

STERIS plc
Consolidated Condensed Statements of Operations
(In thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 808,924	\$ 774,261	\$ 2,233,988	\$ 2,207,904
Cost of revenues	463,063	442,075	1,272,522	1,249,380
Total cost of revenues - restructuring	—	833	—	2,661
Total cost of revenues, net	463,063	442,908	1,272,522	1,252,041
Gross profit	345,861	331,353	961,466	955,863
Operating expenses:				
Selling, general, and administrative	182,373	172,927	510,250	527,667
Research and development	16,438	16,487	48,812	48,321
Restructuring expenses	20	(448)	110	667
Total operating expenses	198,831	188,966	559,172	576,655
Income from operations	147,030	142,387	402,294	379,208
Non-operating expenses, net	7,600	8,435	22,280	28,539
Income tax expense	24,842	29,285	71,294	66,083
Net income	\$ 114,588	\$ 104,667	\$ 308,720	\$ 284,586
Less: Net income attributable to noncontrolling interests	87	(263)	171	297
Net income attributable to shareholders	\$ 114,501	\$ 104,930	\$ 308,549	\$ 284,289
Earnings per ordinary share (EPS) data:				
Basic	\$ 1.34	\$ 1.24	\$ 3.62	\$ 3.35
Diluted	\$ 1.33	\$ 1.23	\$ 3.59	\$ 3.32
Cash dividends declared per share ordinary outstanding	\$ 0.40	\$ 0.37	\$ 1.17	\$ 1.08

Weighted average number of shares outstanding used in EPS computation:

Basic number of shares outstanding	85,330	84,788	85,153	84,740
Diluted number of shares outstanding	86,032	85,628	85,851	85,630

STERIS plc
Consolidated Condensed Balance Sheets
(in thousands)

	December 31, 2020	March 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 252,502	\$ 319,581
Accounts receivable, net	556,117	586,481
Inventories, net	294,132	248,259
Prepaid expenses and other current assets	73,324	54,430
Total current assets	1,176,075	1,208,751
Property, plant, and equipment, net	1,226,895	1,111,855
Lease right-of-use assets, net	149,741	131,837
Goodwill	2,926,551	2,356,085
Intangibles, net	1,043,904	565,473
Other assets	57,614	51,581
Total assets	\$ 6,580,780	\$ 5,425,582
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 134,471	\$ 149,341
Other current liabilities	371,396	354,266
Total current liabilities	505,867	503,607
Long-term indebtedness	1,713,199	1,150,521
Other liabilities	483,522	364,730
Total equity	3,878,192	3,406,724
Total liabilities and equity	\$ 6,580,780	\$ 5,425,582

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Segment Data

Financial information for each of the segments is presented in the following table. 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. Segment income is calculated as the segment's gross profit less direct costs and indirect costs if the resources are dedicated to a single segment. Corporate costs include corporate and administrative functions, public company costs, legacy post-retirement benefits, and certain services and facilities related to distribution and research and development that are shared by multiple segments.

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

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Consolidated Condensed Statements of Cash Flows
(in thousands)

	Nine Months Ended December 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Operating activities:		
Net income	\$ 308,720	\$ 284,586
Non-cash items	186,264	163,524
Changes in operating assets and liabilities	6,801	(56,784)
Net cash provided by operating activities	501,785	391,326
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(164,497)	(153,649)
Proceeds from the sale of property, plant, equipment, and intangibles	417	387
Proceeds from the sale of businesses	—	439
Acquisition of businesses, net of cash acquired	(869,431)	(107,166)
Other	(2,392)	—
Net cash used in investing activities	(1,035,903)	(259,989)
Financing activities:		
Proceeds from the issuance of long-term obligations	550,000	—
Payments on long-term obligations	(35,000)	—
Proceeds (payments) under credit facilities, net	23,782	(48,467)
Deferred financing fees and debt issuance costs	(3,122)	(1,206)
Acquisition related deferred or contingent consideration	(2,968)	(452)
Repurchases of ordinary shares	(14,560)	(40,322)
Cash dividends paid to ordinary shareholders	(99,696)	(91,595)
Contributions from noncontrolling interest	2,258	6,050
Distributions to noncontrolling interest	(627)	(840)
Payment for acquisition of subsidiary's interests in noncontrolling interest	(3,552)	—
Stock option and other equity transactions, net	26,018	22,958
Net cash provided by (used in) financing activities	442,533	(153,874)
Effect of exchange rate changes on cash and cash equivalents	24,506	1,134
(Decrease) in cash and cash equivalents	(67,079)	(21,403)
Cash and cash equivalents at beginning of period	319,581	220,633
Cash and cash equivalents at end of period	\$ 252,502	\$ 199,230

The following table presents a financial measure which is considered to be "non-GAAP financial measures" under Securities Exchange Commission rules. Free cash flow is defined by the Company as cash flows from operating activities less purchases of property, plant, equipment and intangibles (capital expenditures) plus proceeds from the sale of property, plant, equipment and intangibles. The Company uses free cash flow as a measure to gauge its ability to pay cash dividends, fund growth outside of core operations, fund future debt principal repayments, and repurchase shares. STERIS's calculation of free cash flows may vary from other companies.

	Nine Months Ended December 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Calculation of Free Cash Flow:		
Cash flows from operating activities	\$ 501,785	\$ 391,326
Purchases of property, plant, equipment, and intangibles, net	(164,497)	(153,649)
Proceeds from the sale of property, plant, equipment, and intangibles	417	387
Free Cash Flow	\$ 337,705	\$ 238,064

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Non-GAAP Financial Measures
(in thousands, except per share data)

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.

Management and the Board of Directors 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, provides 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.

To measure the percentage organic revenue growth, the Company removes the impact of acquisitions and divestitures that affect the comparability and trends in revenue. To measure the percentage constant currency organic revenue growth, the impact of changes in currency exchange rates and acquisitions and divestitures that affect the comparability and trends in revenue are removed. The impact of changes in currency exchange rates is calculated by translating current year results at prior year average currency exchange rates.

Three months ended December 31, (unaudited)

	As reported, GAAP		Impact of Acquisitions		Impact of Divestitures		Impact of Foreign Currency Movements	GAAP Growth	Organic Growth	Constant Currency Organic Growth
	2020	2019	2020	2019	2020	2019	2020	2020	2020	2020
Segment revenues:										
Healthcare	\$ 521,662	\$ 509,222	\$ 15,533	\$ —	\$ 2,357		2.4 %	(0.6)%	(1.1)%	
Applied Sterilization Technologies	176,462	156,266	—	—	4,182		12.9 %	12.9 %	10.2 %	
Life Sciences	110,800	108,773	—	—	2,046		1.9 %	1.9 %	— %	
Total	\$ 808,924	\$ 774,261	\$ 15,533	\$ —	\$ 8,585		4.5 %	2.5 %	1.4 %	

Nine months ended December 31, (unaudited)

	As reported, GAAP		Impact of Acquisitions		Impact of Divestitures		Impact of Foreign Currency Movements	GAAP Growth	Organic Growth	Constant Currency Organic Growth
	2020	2019	2020	2019	2020	2019	2020	2020	2020	2020
Segment revenues:										
Healthcare	\$ 1,392,247	\$ 1,440,237	\$ 15,533	\$ —	\$ 1,387		(3.3)%	(4.4)%	(4.5)%	
Applied Sterilization Technologies	498,371	463,459	—	—	5,243		7.5 %	7.5 %	6.4 %	
Life Sciences	343,370	304,208	—	—	2,470		12.9 %	12.9 %	12.1 %	
Total	\$ 2,233,988	\$ 2,207,904	\$ 15,533	\$ —	\$ 9,100		1.2 %	0.5 %	0.1 %	

Three months ended December 31, (unaudited)

	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2020	2019	2020	2019	2020	2019	2020	2019
GAAP	\$ 345,861	\$ 331,353	\$ 147,030	\$ 142,387	\$ 114,501	\$ 104,930	\$ 1.33	\$ 1.23
Adjustments:								
Amortization of acquired intangible assets	5,709	330	23,194	17,508				
Acquisition and integration related charges	120	490	11,563	1,721				
Redomiciliation and tax restructuring costs	—	—	296	487				
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	(500)	—				
Net loss on divestiture of businesses	—	—	—	76				
Amortization of inventory and property "step up" to fair value	1,786	617	1,784	602				
COVID-19 incremental costs	3,867	—	7,251	—				
Restructuring charges	—	833	20	385				
Consideration received for pre-acquisition arrangement					(7)	—		
Net impact of adjustments after tax*					34,738	19,059		
Net EPS impact							0.40	0.22
Adjusted	\$ 357,343	\$ 333,623	\$ 190,638	\$ 163,166	\$ 149,232	\$ 123,989	\$ 1.73	\$ 1.45

* The tax expense includes both the current and deferred income tax impact of the adjustments.

STERIS plc
Non-GAAP Financial Measures (Continued)
(in thousands, except per share data)

	Nine months ended December 31, (unaudited)							
	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2020	2019	2020	2019	2020	2019	2020	2019
GAAP	\$ 961,466	\$ 955,863	\$402,294	\$ 379,208	\$308,549	\$ 284,289	\$ 3.59	\$ 3.32
Adjustments:								
Amortization of acquired intangible assets	11,059	1,236	62,649	53,407				
Acquisition and integration related charges	313	1,300	13,984	5,585				
Redomiciliation and tax restructuring costs	—	—	850	3,274				
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	(500)	—				
Net loss on divestiture of businesses	—	—	5	2,553				
Amortization of inventory and property "step up" to fair value	3,096	1,891	3,101	1,783				
COVID-19 incremental costs	16,335	—	20,460	—				
Restructuring charges	—	2,661	110	3,328				
Consideration received for pre-acquisition arrangement					(826)	—		
Net impact of adjustments after tax*					80,673	57,841		
Net EPS impact							0.93	0.68
Adjusted	\$ 992,269	\$ 962,951	\$502,953	\$ 449,138	\$388,396	\$ 342,130	\$ 4.52	\$ 4.00

* The tax expense includes both the current and deferred income tax impact of the adjustments.

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Unaudited Supplemental Financial Data

Third Quarter Fiscal 2021

For the Periods Ending December 31, 2020 and 2019

	FY 2021	FY 2020	FY 2021	FY 2020
	Q3	Q3	YTD	YTD
Total Company Revenues				
Consumables	\$ 198,466	\$ 176,625	\$ 519,652	\$ 495,309
Service	433,610	410,466	1,218,062	1,198,708
Total Recurring	\$ 632,076	\$ 587,091	\$ 1,737,714	\$ 1,694,017
Capital Equipment	\$ 176,848	\$ 187,170	\$ 496,274	\$ 513,887
Total Revenues	\$ 808,924	\$ 774,261	\$ 2,233,988	\$ 2,207,904
Ireland Revenues	\$ 20,316	\$ 16,126	\$ 51,779	\$ 46,405
Ireland Revenues as a % of Total	3 %	2 %	2 %	2 %
United States Revenues	\$ 572,397	\$ 562,502	\$ 1,613,554	\$ 1,611,755
United States Revenues as a % of Total	71 %	73 %	72 %	73 %
International Revenues	\$ 216,211	\$ 195,633	\$ 568,655	\$ 549,744
International Revenues as a % of Total	27 %	25 %	25 %	25 %

Segment Data	FY 2021	FY 2020	FY 2021	FY 2020
Healthcare	Q3	Q3	YTD	YTD
Revenues				
Consumables	\$ 148,839	\$ 130,255	\$ 355,390	\$ 362,370
Service	224,968	223,559	629,247	648,973
Total Recurring	\$ 373,807	\$ 353,814	\$ 984,637	\$ 1,011,343
Capital Equipment	147,855	155,408	407,610	428,894
Total Healthcare Revenues	\$ 521,662	\$ 509,222	\$ 1,392,247	\$ 1,440,237
Segment Operating Income	\$ 115,412	\$ 105,227	\$ 302,565	\$ 298,777
Applied Sterilization Technologies				
Applied Sterilization Technologies Revenues	\$ 176,462	\$ 156,266	\$ 498,371	\$ 463,459
Segment Operating Income	\$ 81,626	\$ 65,468	\$ 222,416	\$ 198,889
Life Sciences				
Revenues				
Consumables	\$ 49,627	\$ 46,370	\$ 164,262	\$ 132,939
Service	32,180	30,641	90,444	86,276
Total Recurring	\$ 81,807	\$ 77,011	\$ 254,706	\$ 219,215
Capital Equipment	28,993	31,762	88,664	84,993
Total Life Sciences Revenues	\$ 110,800	\$ 108,773	\$ 343,370	\$ 304,208
Segment Operating Income	\$ 41,541	\$ 37,731	\$ 136,435	\$ 103,085
Corporate				
Operating loss	\$ (47,941)	\$ (45,260)	\$ (158,463)	\$ (151,613)

Other Data	FY 2021	FY 2020	FY 2021	FY 2020
	Q3	Q3	YTD	YTD
Healthcare Backlog	\$ 215,543	\$ 209,917		
Life Sciences Backlog	81,981	71,569		
Total Backlog	\$ 297,524	\$ 281,486		
GAAP Income Tax Rate	17.8 %	21.9 %	18.8 %	18.8 %
Adjusted Income Tax Rate	18.4 %	20.0 %	19.0 %	18.6 %

This supplemental data is consistent with publicly disclosed information provided in quarterly conference calls, earnings releases and SEC filings, and is subject to all definitions, precautions and limitations contained in those disclosures. Please see the Company's most recent 10-K for definitions (and reconciliation where appropriate) of adjusted measures, backlog, free cash flow and net debt.