

STERIS plc

Consolidated Condensed Statements of Operations

(In thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 1,215,994	\$ 1,208,971	\$ 3,573,002	\$ 3,374,378
Cost of revenues	694,497	670,857	2,001,372	1,929,638
Gross profit	521,497	538,114	1,571,630	1,444,740
Operating expenses:				
Selling, general, and administrative	305,141	310,564	962,962	1,049,116
Goodwill impairment loss	—	—	490,565	—
Research and development	25,514	24,824	75,193	61,847
Restructuring expenses	39	(207)	127	17
Total operating expenses	330,694	335,181	1,528,847	1,110,980
Income from operations	190,803	202,933	42,783	333,760
Non-operating expenses, net	30,465	20,524	80,556	90,721
Income tax expense	37,013	39,315	43,378	52,222
Net income (loss)	\$ 123,325	\$ 143,094	\$ (81,151)	\$ 190,817
Less: Net (loss) attributable to noncontrolling interests	(503)	(529)	(956)	(810)
Net income (loss) attributable to shareholders	\$ 123,828	\$ 143,623	\$ (80,195)	\$ 191,627
Earnings per ordinary share (EPS) data:				
Basic	\$ 1.24	\$ 1.44	\$ (0.80)	\$ 1.98
Diluted	\$ 1.24	\$ 1.42	\$ (0.80)	\$ 1.97
Cash dividends declared per share ordinary outstanding	\$ 0.47	\$ 0.43	\$ 1.37	\$ 1.26
Weighted average number of shares outstanding used in EPS computation:				
Basic number of shares outstanding	99,716	100,038	99,922	96,679
Diluted number of shares outstanding	100,166	100,826	99,922	97,502

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Consolidated Condensed Balance Sheets
(in thousands)

	December 31, 2022	March 31, 2022
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 259,371	\$ 348,320
Accounts receivable, net	822,758	799,041
Inventories, net	694,357	574,999
Prepaid expenses and other current assets	200,140	156,637
Total current assets	1,976,626	1,878,997
Property, plant, and equipment, net	1,671,157	1,552,576
Lease right-of-use assets, net	187,320	188,480
Goodwill	3,853,009	4,404,343
Intangibles, net	3,031,456	3,328,537
Other assets	80,356	70,661
Total assets	\$ 10,799,924	\$ 11,423,594
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 242,491	\$ 225,737
Other current liabilities	553,966	696,485
Total current liabilities	796,457	922,222
Long-term indebtedness	3,001,575	2,945,481
Other liabilities	953,372	1,011,254
Total equity	6,048,520	6,544,637
Total liabilities and equity	\$ 10,799,924	\$ 11,423,594

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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.

(in thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022 (Unaudited)	2021 (*) (Unaudited)	2022 (Unaudited)	2021 (*) (Unaudited)
Revenues:				
Healthcare	\$ 769,144	\$ 759,675	\$ 2,200,483	\$ 2,106,626
Applied Sterilization Technologies	222,014	216,298	675,283	630,092
Life Sciences	121,273	127,908	379,248	381,706
Dental	103,563	105,090	317,988	255,954
Total revenues	\$ 1,215,994	\$ 1,208,971	\$ 3,573,002	\$ 3,374,378
Segment operating income (loss):				
Healthcare	\$ 175,399	\$ 175,778	\$ 497,233	\$ 482,487
Applied Sterilization Technologies	103,539	101,343	323,238	303,059
Life Sciences	45,249	52,032	149,173	158,639
Dental	20,337	23,096	67,992	65,607
Corporate	(53,873)	(62,360)	(196,872)	(219,131)
Total segment operating income	\$ 290,651	\$ 289,889	\$ 840,764	\$ 790,661
Less: Adjustments				
Amortization of acquired intangible assets	\$ 93,941	\$ 75,021	\$ 281,727	\$ 191,552
Acquisition and integration related charges	4,817	9,298	18,493	167,698
Tax restructuring costs	282	118	533	228
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	(3,100)	—
Net (gain) loss on divestiture of businesses	(838)	489	3,939	893
Amortization of inventory and property "step up" to fair value	1,608	2,237	5,697	96,513
Restructuring charges	38	(207)	127	17
Goodwill impairment loss	—	—	490,565	—
Total income from operations	\$ 190,803	\$ 202,933	\$ 42,783	\$ 333,760

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

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

	Nine Months Ended December 31,	
	2022	2021
	(Unaudited)	(Unaudited)
Operating activities:		
Net income	\$ (81,151)	\$ 190,817
Non-cash items	879,820	485,030
Changes in operating assets and liabilities	(257,521)	(162,767)
Net cash provided by operating activities	541,148	513,080
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(290,520)	(214,491)
Proceeds from the sale of property, plant, equipment, and intangibles	12,164	1,709
Proceeds from the sale of businesses	6,624	—
Acquisition of businesses, net of cash acquired	(34,020)	(547,353)
Net cash (used in) investing activities	(305,752)	(760,135)
Financing activities:		
Proceeds from issuance of senior public notes	—	1,350,000
Proceeds from term loan	—	650,000
Payments on long-term obligations	(91,000)	(721,284)
Payments on convertible debt	—	(371,361)
Payments on term loans	(141,875)	(125,000)
Proceeds (payments) under credit facilities, net	216,561	(203,805)
Deferred financing fees and debt issuance costs	—	(17,247)
Acquisition related deferred or contingent consideration	(310)	(32,583)
Repurchases of ordinary shares	(153,952)	(27,628)
Cash dividends paid to ordinary shareholders	(136,898)	(120,118)
Distributions to noncontrolling interest	(794)	(997)
Contributions from noncontrolling interest	—	3,672
Stock option and other equity transactions, net	1,497	6,789
Net cash provided by (used in) financing activities	(306,771)	390,438
Effect of exchange rate changes on cash and cash equivalents	(17,574)	(4,825)
Increase (decrease) in cash and cash equivalents	(88,949)	138,558
Cash and cash equivalents at beginning of period	348,320	220,531
Cash and cash equivalents at end of period	<u>\$ 259,371</u>	<u>\$ 359,089</u>

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,	
	2022	2021
	(Unaudited)	(Unaudited)
Calculation of Free Cash Flow:		
Cash flows from operating activities	\$ 541,148	\$ 513,080
Purchases of property, plant, equipment, and intangibles, net	(290,520)	(214,491)
Proceeds from the sale of property, plant, equipment, and intangibles	12,164	1,709
Free Cash Flow	<u>\$ 262,792</u>	<u>\$ 300,298</u>

STERIS plc
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
	2022	2021	2022	2021	2022	2021	2022	2022	2022	2022
	2022	2021	2022	2021	2022	2021	2022	2022	2022	2022
Segment revenues:										
Healthcare	\$ 769,144	\$ 759,675	\$ —	\$ (44,976)	\$ (15,232)		1.2 %	7.6 %	9.7 %	
Applied Sterilization Technologies	222,014	216,298	—	—	(10,239)		2.6 %	2.6 %	7.4 %	
Life Sciences	121,273	127,908	—	(2,358)	(3,565)		(5.2)%	(3.4)%	(0.6)%	
Dental	103,563	105,090	—	—	(2,029)		(1.5)%	(1.5)%	0.5 %	
Total	\$ 1,215,994	\$ 1,208,971	\$ —	\$ (47,334)	\$ (31,065)		0.6 %	4.7 %	7.4 %	

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
	2022	2021	2022	2021	2022	2021	2022	2022	2022	2022
	2022	2021	2022	2021	2022	2021	2022	2022	2022	2022
Segment revenues:										
Healthcare	\$ 2,200,483	\$ 2,106,626	\$ 98,400	\$ (101,631)	\$ (43,014)		4.5 %	4.8 %	7.0 %	
Applied Sterilization Technologies	675,283	630,092	—	—	(32,088)		7.2 %	7.2 %	12.3 %	
Life Sciences	379,248	381,706	2,800	(5,502)	(10,898)		(0.6)%	0.1 %	3.0 %	
Dental	317,988	255,954	65,009	—	(5,428)		n/m	n/m	n/m	
Total	\$ 3,573,002	\$ 3,374,378	\$ 166,209	\$ (107,133)	\$ (91,428)		5.9 %	4.3 %	7.1 %	

n/m: not meaningful

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

	Three Months Ended December 31, (unaudited)							
	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2022	2021	2022	2021	2022	2021	2022	2021
GAAP	\$ 521,497	\$ 538,114	\$ 190,803	\$ 202,933	\$ 123,828	\$ 143,623	\$ 1.24	\$ 1.42
Adjustments:								
Amortization of acquired intangible assets	422	2,871	93,941	75,021				
Acquisition and integration related charges	1,016	1,611	4,817	9,298				
Tax restructuring costs	—	—	282	118				
Net loss (gain) on divestiture of businesses	599	—	(838)	489				
Amortization of inventory and property "step up" to fair value	612	2,184	1,608	2,237				
Restructuring charges	—	—	38	(207)				
Net impact of adjustments after tax ⁽¹⁾					78,461	69,695		
Net EPS impact							0.78	0.70
Adjusted	\$ 524,146	\$ 544,780	\$ 290,651	\$ 289,889	\$ 202,289	\$ 213,318	\$ 2.02	\$ 2.12

⁽¹⁾ The tax expense includes both the current and deferred income tax impact of the adjustments.

	Nine Months Ended December 31, (unaudited)							
	Gross Profit		Income from Operations		Net Income attributable to shareholders		Diluted EPS	
	2022	2021	2022	2021	2022	2021	2022	2021
GAAP	\$ 1,571,630	\$ 1,444,740	\$ 42,783	\$ 333,760	\$ (80,195)	\$ 191,627	\$ (0.80)	\$ 1.97
Adjustments:								
Amortization of acquired intangible assets	1,271	8,347	281,727	191,552				
Acquisition and integration related charges	3,018	7,030	18,493	167,698				
Tax restructuring costs	—	—	533	228				
(Gain) on fair value adjustment of acquisition related contingent consideration	—	—	(3,100)	—				
Net loss on divestiture of businesses	2,882	—	3,939	893				
Amortization of inventory and property "step up" to fair value	4,417	88,592	5,697	96,513				
Restructuring charges	—	—	127	17				
Goodwill impairment loss	—	—	490,565	—				
Fair value adjustment related to convertible debt, premium liability						27,806		
Net impact of adjustments after tax ⁽¹⁾					673,172	354,120		
Net EPS impact							6.70	3.91
Adjusted	\$ 1,583,218	\$ 1,548,709	\$ 840,764	\$ 790,661	\$ 592,977	\$ 573,553	\$ 5.90	\$ 5.88

For the nine months ended December 31, 2022:

Weighted average diluted shares as reported	99,922
Effect of dilutive share equivalents that were anti-dilutive to diluted EPS as reported	550
Weighted average diluted shares as adjusted	<u>100,472</u>

⁽¹⁾ 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)

FY 2023 Outlook

**Twelve Months
Ended March 31, 2023
(Outlook)****

Net income per diluted share	\$0.56-\$0.66
Goodwill impairment loss	4.35
Amortization of acquired intangible assets	2.92
Acquisition and integration related charges	0.17
Adjusted net income per diluted share	<u>\$8.00-\$8.10</u>
Cash flows from operating activities	\$830,000
Purchases of property, plant, equipment, and intangibles, net	<u>(330,000)</u>
Free Cash Flow	<u><u>\$500,000</u></u>

** All amounts are estimates.

STERIS plc
Unaudited Supplemental Financial Data
Third Quarter Fiscal 2023
For the Periods Ending December 31, 2022 and 2021

	FY 2023	FY 2022	FY 2023	FY 2022
	Q3	Q3	YTD	YTD
Total Company Revenues				
Consumables	\$ 419,555	\$ 440,328	\$ 1,249,791	\$ 1,187,014
Service	536,952	511,715	1,590,490	1,502,605
Total Recurring	\$ 956,507	\$ 952,043	\$ 2,840,281	\$ 2,689,619
Capital Equipment	259,487	256,928	732,721	684,759
Total Revenues	\$ 1,215,994	\$ 1,208,971	\$ 3,573,002	\$ 3,374,378
Ireland Revenues	\$ 17,959	\$ 20,086	\$ 53,130	\$ 62,077
Ireland Revenues as a % of Total	1 %	2 %	1 %	2 %
United States Revenues	\$ 883,390	\$ 851,292	\$ 2,589,472	\$ 2,383,039
United States Revenues as a % of Total	73 %	70 %	72 %	71 %
International Revenues	\$ 314,645	\$ 337,593	\$ 930,400	\$ 929,262
International Revenues as a % of Total	26 %	28 %	26 %	28 %

Segment Data	FY 2023	FY 2022	FY 2023	FY 2022
	Q3	Q3	YTD	YTD
Healthcare				
Revenues				
Consumables	\$ 259,810	\$ 273,750	\$ 757,892	\$ 750,531
Service	282,108	268,711	823,747	785,586
Total Recurring	\$ 541,918	\$ 542,461	\$ 1,581,639	\$ 1,536,117
Capital Equipment	227,226	217,214	618,844	570,509
Total Healthcare Revenues	\$ 769,144	\$ 759,675	\$ 2,200,483	\$ 2,106,626
Segment Operating Income	\$ 175,399	\$ 175,778	\$ 497,233	\$ 482,487
Applied Sterilization Technologies				
Applied Sterilization Technologies Revenues	\$ 222,014	\$ 216,298	\$ 675,283	\$ 630,092
Segment Operating Income	\$ 103,539	\$ 101,343	\$ 323,238	\$ 303,059
Life Sciences				
Revenues				
Consumables	\$ 55,610	\$ 61,096	\$ 172,587	\$ 179,380
Service	37,082	36,400	107,566	104,983
Total Recurring	\$ 92,692	\$ 97,496	\$ 280,153	\$ 284,363
Capital Equipment	28,581	30,412	99,095	97,343
Total Life Sciences Revenues	\$ 121,273	\$ 127,908	\$ 379,248	\$ 381,706
Segment Operating Income	\$ 45,249	\$ 52,032	\$ 149,173	\$ 158,639
Total Dental Revenues	\$ 103,563	\$ 105,090	\$ 317,988	\$ 255,954
Segment Operating Income	\$ 20,337	\$ 23,096	\$ 67,992	\$ 65,607

Other Data	FY 2023	FY 2022	FY 2023	FY 2022
	Q3	Q3	YTD	YTD
Healthcare Backlog *	\$ 540,360	\$ 381,601		
Life Sciences Backlog *	110,623	117,235		
Total Backlog *	\$ 650,983	\$ 498,836		
GAAP Income Tax Rate	23.1 %	21.6 %	(114.8)%	21.5 %
Adjusted Income Tax Rate	23.5 %	21.0 %	22.5 %	21.3 %

*Fiscal 2022 Backlog totals exclude Cantel Medical Corp.

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.