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 June 30, 2021

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 x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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. o

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

The number of ordinary shares outstanding as of August 6, 2021: 99,758,941

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)

	June 30, 2021	March 31, 2021
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 534,774**	$ 220,531
Accounts receivable (net of allowances of $17,657 and $11,355 respectively)	**743,420**	609,406
Inventories, net	**593,067**	315,067
Prepaid expenses and other current assets	**136,599**	66,750
Total current assets	**2,007,860**	1,211,754
Property, plant, and equipment, net	**1,499,448**	1,235,400
Lease right-of-use assets, net	**207,341**	150,142
Goodwill	**5,286,594**	3,026,049
Intangibles, net	**3,048,319**	898,406
Other assets	**51,445**	52,720
Total assets	**$ 12,101,007**	$ 6,574,471
Liabilities and equity		
Current liabilities:		
Accounts payable	**$ 232,186**	$ 156,950
Accrued income taxes	**8,516**	27,561
Accrued payroll and other related liabilities	**193,167**	150,078
Lease obligations due within one year	**37,033**	22,774
Convertible debt, par value	**168,000**	—
Convertible debt, premium liability	**198,478**	—
Short-term indebtedness	**6,875**	—
Accrued expenses and other	**300,770**	220,557
Total current liabilities	**1,145,025**	577,920
Long-term indebtedness	**3,256,714**	1,650,540
Deferred income taxes, net	**856,899**	236,860
Long-term lease obligations	**171,314**	129,673
Other liabilities	**86,040**	88,010
Total liabilities	**$ 5,515,992**	$ 2,683,003
Commitments and contingencies (see Note 8)		
Ordinary shares, with $0.001 par value; 500,000 shares authorized; 99,746 and 85,353 ordinary shares issued and outstanding, respectively	**4,736,838**	2,002,825
Retained earnings	**1,874,559**	1,939,408
Accumulated other comprehensive (loss)	**(36,817)**	(61,243)
Total shareholders' equity	**6,574,580**	3,880,990
Noncontrolling interests	**10,435**	10,478
Total equity	**6,585,015**	3,891,468
Total liabilities and equity	**$ 12,101,007**	$ 6,574,471

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Three Months Ended June 30,	
	2021	**2020**
		(*as adjusted)
Revenues:		
Product	**$ 489,279**	$ 301,108
Service	**479,143**	367,824
Total revenues	**968,422**	668,932
Cost of revenues:		
Product	**271,406**	154,739
Service	**270,734**	226,809
Total cost of revenues	**542,140**	381,548
Gross profit	**426,282**	287,384
Operating expenses:		
Selling, general, and administrative	**393,752**	155,170
Research and development	**18,192**	16,231
Restructuring expenses	**14**	166
Total operating expenses	**411,958**	171,567
Income from operations	**14,324**	115,817
Non-operating expenses, net:		
Interest expense	**21,812**	9,492
Fair value adjustment related to convertible debt, premium liability	**22,923**	—
Interest (income) and miscellaneous expense	**(1,434)**	(2,289)
Total non-operating expenses, net	**43,301**	7,203
Income (loss) before income tax expense	**(28,977)**	108,614
Income tax (credit) expense	**(7,075)**	19,083
Net (loss) income	**(21,902)**	89,531
Less: Net (loss) income attributable to noncontrolling interests	**(95)**	(66)
Net (loss) income attributable to shareholders	**$ (21,807)**	$ 89,597
Net (loss) income per share attributed to shareholders		
Basic	**$ (0.24)**	$ 1.05
Diluted	**$ (0.24)**	$ 1.05
Cash dividends declared per share ordinary outstanding	**$ 0.40**	$ 0.37

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described our Annual Report on Form 10-K filed with the SEC on May 28, 2021.

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Three Months Ended June 30,	
	2021	**2020**
		(*as adjusted)
Net (loss) income	**$ (21,902)**	$ 89,531
Less: Net (loss) income attributable to noncontrolling interests	**(95)**	(66)
Net (loss) income attributable to shareholders	**(21,807)**	89,597
Other comprehensive income (loss)		
Amortization of pension and postretirement benefit plans cost, (net of taxes of $174 and $174, respectively)	**(507)**	(510)
Change in cumulative currency translation adjustment	**24,933**	27,619
Total other comprehensive income	**24,426**	27,109
Comprehensive income	**$ 2,619**	$ 116,706

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described our Annual Report on Form 10-K filed with the SEC on May 28, 2021.

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Three Months Ended June 30, 2021	2020 (*as adjusted)
Operating activities:		
Net (loss) income	**$ (21,902)**	$ 89,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	**83,621**	48,954
Deferred income taxes	**456**	(1,814)
Share-based compensation expense	**26,600**	5,962
Loss on the disposal of property, plant, equipment, and intangibles, net	**824**	237
Loss on sale of businesses, net	**419**	10
Fair value adjustment related to convertible debt, premium liability	**22,923**	—
Other items	**(2,334)**	6,842
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	**41,732**	84,665
Inventories, net	**(1,660)**	(28,830)
Other current assets	**(6,747)**	(6,729)
Accounts payable	**(4,614)**	(17,011)
Accruals and other, net	**(41,892)**	(47,695)
Net cash provided by operating activities	**97,426**	134,122
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	**(56,396)**	(66,861)
Proceeds from the sale of property, plant, and equipment	**217**	137
Acquisition of businesses, net of cash acquired	**(547,353)**	—
Net cash used in investing activities	**(603,532)**	(66,724)
Financing activities:		
Proceeds from issuance of senior public notes	**1,350,000**	—
Proceeds from term loan	**650,000**	—
Payments on term loan	**(125,000)**	—
Payments on long-term obligations	**(721,284)**	—
Payments under credit facilities, net	**(249,421)**	(95,837)
Deferred financing fees and debt issuance costs	**(17,227)**	—
Acquisition related deferred or contingent consideration	**(25,150)**	(21)
Repurchases of ordinary shares	**(10,670)**	(14,296)
Cash dividends paid to ordinary shareholders	**(34,148)**	(31,471)
Contributions from non-controlling interest	**—**	2,258
Stock option and other equity transactions, net	**1,710**	5,367
Net cash (provided by) used in financing activities	**818,810**	(134,000)
Effect of exchange rate changes on cash and cash equivalents	**1,539**	2,648
Increase (decrease) in cash and cash equivalents	**314,243**	(63,954)
Cash and cash equivalents at beginning of period	**220,531**	319,581
Cash and cash equivalents at end of period	**$ 534,774**	$ 255,627

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described our Annual Report on Form 10-K filed with the SEC on May 28, 2021.

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

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

	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
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)	**—**	**—**	**(21,807)**	**—**	**(95)**	**(21,902)**
Other comprehensive income	**—**	**—**	**—**	**24,426**	**—**	**24,426**
Repurchases of ordinary shares	**(60)**	**(1,776)**	**(8,894)**	**—**	**—**	**(10,670)**
Equity compensation programs and other	**156**	**28,299**		**—**	**—**	**28,299**
Cash dividends –$0.40 per ordinary share	**—**	**—**	**(34,148)**	**—**	**—**	**(34,148)**
Issuance of shares for acquisition of Cantel Medical Corp. ("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)**
Other changes in noncontrolling interest	**—**	**—**	**—**	**—**	**52**	**52**
Balance at June 30, 2021	**99,746 $**	**4,736,838 $**	**1,874,559 $**	**(36,817) $**	**10,435 $**	**6,585,015**

	Ordinary Shares		Retained Earnings (as adjusted *)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
	Number	Amount				
Balance at March 31, 2020	84,924	1,982,164 $	1,658,661 $	(235,463) $	12,848 $	3,418,210
Comprehensive income:						
Net income (loss)	—	—	89,597	—	(66)	89,531
Other comprehensive income	—	—	—	27,109	—	27,109
Repurchases of ordinary shares	(98)	(10,373)	(3,923)	—	—	(14,296)
Equity compensation programs and other	234	11,256	—	—	—	11,256
Cash dividends – $0.37 per ordinary share	—	—	(31,471)	—	—	(31,471)
Contributions from noncontrolling interest	—	—	—	—	2,258	2,258
Other changes in noncontrolling interest	—	—	—	—	9	9
Balance at June 30, 2020	85,060 $	1,983,047 $	1,712,864 $	(208,354) $	15,049 $	3,502,606

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described our Annual Report on Form 10-K filed with the SEC on May 28, 2021.

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three Months Ended June 30, 2021 and 2020
(dollars in thousands, unless noted and except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS is a leading global provider of products and services that meet the needs of healthcare growth areas: procedures, devices, pharmaceuticals and dental. Our MISSION IS TO HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare and life science products and services around the globe. We offer our Customers a unique mix of innovative consumable products, such as detergents, gastrointestinal ("GI") endoscopy accessories, barrier product solutions, and other products and services, including: equipment installation and maintenance, microbial reduction of medical devices, dental instruments and tools, instrument and scope repair solutions, 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.

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:

On June 2, 2021, we completed our previously announced acquisition of Cantel Medical Corp. Refer to note 2 titled, "Business Acquisitions" for additional information regarding this acquisition.

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, 2021 dated May 28, 2021. The Consolidated Balance Sheet at March 31, 2021 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 month period ended June 30, 2021 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2022.

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 June 30, 2021, assets related to costs to fulfill a contract were not material to our Consolidated Financial Statements.

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

Product Revenue

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

Service Revenue

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

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 cancelable without penalty and range from one to five years. Amounts received under these Customer contracts are initially recorded as a service liability and are recognized as service revenue ratably over the contract term using a time-based input measure.

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

Contract Liabilities

Payments received from Customers are based on invoices or billing schedules as established in contracts with Customers. Deferred revenue is recorded when payment is received in advance of performance under the contract. Deferred revenue is recognized as revenue upon completion of the performance obligation, which generally occurs within one year. During the first three months of fiscal 2022, $35,722 of the March 31, 2021 deferred revenue balance was recorded as revenue. During the first three months of fiscal 2021, $30,804 of the March 31, 2020 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 June 30, 2021, the transaction price allocated to remaining performance obligations was approximately $1,371,500. We expect to recognize approximately 55% of the transaction price within one year and approximately 37% beyond one year. The remainder has yet to be scheduled for delivery.

(dollars in thousands, except as noted)

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 2022				
ASU 2019-12 "Income Taxes (Topic 740)"	December 2019	The standard provides final guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance simplifies accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. .	First Quarter Fiscal 2022	We adopted this standard effective April 1, 2021 with no material impact to our consolidated financial statements.
ASU 2020-06 "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)"	August 2020	This standard simplifies the accounting for convertible instruments and its application of the derivatives scope exception for contracts in an entity's own equity. The standard reduces the number of accounting models that require separating embedded conversion features from convertible instruments. As a result, only conversion features accounted for under the substantial premium model and those that require bifurcation will be accounted for separately. For contracts in an entity's own equity, the new standard eliminates some of the current requirements for equity classification. The standard also addresses how convertible instruments are accounted for in the diluted earnings per share calculation and requires enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity.	First Quarter Fiscal 2022	We adopted this standard effective April 1, 2021 and applied it to our accounting for the convertible debt assumed in the acquisition of Cantel Medical Corp. ("Cantel").

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, 2021 dated May 28, 2021. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2021.

2. Business Acquisitions

On June 2, 2021, we acquired all outstanding equity interests of Cantel Medical Corp. ("Cantel") through a U.S. subsidiary. Cantel, headquartered in Little Falls, New Jersey, with approximately 3,700 employees, is a global provider of infection prevention products and services primarily to endoscopy and dental Customers.

We believe that the acquisition will strengthen STERIS's leadership in infection prevention by bringing together two complementary businesses able to offer a broader set of Customers a more diversified selection of infection prevention, endoscopy and sterilization products and services. Cantel is being integrated into our existing Healthcare and Life Sciences segments. Cantel's Dental business extends our business into a new Customer segment where there is an increasing focus on infection prevention protocols and processes. This business will be reported as the Dental segment. Additionally, the acquisition is expected to result in cost savings from optimizing global back-office infrastructure, leveraging best-demonstrated practices across locations and eliminating redundant public company costs.

Fiscal 2022 first quarter acquisition and integration expenses related to the Cantel acquisition totaled $140,347 and are reported in the selling, general and administrative expenses line of our Consolidated Statements of Income. Acquisition and integration expenses include but are not limited to investment banker, advisory, legal, other professional fees, and certain employee-related expenses.

Total Purchase Consideration

The total consideration for Cantel Common Stock and stock equivalents was $3,599,471. The consideration was comprised of the following:

(shares in thousands)		
Cash consideration $16.93 per Cantel share (42,816 shares)	**$**	**716,412**
Cash consideration for fractional shares		**14**
STERIS plc ordinary shares (14,297 shares at $188.07 per share)		**2,689,317**
Consideration related to Cantel equity compensation programs		**18,173**
Consideration related to equity component of Cantel convertible debt		**175,555**
Total purchase consideration	**$**	**3,599,471**

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 note 5 titled, "Debt".

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 Note 5 titled, "Debt" and in our Annual Report on Form 10-K for the year ended March 31, 2021, filed with the SEC on May 28, 2021.

Fair Value of Assets Acquired and Liabilities Assumed

The acquisition of Cantel has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. Acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

The entire purchase price allocation for Cantel is preliminary. As we finalize the fair value of assets acquired and liabilities assumed, additional purchase price adjustments will be recorded during the measurement period. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. The finalization of the purchase accounting assessment will result in changes in the valuation of assets acquired and liabilities assumed and may have a material impact on the our results of operations and financial position. Goodwill will be allocated to the Healthcare, Life Sciences and Dental segments. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined company and assembled workforce. Goodwill recognized as a result of the acquisition is not deductible for tax purposes.

The table below presents the preliminary estimated fair values of assets acquired and liabilities assumed on the acquisition date. These preliminary estimates will be revised during the measurement period as third-party valuations are finalized, additional information becomes available and as additional analyzes are performed, and these differences could have a material impact on our results of operations and financial position.

(dollars in thousands, except as noted)

	Cantel [1]
Cash	$ 169,073
Accounts receivable	172,226
Inventory	271,132
Property, plant and equipment	227,783
Lease right-of-use assets, net	48,504
Other assets	65,837
Intangible assets	2,190,000
Goodwill	2,243,827
Total assets acquired	5,388,382
Convertible debt, par value	168,000
Other current liabilities	240,801
Long-term lease obligations	40,768
Deferred income taxes, net	618,058
Long-term indebtedness	721,284
Total liabilities assumed	1,788,911
Net assets acquired	$ 3,599,471

[1] Purchase price allocation is still preliminary as of June 30, 2021, as valuations have not been finalized.

Other Intangible Assets

The estimated fair values of identifiable intangible assets were prepared using an income valuation approach, which requires a forecast of expected future cash flows either through the use of the relief-from-royalty method or the multi-period excess earnings method. The estimated useful lives are based on the historical experience of STERIS, available similar industry data and assumptions made by management. Preliminary values and useful lives are presented in the table below.

	Total [1]	Useful Live
Customer relationships	$ 2,060,000	10 years
Trade name	130,000	10 years
Total intangible assets acquired	$ 2,190,000	

[1] Amounts are preliminary as of June 30, 2021, as valuations have not been finalized.

Contingent liabilities assumed totaled $25,000 and were related to contingent consideration associated with a prior acquisition completed by Cantel. Payment of the liability was made in June 2021.

Actual and Pro Forma Impact

Our consolidated financial statements include Cantel's results of operations from the date of acquisition on June 2, 2021 through June 30, 2021. Net sales and operating income (loss) attributable to Cantel during this period and included in our consolidated financial statements for the three month period ended June 30, 2021 total $101,758 and $(133,190).

The following unaudited pro forma information gives effect to our acquisition of Cantel as if the acquisition had occurred on April 1, 2020 and Cantel had been included in our consolidated results of operations for the three month periods ended June 30, 2021 and 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three Months Ended June 30, 2021 and 2020
(dollars in thousands, except as noted)

	Three Months Ended June 30 (unaudited)	
	2021	2020
Net revenues	**$ 1,173,519**	$ 869,874
Net income (loss) from continuing operations	**93,635**	(90,382)

The historical consolidated financial information of STERIS and Cantel has been adjusted in the pro forma information to give effect to pro forma events that are directly attributable to the transaction and factually supportable. The unaudited pro forma results include adjustments to reflect the amortization of the inventory step-up and the incremental intangible asset amortization to be incurred based on preliminary valuations of assets acquired. Adjustments to financing costs and income tax expense also were made to reflect the capital structure and anticipated effective tax rate of the combined entity. These pro forma amounts are not necessarily indicative of the results that would have been obtained if the acquisition had occurred as of the beginning of the period presented or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings.

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. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	June 30, 2021	March 31, 2021
		(*as adjusted)
Raw materials	**$ 183,233**	$ 103,939
Work in process	**72,119**	54,283
Finished goods	**376,381**	176,623
Reserve for excess and obsolete inventory	**(38,666)**	(19,778)
Inventories, net	**$ 593,067**	$ 315,067

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described in our Annual report on Form 10-K filed with the SEC on May 28, 2021.

Inventory has increased since March 31, 2021, primarily due to the acquisition of Cantel.

4. Property, Plant and Equipment

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

	June 30, 2021	March 31, 2021
Land and land improvements [(1)]	**$ 84,154**	$ 69,477
Buildings and leasehold improvements	**662,527**	567,132
Machinery and equipment	**866,896**	779,044
Information systems	**224,584**	193,222
Radioisotope	**577,724**	565,681
Construction in progress [(1)]	**274,414**	211,381
Total property, plant, and equipment	**2,690,299**	2,385,937
Less: accumulated depreciation and depletion	**(1,190,851)**	(1,150,537)
Property, plant, and equipment, net	**$ 1,499,448**	$ 1,235,400

[(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:

	June 30, 2021		March 31, 2021	
Convertible debt, par value	**$**	**168,000**	$	—
Short-term debt				
Term loan, current portion		**6,875**		—
Total short-term debt	**$**	**6,875**	$	—
Long-term debt				
Private Placement	**$**	**862,719**	$	860,308
Revolving Credit Facility		**—**		247,423
Deferred financing costs		**(28,160)**		(7,191)
Term loan		**418,125**		550,000
Delayed draw term loan		**650,000**		—
Senior public notes		**1,350,000**		—
Financing leases		**4,030**		—
Total long-term debt	**$**	**3,256,714**	$	1,650,540
Total debt	**$**	**3,431,589**	$	1,650,540

During the first quarter of fiscal 2022, we borrowed $650,000 under our Delayed draw term loan agreement and used the proceeds to partially fund the Cantel acquisition.

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, 2021 dated May 28, 2021.

Senior Public Notes

On April 1, 2021, STERIS Irish FinCo Unlimited Company ("FinCo", "STERIS Irish FinCo", the "Issuer") completed an offering of $1,350,000 in aggregate principal amount, of its senior notes in two separate tranches: (i) $675,000 aggregate principal amount of the Issuer's 2.70% Senior Notes due 2031 (the “2031 Notes”) and (ii) $675,000 aggregate principal amount of the Issuer's 3.750% Senior Notes due 2051 (the “2051 Notes” and, together with the 2031 Notes, the “Senior Public Notes”). The Senior Public Notes were issued pursuant to an Indenture, dated as of April 1, 2021 (the “Base Indenture”), among FinCo, and STERIS plc, STERIS Corporation and STERIS Limited (the “Guarantors”) and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021, among FinCo, the Guarantors and the Trustee (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”). Each of the Guarantors guaranteed the Senior Public Notes jointly and severally on a senior unsecured basis (the “Guarantees”). The 2031 Notes will mature on March 15, 2031 and the 2051 Notes will mature on March 15, 2051. The Senior Public Notes will bear interest at the rates set forth above. Interest on the Senior Public Notes is payable on March 15 and September 15 of each year, beginning on September 15, 2021, until their respective maturities.

Cantel's Convertible Debt

On May 15, 2020, Cantel issued $168,000 aggregate principal amount of 3.25% convertible senior notes due 2025 (the “Notes”) in a private placement. The initial conversion price was $41.51 per share of Cantel common stock (based on an initial conversion rate of 24.0912 shares of Cantel common stock per one thousand dollars in principal amount of Notes) and was, along with the conversion rate, subject to adjustment if certain events occurred.

On June, 3, 2021, Cantel (a) delivered a notice to holders of its Notes pursuant to the indenture governing the Notes (as supplemented, the "Cantel Indenture"), notifying holders that, as a result of each of (i) the consummation of the series of mergers (the “Mergers”) contemplated by the Agreement and Plan of Merger, dated as of January 12, 2021 (as amended by Amendment to Agreement and Plan of Merger, dated as of March 1, 2021), among Cantel, STERIS plc (“Parent”), Solar New US Holding Co, LLC (now known as Solar New US Holding Corporation) (“US Holdco”), an indirect and wholly owned subsidiary of Parent, and Crystal Merger Sub 1, LLC, a direct and wholly owned subsidiary of US Holdco, and (ii) the delisting of Cantel common stock from the New York Stock Exchange (the “NYSE”), a “Fundamental Change” and a “Make-Whole Fundamental Change,” each as defined in the Cantel Indenture, had occurred effective as of June 2, 2021 and (b) commenced an offer to purchase any and all outstanding Notes as a result of the Fundamental Change.

A tender offer statement on Schedule TO (“Schedule TO”) was filed by Cantel with the U.S. Securities and Exchange Commission ("SEC") with respect to the right of each holder (each, a “Holder”) of the Notes to require Cantel to repurchase, at the Holder’s option, 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon to, but excluding the settlement date of July 6, 2021 (as such date was amended by Amendment No. 1 to Schedule TO (“Amendment No. 1”), dated June 29, 2021).

The offer to purchase the Notes expired at 11:59 p.m. New York City time, on July 1, 2021 (the “Expiration Time”, as such date was amended by Amendment No. 1), and was not extended. Wells Fargo Bank, National Association, as paying agent and trustee under the Indenture (the “Cantel Trustee”), informed Cantel that as of the Expiration Time, none of the Notes had been validly tendered (and not properly withdrawn) for purchase.

Pursuant to the terms of the Cantel Indenture, in connection with the consummation of the Mergers, Cantel, Parent and the Cantel Trustee entered into a supplemental indenture providing that, following the Mergers, each holder’s right to convert each one thousand dollar principal amount of Notes into shares of Cantel common stock was changed into a right to convert such principal amount of Notes into the kind and amount of cash, stock, other securities, other property or assets, subject to settlement method election provisions of the Indenture, that a holder of Cantel common stock was entitled to receive upon consummation of the Mergers. At the consummation of the Mergers, holders of Cantel common stock received $16.93 in cash and 0.33787 ordinary shares, par value $0.001 per share, of the Parent (“Parent Shares”) for each share of Cantel common stock (each a “unit of Reference Property”).

Because each of the consummation of the Mergers and the delisting of Cantel common stock from the NYSE constituted a “Make-Whole Fundamental Change” under the Cantel Indenture, any Notes surrendered for conversion from and including June 2, 2021 until July 2, 2021 (the “Make-Whole Conversion Period”) are subject to conversion at the conversion rate of 25.0843 units of Reference Property (the “Make-Whole Conversion Rate”), which corresponds to 8.4752 Parent Shares and approximately $424.68 in cash per one thousand dollars in principal amount of Cantel Notes. The Make-Whole Conversion Rate was based on an increase in the Conversion Rate by 0.9931 Additional Shares (as defined in the Indenture) based on a Make-Whole Effective Date of June 2, 2021 and a Stock Price (each as defined in the Indenture) of $81.3520. As previously announced by Cantel, it will settle all conversions of Notes in connection with the Make-Whole Fundamental Changes that constitute the Mergers and delisting of Cantel common stock from the NYSE pursuant to the Cash Settlement provisions of the Cantel Indenture.

The Cantel Trustee, acting as conversion agent, informed Cantel that holders of 100% of the outstanding Notes elected to convert their Notes during the Make-Whole Conversion Period.

The fair value of the Notes exceeded their aggregate par value of $168,000 at the date of consummation of the Mergers. The fair value was estimated utilizing the closing price of Parent Shares on June 2, 2021. A premium of approximately $175,555 in excess of the aggregate par value of the Notes represented purchase consideration and was initially classified in additional paid-in capital in accordance with ASC 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)". Because all Holders elected to convert during the Make-Whole Conversion Period, the aggregate par value outstanding has been reclassified to current liabilities in the balance sheet. The premium initially recorded as additional paid in capital at the effective time of the Mergers has been reclassified to "Convertible debt, premium liability," also classified as a current liability, and will be settled in cash.

As of June 30, 2021, the estimated total Cash Settlement value of the Notes was approximately $366,478 with the aggregate par value of $168,000 reported as “Convertible debt, par value” and the fair value of the liability representing the premium over par of approximately $198,478 reported as “Convertible debt, premium liability.” The estimate is based on the applicable Daily Volume Weighted Average Price ("VWAP") (as defined in the Cantel Indenture) values through July 1, 2021 and an assumed Daily VWAP value of $208.45, which was the Daily VWAP of Parent Shares on July 1, 2021, for each Trading Day (as defined in the Cantel Indenture) of the remaining applicable 40-Trading Day Observation Periods (as defined in the Cantel Indenture).

The fair value of the liability representing the premium over par value increased between the effective date of the Mergers and June 30, 2021 because of the movement in trading prices of Parent Shares during the Observation Periods to date. The fluctuation in fair value during such Observation Periods is reported in the statement of income as a component of “Non-operating expense, net.”

The fair value of the liability will continue to fluctuate based on the movement in trading prices of Parent Shares during the balance of the remaining Observation Periods and such change could be material to the statement of income for the fiscal 2022 second quarter. A 5.0% increase or decrease in the assumed Daily VWAP for the balance of the remaining Observation Periods would result in an increase or decrease in non-operating expense of approximately $11,300.

(dollars in thousands, except as noted)

The combined annual aggregate amount of maturities of our outstanding debt excluding leases by fiscal year is as follows:

2022	$	168,000
2023		142,875
2024		60,000
2025		165,938
2026		502,500
2027 and thereafter		2,416,406
Total	$	3,455,719

6. Additional Consolidated Balance Sheet Information

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

		June 30, 2021		March 31, 2021
Accrued payroll and other related liabilities:				
Compensation and related items	$	112,225	$	47,157
Accrued vacation/paid time off		20,081		12,389
Accrued bonuses		40,759		62,530
Accrued employee commissions		15,945		24,022
Other postretirement benefit obligations-current portion		1,326		1,326
Other employee benefit plans obligations-current portion		2,831		2,654
Total accrued payroll and other related liabilities	$	193,167	$	150,078
Accrued expenses and other:				
Deferred revenues	$	102,133	$	62,492
Service liabilities		44,852		46,720
Self-insured risk reserves-current portion		9,068		8,095
Accrued dealer commissions		31,851		27,348
Accrued warranty		13,633		9,406
Asset retirement obligation-current portion		1,199		1,193
Accrued interest		16,285		7,751
Other		81,749		57,552
Total accrued expenses and other	$	300,770	$	220,557
Other liabilities:				
Self-insured risk reserves-long-term portion	$	17,295	$	17,295
Other postretirement benefit obligations-long-term portion		8,279		8,690
Defined benefit pension plans obligations-long-term portion		4,020		3,748
Other employee benefit plans obligations-long-term portion		1,733		2,353
Accrued long-term income taxes		13,241		13,241
Asset retirement obligation-long-term portion		12,361		12,137
Other		29,111		30,546
Total other liabilities	$	86,040	$	88,010

7. Income Tax Expense

The effective income tax rates for the three-month periods ended June 30, 2021 and 2020 were 24.4% and 17.6%, respectively. The fiscal 2022 effective tax rate increased when compared to fiscal 2021, primarily due to Cantel and our other recent acquisitions, which historically have had higher effective tax rates than STERIS. The fiscal 2022 effective tax rate also includes one-time, non-deductible acquisition related costs.

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

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and local, as well as foreign jurisdictions. With the exception of formal acceptance of the settlement noted below, we are no longer subject to United States federal examinations for years before fiscal 2016 and, with limited exceptions, we are no longer subject to United States state and local, or non-United States, income tax examinations by tax authorities for years before fiscal 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 through 2017. An agreement had been reached on final interest rates, and as of the end of fiscal year 2021, we were in the process of determining total impact on tax liability in each affected year. We estimate the total federal, state, and local tax impact of the settlement to be approximately $12,000, over the fiscal years 2016 through 2020.

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, 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, 2021 dated May 28, 2021: Item 1 titled “Business - Information with respect to our Business in General - Government Regulation”, and the “Risk Factors” in Item 1A titled "Product related regulations and claims".

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

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

9. Business Segment Information

As a result of the acquisition of Cantel, we have reassessed the organization of our business and have added a new segment called Dental. We now 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.

Our Healthcare segment provides a comprehensive offering for healthcare providers worldwide, focused on sterile processing departments and procedural centers, such as operating rooms, endoscopy suites, and renal dialysis centers. 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 the 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.

For the three months ended June 30, 2021, revenues from a single Customer did not represent ten percent or more of the Healthcare, Applied Sterilization Technologies or Life Sciences segment’s revenues. Three customers collectively accounted for approximately 35.8% of our Dental segment revenues for the three months ended June 30, 2021. 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, 2021, dated May 28, 2021.

(dollars in thousands, except as noted)

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

	Three Months Ended June 30,			
	2021		2020	
Revenues:			**(*as adjusted)**	
Healthcare	**$**	**602,817**	$	399,658
Applied Sterilization Technologies		**208,902**		152,362
Life Sciences		**121,471**		116,912
Dental		**35,232**		—
Total revenues	**$**	**968,422**	$	668,932
Operating income (loss):				
Healthcare	**$**	**136,160**	$	84,173
Applied Sterilization Technologies		**101,927**		63,955
Life Sciences		**49,088**		48,461
Dental		**10,119**		—
Corporate		**(75,060)**		(52,367)
Total operating income before adjustments	**$**	**222,234**	$	144,222
Less: Adjustments				
Amortization of acquired intangible assets [(1)]	**$**	**41,741**	$	17,500
Acquisition and integration related charges [(2)]		**140,996**		1,286
Tax restructuring costs [(3)]		**(49)**		170
Net loss on divestiture of businesses [(1)]		**419**		10
Amortization of inventory and property "step up" to fair value [(1)]		**24,789**		603
COVID-19 incremental costs [(4)]		**—**		8,670
Restructuring charges [(5)]		**14**		166
Total operating income	**$**	**14,324**	$	115,817

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described in our Annual report on Form 10-K filed with the SEC on May 28, 2021.

[(1)] For more information regarding our recent acquisitions and divestitures refer to Note 2 titled, "Business Acquisitions" and to our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021.
[(2)] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
[(3)] Costs incurred in tax restructuring.
[(4)] COVID-19 incremental costs includes the additional costs attributable to COVID-19 such as enhanced cleaning protocols, personal protective equipment for our employees, event cancellation fees, and payroll costs associated with our response to COVID-19, net of any government subsidies available.
[(5)] For more information regarding our restructuring efforts refer to our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021.

STERIS PLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three Months Ended June 30, 2021 and 2020
(dollars in thousands, except as noted)

Additional information regarding our fiscal 2022 and fiscal 2021 first quarter revenue is disclosed in the following tables:

	Three Months Ended June 30,	
	2021	2020
Healthcare:		
Consumables	**$ 206,692**	$ 83,754
Capital equipment	**150,890**	128,082
Service	**245,235**	187,822
Total Healthcare Revenues	**$ 602,817**	$ 399,658
Total Applied Sterilization Technologies Revenues	**$ 208,902**	$ 152,362
Life Sciences:		
Consumables	**$ 56,536**	$ 58,842
Capital equipment	**32,745**	30,430
Service	**32,190**	27,640
Total Life Sciences Revenues	**$ 121,471**	$ 116,912
Dental Revenues	**$ 35,232**	$ —
Total Revenues	**$ 968,422**	$ 668,932

Additional geographic information regarding our revenues and property, plant and equipment, net is presented in the following tables:

	Three Months Ended June 30,	
	2021	2020
Revenues:		
Ireland	**$ 21,945**	$ 14,373
United States	**679,250**	491,708
Other locations	**267,227**	162,851
Total Revenues	**$ 968,422**	$ 668,932

	June 30, 2021	March 31, 2021
Property, Plant, and Equipment, Net		
Ireland	**$ 53,895**	52,140
United States	**872,093**	673,784
Other locations	**573,460**	509,476
Property, Plant, and Equipment, Net	**$ 1,499,448**	$ 1,235,400

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

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

	June 30, 2021	March 31, 2021
Assets:		
Healthcare and Life Sciences	**$ 5,426,887**	$ 3,600,182
Applied Sterilization Technologies	**3,096,864**	2,974,289
Dental	**1,333,429**	—
Cantel related goodwill not yet allocated [(1)]	**2,243,827**	—
Total assets	**$ 12,101,007**	$ 6,574,471

[(1)] Amount is still preliminary as of June 30, 2021, as valuations have not been finalized. Goodwill will be allocated to the Healthcare, Life Sciences, and Dental business segments.

The increase in total assets for the June 30, 2021 period is primarily related to the acquisition of Cantel. Refer to note 2 titled, "Business Acquisitions", for more information.

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 June 30,	
Denominator (shares in thousands):	2021	2020
Weighted average shares outstanding—basic	**90,152**	84,959
Dilutive effect of share equivalents	**840**	717
Weighted average shares outstanding and share equivalents—diluted	**90,992**	85,676

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 June 30,	
(shares in thousands)	2021	2020
Number of share options	**273**	330

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 June 30, 2021, there was approximately $333,932 (net of taxes, fees and commissions) of remaining availability under a Board authorized share repurchase program. The share repurchase program has no specified expiration date.

(dollars in thousands, except as noted)

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.

During the first three months of fiscal 2021, we repurchased 35,000 of our ordinary shares for the aggregate amount of $5,047 (net of fees and commissions) pursuant to the authorizations.

During the first three months of fiscal 2022 we obtained 59,648 of our ordinary shares in the aggregate amount of $10,670 in connection with share based compensation award programs. During the first three months of fiscal 2021, we obtained 63,150 of our ordinary shares in the aggregate amount of $9,248 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 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 option 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 June 30, 2021, 3,275,133 ordinary shares remained available for grant under the long-term incentive plan.

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

The following weighted-average assumptions were used for options granted during the first three months of fiscal 2022 and 2021:

	Fiscal 2022	Fiscal 2021
Risk-free interest rate	**1.16 %**	0.46 %
Expected life of options	**5.8 years**	6.0 years
Expected dividend yield of stock	**0.97 %**	0.96 %
Expected volatility of stock	**24.41 %**	23.04 %

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 2.85% and 2.78% was applied in fiscal 2022 and 2021, 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.

(dollars in thousands, except as noted)

A summary of share option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2021	1,637,047	$ 112.03		
Granted	200,684	210.31		
Exercised	(36,853)	50.23		
Forfeited	—	—		
Outstanding at June 30, 2021	**1,800,878**	**$ 124.25**	**6.9 years**	**$ 148,573**
Exercisable at June 30, 2021	**1,155,980**	**$ 96.73**	**5.9 years**	**$ 126,658**

We estimate that 621,487 of the non-vested stock options outstanding at June 30, 2021 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $206.30 closing price of our ordinary shares on June 30, 2021 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 three months of fiscal 2022 and fiscal 2021 was $5,469 and $9,581, respectively. Net cash proceeds from the exercise of stock options were $1,710 and $5,367 for the first three months of fiscal 2022 and fiscal 2021, respectively.

The weighted average grant date fair value of stock option grants was $36.24 and $27.44 for the first three months of fiscal 2022 and fiscal 2021, 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 June 30, 2021, we no longer have outstanding SARS. The fair value of the outstanding SARS as of June 30, 2020 was $493.

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, 2021	533,323	29,500	$ 121.35
Granted	109,452	7,929	191.25
Vested	(169,741)	(9,538)	91.87
Forfeited	(3,153)	(124)	151.11
Non-vested at June 30, 2021	**469,881**	**27,767**	**$ 148.32**

Restricted shares granted are valued based on the closing stock price at the grant date. The value of restricted shares and units that vested during the first three months of fiscal 2022 was $16,431.

As of June 30, 2021, there was a total of $67,599 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 2.4 years.

(dollars in thousands, except as noted)

Cantel Share Based Compensation Plan

In connection with the June 2, 2021, 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 and market 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 performance restricted share units was replaced based on the original target achievement level. All replacement restricted share units retained dividend accumulation rights.

The Cantel equity plan also contains double trigger change in control provisions. As a result, vesting may be accelerated upon termination of employment.

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.

During the first quarter of fiscal 2022, 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 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.

June 30, 2021, there was a total of $15,464 in unrecognized compensation cost related to non-vested STERIS restricted share units awarded to replace Cantel restricted share units.

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, 2021	—	$ —
Granted	280,402	$ 191.18
Non-vested at June 30, 2021	**280,402**	**$ 191.18**

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 three months of fiscal 2022 were as follows:

	Warranties
Balance, March 31, 2021	$ 9,406
Liabilities assumed in acquisition of Cantel	4,769
Warranties issued during the period	3,530
Settlements made during the period	(4,072)
Balance, June 30, 2021	**$ 13,633**

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 first quarter of fiscal 2022, we also entered into forward foreign currency contracts in order to hedge a portion of our expected non-U.S. dollar denominated earnings against our reporting currency, the U.S. dollar. These foreign currency exchange contracts will mature during fiscal 2022. We did not elect hedge accounting for these forward foreign currency contracts; however, we may seek to apply hedge accounting in future scenarios. We do not use derivative financial instruments for speculative purposes.

(dollars in thousands, except as noted)

None of these contracts are designated as hedging instruments and do not receive hedge accounting treatment; therefore, changes in their fair value are not deferred but are recognized immediately in the Consolidated Statements of Income. At June 30, 2021, we held foreign currency forward contracts to buy 59.8 million Mexican pesos, 7.7 million Canadian dollars and 25.5 million British pounds sterling; and to sell 47.9 million euros, 6.0 million Canadian dollars and 16.0 million Chinese yuan. At June 30, 2021 we held commodity swap contracts to buy 576.0 thousand pounds of nickel.

	Asset Derivatives		Liability Derivatives	
Balance sheet location	Fair Value at June 30, 2021	Fair Value at March 31, 2021	Fair Value at June 30, 2021	Fair Value at March 31, 2021
Prepaid & Other	**$ 619**	$ 57	**$ —**	$ —
Accrued expenses and other	$ —	$ —	**$ 485**	$ 367

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 June 30,	
	Location of gain (loss) recognized in income	2021	2020
Foreign currency forward contracts	Selling, general and administrative	**$ 1,428**	$ 143
Commodity swap contracts	Cost of revenues	**$ 664**	$ 364

Additionally, we hold our debt in multiple currencies to fund our operations and investments in certain subsidiaries. We designate portions of foreign currency denominated intercompany loans as hedges of portions of net investments in foreign operations. Net debt designated as non-derivative net investment hedging instruments totaled $50,102 at June 30, 2021. These hedges are designed to be fully effective and any associated gain or loss is recognized in Accumulated Other Comprehensive Income and will be reclassified to income in the same period when a gain or loss related to the net investment in the foreign operation is included in income.

STERIS PLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three Months Ended June 30, 2021 and 2020
(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 June 30, 2021 and March 31, 2021:

			Fair Value Measurements					
	Carrying Value		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
	June 30,	March 31,	June 30,	March 31,	June 30,	March 31,	June 30,	March 31,
Assets:								
Cash and cash equivalents	**$ 534,774**	$ 220,531	**$ 534,774**	$ 220,531	**$ —**	$ —	**$ —**	$ —
Forward and swap contracts [1]	**619**	57	**—**	—	**619**	57	**—**	—
Equity investments[2]	**10,275**	10,301	**10,275**	10,301	**—**	—	**—**	—
Other investments	**2,703**	2,665	**2,703**	2,665	**—**	—	**—**	—
Liabilities:								
Forward and swap contracts [1]	**$ 485**	$ 367	**$ —**	$ —	**$ 485**	$ 367	**$ —**	$ —
Deferred compensation plans [2]	**1,598**	1,715	**1,598**	1,715	**—**	—	**—**	—
Convertible debt, par value and premium liability [3]	**366,478**	—	**—**	—	**366,478**	—	**—**	—
Total debt [4]	**3,259,559**	1,650,540	**—**	—	**3,386,359**	1,722,459	**—**	—
Contingent consideration obligations [5]	**19,805**	19,642	**—**	—	**—**	—	**19,805**	19,642

[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 first quarter of fiscal 2022 and 2021, we recorded a (loss) gain of $(16) and $309, respectively, related to these investments.

[3] The fair value represents the total estimated cash settlement value of the convertible notes which consists of the par value and a premium over par value. For more information on the Convertible Debt premium liability refer to Note 5 ,titled "Debt".

[4] We estimate the fair value of our debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. The fair values of our Senior Public Notes are estimated using quoted market prices for the publicly registered Senior Notes. These amounts exclude lease liabilities.

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

(dollars in thousands, except as noted)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at June 30, 2021 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2021	$ 19,642
Liabilities assumed in acquisition of Cantel	25,000
Additions	186
Payments	(25,022)
Currency translation adjustments	(1)
Balance at June 30, 2021	**$ 19,805**

(dollars in thousands, except as noted)

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

Amounts in Accumulated Other Comprehensive Income (Loss) are presented net of the related tax. Currency Translation is not adjusted for income taxes. Changes in our Accumulated Other Comprehensive Income (Loss) balances, net of tax, for the three months ended June 30, 2021 and 2020 were as follows:

	Defined Benefit Plans [1]	Currency Translation [2]	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2021	$ (5,519)	$ (55,724)	$ (61,243)
Other Comprehensive (Loss) Income before reclassifications	**591**	**24,933**	**25,524**
Amounts reclassified from Accumulated Other Comprehensive (Loss) Income	**(1,098)**	**—**	**(1,098)**
Net current-period Other Comprehensive (Loss) Income	**(507)**	**24,933**	**24,426**
Balance at June 30, 2021	**$ (6,026)**	**$ (30,791)**	**$ (36,817)**

[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)
Balance at March 31, 2020	$ (6,813)	$ (228,650)	$ (235,463)
Other Comprehensive Income (Loss) before reclassifications	318	27,619	27,937
Amounts reclassified from Accumulated Other Comprehensive (Loss)	(828)	—	(828)
Net current-period Other Comprehensive (Loss)	(510)	27,619	27,109
Balance at June 30, 2020	$ (7,323)	$ (201,031)	$ (208,354)

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

17. Loans Receivable

In connection with the fiscal 2017 divestiture of Synergy Health Netherlands Linen Management Services, we entered into a loan agreement to provide financing of up to €15,000 for a term of up to 15 years. The loan carried an interest rate of 4% for the first four years and 12% thereafter. The loan was renegotiated during the third quarter of fiscal 2020. According to the new terms of the loan agreement, the outstanding balance at October 31, 2019, of €7,300, will be repaid in six equal annual installments beginning on October 18, 2022. The loan carries an interest rate of 4% for the first four years and 8% thereafter. Outstanding borrowings under the agreement totaled $8,690 (or €7,300) at June 30, 2021 and $8,568 (or €7,300) at March 31, 2021.

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

18. COVID-19 Pandemic

The COVID-19 pandemic began to impact our business late in fiscal 2020. The pandemic and related public health recommendations and mandated precautions to mitigate the spread of COVID-19, including deferral of surgical procedures and treatments and shelter-in-place orders or similar measures, negatively affected some of our operations, which impacted our operating results, financial position and cash flows during fiscal 2021. We have experienced and expect to continue to experience unpredictable fluctuations in demand for certain of our products and service. External factors such as policymaker decisions to remove certain restrictions, as they evaluate the continued infection rate and COVID-19 related deaths, the emergence of new variants of the virus, the distribution of available vaccines create uncertainty regarding future demand from our Customers and the ability of our suppliers to meet our demands. However, order momentum has continued to improve and increased demand for certain capital equipment products strengthened from the fourth quarter of fiscal 2021.

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 June 30, 2021, the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for the three-month periods ended June 30, 2021 and 2020, 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, 2021, 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 28, 2021, 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, 2021, 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
August 9, 2021

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

Introduction

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

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

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the first quarter of fiscal 2022 and fiscal 2021. It may also be helpful to read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures

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

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

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

Revenues – Defined

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

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

- Capital Equipment Revenues – We define capital equipment revenues as revenues generated from sales of capital equipment, which includes: steam and gas sterilizers, low temperature liquid chemical sterilant processing systems, pure steam/water systems, surgical lights and tables, and integrated OR.
- Consumable Revenues – We define consumable revenues as revenues generated from sales of the consumable family of products, which includes dedicated consumables including V-PRO, SYSTEM 1 and 1E consumables, gastrointestinal endoscopy accessories, sterility assurance products, barrier protection solutions, cleaning consumables, dental 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 meet the needs of healthcare growth areas: procedures, devices, pharmaceuticals and dental. Our MISSION IS TO HELP OUR CUSTOMERS CREATE A HEALTHIER AND SAFER WORLD by providing innovative healthcare and life science products and services around the globe. We offer our Customers a unique mix of innovative consumable products, such as detergents, gastrointestinal ("GI") endoscopy accessories, barrier product solutions, and other products and services, including: equipment installation and maintenance, microbial reduction of medical devices, dental instruments and tools, instrument and scope repair solutions, 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 which are driving increased demand for many of our products and services.

Acquisitions. On June 2, 2021, we acquired all outstanding equity interests Cantel Medical Corp. ("Cantel") through a U.S. subsidiary. Cantel, headquartered in Little Falls, New Jersey, with approximately 3,700 employees, is a global provider of infection prevention products and services primarily to endoscopy and dental Customers.

We believe that the acquisition will strengthen STERIS’s leadership in infection prevention by bringing together two complementary businesses able to offer a broader set of Customers a more diversified selection of infection prevention, endoscopy and sterilization products and services. Cantel is being integrated into our existing Healthcare and Life Sciences segments. Cantel’s Dental business extends our business into a new Customer segment where there is an increasing focus on infection prevention protocols and processes. This business will be reported as the Dental segment. Additionally, the acquisition is expected to result in cost savings from optimizing global back-office infrastructure, leveraging best-demonstrated practices across locations and eliminating redundant public company costs.

Fiscal 2022 first quarter acquisition and integration expenses related to the Cantel acquisition totaled $140.3 million and are reported in the selling, general and administrative expenses line of our Consolidated Statements of Income.

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

COVID-19 Pandemic. We do not believe that the COVID-19 pandemic has had a material impact on our operations, as we have been able to continue to operate our manufacturing facilities and meet the demand for essential products and services of our Customers. In response to the COVID-19 pandemic, we implemented several measures that we believe helped us protect the health and safety of our employees, preserve liquidity and enhance our financial flexibility. We allowed employees to work remotely when possible and implemented additional safety measures in compliance with applicable regulations to allow personnel to continue to work in our facilities. We have successfully managed our liquidity throughout the COVID-19 pandemic and continue to invest in expansion projects as planned. We obtained additional funding in the second half of fiscal 2021 to continue to advance our growth strategy to supplement organic growth with acquisitions. As a result, we do not believe that the COVID-19 pandemic or the actions we took in response to the 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, 2021 dated May 28, 2021.

Highlights. Revenues for the first quarter of fiscal 2022 were $968.4 million, representing an increase of 44.8% over the first quarter of fiscal 2021 revenues of $668.9 million with growth in all segments. The increase was primarily related to organic growth in the Healthcare and Applied Sterilization Technologies segments, added volume from Cantel and other recent acquisitions, and favorable fluctuations in currencies. Additionally, during the prior year period we experienced reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic.

Gross margin percentage for the first quarter of fiscal 2022 was 44.0%, compared to 43.0% for the first quarter of fiscal 2021. Favorable impacts from increased productivity, incremental costs associated with COVID-19 in the prior year period and our recent acquisitions were partially offset by unfavorable impact from inflation, fluctuations in currencies, and mix and other adjustments.

Operating income during the first quarter of fiscal 2022 was $14.3 million, compared to $115.8 million for the first quarter of fiscal 2021. Contributing to the decline in operating income was $140.3 million in acquisition and integration expenses in the fiscal 2022 period, related to our acquisition of Cantel.

Cash flows from operations were $97.4 million and free cash flow was $41.2 million in the first three months of fiscal 2022 compared to cash flows from operations of $134.1 million and free cash flow of $67.4 million in the first three months of fiscal 2021 (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 2022 decreases in cash flows from operations and free cash flow were primarily due to anticipated costs associated with the acquisition of Cantel.

Our debt-to-total capital ratio was 34.3% at June 30, 2021 and 29.8% at March 31, 2021. During the first three months of fiscal 2022, we declared and paid quarterly cash dividends of $0.40 per ordinary share.

Additional information regarding our financial performance during the first quarter of fiscal 2022 is included in the subsection below titled “Results of Operations.”

NON-GAAP FINANCIAL MEASURES

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

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

These non-GAAP financial measures are presented with the intent of providing greater transparency to supplemental financial information used by management and the Board of Directors in their financial analysis and operational decision-making. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented.

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

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

The following table summarizes the calculation of our free cash flow for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,	
(dollars in thousands)	2021	2020
Net cash provided by operating activities	**$ 97,426**	$ 134,122
Purchases of property, plant, equipment and intangibles, net	**(56,396)**	(66,861)
Proceeds from the sale of property, plant, equipment and intangibles	**217**	137
Free cash flow	**$ 41,247**	$ 67,398

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the first quarter of fiscal 2022 compared with the same fiscal 2021 period. 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 months ended June 30, 2021 to the revenues for the three months ended June 30, 2020:

	Three Months Ended June 30,			
(dollars in thousands)	**2021**	**2020**	**Change**	**Percent Change**
Total revenues	**$ 968,422**	$ 668,932	$ 299,490	44.8 %
Revenues by type:				
Service revenues	**479,143**	367,824	111,319	30.3 %
Consumable revenues	**298,887**	142,596	156,291	109.6 %
Capital equipment revenues	**190,392**	158,512	31,880	20.1 %
Revenues by geography:				
Ireland revenues	**21,945**	14,373	7,572	52.7 %
United States revenues	**679,250**	491,708	187,542	38.1 %
Other foreign revenues	**267,227**	162,851	104,376	64.1 %

Revenues increased 44.8% to $968.4 million for the three months ended June 30, 2021, as compared to $668.9 million for the same period in the prior year with growth in all segments. The increase of was primarily related to organic growth in the Healthcare and Applied Sterilization Technologies segments, added volume of $141.3 million from Cantel and other recent acquisitions and favorable fluctuations in currencies. Additionally, during the prior year period we experienced reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic.

Service revenues increased 30.3% for the first three months of fiscal 2022, as compared to the same period in fiscal 2021, reflecting organic growth in the Healthcare, Applied Sterilization Technologies and Life Sciences segments, as well as added volume from Cantel and our other recent acquisitions. Consumable revenues increased by 109.6% for the first three months of fiscal 2022, as compared to the same period in fiscal 2021, reflecting organic growth in the Healthcare segment, as well as added volume from Cantel and our other recent acquisitions. The growth was partially offset by a decline in the Life Sciences segment as the increased demand from our pharma Customers focused on vaccines and biologics that we experienced during fiscal 2021 shifted back to more normal levels. Capital equipment revenues increased 20.1%, for the first three months of fiscal 2022, as compared to the same period in fiscal 2021, reflecting organic growth in the Healthcare and Life Sciences segments and added volume from Cantel and our other recent acquisitions.

Ireland revenues increased 52.7% to $21.9 million for the three months ended June 30, 2021, as compared to $14.4 million for the same period in the prior year, reflecting growth in service, consumable and capital equipment revenues.

United States revenues increased 38.1% to $679.3 million for the three months ended June 30, 2021, as compared to $491.7 million for the same period in the prior year, reflecting growth in service, consumable and capital equipment revenues, primarily due to the impact of Cantel and our other recent acquisitions.

Revenues from other foreign locations increased 64.1% to $267.2 million for the three months ended June 30, 2021, as compared to $162.9 million for the same period in the prior year, reflecting growth in Canada and in the Europe, Middle East & Africa ("EMEA"), Latin American and Asia Pacific regions.

Gross Profit. The following table compares our gross profit for the three months ended June 30, 2021 to the three months ended June 30, 2020:

	Three Months Ended June 30,			
(dollars in thousands)	**2021**	**2020**	**Change**	**Percent Change**
		(*as adjusted)		
Gross profit:				
Product	**$ 217,873**	$ 146,369	$ 71,504	48.9 %
Service	**208,409**	141,015	67,394	47.8 %
Total gross profit	**$ 426,282**	$ 287,384	$ 138,898	48.3 %
Gross profit percentage:				
Product	**44.5 %**	48.6 %		
Service	**43.5 %**	38.3 %		
Total gross profit percentage	**44.0 %**	43.0 %		

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described in our Annual report on Form 10-K filed with the SEC on May 28, 2021.

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 first three months of fiscal 2022 was 44.0% compared to the gross profit percentage for the first three months of fiscal 2021 of 43.0%. Favorable impacts from increased productivity (330 basis points), incremental costs associated with COVID-19 in the prior year period (120 basis points) and our recent acquisitions (70 basis points) were partially offset by unfavorable impact from inflation (30 basis points), fluctuations in currencies (40 basis points), and mix and other adjustments (350 basis points).

Operating Expenses. The following table compares our operating expenses for the three months ended June 30, 2021 to the three months ended June 30, 2020:

	Three Months Ended June 30,			
(dollars in thousands)	**2021**	**2020**	**Change**	**Percent Change**
Operating expenses:				
Selling, general, and administrative	**$ 393,752**	$ 155,170	$ 238,582	153.8 %
Research and development	**18,192**	16,231	1,961	12.1 %
Restructuring expenses	**14**	166	(152)	NM
Total operating expenses	**$ 411,958**	$ 171,567	$ 240,391	140.1 %

NM - Not meaningful.

Selling, General, and Administrative Expenses. Significant components of total selling, general, and administrative expenses (“SG&A”) are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. SG&A increased 153.8% in the first three months of fiscal 2022 over the same period in fiscal 2021, primarily due to acquisition and integration costs of $141.0 million and added expenses from Cantel and our other recent acquisitions.

Research and Development. For the three month period ended June 30, 2021, research and development expenses increased 12.1% over the same prior year period. 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 the first quarter of fiscal 2022, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of sterile processing combination technologies, procedural products and accessories, and devices and support accessories used in gastrointestinal endoscopy procedures.

Restructuring Expenses. Amounts related to restructuring expenses were not material for the three month periods ending June 30, 2021 or 2020, respectively. For information on our restructuring efforts, refer to our Annual Report on Form 10-K filed with the SEC on May 28, 2021.

Non-Operating Expenses, Net. Non-operating expenses, net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our net non-operating expenses for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
(dollars in thousands)	**2021**	**2020**	**Change**
Non-operating expenses, net:			
Interest expense	**$ 21,812**	$ 9,492	$ 12,320
Fair value adjustment related to convertible debt, premium liability	**22,923**	—	22,923
Interest (income) and miscellaneous expense	**(1,434)**	(2,289)	855
Non-operating expenses, net	**$ 43,301**	$ 7,203	$ 36,098

Interest expense increased $12.3 million during the first quarter of fiscal 2022 as compared to the first quarter of fiscal 2021, primarily due to our Senior Public Notes which were issued in fiscal 2022. For more information on the Senior Public Notes refer to note 5 of our Consolidated Financial Statements totaled, "Debt".

During the first quarter of fiscal 2022, we recorded a fair value adjustment of $22.9 million related to the convertible debt assumed in the acquisition of Cantel. For more information on the Cantel convertible debt refer to note 5 of our Consolidated Financial Statements titled, "Debt".

Interest (income) and miscellaneous expense is not material.

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the three months ended June 30, 2021 and June 30, 2020:

	Three Months Ended June 30,			
(dollars in thousands)	**2021**	**2020**	**Change**	**Percent Change**
		(*as adjusted)		
Income tax (credit) expense	**$ (7,075)**	$ 19,083	$ (26,158)	(137.1)%
Effective income tax rate	**24.4 %**	17.6 %		

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described in our Annual report on Form 10-K filed with the SEC on May 28, 2021.

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

The effective income tax rates for the three month periods ended June 30, 2021 and 2020 were 24.4% and 17.6%, respectively.The fiscal 2022 effective tax rate increased when compared to fiscal 2021, primarily due to Cantel and our other recent acquisitions, which historically have had higher effective tax rates than STERIS. The fiscal 2022 effective tax rate also includes one-time, non-deductible acquisition related costs.

Business Segment Results of Operations. As a result of the acquisition of Cantel, we have reassessed the organization of our business and have added a new segment called Dental. We now 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.

Our Healthcare segment provides a comprehensive offering for healthcare providers worldwide, focused on sterile processing departments and procedural centers, such as operating rooms, endoscopy suites, and renal dialysis centers. 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 the 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.

For the three months ended June 30, 2021, revenues from a single Customer did not represent ten percent or more of the Healthcare, Applied Sterilization Technologies or Life Sciences segment’s revenues. Three customers collectively accounted for approximately 35.8% of our Dental segment revenues for the three months ended June 30, 2021. 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, 2021, dated May 28, 2021.

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

Additional information regarding our segments is included in our consolidated financial statements included in its Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021.

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

(dollars in thousands)	Three Months Ended June 30, 2021		2020	
Revenues:			**(*as adjusted)**	
Healthcare	**$**	**602,817**	$	399,658
Applied Sterilization Technologies		**208,902**		152,362
Life Sciences		**121,471**		116,912
Dental		**35,232**		—
Total revenues	**$**	**968,422**	$	668,932
Operating income (loss):				
Healthcare	**$**	**136,160**	$	84,173
Applied Sterilization Technologies		**101,927**		63,955
Life Sciences		**49,088**		48,461
Dental		**10,119**		—
Corporate		**(75,060)**		(52,367)
Total operating income before adjustments	**$**	**222,234**	$	144,222
Less: Adjustments				
Amortization of acquired intangible assets (1)	**$**	**41,741**	$	17,500
Acquisition and integration related charges (2)		**140,996**		1,286
Tax restructuring costs (3)		**(49)**		170
Net loss on divestiture of businesses (1)		**419**		10
Amortization of inventory and property "step up" to fair value (1)		**24,789**		603
COVID-19 incremental costs (4)		**—**		8,670
Restructuring charges (5)		**14**		166
Total operating income	**$**	**14,324**	$	115,817

*Certain amounts have been adjusted to reflect the change in inventory accounting method, as described in our Annual report on Form 10-K filed with the SEC on May 28, 2021.

(1) For more information regarding our recent acquisitions and divestitures refer to Note 2 titled, "Business Acquisitions" and to our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021.
(2) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
(3) Costs incurred in tax restructuring.
(4) COVID-19 incremental costs includes the additional costs attributable to COVID-19 such as enhanced cleaning protocols, personal protective equipment for our employees, event cancellation fees, and payroll costs associated with our response to COVID-19, net of any government subsidies available.
(5) For more information regarding our restructuring efforts refer to our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021.

Healthcare revenues increased 50.8% to $602.8 million for the three months ended June 30, 2021, as compared to $399.7 million for the same prior year period. This increase reflects growth in consumable, service and capital equipment revenues of 146.8%, 30.6% and 17.8%, respectively and reflects organic growth, favorable fluctuations in foreign currencies and the impact of Cantel in June and our other recent acquisitions. Additionally, during the fiscal 2021 period we experienced reduced demand for our products and services resulting from the reduction of deferrable surgical procedures as a result of the COVID-19 pandemic.

Excluding Cantel's backlog, the Healthcare segment’s backlog was $254.3 million at June 30, 2021, representing an increase of 54.9% compared to the backlog of $164.2 million at June 30, 2020. The increase is primarily due to built up demand as a result of the COVID-19 pandemic.

Applied Sterilization Technologies segment revenues increased 37.1% to $208.9 million for the quarter ended June 30, 2021, as compared to $152.4 million for the same prior year period. The fiscal 2022 increase reflects organic growth, favorable fluctuations in currencies and the impact of a fiscal 2021 acquisition.

Life Sciences segment revenues increased 3.9% to $121.5 million for the first three months ended June 30, 2021, as compared to $116.9 million for the same prior year period. This increase reflects growth in service and capital equipment revenues of 16.5% and 7.6% respectively primarily due to the acquisition of Cantel in June and favorable fluctuations in foreign currencies. Consumable revenues declined by 3.9%, as the increased demand from our pharma Customers focused on vaccines and biologics that we experienced in fiscal 2021 shifted back to more normal levels.

Excluding Cantel's backlog, the Life Sciences segment's backlog amounted to $92.1 million at June 30, 2021, representing an increase of 36.0% compared to the backlog of $67.7 million at June 30, 2020. The increase is primarily due to built up demand as a result of the COVID-19 pandemic.

Dental segment revenues in June 2021 were $35.2 million.

The Healthcare segment's operating income increased $52.0 million to $136.2 million for the first three months of fiscal 2022, as compared to $84.2 million for the same prior year period. The segment's operating margins were 22.6% and 21.1% for the first three months of fiscal 2022 and 2021, respectively. The segment's operating income and margin improvements were primarily due to to increased volume.

The Applied Sterilization Technologies segment's operating income increased $38.0 million to $101.9 million for the first three months of fiscal 2022, as compared to $64.0 million for the same prior year period. The segment's operating margins were 48.8% and 42.0% for the first three months of fiscal 2022 and fiscal 2021, respectively. The segment's operating income and margin improvements were primarily due to to increased volume.

The Life Sciences segment's operating income increased $0.6 million to $49.1 million for the first three months of fiscal 2022, as compared to $48.5 million for the same prior year period. The segment's operating margins were 40.4% and 41.5% for the first three months of fiscal 2022 and fiscal 2021, respectively.

The Dental segment's operating income and operating margin were $10.1 million and 28.7%, for the month of June 2021.

Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,	
(dollars in thousands)	**2021**	**2020**
Net cash provided by operating activities	**$ 97,426**	$ 134,122
Net cash (used in) investing activities	**$ (603,532)**	$ (66,724)
Net cash provided by (used in) financing activities	**$ 818,810**	$ (134,000)
Debt-to-total capital ratio	**34.3 %**	23.3 %
Free cash flow	**$ 41,247**	$ 67,398

Net Cash Provided by Operating Activities – The net cash provided by our operating activities was $97.4 million for the first three months of fiscal 2022 and $134.1 million for the first three months of fiscal 2021. The fiscal 2022 decrease in cash flows from operations was primarily due to anticipated costs associated with the acquisition of Cantel.

Net Cash (Used In) Investing Activities – The net cash used in investing activities totaled $603.5 million for the first three months of fiscal 2022 and $66.7 million for the first three months of fiscal 2021. The following discussion summarizes the significant changes in our investing cash flows for the first three months of fiscal 2022 and fiscal 2021:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were $56.4 million for the first three months of fiscal 2022 and $66.9 million during the same prior year period. The decrease was primarily due to higher spending related to expansion projects in the Applied Sterilization Technologies segment which occurred in the fiscal 2021 period.
- Acquisitions of businesses, net of cash acquired – During the first three months of fiscal 2022, we used $547.4 million for the acquisition of Cantel. For more information refer to our note 2 of our Consolidated Financial Statements titled, "Business Acquisitions".

Net Cash Provided by (Used In) Financing Activities – The net cash provided by financing activities amounted to $818.8 million for the first three months of fiscal 2022 compared with net cash used in financing activities of $134.0 million for the first three months of fiscal 2021. The following discussion summarizes the significant changes in our financing cash flows for the first three months of fiscal 2022 and fiscal 2021:

- Proceeds from Issuance of Senior Notes – During the first three 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 of our Consolidated Financial Statements titled, "Debt".
- Proceeds from Term Loan – During the first three 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 our annual report on Form 10-K filed with the SEC on May 28, 2021.
- Payments on Term Loan – During the first three months of fiscal 2022, we repaid $125.0 million of our Term Loan. For more information on our Term Loan, refer to our annual report on Form 10-K filed with the SEC on May 28, 2021.
- Payments on Long-term Obligations, net – During the first three 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".
- Payments under credit facilities, net – Net payments under credit facilities totaled $249.4 million in the first three months of fiscal 2022, compared to net payments under credit facilities of $95.8 million in the first three months of fiscal 2021. For more information on our debt, refer to note 5 of our Consolidated Financial Statements titled, "Debt".
- Deferred financing fees and debt issuance costs – During the first three months of fiscal 2022, we paid $17.2 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".
- Repurchases of ordinary shares –During the first three months of fiscal 2022, we obtained 59,648 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $10.7 million. During the first three months of fiscal 2021 through April 9, 2020, we purchased 35,000 of our ordinary shares in the aggregate amount of $5.0 million. During the first three months of fiscal 2021, we obtained 63,150 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $9.2 million. Due to the uncertainty surrounding the COVID-19 pandemic, share repurchases were suspended on April 9, 2020.
- Acquisition related deferred or contingent consideration – During the first three months of fiscal 2022, we paid $25.2 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 three months of fiscal 2022, we paid total cash dividends of $34.1 million, or $0.40 per outstanding share. During the first three months of fiscal 2021, we paid total cash dividends of $31.5 million, or $0.37 per outstanding share.
- Contributions from noncontrolling interest – During the first three months of fiscal 2021, we received contributions from noncontrolling interest holders of $2.3 million.
- Stock option and other equity transactions, net – We generally receive cash for issuing shares under our stock option programs. During the first three months of fiscal 2022 and fiscal 2021, we received cash proceeds totaling $1.7 million and $5.4 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was $41.2 million in the first three months of fiscal 2022 compared to $67.4 million in the first three months of fiscal 2021 (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 2022 decrease in cash flows was primarily due to anticipated costs associated with the acquisition of Cantel.

Our debt-to-total capital ratio was 34.3% at June 30, 2021 and 23.3% at June 30, 2020.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2021 dated May 28, 2021. Our commercial commitments were approximately $81.7 million at June 30, 2021, reflecting a net increase of $2.6 million in surety bonds and other commercial commitments from March 31, 2021. We had no outstanding borrowings under the Credit Agreement as of June 30, 2021. We had $13.0 million of letters of credit outstanding under the Credit Agreement at June 30, 2021.

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 operating 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 (STERIS) and its wholly-owned subsidiaries, STERIS Limited and STERIS Corporation (collectively Guarantors), 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 and borrowings under the credit facilities.

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 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 three months ended June 30, 2021 and summarized balance sheet information at March 31, 2021 for the obligor group of the Senior Notes. The obligor group consists of the Parent Company Guarantor, Subsidiary Issuer, and Subsidiary Guarantors for the Senior 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)

	Three Months Ended June 30, 2021
Revenues	**$ 401,332**
Gross profit	**237,037**
Operating costs arising from transactions with non-issuers and non-guarantors - net	**79,951**
Income from operations	**78,440**
Non-operating income (expense) arising from transactions with subsidiaries that are non-issuers and non-guarantors - net	**89,177**
Net income	**$ 63,781**

Summarized Balance Sheet Information
(in thousands)

	June 30, 2021	March 31, 2021
Receivables due from non-issuers and non-guarantor subsidiaries	**$ 15,178,327**	$ 14,102,215
Other current assets	**442,474**	348,937
Total current assets	**$ 15,620,801**	$ 14,451,152
Non-current receivables due from non-issuers and non-guarantor subsidiaries	**$ 1,876,959**	$ 1,091,809
Goodwill	**94,979**	94,979
Other non-current assets	**200,583**	207,240
Total non-current assets	**$ 2,172,521**	$ 1,394,028
Payables due to non-issuers and non-guarantor subsidiaries	**$ 15,874,013**	$ 15,549,831
Other current liabilities	**213,697**	128,665
Total current liabilities	**$ 16,087,710**	$ 15,678,496
Non-current payables due to non-issuers and non-guarantor subsidiaries	**$ 1,203,174**	$ 1,203,274
Other non-current liabilities	**3,307,125**	1,695,772
Total non-current liabilities	**$ 4,510,299**	$ 2,899,046

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 Policies, Estimates, and Assumptions

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2021.

Contingencies

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

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

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

Off-Balance Sheet Arrangements

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

Forward-Looking Statements

This 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. Other risk factors are described in STERIS's other securities filings, including Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2021. 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 on STERIS's operations, 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 following the Redomiciliation, (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, (h) the possibility that market demand will not develop for new technologies, products or applications or services, or business initiatives will take longer, cost more or produce lower benefits than anticipated, (i) the possibility that application of or compliance with laws, court rulings, certifications, regulations, regulatory actions, including without limitation any of the same relating to FDA, EPA or other regulatory authorities, government investigations, the outcome of any pending or threatened FDA, EPA or other regulatory warning notices, actions, requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product or service introductions, affect the production, supply and/or marketing of existing products or services or otherwise affect STERIS's performance, results, prospects or value, (j) the potential of international unrest, economic downturn or effects of currencies, tax assessments, tariffs and/or other trade barriers, adjustments or anticipated rates, raw material costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (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 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 including, without limitation, those matters described in our Annual Report on Form 10-K for the year ended March 31, 2021, and other securities filings, 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 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 contractions in credit availability, as well as the ability of STERIS's Customers and suppliers to adequately access the credit markets 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 Securities Exchange Commission ("SEC.") You may access these documents on the Investor Relations page of our website at *http://www.steris-ir.com*. The information on our website and the SEC's website is not incorporated by reference into this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended March 31, 2021, dated May 28, 2021. Our exposures to market risks have not changed materially since March 31, 2021.

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 first quarter of fiscal 2022, we entered into forward currency contracts in order to hedge a portion of our expected non-U.S. dollar denominated earnings against our reporting currency, the U.S. dollar. These currency exchange contracts will mature during fiscal 2022. We have executed forward currency contracts to hedge a portion of results denominated in euros, British pounds sterling, Mexican pesos,Canadian dollars and Chinese yuan. We did not elect hedge accounting for these forward currency contracts; however, we may seek to apply hedge accounting in future scenarios. As a result, we may experience volatility due to (i) the timing mismatch of unrealized hedge gains or losses versus recognition of the underlying hedged earnings, and (ii) the impact of unrealized and realized hedge gains or losses being reported in selling, general and administrative expenses, whereas the offsetting economic gains and losses of the underlying hedged earnings are reported in the various line items of our Consolidated Statements of Income.

ITEM 4. CONTROLS AND PROCEDURES

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

Internal Control Over Financial Reporting

As of June 30, 2021, we are in the process of integrating the internal controls of the acquired Cantel business into STERIS's existing operations as part of planned integration activities. In addition, we have implemented new processes and internal controls to assist us in the preparation and disclosure of financial information. There were no other changes in STERIS's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, STERIS's internal control over financial reporting during the quarter ended June 30, 2021.

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, 2021, dated May 28, 2021.

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, 2021.

Net sales and profitability of our Dental segment are highly dependent on our relationships with a limited number of large distributors.

The distribution network in the U.S. dental industry is concentrated, with relatively few distributors of consumable products accounting for a significant share of the sales volume to dentists. Historically, the top three customers of Cantel's Dental segment accounted for more than 40.0% of its revenues. The loss of a significant amount of business from any of these Customers would have a material adverse effect on our Dental segment. In addition, because our Dental segment products are primarily sold through third-party distributors and not directly to end users, we cannot control the amount and timing of resources that our distributors devote to our products. There can be no assurance that there will not be a loss or reduction in business from one or more of our major customers. In addition, we cannot assure that revenues from Customers that have accounted for significant revenues in the past, either individually or as a group, will reach or exceed historical levels in any future period.

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 June 30, 2021, there was approximately $333.9 million (net of taxes, fees and commissions) of remaining availability under a 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.

During the first three months of fiscal 2022, we obtained 59,648 of our ordinary shares in the aggregate amount of $10.7 million in connection with share based compensation award programs.

The following table summarizes the ordinary shares repurchase activity during the first quarter of fiscal 2022 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)
April 1-30	—	$ —	— (1)	$ 333,932 (1)
May 1-31	—	—	—	333,932
June 1-30	—	—	—	333,932
Total	— (2)	$ — (2)	—	$ 333,932

(1) See narrative above for details regarding the share repurchase program.
(2) Does not include 6 shares purchased during the quarter at an average price of $200.63 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.
4.1	Indenture, dated as of April 1, 2021, among STERIS Irish FinCo Unlimited Company, the guarantors party thereto and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to STERIS plc's Current Report on Form 8-K, filed on April 1, 2021 (Commission File No. 001-38848)), and incorporated herein by reference.
4.2	First Supplemental Indenture, dated as of April 1, 2021, among STERIS Irish FinCo Unlimited Company, the guarantors party thereto and U.S. Bank National Association, as trustee (filed as Exhibit 4.2 to STERIS plc's Current Report on Form 8-K, filed on April 1, 2021 (Commission File No. 001-38848)), and incorporated herein by reference.
4.3	Indenture, dated May 15, 2020, between Cantel Medical Corp. (now known as Cantel Medical LLC) and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to Cantel Medical Corp.'s (now known as Cantel Medical LLC) Current Report on Form 8-K, filed May 15, 2020 (Commission File No. 001-31337)), and incorporated herein by reference.
4.4	First Supplemental Indenture, dated June 2, 2021, by and among Cantel Medical Corp. (now known as Cantel Medical LLC), STERIS plc and Wells Fargo, National Association, as trustee (filed as Exhibit 4.1 to STERIS plc's Current Report on Form 8-K, filed June 3, 2021 (Commission File No. 001-38848)), and incorporated herein by reference.
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.
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	Inline Schema Document.
101.CAL	Inline Calculation Linkbase Document.
101.DEF	Inline Definition Linkbase Document.
101.LAB	Inline Labels Linkbase Document.
101.PRE	Inline Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURE

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

STERIS plc

/s/ KAREN L. BURTON

Karen L. Burton
Vice President, Controller and Chief Accounting Officer
August 9, 2021

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 August 9, 2021 relating to the unaudited consolidated interim financial statements of STERIS plc and subsidiaries that are included in its Form 10-Q for the quarter ended June 30, 2021:

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 of STERIS plc (As assumed and amended effective June 2, 2021)

/s/ Ernst & Young LLP

Cleveland, Ohio
August 9, 2021

Exhibit 22.1

List of Guarantor Subsidiaries with respect to the 2.700% Senior Notes due 2031 and 3.750% Senior Notes due 2051 issued by STERIS Irish FinCo Unlimited Company

Senior Notes Issued Under	Issuer	Guarantors
2021 Indenture	STERIS Irish FinCo Unlimited Company	STERIS plc, STERIS Corporation, STERIS Limited

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: August 9, 2021

/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: August 9, 2021

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS plc (the “Company”) for the quarter ended June 30, 2021, 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: August 9, 2021