

Section 3. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 4. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or in a .pdf or similar file shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 5. Miscellaneous. This Agreement shall constitute a “Loan Document” for all purposes of the Credit Agreement and the other Loan Documents.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Additional Guarantors have caused this Guarantor Joinder Agreement to be duly executed and delivered as of the day and year first above written.

KS Apollo Holdings Inc.

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

KS Apollo LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

Key Surgical LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

Acknowledged:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By:
/s/ Stacey Zoland
Name: Stacey Zoland
Title: Executive Director

[*Signature Page to Revolver Guarantor Joinder Agreement]*

Schedule I

1. KS Apollo Holdings Inc., a Delaware corporation
2. KS Apollo LLC, a Delaware limited liability company
3. Key Surgical LLC, a Delaware limited liability company

GUARANTOR JOINDER AGREEMENT

This Guarantor Joinder Agreement (this "Agreement") dated as of December 18, 2020 is made by each of the parties on Schedule I hereto (the "Additional Guarantors"), in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") for the Lenders under the Credit Agreement referred to below.

RECITALS

WHEREAS, reference is made to the Term Loan Agreement, dated as of November 18, 2020 (as amended, amended and restated, supplemented or otherwise modified and in effect on the date hereof, the "Credit Agreement"), among STERIS plc, STERIS Limited, Synergy Health Limited and STERIS Corporation, as Borrowers, the Guarantors party thereto from time to time, the Lenders parties thereto and the Administrative Agent;

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make Advances to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, each Additional Guarantor is a wholly-owned Subsidiary of the Reporting Entity;

WHEREAS, the proceeds of the Advances will be used in part to enable the Borrowers to make valuable transfers to the Additional Guarantors in connection with the operation of their respective businesses; and

WHEREAS, each Additional Guarantor acknowledges that it will derive a substantial direct or indirect benefit from the making of the Advances.

Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Except as otherwise defined in this Agreement, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. Joinder. As of the date hereof, each Additional Guarantor hereby agrees that it shall become a "Guarantor" under and for all purposes of the Credit Agreement with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor under the Credit Agreement and the other Loan Documents, including those set forth in ARTICLE VIII of the Credit Agreement.

Section 3. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 4. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement that is an Electronic Signature transmitted by telecopier, facsimile or in a pdf or similar file shall be effective as delivery of a manually executed counterpart of this Agreement; provided, without limiting the foregoing, (i) to the extent the Administrative Agent has agreed to accept any Electronic Signature, the Administrative Agent and each of the Lenders shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of any Additional Guarantors without further verification thereof and without any obligation to review the appearance or form of any such Electronic Signature and (ii) upon the reasonable request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by a manually executed counterpart. Without limiting the generality of the foregoing, each Additional Guarantors hereby (i) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Administrative Agent, the Lenders, and the Borrowers and the other Loan Parties, Electronic Signatures transmitted by telecopy, emailed pdf or any other electronic means that reproduces an image of an actual executed signature page and/or any electronic images of this Agreement shall have the same legal effect, validity and enforceability as any paper original, (ii) each party hereto may, at its option, create one or more copies of this Agreement in the form of an imaged electronic record in any format, which shall be deemed created in the ordinary course of such Person's business, and destroy the original paper document (and all such electronic records shall be considered an original for all purposes and shall have the same legal effect, validity and enforceability as a paper record), (iii) waives any argument, defense or right to contest the legal effect, validity or enforceability of this Agreement based solely on the lack of paper original copies of this Agreement, including with respect to any signature pages thereto and (iv) waives any claim against any other party hereto or any Related Party of any such Person for any losses, claims (including intraparty claims), demands, damages, penalties or liabilities of any kind arising solely from reliance by any party hereto on or use of Electronic Signatures and/or transmissions by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page, including any losses, claims (including intraparty claims), demands, damages, penalties or liabilities of any kind arising as a result of the failure of any Additional Guarantors to use any available security measures in connection with the execution, delivery or transmission of any Electronic Signature.

Section 5. Miscellaneous. This Agreement shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Additional Guarantors have caused this Guarantor Joinder Agreement to be duly executed and delivered as of the day and year first above written.

KS Apollo Holdings Inc.

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

KS Apollo LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

Key Surgical LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

Acknowledged:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By:
/s/ Stacey Zoland
Name: Stacey Zoland
Title: Executive Director

[Signature Page to Term Loan Guarantor Joinder Agreement]

Schedule I

1. KS Apollo Holdings Inc., a Delaware corporation
2. KS Apollo LLC, a Delaware limited liability company
3. Key Surgical LLC, a Delaware limited liability company

GUARANTY SUPPLEMENT

December 17, 2020

To the Holders of the Series A-1A, A-1B, A-2A, A-2B, A-3A and A-3B Notes,
(each, as hereinafter defined) of STERIS Corporation (the "*Company*")

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company entered into that certain Amended and Restated Note Purchase Agreement, dated as of March 5, 2019 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Note Purchase Agreement*"), between the Company and each of the purchasers party thereto providing for, *inter alia*, the issue and sale by the Company of (a) $47,500,000 aggregate principal amount of 3.20% Senior Notes, Series A-1A, due December 4, 2022 (the "*Series A-1A Notes*"), (b) $47,500,000 aggregate principal amount of 3.20% Senior Notes, Series A-1B, due December 4, 2022 (the "*Series A-1B Notes*"), (c) $40,000,000 aggregate principal amount of 3.35% Senior Notes, Series A-2A, due December 4, 2024 (the "*Series A-2A Notes*"), (d) $40,000,000 aggregate principal amount of 3.35% Senior Notes, Series A-2B, due December 4, 2024 (the "*Series A-2B Notes*"), (e) $12,500,000 aggregate principal amount of 3.55% Senior Notes, Series A-3A, due December 4, 2027 (the "*Series A-3A Notes*") and (f) $12,500,000 aggregate principal amount of 3.55% Senior Notes, Series A-3B, due December 4, 2027 (the "*Series A-3B Notes*"; the Series A-1A Notes, the Series A-1B Notes, the Series A-2A Notes, the Series A-2B Notes, the Series A-3A Notes and the Series A-3B Notes are hereinafter referred to as the "*Notes*"; the holders of such notes, the "*Holders*").

WHEREAS, as a condition precedent to the closing of the Note Purchase Agreement, the Holders required that certain affiliates of the Company enter into an Affiliate Guaranty as security for the Notes (the "*Guaranty*").

Pursuant to Section 9.7 of the Note Purchase Agreement, the Company has agreed to cause the undersigned, KS Apollo Holdings Inc., a Delaware corporation ("*KS HoldCo*"), KS Apollo LLC, a Delaware limited liability company ("*KS Apollo*") and Key Surgical LLC, a Delaware limited liability company ("*Key Surgical*" and, together with KS HoldCo and KS Apollo, the "*Additional Guarantors*"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantors desire to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty so that at all times from and after the date hereof, the Additional Guarantors shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreement and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantors and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence their consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantors shall be deemed to have made in favor of the Holders the representations and warranties set forth in Sections 5.1, 5.2, 5.6 and 5.7 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to the Guaranty Supplement, but nevertheless all such reference shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

[*Signature Page Follows*]

Dated as of the date first written above.

KS Apollo Holdings Inc.
/s/ Michael J. Tokich

Name: Michael J. Tokich
Title: President

KS Apollo LLC
/s/ Michael J. Tokich

Name: Michael J. Tokich
Title: President

KEY Surgical LLC
/s/ Michael J. Tokich

Name: Michael J. Tokich
Title: President

ACCEPTED AND AGREED:

STERIS Corporation

By: /s/ Michael J. Tokich

Name: Michael J. Tokich

Title: Director

[Signature Page to Guaranty Supplement – 2012 NPA]

EXHIBIT 10.5

GUARANTY SUPPLEMENT

December 17, 2020

To the Holders of the Series A-1, A-2 and A-3, (each, as hereinafter defined) of
STERIS Corporation (the "*Company*")

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company entered into that certain Amended and Restated Note Purchase Agreement, dated as of March 5, 2019 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Note Purchase Agreement*"), between the Company and each of the purchasers party thereto providing for, *inter alia*, the issue and sale by the Company of (a) $125,000,000 aggregate principal amount of 3.45% Senior Notes, Series A-1, due May 14, 2025 (the "*Series A-1 Notes*"), (b) $125,000,000 aggregate principal amount of 3.55% Senior Notes, Series A-2, due May 14, 2027 (the "*Series A-2 Notes*") and (c) $100,000,000 aggregate principal amount of 3.70% Senior Notes, Series A-3, due May 14, 2030 (the "*Series A-3 Notes*"; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes are hereinafter referred to as the "*Notes*"; the holders of such notes, the "*Holders*").

WHEREAS, as a condition precedent to the closing of the Note Purchase Agreement, the Holders required that certain affiliates of the Company enter into an Affiliate Guaranty as security for the Notes (the "*Guaranty*").

Pursuant to Section 9.7 of the Note Purchase Agreement, the Company has agreed to cause the undersigned, KS Apollo Holdings Inc., a Delaware corporation ("*KS HoldCo*"), KS Apollo LLC, a Delaware limited liability company ("*KS Apollo*") and Key Surgical LLC, a Delaware limited liability company ("*Key Surgical*" and, together with KS HoldCo and KS Apollo, the "*Additional Guarantors*"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantors desire to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty so that at all times from and after the date hereof, the Additional Guarantors shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreement and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantors and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence their consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantors shall be deemed to have made in favor of the Holders the representations and warranties set forth in Sections 5.1, 5.2, 5.6 and 5.7 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to the Guaranty Supplement, but nevertheless all such reference shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

[*Signature Page Follows*]

Dated as of the date first written above.

KS Apollo Holdings Inc.

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

KS Apollo LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

Key Surgical LLC
Key Surgical LLC

/s/ Michael J. Tokich
Name: Michael J. Tokich
Title: President

ACCEPTED AND AGREED:

STERIS Corporation

By: /s/ Michael J. Tokich
Name: Michael J. Tokich
Title: Director

[Signature Page to Guaranty Supplement – 2015 NPA]

GUARANTY SUPPLEMENT

December 17, 2020

To the Holders of the Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7 Notes,
(each, as hereinafter defined) of STERIS Limited (the "*Company*")

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company entered into that certain Amended and Restated Note Purchase Agreement, dated as of March 5, 2019 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Note Purchase Agreement*"), between the Company and each of the purchasers party thereto providing for, *inter alia*, the issue and sale by the Company of (a) $50,000,000 aggregate principal amount of its 3.93% Senior Notes, Series A-1, due February 27, 2027 (the "*Series A-1 Notes*"); (b) €60,000,000 aggregate principal amount of its 1.86% Senior Notes, Series A-2, due February 27, 2027 (the "*Series A-2 Notes*"); (c) $45,000,000 aggregate principal amount of its 4.03% Senior Notes, Series A-3, due February 27, 2029 (the "*Series A-3 Notes*"); (d) €20,000,000 aggregate principal amount of its 2.04% Senior Notes, Series A-4, due February 27, 2029 (the "*Series A-4 Notes*"); (e) £45,000,000 aggregate principal amount of its 3.04% Senior Notes, Series A-5, due February 27, 2029 (the "*Series A-5 Notes*"); (f) €19,000,000 aggregate principal amount of its 2.30% Senior Notes, Series A-6, due February 27, 2032 (the "*Series A-6 Notes*"); and (g) £30,000,000 aggregate principal amount of its 3.17% Senior Notes, Series A-7, due February 27, 2032 (the "*Series A-7 Notes*"; the Series A-1 Notes, the Series A-2 Notes, the Series A-3 Notes, the Series A-4 Notes, the Series A-5 Notes, the Series A-6 Notes and the Series A-7 Notes are hereinafter referred to as the "*Notes*"; the holders of such notes, the "*Holders*").

WHEREAS, as a condition precedent to the closing of the Note Purchase Agreement, the Holders required that certain affiliates of the Company enter into an Affiliate Guaranty as security for the Notes (the "*Guaranty*").

Pursuant to Section 9.7 of the Note Purchase Agreement, the Company has agreed to cause the undersigned, KS Apollo Holdings Inc., a Delaware corporation ("*KS HoldCo*"), KS Apollo LLC, a Delaware limited liability company ("*KS Apollo*") and Key Surgical LLC, a Delaware limited liability company ("*Key Surgical*" and, together with KS HoldCo and KS Apollo, the "*Additional Guarantors*"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantors desire to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty so that at all times from and after the date hereof, the Additional Guarantors shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreement and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantors and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence their consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantors shall be deemed to have made in favor of the Holders the representations and warranties set forth in Sections 5.1, 5.2, 5.6 and 5.7 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to the Guaranty Supplement, but nevertheless all such reference shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

[*Signature Page Follows*]

Dated as of the date first written above.

KS Apollo Holdings Inc.

/s/ Michael J. Tokich

Name: Michael J. Tokich

Title: President

KS Apollo LLC

/s/ Michael J. Tokich

Name: Michael J. Tokich

Title: President

Key Surgical LLC

Key Surgical LLC

/s/ Michael J. Tokich

Name: Michael J. Tokich

Title: President

[Signature Page to Guaranty Supplement – 2017 NPA]

ACCEPTED AND AGREED:

STERIS Limited

By: /s/ Michael J. Tokich
Name: Michael J. Tokich
Title: Director

[Signature Page to Guaranty Supplement – 2017 NPA]

Exhibit 15.1

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Shareholders and Board of Directors
STERIS plc

We are aware of the incorporation by reference in the following STERIS plc Registration Statements of our review report dated February 9, 2021 relating to the unaudited consolidated interim financial statements of STERIS plc and subsidiaries that are included in its Form 10-Q for the quarter ended December 31, 2020:

Registration Number	Description
333-230557	Form S-8 Registration Statement of STERIS plc pertaining to the STERIS Corporation 401(k) Plan
333-230558	Form S-8 Registration Statement of STERIS plc pertaining to the STERIS plc 2006 Long-Term Equity Incentive Plan (As Assumed, Amended and Restated Effective March 28, 2019)

/s/ Ernst & Young LLP

Cleveland, Ohio
February 9, 2021

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Walter M Rosebrough, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2021

/s/ WALTER M ROSEBROUGH, JR

Walter M Rosebrough, Jr.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2021

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS plc (the “Company”) for the quarter ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

	/s/ WALTER M ROSEBROUGH, JR
Name:	**Walter M Rosebrough, Jr.**
Title:	**President and Chief Executive Officer**
	/s/ MICHAEL J. TOKICH
Name:	**Michael J. Tokich**
Title:	**Senior Vice President and Chief Financial Officer**

Dated: February 9, 2021