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 September 30, 2022

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
2.700% Senior Notes due 2031	STE/31	New York Stock Exchange
3.750% Senior Notes due 2051	STE/51	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 ☒ No ☐

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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," in 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. ☐

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

The number of ordinary shares outstanding as of November 4, 2022: 99,822,953

STERIS plc and Subsidiaries

Form 10-Q
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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)

	September 30, 2022	March 31, 2022
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 258,259**	$ 348,320
Accounts receivable (net of allowances of $22,196 and $24,371 respectively)	**780,113**	799,041
Inventories, net	**644,936**	574,999
Prepaid expenses and other current assets	**204,991**	156,637
Total current assets	**1,888,299**	1,878,997
Property, plant, and equipment, net	**1,572,398**	1,552,576
Lease right-of-use assets, net	**174,073**	188,480
Goodwill	**3,705,140**	4,404,343
Intangibles, net	**3,077,492**	3,328,537
Other assets	**72,234**	70,661
Total assets	**$ 10,489,636**	$ 11,423,594
Liabilities and equity		
Current liabilities:		
Accounts payable	**$ 233,308**	$ 225,737
Accrued income taxes	**16,661**	26,873
Accrued payroll and other related liabilities	**133,839**	183,721
Short-term lease obligations	**33,968**	36,472
Short-term indebtedness	**151,000**	142,875
Accrued expenses and other	**304,039**	306,544
Total current liabilities	**872,815**	922,222
Long-term indebtedness	**2,873,936**	2,945,481
Deferred income taxes, net	**710,087**	780,619
Long-term lease obligations	**143,451**	155,056
Other liabilities	**75,900**	75,579
Total liabilities	**$ 4,676,189**	$ 4,878,957
Commitments and contingencies (see Note 8)		
Ordinary shares, with $0.001 par value; 500,000 shares authorized; 99,868 and 100,067 ordinary shares issued and outstanding, respectively	**4,705,118**	4,742,920
Retained earnings	**1,695,087**	1,999,244
Accumulated other comprehensive loss	**(598,148)**	(209,808)
Total shareholders' equity	**5,802,057**	6,532,356
Noncontrolling interests	**11,390**	12,281
Total equity	**5,813,447**	6,544,637
Total liabilities and equity	**$ 10,489,636**	$ 11,423,594

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Product	**$ 666,394**	$ 685,238	**$ 1,303,470**	$ 1,174,517
Service	**534,123**	511,747	**1,053,538**	990,890
Total revenues	**1,200,517**	1,196,985	**2,357,008**	2,165,407
Cost of revenues:				
Product	**351,079**	427,484	**683,934**	698,890
Service	**317,103**	289,157	**622,941**	559,891
Total cost of revenues	**668,182**	716,641	**1,306,875**	1,258,781
Gross profit	**532,335**	480,344	**1,050,133**	906,626
Operating expenses:				
Selling, general, and administrative	**323,195**	344,799	**657,821**	738,551
Goodwill impairment loss	**490,565**	—	**490,565**	—
Research and development	**24,928**	18,832	**49,679**	37,024
Restructuring expenses	**62**	210	**88**	224
Total operating expenses	**838,750**	363,841	**1,198,153**	775,799
Income (loss) from operations	**(306,415)**	116,503	**(148,020)**	130,827
Non-operating expenses, net:				
Interest expense	**26,123**	23,036	**48,797**	44,848
Fair value adjustment related to convertible debt, premium liability	**—**	4,883	**—**	27,806
Interest (income) and miscellaneous expense	**524**	(1,023)	**1,294**	(2,457)
Total non-operating expenses, net	**26,647**	26,896	**50,091**	70,197
Income (loss) before income tax expense	**(333,062)**	89,607	**(198,111)**	60,630
Income tax expense (benefit)	**(17,831)**	19,982	**6,365**	12,907
Net income (loss)	**(315,231)**	69,625	**(204,476)**	47,723
Less: Net income (loss) attributable to noncontrolling interests	**54**	(186)	**(453)**	(281)
Net income (loss) attributable to shareholders	**$ (315,285)**	$ 69,811	**$ (204,023)**	$ 48,004
Net income (loss) per share attributed to shareholders				
Basic	**$ (3.15)**	$ 0.70	**$ (2.04)**	$ 0.51
Diluted	**$ (3.15)**	$ 0.69	**$ (2.04)**	$ 0.50
Cash dividends declared per share ordinary outstanding	**$ 0.47**	$ 0.43	**$ 0.90**	$ 0.83

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	**$ (315,231)**	$ 69,625	**$ (204,476)**	$ 47,723
Less: Net income (loss) attributable to noncontrolling interests	**54**	(186)	**(453)**	(281)
Net income (loss) attributable to shareholders	**(315,285)**	69,811	**(204,023)**	48,004
Other comprehensive income (loss)				
Amortization of pension and postretirement benefit plan costs, (net of taxes of $(10), $174, $(16) and $348, respectively)	**27**	(507)	**56**	(1,014)
Change in cumulative currency translation adjustment	**(209,802)**	(68,409)	**(388,396)**	(43,476)
Total other comprehensive income (loss)	**(209,775)**	(68,916)	**(388,340)**	(44,490)
Comprehensive income (loss)	**$ (525,060)**	$ 895	**$ (592,363)**	$ 3,514

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Six Months Ended September 30,	
	2022	**2021**
Operating activities:		
Net income	**$ (204,476)**	$ 47,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	**272,742**	201,663
Deferred income taxes	**(62,898)**	3,129
Share-based compensation expense	**20,511**	37,910
Loss on the disposal of property, plant, equipment, and intangibles, net	**(50)**	537
Loss on sale of businesses, net	**4,777**	404
Fair value adjustment related to convertible debt, premium liability	—	27,806
Amortization of inventory fair value adjustments	**2,477**	85,154
Goodwill impairment loss	**490,565**	—
Other items	**8,840**	7,986
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	**(2,976)**	15,932
Inventories, net	**(97,987)**	(57,897)
Other current assets	**1,269**	(66,337)
Accounts payable	**15,675**	(260)
Accruals and other, net	**(112,899)**	(34,984)
Net cash provided by operating activities	**335,570**	268,766
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	**(198,701)**	(133,369)
Proceeds from the sale of property, plant, equipment and intangibles	**1,323**	387
Proceeds from the sale of businesses	**5,228**	—
Acquisition of businesses, net of cash acquired	**(15,192)**	(547,353)
Net cash used in investing activities	**(207,342)**	(680,335)
Financing activities:		
Proceeds from issuance of senior public notes	—	1,350,000
Proceeds from term loan	—	650,000
Payments on long-term obligations	—	(721,284)
Payments on convertible debt	—	(371,361)
Payments on term loans	**(126,875)**	(125,000)
Proceeds (payments) under credit facilities, net	**99,111**	(65,021)
Deferred financing fees and debt issuance costs	—	(17,343)
Acquisition related deferred or contingent consideration	**(153)**	(25,262)
Repurchases of ordinary shares	**(69,922)**	(24,751)
Cash dividends paid to ordinary shareholders	**(89,981)**	(77,107)
Distributions to noncontrolling interest	—	(997)
Stock option and other equity transactions, net	**1,458**	7,829
Net cash provided by (used in) financing activities	**(186,362)**	579,703
Effect of exchange rate changes on cash and cash equivalents	**(31,927)**	(5,171)
Increase (decrease) in cash and cash equivalents	**(90,061)**	162,963
Cash and cash equivalents at beginning of period	**348,320**	220,531
Cash and cash equivalents at end of period	**$ 258,259**	$ 383,494

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 September 30, 2022					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at June 30, 2022	**100,090**	**$ 4,738,746**	**$ 2,057,175**	**$ (388,373)**	**$ 11,580**	**$ 6,419,128**
Comprehensive income:						
Net income (loss)	—	—	(315,285)	—	54	(315,231)
Other comprehensive (loss)	—	—	—	(209,775)	—	(209,775)
Repurchases of ordinary shares	(231)	(45,413)	170	—	—	(45,243)
Equity compensation programs and other	9	11,785	—	—	—	11,785
Cash dividends $0.47 per ordinary share	—	—	(46,973)	—	—	(46,973)
Other changes in noncontrolling interest	—	—	—	—	(244)	(244)
Balance at September 30, 2022	**99,868**	**$ 4,705,118**	**$ 1,695,087**	**$ (598,148)**	**$ 11,390**	**$ 5,813,447**

	Six Months Ended September 30, 2022					
	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at March 31, 2022	**100,067**	**$ 4,742,920**	**$ 1,999,244**	**$ (209,808)**	**$ 12,281**	**$ 6,544,637**
Comprehensive income:						
Net (loss)	—	—	(204,023)	—	(453)	(204,476)
Other comprehensive (loss)	—	—	—	(388,340)	—	(388,340)
Repurchases of ordinary shares	(357)	(59,769)	(10,153)	—	—	(69,922)
Equity compensation programs and other	158	21,967	—	—	—	21,967
Cash dividends – $0.90 per ordinary share	—	—	(89,981)	—	—	(89,981)
Other changes in noncontrolling interest	—	—	—	—	(438)	(438)
Balance at September 30, 2022	**99,868**	**$ 4,705,118**	**$ 1,695,087**	**$ (598,148)**	**$ 11,390**	**$ 5,813,447**

STERIS PLC AND SUBSIDIARIES

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

Three Months Ended September 30, 2021

	Ordinary Shares Number	Ordinary Shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
Balance at June 30, 2021	99,746	$ 4,736,838	$ 1,874,559	$ (36,817)	$ 10,435	$ 6,585,015
Comprehensive income:						
Net income (loss)	—	—	69,811	—	(186)	69,625
Other comprehensive (loss)	—	—	—	(68,916)	—	(68,916)
Repurchases of ordinary shares	(71)	(5,866)	(8,215)	—	—	(14,081)
Equity compensation programs and other	236	17,209	—	—	—	17,209
Cash dividends – $0.43 per ordinary share	—	—	(42,959)	—	—	(42,959)
Distributions to noncontrolling interest	—	—	—	—	(997)	(997)
Other changes in noncontrolling interest	—	—	—	—	35	35
Balance at September 30, 2021	99,911	$ 4,748,181	$ 1,893,196	$ (105,733)	$ 9,287	$ 6,544,931

Six Months Ended September 30, 2021

	Ordinary Shares Number	Ordinary Shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
Balance at March 31, 2021	85,353	$ 2,002,825	$ 1,939,408	$ (61,243)	$ 10,478	$ 3,891,468
Comprehensive income:						
Net income (loss)	—	—	48,004	—	(281)	47,723
Other comprehensive (loss)	—	—	—	(44,490)	—	(44,490)
Repurchases of ordinary shares	(131)	(7,642)	(17,109)	—	—	(24,751)
Equity compensation programs and other	392	45,508	—	—	—	45,508
Cash dividends – $0.83 per ordinary share	—	—	(77,107)	—	—	(77,107)
Issuance of shares for acquisition of Cantel Medical LLC ("Cantel")	14,297	2,689,317	—	—	—	2,689,317
Consideration related to equity component of Cantel convertible debt	—	175,555	—	—	—	175,555
Consideration related to Cantel equity compensation programs	—	18,173	—	—	—	18,173
Reclassification to Cantel convertible debt, premium liability	—	(175,555)	—	—	—	(175,555)
Distributions to noncontrolling interest	—	—	—	—	(997)	(997)
Other changes in noncontrolling interest	—	—	—	—	87	87
Balance at September 30, 2021	99,911	$ 4,748,181	$ 1,893,196	$ (105,733)	$ 9,287	$ 6,544,931

1. Nature of Operations and Summary of Significant Accounting Policies

STERIS is a leading global provider of products and services that support patient care with an emphasis on infection prevention. WE HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare, life sciences and dental products and services. 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, dental instruments and tools, instrument and scope repair, laboratory testing services, outsourced reprocessing, and capital equipment products, such as sterilizers and surgical tables, automated endoscope reprocessors, and connectivity solutions such as operating room ("OR") integration.

We operate and report in four reportable business segments: Healthcare, Applied Sterilization Technologies, Life Sciences, and Dental. We describe our business segments in Note 9 titled "Business Segment Information."

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, 2022, which was filed with the Securities and Exchange Commission ("SEC") on May 31, 2022. The Consolidated Balance Sheet at March 31, 2022 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 six month periods ended September 30, 2022 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2023.

Revenue Recognition and Associated Liabilities

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 September 30, 2022, 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 include 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.

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.

(dollars in thousands, except as noted)

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 six months of fiscal 2023, $67,218 of the March 31, 2022 deferred revenue balance was recorded as revenue. During the first six months of fiscal 2022, $40,360 of the March 31, 2021 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 September 30, 2022, the transaction price allocated to remaining performance obligations was approximately $1,561,000. We expect to recognize approximately 62% of the transaction price within one year and approximately 29% 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 2023				
ASU 2021-08 "Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.	October 2021	The standard provides guidance to improve the accounting for acquired revenue contracts with Customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer.	First Quarter Fiscal 2023	We adopted this standard effective April 1, 2022 with no material impact to 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, 2022, which was filed with the SEC on May 31, 2022. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2022.

(dollars in thousands, except as noted)

2. Business Acquisitions

During the second quarter of fiscal 2023, we completed a tuck-in acquisition, which continued to expand our product and service offerings in the Healthcare segment. Total aggregate consideration was approximately $21,892, including contingent deferred consideration of $6,700. Acquisition related costs are reported in the selling, general, and administrative expense line of the Consolidated Statements of Income and such amounts are not material. Purchase price allocation will be finalized within a measurement period not to exceed one year from closing.

On June 2, 2021, we acquired all outstanding equity interests in Cantel Medical LLC ("Cantel") through a U.S. subsidiary.The total consideration for Cantel common stock and stock equivalents was $3,599,471. We funded the cash portion of the transaction consideration and repayment of a significant amount of Cantel's existing debt obligations with a portion of the proceeds from new debt, which is described in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

In addition to the total purchase consideration, STERIS assumed and repaid $721,284 of existing Cantel debt obligations and assumed Cantel's obligations associated with convertible senior notes issued on May 15, 2020, which is described in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

Fair Value of Assets Acquired and Liabilities Assumed

The table below presents the allocation of fair values of assets acquired and liabilities assumed on the acquisition date.

	March 31, 2022 (As previously reported)	Adjustments	Final
Cash	$ 169,073	$ —	**$ 169,073**
Accounts receivable	172,226	—	**172,226**
Inventory	249,221	—	**249,221**
Property, plant and equipment	267,360	(1,282)	**266,078**
Lease right-of-use assets, net	59,720	—	**59,720**
Other assets	72,864	—	**72,864**
Intangible assets	2,942,000	—	**2,942,000**
Goodwill	1,522,381	22,088	**1,544,469**
Total assets acquired	5,454,845	20,806	**5,475,651**
Convertible debt, par value	168,000	—	**168,000**
Other current liabilities	247,549	5,595	**253,144**
Long-term lease obligations	47,856	—	**47,856**
Deferred income taxes, net	670,685	15,211	**685,896**
Long-term indebtedness	721,284	—	**721,284**
Total liabilities assumed	1,855,374	20,806	**1,876,180**
Net assets acquired	$ 3,599,471	$ —	**$ 3,599,471**

Acquisition and integration expenses totaled $3,844 and $13,676 for the three and six months ended September 30, 2022, respectively. Acquisition and integration expenses totaled $17,404 and $158,400 for the three and six months ended September 30, 2021, respectively. These costs were primarily related to the acquisition and integration of Cantel. Acquisition and integration expenses are reported in the selling, general and administrative expenses line of our Consolidated Statements of Income and include but are not limited to investment banker, advisory, legal, other professional fees, and certain employee-related expenses.

During the second quarter of fiscal 2023, in connection with the preparation of our quarterly consolidated financial statements, we identified and recognized a goodwill impairment loss of $490,565 related to goodwill that arose with respect to assets acquired in the Cantel acquisition. For more information on the impairment loss, see Note 17 to our consolidated financial statements, titled "Goodwill."

For more information on the acquisition of Cantel, refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

(dollars in thousands, except as noted)

3. Inventories, Net

Inventories are stated at the lower of their cost and net realizable value determined by the first-in, first-out ("FIFO") cost method. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	September 30, 2022	March 31, 2022
Raw materials	**$ 224,186**	$ 195,035
Work in process	**103,072**	76,021
Finished goods	**357,854**	334,880
Reserve for excess and obsolete inventory	**(40,176)**	(30,937)
Inventories, net	**$ 644,936**	$ 574,999

4. Property, Plant and Equipment

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

	September 30, 2022	March 31, 2022
Land and land improvements [1]	**$ 81,046**	$ 84,015
Buildings and leasehold improvements	**645,364**	654,851
Machinery and equipment	**909,916**	903,649
Information systems	**230,571**	222,620
Radioisotope	**599,197**	597,641
Construction in progress [1]	**429,675**	356,013
Total property, plant, and equipment	**2,895,769**	2,818,789
Less: accumulated depreciation and depletion	**(1,323,371)**	(1,266,213)
Property, plant, and equipment, net	**$ 1,572,398**	$ 1,552,576

[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:

	September 30, 2022	March 31, 2022
Short-term debt		
Term Loan, current portion	**$ 27,500**	$ 27,500
Delayed Draw Term Loan, current portion	**32,500**	24,375
Private Placement Senior Notes	**91,000**	91,000
Total short-term debt	**$ 151,000**	$ 142,875
Long-term debt		
Private Placement Senior Notes	**$ 728,312**	$ 758,726
Revolving Credit Facility	**150,932**	58,908
Deferred financing costs	**(23,433)**	(25,278)
Term Loan	**58,750**	177,500
Delayed Draw Term Loan	**609,375**	625,625
Senior Public Notes	**1,350,000**	1,350,000
Total long-term debt	**$ 2,873,936**	$ 2,945,481
Total debt	**$ 3,024,936**	$ 3,088,356

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, 2022, which was filed with the SEC on May 31, 2022.

(dollars in thousands, except as noted)

6. Additional Consolidated Balance Sheet Information

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

	September 30, 2022	March 31, 2022
Accrued payroll and other related liabilities:		
Compensation and related items	**$ 67,723**	$ 71,878
Accrued vacation/paid time off	**12,796**	13,669
Accrued bonuses	**32,111**	64,702
Accrued employee commissions	**18,243**	30,171
Other postretirement benefit obligations-current portion	**1,190**	1,190
Other employee benefit plans obligations-current portion	**1,776**	2,111
Total accrued payroll and other related liabilities	**$ 133,839**	$ 183,721
Accrued expenses and other:		
Deferred revenues	**$ 98,224**	$ 110,791
Service liabilities	**60,468**	51,365
Self-insured risk reserves-current portion	**11,913**	8,995
Accrued dealer commissions	**36,410**	31,700
Accrued warranty	**13,790**	14,108
Asset retirement obligation-current portion	**493**	1,181
Accrued interest	**10,090**	10,014
Other	**72,651**	78,390
Total accrued expenses and other	**$ 304,039**	$ 306,544
Other liabilities:		
Self-insured risk reserves-long-term portion	**$ 19,213**	$ 19,213
Other postretirement benefit obligations-long-term portion	**6,906**	7,335
Defined benefit pension plans obligations-long-term portion	**3,523**	1,772
Other employee benefit plans obligations-long-term portion	**1,168**	1,360
Accrued long-term income taxes	**10,034**	12,225
Asset retirement obligation-long-term portion	**11,351**	12,362
Other	**23,705**	21,312
Total other liabilities	**$ 75,900**	$ 75,579

7. Income Tax Expense

The effective income tax rates for the three month period ended September 30, 2022 and 2021 were 5.4% and 22.3%, respectively. The effective income tax rates for the six month period ended September 30, 2022 and 2021 were (3.2)% and 21.3%, respectively. The fiscal 2023 effective tax rate for the six month period ended September 30, 2022 decreased when compared to the prior year period, primarily due to the tax impact of the goodwill impairment loss recognized on the Dental segment during the second quarter of fiscal 2023.

Income tax expense (benefit) 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 2018 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 2016. We remain subject to tax authority audits in various jurisdictions wherever we do business.

In the fourth quarter of fiscal 2021, we completed an appeals process with the U.S. Internal Revenue Service (the "IRS") regarding proposed audit adjustments related to deductibility of interest paid on intercompany debt for fiscal years 2016 and 2017. An agreement was reached on final interest rates, which also impacts subsequent years through 2020. We estimate the total federal, state, and local tax impact of the settlement to be approximately $12,000 for the fiscal years 2016 through 2020, of which approximately $7,500 has been paid through September 30, 2022.

In May 2021, we received two notices of proposed tax adjustment from the IRS regarding deemed dividend inclusions and associated withholding tax. The notices relate to the fiscal and calendar year 2018. The IRS adjustments would result in a cumulative tax liability of approximately $50,000. We are contesting the IRS's assertions, and intend to pursue available remedies such as appeals and litigation, if necessary. 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, gases, 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, 2022, which was filed with the SEC on May 31, 2022, Item 1 titled "Business - Information with respect to our Business in General - Government Regulation" and the "Risk Factors" in Item 1A titled "Product and service 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 report our financial information in four reportable business segments: Healthcare, Applied Sterilization Technologies, Life Sciences and Dental. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income.

Our Healthcare segment provides a comprehensive offering for healthcare providers worldwide, focused on sterile processing departments and procedural centers, such as operating rooms and endoscopy suites. Our products and services range from infection prevention consumables and capital equipment, as well as services to maintain that equipment; to the repair of re-usable procedural instruments; to outsourced instrument reprocessing services. In addition, our procedural solutions also include single-use devices and capital equipment infrastructure used primarily in operating rooms, ambulatory surgery centers, endoscopy suites, and other procedural areas.

Our Applied Sterilization Technologies ("AST") segment is a third-party service provider for contract sterilization, as well as testing services needed to validate sterility services for medical device and pharmaceutical manufacturers. Our technology-neutral offering supports Customers every step of the way, from testing through sterilization.

Our Life Sciences segment provides a comprehensive offering of products and services that support pharmaceutical manufacturing, primarily for vaccine and other biopharma Customers focused on aseptic manufacturing. These solutions include a full suite of consumable products, equipment maintenance and specialty services, and capital equipment.

Our Dental segment provides a comprehensive offering for dental practitioners and dental schools, offering instruments, infection prevention consumables and instrument management systems.

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. Certain prior period costs were reallocated from the Healthcare segment to Corporate to conform with current year presentation. The prior period segment operating income measure has been recast for comparability.

For the three and six months ended September 30, 2022, revenues from a single Customer did not represent ten percent or more of the Healthcare, Applied Sterilization Technologies or Life Sciences segment revenues. Three Customers collectively and consistently account for approximately 40.0% of our Dental segment revenue. The percentage associated with these three Customers collectively in any one period may vary due to the buying patterns of these three Customers as well as other Dental Customers. These three Customers collectively accounted for approximately 40.1% and 42.1% of our Dental segment revenues for the three and six months ended September 30, 2022, respectively. These three Customers collectively accounted for approximately 40.6% and 39.5% of our Dental segment revenues for the three and six months ended September 30, 2021, respectively.

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, 2022, which was filed with the SEC on May 31, 2022.

(dollars in thousands, except as noted)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Revenues:				
Healthcare	**$ 732,813**	$ 744,134	**$ 1,431,339**	$ 1,346,951
Applied Sterilization Technologies	**232,358**	204,892	**453,269**	413,794
Life Sciences	**125,768**	132,327	**257,975**	253,798
Dental	**109,578**	115,632	**214,425**	150,864
Total revenues	**$ 1,200,517**	$ 1,196,985	**$ 2,357,008**	$ 2,165,407
Segment operating income (loss):				
Healthcare	**$ 165,337**	$ 168,335	**$ 321,834**	$ 306,709
Applied Sterilization Technologies	**110,384**	99,789	**219,699**	201,716
Life Sciences	**48,619**	57,519	**103,924**	106,607
Dental	**28,059**	32,392	**47,655**	42,511
Corporate	**(67,056)**	(79,497)	**(142,999)**	(156,771)
Total segment operating income	**$ 285,343**	$ 278,538	**$ 550,113**	$ 500,772
Less: Adjustments				
Amortization of acquired intangible assets [1]	**$ 93,859**	$ 74,791	**$ 187,786**	$ 116,531
Acquisition and integration related charges [2]	**3,844**	17,404	**13,676**	158,400
Tax restructuring costs [3]	**77**	159	**251**	110
(Gain) on fair value adjustment of acquisition related contingent consideration [1]	**—**	—	**(3,100)**	—
Net (gain) loss on divestiture of businesses [1]	**899**	(15)	**4,777**	404
Amortization of inventory and property "step up" to fair value [1]	**2,452**	69,486	**4,089**	94,276
Restructuring charges [4]	**62**	210	**89**	224
Goodwill impairment loss [5]	**490,565**	—	**490,565**	—
Total income from operations	**$ (306,415)**	$ 116,503	**$ (148,020)**	$ 130,827

(1) For more information regarding our recent acquisitions and divestitures, refer to Note 2 titled, "Business Acquisitions and Divestitures" included in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
(2) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
(3) Costs incurred in tax restructuring.
(4) For more information regarding our restructuring efforts, refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
(5) For more information regarding our goodwill impairment loss, see Note 17 to our consolidated financial statements titled, "Goodwill."

Additional information regarding our fiscal 2023 and fiscal 2022 revenue is disclosed in the following tables:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Healthcare:				
Capital equipment	**$ 212,484**	$ 202,405	**$ 391,618**	353,295
Consumables	**246,050**	270,089	**498,082**	476,781
Service	**274,279**	271,640	**541,639**	516,875
Total Healthcare Revenues	**$ 732,813**	$ 744,134	**$ 1,431,339**	$ 1,346,951
Applied Sterilization Technologies Service Revenues	**$ 232,358**	$ 204,892	**$ 453,269**	$ 413,794
Life Sciences:				
Capital equipment	**$ 30,015**	$ 34,186	**$ 70,514**	$ 66,931
Consumables	**57,420**	61,748	**116,977**	118,284
Service	**38,333**	36,393	**70,484**	68,583
Total Life Sciences Revenues	**$ 125,768**	$ 132,327	**$ 257,975**	$ 253,798
Dental Revenues	**$ 109,578**	$ 115,632	**$ 214,425**	$ 150,864
Total Revenues	**$ 1,200,517**	$ 1,196,985	**$ 2,357,008**	$ 2,165,407

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Revenues:				
Ireland	**$ 16,995**	$ 20,046	**$ 35,171**	$ 41,991
United States	**871,981**	852,497	**1,706,082**	1,531,747
Other locations	**311,541**	324,442	**615,755**	591,669
Total Revenues	**$ 1,200,517**	$ 1,196,985	**$ 2,357,008**	$ 2,165,407

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 September 30,		Six Months Ended September 30,	
Denominator (shares in thousands):	2022	2021	2022	2021
Weighted average shares outstanding—basic	**99,969**	99,848	**100,025**	95,000
Dilutive effect of share equivalents[1]	**—**	841	**—**	840
Weighted average shares outstanding and share equivalents—diluted	**99,969**	100,689	**100,025**	95,840

[1] The dilutive effect of share equivalents is excluded from the calculation of diluted earnings per share for the three and six months ended September 30, 2022 due to our net losses for those periods.

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 September 30,		Six Months Ended September 30,	
(shares in thousands)	2022	2021	2022	2021
Number of share options	**642**	209	**467**	241

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 September 30, 2022, there was approximately $249,371 (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. The suspension was lifted effective February 10, 2022, enabling the Company to resume stock repurchases pursuant to the prior authorizations.

During the first six months of fiscal 2023, we repurchased 292,487 of our ordinary shares for the aggregate amount of $59,561 (net of fees and commissions) pursuant to the authorizations.

During the first six months of fiscal 2023, we obtained 64,436 of our ordinary shares in the aggregate amount of $11,769 in connection with share based compensation award programs. During the first six months of fiscal 2022, we obtained 130,678 of our ordinary shares in the aggregate amount of $24,751 in connection with share based compensation award programs.

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 September 30, 2022, 2,797,136 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.

(dollars in thousands, except as noted)

The following weighted-average assumptions were used for options granted during the first six months of fiscal 2023 and 2022:

	Fiscal 2023	Fiscal 2022
Risk-free interest rate	**2.44 %**	1.16 %
Expected life of options	**5.9 years**	5.9 years
Expected dividend yield of stock	**0.80 %**	0.97 %
Expected volatility of stock	**24.49 %**	24.37 %

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 2.54% and 2.85% was applied in fiscal 2023 and 2022, 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, 2022	1,560,954	$ 138.37		
Granted	235,435	247.45		
Exercised	(24,408)	50.99		
Forfeited	(8,928)	205.25		
Outstanding at September 30, 2022	**1,763,053**	**$ 153.81**	**6.7 years**	**$ 58,929**
Exercisable at September 30, 2022	**1,118,754**	**$ 119.95**	**5.6 years**	**$ 57,462**

We estimate that 626,912 of the non-vested stock options outstanding at September 30, 2022 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $166.28 closing price of our ordinary shares on September 30, 2022 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 six months of fiscal 2023 and fiscal 2022 was $4,553 and $16,076, respectively. Net cash proceeds from the exercise of stock options were $1,458 and $7,829 for the first six months of fiscal 2023 and fiscal 2022, respectively.

The weighted average grant date fair value of stock option grants was $50.72 and $37.34 for the first six months of fiscal 2023 and fiscal 2022, 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. As of May 24, 2021, we no longer have outstanding SARS.

(dollars in thousands, except as noted)

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, 2022	485,510	33,677	$ 157.37
Granted	124,558	13,030	226.03
Vested	(138,099)	(13,101)	125.48
Forfeited	(12,750)	(1,246)	179.57
Non-vested at September 30, 2022	**459,219**	**32,360**	**$ 185.84**

Restricted shares and restricted share unit grants are valued based on the closing stock price at the grant date. The value of restricted shares and units that vested during the first six months of fiscal 2023 at the time of grant was $18,989.

As of September 30, 2022, there was a total of $80,182 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 2.3 years.

Cantel Share Based Compensation Plan

In connection with the acquisition of Cantel, outstanding, non-vested Cantel restricted share units were replaced with STERIS restricted share units.

A total of 280,402 STERIS restricted share units replaced Cantel awards based on a ratio of one Cantel restricted share unit to 0.4262 STERIS restricted share units. Cantel time based restricted share units were replaced with STERIS restricted share units with the same three-year pro-rata vesting terms based on the original award date. Performance based Cantel restricted share units were replaced with time based STERIS restricted share units that vest pro rata over the remaining one, two or three anniversaries from the original Cantel award date. The number of Cantel performance restricted share units was replaced based on the original target achievement level. All replacement restricted share units retained dividend accumulation rights.

The fair value of each STERIS restricted share unit awarded on June 2, 2021 to replace outstanding non-vested Cantel restricted share units was $191.18 based on the closing price of STERIS ordinary shares on June 2, 2021. Approximately $18,173 of the total $53,607 grant date fair value was attributable to pre-acquisition services provided and was recorded as a component of purchase consideration in connection with the acquisition of Cantel.

Recognition of unamortized share-based compensation expense totaling $18,545 was accelerated in connection with the planned termination of certain Cantel executive level employees in the first quarter of fiscal 2022. As a result of the formal notices provided and the terms of the Cantel share based compensation plans and Cantel Executive Severance and Change of Control Plan, the remaining service required under the awards became non-substantive requiring acceleration of the remaining related compensation cost.

September 30, 2022, there was a total of $3,178 in unrecognized compensation cost related to non-vested STERIS restricted share units awarded to replace Cantel restricted share units. We expect to recognize the cost over a weighted average period of 1.0 year.

A summary of the non-vested restricted share units activity associated with the Cantel share-based compensation plans is presented below:

	Number of Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2022	45,722	$ 191.18
Granted	—	—
Vested	(2,729)	191.18
Forfeited	(3,738)	191.18
Non-vested at September 30, 2022	**39,255**	**$ 191.18**

(dollars in thousands, except as noted)

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 six months of fiscal 2023 were as follows:

	Warranties
Balance, March 31, 2022	$ 14,108
Warranties issued during the period	6,204
Settlements made during the period	(6,522)
Balance, September 30, 2022	**$ 13,790**

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 second quarter of fiscal 2023, 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 2023. 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.

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 September 30, 2022, we held foreign currency forward contracts to buy 28.5 million British pounds sterling; and to sell 100.0 million Mexican pesos, and 78.8 million euros. At September 30, 2022, we held commodity swap contracts to buy 400.8 thousand pounds of nickel.

	Asset Derivatives		Liability Derivatives	
Balance sheet location	Fair Value at September 30, 2022	Fair Value at March 31, 2022	Fair Value at September 30, 2022	Fair Value at March 31, 2022
Prepaid & Other	**$ 2,324**	$ 2,780	**$ —**	$ —
Accrued expenses and other	$ —	$ —	**$ 1,230**	$ 198

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 September 30,		Six Months Ended September 30,	
	Location of gain (loss) recognized in income	2022	2021	2022	2021
Foreign currency forward contracts	Selling, general and administrative	**$ 2,279**	$ 1,143	**$ 4,629**	$ 2,571
Commodity swap contracts	Cost of revenues	**$ (358)**	$ 28	**$ (3,183)**	$ 693

(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 September 30, 2022 and March 31, 2022:

	Carrying Value		Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets — Level 1		Significant Other Observable Inputs — Level 2		Significant Unobservable Inputs — Level 3	
	September 30,	March 31,	September 30,	March 31,	September 30,	March 31,	September 30,	March 31,
Assets:								
Cash and cash equivalents	**$ 258,259**	$ 348,320	**$ 258,259**	$ 348,320	**$ —**	$ —	**$ —**	$ —
Forward and swap contracts [1]	**2,324**	2,780	**—**	—	**2,324**	2,780	**—**	—
Equity investments[2]	**6,363**	8,520	**6,363**	8,520	**—**	—	**—**	—
Other investments	**1,986**	2,272	**1,986**	2,272	**—**	—	**—**	—
Liabilities:								
Forward and swap contracts [1]	**$ 1,230**	$ 198	**$ —**	$ —	**$ 1,230**	$ 198	**$ —**	$ —
Deferred compensation plans [2]	**989**	1,240	**989**	1,240	**—**	—	**—**	—
Debt [3]	**3,024,936**	3,088,356	**—**	—	**2,591,744**	2,991,680	**—**	—
Contingent consideration obligations [4]	**14,538**	10,550	**—**	—	**—**	—	**14,538**	10,550

[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 second quarter and first half of fiscal 2023, we recorded losses of $643 and $1,727, respectively, related to these investments. During the second quarter and first half of fiscal 2022, we recorded losses of $213 and $229, respectively, related to these investments.

[3] We estimate the fair value of our debt using discounted cash flow analyses, based on estimated 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 capture 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 September 30, 2022 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2022	$ 10,550
Additions	7,181
Payments	(40)
Reductions	(3,100)
Currency translation adjustments	(53)
Balance at September 30, 2022	**$ 14,538**

(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 and six months ended September 30, 2022 and 2021 were as follows:

	Defined Benefit Plans (1)		Currency Translation (2)		Total Accumulated Other Comprehensive Income (Loss)	
	Three Months	Six Months	Three Months	Six Months	Three Months	Six Months
Beginning Balance	$ 1,305	$ 1,276	$ (389,678)	$ (211,084)	$ (388,373)	$ (209,808)
Other Comprehensive Income (Loss) before reclassifications	**149**	**303**	**(209,802)**	**(388,396)**	**(209,653)**	**(388,093)**
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	**(122)**	**(247)**	**—**	**—**	**(122)**	**(247)**
Net current-period Other Comprehensive (Loss)	**27**	**56**	**(209,802)**	**(388,396)**	**(209,775)**	**(388,340)**
Balance at September 30, 2022	**$ 1,332**	**$ 1,332**	**$ (599,480)**	**$ (599,480)**	**$ (598,148)**	**$ (598,148)**

(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	Six Months	Three Months	Six Months	Three Months	Six Months
Beginning Balance	$ (6,026)	$ (5,519)	$ (30,791)	$ (55,724)	$ (36,817)	$ (61,243)
Other Comprehensive Income before reclassifications	585	1,176	(68,409)	(43,476)	(67,824)	(42,300)
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	(1,092)	(2,190)	—	—	(1,092)	(2,190)
Net current-period Other Comprehensive Income (Loss)	(507)	(1,014)	(68,409)	(43,476)	(68,916)	(44,490)
Balance at September 30, 2021	$ (6,533)	$ (6,533)	$ (99,200)	$ (99,200)	$ (105,733)	$ (105,733)

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.

(dollars in thousands, except as noted)

17. Goodwill

Changes to the carrying amount of goodwill for the six months ended September 30, 2022 are as follows:

	Healthcare Segment	Life Sciences Segment	Applied Sterilization Technologies Segment	Dental Segment	Total
Balance at March 31, 2022	$ 2,326,830	$ 179,288	$ 1,432,858	$ 465,367	$ 4,404,343
Goodwill acquired	1,286	—	—	—	1,286
Measurement period adjustments to acquired goodwill	(21,624)	3,147	—	40,565	22,088
Impairment	—	—	—	(490,565)	(490,565)
Divestiture	(2,358)	—	—	—	(2,358)
Foreign currency translation adjustments	(61,102)	(2,449)	(150,736)	(15,367)	(229,654)
Balance at September 30, 2022	**$ 2,243,032**	**$ 179,986**	**$ 1,282,122**	**$ —**	**$ 3,705,140**

We evaluate the recoverability of recorded goodwill annually at the reporting unit level during the third fiscal quarter, or when indicators of potential impairment exist. The Company's reporting units are equivalent to the reportable operating segments.

In connection with the preparation of our quarterly consolidated financial statements, we considered the risk of impairment due to deteriorating macroeconomic conditions including rising interest rates and inflationary pressures on material and labor costs, as well as uncertainty regarding the impact such economic strains will have on patient and Customer behavior in the short-term. Our conclusion, based on the qualitative assessment of these factors, was that it was more likely than not that the goodwill allocated to the Dental segment as of September 30, 2022 was impaired.

Our quantitative analysis to measure the extent of goodwill impairment compared the estimated fair value to the carrying value of the Dental segment. The fair value is estimated as the present value of future cash flows. Future cash flow projections are consistent with those used in our forecasting and strategic planning processes. The determination of the discount rate requires judgement and assumptions to be developed about the weighted average cost of capital that market participants would employ in evaluating the current fair value of the business. The macroeconomic factors that triggered the interim review are also the drivers of the increase in the weighted average cost of capital assumption.

In connection with the preparation of our quarterly consolidated financial statements, we identified and recognized, as of September 30, 2022, that the estimated fair value of the Dental segment is below the carrying value resulting in a non-cash goodwill impairment charge of $490,565. The impairment charge was recorded within “Goodwill impairment loss” in the Consolidated Statements of Income during the three-month period ended September 30, 2022.

Our review as of September 30, 2022 did not indicate that impairment of goodwill was more likely than not for any of the remaining segments during the period. The annual goodwill impairment review will be conducted in the third quarter of fiscal 2023 as planned.

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 September 30, 2022, the related consolidated statements of income, comprehensive income and shareholders' equity for the three- and six-month periods ended September 30, 2022 and 2021 and the consolidated statement of cash flows for the six- month periods ended September 30, 2022 and 2021, 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, 2022, 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 31, 2022, 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, 2022, 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
November 9, 2022

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 contained herein, which present the results of our operations for the second quarter and first half of fiscal 2023 and fiscal 2022. It may also be helpful to refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the Securities and Exchange Commission ("SEC") on May 31, 2022, including information in Item 1, "Business", Part I, Item 1A, "Risk Factors" and Note 10 of our consolidated financial statements titled, "Commitments and Contingencies," and Part II, Item 1A. of the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022, which was filed with the SEC on August 8, 2022, for a discussion of some of the matters that can adversely affect our business and results of operations.

In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. This information, discussion, and 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 outsourced reprocessing 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 operating room ("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 is a leading global provider of products and services that support patient care with an emphasis on infection prevention. WE HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare, life sciences and dental products and services. 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, dental instruments and tools, instrument and scope repair, laboratory testing services, outsourced reprocessing, and capital equipment products, such as sterilizers and surgical tables, automated endoscope reprocessors, and connectivity solutions such as operating room (“OR”) integration.

We operate and report our financial information in four reportable business segments: Healthcare, Applied Sterilization Technologies, Life Sciences and Dental. 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.

Acquisitions. During the second quarter of fiscal 2023, we completed a tuck-in acquisition, which continued to expand our product and service offerings in the Healthcare segment. Total aggregate consideration was approximately $21.9 million, including contingent deferred consideration of $6.7 million.

On June 2, 2021, we acquired all outstanding equity interests in Cantel Medical LLC. ("Cantel"). Cantel’s Dental business extended our business into a new Customer segment where there is an increasing focus on infection prevention protocols and processes. This business is being reported as the Dental segment. The rest of Cantel was integrated into our existing Healthcare and Life Sciences segments. Additionally, the acquisition has and is expected to continue to result in cost savings from optimizing global back-office infrastructure, leveraging best-demonstrated practices across locations and eliminating redundant public company costs.

The results of Cantel are reflected in the results of operations and cash flows from June 2, 2021 forward, which will affect comparability to the prior period results of operations and cash flows.

Acquisition and integration expenses totaled $3.8 million and $13.7 million for the three and six months ended September 30, 2022, respectively. Acquisition and integration expenses totaled $17.4 million and $158.4 million for the three and six months ended September 30, 2021, respectively.These costs were primarily related to the acquisition and integration of Cantel. Acquisition and integration expenses are reported in the selling, general and administrative expenses line of our Consolidated Statements of Income.

During the second quarter of fiscal 2023, in connection with the preparation of our quarterly consolidated financial statements, we identified and recognized a goodwill impairment loss of $490.6 million related to goodwill that arose with respect to assets acquired in the Cantel acquisition.

COVID-19 Pandemic and Macroeconomic Environment. The COVID-19 global pandemic and its direct and indirect impacts have led to disruptions in the market and the global and U.S. economies that may continue for a prolonged period. In response to the COVID-19 pandemic, various governmental authorities and private enterprises have implemented numerous containment measures, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. A number of our global suppliers, vendors, and distributors are located in regions that have been adversely affected by restrictive government and private enterprise measures implemented in response to the pandemic, or have otherwise been disrupted by associated prevailing macroeconomic trends. This has led to product and labor shortages, shipping delays and an increase in raw material and component pricing as well as other inflationary pressures, particularly on our manufacturing costs.

Throughout the pandemic, we have experienced and expect to continue to experience unpredictable fluctuations in demand for certain of our products and services. To date, we have been able to continue to operate our manufacturing facilities and meet the demand for essential products and services of our Customers. Nonetheless, in calendar 2022, supply chain disruptions and delays have limited and may continue to limit our ability to ship certain capital equipment, particularly in our Healthcare and Life Sciences business, negatively impacting capital equipment revenue growth. Within the Healthcare and Life Sciences businesses, approximately $70 million in capital equipment shipments were delayed in the second quarter of fiscal 2023.

We continue to pursue all available avenues to address supply chain disruptions, including purchases from third parties and brokers, qualifying alternative parts and suppliers, and obtaining prioritization from governmental agencies. We do not believe that the COVID-19 pandemic will negatively impact our long-term ability to generate revenues or meet existing and future financial obligations.

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, 2022, which was filed with the SEC on May 31, 2022, and Part II, Item 1A. of the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022, which was filed with the SEC on August 8, 2022.

Highlights. Revenues increased 0.3% to $1,200.5 million for the three months ended September 30, 2022, as compared to $1,197.0 million for the same period in the prior year. Revenues increased 8.8% to $2,357.0 million for the six months ended September 30, 2022, as compared to $2,165.4 million in the same period in the prior year. These increases reflect organic growth in the Healthcare, Applied Sterilization Technologies, and Life Sciences segments, and added volume from Cantel, offset by unfavorable fluctuations in currencies and divestiture activity.

Gross profit percentage for the second quarter of fiscal 2023 was 44.3% compared to the gross profit percentage for the second quarter of fiscal 2022 of 40.1%. Gross profit percentage for the first half of fiscal 2023 was 44.6% compared to the gross profit percentage for the first half of fiscal 2022 of 41.9%. Favorable impacts from mix, pricing, and other adjustments were partially offset by unfavorable impacts from inflation and productivity.

Operating loss for the second quarter of fiscal 2023 was $(306.4) million, compared to operating income of $116.5 million for second quarter of fiscal 2022. Operating loss during the first half of fiscal 2023 was $(148.0) million, compared to operating income of $130.8 million for the first half of fiscal 2022. In the fiscal 2022 periods, we incurred additional acquisition and integration expenses, which were primarily related to our acquisition of Cantel. There were no material acquisition and integration expenses incurred during the first six months of fiscal 2023. The fiscal 2023 reduction in such expenses was more than offset by a one time goodwill impairment charge of $490.6 million as well as an increase in amortization of purchased intangible assets in the fiscal 2023 periods.

Cash flows from operations were $335.6 million and free cash flow was $138.2 million in the first half of fiscal 2023 compared to cash flows from operations of $268.8 million and free cash flow of $135.8 million for first half of fiscal 2022 (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 2023 increases in cash flows from operations and free cash flows were primarily due to lower costs associated with the acquisition and integration of Cantel in the fiscal 2023 period, which was partially offset by increased capital spending in the fiscal 2023 period, mainly due to timing.

Our debt-to-total capital ratio was 34.3% at September 30, 2022 and 32.1% at March 31, 2022. During the first half of fiscal 2023, we declared and paid cash dividends totaling $0.90 per ordinary share.

Additional information regarding our financial performance during the second quarter and first half of fiscal 2023 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 decisionmaking. 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 (capital expenditures) 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 six months ended September 30, 2022 and 2021:

	Six Months Ended September 30,	
(dollars in thousands)	2022	2021
Net cash provided by operating activities	**$ 335,570**	$ 268,766
Purchases of property, plant, equipment and intangibles, net	**(198,701)**	(133,369)
Proceeds from the sale of property, plant, equipment and intangibles	**1,323**	387
Free cash flow	**$ 138,192**	$ 135,784

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the second quarter and first half of fiscal 2023 compared with the same fiscal 2022 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 six months ended September 30, 2022 to the revenues for the three and six months ended September 30, 2021:

	Three Months Ended September 30,			
(dollars in thousands)	2022	2021	Change	Percent Change
Total revenues	**$ 1,200,517**	$ 1,196,985	$ 3,532	0.3 %
Revenues by type:				
Service revenues	**534,123**	511,747	22,376	4.4 %
Consumable revenues	**413,411**	447,799	(34,388)	(7.7)%
Capital equipment revenues	**252,983**	237,439	15,544	6.5 %
Revenues by geography:				
Ireland revenues	**16,995**	20,046	(3,051)	(15.2)%
United States revenues	**871,981**	852,497	19,484	2.3 %
Other foreign revenues	**311,541**	324,442	(12,901)	(4.0)%

Revenues increased 0.3% to $1,200.5 million for the three months ended September 30, 2022, as compared to $1,197.0 million for the same period in the prior year. The increase was primarily related to organic growth in the Healthcare and Applied Sterilization Technologies segments , offset by unfavorable fluctuations in currencies and recent divestiture activity.

Service revenues increased 4.4% for the three months ended September 30, 2022, as compared to the same period in the prior year, reflecting growth in the Healthcare, Life Sciences and Applied Sterilization Technologies business segments. Consumable revenues decreased by 7.7% for the three months ended September 30, 2022, as compared to the same period in the prior year, reflecting declines in the Healthcare, Life Sciences and Dental segments. Capital equipment revenues increased 6.5% for the three months ended September 30, 2022, as compared to the same period in the prior year, reflecting growth in the Healthcare segment, which was partially offset by a decline in the Life Sciences segment.

Ireland revenues decreased 15.2% to $17.0 million for the three months ended September 30, 2022, as compared to $20.0 million for the same period in the prior year, reflecting declines in service, consumable and capital equipment revenues.

United States revenues increased 2.3% to $872.0 million for the three months ended September 30, 2022, as compared to $852.5 million for the same period in the prior year, reflecting growth in service revenues, which was partially offset by declines in consumable and capital equipment revenues.

Revenues from other foreign locations, decreased 4.0% to $311.5 million for the three months ended September 30, 2022, as compared to $324.4 million for the same period in the prior year. Declines in the Europe, Middle East & Africa ("EMEA") and Asia Pacific regions, where partially offset by growth within Canada and the Latin American region.

	Six Months Ended September 30,			
(dollars in thousands)	2022	2021	Change	Percent Change
Total revenues	**$ 2,357,008**	$ 2,165,407	$ 191,601	8.8 %
Revenues by type:				
Service revenues	**1,053,538**	990,890	62,648	6.3 %
Consumable revenues	**830,236**	746,686	83,550	11.2 %
Capital equipment revenues	**473,234**	427,831	45,403	10.6 %
Revenues by geography:				
Ireland revenues	**35,171**	41,991	(6,820)	(16.2)%
United States revenues	**1,706,082**	1,531,747	174,335	11.4 %
Other foreign revenues	**615,755**	591,669	24,086	4.1 %

Revenues increased 8.8% to $2,357.0 million for the six months ended September 30, 2022, as compared to $2,165.4 million for the same period in the prior year. The increase was primarily related to organic growth in the Healthcare, Applied Sterilization Technologies and Life Sciences segments, and added volume of $166.2 million from the Cantel acquisition, offset by unfavorable fluctuations in currencies and recent divestiture activity.

Service revenues increased 6.3% for the six months ended September 30, 2022, as compared to the same period in the prior year, reflecting growth in the Healthcare, Applied Sterilization Technologies, and Life Sciences segments. Consumable revenues increased by 11.2% for the six months ended September 30, 2022, as compared to the same period in the prior year, reflecting growth in the Healthcare and Dental segments, which were partially offset by a slight decline in the Life Sciences segment. Capital equipment revenues increased 10.6% for the six months ended September 30, 2022, reflecting growth in the Healthcare and Life Sciences segments.

Ireland revenues decreased 16.2% to $35.2 million for the six months ended September 30, 2022, as compared to $42.0 million for the same period in the prior year, reflecting declines in service, consumable, and capital equipment revenues.

United States revenues increased 11.4% to $1,706.1 million for the six months ended September 30, 2022, as compared to $1,531.7 million for the same period in the prior year, reflecting growth in service and capital equipment revenues, which were partially offset by a decline in consumable revenues.

Revenues from other foreign locations increased 4.1% to $615.8 million for the six months ended September 30, 2022, as compared to $591.7 million for the same period in the prior year. The increase reflects growth within the EMEA and Latin American regions, which was partially offset by declines in Canada and the Asia Pacific region.

Gross Profit. The following tables compare our gross profit for the three and six months ended September 30, 2022 to the three and six months ended September 30, 2021:

(dollars in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Percent Change
Gross profit:				
Product	**$ 315,315**	$ 257,754	$ 57,561	22.3 %
Service	**217,020**	222,590	(5,570)	(2.5)%
Total gross profit	**$ 532,335**	$ 480,344	$ 51,991	10.8 %
Gross profit percentage:				
Product	**47.3 %**	37.6 %		
Service	**40.6 %**	43.5 %		
Total gross profit percentage	**44.3 %**	40.1 %		

(dollars in thousands)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Change	Percent Change
Gross profit:				
Product	**$ 619,536**	$ 475,627	$ 143,909	30.3 %
Service	**430,597**	430,999	(402)	(0.1)%
Total gross profit	**$ 1,050,133**	$ 906,626	$ 143,507	15.8 %
Gross profit percentage:				
Product	**47.5 %**	40.5 %		
Service	**40.9 %**	43.5 %		
Total gross profit percentage	**44.6 %**	41.9 %		

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 second quarter of fiscal 2023 was 44.3% compared to the gross profit percentage for the second quarter of fiscal 2022 of 40.1%. Favorable impacts from pricing (160 basis points), divestiture activity (50 basis points), fluctuations in currencies (20 basis points), and mix and other adjustments (710 basis points) were partially offset by unfavorable impacts from inflation (400 basis points), productivity (100 basis points), and volume (40 basis points).

Gross profit percentage for the first half of fiscal 2023 was 44.6% compared to the gross profit percentage for the first half of fiscal 2022 of 41.9%. Favorable impacts from mix and other adjustments (520 basis points), pricing (150 basis points), and acquisition and divestiture activity (80 basis points), were partially offset by unfavorable impacts from inflation (410 basis points) and productivity (80 basis points).

The gross profit percentages reported for the fiscal 2022 periods were negatively impacted by the step up to fair value of the inventory held by Cantel at the time of acquisition which is reflected in the improvement identified as mix and other adjustments above.

Operating Expenses. The following table compares our operating expenses for the three and six months ended September 30, 2022 to the three and six months ended September 30, 2021:

(dollars in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	**$ 323,195**	$ 344,799	$ (21,604)	(6.3)%
Goodwill impairment loss	**490,565**	—	490,565	NM
Research and development	**24,928**	18,832	6,096	32.4 %
Restructuring expenses	**62**	210	(148)	(70.5)%
Total operating expenses	**$ 838,750**	$ 363,841	$ 474,909	130.5 %

(dollars in thousands)	Six Months Ended September 30, 2022	2021	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	**$ 657,821**	$ 738,551	$ (80,730)	(10.9)%
Goodwill impairment loss	**490,565**	—	490,565	NM
Research and development	**49,679**	37,024	12,655	34.2 %
Restructuring expenses	**88**	224	(136)	(60.7)%
Total operating expenses	**$ 1,198,153**	$ 775,799	$ 422,354	54.4 %

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 decreased 6.3% and 10.9% in the second quarter and first half of fiscal 2023, respectively over the same prior year periods. In the fiscal 2022 periods, we incurred additional acquisition and integration expenses, which were primarily related to our acquisition of Cantel. The fiscal 2023 reduction in such expenses was partially offset by an increase in amortization of purchased intangible assets in the fiscal 2023 periods.

Goodwill impairment loss. Goodwill impairment loss of $490.6 million was recorded during the second quarter of fiscal 2023 as the result of an interim assessment of the fair value of the Dental segment. For more information regarding our goodwill impairment loss, see Note 17 to our consolidated financial statements titled, "Goodwill."

Research and Development. Research and development expenses increased 32.4% and 34.2% in the second quarter and first half of fiscal 2023, respectively over the same prior year periods, largely due to the addition of Cantel. 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 2023, our investments in research and development have 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.

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 tables compare our net non-operating expenses for the three and six months ended September 30, 2022 and 2021:

(dollars in thousands)	Three Months Ended September 30, 2022	2021	Change
Non-operating expenses, net:			
Interest expense	**$ 26,123**	$ 23,036	$ 3,087
Fair value adjustment related to convertible debt, premium liability	**—**	4,883	(4,883)
Interest income and miscellaneous expense	**524**	(1,023)	1,547
Non-operating expenses, net	**$ 26,647**	$ 26,896	$ (249)

(dollars in thousands)	Six Months Ended September 30, 2022	2021	Change
Non-operating expenses, net:			
Interest expense	**$ 48,797**	$ 44,848	$ 3,949
Fair value adjustment related to convertible debt, premium liability	**—**	27,806	(27,806)
Interest income and miscellaneous expense	**1,294**	(2,457)	3,751
Non-operating expenses, net	**$ 50,091**	$ 70,197	$ (20,106)

Interest expense increased $3.1 million and $3.9 million during the second quarter and first half of fiscal 2023 as compared to the prior year periods, primarily due to higher interest rates on floating rate debt partially offset by lower principal amount of debt outstanding. For more information, refer to Note 5 of our consolidated financial statements titled, "Debt."

During the second quarter and first half of fiscal 2022, we recorded fair value adjustments of $4.9 million and $27.8 million, respectively, based on appreciation in our share price related to premium liability associated with the convertible debt assumed in the acquisition of Cantel. For more information on the Cantel convertible debt, refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

Interest (income) and miscellaneous expense increased by $1.5 million and $3.8 million during the first quarter and first half of fiscal 2023, respectively, as compared to the prior year periods, primarily due to losses recognized as a result of mark to market adjustments of our equity investments. For more information, refer to Note 15 of our consolidated financial statements, titled "Fair Value Measurements".

Income Tax Expense. The following tables compare our income tax expense (benefit) and effective income tax rates for the three and six months ended September 30, 2022 and September 30, 2021:

(dollars in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	Percent Change
Income tax expense (benefit)	**$ (17,831)**	$ 19,982	$ (37,813)	(189.2)%
Effective income tax rate	**5.4 %**	22.3 %		

(dollars in thousands)	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021	Change	Percent Change
Income tax expense	**$ 6,365**	$ 12,907	$ (6,542)	(50.7)%
Effective income tax rate	**(3.2)%**	21.3 %		

We record income tax expense (benefit) 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 period ended September 30, 2022 and 2021 were 5.4% and 22.3%, respectively. The effective income tax rates for the six month period ended September 30, 2022 and 2021 were (3.2)% and 21.3%, respectively. The fiscal 2023 effective tax rate for the six month period ended September 30, 2022 decreased when compared to the prior year period, primarily due to the tax impact of the goodwill impairment loss recognized on the Dental segment during the second quarter of fiscal 2023.

Business Segment Results of Operations.

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

Our Healthcare segment provides a comprehensive offering for healthcare providers worldwide, focused on sterile processing departments and procedural centers, such as operating rooms and endoscopy suites. Our products and services range from infection prevention consumables and capital equipment, as well as services to maintain that equipment; to the repair of re-usable procedural instruments; to outsourced instrument reprocessing services. In addition, our procedural solutions also include single-use devices and capital equipment infrastructure used primarily in operating rooms, ambulatory surgery centers, endoscopy suites, and other procedural areas.

Our Applied Sterilization Technologies ("AST") segment is a third-party service provider for contract sterilization, as well as testing services needed to validate sterility services for medical device and pharmaceutical manufacturers. Our technology-neutral offering supports Customers every step of the way, from testing through sterilization.

Our Life Sciences segment provides a comprehensive offering of products and services that support pharmaceutical manufacturing, primarily for vaccine and other biopharma Customers focused on aseptic manufacturing. These solutions include a full suite of consumable products, equipment maintenance and specialty services, and capital equipment.

Our Dental segment provides a comprehensive offering for dental practitioners and dental schools, offering instruments, infection prevention consumables and instrument management systems.

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. Certain prior period costs were reallocated from the Healthcare segment to Corporate to conform with current year presentation. The prior period segment operating income measure has been recast for comparability.

For the three and six months ended September 30, 2022, revenues from a single Customer did not represent ten percent or more of the Healthcare, Applied Sterilization Technologies or Life Sciences segment revenues. Three Customers collectively and consistently account for approximately 40.0% of our Dental segment revenue. The percentage associated with these three Customers collectively in any one period may vary due to the buying patterns of these three Customers as well as other Dental Customers. These three Customers collectively accounted for approximately 40.1% and 42.1% of our Dental segment revenues for the three and six months ended September 30, 2022, respectively. These three Customers collectively accounted for approximately 40.6% and 39.5% of our Dental segment revenues for the three and six months ended September 30, 2021, respectively.

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, 2022, which was filed with the SEC on May 31, 2022.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Healthcare	**$ 732,813**	$ 744,134	**$ 1,431,339**	$ 1,346,951
Applied Sterilization Technologies	**232,358**	204,892	**453,269**	413,794
Life Sciences	**125,768**	132,327	**257,975**	253,798
Dental	**109,578**	115,632	**214,425**	150,864
Total revenues	**$ 1,200,517**	$ 1,196,985	**$ 2,357,008**	$ 2,165,407
Segment operating income (loss):				
Healthcare	**$ 165,337**	$ 168,335	**$ 321,834**	$ 306,709
Applied Sterilization Technologies	**110,384**	99,789	**219,699**	201,716
Life Sciences	**48,619**	57,519	**103,924**	106,607
Dental	**28,059**	32,392	**47,655**	42,511
Corporate	**(67,056)**	(79,497)	**(142,999)**	(156,771)
Total segment operating income	**$ 285,343**	$ 278,538	**$ 550,113**	$ 500,772
Less: Adjustments				
Amortization of acquired intangible assets [1]	**$ 93,859**	$ 74,791	**$ 187,786**	$ 116,531
Acquisition and integration related charges [2]	**3,844**	17,404	**13,676**	158,400
Tax restructuring costs [3]	**77**	159	**251**	110
(Gain) on fair value adjustment of acquisition related contingent consideration [1]	**—**	—	**(3,100)**	—
Net (gain) loss on divestiture of businesses [1]	**899**	(15)	**4,777**	404
Amortization of inventory and property "step up" to fair value [1]	**2,452**	69,486	**4,089**	94,276
Restructuring charges [4]	**62**	210	**89**	224
Goodwill impairment loss [5]	**490,565**	—	**490,565**	—
Total income from operations	**$ (306,415)**	$ 116,503	**$ (148,020)**	$ 130,827

[1] For more information regarding our recent acquisitions and divestitures, refer to Note 2 titled, "Business Acquisitions and Divestitures" included in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
[2] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
[3] Costs incurred in tax restructuring.
[4] For more information regarding our restructuring efforts, refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
[5] For more information regarding our goodwill impairment loss, see Note 17 to our consolidated financial statements titled, "Goodwill."

Healthcare revenues decreased 1.5% to $732.8 million for the three months ended September 30, 2022, as compared to $744.1 million in the same prior year period. This decrease reflects a decline in consumable revenues of 8.9%, which was partially offset by growth in capital equipment and service revenues of 5.0%, and 1.0%, respectively, and reflects the impact of divestiture activity and unfavorable fluctuations in currencies. Healthcare revenues increased 6.3% to $1,431.3 million for the six months ended September 30, 2022, as compared to $1,347.0 million in the same prior year period. This increase reflects growth in capital equipment, service and consumable revenues of 10.9%, 4.8% and 4.5%, respectively and reflects the favorable impact of the Cantel acquisition and organic growth, partially offset by divestiture activity and unfavorable fluctuations in currencies.

The Healthcare segment's backlog at September 30, 2022, was $533.1 million. Excluding Cantel, the Healthcare segment's backlog was $311.2 million at September 30, 2021. In addition to the added volume from Cantel, the increase is primarily due to built up demand and supply chain disruptions as a result of the COVID-19 pandemic.

Applied Sterilization Technologies segment revenues increased 13.4% to $232.4 million for the three months ended September 30, 2022, as compared to $204.9 million for the same prior year period. Applied Sterilization Technologies segment revenues increased 9.5% to $453.3 million for the six months ended September 30, 2022, as compared to $413.8 million for the same prior year period. The fiscal 2023 increases are primarily due to organic growth and pricing, partially offset by unfavorable fluctuations in currencies.

Life Sciences revenues decreased 5.0% to $125.8 million for the three months ended September 30, 2022, as compared to $132.3 million for the same prior year period. This decrease reflects declines in capital equipment and consumable revenues of 12.2% and 7.0%, respectively, which were partially offset by a 5.3% increase in service revenues. The decline was driven by unfavorable fluctuations in currencies, divestiture activity, and organic volume declines, which exceeded favorable impacts from pricing.

Life Sciences revenues increased 1.6% to $258.0 million for the six months ended September 30, 2022, as compared to $253.8 million for the same prior year period. This increase reflects growth in capital equipment and service revenues of 5.4%, and 2.8% respectively, which were partially offset by a 1.1% decline in consumable revenue. The increase was driven by favorable organic growth, pricing, and the Cantel acquisition, which exceeded the negative impacts of currency fluctuations and divestiture activity.

The Life Sciences segment's backlog at September 30, 2022 amounted to $99.5 million, representing an increase of 1.2% as compared to the backlog of $98.3 million at September 30, 2021. The increase is primarily due to built up demand and supply chain disruptions as a result of the COVID-19 pandemic.

Dental segment revenues for the three months ended September 30, 2022 decreased to $109.6 million from $115.6 million for the same prior year period. The decline was the result of lower volume and currency fluctuations, which exceeded the favorable impact of pricing. Dental segment revenues for the six months ended September 30, 2022 and September 30, 2021 were $214.4 million and $150.9 million, respectively. The increase was driven by the timing of the Cantel acquisition.

The Healthcare segment's operating income decreased 1.8% to $165.3 million for the three months ended September 30, 2022, as compared to $168.3 million in the same prior year period. The segment's operating margins were 22.6% and 22.6% for the second quarter of fiscal 2023 and 2022, respectively. The decrease in operating income was primarily due to unfavorable impacts from supply chain, inflation, and divestiture activity, which exceeded the benefit of improved volume and price. The Healthcare segment's operating income increased 4.9% to $321.8 million for the six months ended September 30, 2022, as compared to $306.7 million in the same prior year period, primarily due to increased volume and the Cantel acquisition. The segment's operating margins were 22.5% and 22.8% for the first half of fiscal 2023 and 2022, respectively. The decline in operating margin is primarily due to increased supply chain and inflationary costs, higher research and development expenses, and higher meeting and travel expenses in fiscal 2023.

The Applied Sterilization Technologies segment's operating income increased 10.6% to $110.4 million for the three months ended September 30, 2022, as compared to $99.8 million during the same prior year period. The Applied Sterilization Technologies segment's operating income increased 8.9% to $219.7 million for the six months ended September 30, 2022, as compared to $201.7 million during the same prior year period. The segment's operating margins were 47.5% and 48.7% for the second quarter of fiscal 2023 and 2022, respectively. The segment's operating margins were 48.5% and 48.7% for the first half of fiscal 2023 and 2022, respectively. The increase in segment operating income and decrease in operating margin were primarily due to increased volume, which was partially offset by higher energy costs in fiscal 2023.

The Life Sciences segment's operating income decreased 15.5% to $48.6 million for the three months ended September 30, 2022, as compared to $57.5 million in the same prior year period. The Life Sciences segment's operating income decreased 2.5% to $103.9 million for the six months ended September 30, 2022, as compared to $106.6 million in the same prior year period. The segment's operating margins were 38.7% and 43.5% for the second quarter of fiscal 2023 and 2022, respectively. The segment's operating margins were 40.3% and 42.0% for the first half of fiscal 2023 and 2022, respectively. The decrease in segment operating income and operating margin were primarily due to declines in volume as well as supply chain and inflationary cost increases.

The Dental segment operating income was $28.1 million and $32.4 million for the three months ended September 30, 2022 and September 30, 2021, respectively. The decrease was primarily due to a reduction in volume. The Dental segment operating income was $47.7 million and $42.5 million, for the first six months of fiscal 2023 and 2022. The segment's operating margins were 25.6% and 28.0% for the second quarter of fiscal 2023 and 2022, respectively. The segment's operating margins were 22.2% and 28.2% for the first half of fiscal 2023 and 2022, respectively. Segment operating income and operating margin were somewhat limited by supply chain challenges in the fiscal 2023 periods as well as declines in volume.

Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the six months ended September 30, 2022 and 2021:

	Six Months Ended September 30,	
(dollars in thousands)	2022	2021
Net cash provided by operating activities	**$ 335,570**	$ 268,766
Net cash (used in) investing activities	**$ (207,342)**	$ (680,335)
Net cash (used in) provided by financing activities	**$ (186,362)**	$ 579,703
Debt-to-total capital ratio	**34.3 %**	34.5 %
Free cash flow	**$ 138,192**	$ 135,784

Net Cash Provided by Operating Activities – The net cash provided by our operating activities was $335.6 million for the first six months of fiscal 2023 and $268.8 million for the first six months of fiscal 2022. The fiscal 2023 increase was primarily due to lower costs associated with the acquisition and integration of Cantel in the fiscal 2023 period.

Net Cash Used In Investing Activities – The net cash used in investing activities totaled $207.3 million for the first six months of fiscal 2023 and $680.3 million for the first six months of fiscal 2022. The following discussion summarizes the significant changes in our investing cash flows for the first six months of fiscal 2023 and fiscal 2022:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were $198.7 million for the first six months of fiscal 2023 and $133.4 million during the same prior year period.The fiscal 2023 increase was primarily due to additional expenditures in our Applied Sterilization Technologies segment.
- Proceeds from the sale of business – During the first six months of fiscal 2023, we sold the remaining component of the animal healthcare business for $5.2 million.
- Acquisitions of businesses, net of cash acquired – During the first six months of fiscal 2023 we used $15.2 million for the acquisition of a business. During the first six months of fiscal 2022, we used $547.4 million for the acquisition of Cantel. For more information, refer to Note 2 titled, "Business Acquisitions," and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

Net Cash Used In Financing Activities – The net cash used in financing activities amounted to $186.4 million for the first six months of fiscal 2023 compared with net cash provided by financing activities of $579.7 million for the first six months of fiscal 2022. The following discussion summarizes the significant changes in our financing cash flows for the first six months of fiscal 2023 and fiscal 2022:

- Proceeds from Issuance of Senior Notes – During the first six months of fiscal 2022, we received $1,350.0 million in proceeds from the issuance of our Senior Public Notes. For more information on our Senior Public Notes, refer to Note 5 titled, "Debt" and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
- Proceeds from Term Loan – During the first six months of fiscal 2022, we borrowed $650.0 million under our Delayed Draw Term Loan. For more information on our Delayed Draw Term Loan, refer to Note 5 titled, "Debt" and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
- Payments on convertible debt obligations – During the first six months of fiscal 2022, we paid $371.4 million to settle obligations associated with Cantel's convertible debt assumed at the time of acquisition. For more information on Cantel's debt, refer to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
- Payments on Term Loans – During the first six months of fiscal 2023, we repaid $126.9 million of our Term Loans. During the first six months of fiscal 2022, we repaid $125.0 million of our Term Loan. For more information on our Term Loans, refer to Note 5 titled, "Debt" and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
- Payments on Long-term Obligations, net – During the first six months of fiscal 2022, we repaid $721.3 million of Cantel's outstanding debt in connection with the acquisition. For more information on Cantel's debt, refer to note 2 of our consolidated financial statements titled, "Business Acquisitions" and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

- Payments under credit facilities, net – Net proceeds received under credit facilities totaled $99.1 million in the first six months of fiscal 2023, compared to net payments under credit facilities of $65.0 million in the first six months of fiscal 2022.
- Deferred financing fees and debt issuance costs – During the first six months of fiscal 2022, we paid $17.3 million for financing fees and debt issuance costs primarily related to our Senior Public Notes and Delayed Draw Term Loan. For more information on our debt, refer to Note 5 of our consolidated financial statements titled, "Debt" and to our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022.
- Repurchases of ordinary shares – During the first six months of fiscal 2023, we obtained 64,436 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $11.8 million. During the first six months of fiscal 2023, we purchased 283,987 of our ordinary shares in the aggregate amount of $58.2 million. During the first six months of fiscal 2022, we obtained 130,678 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $24.8 million.
- Acquisition related deferred or contingent consideration – During the first six months of fiscal 2022, we paid $25.3 million in deferred and contingent consideration, the majority of which was associated with a pre-acquisition arrangement related to an acquisition made by Cantel prior to our purchase of the company.
- Cash dividends paid to ordinary shareholders – During the first six months of fiscal 2023, we paid total cash dividends of $90.0 million, or $0.90 per outstanding share. During the first six months of fiscal 2022, we paid total cash dividends of $77.1 million, or $0.83 per outstanding share.
- Transactions with noncontrolling interest holders – During the first six months of fiscal 2022, we paid distributions to noncontrolling interest holders of $1.0 million.
- Stock option and other equity transactions, net – We generally receive cash for issuing shares under our stock option programs. During the first six months of fiscal 2023 and fiscal 2022, we received cash proceeds totaling $1.5 million and $7.8 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was $138.2 million in the first six months of fiscal 2023 compared to $135.8 million in the first six months of fiscal 2022 (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 fiscal 2023 increase in free cash flow was primarily due to lower costs associated with the acquisition and integration of Cantel in the fiscal 2023 period, which was partially offset by increased capital spending in the fiscal 2023 period, mainly due to timing.

Our debt-to-total capital ratio was 34.3% at September 30, 2022 and 34.5% at September 30, 2021.

Material Future Cash Obligations and Commercial Commitments. Information related to our material future cash obligations and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022. Our commercial commitments were approximately $107.9 million at September 30, 2022, reflecting a net increase of $9.3 million in surety bonds and other commercial commitments from March 31, 2022. Outstanding borrowings under our Credit Agreement as of September 30, 2021 were $150.9 million. We had $13.5 million of letters of credit outstanding under the Credit Agreement at September 30, 2022.

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.

Supplemental Guarantor Financial Information

STERIS plc ("Parent") and its wholly-owned subsidiaries, STERIS Limited and STERIS Corporation (collectively "Guarantors" and each a "Guarantor"), each have provided guarantees of the obligations of STERIS Irish FinCo Unlimited Company ("FinCo", "STERIS Irish FinCo"), a wholly-owned subsidiary issuer, under Senior Public Notes issued by STERIS Irish FinCo on April 1, 2021 and of certain other obligations relating to the Senior Public Notes. The Senior Public Notes are guaranteed, jointly and severally, on a senior unsecured basis. The Senior Public Notes and the related guarantees are senior unsecured obligations of STERIS Irish FinCo and the Guarantors, respectively, and are equal in priority with all other unsecured and unsubordinated indebtedness of the Issuer and the Guarantors, respectively, from time to time outstanding, including, as applicable, under the Private Placement Senior Notes, borrowings under the Revolving Credit Facility, the Term Loan and the Delayed Draw Term Loan.

All of the liabilities of non-guarantor direct and indirect subsidiaries of STERIS, other than STERIS Irish FinCo, STERIS Limited and STERIS Corporation, including any claims of trade creditors, are effectively senior to the Senior Public Notes.

STERIS Irish FinCo's main objective and source of revenues and cash flows is the provision of short- and long-term financing for the activities of STERIS plc and its subsidiaries.

The ability of our subsidiaries to pay dividends, interest and other fees to the Issuer and ability of the Issuer and Guarantors to service the Senior Public Notes may be restricted by, among other things, applicable corporate and other laws and regulations as well as agreements to which our subsidiaries are or may become a party.

The following is a summary of the Senior Public Notes guarantees:

Guarantees of Senior Notes

- Parent Company Guarantor – STERIS plc
- Subsidiary Issuer – STERIS Irish FinCo Unlimited Company
- Subsidiary Guarantor – STERIS Limited
- Subsidiary Guarantor – STERIS Corporation

The guarantee of a Guarantor will be automatically and unconditionally released and discharged:

- in the case of a Subsidiary Guarantor, upon the sale, transfer or other disposition (including by way of consolidation or merger) of such Subsidiary Guarantor, other than to the Parent or a subsidiary of the Parent and as permitted by the indenture;
- in the case of a Subsidiary Guarantor, upon the sale, transfer or other disposition of all or substantially all the assets of such Subsidiary Guarantor, other than to the Parent or a subsidiary of the Parent and as permitted by the indenture;
- in the case of a Subsidiary Guarantor, at such time as such Subsidiary Guarantor is no longer a borrower under or no longer guarantees any material credit facility (subject to restatement in specified circumstances);
- upon the legal defeasance or covenant defeasance of the Senior Public Notes or the discharge of the Issuer's obligations under the indenture in accordance with the terms of the indenture;
- as described in accordance with the terms of the indenture; or
- in the case of the Parent, if the Issuer ceases for any reason to be a subsidiary of the Parent; provided that all guarantees and other obligations of the Parent in respect of all other indebtedness under any Material Credit Facility of the Issuer terminate upon the Issuer ceasing to be a subsidiary of the Parent; and
- upon such Guarantor delivering to the trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent provided for in the indenture relating to such transaction or release have been complied with.

The obligations of each Guarantor under its guarantee are expressly limited to the maximum amount that such Guarantor could guarantee without such guarantee constituting a fraudulent conveyance. Each Guarantor that makes a payment under its guarantee will be entitled upon payment in full of all guaranteed obligations under the indenture to a contribution from each Guarantor in an amount equal to such other Guarantor's pro rata portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

The following tables present summarized results of operations for the six months ended September 30, 2022 and summarized balance sheet information at March 31, 2022 for the obligor group of the Senior Public Notes. The obligor group consists of the Parent Company Guarantor, Subsidiary Issuer, and Subsidiary Guarantors for the Senior Public Notes. The summarized financial information is presented after elimination of (i) intercompany transactions and balances among the guarantors and issuer and (ii) equity in earnings from and investments in any subsidiary that is a non-guarantor or non-issuer. Transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

Summarized Results of Operations
(in thousands)

		Six Months Ended September 30, 2022
Revenues	$	**1,079,557**
Gross profit		**598,557**
Operating costs arising from transactions with non-issuers and non-guarantors - net		**201,300**
Income from operations		**347,792**
Non-operating income (expense) arising from transactions with subsidiaries that are non-issuers and non-guarantors - net		**220,831**
Net income	$	**283,866**

Summarized Balance Sheet Information
(in thousands)

		September 30, 2022		March 31, 2022
Receivables due from non-issuers and non-guarantor subsidiaries	$	**16,997,826**	$	16,033,719
Other current assets		**486,144**		400,776
Total current assets	$	**17,483,970**	$	16,434,495
Non-current receivables due from non-issuers and non-guarantor subsidiaries	$	**1,909,638**	$	2,001,742
Goodwill		**96,974**		95,688
Other non-current assets		**175,195**		142,711
Total non-current assets	$	**2,181,807**	$	2,240,141
Payables due to non-issuers and non-guarantor subsidiaries	$	**18,150,459**	$	17,053,749
Other current liabilities		**232,369**		231,043
Total current liabilities	$	**18,382,828**	$	17,284,792
Non-current payables due to non-issuers and non-guarantor subsidiaries	$	**1,056,941**	$	1,102,873
Other non-current liabilities		**3,073,691**		3,134,777
Total non-current liabilities	$	**4,130,632**	$	4,237,650

Intercompany balances and transactions between the obligor group have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately. Intercompany transactions arise from internal financing and trade activities.

Critical Accounting Estimates and Assumptions

Information related to our critical accounting estimates and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2022, which was filed with the SEC on May 31, 2022. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2022.

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, gases, 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.

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.

Refer to Note 7 of our consolidated financial statements titled, "Income Tax Expense" for more information.

Forward-Looking Statements

This quarterly report may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to STERIS or its industry, products or activities that are intended to qualify for the protections afforded “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date the statement is made and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “outlook,” “impact,” “potential,” “confidence,” “improve,” “optimistic,” “deliver,” “orders,” “backlog,” “comfortable,” “trend”, and “seeks,” or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, actions of regulatory agencies, and changes in laws, government regulations, labeling or product approvals or the application or interpretation thereof. Many of these important factors are outside of STERIS’s control. No assurances can be provided as to any result or the timing of any outcome regarding matters described in STERIS’s securities filings or otherwise with respect to any regulatory action, administrative proceedings, government investigations, litigation, warning letters, cost reductions, business strategies, earnings or revenue trends or future financial results. References to products are summaries only and should not be considered the specific terms of the product clearance or literature. Unless legally required, STERIS does not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, (a) the impact of the COVID-19 pandemic or similar public health crises on STERIS’s operations, supply chain, material and labor costs, performance, results, prospects, or value, (b) STERIS's ability to achieve the expected benefits regarding the accounting and tax treatments of the redomiciliation to Ireland (“Redomiciliation”), (c) operating costs, Customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, Customers, clients or suppliers) being greater than expected, (d) STERIS’s ability to successfully integrate the businesses of Cantel Medical into our existing businesses, including unknown or inestimable liabilities, or increases in expected integration costs or difficulties in connection with the integration of Cantel Medical (e) 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, (f) changes in tax laws or interpretations that could increase our consolidated tax liabilities, including changes in tax laws that would result in STERIS being treated as a domestic corporation for United States federal tax purposes, (g) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, including as a result of inflation, (h) the possibility that market demand will not develop for new technologies, products or applications or services, or business initiatives will take longer, cost more or produce lower benefits than anticipated, (i) the possibility that application of or compliance with laws, court rulings, certifications, regulations, or regulatory actions, including without limitation any of the same relating to FDA, EPA or other regulatory authorities, government investigations, the outcome of any pending or threatened FDA, EPA or other regulatory warning notices, actions, requests, inspections or submissions, the outcome of any pending or threatened litigation brought by private parties, or other requirements or standards may delay, limit or prevent new product or service introductions, affect the production, supply and/or marketing of existing products or services, result in costs to STERIS that may not be covered by insurance, or otherwise affect STERIS's performance, results, prospects or value, (j) the potential of international unrest, including the Russia-Ukraine military conflict, economic downturn or effects of currencies, tax assessments, tariffs and/or other trade barriers, adjustments or anticipated rates, material and labor costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (k) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS's products and services, (l) the possibility of delays in receipt of orders, order cancellations, or delays in the manufacture or shipment of ordered products, due to supply chain issues or otherwise,or in the provision of services, (m) the possibility that anticipated growth, cost savings, new product acceptance, performance or approvals, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental, or other issues or risks associated with STERIS's businesses, industry or initiatives may adversely impact STERIS's performance, results, prospects or value, (n) the impact on STERIS and its operations, or tax liabilities, of Brexit or the exit of other member countries from the EU, and the Company's ability to respond to such impacts, (o) the impact on STERIS and its operations of any legislation, regulations or orders, including but not limited to any new trade or tax legislation, regulations or orders, that may be implemented by the U.S. administration or Congress, or of any responses thereto, (p) the possibility that anticipated financial results or benefits of recent acquisitions, including the acquisition of Cantel Medical and Key Surgical, or of STERIS's restructuring efforts, or of recent divestitures, including anticipated revenue, productivity improvement, cost savings, growth synergies and other anticipated benefits, will not be realized or will be other than anticipated, (q) the increased level of STERIS's indebtedness incurred in connection with the acquisition of Cantel Medical limiting financial flexibility or increasing future borrowing costs, (r) rating agency actions or other occurrences that could affect STERIS's existing debt or future ability to borrow funds at rates favorable to STERIS or at all, (s) the potential impact of the acquisition of Cantel Medical on relationships, including with suppliers, Customers, employees and regulators, and (t) the effects of changes in credit availability, as well as the ability of STERIS's Customers and suppliers to adequately access the credit markets, on favorable terms or at all, when needed.

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 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, 2022, which was filed with the SEC on May 31, 2022. Our exposures to market risks have not changed materially since March 31, 2022.

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 second quarter of fiscal 2023, we entered into forward currency contracts in order to hedge a portion of our expected euro denominated earnings against our reporting currency, the U.S. dollar. These currency exchange contracts will mature during fiscal 2023. 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.

We also enter into foreign currency forward contracts to hedge monetary assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. At September 30, 2022, we held foreign currency forward contracts to buy 28.5 million British pounds sterling; and to sell 100.0 million Mexican pesos, and to sell 78.8 million euros.

We are dependent on basic raw materials, sub-assemblies, components, and other supplies used in our operations. Our financial results could be affected by the availability and changes in prices of these materials. The costs of these materials can rise suddenly and result in significantly higher costs of production. Where appropriate, we enter into long-term supply contracts as a basis to guarantee a reliable supply. We may also enter into commodity swap contracts to hedge price changes in a certain commodity that impacts raw materials included in our cost of revenues. At September 30, 2022, we held commodity swap contracts to buy 400.8 thousand pounds of nickel.

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 September 30, 2022 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" and in 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, 2022, which was filed with the SEC on May 31, 2022.

ITEM 1A. RISK FACTORS

For a complete discussion of the Company's risk factors, you should carefully review the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, which was filed with the SEC on May 31, 2022, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022, which was filed with the SEC on August 8, 2022.

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 September 30, 2022, there was approximately $249.4 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. The suspension was lifted effective February 10, 2022, enabling the Company to resume stock repurchases pursuant to the prior authorizations.

During the first six months of fiscal 2023, we obtained 64,436 of our ordinary shares in the aggregate amount of $11.8 million in connection with share based compensation award programs.

The following table summarizes the ordinary shares repurchase activity during the second quarter of fiscal 2023 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)
July 1-31	63,865	$ 212.79	63,865	$ 281,059
August 1-31	68,838	209.93	68,838	265,109
September 1-30	91,607	188.16	91,607	$ 249,371
Total	224,310 (1)	201.85 (1)	224,310	249,371

(1) Does not include 14 shares purchased during the quarter at an average price of $205.83 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
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	Form of Deed of Indemnity for STERIS plc Directors and executive officers (Ireland and United Kingdom) (filed as Exhibit 10.1 to the STERIS plc Form 10-Q for the quarterly period ended June 30, 2022 (Commission File No. 001-38848) and incorporated herein by reference)*
10.2	Form of Deed of Indemnity for STERIS plc Directors and executive officers (Ireland)* (filed as Exhibit 10.2 to the STERIS plc Form 10-Q for the quarterly period ended June 30, 2022 (Commission File No. 001-38848) and incorporated herein by reference)*
10.3	Form of Indemnification Agreement between STERIS Corporation and certain director and executive officers of STERIS plc (filed as Exhibit 10.3 to the STERIS plc Form 10-Q for the quarterly period ended June 30, 2022 (Commission File No. 001-38848) and incorporated herein by reference)*
10.4	Description of STERIS Non-Employee Director Compensation Program*
15.1	Letter Re: Unaudited Interim Financial Information.
22.1	List of Guarantor Subsidiaries with respect to the 2.700% Notes due 2031 and 3.750% Notes due 2051 issued by STERIS Irish Finco Unlimited Company (filed as Exhibit 22.1 to Form 10-K for the fiscal year ended March 31, 2021 (Commission File No. 001-38848), and incorporated by reference).
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).
	*A management contract or compensatory plan or arrangement required to be filed as an exhibit hereto

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
November 9, 2022

Description of STERIS plc Non-Employee Director Compensation Program

Summarized below is the Director compensation program for STERIS plc ("STERIS") non-employee Directors for the term of office beginning July 28, 2022.

Director retainer fees have been increased for the 2022-2023 term of office. An annual retainer of $315,000 is payable to each non-employee Director other than the Chairman of the Board. An annual retainer of $465,000 is payable to the Chairman. The retainer fees are payable in full at the beginning of each Director's term. Retainer fees are fully vested immediately, regardless of the form in which paid.

The retainer fee increases for the 2022-2023 term of office have been allocated to each Director equally between stock options and Career Restricted Stock Units ("CRSUs"). However, for those Directors who have not satisfied the stock ownership guidelines, the increase will be payable solely in CRSUs.

In addition, Committee membership fees, which are payable to Committee members other than Committee Chairs, for the 2022-2023 term remain the same. These fees are as follows:

- $12,000 Audit Committee member,
- $7,500 Compensation and Organization Development Committee member, and
- $6,000 per Committee for members of other standing Committees.

Annual Committee Chair fees remain unchanged and are payable in the following amounts, with payments to be made at the beginning of each term: $25,000 for the Audit Committee Chair, $20,000 for the Compensation and Organization Development Committee Chair, and $15,000 for the other standing Committee Chairs. Committee Chairs will receive their fees in cash, unless another form of payment is elected. Meeting fees were previously eliminated.

For the term of office beginning in 2022, giving effect to the retainer fee increases, the normal forms of retainer fees will be as follows: $82,000 in cash ($123,000 for the Chairman), $116,500 in stock options ($171,000 for the Chairman) and $116,500 in CRSUs ($171,000 for the Chairman). Except as described above with respect to the retainer fee increase, each Director was given the option to elect to receive all or a part of the cash or option portions of the fee in STERIS shares or CRSUs and a limited exception to elect to receive all or part of the CRSU portion of the fee in STERIS shares.

Notwithstanding the foregoing, the available forms of payment for Directors who have not satisfied the Company's Non-Employee Director Stock Ownership Guidelines are limited until such time as those Guidelines have been satisfied. A Director who has not met the Guidelines will receive a retainer fee of $82,000 in cash, with the remaining portion of such Director's retainer fee payable in CRSUs. The Director also may elect to receive additional CRSUs in lieu of all or part of the cash portion of the retainer fee.

Permitted elections for incumbent Directors are required to be made on or before the December 31 that immediately precedes the beginning of the term for which the compensation will be paid. Elections for the term of office beginning in 2023 must be made by December 31, 2022.

The number of CRSUs or STERIS shares a Director is entitled to receive is determined based upon the dollar amount of the retainer fees elected to be received in CRSUs or STERIS shares, and the NYSE STERIS per share closing price on the effective date of grant. The number of options a Director is entitled to receive is determined based upon the same factors and a Black-Scholes calculation, and the option price is the NYSE per share closing price on the effective date of grant.

A Director's CRSUs will be settled in STERIS ordinary shares six months after the cessation of the Director's Board service. Directors will be paid cash dividend equivalents on their CRSUs as dividends are paid on STERIS ordinary shares.

The STERIS Director compensation program for non-employee Directors may be modified by the Board of Directors.

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 November 9, 2022 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 September 30, 2022:

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)
333-254608	Form S-3 Registration Statement of STERIS plc, STERIS Corporation, STERIS Ltd, and STERIS Irish FinCo Unlimited Co pertaining to the registration of debt securities, guarantees of debt securities, ordinary shares, preferred shares, warrants, and units
333-256700	Form S-8 Registration Statement of STERIS plc pertaining to the Cantel Medical Corp. 2020 Equity Incentive Plan (As assumed and amended effective June 2, 2021) and the Cantel Medical Corp. 2016 Equity Incentive Plan (As assumed and amended effective June 2, 2021)

/s/ Ernst & Young LLP

Cleveland, Ohio
November 9, 2022

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Daniel A. Carestio, 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: November 9, 2022

/s/ DANIEL A. CARESTIO

Daniel A. Carestio
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: November 9, 2022

/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 September 30, 2022, 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/ DANIEL A. CARESTIO
Name:	**Daniel A. Carestio**
Title:	**President and Chief Executive Officer**
	/s/ MICHAEL J. TOKICH
Name:	**Michael J. Tokich**
Title:	**Senior Vice President and Chief Financial Officer**

Dated: November 9, 2022