STERIS plc
Form 10-Q
February 11, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2018
or
o 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 1-37614
STERIS plc
(Exact name of registrant as specified in its charter)

England and Wales (State or other jurisdiction of incorporation or organization)	98-1203539 (IRS Employer Identification No.)
Rutherford House Stephensons Way Chaddesden, Derby, England (Address of principal executive offices)	DE21 6LY (Zip code)

44 1332 387100
(Registrant's telephone number, including area code)

_____

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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," or "emerging growth company," and Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o	
Non-Accelerated Filer o	Smaller Reporting Company o	
	Emerging Growth Company o	

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 o No x

The number of ordinary shares outstanding as of February 8, 2019: 84,587,442

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PART 1—FINANCIAL INFORMATION

As used in this Quarterly Report on Form 10-Q, STERIS plc and its 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)

	December 31, 2018 (Unaudited)	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 224,906	$ 201,534
Accounts receivable (net of allowances of $10,161 and $12,472, respectively)	509,859	528,066
Inventories, net	227,626	205,731
Prepaid expenses and other current assets	58,132	54,326
Total current assets	1,020,523	989,657
Property, plant, and equipment, net	989,044	1,010,524
Goodwill and intangibles, net	2,945,214	3,160,764
Other assets	51,609	39,389
Total assets	$ 5,006,390	$ 5,200,334
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 136,723	$ 135,866
Accrued income taxes	—	379
Accrued payroll and other related liabilities	79,598	94,000
Accrued expenses and other	181,698	168,217
Total current liabilities	398,019	398,462
Long-term indebtedness	1,246,308	1,316,001
Deferred income taxes, net	153,158	159,971
Other liabilities	96,598	108,600
Total liabilities	$ 1,894,083	$ 1,983,034
Commitments and contingencies (see Note 8)		
Preferred shares, with £0.10 par value; 100 shares authorized; 100 issued and outstanding	15	15
Ordinary shares, with £0.10 par value; £17,006 shares aggregate par amount authorized; 84,570 and 84,747 ordinary shares issued and outstanding, respectively	2,018,045	2,048,037
Retained earnings	1,253,501	1,146,223
Accumulated other comprehensive (loss) income	(167,025)	11,685
Total shareholders' equity	3,104,536	3,205,960
Noncontrolling interests	7,771	11,340
Total equity	3,112,307	3,217,300
Total liabilities and equity	$ 5,006,390	$ 5,200,334

See notes to consolidated financial statements.

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STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Product	$327,639	$309,461	$921,088	$869,623
Service	368,599	352,439	1,092,869	1,034,400
Total revenues	696,238	661,900	2,013,957	1,904,023
Cost of revenues:				
Product	182,229	162,611	500,938	458,467
Service	227,012	221,072	672,308	645,175
Total cost of revenues	409,241	383,683	1,173,246	1,103,642
Gross profit	286,997	278,217	840,711	800,381
Operating expenses:				
Selling, general, and administrative	176,099	159,664	496,817	469,879
Research and development	15,167	15,195	47,160	43,173
Restructuring expenses	26,147	78	26,147	156
Total operating expenses	217,413	174,937	570,124	513,208
Income from operations	69,584	103,280	270,587	287,173
Non-operating expenses, net:				
Interest expense	10,879	12,461	34,014	37,610
Interest and miscellaneous expense (income), net	945	(1,117)	503	(3,974)
Total non-operating expenses, net	11,824	11,344	34,517	33,636
Income before income tax expense	57,760	91,936	236,070	253,537
Income tax expense (benefit)	9,334	(3,404)	39,871	35,538
Net income	48,426	95,340	196,199	217,999
Less: Net income attributable to noncontrolling interests	568	559	893	682
Net income attributable to shareholders	$47,858	$94,781	$195,306	$217,317
Net income per share attributed to shareholders				
Basic	$0.57	$1.12	$2.31	$2.55
Diluted	$0.56	$1.11	$2.28	$2.53
Cash dividends declared per share ordinary outstanding	$0.34	$0.31	$0.99	$0.90

See notes to consolidated financial statements.

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STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Net income	$48,426	$95,340	$196,199	$217,999
Less: Net income (loss) attributable to noncontrolling interests	568	559	893	682
Net income attributable to shareholders	47,858	94,781	195,306	217,317
Other comprehensive income (loss)				
Unrealized gain on available for sale securities, (net of taxes of $0, $693, $0 and $1,179, respectively)	—	2,738	—	4,509
Amortization of pension and postretirement benefit plans costs, (net of taxes of $169, $250, $507 and $749, respectively)	(415)	(404)	(1,238)	(1,212)
Change in cumulative currency translation adjustment	(39,830)	22,742	(175,502)	182,422
Total other comprehensive income (loss)	(40,245)	25,076	(176,740)	185,719
Comprehensive income	$7,613	$119,857	$18,566	$403,036

See notes to consolidated financial statements.

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STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2018	2017
Operating activities:		
Net income	$ 196,199	$ 217,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	175,658	133,855
Deferred income taxes	2,218	(27,318)
Share-based compensation expense	18,357	17,041
(Gain) loss on the disposal of property, plant, equipment, and intangibles, net	(208)	819
(Gain) loss on sale of businesses, net	(508)	12,538
Other items	(9,767)	11,410
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	9,318	15,149
Inventories, net	(32,083)	(21,567)
Other current assets	(5,816)	(4,843)
Accounts payable	5,119	(10,601)
Accruals and other, net	2,092	(16,627)
Net cash provided by operating activities	360,579	327,855
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(113,236)	(113,511)
Proceeds from the sale of property,	5,563	2,094

plant, equipment, and intangibles		
Proceeds from the sale of businesses	(196)	8,907
Purchase of investments	(4,955)	—
Acquisition of businesses, net of cash acquired	(13,313)	(46,323)
Other	(13,425)	—
Net cash used in investing activities	(139,562)	(148,833)
Financing activities:		
Payments on long-term obligations	(85,000)	(22,500)
Proceeds (payments) under credit facilities, net	35,416	(58,729)
Deferred financing fees and debt issuance costs	(298)	(44)
Acquisition related deferred or contingent consideration	(1,277)	(2,064)
Repurchases of ordinary shares	(56,254)	(43,851)
Cash dividends paid to ordinary shareholders	(83,750)	(76,633)
Stock option and other equity transactions, net	7,355	8,005
Net cash used in financing activities	(183,808)	(195,816)
Effect of exchange rate changes on cash and cash equivalents	(13,837)	17,720
Increase in cash and cash equivalents	23,372	926
Cash and cash equivalents at beginning of period	201,534	282,918
Cash and cash equivalents at end of period	$ 224,906	$ 283,844

See notes to consolidated financial statements.

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STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three and Nine Months Ended December 31, 2018 and 2017
(dollars in thousands, unless noted and except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS plc (“Parent”) was organized in 2014 under the name Solar New HoldCo Limited as a private limited company for the purpose of effecting under the laws of England and Wales the combination (“Combination”) of STERIS Corporation, an Ohio corporation (“Old STERIS”), and Synergy Health plc, a public limited company organized under the laws of England and Wales (“Synergy”). Effective November 2, 2015 the Parent was re-registered as a public company under the name STERIS plc and the Combination closed. As a result of the Combination closing, STERIS plc became the ultimate parent company of Old STERIS and Synergy. Synergy has been re-registered under the name of Synergy Health Limited.

The Company is a leading provider of infection prevention and other procedural products and services. 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, instrument and scope repair solutions, laboratory testing services, on-site and off-site reprocessing, and capital equipment products, such as sterilizers and surgical tables, 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:

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, 2018 dated May 30, 2018. The Consolidated Balance Sheet at March 31, 2018 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 and nine month periods ended December 31, 2018 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2019.

Revenue Recognition and Associated Liabilities

We adopted Accounting Standards Update ("ASU") 2014-09 “Revenue from Contracts with Customers” and the subsequently issued amendments on April 1, 2018 using the modified retrospective approach to contracts that were not

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For the Three and Nine Months Ended December 31, 2018 and 2017
(dollars in thousands, except as noted)

completed as of April 1, 2018. Under this standard, certain capital equipment contracts are comprised of a single performance obligation, resulting in the deferral of the corresponding capital equipment revenue and cost of revenues until installation is complete. Previously, these capital equipment revenues and cost of revenues were recognized based upon shipping terms. We recorded a cumulative effect adjustment in the beginning of fiscal 2019 to Retained earnings of $5,637, based on the current terms and conditions for certain open capital equipment contracts as of March 31, 2018. The impact of the adoption of this standard on our Consolidated Balance Sheets at December 31, 2018 is reflected in the table below. The adoption of this standard did not have a material impact on our Consolidated Statements of Income for the quarter-to-date and year-to-date periods ending December 31, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Balance Sheet	As Reported December 31, 2018	Total Adjustments	ASC 605 December 31, 2018
Total assets	$5,006,390	$ (7,714)	$4,998,676
Total liabilities	1,894,083	(13,809)	1,880,274
Total equity	3,112,307	6,095	3,118,402

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 December 31, 2018, 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 certain capital equipment products is deferred until installation is complete as the capital equipment and installation are highly integrated and form a single performance obligation.

Service Revenue

Within our Healthcare Products 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 GPO agreement. For maintenance, repair and installation of capital equipment, revenue is recognized upon completion of the service.

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 Healthcare Specialty Services segment, revenues relate primarily to 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.

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 nine months of fiscal 2019, we recognized revenue of $25,590 that was included in our contract liability balance at the beginning of the period.

Refer to Note 6, titled "Additional Consolidated Balance Sheet Information" for Deferred revenue balances.

Service Liabilities

Payments received in advance of performance for cancelable preventative 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. Prior to the adoption of Accounting Standards Codification ("ASC") 606, these amounts were included in Deferred revenues.

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 December 31, 2018, the transaction price allocated to remaining performance obligations was approximately $780,000. We expect to

recognize approximately 53% of the transaction price within one year and approximately 39% beyond one year. The remainder has yet to be scheduled for delivery.

Recently Issued Accounting Standards Impacting the Company

Recently Issued Accounting Standards impacting or that may impact the Company are presented in the following table:

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Standard	Date of Issuance	Description	Date of Adoption	Effect on the financial statements or other significant matters
Standards that have recently been adopted				
ASU 2014-09, "Revenue from Contracts with Customers" and subsequently issued amendments	May 2014	The standard replaced existing revenue recognition standards and significantly expands the disclosure requirements for revenue arrangements.	First Quarter Fiscal 2019	Additional information is disclosed in Footnote 1 under the heading, "Revenue Recognition and Associated Liabilities".
ASU 2016-01, "Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Liabilities" (Subtopic 825-10)	January 2016	The standard changed how equity investments are measured and presented changes in the fair value of financial liabilities measured under the fair value option. Presentation and disclosure requirements for financial instruments were also affected. Entities are required to measure equity investments that do not result in consolidation and are not recorded under the equity method at fair value with changes in fair value recognized in net income. The standard clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged.	First Quarter Fiscal 2019	We adopted the standard on a modified retrospective basis at the beginning of fiscal 2019 and we recorded a cumulative effect adjustment to our opening retained earnings balance of $1,970 that increased retained earnings and decreased accumulated other comprehensive income.
ASU 2016-15, "Statement of Cash Flows" (Topic 230)	August 2016	This standard provides guidance on the following specific cash flow issues: Debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance	First Quarter Fiscal 2019	We adopted this standard effective April 1, 2018. The impact will depend on the future occurrence of the relevant transactions or conditions addressed by the standard.

		principle.		
ASU 2016-16, "Income Taxes, Intra-Entity Transfers of Assets Other Than Inventory" (Topic 740)	October 2016	The standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The new standard requires the recognition of income tax consequences resulting from an intra-entity transfer of an asset other than inventory when the transfer occurs.	First Quarter Fiscal 2019	We adopted this standard effective April 1, 2018 with no material impact to our Consolidated Balance Sheets. The impact to our Consolidated Statements of Income will depend on the value of future intra-entity transfers.

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ASU 2017-01 "Clarifying the Definition of a Business"	January 2017	The standard update narrows the definition of a business by providing a screen to determine when an integrated set of assets and activities is not a business. The screen specifies that an integrated set of assets and activities is not a business if substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single or a group of similar identifiable assets.	First Quarter Fiscal 2019	We adopted this standard effective April 1, 2018. The impact will depend on future occurrence of the relevant transactions or conditions addressed by the standard.
ASU 2017-07 "Compensation - Retirement Benefits - Improving the Presentation of Net Periodic Pension and Net Periodic Postretirement	March 2017	This standard requires that an employer report the service cost component in the same line item or items as other compensation	First Quarter Fiscal 2019	We retrospectively adopted the standard in the first quarter of fiscal 2019. Pr periods have been recast for the adoption of this standard. Changes have bee reflected in the Cost of Revenues, Selling, general and administrative expens Interest income and miscellaneous expense lines of our Consolidated Statem Income. Amounts are not considered material for additional disclosure.

Benefit Cost" (Topic 715)		costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations, if one is presented.		
ASU 2017-09 "Compensation - Stock Compensation" (Topic 718)	May 2017	The standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.	First Quarter Fiscal 2019	We adopted this standard effective April 1, 2018. The impact will depend on future occurrence of the relevant terms or conditions addressed by the standa

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Standards that have not yet been adopted

ASU 2016-02, "Leases" (Topic 842)	February 2016	The standard will require lessees to record all leases, whether finance or operating, on the balance sheet. An asset will be recorded to represent the right to use the leased asset, and a liability will be recorded to represent the lease obligation. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within that period. Early adoption is permitted.	N/A	We are currently evaluating the impact that the standard will have on our consolidated financial statements. We are also evaluating our lease portfolio, software packages, process and policy change requirements. We expect to adopt this standard using the additional, optional transition method, the package of transitional practical expedients relating to the identification, classification and initial direct costs of leases, and the transitional practical expedient for the treatment of existing land easements. We anticipate that most of our operating leases will result in the recognition of additional assets and corresponding liabilities in our Consolidated Balance Sheet, however we do not expect the standard to have a material impact on our financial position. The actual impact will depend on our lease portfolio at the time of adoption. For more information regarding our total operating lease commitments refer to Note 5, "Property, Plant and Equipment" of our Annual Report on Form 10-K for the year ended March 31, 2018 dated May 30, 2018.
ASU 2016-13, "Measurement of Credit Losses on Financial Instruments"	June 2016	The standard requires a financial asset (or group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The standard is effective for annual	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.

periods beginning after December 15, 2019. Early adoption is permitted.

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ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities" (Topic 815)	August 2017	The standard provides targeted improvements to accounting for hedging activities by expanding an entity's ability to hedge non-financial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted in any interim period after issuance of the standard. The standard should be applied using a modified retrospective approach for cash flow and net investment hedge relationships that exist on the date of adoption, and prospectively for presentation and disclosure requirements.	N/A	We do not expect this standard to have a material impact on our consolidated financial statements.
ASU 2018-02 "Income Statement - Reporting Comprehensive Income" (Topic 220)	February 2018	The standard allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("TCJA") and requires certain disclosures about stranded tax effects. The underlying guidance requiring that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.
ASU 2018-13 "Fair Value Measurement (Topic 820) Disclosure Framework- Changes to Disclosure Requirements for Fair Value Measurement"	August 2018	The standard modifies the disclosure requirements by adding, removing, and modifying certain required disclosures for fair value measurements for assets and liabilities disclosed within the fair value hierarchy. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted.	N/A	We do not expect this standard to have a material impact on our consolidated financial statements as it modifies disclosure requirements only.
ASU 2018-14 "Compensation-	August 2018	The standard modifies the disclosure requirements by adding, removing, and modifying certain required	N/A	We do not expect this standard to

Retirement Benefits - Defined Benefit Plans-General Topic (715-20): Disclosure Framework- Changes to the Disclosure Requirements for Defined Benefit Plans"	disclosures for employers that sponsor defined benefit pension or other post-retirement benefit plans. The standard also clarifies disclosure requirements for defined benefit pension plans relating to the projected benefit obligation and accumulated benefit obligation. The standard is effective for fiscal years ending after December 15, 2019 and early adoption is permitted.	have a material impact on our consolidated financial statements as it modifies disclosure requirements only.

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ASU 2018-15 "Intangibles- Goodwill and Other- Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract"	August 2018	The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years ending after December 15, 2019 and early adoption is permitted.	N/A	We do not expect this standard to have a material impact on our consolidated financial statements.

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, 2018 dated May 30, 2018. With the exception of the adoption of ASU 2014-09, as discussed in Footnote 1 under the heading, "Revenue Recognition and Associated Liabilities", our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2018.

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2. Restructuring

Fiscal 2019 Restructuring Plan

During the third quarter of fiscal 2019, we adopted and announced a targeted restructuring plan (the "2019 Restructuring Plan"), which includes the closure of two manufacturing facilities, one in Brazil and one in England, as well as other actions including, the rationalization of certain products. Fewer than 200 positions will be eliminated. The Company will relocate the production of certain impacted products to other existing manufacturing operations during fiscal 2020. These restructuring actions are designed to enhance profitability and improve efficiency.

We have incurred pre-tax expenses totaling $35,243 related to these restructuring actions, of which $26,147 was recorded as restructuring expenses and $9,096 was recorded in cost of revenues, with restructuring expenses of $23,308, $2,436, $665, and $7,805 related to the Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies segments, respectively. Corporate related restructuring charges were $1,029. We expect to incur additional restructuring expenses related to this plan of approximately $6,000 to $7,000 in the fourth quarter of fiscal 2019 and beyond.
The following table summarizes our total pre-tax restructuring expenses for the third quarter of fiscal 2019:

Three and Nine Months Ended December 31, 2018	Fiscal 2019 Restructuring Plan (1)
Severance and other compensation related costs	$ 2,743
Accelerated depreciation and amortization	15,251
Asset impairment	4,312
Lease termination costs and other	3,841
Product rationalization	9,096
Total restructuring expenses [(1)]	$ 35,243

(1) Includes $9,096 in expense recorded to cost of revenues on Consolidated Statements of Income.

Liabilities related to restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued payroll and other related liabilities” and “Accrued expenses and other.” The following table summarizes our restructuring liability balances:

Fiscal 2019 Restructuring Plan	December 31, 2018
Severance and termination benefits	$ (2,504)
Lease termination obligations and other	(1,819)
Total	$ (4,323)

(1) Certain amounts reported include the impact of foreign currency movements relative to the U.S. dollar.

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3. Inventories, Net

We use the last-in, first-out ("LIFO") and first-in, first-out ("FIFO") cost methods to value inventory. Inventory valued using the LIFO cost method is stated at the lower of cost or market. Inventory valued using the FIFO cost method is stated at the lower of cost or net realizable value. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final fiscal year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	December 31, 2018	March 31, 2018
Raw materials	$ 88,413	$83,741
Work in process	31,238	34,904
Finished goods	146,121	124,005
LIFO reserve	(17,800)	(17,280)
Reserve for excess and obsolete inventory	(20,346)	(19,639)
Inventories, net	$ 227,626	$205,731

4. Property, Plant and Equipment

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

	December 31, 2018	March 31, 2018
Land and land improvements [1]	$ 64,000	$55,417
Buildings and leasehold improvements	427,889	449,316
Machinery and equipment	591,905	575,607
Information systems	156,674	145,726
Radioisotope	486,866	476,578
Construction in progress [1]	130,142	87,745
Total property, plant, and equipment	1,857,476	1,790,389
Less: accumulated depreciation and depletion	(868,432)	(779,865)
Property, plant, and equipment, net	$ 989,044	$1,010,524

[1] Land is not depreciated. Construction in progress is not depreciated until placed in service.

5. Debt

Indebtedness was as follows:

	December 31, 2018	March 31, 2018
Credit Agreement	$364,853	$331,206
Private Placement Notes	884,409	988,190
Deferred financing costs	(3,008)	(3,395)
Other	54	—
Total long term debt	$1,246,308	$1,316,001

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, 2018, dated May 30, 2018.

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6. Additional Consolidated Balance Sheet Information

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

	December 31, 2018	March 31, 2018
Accrued payroll and other related liabilities:		
Compensation and related items	$ 26,065	$30,270
Accrued vacation/paid time off	11,514	11,011
Accrued bonuses	23,628	31,716
Accrued employee commissions	14,681	17,168
Other postretirement benefit obligations-current portion	1,907	1,906
Other employee benefit plans obligations-current portion	1,803	1,929
Total accrued payroll and other related liabilities	$ 79,598	$94,000
Accrued expenses and other:		
Deferred revenues	$ 58,827	$31,621
Service liabilities	41,549	43,077
Self-insured risk reserves-current portion	8,082	7,349
Accrued dealer commissions	14,016	16,121
Accrued warranty	7,116	6,872
Asset retirement obligation-current portion	1,763	1,798
Other	50,345	61,379
Total accrued expenses and other	$ 181,698	$168,217
Other liabilities:		
Self-insured risk reserves-long-term portion	$ 15,008	$15,008
Other postretirement benefit obligations-long-term portion	10,350	12,194
Defined benefit pension plans obligations-long-term portion	24,146	29,407
Other employee benefit plans obligations-long-term portion	2,551	3,221
Accrued long-term income taxes	16,546	18,922
Asset retirement obligation-long-term portion	9,484	9,841
Other	18,513	20,007
Total other liabilities	$ 96,598	$108,600

7. Income Tax Expense

The Tax Cuts and Jobs Act (the “TCJA”) was enacted on December 22, 2017. The TCJA reduces the U.S. federal corporate income tax rate from 35.0% to 21.0%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. The Company applied the guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cut and Jobs Act when accounting for the enactment-date effects of the TCJA. At December 31, 2018, the Company has completed its accounting for the tax effects of the TCJA. During the nine months ended December 31, 2018, the Company recorded an immaterial favorable adjustment to the provisional amounts recorded as of March 31, 2018 for remeasurement of the Company’s deferred tax balances and the one-time transition tax.

The TCJA also subjects a U.S. shareholder to current tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries and allows a benefit for foreign-derived intangible income (“FDII”). The Company has made sufficient progress in its calculation to reasonably estimate the tax impact related to GILTI and FDII for the year

ended March 31, 2019 and included it in the estimated annual effective tax rate. The impact of GILTI and FDII was not significant for the first nine

months ended December 31, 2018. With the closure of the SAB 118 period, the Company is confirming its policy decision to treat GILTI as a period expense in the period the tax is incurred.

We consider the tax expense recorded for the TCJA to be complete at this time. However, it is possible that additional legislation, regulations and/or guidance may be issued in the future that may result in additional adjustments to the tax expense recorded related to the TCJA. We will continue to monitor and assess the impact of any new developments.

The effective income tax rates for the three month periods ended December 31, 2018 and 2017 were 16.2% and (3.7)%, respectively. The effective income tax rates for the nine month periods ended December 31, 2018 and 2017 were 16.9% and 14.0%, respectively. The fiscal 2019 periods were favorably impacted by discrete item adjustments. The lower effective tax rates in the fiscal 2018 periods are primarily attributable to the enactment of the TCJA, resulting in a decrease in the U.S. federal statutory tax rate.

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 non-United States jurisdictions. 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 2012. We remain subject to tax authority audits in various jurisdictions wherever we do business. We do not expect the results of these examinations to have a material adverse effect on our consolidated financial statements.

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.

On May 31, 2012, our Albert Browne Limited subsidiary received a warning letter from the FDA regarding chemical indicators manufactured in the United Kingdom. These devices are intended for the monitoring of certain sterilization and other processes. The FDA warning letter states that the agency has concerns regarding operational business

processes. We do not believe that the FDA's concerns are related to product performance, or that they result from Customer complaints. We have reviewed our processes with the agency and finalized our remediation measures, and are awaiting FDA reinspection. We do not currently believe that the impact of this event will have a material adverse effect on our financial results.

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.

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For additional information regarding these matters, see the following portions of our Annual Report on Form 10-K for the year ended March 31, 2018, dated May 30, 2018: 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

We operate and report our financial information in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Corporate, which is presented separately, contains costs that are associated with being a publicly traded company and certain other corporate costs.
Our Healthcare Products segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment.
Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services, and instrument and scope repairs.
Our Life Sciences segment offers consumable products, equipment maintenance and specialty services for pharmaceutical manufacturers and research facilities, and capital equipment.
Our Applied Sterilization Technologies segment offers contract sterilization and laboratory services for medical device and pharmaceutical Customers and others.
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. In fiscal 2019, we ceased the allocation of certain corporate costs to our segments to align with internal management measures. The prior period operating income measures have been recast for comparability.
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. Adjustments include acquisition related costs, amortization of acquired intangibles, restructuring costs and other charges that management believes may or may not recur with similar materiality or impact on operating income in future periods. Management believes that by adjusting for these items they gain better insight and greater transparency into the operating performance of the segments, thus aiding them in more meaningful financial trend analysis and operational decision making.
For the three and nine months ended December 31, 2018, revenues from a single Customer did not represent ten percent or more of any reportable segment’s revenues. 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, 2018, dated May 30, 2018.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Healthcare Products	$338,264	$324,895	$951,779	$916,053
Healthcare Specialty Services	127,761	117,389	374,564	346,934
Life Sciences	93,451	90,895	275,571	261,291
Applied Sterilization Technologies	136,762	128,721	412,043	379,745
Total revenues	$696,238	$661,900	$2,013,957	$1,904,023
Segment operating income:				
Healthcare Products	$82,820	$81,502	$217,011	$207,787
Healthcare Specialty Services	16,007	13,720	44,422	44,014
Life Sciences	33,129	31,245	96,260	89,418
Applied Sterilization Technologies	54,798	48,191	164,417	144,713
Corporate	(42,025)	(38,140)	(135,053)	(122,147)
Total segment operating income	$144,729	$136,518	$387,057	$363,785
Less: Adjustments				
Restructuring charges [1]	$35,243	$78	$35,243	$156
Amortization of acquired intangible assets [2] [3]	33,894	16,700	68,907	50,173
Acquisition and integration related charges [4]	1,816	4,428	6,197	11,850
(Gain) on fair value adjustment of acquisition related contingent consideration [2]	—	—	(842)	—
Net (gain) loss on divestiture of businesses [2]	(1,170)	11,405	(508)	12,538
Amortization of property "step up" to fair value [2]	615	627	1,840	1,895
Redomiciliation costs [5]	4,747	—	5,633	—
Total operating income	$69,584	$103,280	$270,587	$287,173

[1] For more information regarding restructuring see Note 2 titled, "Restructuring".
[2] For more information regarding our recent acquisitions and divestitures see Note 17 titled, "Business Acquisitions and Divestitures", as well as our Annual Report on Form 10-K for the year ended March 31, 2018, dated May 30, 2018.
[3] We evaluate the recoverability of indefinite-lived assets annually during the third quarter, or when evidence of potential impairment exists. During the third quarter of fiscal 2019, management adopted a branding strategy that included phasing out the usage of a tradename associated with certain products in the Healthcare Products business segment. As a result, management recorded an impairment charge of $16,249, which is included within the Selling, general, and administrative line of the Consolidated Statements of Income. The remaining fair value of the asset was calculated using the income approach (the relief from royalty method). The remaining fair value was not material and will be amortized over the asset's remaining useful life. Fair value calculated using this approach is classified within Level 3 of the fair value hierarchy and requires several assumptions.
[4] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.

(5) Costs incurred in connection with the proposal to redomicile. For more information see Note 19 titled, "Proposal to Redomicile".

Additional information regarding our revenue is disclosed in the following tables:

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Healthcare Products:				
Capital equipment	$143,180	$134,196	$384,086	$359,196
Consumables	107,451	106,406	309,545	310,938
Service	87,633	84,293	258,148	245,919
Total Healthcare Products Revenues	$338,264	$324,895	$951,779	$916,053
Total Healthcare Specialty Services Revenues	$127,761	$117,389	$374,564	$346,934
Life Sciences:				
Capital equipment	$23,363	$25,337	$72,289	$67,093
Consumables	41,157	37,875	119,844	113,833
Service	28,931	27,683	83,438	80,365
Total Life Sciences Revenues	$93,451	$90,895	$275,571	$261,291
Applied Sterilization Technologies Service Revenues	$136,762	$128,721	$412,043	$379,745
Total Revenues	$696,238	$661,900	$2,013,957	$1,904,023

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Revenues:				
United Kingdom	$46,067	$50,902	$138,074	$158,211
United States	494,328	465,228	1,423,101	1,334,895
Other locations	155,843	145,770	452,782	410,917
Total Revenues	$696,238	$661,900	$2,013,957	$1,904,023

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.

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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 December 31,		Nine Months Ended December 31,	
Denominator (shares in thousands):	2018	2017	2018	2017
Weighted average shares outstanding—basic	84,540	85,004	84,587	85,097
Dilutive effect of share equivalents	901	715	889	672
Weighted average shares outstanding and share equivalents—diluted	85,441	85,719	85,476	85,769

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 December 31,		Nine Months Ended December 31,	
(shares in thousands)	2018	2017	2018	2017
Number of share options	435	294	331	426

Preferred Shares

Pursuant to an engagement letter dated October 23, 2015, we issued 100,000 preferred shares, par value of £0.10 each, for an aggregate consideration of approximately $15, in satisfaction of debt owed to a service provider. The holders of the preferred shares are entitled to a fixed cumulative preferential annual dividend of 5 percent on the amount paid periodically on the preferred shares respectively held by them. On a return of capital of the Company whether on liquidation or otherwise, the holders of the preferred shares shall be entitled to receive the sum of £0.10 per preferred share plus any accrued but unpaid dividends out of the assets of the Company available for distribution to its shareholders, but will not be entitled to any further participation in the assets of the Company. The holders of the preferred shares have no right to attend, speak or vote, whether in person or by proxy, at any general meeting of the Company or any meeting of a class of members of the Company in respect of the preferred shares and are not entitled to receive any notice of meetings.

11. Repurchases of Ordinary Shares

On August 9, 2016, the Company announced that its Board of Directors had authorized the purchase of up to $300 million of our ordinary shares. We may enter into share repurchase contracts until August 2, 2021 to effect these purchases. Shares may be repurchased from time to time through open market transactions, including 10b5-1 plans. The repurchase program may be suspended or discontinued at any time. During the first nine months of fiscal 2019, we repurchased 445,700 of our ordinary shares for the aggregate amount of $47,331 pursuant to this authorization. During the first nine months of fiscal 2019, we obtained 110,445 of our ordinary shares in the aggregate amount of $8,151 in connection with share based compensation award programs.

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12. Share-Based Compensation

We maintain a long-term incentive plan that makes available shares for grants, at the discretion of the Compensation Committee of the Board of Directors, or 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 in fiscal 2019, 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 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 full year of employment after the grant date. As of December 31, 2018, 4,401,238 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 nine months of fiscal 2019 and 2018:

	Fiscal 2019	Fiscal 2018
Risk-free interest rate	2.64%	2.01%
Expected life of options	6.2 years	5.7 years
Expected dividend yield of stock	1.47%	1.58%
Expected volatility of stock	19.91%	22.08%

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 2.37% and 2.25% was applied in fiscal 2019 and 2018, 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.

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, 2018	2,021,662	$ 58.56		
Granted	436,121	114.49		
Exercised	(191,995)	40.05		

Forfeited	(17,740)	79.91		
Outstanding at December 31, 2018	2,248,048	$ 70.83	6.8 years	$ 84,291
Exercisable at December 31, 2018	1,307,946	$ 56.03	5.5 years	$ 66,631

We estimate that 919,536 of the non-vested stock options outstanding at December 31, 2018 will ultimately vest.

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The aggregate intrinsic value in the table above represents the total pre-tax difference between the $106.85 closing price of our ordinary shares on December 31, 2018 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 nine months of fiscal 2019 and fiscal 2018 was $13,773 and $12,495, respectively. Net cash proceeds from the exercise of stock options were $7,534 and $9,080 for the first nine months of fiscal 2019 and fiscal 2018, respectively.

The weighted average grant date fair value of stock option grants was $18.12 and $15.51 for the first nine months of fiscal 2019 and fiscal 2018, 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. The fair value of the outstanding SARS as of December 31, 2018 and 2017 was $692 and $1,733, respectively.

A summary of the non-vested restricted share and restricted 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, 2018	763,201	35,431	$ 68.85
Granted	177,558	19,858	104.84
Vested	(233,095)	(21,540)	62.12
Forfeited	(30,469)	—	76.62
Non-vested at December 31, 2018	677,195	33,749	$ 80.72

Restricted shares and restricted share units granted are valued based on the closing stock price at the grant date. The value of restricted shares and restricted share units that vested during the first nine months of fiscal 2019 was $15,817.

As of December 31, 2018, there was a total of $43,979 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 2.19 years.

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 nine months of fiscal 2019 were as follows:

	Warranties
Balance, March 31, 2018	$ 6,872
Warranties issued during the period	8,393
Settlements made during the period	(8,149)
Balance, December 31, 2018	$ 7,116

14. Derivatives and Hedging

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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 2019, 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 2019. 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.

These contracts are not 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 December 31, 2018, we held foreign currency forward contracts to buy 152.2 million Mexican pesos and 8.9 million Canadian dollars; and to sell 2.0 million euros. At December 31, 2018, we held commodity swap contracts to buy 789.9 thousand pounds of nickel.

	Asset Derivatives		Liability Derivatives	
Balance sheet location	Fair Value at December 31, 2018	Fair Value at March 31, 2018	Fair Value at December 31, 2018	Fair Value at March 31, 2018
Prepaid & Other	$ 267	$ 187	$ —	$ —
Accrued expenses and other	—	—	462	—

The following table presents the impact of derivative instruments and their location within the Consolidated Statements of Income:

	Location of gain (loss) recognized in income	Amount of gain (loss) recognized in income			
		Three Months Ended December 31,		Nine Months Ended December 31,	
		2018	2017	2018	2017
Foreign currency forward contracts	Selling, general and administrative	$ (488)	$ (842)	$ (100)	$ (1,358)
Commodity swap contracts	Cost of revenues	$ (252)	$ 200	$ (283)	$ 226

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 $52,253 at December 31, 2018. 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.

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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 December 31, 2018 and March 31, 2018:

	Carrying Value		Fair Value Measurements					
			Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
	December 31	March 31	December 31	March 31	December 31	March 31	December 31	March 31
Assets:								
Cash and cash equivalents	$224,906	$201,534	$224,906	$201,534	$ —	$ —	$ —	$ —
Forward and swap contracts [1]	267	187	—	—	267	187	—	—
Equity Investments [2]	$11,824	12,961	11,824	12,961	—	—	—	—
Other investments	2,010	3,421	12,010	3,421	—	—	—	—
Liabilities:								
Forward and swap contracts [1]	$462	$—	$—	$—	$ 462	$ —	$ —	$ —
Deferred compensation plans [2]	1,505	1,694	1,505	1,694	—	—	—	—
Long term debt [3]	$1,246,308	1,316,001	—	—	1,227,345	1,305,181	—	—
Contingent consideration obligations [4]	5,947	8,068	—	—	—	—	5,947	8,068

[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. Beginning in fiscal 2019, 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 third quarter and first nine months of fiscal 2019, we recorded losses of $2,154 and $4,663 respectively, related to these investments.

[3] We estimate the fair value of our long-term debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements.

(4) 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.

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at December 31, 2018 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2018	$ 8,068
Payments	(725)
Reductions and adjustments	(1,415)
Currency translation adjustments	19
Balance at December 31, 2018	$ 5,947

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 and nine months ended December 31, 2018 and 2017 were as follows:

	Gain (Loss) on Available for Sale Securities [1]		Defined Benefit Plans [2]		Currency Translation [3]		Total Accumulated Other Comprehensive Income (Loss)	
	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months
Beginning Balance	$—	$1,970	$(7,565)	$(6,742)	$(119,215)	$16,457	$(126,780)	$11,685
Other Comprehensive Income (Loss) before reclassifications	—	—	148	452	(39,830)	(175,502)	(39,682)	(175,050)
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	—	—	(563)	(1,690)	—	—	(563)	(1,690)
Net current-period Other Comprehensive Income (Loss)	—	—	(415)	(1,238)	(39,830)	(175,502)	(40,245)	(176,740)
Cumulative adjustment to Retained Earnings [1]	$—	$(1,970)	$—	$—	$—	$—	$—	$(1,970)
Balance at December 31, 2018	$—	$—	$(7,980)	$(7,980)	$(159,045)	$(159,045)	$(167,025)	$(167,025)

[1] As a result of the adoption of ASC 2016-01 we recorded a cumulative effect adjustment to our opening fiscal 2019 retained earnings balance that increased retained earnings and decreased accumulated other comprehensive income. See Footnote 1 titled "Nature of Operations and Summary of Significant Accounting Policies" for further details.

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(2) Amortization (gain) of defined benefit plan items are reported in the Interest income and miscellaneous expense line of our Consolidated Statements of Income.
(3) 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.

	Gain (Loss) on Available for Sale Securities (1)		Defined Benefit Plans (2)		Currency Translation (3)		Total Accumulated Other Comprehensive Income (Loss)	
	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months	Three Months	Nine Months
Beginning Balance	$1,949	$ 178	$(3,163)	$(2,355)	$(78,845)	$(238,525)	$(80,059)	$(240,702)
Other Comprehensive Income (Loss) before reclassifications	2,729	4,474	120	360	22,742	182,422	25,591	187,256
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	9	35	(524)	(1,572)	—	—	(515)	(1,537)
Net current-period Other Comprehensive Income (Loss)	2,738	4,509	(404)	(1,212)	22,742	182,422	25,076	185,719
Balance at December 31, 2017	$4,687	$ 4,687	$(3,567)	$(3,567)	$(56,103)	$(56,103)	$(54,983)	$(54,983)

(1) Realized gain (loss) on available for sale securities is reported in the Interest income and miscellaneous expense line of the Consolidated Statements of Income.
(2) Amortization (gain) of defined benefit plan items are reported in the Selling, general and administrative expense line of the Consolidated Statements of Income.
(3) 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. Business Acquisitions and Divestitures

Fiscal 2019

During the third quarter of fiscal 2019, we completed a minor purchase to expand our service offerings in the Applied Sterilization Technologies segment. The total purchase price was $13,313, which was financed with both cash on hand and with credit facility borrowings. Purchase price allocations will be finalized within a measurement period not to exceed one year from closing.

Fiscal 2018

During fiscal 2018, we completed several minor purchases which continued to expand our product offerings in the Healthcare Products, Healthcare Specialty Services and Applied Sterilization Technologies segments. The aggregate purchase price associated with these transactions was approximately $52,900, ($51,600 during the first nine months of fiscal 2018), net of cash acquired and including potential contingent consideration of $5,322. The purchase price for the acquisitions was financed with both cash on hand and with credit facility borrowings. Purchase price allocations are finalized within a measurement period not to exceed one year from closing. Any provisional adjustments recorded were not material.

On November 20, 2017, we sold our Synergy Health Healthcare Consumable Solutions ("HCS") business to Vernacare. Annual revenues for the HCS business were approximately $40,000 and were included in the Healthcare Products segment. We recorded proceeds of approximately $9,058, net of cash divested and including a working capital adjustment. We also recognized a pre-tax loss on the sale of approximately $13,500 in Selling, general, and administrative expense in our March 31, 2018 Consolidated Statement of Income.

18. Loans Receivable

In connection with a fiscal 2019 first quarter equity investment of $4,955, we agreed to provide a credit facility of up to approximately $10,000 for a term of up to five years. Loans carry an interest rate of 4% compounded daily and interest is payable annually. Outstanding borrowings under the agreement totaled $7,338 at December 31, 2018.

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. Loans carry an interest rate of 4% for the first four years and 12% thereafter. Outstanding borrowings under the agreement totaled $8,664 (or €7,550) at December 31, 2018.

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

19. Proposal to Redomicile

As a result of the anticipated withdrawal of the United Kingdom from the European Union (“Brexit”), entities such as the Company that are organized under the laws of England and Wales are expected to lose the benefit of the tax and other treaties between the U.S. and European Union ("EU").Without further action by the United Kingdom and U.S. governments, the Company may consequently be subject to higher tax liabilities, which may be significant.

We have evaluated several alternatives due to Brexit’s continuing risks and uncertainties and concluded that redomiciling the Company to Ireland is the best path forward. Maintaining the Company’s domicile in a EU member country is anticipated to preserve the current and significant future financial benefits initially established in 2015 at the time of the Combination with Synergy. The redomiciliation will be effected through the establishment of a new holding company for the Company, but the redomiciliation is not expected to materially change the day-to-day operations of the business. We anticipate completing the redomiciliation prior to March 29, 2019, which is the date Brexit is currently scheduled to occur. However, the proposal is subject to approval by the Company’s shareholders and the English courts, and it is possible that the redomiciliation may be delayed or not occur.

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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 December 31, 2018, the related consolidated statements of income and comprehensive income for the three- and nine-month periods ended December 31, 2018 and 2017, the consolidated statements of cash flows for the nine-month periods ended December 31, 2018 and 2017, 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, 2018, 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 30, 2018, 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, 2018, 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
February 11, 2019

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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 third quarter and first nine months of fiscal 2019 and fiscal 2018. It may also be helpful to read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2018, dated May 30, 2018. 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 and instrument and scope repairs as well as revenues generated from contract sterilization and laboratory services offered through our Applied Sterilization Technologies segment.

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- Capital Equipment Revenues – We define capital equipment revenues as revenues generated from sales of capital equipment, which includes steam sterilizers, low temperature liquid chemical sterilant processing systems, including SYSTEM 1 and 1E, washing systems, VHP® technology, water stills, and pure steam generators; 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 SYSTEM 1 and 1E consumables, V-Pro consumables, gastrointestinal endoscopy accessories, sterility assurance products, skin care products, cleaning consumables, 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

Our mission is to help our Customers create a healthier and safer world by providing innovative healthcare and life science product and service solutions around the globe. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of capital equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental Customers.

We operate and report our financial information in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. 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.

We continue to invest in manufacturing in-sourcing projects and lean process improvements for the purpose of improving quality, cost and delivery of our products and services to our Customers.

U.S. Tax Reform. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The TCJA makes broad and complex changes to the U.S. tax code that will affect the Company’s fiscal year ending March 31, 2019 and forward, including, but not limited to, (1) reduction of the U.S. federal corporate income tax rate; (2) elimination of the corporate alternative minimum tax ("AMT"); (3) the creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax; (4) a general elimination of U.S. federal income taxes on dividends from non-U.S. subsidiaries; (5) a new provision designed to tax global intangible low-taxed income ("GILTI"), which allows for the possibility of using foreign tax credits ("FTCs") and a deduction of up to 50 percent to offset the income tax liability (subject to some limitations); (6) a new limitation on deductible interest expense; (7) the repeal of the domestic production activity deduction; (8) limitations on the deductibility of certain executive compensation; (9) limitations on the use of FTCs to reduce the U.S. income tax liability; and (10) limitations on net operating losses ("NOLs") generated after December 31, 2017, to 80.0 percent of taxable income.

Fiscal 2019 Restructuring Plan. During the third quarter of fiscal 2019, we adopted and announced a targeted restructuring plan (the “Fiscal 2019 Restructuring Plan”), which includes the closure of two manufacturing facilities, one in Brazil and one in England, as well as other actions including, the rationalization of certain products. Fewer than 200 positions will be eliminated. The Company will relocate the production of certain impacted products to other existing manufacturing operations during fiscal 2020. These restructuring actions are designed to enhance profitability and improve efficiency. For additional information on restructuring see the subsection titled "Restructuring Expenses", located in the Results of Operations section of this MD&A, or Note 2 of our Financial Statements, titled "Restructuring".

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Highlights. Revenues for the third quarter of fiscal 2019 were $696.2 million, representing an increase of 5.2% over the third quarter of fiscal 2018 revenues of $661.9 million. Revenues for the first nine months of fiscal 2019 were $2,014.0 million, representing an increase of 5.8% over the revenues for the first nine months of fiscal 2018 of $1,904.0 million. These fiscal 2019 increases over the prior year periods were attributable to organic growth in all business segments, which was partially offset by the impact of our fiscal 2018 divestiture of Synergy Health Healthcare Consumable Solutions ("HCS"). Fluctuations in currencies were unfavorable in the fiscal 2019 quarter-to-date period and favorable in the fiscal 2019 year-to-date period.

Gross margin percentage for the third quarter of fiscal 2019 was 41.2% compared with 42.0% for the third quarter of fiscal 2018. Gross margin percentage for the first nine months of fiscal 2019 was 41.7% compared with 42.0% in the first nine months of fiscal 2018. These decreases in the fiscal 2019 periods compared to the fiscal 2018 periods, were primarily attributable to costs associated with our Fiscal 2019 Restructuring Plan, which were partially offset by favorable pricing and fluctuations in currencies and the positive impact from our fiscal 2018 divestiture of HCS.

Operating income during the third quarter of fiscal 2019 was $69.6 million compared to $103.3 million for the third quarter of fiscal 2018. Operating income during the first nine months of fiscal 2019 was $270.6 million, compared to $287.2 million for the first nine months of fiscal 2018. These fiscal 2019 decreases over the prior year periods were primarily attributable to costs associated with the 2019 Restructuring Plan. Additionally, during the third quarter of fiscal 2019, we adopted a branding strategy that included phasing out the usage of a tradename associated with certain products in the Healthcare Products business segment which resulted in an impairment charge of $16.2 million.

Cash flows from operations were $360.6 million and free cash flow was $252.9 million in the first nine months of fiscal 2019, compared to cash flows from operations of $327.9 million and free cash flow of $216.4 million in the first nine months of fiscal 2018 (see the subsection below titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). Cash from operations and free cash flow increased in fiscal 2019 by $32.7 million and $36.5 million, respectively, compared to the prior year period, despite lower net income which was negatively impacted by impairment and restructuring charges that were largely non-cash in nature.

Our debt-to-total capital ratio was 28.6% at December 31, 2018 and 29.1% at March 31, 2018. During the first nine months of fiscal 2019, we declared and paid quarterly cash dividends of $0.99 per ordinary share.

Additional information regarding our financial performance during the third quarter and first nine months of fiscal 2019 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 fund future debt principal repayments and growth outside of core operations, repurchase shares, and pay cash dividends.

The following table summarizes the calculation of our free cash flow for the first nine months ended December 31, 2018 and 2017:

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	Nine Months Ended December 31,	
(dollars in thousands)	2018	2017
Net cash provided by operating activities	$360,579	$327,855
Purchases of property, plant, equipment and intangibles, net	(113,236)	(113,511)
Proceeds from the sale of property, plant, equipment and intangibles	5,563	2,094
Free cash flow	$252,906	$216,438

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the third quarter and first nine months of fiscal 2019 compared with the same fiscal 2018 periods. 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 and nine months ended December 31, 2018 to the revenues for the three and nine months ended December 31, 2017:

	Three Months Ended December 31,			
(dollars in thousands)	2018	2017	Change	Percent Change
Total revenues	$696,238	$661,900	$34,338	5.2%
Revenues by type:				
Service revenues	368,599	352,439	16,160	4.6%
Consumable revenues	155,986	147,516	8,470	5.7%
Capital equipment revenues	171,653	161,945	9,708	6.0%
Revenues by geography:				
United Kingdom revenues	46,067	50,902	(4,835)	(9.5)%
United States revenues	494,328	465,228	29,100	6.3%
Other foreign revenues	155,843	145,770	10,073	6.9%

	Nine Months Ended December 31,			
(dollars in thousands)	2018	2017	Change	Percent Change
Total revenues	$2,013,957	$1,904,023	$109,934	5.8%
Revenues by type:				
Service revenues	1,092,869	1,034,400	58,469	5.7%
Consumable revenues	450,729	436,619	14,110	3.2%
Capital equipment revenues	470,359	433,004	37,355	8.6%
Revenues by geography:				
United Kingdom revenues	138,074	158,211	(20,137)	(12.7)%
United States revenues	1,423,101	1,334,895	88,206	6.6%
Other foreign revenues	452,782	410,917	41,865	10.2%

Quarter over Quarter Comparison

Revenues increased $34.3 million, or 5.2%, to $696.2 million for the three months ended December 31, 2018, as compared to $661.9 million for the same period in the prior year. This increase was attributable to organic revenue growth in all business

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segments, which was partially offset by the impact of our fiscal 2018 divestiture of HCS and the negative impact of fluctuations in currencies.

Service revenues increased 4.6% in the third quarter of fiscal 2019, as compared to third quarter of fiscal 2018, reflecting growth in all business segments. Consumable revenues increased 5.7% in the third quarter of fiscal 2019, as compared to third quarter of fiscal 2018, reflecting growth in the Healthcare Products and Life Sciences business segments, partially offset by the impact of our fiscal 2018 divestiture of HCS. Capital equipment revenues increased 6.0% in the third quarter of fiscal 2019, as compared to third quarter of fiscal 2018, reflecting strong shipment volumes in the Healthcare Products business segment partially offset by a decline in the Life Sciences business segment.

United Kingdom revenues decreased $4.8 million, or 9.5%, to $46.1 million for the three months ended December 31, 2018, as compared to $50.9 million for the same prior year period, primarily due to the fiscal 2018 divestiture of HCS.

United States revenues increased $29.1 million, or 6.3%, to $494.3 million for the three months ended December 31, 2018, as compared to $465.2 million for the same prior year period. This increase reflects growth in consumable, capital equipment and service revenues.

Revenues from other foreign locations increased $10.1 million, or 6.9%, to $155.8 million for the three months ended December 31, 2018, as compared to $145.8 million for the same prior year period, reflecting growth in Canada, and in the Europe, Middle East and Africa ("EMEA"), Asia Pacific and Latin America regions.

First Nine Months over First Nine Months Comparison

Revenues increased $109.9 million, or 5.8%, to $2,014.0 million for the first nine months ended December 31, 2018, as compared to $1,904.0 million for the same period in the prior year. This increase was attributable to organic growth in all business segments and the positive impact of fluctuations in currencies, which was partially offset by the impact of our fiscal 2018 divestiture of HCS.

Service revenues increased 5.7% in the first nine months of fiscal 2019, as compared to the same period in fiscal 2018, reflecting growth in all business segments. Consumable revenues increased 3.2% in the first nine months of fiscal 2019 compared to the same period in fiscal 2018, as growth within the Life Sciences business segment was largely offset by a decline in the Healthcare Products segment as a result of our fiscal 2018 HCS divestiture. Capital equipment revenues increased 8.6% in the first nine months of fiscal 2019, as compared to the same period in fiscal 2018, reflecting strong shipment volumes in both the Healthcare Products and Life Sciences business segments.

United Kingdom revenues decreased $20.1 million, or 12.7%, to $138.1 million for the first nine months ended December 31, 2018, as compared to $158.2 million for the same prior year period, primarily due to the fiscal 2018 divestiture of HCS.

United States revenues increased $88.2 million, or 6.6%, to $1,423.1 million for the first nine months ended December 31, 2018, as compared to $1,334.9 million for the same prior year period. This increase reflects growth in consumable, capital equipment and service revenues.

Revenues from other foreign locations increased $41.9 million, or 10.2%, to $452.8 million for the first nine months ended December 31, 2018, as compared to $410.9 million for the same prior year period, reflecting growth in Canada and in the EMEA, Asia Pacific and Latin America regions.

Gross Profit. The following table compares our gross profit for the three and nine months ended December 31, 2018 to the three and nine months ended December 31, 2017:

	Three Months Ended December 31,		Change	Percent Change
(dollars in thousands)	2018	2017		
Gross profit:				
Product	$145,410	$146,850	$(1,440)	(1.0)%
Service	141,587	131,367	10,220	7.8 %
Total gross profit	$286,997	$278,217	$8,780	3.2 %
Gross profit percentage:				
Product	44.4 %	47.5 %		
Service	38.4 %	37.3 %		

Total gross profit percentage	41.2	%	42.0	%

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(dollars in thousands)	Nine Months Ended December 31, 2018	2017	Change	Percent Change
Gross profit:				
Product	$420,150	$411,156	$8,994	2.2 %
Service	420,561	389,225	31,336	8.1 %
Total gross profit	$840,711	$800,381	$40,330	5.0 %
Gross profit percentage:				
Product	45.6 %	47.3 %		
Service	38.5 %	37.6 %		
Total gross profit percentage	41.7 %	42.0 %		

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 third quarter of fiscal 2019 was 41.2%, compared to the gross profit percentage for the third quarter of fiscal 2018 of 42.0%. This decrease was attributable to costs associated with our Fiscal 2019 Restructuring Plan (130 basis points), a shift in capital equipment revenues and other adjustments (30 basis points), which were partially offset by the positive impacts of fluctuations in currencies (40 basis points), pricing (30 basis points), and our recent divestitures (10 basis points).

Gross profit percentage for the first nine months of fiscal 2019 was 41.7%, compared with 42.0% for the first nine months of fiscal 2018. This decrease was attributable to costs associated with our Fiscal 2019 Restructuring Plan (50 basis points), a shift in capital equipment revenues and other adjustments (60 basis points), which were partially offset by the positive impacts of pricing (40 basis points), fluctuations in currencies (20 basis points), and our recent divestitures (20 basis points).

Operating Expenses. The following table compares our operating expenses for the three and nine months ended December 31, 2018 to the three and nine months ended December 31, 2017:

(dollars in thousands)	Three Months Ended December 31, 2018	2017	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	$176,099	$159,664	$16,435	10.3 %
Research and development	15,167	15,195	(28)	(0.2)%
Restructuring expenses	26,147	78	26,069	NM
Total operating expenses	$217,413	$174,937	$42,476	24.3 %

(dollars in thousands)	Nine Months Ended December 31, 2018	2017	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	$496,817	$469,879	$26,938	5.7 %
Research and development	47,160	43,173	3,987	9.2 %
Restructuring expenses	26,147	156	25,991	NM
Total operating expenses	$570,124	$513,208	$56,916	11.1 %

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. During the third quarter and first nine months of fiscal 2019, SG&A increased by 10.3% and 5.7%, respectively, over the same fiscal 2018 periods. These fiscal 2019 increases over the same prior year periods were largely due to additional expenses associated with our Fiscal 2019

Restructuring Plan. Additionally, during the third quarter of fiscal 2019, we adopted a branding strategy that included phasing out the usage of a tradename associated with certain products in the Healthcare Products business segment, which resulted in an impairment charge of $16.2 million.

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Research and Development. Research and development expenses decreased slightly by 0.2% during the third quarter of fiscal 2019 over the same fiscal 2018 period. Research and development expenses increased 9.2% during the first nine months of fiscal 2019 over the same fiscal 2018 period, due primarily to increased spending within the Healthcare Products segment. 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 nine months of fiscal 2019, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of sterile processing technologies, procedural products and accessories, and devices and support accessories used in gastrointestinal endoscopy procedures.

Restructuring Expenses. During the third quarter of fiscal 2019, we adopted and announced a targeted restructuring plan (the “Fiscal 2019 Restructuring Plan”), which includes the closure of two manufacturing facilities, one in Brazil and one in England, as well as other actions including, the rationalization of certain products. Fewer than 200 positions will be eliminated. The Company will relocate the production of certain impacted products to other existing manufacturing operations during fiscal 2020. These restructuring actions are designed to enhance profitability and improve efficiency.

We have incurred pre-tax expenses totaling $35.2 million related to these actions, of which $26.1 million was recorded as restructuring expenses and $9.1 million was recorded in cost of revenues. We expect to incur additional restructuring expenses related to this plan of approximately $6.0 million to $7.0 million in the fourth quarter of fiscal 2019 and beyond. The following table summarizes our total pre-tax restructuring expenses for fiscal 2019:

(dollars in thousands)	Three and Nine Months Ended December 31, 2018
Severance and other compensation related costs	$ 2,743
Accelerated depreciation and amortization	15,251
Asset impairment	4,312
Lease termination costs and other	3,841
Product rationalization	9,096
Total restructuring expenses [1]	$ 35,243

(1) Includes $9.1 million in expense recorded to cost of revenues on Consolidated Statements of Income.

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 and nine months ended December 31, 2018 and 2017:

	Three Months Ended December 31,		
(dollars in thousands)	2018	2017	Change
Non-operating expenses, net:			
Interest expense	$10,879	$12,461	$(1,582)
Interest and miscellaneous expense (income), net	945	(1,117)	2,062
Non-operating expenses, net	$11,824	$11,344	$480

	Nine Months Ended December

(dollars in thousands)	31, 2018	2017	Change
Non-operating expenses, net:			
Interest expense	$34,014	$37,610	$(3,596)
Interest and miscellaneous expense (income), net	503	(3,974)	4,477
Non-operating expenses, net	$34,517	$33,636	$881

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During the third quarter and first nine months of fiscal 2019, interest expense decreased by $1.6 million and $3.6 million, respectively, compared to the same fiscal 2018 periods. These decreases were primarily due to: (i) reduced interest rates on our 2008 and 2012 Private Placement Notes, (ii) replacement of higher cost fixed rate debt with lower cost floating rate debt as a result of $85.0 million of 2008 Private Placement Notes maturing during the second quarter of fiscal 2019 and (iii) overall lower debt levels (refer to our Note 5 to our consolidated financial statements, titled "Debt" for more information).

Interest income and miscellaneous expense decreased by $2.1 million and $4.5 million during the third quarter and first nine months of fiscal 2019, respectively, compared to the same year periods, primarily due to unrealized losses on our equity investments (refer to our Note 15 to our consolidated financial statements, titled "Fair Value Measurements" for more information).

Income Tax Expense. The following tables compare our income tax expense and effective income tax rates for the three and nine months ended December 31, 2018 and December 31, 2017:

	Three Months Ended December 31,		Change	Percent Change
(dollars in thousands)	2018	2017		
Income tax expense (benefit)	$9,334	$(3,404)	$12,738	(374.2)%
Effective income tax rate	16.2 %	(3.7)%		

	Nine Months Ended December 31,		Change	Percent Change
(dollars in thousands)	2018	2017		
Income tax expense	$39,871	$35,538	$4,333	12.2%
Effective income tax rate	16.9 %	14.0 %		

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 December 31, 2018 and 2017 were 16.2% and (3.7)%, respectively. The effective income tax rates for the nine month periods ended December 31, 2018 and 2017 were 16.9% and 14.0%, respectively. The fiscal 2019 periods were favorably impacted by discrete item adjustments. The lower effective tax rates in the fiscal 2018 periods are primarily attributable to the enactment of the TCJA, resulting in a decrease in the U.S. federal statutory rate from 35% to 21%.

Business Segment Results of Operations. We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Corporate, which is presented separately, contains costs that are associated with being a publicly traded company and certain other corporate costs.

Our Healthcare Products segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment.

Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services, and instrument and scope repairs.

Our Life Sciences segment offers consumable products, equipment maintenance and specialty services for pharmaceutical manufacturers and research facilities, and capital equipment.

Our Applied Sterilization Technologies segment offers contract sterilization and laboratory services for medical device and pharmaceutical Customers and others.

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. In fiscal 2019, we ceased the allocation of certain corporate costs to our segments to align with internal management measures. The prior period operating income measures have been recast for comparability. 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. Adjustments include acquisition related costs, amortization of acquired intangibles, restructuring costs and other charges that management believes may or may not recur with

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similar materiality or impact on operating income in future periods. Management believes that by adjusting for these items they gain better insight and greater transparency into the operating performance of the segments, thus aiding them in more meaningful financial trend analysis and operational decision making.

For both the three and nine month periods ended December 31, 2018, revenues from a single Customer did not represent ten percent or more of any reportable segment's revenues. 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, 2018, dated May 30, 2018.

The following table compares business segment revenues, segment operating income and total operating income for the three and nine months ended December 31, 2018 and 2017:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(dollars in thousands)	2018	2017	2018	2017
Revenues:				
Healthcare Products	$338,264	$324,895	$951,779	$916,053
Healthcare Specialty Services	127,761	117,389	374,564	346,934
Life Sciences	93,451	90,895	275,571	261,291
Applied Sterilization Technologies	136,762	128,721	412,043	379,745
Total revenues	$696,238	$661,900	$2,013,957	$1,904,023
Segment operating income:				
Healthcare Products	$82,820	$81,502	$217,011	$207,787
Healthcare Specialty Services	16,007	13,720	44,422	44,014
Life Sciences	33,129	31,245	96,260	89,418
Applied Sterilization Technologies	54,798	48,191	164,417	144,713
Corporate	(42,025)	(38,140)	(135,053)	(122,147)
Total segment operating income	$144,729	$136,518	$387,057	$363,785
Less: Adjustments				
Restructuring charges [1]	$35,243	$78	$35,243	$156
Amortization of acquired intangible assets [2]	33,894	16,700	68,907	50,173
Acquisition and integration related charges [3]	1,816	4,428	6,197	11,850
(Gain) on fair value adjustment of acquisition related contingent consideration [2]	—	—	(842)	—
Net (gain) loss on divestiture of businesses [2]	(1,170)	11,405	(508)	12,538
Amortization of property "step up" to fair value [2]	615	627	1,840	1,895
Redomiciliation costs [4]	4,747	—	5,633	—
Total operating income	$69,584	$103,280	$270,587	$287,173

[1] For more information regarding restructuring see Note 2 titled, "Restructuring".

[2] For more information regarding our recent acquisitions and divestitures see Note 17 titled, "Business Acquisitions and Divestitures", as well as our Annual Report on Form 10-K for the year ended March 31, 2018, dated May 30, 2018.

[3] Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.

[4] Costs incurred in connection with the proposal to redomicile. For more information see Note 19 titled, "Proposal to Redomicile".

Healthcare Products revenues increased 4.1% to $338.3 million for the quarter ended December 31, 2018, as compared to $324.9 million in the same prior year period. The fiscal 2019 third quarter revenues reflect increases of 6.7%, 4.0%, and 1.0% in capital equipment, service, and consumable revenues, respectively. Healthcare Products revenues increased 3.9% to $951.8 million for the first nine months ended December 31, 2018, as compared to $916.1 million in the same prior year period. The first nine months of fiscal 2019 revenues reflect increases of 6.9% and 5.0%

in capital equipment and service revenues, respectively, which were partially offset by a decrease of 0.4% in consumables revenue. The fiscal 2019 increases over the same prior year periods were driven by organic growth, which was partially offset by the fiscal 2018 divestiture of HCS and unfavorable fluctuations in currencies. At December 31, 2018, the Healthcare Products segment's backlog amounted to $215.7 million, increasing $56.8 million, or 35.8%, compared to the backlog of $158.9 million at December 31, 2017. The increase was driven by strong order volume particularly in the United States.

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Healthcare Specialty Services revenues increased 8.8% to $127.8 million for the quarter ended December 31, 2018, as compared to $117.4 million in the same prior year period. Healthcare Specialty Services revenues increased 8.0% to $374.6 million for the first nine months ended December 31, 2018, as compared to $346.9 million in the same period prior year. The fiscal 2019 increases over the same prior year periods reflect organic growth and favorable fluctuations in currencies in the year-to-date period.

Life Sciences revenues increased 2.8% to $93.5 million for the quarter ended December 31, 2018, as compared to $90.9 million for the same prior year period. This increase reflects growth in consumable and service revenues of 8.7%, and 4.5%, respectively, which were partially offset by a 7.8% decline in capital equipment revenues. Life Sciences revenues increased 5.5% to $275.6 million for the first nine months ended December 31, 2018, as compared to $261.3 million for the same prior year period. This increase reflects growth in capital equipment, consumable and service revenues of 7.7%, 5.3%, 3.8% respectively. The fiscal 2019 increases over the same prior year periods reflect organic growth and favorable fluctuations in currencies in the year-to-date period. At December 31, 2018, the Life Sciences segment’s backlog amounted to $62.4 million, decreasing 7.1% or $4.8 million, compared to the backlog of $67.1 million at December 31, 2017.

Applied Sterilization Technologies segment revenues increased 6.2% to $136.8 million for the quarter ended December 31, 2018, as compared to $128.7 million for the same prior year period. Applied Sterilization Technologies segment revenues increased 8.5% to $412.0 million for the first nine months ended December 31, 2018, as compared to $379.7 million for the same prior year period. The fiscal 2019 increases over the same prior year periods reflect organic growth and favorable fluctuations in currencies in the year-to-date period.

The Healthcare Products segment’s operating income increased $1.3 million to $82.8 million for the quarter ended December 31, 2018, as compared to $81.5 million in the same prior year period. The segment's operating margin was 24.5% for the third quarter of fiscal 2019, as compared to 25.1% for the third quarter of fiscal 2018. During the first nine months of fiscal 2019, the Healthcare Products segment’s operating income increased $9.2 million to $217.0 million, as compared to $207.8 million in the same prior year period. The segment's operating margin was 22.8% for the first nine months of fiscal 2019 compared to 22.7% for the first nine months of fiscal 2018. The increases in the segment’s operating income in the fiscal 2019 periods compared to the prior year periods were primarily driven by increased volumes, which were partially offset by continued investment in research and development spending in the year-to-date period.

The Healthcare Specialty Services segment’s operating income increased $2.3 million to $16.0 million for the quarter ended December 31, 2018, as compared to $13.7 million for the same prior year period. The segment's operating margins were 12.5% and 11.7% for the third quarter of fiscal 2019 and fiscal 2018, respectively. During the first nine months of fiscal 2019, the Healthcare Specialty Services segment’s operating income increased $0.4 million to $44.4 million, as compared to $44.0 million for the same prior year period. The segment's operating margins were 11.9% and 12.7% for the first nine months of fiscal 2019 and fiscal 2018, respectively. The increases in the segment’s operating income in the fiscal 2019 periods over the fiscal 2018 periods resulted from leveraging the investments made over the past several quarters in the United States.

The Life Sciences segment’s operating income increased $1.9 million to $33.1 million for the quarter ended December 31, 2018, as compared to $31.2 million in the same prior year period. The segment’s operating margins were 35.5% and 34.4% for the third quarter of fiscal 2019 and fiscal 2018, respectively. During the first nine months of fiscal 2019, the Life Sciences segment’s operating income increased $6.8 million to $96.3 million, as compared to $89.4 million in the same prior year period. The segment’s operating margins were 34.9% and 34.2% for the first nine months of fiscal 2019 and fiscal 2018, respectively. The increases in the segment’s operating income in the fiscal 2019 periods compared to the prior year periods were primarily driven by increased volumes and favorable mix.

The Applied Sterilization Technologies segment's operating income increased $6.6 million to $54.8 million in the third quarter of fiscal 2019, as compared to $48.2 million during the same prior year period. The segment’s operating margins were 40.1% and 37.4% for the third quarter of fiscal 2019 and fiscal 2018, respectively. The Applied Sterilization Technologies segment's operating income increased $19.7 million to $164.4 million in the first nine months of fiscal 2019, as compared to $144.7 million during the same prior year period. The segment’s operating margins were 39.9% and 38.1% for the first nine months of fiscal 2019 and 2018, respectively. The increases in the

segment’s operating income in the fiscal 2019 periods over the fiscal 2018 periods were primarily driven by the revenue growth.

Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the three and nine months ended December 31, 2018 and 2017:

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	Nine Months Ended December 31,	
(dollars in thousands)	2018	2017
Net cash provided by operating activities	$360,579	$327,855
Net cash used in investing activities	$(139,562)	$(148,833)
Net cash used in financing activities	$(183,808)	$(195,816)
Debt-to-total capital ratio	28.6 %	31.4 %
Free cash flow	$252,906	$216,438

Net Cash Provided by Operating Activities – The net cash provided by our operating activities was $360.6 million for the first nine months of fiscal 2019 and $327.9 million for the first nine months of fiscal 2018.

- Cash from operations increased in fiscal 2019 by $32.7 million, as compared to the prior year period despite lower net income. Net income was negatively impacted by impairment and restructuring charges that were largely non-cash in nature.

Net Cash Used In Investing Activities – The net cash used in investing activities totaled $139.6 million for the first nine months of fiscal 2019 and $148.8 million for the first nine months of fiscal 2018. The following discussion summarizes the significant changes in our investing cash flows for the first nine months of fiscal 2019 and fiscal 2018:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were $113.2 million and $113.5 million for the first nine months of fiscal 2019 and 2018, respectively.
- Proceeds from the sale of property, plant, equipment, net – Proceeds from the sale of property, plant and equipment were $5.6 million during the first nine months of fiscal 2019, the majority of which was from the sale of a Healthcare Products facility located in the U.K., and the sale of certain assets related to the termination of a service agreement. Proceeds from the sale of property, plant and equipment were $2.1 million during the first nine months of fiscal 2018.
- Proceeds from the sale of business – During the first nine months of fiscal 2018, we received $7.6 million, net of cash divested, in proceeds from the sale of certain non-core businesses. During the first nine months of fiscal 2018, we received $1.3 million, in deferred consideration related to the fiscal 2017 sale of the Synergy Health Laboratory Services. For more information, refer to our Annual Report on Form 10-K for the year ended March 31, 2018, dated May 30, 2018.
- Acquisitions of businesses, net of cash acquired – During the first nine months of fiscal 2019 and 2018, we used $13.3 million and $46.3 million, respectively for acquisitions. For more information on our acquisitions, refer to Note 17 to our consolidated financial statements, "Business Acquisitions and Divestitures".
- Purchases of Investments – During the first nine months of fiscal 2019, we completed an equity investment for approximately $5.0 million.
- Other – During the first nine months of fiscal 2019, we provided approximately $13.4 million under borrowing agreements. For more information on these agreements, refer to our Note 18 to our consolidated financial statements, "Loans Receivable".

Net Cash Used In Financing Activities – The net cash used in financing activities amounted to $183.8 million for the first nine months of fiscal 2019 and $195.8 million for the first nine months of fiscal 2018. The following discussion summarizes the significant changes in our financing cash flows for the first nine months of fiscal 2019 and fiscal 2018:

- Payments on long-term obligations - Payments on long-term obligations totaled $85.0 million in the first nine months of fiscal 2019, as compared to $22.5 million in the first nine months of fiscal 2018.
- Proceeds (payments) under credit facility, net – Net proceeds on credit facilities totaled $35.4 million in the first nine months of fiscal 2019, compared to net payments of $58.7 million in the first nine months of fiscal 2018.
- Repurchases of ordinary shares – During the first nine months of fiscal 2019, we settled the repurchases of 454,000 of our ordinary shares in the aggregate amount of $48.1 million pursuant to the Board of Directors authorization announced on August 9, 2016. During the first nine months of fiscal 2019, we obtained 110,445 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $8.2 million. During the first nine months of fiscal 2018, we settled the repurchases of 428,547 of our ordinary shares in the aggregate amount of $37.7 million pursuant to the Board of Directors authorization announced on August 9, 2016. During the

first nine months of fiscal 2018, we obtained 114,809 of our ordinary shares in connection with share-based compensation award programs in the aggregate amount of $6.2 million.

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- Cash dividends paid to ordinary shareholders – During the first nine months of fiscal 2019, we paid total cash dividends of $83.8 million, or $0.99 per outstanding share. During the first nine months of fiscal 2018, we paid total cash dividends of $76.6 million, or $0.90 per outstanding share.
- Stock option and other equity transactions, net – We generally receive cash for issuing shares under our stock option programs. During the first nine months of fiscal 2019 and fiscal 2018, we received cash proceeds totaling $7.5 million and $9.1 million, respectively, under these programs. We also paid dividends to minority interest shareholders in the amount of $0.3 million and $1.1 million, during the first nine months of fiscal 2019 and 2018, respectively.

Cash Flow Measures. Free cash flow was $252.9 million in the first nine months of fiscal 2019, compared to $216.4 million in the prior year first nine months (see the subsection above titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). Free cash flow increased in fiscal 2019 by $36.5 million, as compared to the prior year period despite lower net income, which was negatively impacted by impairment and restructuring charges that were largely non-cash in nature.

Our debt-to-total capital ratio was 28.6% at December 31, 2018 and 31.4% at December 31, 2017.

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, 2018, dated May 30, 2018. We had $364.9 million of outstanding borrowings under the Credit Agreement as of December 31, 2018. We had $4.8 million of letters of credit outstanding under the Credit Agreement at December 31, 2018. Our commercial commitments, including letters of credit outstanding under other arrangements, were approximately $75.5 million at December 31, 2018, reflecting a net increase of $8.5 million in surety bonds and other commercial commitments from March 31, 2018.

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.

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, 2018, dated May 30, 2018. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2018.

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.

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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 on Form 10-Q 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 specified in this Quarterly Report 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,” “
“improve,” “optimistic,” “deliver,” “comfortable,” “trend”, and “seeks,” or the negative of such terms or other variations on su
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 herein and in STERIS’s other securities filings, including Item 1A of Part I of STERIS’s Annual Report on Form 10-K for the year ended March 31, 2018 and Item 1A of Part II of STERIS's Quarterly Report on 10-Q for the fiscal quarter ending June 30, 2018. 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 this Quarterly Report 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 receipt of approval of STERIS’s shareholders of the redomiciliation transaction, (b) any regulatory or court approvals required for the redomiciliation transaction not being obtained on the terms expected or on the anticipated schedule, (c) the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the redomiciliation transaction, (d) 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 transaction, (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, if the redomiciliation transaction is consummated, changes in tax laws that would result in STERIS Ireland 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 those relating to FDA, warning notices or letters, government investigations, the outcome of any pending FDA requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product introductions, affect the production and 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 provisions 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 STERIS's Annual Report on Form 10-K for the year ended March 31, 2018 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 new legislation, regulations or orders, including, but not limited to any new trade or tax legislations, regulations or orders, that may be

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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, or of STERIS's restructuring efforts, or of recent divestitures, or of the Fiscal 2019 Restructuring Plan, will not be realized or will be other than anticipated, and (q) 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. You may also obtain copies of these documents by accessing the SEC's website at http://www.sec.gov.

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, 2018, dated May 30, 2018. Our exposures to market risks have not changed materially since March 31, 2018.

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 nine months of fiscal 2019, 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 2019. We have executed forward currency contracts to hedge a portion of results denominated in euros, Mexican pesos and Canadian dollars. 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.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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, 2018, dated May 30, 2018.

ITEM 1A. RISK FACTORS

For a complete discussion of the Company's risk factors, you should carefully review the risk factors included in Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Other than the additional update to the risk factor set forth below, there have been no material changes to the risk factors set forth in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended March 31, 2018 dated May 30, 2018.

Tax and trade risks

Current economic and political conditions make tax rules in any jurisdiction subject to significant change.

The TCJA was signed into law on December 22, 2017. Additional regulations and guidance have been and are likely to be issued clarifying the application of this new legislation. We cannot predict the overall impact that the regulations or guidance may have on our business. In addition, we may not be able to determine conclusively the applicability or enforceability of such additional regulations or guidance on tax planning or tax positions that we have taken or may take going forward. It is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the TCJA. In addition, further changes in the tax laws of other jurisdictions could arise, including as a result of the base erosion and profit shifting ("BEPS") project undertaken by the Organization for Economic Cooperation and Development ("OECD"). The OECD, which represents a coalition of member countries, has issued recommendations that, in some cases, would make substantial changes to numerous long-standing tax positions and principles. These contemplated changes, to the extent adopted by OECD members and/or other countries, could increase tax uncertainty and may adversely impact our provision for income taxes.

Furthermore, as a result of the anticipated withdrawal of the United Kingdom from the European Union (“Brexit”), entities such as the Company that are organized under the laws of England and Wales are expected to lose the benefit of the tax and other treaties between the U.S. and European Union ("EU"). Without further action by the United Kingdom and U.S. governments, the Company may consequentially be subject to higher tax liabilities, which may be significant.

The Company has evaluated several alternatives due to Brexit’s continuing risks and uncertainties and concluded that redomiciling the Company to Ireland is the best path forward. Maintaining the Company’s domicile in a EU member country is anticipated to preserve the current and significant future financial benefits initially established in 2015 at the time of the Combination with Synergy. The redomiciliation will be effected through the establishment of a new holding company for the Company, but the redomiciliation is not expected to materially change the day-to-day operations of the business. The Company anticipates completing the redomiciliaton prior to March 29, 2019, which is the date Brexit is currently scheduled to occur. However, the proposal is subject to approval by the Company’s shareholders and the English courts, and it is possible that the redomiciliation may be delayed or not occur.

The lack of clarity surrounding tax rules and regulations in the jurisdictions where the Company does business as a result of Brexit, TCJA, OECD, and otherwise creates uncertainty for the Company. In addition to higher tax liabilities, the outcome of potential changes to tax rules and regulations applicable to the Company may adversely affect the Company’s business, operations, and financial condition.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 9, 2016, the Company announced that its Board of Directors had authorized the purchase of up to $300 million (net of taxes, fees and commissions) of our ordinary shares. We may enter into share repurchase contracts until August 2, 2021 to effect these purchases. Shares may be repurchased from time to time through open market transactions, including 10b5-1 plans. The repurchase program may be suspended or discontinued at any time. During the first nine months of fiscal 2019, we repurchased 445,700 of our ordinary shares pursuant to this authorization. During the first nine months of fiscal 2019, we obtained 110,445 of our ordinary shares in connection with share based compensation award programs.

The following table summarizes the ordinary shares repurchase activity during the third quarter of fiscal 2019 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
October 1-31	—	$ —	—	$ 103,979
November 1-30	—	—	—	103,979
December 1-31	—	$ —	—	$ 103,979
Total	— [1]	— [1]	—	103,979

[1] Does not include 11 shares purchased during the quarter at an average price of $112.60 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.

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ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation of STERIS plc (filed as Exhibit 3.1 to STERIS plc Form 8-K filed November 6, 2015 (Commission File No. 1-37614) and incorporated herein by reference).
3.2	Amended Articles of Association of STERIS plc (Amended by Special Resolution passed on August 2, 2016) (filed as Exhibit 3.2 to STERIS plc Form 10-Q for the fiscal quarter ended September 30, 2016 (Commission File No. 1-37614), and incorporated herein by reference).
4.1	Specimen Form of Stock Certificate (filed as Exhibit 4.1 to STERIS plc Form 10-K for the fiscal year ended March 31, 2016 (Commission File No. 1-37614) and incorporated herein by reference).
15.1	Letter Re: Unaudited Interim Financial Information.
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.

EX-101 Instance Document.

EX-101 Schema Document.

EX-101 Calculation Linkbase Document.

EX-101 Definition Linkbase Document.

EX-101 Labels Linkbase Document.

EX-101 Presentation Linkbase Document.

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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, Corporate Controller and Chief Accounting Officer
February 11, 2019