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2nd Quarter FY21 Earnings Call

March 09, 2021

Forward Looking Statements

This press release contains “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 and other securities laws. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, or forecasts about our businesses, the industries in which we operate, and the current beliefs and assumptions of management; they do not relate strictly to historical or current facts. Without limiting the foregoing, words or phrases such as “expect,” “anticipate,” “look to,” “goal,” “project,” “intend,” “plan,” “believe,” “seek,” “may,” “could,” “aspire” and variations of such words and similar expressions generally identify forward-looking statements. In addition, any statements that refer to predictions or projections of our future financial performance, anticipated growth, strategic objectives, performance drivers and trends in our businesses, the impacts and recovery from the COVID pandemic, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions about future events, activities or developments and are subject to numerous risks, uncertainties, and assumptions that are difficult to predict, including the impacts of the COVID-19 pandemic on our operations and financial results, general economic conditions, technological and market changes in the medical device industry, our ability to execute on our strategy, risks associated with operating our international business, including limited operating experience and market recognition in new international markets, changes in United States healthcare policy at both the state and federal level, product liability claims resulting from the use of products we sell and distribute, and risks related to our intellectual property and proprietary rights needed to maintain our competitive position. We caution that undue reliance should not be placed on such forward-looking statements, which speak only as of the date made. For a further list and description of these and other important risks and uncertainties that may affect our future operations, see our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, as further updated by our Quarterly Reports on Form 10-Q we have or will file hereafter. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This presentation contains non-GAAP financial measures. For the calculations of these measures, reconciliations to the most comparable GAAP measures, and additional information, please see "GAAP to non-GAAP Disclosure" beginning on slide 10.

Content

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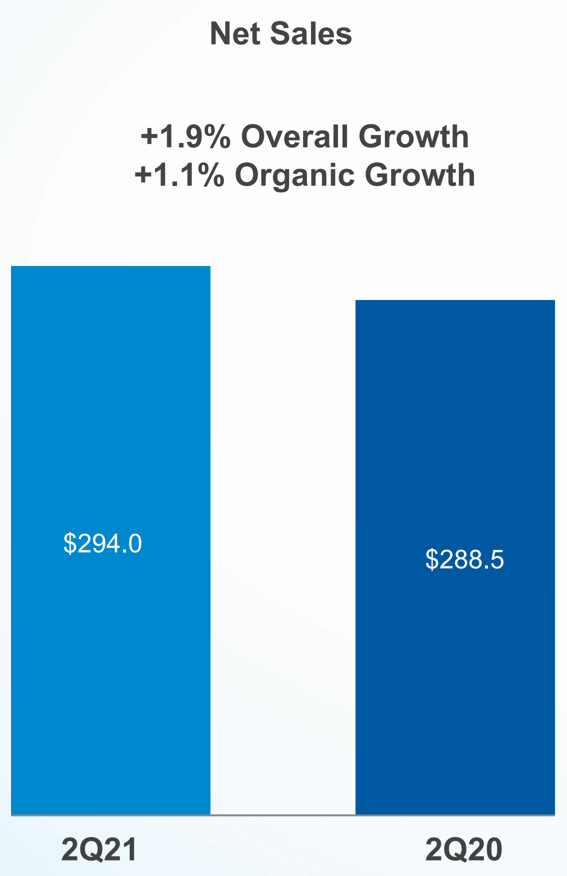
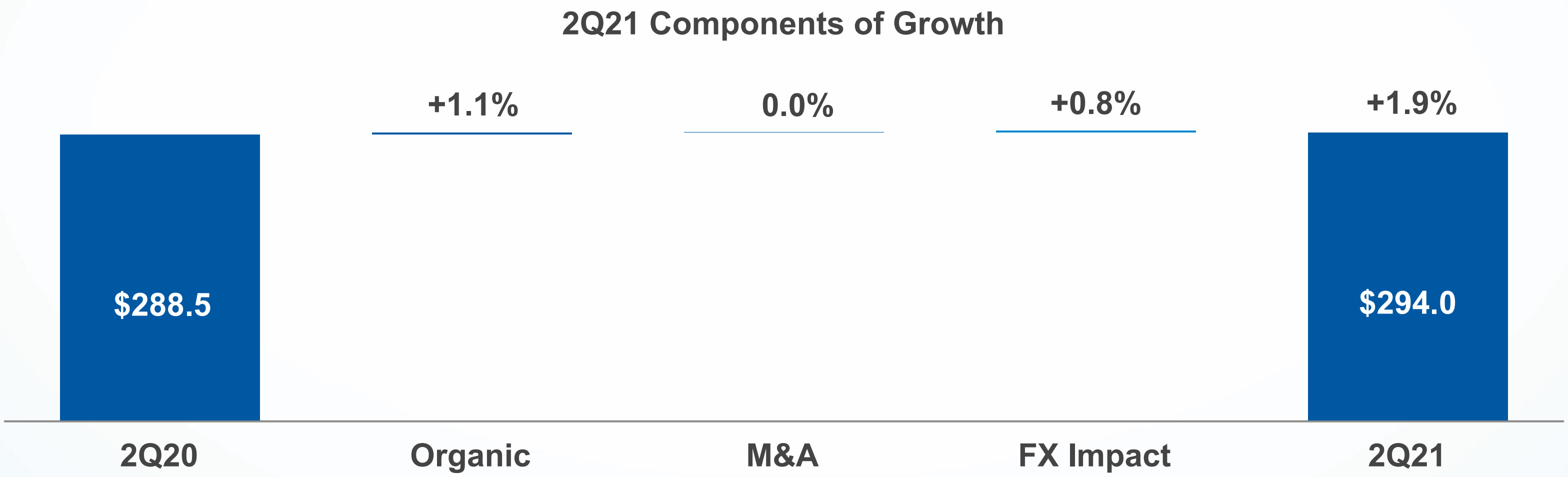
2Q21 Highlights

($, millions)



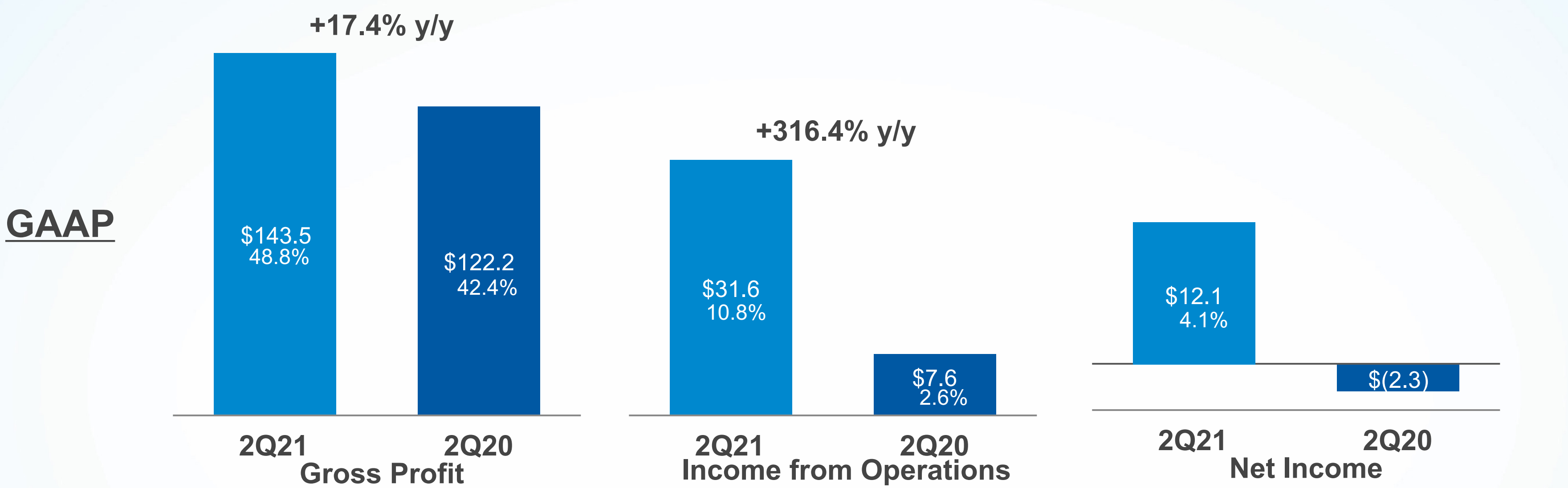
2Q21 Net Sales Walk

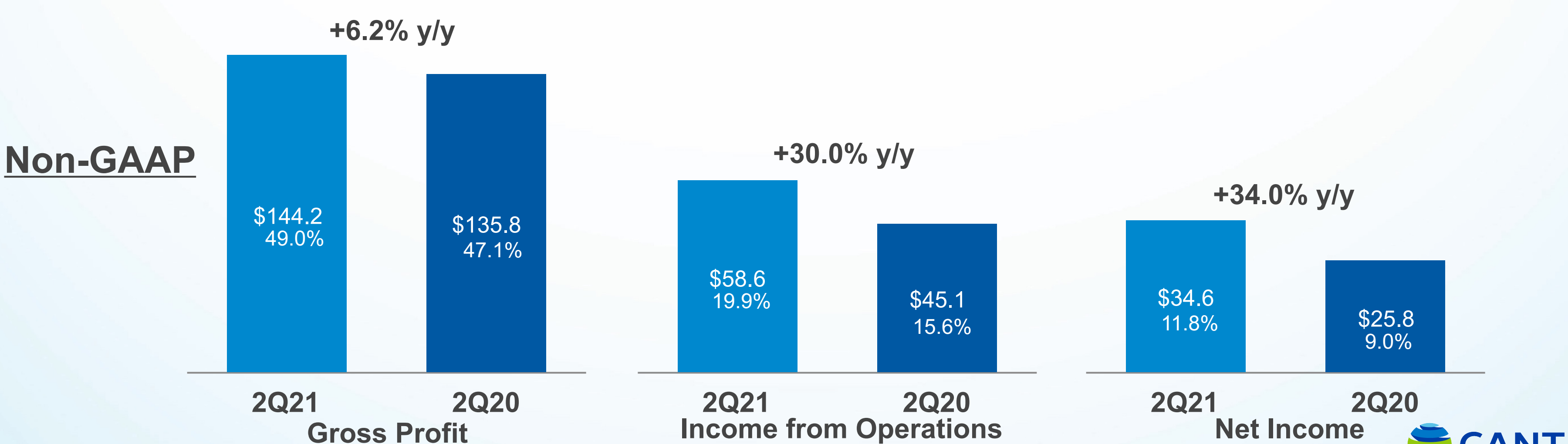
($, millions)



2Q21 Financial Results

($, millions)





*Items not listed above - 2Q20 GAAP Net Income Rate -0.8%

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Segment Financials

Medical

Measure	2Q21 (in $ Millions)	Variance y/y	Organic %
Net Sales	$133.8	2.1%	0.1%
GAAP			
Operating Income	$27.3	26.7%	
Operating Income Margin	**20.4%**	**400 Bps**	
Non-GAAP			
Operating Income	$30.8	24.8%	
Operating Income Margin	**23.0%**	**420 Bps**	

2Q21 Highlights

- Recurring revenues products continued to outperform underlying endoscopy procedure volumes globally, driven by increased demand for infection prevention solutions and products
- Robust capital backlog was maintained through the second quarter, representing strong underlying demand
- Strong financial results driven by favorable product mix, volume leverage and operating discipline

Dental

Measure	2Q21 (in $ Millions)	Variance y/y	Organic %
Net Sales	$105.4	4.3%	4.3%
GAAP			
Operating Income	$16.3	2,008.8%	
Operating Income Margin	**15.5%**	**1,630 Bps**	
Non-GAAP			
Operating Income	$27.7	33.2%	
Operating Income Margin	**26.3%**	**570 Bps**	

2Q21 Highlights

- Dental sales outperformed underlying dental procedures, driven by ongoing demand for infection prevention products including PPE and chemistries.
- Hu-Friedy synergy benefits and improved operating discipline stabilized margins north of 25%

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Segment Financials

Life Sciences

Measure	2Q21 (in $ Millions)	Variance y/y	Organic %
Net Sales	$46.2	-7.8%	-8.0%
GAAP			
Operating Income	$9.0	17.3%	
Operating Income Margin	**19.5%**	**410 Bps**	
Non-GAAP			
Operating Income	$9.8	16.2%	
Operating Income Margin	**21.1%**	**440 Bps**	

2Q21 Highlights

- Portable reverse osmosis placements softer than prior year due to strong demand in the back half of fiscal year 2020.
- Prior year restructuring and ongoing enhanced operating discipline driving sustained profit levels

Dialysis

Measure	2Q21 (in $ Millions)	Variance y/y	Organic %
Net Sales	$8.6	35.6%	35.6%
GAAP			
Operating Income	$2.1	40.5%	
Operating Income Margin	**24.5%**	**90 Bps**	
Non-GAAP			
Operating Income	$2.1	40.3%	
Operating Income Margin	**24.5%**	**90 Bps**	

2Q21 Highlights

- Growth over prior year driven by favorable comparable period comparison due to prior year production delays
- Annual price increase and volume driving margin gains

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Balance Sheet & Cash Flow

($, millions)

Cash & Undrawn Revolver:	1/31/2021
Cash & Cash Equivalents	$ 243.1
Undrawn Revolver	$ 125.6
Total	**$ 368.7**

Net Debt:	1/31/2021
Long-term Debt (excluding debt issuance costs)	$ 820.4
Convertible Debt (excluding discount and debt issuance costs)	$ 168.0
Cash & Cash Equivalents	$ 243.1
Net Debt	**$ 745.3**

	1/31/2021
LTM Adjusted EBITDAS	**$ 213.6**
Net Debt to Adjusted EBITDAS	3.5x
Debt Repayment *(last 3 months)*	**$ 50.0**
Capital Expenditures *(last 3 months)*	**$ 11.5**
Working Capital	**$ 403.5**

Debt Repayment ~ $125M in Fiscal 2021 through January and ~ $175M through March

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GAAP to Non-GAAP Disclosure

Non-GAAP financial measures contained herein supplement information previously reported in filings on Form 10-Q and Form 10-K as well as in presentations by Company management to investors, analysts and others. The information below will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended.

Non-GAAP Financial Measures

In evaluating our operating performance, we supplement the reporting of our financial information determined under generally accepted accounting principles in the United States (“GAAP”) with certain non-GAAP financial measures including (i) non-GAAP net income, (ii) non-GAAP earnings per diluted share (“EPS”), (iii) earnings before interest, taxes, depreciation, amortization, loss on disposal of fixed assets, and stock-based compensation expense (“EBITDAS”), (iv) adjusted EBITDAS, (v) net debt and (vi) organic sales. These non-GAAP financial measures are indicators of our performance that are not required by, or presented in accordance with, GAAP. They are presented with the intent of providing greater transparency to financial information used by us in our financial analysis and operational decision-making. We believe that these non-GAAP measures provide meaningful information to assist investors, stockholders and other readers of our consolidated financial statements in making comparisons to our historical operating results and analyzing the underlying performance of our results of operations. 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.

(a) Organic Sales

We define organic sales as net sales less (i) the impact of foreign currency translation, (ii) net sales related to acquired businesses during the first twelve months of ownership and (iii) dispositions during the periods being compared. We believe that reporting organic sales provides useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our revenue performance with prior periods. We exclude the effect of foreign currency translation from organic sales because foreign currency translation is not under management’s control, is subject to volatility and can obscure underlying business trends. We exclude the effect of acquisitions and dispositions because the nature, size, and number of acquisitions and divestitures can vary dramatically from period to period and can obscure underlying business trends and make comparisons of financial performance difficult.

(b) Non-GAAP Gross Profit Rate

We define non-GAAP gross profit rate, adjusted to exclude acquisition-related and business optimization and restructuring-related items as management deems these items to be irregular or non-operating in nature.

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GAAP to Non-GAAP Disclosure (continued)

(c) Non-GAAP Income from Operations, Non-GAAP Net Income and Non-GAAP Diluted EPS

We define non-GAAP income from operations, as income from operations adjusted to exclude (i) amortization of purchased intangible assets, (ii) acquisition-related items, (iii) business optimization and restructuring-related charges, (iv) merger-related items and (v) other significant items management deems irregular or non-operating in nature.

We define non-GAAP net income and non-GAAP diluted EPS as net income and diluted EPS, respectively, adjusted to exclude (i) amortization of purchased intangible assets, (ii) acquisition-related items, (iii) business optimization and restructuring-related charges, (iv) merger-related items, (v) non-cash interest, (v) certain significant and discrete tax matters and (vi) other significant items management deems irregular or non-operating in nature.

Amortization expense of purchased intangible assets:

Amortization expense of purchased intangible assets is a non-cash expense related to intangibles that were primarily the result of business acquisitions. Our history of acquiring businesses has resulted in significant increases in amortization of intangible assets that reduce our net income. The removal of amortization from our overall operating performance helps in assessing our cash generated from operations including our return on invested capital, which we believe is an important analysis for measuring our ability to generate cash and invest in our continued growth.

Acquisition-related Items

Acquisition-related items consist of (i) fair value adjustments to contingent consideration and other contingent liabilities resulting from acquisitions, (ii) due diligence, integration, legal fees and other transaction costs associated with our acquisition program and (iii) acquisition accounting charges for the amortization of the initial fair value adjustments of acquired inventory and deferred revenue. The adjustments of contingent consideration and other contingent liabilities are periodic adjustments to record such amounts at fair value at each balance sheet date. Given the subjective nature of the assumptions used in the determination of fair value calculations, fair value adjustments may potentially cause significant earnings volatility that are not representative of our operating results. Similarly, due diligence, integration, legal and other acquisition costs associated with our acquisition program, including accounting charges relating to recording acquired inventory and deferred revenue at fair market value, can be significant and also adversely impact our effective tax rate as certain costs are often not tax-deductible. Since these acquisition-related items are irregular and often mask underlying operating performance, we exclude these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to past operating performance.

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GAAP to Non-GAAP Disclosure (continued)

Restructuring-related and business optimization items

Restructuring-related and business optimization items consist of severance-related costs associated with work force reductions and other restructuring-related activities. Such costs include (i) salary continuation, (ii) bonus payments, (iii) outplacement services, (iv) medical-related premium costs and (v) accelerated stock-compensation costs. Since these restructuring-related and business optimization items often mask underlying operating performance, we exclude these amounts for purposes of calculating these non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to past operating performance.

Merger-related items

Merger-related items consist primarily of transaction-related costs such as banking and legal fees associated with the STERIS and Cantel merger which was announced in January 2021. Since these merger-related items are irregular and specific to this acquisition, we excluded these amounts for purposes of calculating our non-GAAP financial measures to facilitate an evaluation of our current operating performance and a comparison to past operating performance.

Non-cash interest

We are required under GAAP to separately account for the liability (debt) and equity (conversion option) components of our convertible debt issued in May 2020. Accordingly, we are required to recognize non-cash interest expense that is associated with the debt discount component recorded in equity. Since the amortization of the debt discount is a non-cash expense, we excluded its impact on net income and diluted EPS to arrive at our non-GAAP financial measures as we believe that the exclusion of the non-cash interest expense provides investors an enhanced view of our operational performance related to cash flow and liquidity.

As a result of terminating our interest rate swaps during fiscal 2020, we recorded a loss in other comprehensive income which is required by GAAP to be amortized and recorded in interest expense through the original maturity date of the terminated swaps. Since the amortization of the loss is a non-cash expense, we excluded its impact on net income and diluted EPS to arrive at our non-GAAP financial measures as we believe that the exclusion of the non-cash interest expense provides investors an enhanced view of our operational performance related to cash flow and liquidity.

GAAP to Non-GAAP Disclosure (continued)

Excess tax benefits and expenses

Excess tax benefits and expenses resulting from stock compensation are recorded as an adjustment to income tax expense. The magnitude of the impact of excess tax benefits generated in the future, which may be favorable or unfavorable, are dependent upon our future grants of equity awards, our future share price on the date awards vest in relation to the fair value of awards on grant date and the exercise behavior of our stock award holders. Since these tax effects are largely unrelated to our results and unrepresentative of our normal effective tax rate, we excluded their impact on net income and diluted EPS to arrive at our non-GAAP financial measures.

Other Adjustments

During the three months ended January 31, 2021, we completed the disposition of certain assets of our Aexis business and the disposition of a service business in Canada, which resulted in a pre-tax loss of $391 recorded in general and administrative expenses. Since we believe that this loss was not representative of our ordinary course past or future operations, we made an adjustment to our net income and diluted EPS to exclude this loss to arrive at our non-GAAP financial measures.

During the three months ended January 31, 2020, we completed the disposition of a dental product line. This resulted in a pre-tax loss of $170 recorded in general and administrative expenses. Since we believe that this loss was not representative of our ordinary course past or future operations, we made an adjustment to our net income and diluted EPS to exclude this gain to arrive at our non-GAAP financial measures.

During the six months ended January 31, 2021, we completed the disposition of certain assets of our Aexis business and the disposition of a service business in Canada, which resulted in a pre-tax loss of $142 recorded in general and administrative expenses. Since we believe that this loss was not representative of our ordinary course past or future operations, we made an adjustment to our net income and diluted EPS to exclude this loss to arrive at our non-GAAP financial measures.

During the six months ended January 31, 2020, we completed the disposition of a dental product line. This resulted in a pre-tax loss of $170 recorded in general and administrative expenses. Since we believe that this loss was not representative of our ordinary course past or future operations, we made an adjustment to our net income and diluted EPS to exclude this gain to arrive at our non-GAAP financial measures.

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GAAP to Non-GAAP Disclosure (continued)

(a) For the three months ended January 31, 2021, the reconciliation of sales growth to organic sales growth for total net sales and net sales of our segments were calculated as follows:

	Medical	Life Sciences	Dental	Dialysis	Total
2Q 2020 Net sales	**$131.0**	**$50.1**	**$101.0**	**$6.4**	**$288.5**
Organic	**0.1%**	**-8.0%**	**4.3%**	**35.6%**	**1.1%**
M&A	**—%**	**—%**	**—%**	**—%**	**—%**
FX	**2.0%**	**0.2%**	**—%**	**—%**	**0.8%**
2Q 2021 Net Sales	**$133.8**	**$46.2**	**$105.4**	**$8.6**	**$294.0**
Total Growth	**2.1%**	**-7.8%**	**4.3%**	**35.6%**	**1.9%**

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GAAP to Non-GAAP Disclosure (continued)

(b) The reconciliation of gross profit rate to non-GAAP gross profit rate were calculated as follows:

	Three Months Ended January 31,		Basis Point (bps) Change
(Unaudited)	2021	2020	
Gross profit rate, as reported	48.8%	42.4%	640
Acquisition-related items	—%	4.1%	(410)
Business optimization and restructuring-related charges	0.2%	0.6%	(40)
Non-GAAP gross profit rate	49.0%	47.1%	190

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GAAP to Non-GAAP Disclosure (continued)

(c) The reconciliation of consolidated income from operations to non-GAAP income from operations were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,				Percentage Change
(Unaudited)	2021		2020		
Income from operations, as reported	$	31,629	$	7,596	316.4 %
Intangible amortization		8,950		8,974	(0.3)%
Acquisition-related items		2,501		24,143	(89.6)%
Business optimization and restructuring-related charges		3,527		4,224	(16.5)%
Merger-related items		11,620		—	— %
Gain on dispostion of business		391		170	— %
Non-GAAP income from operations	$	58,618	$	45,107	30.0 %

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GAAP to Non-GAAP Disclosure (continued)

(c) The reconciliation of our Medical segment's income from operations to non-GAAP income from operations were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Percentage Change
(Unaudited)	2021	2020	
Income from operations, as reported	$ 27,274	$ 21,534	26.7 %
Intangible amortization	2,080	2,084	(0.2)%
Acquisition-related items	—	209	(100.0)%
Business optimization and restructuring-related charges	1,015	830	22.3 %
Loss on disposition	402	—	— %
Non-GAAP income from operations	$ 30,771	$ 24,657	24.8 %

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GAAP to Non-GAAP Disclosure (continued)

(c) The reconciliation of our Life Sciences segment's income from operations to non-GAAP income from operations were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Percentage Change
(Unaudited)	2021	2020	
Income from operations, as reported	$ 9,034	$ 7,700	17.3 %
Intangible amortization	583	598	(2.5)%
Business optimization and restructuring-related charges	147	97	51.5 %
Gain on disposition	(11)	—	— %
Non-GAAP income from operations	$ 9,753	$ 8,395	16.2 %

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GAAP to Non-GAAP Disclosure (continued)

(c) The reconciliation of our Dental segment's income from operations to non-GAAP income from operations were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Percentage Change
(Unaudited)	2021	2020	
Income from operations, as reported	$ 16,339	$ (856)	(2,008.8)%
Intangible amortization	6,287	6,292	(0.1)%
Acquisition-related items	2,706	12,842	(78.9)%
Business optimization and restructuring-related charges	2,360	2,341	0.8 %
Non-GAAP income from operations	$ 27,692	$ 20,789	33.2 %

GAAP to Non-GAAP Disclosure (continued)

(c) The reconciliation of our Dialysis segment's income from operations to non-GAAP income from operations were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,				Percentage Change
(Unaudited)	2021		2020		
Income from operations, as reported	$	2,118	$	1,507	40.5 %
No reconciling items		—		—	— %
Non-GAAP income from operations	$	2,118	$	1,507	40.3 %

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GAAP to Non-GAAP Disclosure (continued)

(d) The reconciliations of GAAP net income to non-GAAP net income were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
(Unaudited)	2021	2020	2021	2020
Net income (loss), as reported	$ 12,068	$ (2,263)	$ 36,532	$ 3,504
Intangible amortization, net of tax	6,966	7,967	13,902	12,988
Acquisition-related items, net of tax	1,815	18,078	2,318	30,598
Business optimization and restructuring-related charges, net of tax	2,641	1,932	6,416	5,284
Merger-related items, net of tax	8,452	—	8,452	—
Non-cash interest, net of tax	2,480	—	4,375	—
Loss on dispositions, net of tax	282	130	103	130
Excess tax benefits and expenses	(64)	—	1,016	559
Non-GAAP net income	$ 34,640	$ 25,844	$ 73,114	$ 53,063

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GAAP to Non-GAAP Disclosure (continued)

(d) The reconciliations of GAAP diluted EPS to non-GAAP diluted EPS were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
(Unaudited)	2021	2020	2021	2020
Diluted EPS, as reported	$ 0.27	$ (0.05)	$ 0.84	$ 0.08
Intangible amortization, net of tax	0.16	0.19	0.32	0.31
Acquisition-related items, net of tax	0.04	0.42	0.05	0.72
Business optimization and restructuring-related charges, net of tax	0.06	0.05	0.15	0.13
Merger-related items, net of tax	0.19	—	0.20	—
Non-cash interest, net of tax	0.06	—	0.10	—
Loss on dispositions, net of tax	—	—	—	—
Excess tax benefits and expenses	—	—	0.02	0.01
Non-GAAP Diluted EPS	$ 0.79	$ 0.61	$ 1.68	$ 1.25

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GAAP to Non-GAAP Disclosure (continued)

EBITDAS and Adjusted EBITDAS

We believe EBITDAS is an important valuation measurement for management and investors given the increasing effect that non-cash charges, such as stock-based compensation, amortization related to acquisitions and depreciation of capital equipment, has on the Company's net income. In particular, acquisitions have historically resulted in significant increases in amortization of intangible assets that reduce the Company's net income. Additionally, we regard EBITDAS as a useful measure of operating performance and cash flow before the effect of interest expense and is a complement to operating income, net income and other GAAP financial performance measures. We define Adjusted EBITDAS as EBITDAS excluding the same non-GAAP adjustments to net income discussed previously in this document. We use Adjusted EBITDAS when evaluating the operating performance of the Company because we believe the exclusion of such adjustments, of which a significant portion are non-cash items, is necessary to provide the most accurate measure of on-going core operating results and to evaluate comparative results period over period.

The reconciliations of net income to EBITDAS and Adjusted EBITDAS were calculated as follows:

(Amounts in thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
(Unaudited)	2021	2020	2021	2020
Net income (loss), as reported	$ 12,068	$ (2,263)	$ 36,532	$ 3,504
Interest expense, net	15,491	10,250	31,784	15,969
Income taxes	4,070	(391)	13,665	2,547
Depreciation	8,209	7,877	16,618	14,215
Amortization	8,950	8,974	17,868	15,003
(Gain) loss on disposal of fixed assets	—	(101)	—	66
Stock-based compensation expense	5,066	3,412	8,488	5,816
EBITDAS	53,854	27,758	124,955	57,120
Acquisition-related items*	2,705	24,143	3,216	40,720
Business optimization and restructuring-related charges*	2,456	3,728	7,350	9,095
Merger-related items	11,620	—	11,620	—
Loss on dispositions	391	170	142	170
Adjusted EBITDAS	$ 71,026	$ 55,799	$ 147,283	$ 107,105

*Excludes stock-based compensation expense.

GAAP to Non-GAAP Disclosure (continued)

Net Debt

We define net debt as long-term debt (bank debt excluding unamortized debt issuance costs) plus the convertible debt (excluding unamortized debt issuance costs and unamortized discount), less cash and cash equivalents. We believe that the presentation of net debt provides useful information to investors because we review net debt as part of our management of our overall liquidity, financial flexibility, capital structure and leverage.

The reconciliations of debt to net debt were calculated as follows:

(Amounts in thousands) (Unaudited)	January 31, 2021	July 31, 2020
Long-term debt (excluding debt issuance costs)	$ 820,375	$ 945,375
Convertible debt (excluding discount and debt issuance costs)	168,000	168,000
Less cash and cash equivalents	(243,061)	(277,871)
Net debt	$ 745,314	$ 835,504

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