

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 736,840	\$ 678,961	\$ 1,433,643	\$ 1,317,719
Cost of revenues	417,263	394,297	807,305	764,005
Total cost of revenues - restructuring	910	—	1,828	—
Total cost of revenues, net	418,173	394,297	809,133	764,005
Gross profit	318,667	284,664	624,510	553,714
Operating expenses:				
Selling, general, and administrative	175,959	162,312	354,740	320,718
Research and development	16,249	15,773	31,834	31,993
Restructuring expenses	(274)	—	1,115	—
Total operating expenses	191,934	178,085	387,689	352,711
Income from operations	126,733	106,579	236,821	201,003
Non-operating expenses, net	9,426	11,320	20,104	22,693
Income tax expense	22,165	17,764	36,798	30,537
Net income	\$ 95,142	\$ 77,495	\$ 179,919	\$ 147,773
Less: Net income attributable to noncontrolling interests	373	38	560	325
Net income attributable to shareholders	\$ 94,769	\$ 77,457	\$ 179,359	\$ 147,448
Earnings per ordinary share (EPS) data:				
Basic	\$ 1.12	\$ 0.92	\$ 2.12	\$ 1.74
Diluted	\$ 1.11	\$ 0.91	\$ 2.09	\$ 1.72
Cash dividends declared per share ordinary outstanding	\$ 0.37	\$ 0.34	\$ 0.71	\$ 0.65
Weighted average number of shares outstanding used in EPS				
Basic number of shares outstanding	84,795	84,537	84,716	84,611
Diluted number of shares outstanding	85,695	85,477	85,630	85,493

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Consolidated Condensed Balance Sheets
(in thousands)

	September 30, 2019	March 31, 2019
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 225,536	\$ 220,633
Accounts receivable, net	513,353	564,830
Inventories, net	236,837	208,243
Prepaid expenses and other current assets	56,228	60,029
Total current assets	1,031,954	1,053,735
Property, plant, and equipment, net	1,066,223	1,031,582
Lease right-of-use assets, net	115,925	—
Goodwill	2,319,062	2,322,928
Intangibles, net	576,379	604,614
Other assets	76,174	60,212
Total assets	\$ 5,185,717	\$ 5,073,071
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 133,802	\$ 152,913
Other current liabilities	294,221	312,283
Total current liabilities	428,023	465,196
Long-term indebtedness	1,187,195	1,183,227
Other liabilities	332,854	238,850
Total equity	3,237,645	3,185,798
Total liabilities and equity	\$ 5,185,717	\$ 5,073,071

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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 September 30,		Six Months Ended September 30,	
	2019 (Unaudited)	2018 Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenues:				
Healthcare Products	\$ 350,281	\$ 321,505	\$ 660,068	\$ 613,515
Healthcare Specialty Services	135,002	124,554	270,947	246,803
Life Sciences	98,650	97,165	195,435	182,120
Applied Sterilization Technologies	152,907	135,737	307,193	275,281
Total revenues	\$ 736,840	\$ 678,961	\$1,433,643	\$1,317,719
Operating income (loss):				
Healthcare Products	\$ 86,963	\$ 72,468	\$ 160,661	\$ 134,190
Healthcare Specialty Services	16,072	15,461	32,889	28,415
Life Sciences	32,315	33,266	65,354	63,131
Applied Sterilization Technologies	65,386	53,468	133,421	109,619
Corporate	(50,956)	(46,985)	(106,353)	(93,027)
Total operating income before adjustments	\$ 149,780	\$ 127,678	\$ 285,972	\$ 242,328
Less: Adjustments				
Amortization of acquired intangible assets	\$ 18,952	\$ 16,956	\$ 35,901	\$ 35,013
Acquisition and integration related charges	1,947	2,707	3,864	4,378
Redomiciliation and tax restructuring costs	1,016	600	2,786	887
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	—	(842)
Net loss on divestiture of businesses	50	221	2,476	663
Amortization of property "step up" to fair value	446	615	1,181	1,226
Restructuring charges	636	—	2,943	—
Total operating income	\$ 126,733	\$ 106,579	\$ 236,821	\$ 201,003

STERIS plc
Consolidated Condensed Statements of Cash Flows
(in thousands)

	Six Months Ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Operating activities:		
Net income	\$ 179,919	\$ 147,773
Non-cash items	112,706	92,100
Changes in operating assets and liabilities	(32,625)	(13,171)
Net cash provided by operating activities	260,000	226,702
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(98,168)	(62,549)
Proceeds from the sale of property, plant, equipment, and intangibles	206	5,547
Proceeds from the sale of businesses	439	(196)
Purchase of investments	—	(4,955)
Acquisition of businesses, net of cash acquired	(87,935)	—
Other	—	(6,003)
Net cash used in investing activities	(185,458)	(68,156)
Financing activities:		
Payments on long-term obligations	—	(85,000)
Proceeds (payments) under credit facilities, net	13,240	52,093
Deferred financing fees and debt issuance costs	(1,206)	(298)
Acquisition related deferred or contingent consideration	(452)	(685)
Repurchases of ordinary shares	(37,866)	(55,902)
Cash dividends paid to ordinary shareholders	(60,220)	(55,005)
Stock option and other equity transactions, net	22,975	4,936
Net cash used in financing activities	(63,529)	(139,861)
Effect of exchange rate changes on cash and cash equivalents	(6,110)	(10,298)
Increase in cash and cash equivalents	4,903	8,387
Cash and cash equivalents at beginning of period	220,633	201,534
Cash and cash equivalents at end of period	\$ 225,536	\$ 209,921

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.

	Six Months Ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Calculation of Free Cash Flow:		
Cash flows from operating activities	\$ 260,000	\$ 226,702
Purchases of property, plant, equipment, and intangibles, net	(98,168)	(62,549)
Proceeds from the sale of property, plant, equipment, and intangibles	206	5,547
Free Cash Flow	\$ 162,038	\$ 169,700

	Twelve Months Ended	
	March 31, 2020	
	(Outlook*)	
Calculation of Free Cash Flow for Outlook		
Cash flows from operating activities	\$	580,000
Purchases of property, plant, equipment, and intangibles, net		(260,000)
Free Cash Flow	\$	320,000

* All amounts are estimates.

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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 September 30, (unaudited)

	As reported, GAAP		Impact of Acquisitions		Impact of Divestitures		Impact of Foreign Currency Movements	GAAP Growth	Organic Growth	Constant Currency Organic Growth
	2019	2018	2019	2018	2019	2018	2019	2019	2019	2019
Segment revenues:										
Healthcare Products	\$ 350,281	\$ 321,505	\$ —	\$ —	\$ (1,213)		9.0%	9.0%	9.3%	
Healthcare Specialty Services	135,002	124,554	—	(1,328)	(1,496)		8.4%	9.6%	10.8%	
Life Sciences	98,650	97,165	—	—	(811)		1.5%	1.5%	2.4%	
Applied Sterilization Technologies	152,907	135,737	—	—	(2,320)		12.6%	12.6%	14.4%	
Total	\$ 736,840	\$ 678,961	\$ —	\$ (1,328)	\$ (5,840)		8.5%	8.7%	9.6%	

Six months ended September 30, (unaudited)

	As reported, GAAP		Impact of Acquisitions		Impact of Divestitures		Impact of Foreign Currency Movements	GAAP Growth	Organic Growth	Constant Currency Organic Growth
	2019	2018	2019	2018	2019	2018	2019	2019	2019	2019
Segment revenues:										
Healthcare Products	\$ 660,068	\$ 613,515	\$ —	\$ —	\$ (3,078)		7.6%	7.6%	8.1%	
Healthcare Specialty Services	270,947	246,803	—	(1,920)	(3,270)		9.8%	10.6%	12.0%	
Life Sciences	195,435	182,120	—	—	(2,003)		7.3%	7.3%	8.4%	
Applied Sterilization Technologies	307,193	275,281	—	—	(5,883)		11.6%	11.6%	13.7%	
Total	\$ 1,433,643	\$ 1,317,719	\$ —	\$ (1,920)	\$ (14,234)		8.8%	9.0%	10.0%	

Three months ended September 30, (unaudited)

	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2019	2018	2019	2018	2019	2018	2019	2018
GAAP	\$ 318,667	\$ 284,664	\$ 126,733	\$ 106,579	\$ 94,769	\$ 77,457	\$ 1.11	\$ 0.91
Adjustments:								
Amortization of acquired intangible assets	759	71	18,952	16,956				
Acquisition and integration related charges	313	425	1,947	2,707				
Redomiciliation and tax restructuring costs	—	—	1,016	600				
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	—	—				
Net loss on divestiture of businesses	—	—	50	221				
Amortization of property "step up" to fair value	492	651	446	615				
Restructuring charges	910	—	636	—				
Net impact of adjustments after tax*					18,363	16,173		
Net EPS impact							0.21	0.19
Adjusted	\$ 321,141	\$ 285,811	\$ 149,780	\$ 127,678	\$ 113,132	\$ 93,630	\$ 1.32	\$ 1.10

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

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

	Six months ended September 30, (unaudited)							
	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2019	2018	2019	2018	2019	2018	2019	2018
GAAP	\$ 624,510	\$ 553,714	\$ 236,821	\$ 201,003	\$179,359	\$ 147,448	\$ 2.09	\$ 1.72
Adjustments:								
Amortization of acquired intangible assets	906	171	35,901	35,013				
Acquisition and integration related charges	809	1,012	3,864	4,378				
Redomiciliation and tax restructuring costs	—	—	2,786	887				
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	—	(842)				
Net loss on divestiture of businesses	—	—	2,476	663				
Amortization of property "step up" to fair value	1,274	1,299	1,181	1,226				
Restructuring charges	1,828	—	2,943	—				
Net impact of adjustments after tax*					38,783	31,828		
Net EPS impact							0.46	0.38
Adjusted	\$ 629,327	\$ 556,196	\$ 285,972	\$ 242,328	\$218,142	\$ 179,276	\$ 2.55	\$ 2.10

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

FY 2020 Outlook

	Twelve Months Ended March 31, 2020 (Outlook*)
Net income per diluted share	\$4.70- \$4.85
Amortization of acquired intangible assets	0.65
Acquisition and integration related charges	0.05
Redomiciliation and tax restructuring costs	0.03
Net loss on divestiture of businesses	0.02
Amortization of property "step up" to fair value	0.02
Restructuring charges	0.03
Adjusted net income per diluted share	\$5.50- \$5.65

* All amounts are estimates.

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Unaudited Supplemental Financial Data

Second Quarter Fiscal 2020

For the Periods Ending September 30, 2019 and 2018

	FY 2020	FY 2019	FY 2020	FY 2019
	Q2	Q2	YTD	YTD
Total Company Revenues				
Consumables	\$ 158,573	\$ 147,172	\$ 318,684	\$ 294,743
Service	399,174	364,302	788,242	724,270
Total Recurring	\$ 557,747	\$ 511,474	\$ 1,106,926	\$ 1,019,013
Capital Equipment	\$ 179,093	\$ 167,487	\$ 326,717	\$ 298,706
Total Revenues	\$ 736,840	\$ 678,961	\$ 1,433,643	\$ 1,317,719
Ireland Revenues	\$ 15,171	\$ 14,098	\$ 30,279	\$ 26,658
Ireland Revenues as a % of Total	2%	2%	2%	2%
United States Revenues	\$ 538,101	\$ 481,233	\$ 1,049,253	\$ 928,773
United States Revenues as a % of Total	73%	71%	73%	71%
International Revenues	\$ 183,568	\$ 183,630	\$ 354,111	\$ 362,288
International Revenues as a % of Total	25%	27%	25%	27%

Segment Data	FY 2020	FY 2019	FY 2020	FY 2019
	Q2	Q2	YTD	YTD
Healthcare Products				
Revenues				
Consumables	\$ 108,392	\$ 101,680	\$ 217,174	\$ 202,094
Service	94,852	86,415	180,661	170,515
Total Recurring	\$ 203,244	\$ 188,095	\$ 397,835	\$ 372,609
Capital Equipment	147,037	133,410	262,233	240,906
Total Healthcare Products Revenues	\$ 350,281	\$ 321,505	\$ 660,068	\$ 613,515
Segment Operating Income	\$ 86,963	\$ 72,468	\$ 160,661	\$ 134,190
Healthcare Specialty Services				
Healthcare Services Revenues	\$ 135,002	\$ 124,554	\$ 270,947	\$ 246,803
Segment Operating Income	\$ 16,072	\$ 15,461	\$ 32,889	\$ 28,415
Life Sciences				
Revenues				
Consumables	\$ 42,540	\$ 38,466	\$ 86,569	\$ 78,687
Service	29,648	28,887	55,635	54,507
Total Recurring	\$ 72,188	\$ 67,353	\$ 142,204	\$ 133,194
Capital Equipment	26,462	29,812	53,231	48,926
Total Life Sciences Revenues	\$ 98,650	\$ 97,165	\$ 195,435	\$ 182,120
Segment Operating Income	\$ 32,315	\$ 33,266	\$ 65,354	\$ 63,131
Applied Sterilization Technologies				
Applied Sterilization Technologies Revenues	\$ 152,907	\$ 135,737	\$ 307,193	\$ 275,281
Segment Operating Income	\$ 65,386	\$ 53,468	\$ 133,421	\$ 109,619
Corporate				
Operating loss	\$ (50,956)	\$ (46,985)	\$ (106,353)	\$ (93,027)

Other Data	FY 2020	FY 2019		
	Q2	Q2		
Healthcare Products Backlog	199,264	203,229		
Life Sciences Backlog	69,728	61,472		
Total Backlog	268,992	264,701		
GAAP Income Tax Rate	18.9%	18.6%	17.0%	17.1%
Adjusted Income Tax Rate	19.1%	19.5%	17.7%	18.2%

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.