UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 2, 2022

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number: 001-32253

EnerSys
(Exact name of registrant as specified in its charter)

Delaware	**23-3058564**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2366 Bernville Road
Reading, Pennsylvania 19605
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 610-208-1991

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value per share	ENS	New York Stock Exchange

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 ☐ No.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). ☐ Yes ☒ No.

Common Stock outstanding at November 4, 2022: 40,829,557 shares

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EnerSys
Consolidated Condensed Balance Sheets (Unaudited)
(In Thousands, Except Share and Per Share Data)

	October 2, 2022	March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 294,423	$ 402,488
Accounts receivable, net of allowance for doubtful accounts: October 2, 2022 - $10,914; March 31, 2022 - $12,219	705,481	719,434
Inventories, net	811,998	715,712
Prepaid and other current assets	148,774	155,559
Total current assets	1,960,676	1,993,193
Property, plant, and equipment, net	481,551	503,264
Goodwill	658,265	700,640
Other intangible assets, net	374,047	396,202
Deferred taxes	56,163	60,479
Other assets	93,461	82,868
Total assets	$ 3,624,163	$ 3,736,646
Liabilities and Equity		
Current liabilities:		
Short-term debt	$ 34,581	$ 55,084
Accounts payable	344,941	393,096
Accrued expenses	292,969	289,950
Total current liabilities	672,491	738,130
Long-term debt, net of unamortized debt issuance costs	1,295,827	1,243,002
Deferred taxes	76,748	78,228
Other liabilities	164,679	184,011
Total liabilities	2,209,745	2,243,371
Commitments and contingencies		
Equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at October 2, 2022 and at March 31, 2022	—	—
Common Stock, $0.01 par value per share, 135,000,000 shares authorized, 55,935,472 shares issued and 40,821,711 shares outstanding at October 2, 2022; 55,748,924 shares issued and 40,986,658 shares outstanding at March 31, 2022	559	557
Additional paid-in capital	577,520	571,464
Treasury stock at cost, 15,113,761 shares held as of October 2, 2022 and 14,762,266 shares held as of March 31, 2022	(741,510)	(719,119)
Retained earnings	1,834,442	1,783,586
Contra equity - indemnification receivable	(2,657)	(3,620)
Accumulated other comprehensive loss	(257,414)	(143,495)
Total EnerSys stockholders’ equity	1,410,940	1,489,373
Nonredeemable noncontrolling interests	3,478	3,902
Total equity	1,414,418	1,493,275
Total liabilities and equity	$ 3,624,163	$ 3,736,646

See accompanying notes.

EnerSys
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Quarter ended	
	October 2, 2022	October 3, 2021
Net sales	$ 899,437	$ 791,395
Cost of goods sold	703,002	612,575
Inventory adjustment relating to exit activities	1,544	960
Gross profit	194,891	177,860
Operating expenses	137,357	125,309
Restructuring and other exit charges	3,265	2,857
Operating earnings	54,269	49,694
Interest expense	15,461	9,573
Other (income) expense, net	(1,446)	198
Earnings before income taxes	40,254	39,923
Income tax expense	5,782	4,297
Net earnings attributable to EnerSys stockholders	$ 34,472	$ 35,626
Net earnings per common share attributable to EnerSys stockholders:		
Basic	$ 0.85	$ 0.84
Diluted	$ 0.84	$ 0.82
Dividends per common share	$ 0.175	$ 0.175
Weighted-average number of common shares outstanding:		
Basic	40,740,989	42,575,576
Diluted	41,167,622	43,255,832

See accompanying notes.

EnerSys
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Six months ended	
	October 2, 2022	October 3, 2021
Net sales	$ 1,798,408	$ 1,606,288
Cost of goods sold	1,416,438	1,234,249
Inventory adjustment relating to exit activities	1,544	960
Gross profit	380,426	371,079
Operating expenses	264,435	249,796
Restructuring charges and other exit charges	11,593	10,689
Operating earnings	104,398	110,594
Interest expense	27,058	18,680
Other expense (income), net	327	(298)
Earnings before income taxes	77,013	92,212
Income tax expense	11,563	12,657
Net earnings attributable to EnerSys stockholders	$ 65,450	$ 79,555
Net earnings per common share attributable to EnerSys stockholders:		
Basic	$ 1.61	$ 1.87
Diluted	$ 1.59	$ 1.83
Dividends per common share	$ 0.35	$ 0.35
Weighted-average number of common shares outstanding:		
Basic	40,763,663	42,637,953
Diluted	41,260,134	43,396,588

See accompanying notes.

EnerSys
Consolidated Condensed Statements of Comprehensive Income (Unaudited)
(In Thousands)

	Quarter ended		Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net earnings	$ 34,472	$ 35,626	$ 65,450	$ 79,555
Other comprehensive (loss) income:				
Net unrealized (loss) gain on derivative instruments, net of tax	2,116	(2,233)	(6,118)	1,664
Pension funded status adjustment, net of tax	81	233	170	473
Foreign currency translation adjustment	(56,175)	(23,658)	(108,395)	(8,337)
Total other comprehensive (loss) income, net of tax	(53,978)	(25,658)	(114,343)	(6,200)
Total comprehensive (loss) income	(19,506)	9,968	(48,893)	73,355
Comprehensive (loss) income attributable to noncontrolling interests	(214)	15	(424)	64
Comprehensive (loss) income attributable to EnerSys stockholders	$ (19,292)	$ 9,953	$ (48,469)	$ 73,291

See accompanying notes.

EnerSys
Consolidated Condensed Statements of Cash Flows (Unaudited)
(In Thousands)

	Six months ended	
	October 2, 2022	October 3, 2021
Cash flows from operating activities		
Net earnings	$ 65,450	$ 79,555
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	46,405	48,340
Write-off of assets relating to exit activities	9,081	3,756
Derivatives not designated in hedging relationships:		
Net (losses) gains	472	(117)
Cash (settlements) proceeds	(2,015)	147
Provision for doubtful accounts	206	1,240
Deferred income taxes	(126)	108
Non-cash interest expense	974	1,133
Stock-based compensation	11,864	9,424
(Gain) loss on disposal of property, plant, and equipment	(135)	(37)
Changes in assets and liabilities:		
Accounts receivable	(18,409)	15,914
Inventories	(138,327)	(125,479)
Prepaid and other current assets	(17,544)	(18,969)
Other assets	(266)	1,686
Accounts payable	(21,417)	(32,694)
Accrued expenses	(9,443)	(48,013)
Other liabilities	2,929	(1,565)
Net cash used in operating activities	(70,301)	(65,571)
Cash flows from investing activities		
Capital expenditures	(39,653)	(34,622)
Proceeds from disposal of facility	—	3,268
Proceeds from termination of net investment hedges	43,384	—
Proceeds from disposal of property, plant, and equipment	376	133
Net cash provided by (used in) investing activities	4,107	(31,221)
Cash flows from financing activities		
Net (repayments) borrowings on short-term debt	(17,067)	2,155
Proceeds from Second Amended Revolver borrowings	244,100	275,700
Repayments of Second Amended Revolver borrowings	(184,100)	(5,700)
Repayments of Second Amended Term Loan	—	(161,447)
Debt Issuance Costs	—	(2,952)
Financing costs for debt modification	(1,096)	—
Option proceeds, net	114	1,158
Payment of taxes related to net share settlement of equity awards	(6,257)	(9,000)
Purchase of treasury stock	(22,907)	(31,512)
Dividends paid to stockholders	(14,246)	(14,891)
Other	568	393
Net cash (used in) provided by financing activities	(891)	53,904
Effect of exchange rate changes on cash and cash equivalents	(40,980)	(1,414)
Net decrease in cash and cash equivalents	(108,065)	(44,302)
Cash and cash equivalents at beginning of period	402,488	451,808
Cash and cash equivalents at end of period	$ 294,423	$ 407,506

See accompanying notes.

EnerSys
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(In Thousands, Except Share and Per Share Data)

1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments except those otherwise described herein) considered necessary for a fair presentation have been included, unless otherwise disclosed. Operating results for the three and six months ended October 2, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2023.

The Consolidated Condensed Balance Sheet at March 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s 2022 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 25, 2022 (the “2022 Annual Report”).

EnerSys (the “Company”) reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2023 end on July 3, 2022, October 2, 2022, January 1, 2023, and March 31, 2023, respectively. The four quarters in fiscal 2022 ended on July 4, 2021, October 3, 2021, January 2, 2022, and March 31, 2022, respectively.

The consolidated condensed financial statements include the accounts of the Company and its wholly-owned subsidiaries and any partially owned subsidiaries that the Company has the ability to control. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including, but not limited to, the potential impacts arising from the coronavirus pandemic including its variants (“COVID-19”) and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts of COVID-19 remain unclear, the Company’s estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates.

Examples of significant estimates include the allowance for credit losses, the recoverability of property, plant and equipment, the incremental borrowing rate for lease liabilities, the recoverability of intangible assets and other long-lived assets, fair value measurements, including those related to financial instruments, goodwill and intangible assets, valuation allowances on tax assets, pension and postretirement benefit obligations, contingencies and the identification and valuation of assets acquired and liabilities assumed in connection with business combinations.

2. Revenue Recognition

The Company’s revenues by reportable segments are presented in Note 17 and are consistent with how we organize and manage our operations, as well as product line net sales information.

Service revenues related to the work performed for the Company’s customers by its maintenance technicians generally represent a separate and distinct performance obligation. Control for these services passes to the customer as the services are performed. Service revenues for the second quarter of fiscal 2023 and 2022 amounted to $100,990 and $90,112, respectively. Service revenues for the six months of fiscal 2023 and 2022 amounted to $200,814 and $172,630, respectively.

A small portion of the Company's customer arrangements oblige the Company to create customized products for its customers that require combining both products and services into a single performance obligation because the individual products and services that are required to fulfill the customer requirements do not meet the definition for a distinct performance obligation. These customized products generally have no alternative use to the Company and the terms and conditions of these arrangements give the Company the enforceable right to payment for performance completed to date, including a reasonable profit margin. For these arrangements, control transfers over time and the Company measures progress towards completion by selecting the input or output method that best depicts the transfer of control of the underlying goods and services to the customer for each respective arrangement. Methods used by the Company to measure progress toward completion include labor hours, costs incurred and units of production. Revenues recognized over time for the second quarter of fiscal 2023 and 2022 amounted to $56,202 and $43,607, respectively. Revenues recognized over time for the six months of fiscal 2023 and 2022 amounted to $113,206 and $84,511, respectively.

On October 2, 2022, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately $167,127, of which, the Company estimates that approximately $125,736 will be recognized as revenue in fiscal 2023, $37,152 in fiscal 2024, and $4,239 in fiscal 2025.

Any payments that are received from a customer in advance, prior to the satisfaction of a related performance obligation and billings in excess of revenue recognized, are deferred and treated as a contract liability. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when recognition of revenue is expected. As of October 2, 2022, the current and non-current portion of contract liabilities were $23,995 and $1,232, respectively. As of March 31, 2022, the current and non-current portion of contract liabilities were $27,870 and $1,387, respectively. Revenues recognized during the second quarter of fiscal 2023 and 2022 that were included in the contract liability at the beginning of the quarter, amounted to $5,832 and $5,467, respectively. Revenues recognized during the six months of fiscal 2023 and 2022 that were included in the contract liability at the beginning of the year, amounted to $6,877 and $5,182, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were $64,824 and $59,924 as of October 2, 2022 and March 31, 2022, respectively.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized. At October 2, 2022, the right of return asset related to the value of inventory anticipated to be returned from customers was $4,605 and refund liability representing amounts estimated to be refunded to customers was $8,831.

3. Leases

The Company leases manufacturing facilities, distribution centers, office space, vehicles and other equipment under non-cancellable leases with initial terms typically ranging from 1 to 17 years.

Short term leases with an initial term of 12 months or less are not presented on the balance sheet and expense is recognized on a straight-line basis over the lease term.

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	As of October 2, 2022	As of March 31, 2022
Operating Leases:			
Right-of-use assets	Other assets	$ 70,990	$ 71,085
Operating lease current liabilities	Accrued expenses	20,362	20,086
Operating lease non-current liabilities	Other liabilities	53,059	52,904
Finance Leases:			
Right-of-use assets	Property, plant, and equipment, net	$ 122	$ 344
Finance lease current liabilities	Accrued expenses	53	185
Finance lease non-current liabilities	Other liabilities	109	231

The components of lease expense for the second quarter and six months ended October 2, 2022 and October 3, 2021 were as follows:

		Quarter ended		Six months ended	
	Classification	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Operating Leases:					
Operating lease cost	Operating expenses	$ 6,668	$ 6,422	$ 13,252	$ 13,138
Variable lease cost	Operating expenses	3,221	2,354	6,628	4,927
Short term lease cost	Operating expenses	1,411	1,753	2,849	3,570
Finance Leases:					
Depreciation	Operating expenses	$ 19	$ 59	$ 71	$ 119
Interest expense	Interest expense	2	7	6	15
Total		$ 11,321	$ 10,595	$ 22,806	$ 21,769

The following table presents the weighted average lease term and discount rates for leases as of October 2, 2022 and March 31, 2022:

	October 2, 2022	March 31, 2022
Operating Leases:		
Weighted average remaining lease term (years)	6.1 years	6.1 years
Weighted average discount rate	4.56%	4.43%
Finance Leases:		
Weighted average remaining lease term (years)	2.6 years	2.3 years
Weighted average discount rate	4.60%	4.79%

The following table presents future payments due under leases reconciled to lease liabilities as of October 2, 2022:

	Finance Leases	Operating Leases
Six months ended March 31, 2023	$ 38	$ 12,400
Year ended March 31,		
2024	62	19,209
2025	42	14,024
2026	23	10,401
2027	—	8,214
Thereafter	—	20,184
Total undiscounted lease payments	165	84,432
Present value discount	3	11,011
Lease liability	$ 162	$ 73,421

The following table presents supplemental disclosures of cash flow information related to leases for the second quarter and six months ended October 2, 2022 and October 3, 2021:

	Quarter ended		Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	$ 2	$ 7	$ 6	$ 15
Operating cash flows from operating leases	6,576	6,484	12,910	13,249
Financing cash flows from finance leases	20	60	72	120
Supplemental non-cash information on lease liabilities arising from right-of-use assets:				
Right-of-use assets obtained in exchange for new finance lease liabilities	$ —	$ —	$ —	$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	2,764	1,909	5,537	5,590

4. Goodwill and Other Intangible Assets

Other Intangible Assets

Information regarding the Company’s other intangible assets are as follows:

	Balance as of					
	October 2, 2022			March 31, 2022		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Indefinite-lived intangible assets:						
Trademarks	$ 144,779	$ (953)	$ 143,826	$ 145,808	$ (953)	$ 144,855
Finite-lived intangible assets:						
Customer relationships	294,374	(120,746)	173,628	298,577	(109,820)	188,757
Non-compete	2,825	(2,825)	—	2,825	(2,825)	—
Technology	96,560	(43,165)	53,395	97,367	(38,712)	58,655
Trademarks	8,925	(5,727)	3,198	8,947	(5,012)	3,935
Licenses	1,196	(1,196)	—	1,196	(1,196)	—
Total	$ 548,659	$ (174,612)	$ 374,047	$ 554,720	$ (158,518)	$ 396,202

The Company’s amortization expense related to finite-lived intangible assets was $8,012 and $16,094 for the second quarter and six months of fiscal 2023, compared to $8,329 and $16,748 for the second quarter and six months of fiscal 2022. The expected amortization expense based on the finite-lived intangible assets as of October 2, 2022, is $14,631 for the remainder of fiscal 2023, $27,691 in fiscal 2024, $26,550 in fiscal 2025, $25,616 in fiscal 2026 and $24,822 in fiscal 2027.

Goodwill

The following table presents the amount of goodwill, as well as any changes in the carrying amount of goodwill by segment during the six months of fiscal 2023:

	Energy Systems	Motive Power	Specialty	Total
Balance at March 31, 2022	$ 279,461	$ 323,303	$ 97,876	$ 700,640
Foreign currency translation adjustment	(29,588)	(10,223)	(2,564)	(42,375)
Balance as of October 2, 2022	$ 249,873	$ 313,080	$ 95,312	$ 658,265

5. Inventories

	October 2, 2022	March 31, 2022
Raw materials	$ 321,649	$ 260,604
Work-in-process	119,313	109,441
Finished goods	371,036	345,667
Total	$ 811,998	$ 715,712

6. Fair Value of Financial Instruments

Recurring Fair Value Measurements

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of October 2, 2022 and March 31, 2022, and the basis for that measurement:

	Total Fair Value Measurement October 2, 2022	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ (942)	$ —	$ (942)	$ —
Foreign currency forward contracts	1,628	—	1,628	—
Net investment hedges	(3,498)	—	(3,498)	—
Total derivatives	$ (2,812)	$ —	$ (2,812)	$ —

	Total Fair Value Measurement March 31, 2022	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ 2,520	$ —	$ 2,520	$ —
Foreign currency forward contracts	(256)	—	(256)	—
Net investment hedges	298	—	298	—
Total derivatives	$ 2,562	$ —	$ 2,562	$ —

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange (“LME”) and, therefore, were classified as Level 2 within the fair value hierarchy, as described in Note 1- *Summary of Significant Accounting Policies* to the Company's Consolidated Financial Statements included in the 2022 Annual Report.

The fair values for foreign currency forward contracts and net investment hedges are based upon current quoted market prices and are classified as Level 2 based on the nature of the underlying market in which these derivatives are traded.

Financial Instruments

The fair values of the Company’s cash and cash equivalents approximate carrying value due to their short maturities.

The fair value of the Company’s short-term debt and borrowings under the Second Amended Credit Facility (as defined in Note 12), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

In fiscal 2020, the Company issued its 4.375% Senior Notes due December 15, 2027 (the “2027 Notes”), with an original face value of $300,000. The Company's 5.00% Senior Notes due April 30, 2023 (the “2023 Notes”), with an original face value of $300,000, were issued in fiscal 2016. The fair value of the 2027 Notes and 2023 Notes (collectively, the “Senior Notes”) represent the trading values based upon quoted market prices and are classified as Level 2. The 2027 Notes were trading at approximately 88% and 95% of face value on October 2, 2022 and March 31, 2022, respectively. The 2023 Notes were trading at approximately 99% and 101% of face value on October 2, 2022 and March 31, 2022, respectively.

The carrying amounts and estimated fair values of the Company's derivatives and Senior Notes at October 2, 2022 and March 31, 2022 were as follows:

	October 2, 2022		March 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Derivatives [(1)]	$ (2,812)	$ (2,812)	$ 2,562	$ 2,562
Financial liabilities:				
Senior Notes [(2)]	$ 600,000	$ 561,750	$ 600,000	$ 585,750

(1) Represents lead, foreign currency forward contracts and net investment hedges (see Note 7 for asset and liability positions of the lead, foreign currency forward contracts and net investment hedges at October 2, 2022 and March 31, 2022).

(2) The fair value amount of the Senior Notes at October 2, 2022 and March 31, 2022 represent the trading value of the instruments.

Non-recurring fair value measurements

On June 29, 2022, the Company committed to a plan to close its facility in Ooltewah, Tennessee, which focused on manufacturing flooded motive power batteries for electric forklifts. Management determined that future demand for traditional motive power flooded cells will decrease as customers transition to maintenance free product solutions in lithium and Thin Plate Pure Lead (TPPL). As a result, the Company concluded that the carrying value of the asset group was not recoverable and recorded during the first quarter of fiscal 2023 a write-off of $7,300 of the fixed assets, for which there is expected to be no salvageable value. The valuation technique used to measure the fair value of fixed assets was a combination of the income and market approaches. The inputs used to measure the fair value of these fixed assets under the income approach were largely unobservable and accordingly were classified as Level 3.

7. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest, under established procedures and controls. The Company does not enter into derivative contracts for speculative purposes. The Company's agreements are with creditworthy financial institutions and the Company anticipates performance by counterparties to these contracts and therefore no material loss is expected.

Derivatives in Cash Flow Hedging Relationships

Lead Forward Contracts

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year. At October 2, 2022 and March 31, 2022, the Company has hedged the price to purchase approximately 67.5 million pounds and 54.0 million pounds of lead, respectively, for a total purchase price of $59,429 and $56,768, respectively.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts and options to hedge a portion of the Company's foreign currency exposures for lead, as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of October 2, 2022 and March 31, 2022, the Company had entered into a total of $35,916 and $29,676, respectively, of such contracts.

Derivatives in Net Investment Hedging Relationships

Net Investment Hedges

The Company uses cross currency fixed interest rate swaps to hedge its net investments in foreign operations against future volatility in the exchange rates between the U.S. Dollar and euro.

On September 29, 2022, the Company terminated its $300,000 cross-currency fixed interest rate swap contracts, originally entered into on December 23, 2021, and received a net settlement of $43,384. The cash proceeds have been included in Proceeds from termination of net investment hedges in our Consolidated Condensed Statements of Cash Flows.

On September 29, 2022, the Company entered into a cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150,000, maturing on December 15, 2027. The cross-currency fixed interest rate swap contracts qualify for hedge accounting as a net investment hedging instrument, which allows for them to be remeasured to foreign currency translation adjustment within AOCI ("Accumulated Other Comprehensive Income") to offset the translation risk from those investments. Balances in the foreign currency translation adjustment accounts remain until the sale or substantially complete liquidation of the foreign entity, upon which they are recognized as a component of income (expense).

Impact of Hedging Instruments on AOCI

In the coming twelve months, the Company anticipates that $2,378 of pretax loss relating to lead, foreign currency forward contracts and net investment hedges will be reclassified from AOCI as part of cost of goods sold and interest expense. This amount represents the current net unrealized impact of hedging lead, foreign exchange rates and interest rates, which will change as market rates change in the future. This amount will ultimately be realized in the Consolidated Condensed Statements of Income as an offset to the corresponding actual changes in lead, foreign exchange rates and interest costs resulting from variable lead cost, foreign exchange and interest rates hedged.

Derivatives not Designated in Hedging Relationships

Foreign Currency Forward Contracts

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Condensed Statements of Income. As of October 2, 2022 and March 31, 2022, the notional amount of these contracts was $52,128 and $22,990, respectively.

Presented below in tabular form is information on the location and amounts of derivative fair values in the Consolidated Condensed Balance Sheets and derivative gains and losses in the Consolidated Condensed Statements of Income:

Fair Value of Derivative Instruments
October 2, 2022 and March 31, 2022

	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Designated as Net Investment Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	October 2, 2022	March 31, 2022	October 2, 2022	March 31, 2022	October 2, 2022	March 31, 2022
Prepaid and other current assets:						
Lead forward contracts	$ —	$ 2,520	$ —	$ —	$ —	$ —
Foreign currency forward contracts	596	256	—	—	1,031	—
Net investment hedges	—	—	1,143	4,388	—	—
Other assets:						
Net investment hedges	—	—	—	—	—	—
Total assets	$ 596	$ 2,776	$ 1,143	$ 4,388	$ 1,031	$ —
Accrued expenses:						
Lead forward contracts	$ 942	$ —	$ —	$ —	$ —	$ —
Foreign currency forward contracts	—	—	—	—	—	512
Other liabilities:						
Net investment hedges	—	—	4,641	4,090	—	—
Total liabilities	$ 942	$ —	$ 4,641	$ 4,090	$ —	$ 512

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended October 2, 2022

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ 334	Cost of goods sold	$ (1,893)
Foreign currency forward contracts	1,361	Cost of goods sold	826
Total	$ 1,695		$ (1,067)

Derivatives Designated as Net Investment Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Cross currency fixed interest rate swaps	$ 17,023	Interest expense	$ 1,665
Total	$ 17,023		$ 1,665

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ (688)
Total		$ (688)

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended October 3, 2021

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ (2,409)	Cost of goods sold	$ 817
Foreign currency forward contracts	442	Cost of goods sold	132
Total	$ (1,967)		$ 949

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ 123
Total		$ 123

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended October 2, 2022

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ (10,528)	Cost of goods sold	$ (1,198)
Foreign currency forward contracts	2,616	Cost of goods sold	1,272
Total	$ (7,912)		$ 74

Derivatives Designated as Net Investment Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Cross currency fixed interest rate swaps	$ 40,618	Interest expense	$ 2,923
Total	$ 40,618		$ 2,923

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ (472)
Total		$ (472)

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended October 3, 2021

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ 5,163	Cost of goods sold	$ 3,276
Foreign currency forward contracts	253	Cost of goods sold	(28)
Total	$ 5,416		$ 3,248

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ 117
Total		$ 117

8. Income Taxes

The Company’s income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2023 and 2022 was based on the estimated effective tax rates applicable for the full years ending March 31, 2023 and March 31, 2022, respectively, after giving effect to items specifically related to the interim periods. The Company’s effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions, in which the Company operates, change in tax laws and the amount of the Company's consolidated earnings before taxes.

The consolidated effective income tax rates for the second quarter of fiscal 2023 and 2022 were 14.4% and 10.8% and for the six months of fiscal 2023 and 2022 were 15.0% and 13.7%, respectively. The rate increase in the second quarter and six months of fiscal 2023 compared to the prior year periods are primarily due to discrete tax items and changes in mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 83% for fiscal 2023 compared to 87% for fiscal 2022. The foreign effective tax rates for the six months of fiscal 2023 and 2022 were 12% and 10%, respectively. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2023 and fiscal 2022 and were taxed at an effective income tax rate of approximately 9% and 8%, respectively.

9. Warranty

The Company provides for estimated product warranty expenses when products are sold, with related liabilities included within accrued expenses and other liabilities. As warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, costs of claims may ultimately differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

	Quarter ended		Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Balance at beginning of period	$ 52,954	$ 59,167	$ 54,978	$ 58,962
Current period provisions	6,461	2,331	11,401	7,661
Costs incurred	(5,313)	(4,120)	(11,057)	(9,372)
Foreign currency translation adjustment	(1,708)	(1,156)	(2,928)	(1,029)
Balance at end of period	$ 52,394	$ 56,222	$ 52,394	$ 56,222

10. Commitments, Contingencies and Litigation

Litigation and Other Legal Matters

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of environmental, anticompetition, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries. In the ordinary course of business, the Company and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

European Competition Investigations

Certain of the Company’s European subsidiaries had received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by, the competition authorities of Belgium, Germany and the Netherlands relating to conduct and anticompetitive practices of certain industrial battery participants. For additional information regarding these matters, see Note 19 - *Commitments, Contingencies and Litigation* to the Consolidated Financial Statements contained in the 2022 Annual Report. As of October 2, 2022 and March 31, 2022, the Company did not have a reserve balance related to these matters.

The precise scope, timing and time period at issue, as well as the final outcome of the investigations or customer claims, remain uncertain. Accordingly, the Company's estimate may change from time to time, and actual losses could vary.

Environmental Issues

As a result of its operations, the Company is subject to various federal, state, and local, as well as international environmental laws and regulations and is exposed to the costs and risks of registering, handling, processing, storing, transporting, and disposing of hazardous substances, especially lead and acid. The Company's operations are also subject to federal, state, local and international occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace. The Company believes that it has adequate reserves to satisfy its environmental liabilities.

Lead, Foreign Currency Forward Contracts and Swaps

To stabilize its lead costs and reduce volatility from currency and interest rate movements, the Company entered into contracts with financial institutions. The vast majority of lead and foreign currency contracts are for a period not extending beyond one year. The Company also entered into a cross currency fixed interest rate swap agreement, maturing on December 15, 2027, to hedge its net investments in foreign operations against future volatility in the exchange rates between the U.S. Dollar and euro. Please refer to Note 7 - *Derivative Financial Instruments* for more details.

11. Restructuring and other Exit Charges

Restructuring Programs

As disclosed in the 2022 Annual Report, the Company committed to restructuring plans aimed at improving operational efficiencies across its lines of business. A substantial portion of these plans are complete with an estimated $1,293 remaining to be incurred by the end of fiscal 2023, mainly related to plans started in fiscal 2021 and fiscal 2022. Restructuring and exit charges for the second quarter and six months of fiscal 2023 by reportable segments are as follows:

	Quarter ended October 2, 2022			
	Energy Systems	**Motive Power**	**Specialty**	**Total**
Restructuring charges	$ 777	$ 152	$ —	$ 929
Exit charges	—	2,336	—	2,336
Restructuring and other exit charges	$ 777	$ 2,488	$ —	$ 3,265

	Six months ended October 2, 2022			
	Energy Systems	**Motive Power**	**Specialty**	**Total**
Restructuring charges	$ 939	$ 152	$ —	$ 1,091
Exit charges	—	10,502	—	10,502
Restructuring and other exit charges	$ 939	$ 10,654	$ —	$ 11,593

A roll-forward of the restructuring reserve, excluding exit charges, is as follows:

Balance as of March 31, 2022	$ 1,030
Accrued	1,091
Costs incurred	(736)
Foreign currency impact	(92)
Balance as of October 2, 2022	$ 1,293

Exit Charges

Fiscal 2023 Program

On June 29, 2022, the Company committed to a plan to close its facility in Ooltewah, Tennessee, which produces flooded motive power batteries for electric forklifts. Management determined that future demand for traditional motive power flooded cells will decrease as customers transition to maintenance free product solutions in lithium and TPPL. The Company currently estimates that the total charges for these actions will amount to approximately $18,500. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $9,200 and non-cash charges from inventory and fixed asset write-offs are estimated to be $9,300. These actions will result in the reduction of approximately 165 employees. The plan is expected to be completed by calendar 2023.

During the six months of fiscal 2023, the Company recorded cash charges relating primarily to severance of $1,577 and non-cash charges of $7,261 relating to fixed asset write-offs. The Company also recorded a non-cash write off relating to inventories of $1,544, which was reported in cost of goods sold.

Fiscal 2022 Program

Hagen, Germany

In fiscal 2021, the Company's Board of Directors approved a plan to close substantially all of its facility in Hagen, Germany, which produces flooded motive power batteries for electric forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. The Company plans to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

The Company currently estimates that the total charges for these actions will amount to approximately $60,000, of which cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses were estimated to be $40,000 and non-cash charges from inventory and equipment write-offs were estimated to be $20,000. The majority of these charges were recorded as of October 2, 2022. These actions resulted in the reduction of approximately 200 employees.

During fiscal 2021, the Company recorded cash charges relating to severance of $23,331 and non-cash charges of $7,946 primarily relating to fixed asset write-offs.

During fiscal 2022, the Company recorded cash charges primarily relating to severance of $8,069 and non-cash charges of $3,522 primarily relating to fixed asset write-offs. The Company also recorded a non-cash write off relating to inventories of $960, which was reported in cost of goods sold.

During the six months of fiscal 2023, the Company recorded cash charges of $1,351 relating to site cleanup and $276 of non-cash charges relating to accelerated depreciation of fixed assets.

Targovishte, Bulgaria

During fiscal 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. Of the estimated total charges of $26,000 for this plan, the Company had recorded charges amounting to $20,242 in fiscal 2019, relating to severance and inventory and fixed asset write-offs and an additional $5,123 relating to cash and non-cash charges during fiscal 2020. During fiscal 2021, in keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, the Company completed further actions which resulted in $220 relating to cash and non-cash charges. During the six months of fiscal 2022, the Company sold this facility for $1,489. A net gain of $1,208 was recorded as a credit to exit charges in the Consolidated Condensed Statement of Income.

Zamudio, Spain

During the six months of fiscal 2022, the Company closed a minor assembling plant in Zamudio, Spain and sold the same for $1,779. A net gain of $740 was recorded as a credit to exit charges in the Consolidated Condensed Statement of Income.

12. Debt

The following summarizes the Company's long-term debt as of October 2, 2022 and March 31, 2022:

	October 2, 2022		March 31, 2022	
	Principal	Unamortized Issuance Costs	Principal	Unamortized Issuance Costs
Senior Notes	$ 600,000	$ 3,305	$ 600,000	$ 3,905
Second Amended Credit Facility, due 2026	702,119	2,987	650,268	3,361
	$ 1,302,119	$ 6,292	$ 1,250,268	$ 7,266
Less: Unamortized issuance costs	6,292		7,266	
Long-term debt, net of unamortized issuance costs	$ 1,295,827		$ 1,243,002	

The Company's Senior Notes comprise the following:

4.375% Senior Notes due 2027

On December 11, 2019, the Company issued $300,000 in aggregate principal amount of its 4.375% Senior Notes due December 15, 2027 (the "2027 Notes"). Proceeds from this offering, net of debt issuance costs were $296,250 and were utilized to pay down the Amended 2017 Revolver (defined below). The 2027 Notes bear interest at a rate of 4.375% per annum accruing from December 11, 2019. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The 2027 Notes mature on December 15, 2027, unless earlier redeemed or repurchased in full and are unsecured and unsubordinated obligations of the Company. They are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Third Amended Credit Facility (defined below). These guarantees are unsecured and unsubordinated obligations of such guarantors.

The Company may redeem, prior to September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest and a "make whole" premium to, but excluding, the redemption date. The Company may redeem, on or after September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. If a change of control triggering event occurs, the Company will be required to offer to repurchase the 2027 Notes at a price in cash equal to 101% of the aggregate principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase. The 2027 Notes rank pari passu with the 2023 Notes (defined below).

5.00% Senior Notes due 2023

The 5% Senior Notes due April 30, 2023 (the "2023 Notes") bear interest at a rate of 5.00% per annum and have an original face value of $300,000. Interest is payable semiannually in arrears on April 30 and October 30 of each year and commenced on October 30, 2015. The 2023 Notes will mature on April 30, 2023, unless earlier redeemed or repurchased in full. The 2023 Notes are unsecured and unsubordinated obligations of the Company. The 2023 Notes are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Third Amended Credit Facility (defined below). These guarantees are unsecured and unsubordinated obligations of such guarantors.

2017 Credit Facility and Subsequent Amendments

In fiscal 2018, the Company entered into a credit facility (the "2017 Credit Facility"). The 2017 Credit Facility was scheduled to mature on September 30, 2022, initially comprised a $600,000 senior secured revolving credit facility ("2017 Revolver") and a $150,000 senior secured term loan ("2017 Term Loan"). The Company utilized the borrowings from the 2017 Credit Facility to repay its pre-existing credit facility.

In fiscal 2019, the Company amended the 2017 Credit Facility (as amended, the "Amended Credit Facility") to fund the Alpha acquisition. The Amended Credit Facility consisted of $449,105 senior secured term loans (the "Amended Term Loan"), including a CAD 133,050 ($99,105) senior secured term loan and a $700,000 senior secured revolving credit facility (the "Amended Revolver"). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by $299,105 and $100,000, respectively.

During the second quarter of fiscal 2022, the Company entered into a second amendment to the 2017 Credit Facility (as amended, the “Second Amended Credit Facility”). The Second Amended Credit Facility, scheduled to mature on September 30, 2026, consists of a $130,000 senior secured term loan (the “Second Amended Term Loan”), a CAD 106,440 ($84,229) senior secured term loan and an $850,000 senior secured revolving credit facility (the “Second Amended Revolver”). The second amendment resulted in a decrease of the Amended Term Loan by $150,000 and an increase of the Amended Revolver by $150,000.

The quarterly installments payable on the Second Amended Term Loan are $2,589 beginning December 31, 2022, $3,883 beginning December 31, 2024 and $5,178 beginning December 31, 2025 with a final payment of $155,339 on September 30, 2026. Both the Second Amended Revolver and the Second Amended Term Loan bear interest, at the Company's option, at a rate per annum equal to either (i) the London Interbank Offered Rate (“LIBOR”) or Canadian Dollar Offered Rate (“CDOR”) plus (i) LIBOR plus between 1.125% and 2.25% (currently 1.75% and based on the Company's consolidated total net leverage ratio) or (ii) the U.S. Dollar Base Rate plus between 0.125% and 1.25%, (currently 0.75% and based on the Company's consolidated total net leverage ratio) which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America “Prime Rate” and (c) the Eurocurrency Base Rate plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero (iii) the CDOR Base Rate equal to the higher of (a) Bank of America “Prime Rate” and (b) average 30-day CDOR rate plus 0.50%. The Third Amended Credit Facility (defined below) provides for alternate benchmark rates such as the Secured Overnight Financing Rate (“SOFR”) to replace LIBOR when it is phased out.

During the second quarter of fiscal 2023, the Company entered into a third amendment to the 2017 Credit Facility (as amended, the “Third Amended Credit Facility”). The Third Amended Credit Facility provides a new incremental delayed-draw senior secured term loan up to $300,000 (the “Third Amended Term Loan”), which shall be available to draw at any time until March 15, 2023. Once drawn, the funds will mature on September 30, 2026, the same as the Company's Second Amended Term loan and Second Amended Revolver. In connection with the agreement, the Company incurred $1,161 in third party administrative and legal fees recognized in interest expense and capitalized $1,096 in charges from existing lenders as a deferred asset.

The Third Amended Credit Facility may be increased by an aggregate amount of $350,000 in revolving commitments and / or one or more new tranches of term loans, under certain conditions. The Third Amended Term Loan bears interest, at the Company's option, at a rate per annum equal to either (i) the Secured Overnight Financing Rate (“SOFR”) plus 10 basis points plus (i) SOFR plus between 1.375% and 2.50% or (ii) the U.S. Dollar Base Rate plus between 0.375% and 1.50%, which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America “Prime Rate” and (c) the Term SOFR plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero). Until the funds are drawn, the Company must pay a commitment fee of 0.175% to 0.35% (currently 0.30% and based on the Company's consolidated total net leverage ratio) at a rate per annum on the unused portion.

Obligations under the Third Amended Credit Facility are secured by substantially all of the Company’s existing and future acquired assets, including substantially all of the capital stock of the Company’s United States subsidiaries that are guarantors under the Third Amended Credit Facility and up to 65% of the capital stock of certain of the Company’s foreign subsidiaries that are owned by the Company’s United States subsidiaries.

The Third Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio to 4.50x from 4.00x to 4.25x for a four quarter period following an acquisition larger than $250,000. Effective with the Third Amended Credit Facility, the maximum leverage ratio increased from 3.50x to 4.25x effective to the last day of the second quarter of fiscal year 2024 and decreasing subsequently to 4.00x.

As of October 2, 2022, the Company had $495,000 outstanding under the Second Amended Revolver, $207,119 under the Second Amended Term Loan, and none outstanding under the Third Amended Term Loan.

Current Portion of Debt

The current portion of the Second Amended Term Loan and the 2023 Notes are $10,358 and $300,000, respectively, and are classified as long-term debt, as the Company expects to refinance the future quarterly payments with borrowings under the Second Amended Revolver and redemption of the 2023 Notes with borrowings under the Third Amended Term Loan.

Short-Term Debt

As of October 2, 2022 and March 31, 2022, the Company had $34,581 and $55,084, respectively, of short-term borrowings. The weighted average interest rate on these borrowings was approximately 6.2% and 2.4%, respectively, at October 2, 2022 and March 31, 2022.

Letters of Credit

As of October 2, 2022 and March 31, 2022, the Company had $3,229 and $2,959 of standby letters of credit, respectively.

Debt Issuance Costs

In connection with the Second Amended Credit Facility, the Company capitalized $2,952 in debt issuance costs and wrote off $128 of unamortized debt issuance costs. Amortization expense, relating to debt issuance costs, included in interest expense was $487 and $615, respectively, for the second quarter ended October 2, 2022 and October 3, 2021 and $974 and $1,133 for the six months of fiscal 2023 and 2022, respectively. Debt issuance costs, net of accumulated amortization, totaled $6,292 and $7,266, respectively, at October 2, 2022 and March 31, 2022.

Available Lines of Credit

As of October 2, 2022 and March 31, 2022, the Company had available and undrawn, under all its lines of credit, $737,747 and $482,305, respectively, including $85,142 and $69,430, respectively, of uncommitted lines of credit.

13. Retirement Plans

The following tables present the components of the Company’s net periodic benefit cost related to its defined benefit pension plans:

	United States Plans Quarter ended		International Plans Quarter ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Service cost	$ —	$ —	$ 218	$ 291
Interest cost	145	130	413	360
Expected return on plan assets	(118)	(129)	(485)	(555)
Amortization and deferral	—	5	115	297
Net periodic benefit cost	$ 27	$ 6	$ 261	$ 393

	United States Plans Six months ended		International Plans Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Service cost	$ —	$ —	$ 453	$ 590
Interest cost	290	260	853	726
Expected return on plan assets	(237)	(257)	(1,002)	(1,118)
Amortization and deferral	—	10	238	600
Net periodic benefit cost	$ 53	$ 13	$ 542	$ 798

14. Stock-Based Compensation

As of October 2, 2022, the Company maintains the 2017 Equity Incentive Plan as amended from time to time (“2017 EIP”). The 2017 EIP reserved 4,173,554 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market condition-based on total shareholder return (“TSR”) and performance condition-based share units (“PSU”) and other forms of equity-based compensation.

The Company recognized stock-based compensation expense associated with its equity incentive plans of $6,534 for the second quarter of fiscal 2023 and $5,765 for the second quarter of fiscal 2022. Stock-based compensation was $11,864 and $9,424 for the six months of fiscal 2023 and fiscal 2022, respectively. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards.

During the six months of fiscal 2023, the Company granted to non-employee directors 36,404 restricted stock units, under the deferred compensation plan for non-employee directors. The awards vest immediately upon the date of grant and are settled in shares of common stock.

During the six months of fiscal 2023, the Company granted to management and other key employees 310,140 non-qualified stock options that vest ratably over three years from the date of grant and 345,449 restricted stock units that vest ratably over four years from the date of grant.

Common stock activity during the six months of fiscal 2023 included the exercise of 4,328 stock options and the vesting of 219,068 restricted stock units, 29,171 TSRs and 21,195 PSUs.

As of October 2, 2022, there were 1,277,124 non-qualified stock options, 1,021,472 restricted stock units including non-employee director restricted stock units and 31,510 TSRs outstanding.

15. Stockholders’ Equity and Noncontrolling Interests

Common Stock

The following demonstrates the change in the number of shares of common stock outstanding during the six months ended October 2, 2022:

Shares outstanding as of March 31, 2022	40,986,658
Purchase of treasury stock	(358,365)
Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes	193,418
Shares outstanding as of October 2, 2022	40,821,711

Treasury Stock

During the six months ended October 2, 2022, the Company purchased 358,365 shares for $22,907 and 329,008 shares for $31,512 during the six months ended October 3, 2021. At October 2, 2022 and March 31, 2022, the Company held 15,113,761 and 14,762,266 shares as treasury stock, respectively. During the six months ended October 2, 2022, the Company also issued 6,870 shares out of its treasury stock, valued at $62.55 per share, on a LIFO basis, to participants under the Company's Employee Stock Purchase Plan.

Accumulated Other Comprehensive Income (“AOCI ”)

The components of AOCI, net of tax, as of October 2, 2022 and March 31, 2022, are as follows:

	March 31, 2022	Before Reclassifications	Amounts Reclassified from AOCI	October 2, 2022
Pension funded status adjustment	$ (12,637)	$ —	$ 170	$ (12,467)
Net unrealized gain (loss) on derivative instruments	2,963	(6,062)	(56)	(3,155)
Foreign currency translation adjustment [(1)]	(133,821)	(107,971)	—	(241,792)
Accumulated other comprehensive (loss) income	$ (143,495)	$ (114,033)	$ 114	$ (257,414)

[(1)] Foreign currency translation adjustment for the six months ended October 2, 2022 includes a $28,882 gain (net of taxes of $8,813) related to the Company terminating its $300,000 cross-currency fixed interest rate swap contract on September 29, 2022, resulting in cash proceeds of $43,384.

The following table presents reclassifications from AOCI during the second quarter ended October 2, 2022:

Components of AOCI	Amounts Reclassified from AOCI		Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:			
Net unrealized loss on derivative instruments	$	1,067	Cost of goods sold
Tax benefit		(249)	
Net unrealized loss on derivative instruments, net of tax	$	818	
Derivatives in net investment hedging relationships:			
Net unrealized gain on derivative instruments	$	(1,665)	Interest expense
Tax expense		389	
Net unrealized gain on derivative instruments, net of tax	$	(1,276)	
Defined benefit pension costs:			
Prior service costs and deferrals	$	115	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit		(34)	
Net periodic benefit cost, net of tax	$	81	

The following table presents reclassifications from AOCI during the six months ended October 2, 2022:

Components of AOCI	Amounts Reclassified from AOCI		Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:			
Net unrealized gain on derivative instruments	$	(74)	Cost of goods sold
Tax expense		18	
Net unrealized gain on derivative instruments, net of tax	$	(56)	
Derivatives in net investment hedging relationships:			
Net unrealized gain on derivative instruments	$	(2,923)	Interest expense
Tax expense		683	
Net unrealized gain on derivative instruments, net of tax	$	(2,240)	
Defined benefit pension costs:			
Prior service costs and deferrals	$	238	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit		(68)	
Net periodic benefit cost, net of tax	$	170	

The following table presents reclassifications from AOCI during the second quarter ended October 3, 2021:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized gain on derivative instruments	$ (949)	Cost of goods sold
Tax expense	222	
Net unrealized gain on derivative instruments, net of tax	$ (727)	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 302	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(69)	
Net periodic benefit cost, net of tax	$ 233	

The following table presents reclassifications from AOCI during the six months ended October 3, 2021:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized gain on derivative instruments	$ (3,248)	Cost of goods sold
Tax expense	761	
Net unrealized loss on derivative instruments, net of tax	$ (2,487)	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 610	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(137)	
Net periodic benefit cost, net of tax	$ 473	

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended October 2, 2022:

(In Thousands, Except Per Share Data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2022	**$ —**	**$ 557**	**$ 571,464**	**$(719,119)**	**$1,783,586**	**$ (143,495)**	**$ (3,620)**	**$ 1,489,373**	**$ 3,902**	**$1,493,275**
Stock-based compensation	—	—	5,330	—	—	—	—	5,330	—	5,330
Exercise of stock options	—	1	—	—	—	—	—	1	—	1
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(633)	—	—	—	—	(633)	—	(633)
Purchase of common stock	—	—	—	(22,907)	—	—	—	(22,907)	—	(22,907)
Other	—	—	(41)	240	—	—	—	199	—	199
Net earnings	—	—	—	—	30,978	—	—	30,978	—	30,978
Dividends ($0.175 per common share)	—	—	174	—	(7,282)	—	—	(7,108)	—	(7,108)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $34)	—	—	—	—	—	89	—	89	—	89
Net unrealized gain (loss) on derivative instruments (net of tax benefit of $2,514)	—	—	—	—	—	(8,234)	—	(8,234)	—	(8,234)
Foreign currency translation adjustment	—	—	—	—	—	(52,010)	—	(52,010)	(210)	(52,220)
Balance at July 3, 2022	**$ —**	**$ 558**	**$ 576,294**	**$(741,786)**	**$1,807,282**	**$ (203,650)**	**$ (3,620)**	**$ 1,435,078**	**$ 3,692**	**$1,438,770**
Stock-based compensation	—	—	6,534	—	—	—	—	6,534	—	6,534
Exercise of stock options	—	1	114	—	—	—	—	115	—	115
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(5,624)	—	—	—	—	(5,624)	—	(5,624)
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	963	963	—	963
Purchase of common stock	—	—	—	—	—	—	—	—	—	—
Other	—	—	28	276	—	—	—	304	—	304
Net earnings	—	—	—	—	34,472	—	—	34,472	—	34,472
Dividends ($0.175 per common share)	—	—	174	—	(7,312)	—	—	(7,138)	—	(7,138)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $34)	—	—	—	—	—	81	—	81	—	81
Net unrealized gain (loss) on derivative instruments (net of tax of $647)	—	—	—	—	—	2,116	—	2,116	—	2,116
Foreign currency translation adjustment	—	—	—	—	—	(55,961)	—	(55,961)	(214)	(56,175)
Balance at October 2, 2022	**$ —**	**$ 559**	**$ 577,520**	**$(741,510)**	**$1,834,442**	**$ (257,414)**	**$ (2,657)**	**$ 1,410,940**	**$ 3,478**	**$1,414,418**

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended October 3, 2021:

(In Thousands, Except Per Share Data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2021	**$ —**	**$ 555**	**$ 554,168**	**$(563,481)**	**$1,669,751**	**$ (115,883)**	**$ (5,355)**	**$ 1,539,755**	**$ 3,821**	**$1,543,576**
Stock-based compensation	—	—	3,659	—	—	—	—	3,659	—	3,659
Exercise of stock options	—	1	386	—	—	—	—	387	—	387
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(4,803)	—	—	—	—	(4,803)	—	(4,803)
Purchase of common stock	—	—	—	(31,512)	—	—	—	(31,512)	—	(31,512)
Other	—	—	44	170	—	—	—	214	—	214
Net earnings	—	—	—	—	43,929	—	—	43,929	—	43,929
Dividends ($0.175 per common share)	—	—	173	—	(7,608)	—	—	(7,435)	—	(7,435)
Dissolution of joint venture	—	—	—	—	—	—	—	—	(47)	(47)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $68)	—	—	—	—	—	240	—	240	—	240
Net unrealized gain (loss) on derivative instruments (net of tax expense of $1,187)	—	—	—	—	—	3,897	—	3,897	—	3,897
Foreign currency translation adjustment	—	—	—	—	—	15,272	—	15,272	49	15,321
Balance at July 4, 2021	**$ —**	**$ 556**	**$ 553,627**	**$(594,823)**	**$1,706,072**	**$ (96,474)**	**$ (5,355)**	**$ 1,563,603**	**$ 3,823**	**$1,567,426**
Stock-based compensation	—	—	5,765	—	—	—	—	5,765	—	5,765
Exercise of stock options	—	1	770	—	—	—	—	771	—	771
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(4,197)	—	—	—	—	(4,197)	—	(4,197)
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	1,354	1,354	—	1,354
Purchase of common stock	—	—	—	—	—	—	—	—	—	—
Other	—	—	52	174	—	—	—	226	—	226
Net earnings	—	—	—	—	35,626	—	—	35,626	—	35,626
Dividends ($0.175 per common share)	—	—	185	—	(7,641)	—	—	(7,456)	—	(7,456)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $69)	—	—	—	—	—	233	—	233	—	233
Net unrealized gain (loss) on derivative instruments (net of tax benefit of $683)	—	—	—	—	—	(2,233)	—	(2,233)	—	(2,233)
Foreign currency translation adjustment	—	—	—	—	—	(23,673)	—	(23,673)	15	(23,658)
Balance at October 3, 2021	**$ —**	**$ 557**	**$ 556,202**	**$(594,649)**	**$1,734,057**	**$ (122,147)**	**$ (4,001)**	**$ 1,570,019**	**$ 3,838**	**$1,573,857**

16. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted weighted-average number of common shares outstanding and the calculations of net earnings per common share attributable to EnerSys stockholders.

	Quarter ended		Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net earnings attributable to EnerSys stockholders	$ 34,472	$ 35,626	$ 65,450	$ 79,555
Weighted-average number of common shares outstanding:				
Basic	40,740,989	42,575,576	40,763,663	42,637,953
Dilutive effect of:				
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	426,633	680,256	496,471	758,635
Diluted weighted-average number of common shares outstanding	41,167,622	43,255,832	41,260,134	43,396,588
Basic earnings per common share attributable to EnerSys stockholders	$ 0.85	$ 0.84	$ 1.61	$ 1.87
Diluted earnings per common share attributable to EnerSys stockholders	$ 0.84	$ 0.82	$ 1.59	$ 1.83
Anti-dilutive equity awards not included in diluted weighted-average common shares	1,341,773	288,018	1,172,063	226,702

17. Business Segments

Summarized financial information related to the Company's reportable segments for the second quarter and six months ended October 2, 2022 and October 3, 2021, is shown below:

	Quarter ended		Six months ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net sales by segment to unaffiliated customers [1]				
Energy Systems	$ 437,024	$ 369,839	$ 845,603	$ 741,045
Motive Power	337,993	320,687	705,844	656,803
Specialty	124,420	100,869	246,961	208,440
Total net sales	$ 899,437	$ 791,395	$ 1,798,408	$ 1,606,288
Operating earnings by segment				
Energy Systems	$ 10,539	$ 1,129	$ 18,213	$ 8,235
Motive Power	39,680	40,996	81,967	91,630
Specialty	8,859	11,386	17,355	22,378
Inventory adjustment relating to exit activities - Motive Power	(1,544)	(960)	(1,544)	(960)
Restructuring and other exit charges - Energy Systems	(777)	(161)	(939)	(649)
Restructuring and other exit charges - Motive Power	(2,488)	(2,676)	(10,654)	(11,209)
Restructuring and other exit charges - Specialty	—	(20)	—	1,169
Total operating earnings [2]	$ 54,269	$ 49,694	$ 104,398	$ 110,594

(1) Reportable segments do not record inter-segment revenues and accordingly there are none to report.
(2) The Company does not allocate interest expense or other (income) expense, net, to the reportable segments.

18. Subsequent Events

On November 9, 2022, the Board of Directors approved a quarterly cash dividend of $0.175 per share of common stock to be paid on December 30, 2022, to stockholders of record as of December 16, 2022.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of EnerSys. EnerSys and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in EnerSys’ filings with the Securities and Exchange Commission (“SEC”) and its reports to stockholders. Generally, the inclusion of the words “anticipate,” “believe,” “expect,” “future,” “intend,” “estimate,” “will,” “plans,” or the negative of such terms and similar expressions identify statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. 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, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management’s then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2022 (our “2022 Annual Report”) and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Our actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including the following factors:

- economic, financial and other impacts of the COVID-19 pandemic, including global supply chain disruptions;
- general cyclical patterns of the industries in which our customers operate;
- global economic trends, competition and geopolitical risks, including impacts from the ongoing conflict between Russia and Ukraine and the related sanctions and other measures, changes in the rates of investment or economic growth in key markets we serve, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries, and related impacts on our global supply chains and strategies;
- the extent to which we cannot control our fixed and variable costs;
- the raw materials in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of energy or certain hazardous substances in our products;
- risks involved in our operations such as supply chain issues, disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- changes in macroeconomic and market conditions and market volatility, including inflation, interest rates, the value of securities and other financial assets, transportation costs, costs and availability of electronic components, lead, plastic resins, steel, copper and other commodities used by us, and the impact of such changes and volatility on our financial position and business;
- competitiveness of the battery markets and other energy solutions for industrial applications throughout the world;
- our timely development of competitive new products and product enhancements in a changing environment and the acceptance of such products and product enhancements by customers;
- our ability to adequately protect our proprietary intellectual property, technology and brand names;
- litigation and regulatory proceedings to which we might be subject;
- our expectations concerning indemnification obligations;
- changes in our market share in the business segments where we operate;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- quality problems associated with our products;

- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion and restructuring plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies, strategic gains, and cost savings may be significantly harder to achieve, if at all, or may take longer to achieve;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities or other borrowings;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- risks related to the discontinuation of the London Interbank Offered Rate and other reference rates, including increased expenses and the effectiveness of hedging strategies;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure, supply chain, or our facilities;
- delays or cancellations in shipments;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics, vaccine mandates, outbreaks of hostilities or terrorist acts, or the effects of climate change, and our ability to deal effectively with damages or disruptions caused by the foregoing; and
- the operation, capacity and security of our information systems and infrastructure.

This list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered “non-GAAP financial measures” under SEC rules. These rules require supplemental explanation and reconciliation, which is provided in this Quarterly Report on Form 10-Q. EnerSys’ management uses the non-GAAP measures “primary working capital” and “primary working capital percentage” in its evaluation of cash flow and financial position performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for cash flow 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 are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

Overview

EnerSys (the "Company," "we," or "us") is a world leader in stored energy solutions for industrial applications. We also manufacture and distribute energy systems solutions and motive power batteries, specialty batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Energy Systems which combine enclosures, power conversion, power distribution and energy storage are used in the telecommunication and broadband, utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions. Motive Power batteries and chargers are utilized in electric forklift trucks and other industrial electric powered vehicles. Specialty batteries are used in aerospace and defense applications, large over the road trucks, premium automotive and medical. We also provide aftermarket and customer support services to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force around the world.

The Company's three reportable segments, based on lines of business, are as follows:

- **Energy Systems** - uninterruptible power systems, or "UPS" applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles as well as medical and security systems.

Economic Climate

The economic climate in North America, China and EMEA began to slow in the first half of calendar 2022 after experiencing strong growth during calendar 2021. All regions are experiencing a rise in inflation and are being negatively impacted by the war in Ukraine. We expect interest rates to continue to increase in the U.S. and the euro zone. China's slowing economy is facing further headwinds caused by continued COVID-19 lockdowns due to rising cases and its zero-Covid approach.

EnerSys is experiencing supply chain disruptions and cost spikes in certain materials such as plastic resins and electronic components along with transportation and related logistics challenges and broad-based cost increases. In addition, certain locations are experiencing difficulty meeting hiring and labor retention goals. Generally, our mitigation efforts and ongoing lean initiatives, have tempered the impact of the pandemic-related challenges. The overall market demand remains robust.

Volatility of Commodities and Foreign Currencies

Our most significant commodity and foreign currency exposures are related to lead and the Euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. Since the beginning of fiscal year 2023, we have experienced a range in lead prices from just above $1.10 per pound to approximately $0.85 per pound. We are experiencing increasing costs in some of our other raw materials such as plastic resins, steel, copper, acid, separator paper and electronics and increased freight and energy costs.

Customer Pricing

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 30% of our revenue is now subject to agreements that adjust pricing to a market-based index for lead. Customer pricing changes generally lag movements in lead prices and other costs by approximately six to nine months. In fiscal 2023, customer pricing has increased due to certain commodity prices and other costs having increased throughout the year.

Based on current commodity markets, we expect to see continued headwinds from inflated commodity prices, labor and energy costs with related increases in our selling prices in the upcoming year. As we concentrate more on energy systems and non-lead chemistries, the emphasis on lead is expected to continue to decline.

Liquidity and Capital Resources

We believe that our financial position is strong, and we have substantial liquidity to cover short-term liquidity requirements and anticipated growth in the foreseeable future, with $294 million of available cash and cash equivalents and available and undrawn committed credit lines of approximately $653 million at October 2, 2022, availability subject to credit agreement financial covenants.

A substantial majority of the Company's cash and investments are held by foreign subsidiaries and are considered to be indefinitely reinvested and expected to be utilized to fund local operating activities, capital expenditure requirements and acquisitions. The Company believes that it has sufficient sources of domestic and foreign liquidity.

During the second quarter of fiscal 2023, the Company entered into a third amendment to the 2017 Credit Facility (as amended, the "Third Amended Credit Facility"). The Third Amended Credit Facility provides a new incremental delayed-draw senior secured term loan up to $300 million, which shall be available to draw at any time until March 15, 2023. Once the Company draws the funds, they will mature on September 30, 2026, the same as the Company's Second Amended Term Loan and Second Amended Revolver. Our 5% Senior Notes mature on April 30, 2023, unless earlier redeemed or repurchased. We expect to refinance the redemption of the 2023 Notes with borrowings under the Third Amended Term Loan.

During the six months of fiscal 2023, the Company repurchased 358,365 shares of common stock for approximately $22.9 million.

We believe that our strong capital structure and liquidity affords us access to capital for future acquisitions, stock repurchase opportunities and continued dividend payments.

Results of Operations

Net Sales

Net sales increased $108.0 million, or 13.7%, in the second quarter of fiscal 2023 as compared to the second quarter of fiscal 2022. This increase was the result of a 10% increase in organic growth and a 9% increase in pricing, partially offset by a 5% decrease in foreign currency translation impact.

Net sales increased $192.1 million, or 12.0%, in the six months of fiscal 2023 as compared to the six months of fiscal 2022. This increase was due to a 9% increase in organic volume, and an 8% increase in pricing, partially offset by a 5% decrease in foreign currency translation impact.

Segment sales

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Energy Systems	$ 437.0	48.6 %	$ 369.8	46.7 %	$ 67.2	18.2 %
Motive Power	338.0	37.6	320.7	40.5	17.3	5.4
Specialty	124.4	13.8	100.9	12.8	23.5	23.3
Total net sales	$ 899.4	100.0 %	$ 791.4	100.0 %	$ 108.0	13.7 %

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Energy Systems	$ 845.6	47.0 %	$ 741.0	46.1 %	$ 104.6	14.1 %
Motive Power	705.9	39.3	656.8	40.9	49.1	7.5
Specialty	246.9	13.7	208.5	13.0	38.4	18.5
Total net sales	$ 1,798.4	100.0 %	$ 1,606.3	100.0 %	$ 192.1	12.0 %

Net sales of our Energy Systems segment in the second quarter of fiscal 2023 increased $67.2 million or 18.2% compared to the second quarter of fiscal 2022. This increase was due to a 14% increase in organic growth and 9% in pricing, partially offset by a 5% decrease in foreign currency translation impact. Net sales of our Energy Systems segment in the six months of fiscal 2023 increased $104.6 million or 14.1% compared to the six months of fiscal 2022. This increase was due to a 10% increase in organic volume and a 9% increase in pricing, partially offset by a 5% decrease in foreign currency translation impact. This increase in net sales was driven by improvement in pricing and organic volume primarily with telecom and data batteries, broadband power products, renewables and sales in EMEA.

Net sales of our Motive Power segment in the second quarter of fiscal 2023 increased by $17.3 million or 5.4% compared to the second quarter of fiscal 2022. This increase was primarily due to a 9% increase in pricing and a 3% increase in organic volume, partially offset by a 7% decrease in foreign currency translation impact. Net sales of our Motive Power segment in the six months of fiscal 2023 increased by $49.1 million or 7.5% compared to the six months of fiscal 2022. This increase was primarily due to a 9% increase in pricing and 5% increase in organic volume, partially offset by a 6% decrease in foreign currency translation impact. We benefited from improved pricing, as well as continued demand and order trends during a seasonally slow quarter.

Net sales of our Specialty segment in the second quarter of fiscal 2023 increased by $23.5 million or 23.3% compared to the second quarter of fiscal 2022. The increase was primarily due to a 19% increase in organic volume and a 7% increase in pricing, partially offset by a 3% decrease in foreign currency translation. Net sales of our Specialty segment in the six months of fiscal 2023 increased by $38.4 million or 18.5% compared to the six months of fiscal 2022. The increase was primarily due to a 15% increase in organic volume and 6% increase in pricing, partially offset by a 2% decrease in foreign currency translation impact. This increase in net sales was primarily driven by continued strong demand in both the transportation and aerospace and defense sectors.

Gross Profit

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	$ 194.9	21.7 %	$ 177.9	22.5 %	$ 17.0	9.6 %

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	$ 380.4	21.1 %	$ 371.1	23.1 %	$ 9.3	2.5 %

Gross profit increased $17.0 million or 9.6% in the second quarter and increased $9.3 million or 2.5% in the six months of fiscal 2023 compared to the comparable periods of fiscal 2022. Gross profit, as a percentage of net sales, decreased 80 basis points and 200 basis points in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022. The decrease in the gross profit margin in the current quarter and six month period reflects the negative impact of higher freight costs and component shortages from supply chain constraints along with other inflationary pressures in raw materials, labor, supplies and utilities, in excess of pricing recoveries and organic volume growth, as well as adverse foreign currency translation impact. Gross profit, as a percentage of net sales, increased 110 basis points from the first quarter of fiscal 2023 due to softening supply chain and inflationary pressures, representing the first sequential increase in gross profit margin since the third quarter of fiscal 2021.

Operating Items

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	$ 137.3	15.3 %	$ 125.3	15.8 %	$ 12.0	9.6 %
Restructuring and other exit charges	$ 3.3	0.4 %	$ 2.9	0.4 %	$ 0.4	14.3 %

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	$ 264.4	14.7 %	$ 249.8	15.5 %	$ 14.6	5.9 %
Restructuring and other exit charges	$ 11.6	0.6 %	$ 10.7	0.7 %	$ 0.9	8.5 %

Operating expenses, as a percentage of sales, decreased 50 basis points and 80 basis points in the second quarter and six months of fiscal 2023, compared to the comparable periods of fiscal 2022.

Selling expenses, our main component of operating expenses, increased $1.8 million or 3.4% in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022, but decreased 50 basis points as a percentage of net sales. In the six months of fiscal 2023, selling expenses increased by $2.1 million or 1.9% compared to the six months of fiscal 2022, but decreased 60 basis points as a percentage of net sales.

Restructuring and Other Exit Charges

Restructuring Programs

Included in our second quarter and six months of fiscal 2023 operating results of Energy Systems were restructuring charges of $0.7 million and $0.9 million, respectively. Included in our second quarter and six months of fiscal 2023 operating results of Motive Power were restructuring charges of $0.2 million and $0.2 million, respectively.

Included in our second quarter and six months of fiscal 2022 operating results of Energy Systems were restructuring charges of $0.2 million and $1.1 million, respectively. Included in our second quarter and six months of fiscal 2022 operating results of Motive Power were restructuring charges of $0.8 million and $1.2 million, respectively.

Exit Charges

Fiscal 2023 Program

On June 29, 2022, the Company committed to a plan to close its facility in Ooltewah, Tennessee, which produces flooded motive power batteries for electric forklifts. Management determined that future demand for traditional motive power flooded cells will decrease as customers transition to maintenance free product solutions in lithium and TPPL. The Company currently estimates that the total charges for these actions will amount to approximately $18.5 million. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $9.2 million and non-cash charges from inventory and fixed asset write-offs are estimated to be $9.3 million. These actions will result in the reduction of approximately 165 employees. The plan is expected to be completed by calendar 2023.

During the six months of fiscal 2023, the Company recorded cash charges relating primarily to severance of $1.6 million and non-cash charges of $7.3 million relating to fixed asset write-offs. The Company also recorded a non-cash write-off relating to inventories of $1.5 million, which was reported in cost of goods sold.

Fiscal 2022 Program

Hagen, Germany

In fiscal 2021, we committed to a plan to close substantially all of our facility in Hagen, Germany, which produces flooded motive power batteries for electric forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. We plan to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

We currently estimate that the total charges for these actions will amount to approximately $60.0 million of which cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses were estimated to be $40.0 million and non-cash charges from inventory and equipment write-offs were estimated to be $20.0 million. The majority of these charges have been recorded as of October 2, 2022. These actions resulted in the reduction of approximately 200 employees.

During fiscal 2021, the Company recorded cash charges relating to severance of $23.3 million and non-cash charges of $7.9 million primarily relating to fixed asset write-offs.

During fiscal 2022, the Company recorded cash charges, primarily relating to severance of $8.1 million and non-cash charges of $3.5 million primarily relating to fixed asset write-offs. The Company also recorded a non-cash write off relating to inventories of $1.0 million, which was reported in cost of goods sold.

During the six months of fiscal 2023, the Company recorded cash charges of $1.4 million relating to site cleanup and $0.3 million of non-cash charges relating to accelerated depreciation of fixed assets.

Targovishte, Bulgaria

During fiscal 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. During the six months of fiscal 2022, the Company sold this facility for $1.5 million. A net gain of $1.2 million was recorded as a credit to exit charges in the Consolidated Condensed Statement of Income.

Zamudio, Spain

During the six months of fiscal 2022, the Company closed a minor assembling plant in Zamudio, Spain and sold the same for $1.8 million. A net gain of $0.7 million was recorded as a credit to exit charges in the Consolidated Condensed Statement of Income.

Operating Earnings

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Energy Systems	$ 10.6	2.4 %	$ 1.2	0.3 %	$ 9.4	NM
Motive Power	39.6	11.7	41.0	12.8	(1.4)	(3.2)
Specialty	8.9	7.1	11.4	11.3	(2.5)	(22.2)
Subtotal	59.1	6.6	53.6	6.8	5.5	10.4
Inventory adjustment relating to exit activities - Motive Power	(1.5)	(0.5)	(1.0)	(0.3)	(0.5)	60.8
Restructuring and other exit charges - Energy Systems	(0.8)	(0.2)	(0.2)	—	(0.6)	NM
Restructuring and other exit charges - Motive Power	(2.5)	(0.7)	(2.7)	(0.8)	0.2	(7.0)
Total operating earnings	$ 54.3	6.0 %	$ 49.7	6.3 %	$ 4.6	9.2 %

NM = not meaningful
(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Energy Systems	$ 18.3	2.2 %	$ 8.3	1.1 %	$ 10.0	NM
Motive Power	81.8	11.6	91.6	14.0	(9.8)	(10.5)
Specialty	17.4	7.0	22.4	10.7	(5.0)	(22.4)
Subtotal	117.5	6.5	122.3	7.6	(4.8)	(3.9)
Inventory adjustment relating to exit activities - Motive Power	(1.5)	(0.2)	(1.0)	(0.1)	(0.5)	60.8
Restructuring and other exit charges - Energy Systems	(1.0)	(0.1)	(0.7)	(0.1)	(0.3)	44.7
Restructuring and other exit charges - Motive Power	(10.6)	(1.5)	(11.2)	(1.7)	0.6	(5.0)
Restructuring and other exit charges - Specialty	—	—	1.2	0.6	(1.2)	NM
Total operating earnings	$ 104.4	5.8 %	$ 110.6	6.9 %	$ (6.2)	(5.6)%

NM = not meaningful
(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.

Operating earnings increased $4.6 million or 9.2% and decreased $6.2 million or 5.7% in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022. Operating earnings, as a percentage of net sales, decreased 30 basis points and 110 basis points in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022.

The Energy Systems operating earnings, as a percentage of sales, increased 210 basis points and 110 basis points in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022. Improved organic volume and pricing efforts were partially offset by higher raw material and freight costs, as well as adverse foreign currency translation impact.

The Motive Power operating earnings, as a percentage of sales, decreased 110 basis points and 240 basis points in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022. Despite our efforts to mitigate inflationary pressure on costs with price recoveries, the decrease in operating earnings was driven by higher raw material costs and adverse foreign currency translation impact.

The Specialty operating earnings, as a percentage of sales, decreased 420 basis points and 370 basis points in the second quarter and six months of fiscal 2023, respectively, compared to the second quarter and six months of fiscal 2022. Despite our efforts to mitigate inflationary pressure on costs with price recoveries, the decrease in operating earnings was driven by higher manufacturing costs, operating expenses and adverse foreign currency translation impact.

Interest Expense

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	$ 15.4	1.7 %	$ 9.6	1.2 %	$ 5.8	61.5 %

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	$ 27.0	1.5 %	$ 18.7	1.2 %	$ 8.3	44.9 %

Interest expense of $15.4 million in the second quarter of fiscal 2023 (net of interest income of $0.4 million) was $5.8 million higher than the interest expense of $9.6 million in the second quarter of fiscal 2022 (net of interest income of $0.5 million).

Interest expense of $27.0 million in the six months of fiscal 2023 (net of interest income of $0.8 million) was $8.3 million higher than the interest expense of $18.7 million in the six months of fiscal 2022 (net of interest income of $1.1 million).

The increase in interest expense in the second quarter of fiscal 2023 and six months of fiscal 2023 is primarily due to higher borrowing levels, higher short term interest rates, and an additional $1.2 million in third party administrative and legal fees related to the Third Amended Credit Facility, partially offset by the benefit from the $300 million cross currency fixed interest rate swaps. Our average debt outstanding was $1,410.0 million and $1,350.9 in the second quarter and six months of fiscal 2023, compared to $1,093.3 million and $1,063.2 million in the second quarter and six months of fiscal 2022.

In connection with the Second Amended Credit Facility, we capitalized $3.0 million in debt issuance costs and wrote off $0.1 million of unamortized debt issuance costs. Included in interest expense are non-cash charges for deferred financing fees of $0.5 million and $1.0 million in the second quarter and six months of fiscal 2023 respectively, compared to $0.6 million and $1.1 million in the second quarter and six months of fiscal 2022.

In connection with the Third Amended Credit Facility, we incurred $1.2 million in third party administrative and legal fees recognized in interest expense and capitalized $1.1 million in charges from existing lenders as a deferred asset.

Other (Income) Expense, Net

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	$ (1.4)	(0.2)%	$ 0.2	0.1 %	$ (1.6)	NM

NM = not meaningful

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	$ 0.3	— %	$ (0.3)	— %	$ 0.6	NM

NM = not meaningful

Other (income) expense, net in the second quarter of fiscal 2023 was income of $1.4 million compared to expense of $0.2 million in the second quarter of fiscal 2022. Other (income) expense, net in the six months of fiscal 2023 was expense of $0.3 million compared to income of $0.3 million in the six months of fiscal 2022. Foreign currency impact resulted in a gain of $3.8 million and $2.5 million in the second quarter and six months of fiscal 2023, respectively, compared to a foreign currency loss of $0.2 million and gain of $0.9 million in the second quarter and six months of fiscal 2022, respectively. Included in the second quarter and six months of fiscal 2023 foreign currency impact is a gain of $0.1 million and loss of $5.1 million relating to the remeasurement of monetary assets from the exit of our Russia operations.

Earnings Before Income Taxes

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	$ 40.3	4.5 %	$ 39.9	5.0 %	$ 0.4	0.8 %

	Six months ended October 2, 2022		Six months ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	$ 77.1	4.3 %	$ 92.2	5.7 %	$ (15.1)	(16.5)%

As a result of the above, earnings before income taxes in the second quarter of fiscal 2023 increased $0.4 million, or 0.8%, compared to the second quarter of fiscal 2022 and decreased $15.1 million, or 16.5% in the six months of fiscal 2023 compared to the six months of fiscal 2022.

Income Tax Expense

	Quarter ended October 2, 2022		Quarter ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense	$ 5.8	0.7 %	$ 4.3	0.5 %	$ 1.5	34.6 %
Effective tax rate	14.4%		10.8%		3.6%	

	Six months ended October 2, 2022		Six Months Ended October 3, 2021		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense	$ 11.6	0.7 %	$ 12.7	0.7 %	$ (1.1)	(8.6)%
Effective tax rate	15.0%		13.7%		1.3%	

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2023 and 2022 was based on the estimated effective tax rates applicable for the full years ending March 31, 2023 and March 31, 2022, respectively, after giving effect to items specifically related to the interim periods. Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions, in which we operate, change in tax laws and the amount of our consolidated earnings before taxes.

The consolidated effective income tax rates for the second quarter of fiscal 2023 and 2022 were 14.4% and 10.8%, respectively, and were 15.0% and 13.7% for the six months of fiscal 2023 and 2022, respectively. The rate increase in the second quarter and six months of fiscal 2023 compared to the prior year periods are primarily due to discrete tax items and changes in mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 83% for fiscal 2023 compared to 87% for fiscal 2022. The foreign effective tax rates for the six months of fiscal 2023 and 2022 were 12.0% and 10.0%, respectively. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2023 and fiscal 2022 and were taxed at an effective income tax rate of approximately 9% and 8%, respectively.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies from those discussed under the caption "Critical Accounting Policies and Estimates" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2022 Annual Report.

Liquidity and Capital Resources

Cash Flow and Financing Activities

Operating activities used cash of $70.3 million in the six months of fiscal 2023 compared to $65.6 million of cash used in the six months of fiscal 2022, with the decrease in operating cash resulting mainly due to changes in our primary working capital, details of which can be found below. In the six months of fiscal 2023, primary working capital, net of currency translation changes, resulted in an outflow of funds of $178.2 million. In the six months of fiscal 2023, net earnings were $65.5 million, depreciation and amortization $46.4 million, stock-based compensation $11.9 million, non-cash charges relating to exit charges $9.1 million, primarily relating to the Ooltewah, Tennessee plant closure, derivative settlements of $2.0 million, non-cash interest of $1.0 million, and allowance for doubtful debts of $0.2 million. Prepaid and other current assets were a use of funds of $17.5 million, primarily from an increase of $6.6 million of contract assets and $10.9 million in other prepaid expenses, such as taxes, insurance and other advances. Accrued expenses were a use of funds of $9.4 million primarily from selling and other expenses of $5.0 million, deferred income and contract liabilities of $3.4 million, payroll related payments of $2.1 million net of accruals, tax payments net of accruals of $1.3 million and warranty payments of $0.8 million, partially offset by other miscellaneous accruals of $3.2 million.
In the six months of fiscal 2022, operating activities used cash of $65.6 million and primary working capital, net of currency translation changes, resulted in an outflow of funds of $142.3 million. In the six months of fiscal 2022, net earnings were $79.5 million, depreciation and amortization $48.3 million, stock-based compensation $9.4 million, non-cash charges relating to exit charges $3.8 million, primarily relating to the Hagen, Germany plant closure, allowance for doubtful debts of $1.2 million and non-cash interest of $1.1 million. Prepaid and other current assets were a use of funds of $19.0 million, primarily from an increase of contract assets of $7.0 million and other prepaid expenses of $12.0 million, such as taxes, insurance and other advances. Accrued expenses were a use of funds of $48.0 million primarily from Hagen severance payments of $19.6 million, payroll related payments of $15.3 million, income tax payments of $10.7 million and selling and other expenses of $3.2 million.

As explained in the discussion of our use of "non-GAAP financial measures," we monitor the level and percentage of primary working capital to sales. Primary working capital for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable. The resulting net amount is divided by the trailing three month net sales (annualized) to derive a primary working capital percentage. Primary working capital was $1,172.6 million (yielding a primary working capital percentage of
32.6%) at October 2, 2022, $1,042.0 million (yielding a primary working capital percentage of 28.7%) at March 31, 2022 and $930.6 million at October 3, 2021 (yielding a primary working capital percentage of 29.4%). The primary working capital percentage of 32.6% at October 2, 2022 is 390 basis points higher than that for March 31, 2022 and 320 basis points higher than that for October 3, 2021. The large increase in primary working capital dollars, compared to March 31, 2022 and the second quarter of fiscal 2022, reflects the increase in all components of inventory due to strategic investment, supply chain delays, new products and higher inventory costs from higher raw material costs, manufacturing and freight costs and to address the high backlog of customer orders. In addition, trade payables decreased compared to March 31, 2022, due to seasonal reduction.

Primary working capital and primary working capital percentages at October 2, 2022, March 31, 2022 and October 3, 2021 are computed as follows:

($ in Millions)

Balance At	Trade Receivables	Inventory	Accounts Payable	Total	Quarter Revenue Annualized	Primary Working Capital %
October 2, 2022	$ 705.5	$ 812.0	$ (344.9)	$ 1,172.6	$ 3,597.7	32.6 %
March 31, 2022	719.4	715.7	(393.1)	1,042.0	3,628.1	28.7
October 3, 2021	584.6	641.0	(295.0)	930.6	3,165.6	29.4

Investing activities provided cash of $4.1 million in the six months of fiscal 2023 which primarily consisted of proceeds from termination of a net investment hedge of $43.4 million, partially offset by capital expenditures of $39.7 million relating to plant improvements.

Investing activities used cash of $31.2 million in the six months of fiscal 2022 which primarily consisted of capital expenditures of $34.6 million relating to plant improvements. We also received $3.3 million from the sale of our facilities in Europe.

Financing activities used cash of $0.9 million in the six months of fiscal 2023. During the six months of fiscal 2023, we borrowed $244.1 million under the Second Amended Revolver and repaid $184.1 million of the Second Amended Revolver. Net repayments on short-term debt were $17.1 million. Treasury stock open market purchases were $22.9 million, payment of cash dividends to our stockholders were $14.2 million and payment of taxes related to net share settlement of equity awards were $6.3 million. Payments for financing costs for debt modification were $1.1 million.

Financing activities provided cash of $53.9 million in the six months of fiscal 2022. During the six months of fiscal 2022, we borrowed $275.7 million under the Second Amended Revolver and repaid $5.7 million of the Amended Revolver. Repayment on the Second Amended Term Loan was $161.4 million and net payments on short-term debt were $2.2 million. Treasury stock open market purchases were $31.5 million, payment of cash dividends to our stockholders were $14.9 million and payment of taxes related to net share settlement of equity awards were $9.0 million. Debt issuance costs relating to the refinancing of the 2017 Credit Facility was $3.0 million. Proceeds from stock options were $1.1 million.
Currency translation had a negative impact of $41.0 million on our cash balance in the six months of fiscal 2023 compared to the negative impact of $1.4 million in the six months of fiscal 2022. In the six months of fiscal 2023, principal currencies in which we do business such as the Euro, Polish zloty, Swiss Franc and British pound generally weakened versus the U.S. dollar.

As a result of the above, total cash and cash equivalents decreased by $108.1 million to $294.4 million, in the six months of fiscal 2023 compared to a decrease by $44.3 million to $407.5 million, in the six months of fiscal 2022.

Compliance with Debt Covenants

On July 15, 2021, we entered into a second amendment to our 2017 Credit Facility that resulted in the extension of the maturity date for the Second Amended Credit Facility to September 30, 2026, resetting of the principal amortization with respect to the Second Amended Term Loan, refinancing and reducing the existing Amended Term Loan, increasing the existing Amended Revolver, and certain other modifications.

On September 8, 2022, we entered into a third amendment to our 2017 Credit Facility. The Third Amended Credit Facility provides a new incremental delayed-draw senior secured term loan up to $300,000 (the “Third Amended Term Loan”), which shall be available to draw at any time until March 15, 2023. Once drawn, the funds will mature on September 30, 2026, the same as the Company's Second Amended Term Loan and the Second Amended Revolver.

All obligations under our Third Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The Third Amended Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under this credit facility.

We are in compliance with all covenants and conditions under our Third Amended Credit Facility and Senior Notes. We believe that we will continue to comply with these covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 10 to the Consolidated Financial Statements included in our 2022 Annual Report and Note 12 to the

Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for a detailed description of our debt.

Contractual Obligations and Commercial Commitments

A table of our obligations is contained in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations of our 2022 Annual Report. As of October 2, 2022, we had no significant changes to our contractual obligations table contained in our 2022 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Our cash flows and earnings are subject to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

Counterparty Risks

We have entered into lead forward purchase contracts, foreign exchange forward and purchased option contracts and cross currency fixed interest rate swaps to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. The Company’s agreements are with creditworthy financial institutions. Those contracts that result in a liability position at October 2, 2022 are $5.7 million (pre-tax). Those contracts that result in an asset position at October 2, 2022 are $2.9 million (pre-tax). The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

We hedge our net investments in foreign operations against future volatility in the exchange rates between U.S. dollars and euros. On September 29, 2022, we terminated our cross-currency fixed interest rate swap contracts with an aggregate notional amount of $300 million and executed cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150 million, maturing on December 15, 2027. Depending on the movement in the exchange rates between the U.S. dollar and euro at maturity, the Company may owe the counterparties an amount that is different from the notional amount of $150 million.

Excluding our cross currency fixed interest rate swap agreements, the vast majority of these contracts will settle within one year.

Interest Rate Risks

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements as well as short-term borrowings in our foreign subsidiaries.

A 100 basis point increase in interest rates would have increased annual interest expense, by approximately $7.4 million on the variable rate portions of our debt.

Commodity Cost Risks – Lead Contracts

We have a significant risk in our exposure to certain raw materials. Our largest single raw material cost is for lead, for which the cost remains volatile. In order to hedge against increases in our lead cost, we have entered into forward contracts with financial institutions to fix the price of lead. A vast majority of such contracts are for a period not extending beyond one year. We had the following contracts outstanding at the dates shown below:

Date	$'s Under Contract (in millions)	# Pounds Purchased (in millions)	Average Cost/Pound	Approximate % of Lead Requirements (1)
October 2, 2022	$ 59.4	67.5	$ 0.88	10 %
March 31, 2022	56.8	54.0	1.05	8
October 3, 2021	50.8	49.0	1.04	8

(1) Based on the fiscal year lead requirements for the periods then ended.

For the remaining two quarters of this fiscal year, we believe approximately 77% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at October 2, 2022, lead purchased by October 2, 2022 that will be reflected in future costs under our FIFO accounting policy, and the benefit from our lead tolling program.

We estimate that a 10% increase in our cost of lead would have increased our cost of goods sold by approximately $20 million and $43 million in the second quarter and in the six months of fiscal 2023.

Foreign Currency Exchange Rate Risks

We manufacture and assemble our products globally in the Americas, EMEA and Asia. Approximately 40% of our sales and related expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in U.S. dollars, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the euro, Swiss franc, British pound, Polish zloty, Chinese renminbi, Canadian dollar, Brazilian real and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

We hedge approximately 5% - 10% of the nominal amount of our known foreign exchange transactional exposures. We primarily enter into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. The vast majority of such contracts are for a period not extending beyond one year.

Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. We also selectively hedge anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with Topic 815 - Derivatives and Hedging. During the third quarter of fiscal year 2022, we also entered into cross-currency fixed interest rate swap agreements, to hedge our net investments in foreign operations against future volatility in the exchange rates between U.S. dollars and euros.

At October 2, 2022 and October 3, 2021, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately $26.1 million and $3.5 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and determined that there was no change in our internal control over financial reporting during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 10 - *Commitments, Contingencies and Litigation* to the Consolidated Condensed Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2022 Annual Report, which could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes the number of shares of common stock we purchased from participants in our equity incentive plans, as well as repurchases of common stock authorized by the Board of Directors. As provided by the Company’s equity incentive plans, (a) vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Company’s equity incentive plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise and (b) the withholding tax requirements related to the vesting and settlement of restricted stock units and market and performance condition-based share units may be satisfied by the surrender of shares of the Company’s common stock.

Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1) (2)
July 4 – July 29, 2022	—	$ —	—	$ 185,545,418
July 30 - August 31, 2022	95,442	58.96	—	185,545,418
September 1 - October 2, 2022	—	—	—	185,545,418
Total	95,442	$ 58.96	—	

(1) The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity based award granted, approximately $25.0 million, during such fiscal year under the 2017 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year.

(2) On March 9, 2022, the Company announced the establishment of a $150.0 million stock repurchase authorization, with no expiration date.

Item 4. Mine Safety Disclosures

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Fifth Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004).
3.2	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32253) filed on August 3, 2016).
10.1	Third Amendment to Credit Agreement, dated as of September 8, 2022, among the Company, certain of its subsidiaries party thereto, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporation by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-32253) filed on September 8, 2022)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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.

ENERSYS (Registrant)

By /s/ Andrea J. Funk
Andrea J. Funk
Chief Financial Officer

Date: November 9, 2022

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934

I, David M. Shaffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

Date: November 9, 2022

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934

I, Andrea J. Funk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Andrea J. Funk

Andrea J. Funk
Chief Financial Officer

Date: November 9, 2022

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18. U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended October 2, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

By /s/ Andrea J. Funk

Andrea J. Funk
Chief Financial Officer

Date: November 9, 2022