



EnerSys Reports Fourth Quarter and Full Year Fiscal 2017 Results

May 30, 2017

READING, Pa., May 30, 2017 /PRNewswire/ -- EnerSys (NYSE: ENS) the global leader in stored energy solutions for industrial applications, announced today results for its fourth quarter and full year of fiscal 2017, which ended on March 31, 2017.

Net earnings attributable to EnerSys stockholders ("Net earnings") for the fourth quarter of fiscal 2017 were \$33.8 million, or \$0.76 per diluted share, including an unfavorable highlighted net of tax impact of \$22.8 million or \$0.52 per share from cash and non-cash charges from highlighted items described in further detail in the tables shown below, reconciling non-GAAP adjusted financial measures to reported amounts.

Net earnings for the fourth quarter of fiscal 2016 were \$9.3 million, or \$0.21 per diluted share, which included an unfavorable highlighted net of tax impact of \$36.2 million or \$0.82 per share from cash and non-cash charges and credits from highlighted items.

Excluding these highlighted items, adjusted Net earnings per diluted share for the fourth quarter of fiscal 2017, on a non-GAAP basis, were \$1.28, which exceeded the guidance of \$1.19 to \$1.23 per diluted share given by the Company on February 8, 2017. These earnings compare to the prior year fourth quarter adjusted Net earnings of \$1.03 per diluted share. Please refer to the section included herein under the heading "Reconciliation of Non-GAAP Financial Measures" for a discussion of the Company's use of non-GAAP adjusted financial information which include tables reconciling GAAP and non-GAAP adjusted financial measures for the quarters and twelve months ended March 31, 2017 and 2016.

Net sales for the fourth quarter of fiscal 2017 were \$626.8 million, an increase of 3% from the prior year fourth quarter net sales of \$611.4 million and an 11% sequential quarterly increase from the third quarter of fiscal 2017 net sales of \$563.7 million. The 3% increase compared to the prior year quarter was the result of a 2% increase each from organic volume and pricing and a 1% increase from acquisitions, partially offset by a 2% foreign currency translation impact. The 11% sequential quarterly increase was largely due to a 10% increase in organic volume and a 1% increase in pricing.

The Company's operating results for its business segments for the fourth quarters of fiscal 2017 and 2016 are as follows:

	Quarter ended (\$ millions)	
	March 31, 2017	March 31, 2016
Net sales by segment		
Americas	\$ 363.8	\$ 330.2
EMEA	199.3	204.5
Asia	63.7	76.7
Total net sales	<u>\$ 626.8</u>	<u>\$ 611.4</u>
Operating earnings		
Americas	\$ 53.5	\$ 49.8
EMEA	19.3	21.4
Asia	3.3	(0.7)
Restructuring and other exit charges - Americas	—	(0.6)
Restructuring and other exit charges - EMEA	(1.8)	(4.8)
Restructuring charges - Asia	(0.3)	(0.5)
Impairment of goodwill and indefinite-lived intangibles - Americas	(9.3)	(33.0)
Impairment of goodwill, indefinite-lived intangibles and fixed assets - EMEA	(4.7)	(3.3)
Competition investigations and related legal charges - EMEA *	(6.7)	—
ERP system implementation - Americas	(1.1)	(1.3)
Charges relating to sale of facility - Asia	—	(0.9)
Acquisition activity expense - Americas	(0.1)	(0.1)
Acquisition activity expense - EMEA	(0.2)	—
Acquisition activity expense - Asia	—	(0.1)
Total operating earnings	<u>\$ 51.9</u>	<u>\$ 25.9</u>

EMEA - Europe, Middle East and Africa

* See *Litigation and Other Legal Matters* in Note 18 - Commitments, Contingencies and Litigation to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 for more details.

Net earnings for the twelve months of fiscal 2017 were \$160.2 million, or \$3.64 per diluted share, including an unfavorable net of tax impact of \$48.9 million or \$1.11 per share from cash and non-cash charges and credits from highlighted items described in further detail in the tables shown below, reconciling non-GAAP adjusted financial measures to reported amounts.

Net earnings for the twelve months of fiscal 2016 were \$136.2 million, or \$2.99 per diluted share, including an unfavorable net of tax impact of \$42.2 million or \$0.94 per share from cash and non-cash charges and credits from highlighted items.

Adjusted Net earnings for the twelve months of fiscal 2017, on a non-GAAP basis, were \$4.75 per diluted share. This compares to the prior year twelve months adjusted Net earnings of \$3.93 per diluted share. Please refer to the section included herein under the heading "Reconciliation of Non-GAAP Financial Measures" for a discussion of the Company's use of non-GAAP adjusted financial information.

Net sales for the twelve months of fiscal 2017 were \$2,367.1 million, an increase of 2% from the net sales of \$2,316.2 million in the comparable period in fiscal 2016. This increase was the result of a 2% increase in organic volume and a 1% increase each from pricing and acquisitions, partially offset by a 2% decrease due to foreign currency translation impact.

The Company's operating results for its business segments for the twelve months of fiscal years 2017 and 2016 are as follows:

	Fiscal year ended (\$ millions)	
	March 31, 2017	March 31, 2016
Net sales by segment		
Americas	\$ 1,332.3	\$ 1,276.0
EMEA	763.1	787.4
Asia	271.7	252.8
Total net sales	<u>\$ 2,367.1</u>	<u>\$ 2,316.2</u>
Operating earnings		
Americas	\$ 199.3	\$ 187.1
EMEA	76.6	75.6
Asia	15.1	1.1
Restructuring and other exit charges - Americas	(0.9)	(2.1)
Inventory adjustment relating to exit activities - EMEA	(2.1)	—
Restructuring and other exit charges - EMEA	(5.5)	(9.4)
Restructuring charges - Asia	(0.7)	(1.4)
Impairment of goodwill and indefinite-lived intangibles - Americas	(9.3)	(33.0)
Impairment of goodwill, indefinite-lived intangibles and fixed assets - EMEA	(4.7)	(3.3)
Competition investigations and related legal charges - EMEA *	(23.7)	(4.0)
Reversal of legal accrual, net of fees - Americas	—	0.8
Gain on sale of facility - Asia	—	3.4
ERP system implementation - Americas	(9.4)	(4.1)
Deferred purchase consideration - Americas	1.9	—
Acquisition activity expense - Americas	(0.3)	(0.3)
Acquisition activity expense - EMEA	(0.4)	—
Acquisition activity expense - Asia	—	(0.4)
Total operating earnings	<u>\$ 235.9</u>	<u>\$ 210.0</u>

EMEA - Europe, Middle East and Africa

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"I remain excited about our business," stated David M. Shaffer, President and Chief Executive Officer of EnerSys. "Our motive power, uninterrupted power supply and aerospace and defense businesses continue to perform well, and we look forward to the future growth of our telecommunications business, which will be driven by the accelerating appetite for more data usage. We are lowering our first quarter fiscal 2018 guidance for non-GAAP adjusted Net earnings per share to \$1.10 - \$1.14 from \$1.21 - \$1.25, which excludes an expected charge of \$0.04 from our restructuring programs and \$0.01 from acquisition expenses. Our lowered guidance is due to recent price increases taking longer to be fully effective, as well as our sequential commodity cost pressure being greater than originally estimated."

Reconciliation of Non-GAAP Financial Measures

This press release contains financial information determined by methods other than in accordance with U.S. Generally Accepted Accounting Principles, ("GAAP"). EnerSys' management uses the non-GAAP measure "adjusted Net Earnings" in their analysis of the Company's performance. This measure, as used by EnerSys in past quarters and years, adjusts Net Earnings determined in accordance with GAAP to reflect changes in financial results associated with the Company's restructuring initiatives and other highlighted charges and income items. Management believes the presentation of this financial measure reflecting these non-GAAP adjustments provides important supplemental information in evaluating the operating results of the Company as distinct from results that include items that are not indicative of ongoing operating results; in particular, those charges that the Company incurs as a result of restructuring activities, impairment of goodwill and indefinite-lived intangibles and other assets and those charges and credits that are not directly related to operating unit performance, such as fees and expenses related to acquisition activities, stock-based compensation of senior executives, significant legal proceedings, ERP system implementation and tax valuation allowance changes. Because these charges are not incurred as a result of ongoing operations, or are incurred as a result of a potential or previous acquisition, they are not as helpful a measure of the performance of our underlying business, particularly in light of their unpredictable nature and are difficult to forecast. This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for Net Earnings determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information will be helpful in understanding the Company's ongoing operating results. This supplemental presentation should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to Net Earnings determined in accordance with GAAP.

Included below is a reconciliation of non-GAAP adjusted financial measures to reported amounts. Non-GAAP adjusted Net Earnings are calculated

excluding restructuring and other highlighted charges and credits. The following tables provide additional information regarding certain non-GAAP measures:

	Quarter ended	
	March 31, 2017	March 31, 2016
<i>(in millions, except share and per share amounts)</i>		
Net Earnings reconciliation		
As reported Net Earnings	\$ 33.8	\$ 9.3
Non-GAAP adjustments, net of tax:		
Restructuring charges	1.7 (1)	5.3 (1)
Impairment of goodwill, indefinite-lived intangibles and fixed assets	13.5 (2)	32.1 (2)
Legal proceedings charge	6.7 (3)	—
ERP system implementation	0.7 (4)	0.8 (4)
Charges relating to sale of facility	—	1.1 (6)
Acquisition activity expense	0.2 (7)	0.1 (7)
Noncontrolling partner's share of impairment and exit charges	—	(3.2) (8)
Non-GAAP adjusted Net Earnings	\$ 56.6	\$ 45.5
Outstanding shares used in per share calculations		
Basic	43,430,911	43,533,985
Diluted	44,221,143	44,158,541
Non-GAAP adjusted Net Earnings per share:		
Basic	\$ 1.30	\$ 1.05
Diluted	\$ 1.28	\$ 1.03
Reported Net Earnings per share:		
Basic	\$ 0.78	\$ 0.21
Diluted	\$ 0.76	\$ 0.21
Dividends per common share	\$ 0.175	\$ 0.175

The following table provides the regional allocation of the non-GAAP adjustments shown in the reconciliation above:

	Quarter ended			
	March 31, 2017		March 31, 2016	
	Pre-tax	Net of tax	Pre-tax	Net of tax
	(\$ millions)		(\$ millions)	
(1) Restructuring charges - Americas	\$ —	\$ —	\$ 0.6	\$ 0.4
(1) Restructuring and other exit charges - EMEA	1.8	1.4	4.8	4.5
(1) Restructuring charges - Asia	0.3	0.3	0.50	0.2
(2) Impairment of goodwill and indefinite-lived intangibles - Americas	9.3	9.1	33.0	28.8
(2) Impairment of goodwill, indefinite-lived intangibles and fixed assets - EMEA	4.7	4.4	3.3	3.3
(3) Competition investigations and related legal charges - EMEA *	6.7	6.7	—	—
(4) ERP system implementation - Americas	1.1	0.7	1.3	0.8
(6) Charges relating to sale of facility - Asia	—	—	0.9	1.1
(7) Acquisition activity expense - Americas	0.1	—	0.1	—
(7) Acquisition activity expense - EMEA	0.2	0.2	—	—
(7) Acquisition activity expense - Asia	—	—	0.1	0.1
(8) Noncontrolling partner's share of impairment and exit charges - EMEA - (South Africa joint venture)	—	—	—	(3.2)

Total Non-GAAP adjustments

\$ 24.2 \$ 22.8 \$ 44.6 \$ 36.2

EMEA - Europe, Middle East and Africa

* See Litigation and Other Legal Matters in Note 18 - Commitments, Contingencies and Litigation to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 for more details.

	Fiscal year ended	
	March 31, 2017	March 31, 2016
	<i>(in millions, except share and per share amounts)</i>	
Net Earnings reconciliation		
As reported Net Earnings	\$ 160.2	\$ 136.2
Non-GAAP adjustments, net of tax:		
Restructuring and other exit charges	7.7 (1)	10.6(1)
Impairment of goodwill, indefinite-lived intangibles and fixed assets	13.5 (2)	32.1(2)
Legal proceedings charge / (reversal of legal accrual, net of fees)	23.7 (3)	2.9(3)
ERP system implementation	6.0 (4)	2.5(4)
Deferred purchase consideration	(1.2) (5)	—(5)
Gain on sale of facility	—	(2.2)(6)
Acquisition activity expense	0.5 (7)	0.5(7)
Noncontrolling partner's share of impairment and exit charges	(1.3) (8)	(3.2)(8)
Tax benefit related to stock-based compensation of senior executives	—	(1.0)(9)
Non-GAAP adjusted Net Earnings	<u>\$ 209.1</u>	<u>\$ 178.4</u>
Outstanding shares used in per share calculations		
Basic	<u>43,389,333</u>	<u>44,276,713</u>
Diluted	<u>44,012,543</u>	<u>45,474,130</u>
Non-GAAP adjusted Net Earnings per share:		
Basic	<u>\$ 4.82</u>	<u>\$ 4.03</u>
Diluted	<u>\$ 4.75</u>	<u>\$ 3.93</u>
Reported Net Earnings per share:		
Basic	<u>\$ 3.69</u>	<u>\$ 3.08</u>
Diluted	<u>\$ 3.64</u>	<u>\$ 2.99</u>
Dividends per common share	<u>\$ 0.70</u>	<u>\$ 0.70</u>

The following table provides the regional allocation of the non-GAAP adjustments shown in the reconciliation above:

Fiscal year ended	
March 31, 2017	March 31, 2016
Pre-tax	Pre-tax
Net of tax	Net of tax
(\$ millions)	(\$ millions)

(1) Restructuring charges - Americas	\$ 0.9	\$ 0.5	\$ 2.1	\$ 1.3
(1) Inventory adjustment relating to exit activities - EMEA - (South Africa joint venture)	2.1	2.1	—	—
(1) Restructuring and other exit charges - EMEA	5.5	4.4	9.4	8.0
(1) Restructuring charges - Asia	0.7	0.7	1.4	1.3
(2) Impairment of goodwill and indefinite-lived intangibles - Americas	9.3	9.1	33.0	28.8
(2) Impairment of goodwill, indefinite-lived intangibles and fixed assets - EMEA	4.7	4.4	3.3	3.3
(3) Competition investigations and related legal charges - EMEA *	23.7	23.7	4.0	3.4
(3) Reversal of legal accrual, net of fees - Americas	—	—	(0.8)	(0.5)
(4) ERP system implementation - Americas	9.4	6.0	4.1	2.5
(5) Deferred purchase consideration - Americas	(1.9)	(1.2)	—	—
(6) Gain on sale of facility - Asia	—	—	(3.4)	(2.2)
(7) Acquisition activity expense - Americas	0.3	0.2	0.3	0.2
(7) Acquisition activity expense - EMEA	0.4	0.3	—	—
(7) Acquisition activity expense - Asia	—	—	0.4	0.3
(8) Noncontrolling partner's share of impairment and exit charges - EMEA - (South Africa joint venture)	—	(1.3)	—	(3.2)
(9) Tax benefit related to stock-based compensation of senior executives	—	—	—	(1.0)
Total Non-GAAP adjustments	<u>\$ 55.1</u>	<u>\$ 48.9</u>	<u>\$ 53.8</u>	<u>\$ 42.2</u>

EMEA - Europe, Middle East and Africa

* See Litigation and Other Legal Matters in Note 18 - Commitments, Contingencies and Litigation to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 for more details.

Summary of Earnings (Unaudited)
(In millions, except share and per share data)

	Quarter ended	
	March 31, 2017	March 31, 2016
Net sales	\$ 626.8	\$ 611.4
Gross profit	167.1	160.5
Operating expenses	92.4	91.5
Restructuring and other exit charges	2.1	5.9
Impairment of goodwill, indefinite-lived intangibles and fixed assets	14.0	36.3
Legal proceedings charge	6.7	—
Charges relating to sale of facility	—	0.9
Operating earnings	51.9	25.9
Earnings before income taxes	45.1	17.2
Net earnings attributable to EnerSys stockholders	<u>\$ 33.8</u>	<u>\$ 9.3</u>

Net earnings per common share attributable to EnerSys stockholders:

Basic	<u>\$ 0.78</u>	<u>\$ 0.21</u>
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Diluted	<u>\$ 0.76</u>	<u>\$ 0.21</u>
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Dividends per common share	<u>\$ 0.175</u>	<u>\$ 0.175</u>
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Weighted-average number of common shares used in per share calculations:

Basic	<u>43,430,911</u>	<u>43,533,985</u>
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Diluted	<u>44,221,143</u>	<u>44,158,541</u>
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	Fiscal year ended	
	March 31, 2017	March 31, 2016
Net sales	\$ 2,367.1	\$ 2,316.2
Gross profit	650.6	611.7
Operating expenses	369.9	352.7
Restructuring and other exit charges	7.1	12.9
Impairment of goodwill, indefinite-lived intangibles and fixed assets	14.0	36.3
Legal proceedings charge	23.7	3.2
Gain on sale of facility	—	(3.4)
Operating earnings	235.9	210.0
Earnings before income taxes	212.7	182.0
Net earnings attributable to EnerSys stockholders	<u>\$ 160.2</u>	<u>\$ 136.2</u>

Net earnings per common share attributable to EnerSys stockholders:

Basic	\$	3.69	\$	3.08
Diluted	\$	3.64	\$	2.99
Dividends per common share	\$	0.70	\$	0.70

Weighted-average number of common shares used in per share calculations:

Basic	43,389,333	44,276,713
Diluted	44,012,543	45,474,130

EnerSys also announced that it will host a conference call to discuss the Company's fourth quarter and full fiscal year 2017 financial results and provide an overview of the business. The call will conclude with a question and answer session.

The call, scheduled for Wednesday, May 31, 2017 at 9:00 a.m., Eastern Time, will be hosted by David M. Shaffer, Chief Executive Officer, and Michael J. Schmidlein, Chief Financial Officer.

The call will also be Webcast on EnerSys' website. There will be a free download of a compatible media player on the Company's website at <http://www.enersys.com>.

The conference call information is:

Date: Wednesday, May 31, 2017
Time: 9:00 a.m. Eastern Time
Via Internet: <http://www.enersys.com>
Domestic Dial-In Number: 877-359-9508
International Dial-In Number: 224-357-2393
Passcode: 74382689

A replay of the conference call will be available from 12:00 p.m. on May 31, 2017 through midnight on June 30, 2017.

The replay information is:

Via Internet: <http://www.enersys.com>
Domestic Replay Number: 855-859-2056
International Replay Number: 404-537-3406
Passcode: 74382689

EDITOR'S NOTE: EnerSys, the global leader in stored energy solutions for industrial applications, manufactures and distributes reserve power and motive power batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Motive power batteries and chargers are utilized in electric forklift trucks and other commercial electric powered vehicles. Reserve power batteries are used in the telecommunication and utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions including medical, aerospace and defense systems. Outdoor equipment enclosure products are utilized in the telecommunication, cable, utility, transportation industries and by government and defense customers. The company also provides aftermarket and customer support services to its customers in over 100 countries through its sales and manufacturing locations around the world.

More information regarding EnerSys can be found at www.enersys.com.

Caution Concerning Forward-Looking Statements

This press release, and oral statements made regarding the subjects of this release, contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, or the Reform Act, which may include, but are not limited to, statements regarding EnerSys' earnings estimates, intention to pay quarterly cash dividends, return capital to stockholders, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts, including statements identified by words such as "believe," "plan," "seek," "expect," "intend," "estimate," "anticipate," "will," and similar expressions. All statements addressing operating performance, events, or developments that EnerSys expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, order intake, backlog, payment of future cash dividends, execution of its stock buy back program, judicial or regulatory proceedings, and market share, as well as statements expressing optimism or pessimism about future operating results or benefits from either its cash dividend or its stock buy back programs, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are based on management's current views and assumptions regarding future events and operating performance, and are inherently subject to significant business, economic, and competitive uncertainties and contingencies and changes in circumstances, many of which are beyond the Company's control. The statements in this press release are made as of the date of this press release, even if subsequently made available by EnerSys on its website or otherwise. EnerSys does not undertake any obligation to update or revise these statements to reflect events or circumstances occurring after the date of this press release.

Although EnerSys does not make forward-looking statements unless it believes it has a reasonable basis for doing so, EnerSys cannot guarantee their accuracy. The foregoing factors, among others, could cause actual results to differ materially from those described in these forward-looking

statements. For a list of other factors which could affect EnerSys' results, including earnings estimates, see EnerSys' filings with the Securities and Exchange Commission, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," including "Forward-Looking Statements," set forth in EnerSys' Annual Report on Form 10-K for the fiscal year ended March 31, 2017. No undue reliance should be placed on any forward-looking statements.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/enersys-reports-fourth-quarter-and-full-year-fiscal-2017-results-300465742.html>

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