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 July 4, 2021

☐ **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 August 6, 2021: 42,523,261 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)

	July 4, 2021	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 406,233	$ 451,808
Accounts receivable, net of allowance for doubtful accounts: July 4, 2021 - 12,607; March 31, 2021 - 12,992	580,961	603,581
Inventories, net	563,914	518,247
Prepaid and other current assets	148,692	117,681
Total current assets	1,699,800	1,691,317
Property, plant, and equipment, net	499,185	497,056
Goodwill	712,877	705,593
Other intangible assets, net	423,594	430,898
Deferred taxes	65,940	65,212
Other assets	71,049	72,721
Total assets	$ 3,472,445	$ 3,462,797
Liabilities and Equity		
Current liabilities:		
Short-term debt	$ 40,260	$ 34,153
Accounts payable	293,377	323,876
Accrued expenses	271,106	318,959
Total current liabilities	604,743	676,988
Long-term debt, net of unamortized debt issuance costs	1,020,416	969,618
Deferred taxes	77,384	76,412
Other liabilities	202,476	196,203
Total liabilities	1,905,019	1,919,221
Commitments and contingencies		
Equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at July 4, 2021 and at March 31, 2021	—	—
Common Stock, $0.01 par value per share, 135,000,000 shares authorized, 55,614,974 shares issued and 42,511,136 shares outstanding at July 4, 2021; 55,552,810 shares issued and 42,753,020 shares outstanding at March 31, 2021	556	555
Additional paid-in capital	553,627	554,168
Treasury stock at cost, 13,103,838 shares held as of July 4, 2021 and 12,799,790 shares held as of March 31, 2021	(594,823)	(563,481)
Retained earnings	1,706,072	1,669,751
Contra equity - indemnification receivable	(5,355)	(5,355)
Accumulated other comprehensive loss	(96,474)	(115,883)
Total EnerSys stockholders' equity	1,563,603	1,539,755
Nonredeemable noncontrolling interests	3,823	3,821
Total equity	1,567,426	1,543,576
Total liabilities and equity	$ 3,472,445	$ 3,462,797

See accompanying notes.

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

	Quarter ended	
	July 4, 2021	July 5, 2020
Net sales	$ 814,893	$ 704,924
Cost of goods sold	621,674	529,947
Gross profit	193,219	174,977
Operating expenses	124,487	120,370
Restructuring and other exit charges	7,832	1,387
Operating earnings	60,900	53,220
Interest expense	9,107	10,165
Other (income) expense, net	(496)	1,462
Earnings before income taxes	52,289	41,593
Income tax expense	8,360	6,410
Net earnings attributable to EnerSys stockholders	$ 43,929	$ 35,183
Net earnings per common share attributable to EnerSys stockholders:		
Basic	$ 1.03	$ 0.83
Diluted	$ 1.01	$ 0.82
Dividends per common share	$ 0.175	$ 0.175
Weighted-average number of common shares outstanding:		
Basic	42,700,329	42,385,888
Diluted	43,537,344	42,932,054

See accompanying notes.

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

	Quarter ended	
	July 4, 2021	July 5, 2020
Net earnings	$ 43,929	$ 35,183
Other comprehensive income:		
Net unrealized gain on derivative instruments, net of tax	3,897	2,343
Pension funded status adjustment, net of tax	240	291
Foreign currency translation adjustment	15,321	28,147
Total other comprehensive income, net of tax	19,458	30,781
Total comprehensive income	63,387	65,964
Comprehensive income attributable to noncontrolling interests	49	8
Comprehensive income attributable to EnerSys stockholders	$ 63,338	$ 65,956

See accompanying notes.

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

	Quarter ended	
	July 4, 2021	July 5, 2020
Cash flows from operating activities		
Net earnings	$ 43,929	$ 35,183
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	24,433	23,657
Write-off of assets relating to exit activities	2,141	471
Derivatives not designated in hedging relationships:		
Net losses (gains)	6	(262)
Cash (settlements) proceeds	(14)	467
Provision for doubtful accounts	1,039	96
Deferred income taxes	145	(54)
Non-cash interest expense	518	518
Stock-based compensation	3,659	5,053
Gain on disposal of property, plant, and equipment	4	73
Changes in assets and liabilities:		
Accounts receivable	24,834	92,752
Inventories	(46,307)	14,852
Prepaid and other current assets	(15,595)	2,672
Other assets	344	718
Accounts payable	(36,746)	(40,609)
Accrued expenses	(50,314)	(18,571)
Other liabilities	(219)	(452)
Net cash (used in) provided by operating activities	(48,143)	116,564
Cash flows from investing activities		
Capital expenditures	(16,435)	(26,330)
Proceeds from disposal of facility	3,268	—
Proceeds from disposal of property, plant, and equipment	49	50
Net cash used in investing activities	(13,118)	(26,280)
Cash flows from financing activities		
Net borrowings (repayments) on short-term debt	5,512	(987)
Proceeds from 2017 Revolver borrowings	65,700	35,000
Repayments of 2017 Revolver borrowings	(5,700)	(55,000)
Repayments of 2017 Term Loan	(11,447)	(8,402)
Option proceeds, net	386	479
Payment of taxes related to net share settlement of equity awards	(4,803)	(3,135)
Purchase of treasury stock	(31,512)	—
Dividends paid to stockholders	(7,435)	(7,428)
Other	214	11
Net cash provided by (used in) financing activities	10,915	(39,462)
Effect of exchange rate changes on cash and cash equivalents	4,771	6,578
Net (decrease) increase in cash and cash equivalents	(45,575)	57,400
Cash and cash equivalents at beginning of period	451,808	326,979
Cash and cash equivalents at end of period	$ 406,233	$ 384,379

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 months ended July 4, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2022.

The Consolidated Condensed Balance Sheet at March 31, 2021 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 2021 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 26, 2021 (the “2021 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 2022 end on July 4, 2021, October 3, 2021, January 2, 2022, and March 31, 2022, respectively. The four quarters in fiscal 2021 ended on July 5, 2020, October 4, 2020, January 3, 2021, and March 31, 2021, 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.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740)”: Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted the standard in the first quarter of fiscal 2022 and the adoption did not have a material impact on the Company's consolidated financial statements.

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 of 2019 (“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.

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 first quarter of fiscal 2022 and 2021 amounted to $82,518 and $68,758, respectively.

A small portion of the Company's customer arrangements oblige the Company to create customized products for its customers that require the bundling of 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 first quarter of fiscal 2022 and 2021 amounted to $40,904 and $36,102, respectively.

On July 4, 2021, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately $114,863, of which, the Company estimates that approximately $88,019 will be recognized as revenue in fiscal 2022, $26,033 in fiscal 2023, $774 in fiscal 2024, $37 in fiscal 2025 and $0 in fiscal 2026 .

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 July 4, 2021, the current and non-current portion of contract liabilities were $18,150 and $1,686, respectively. As of March 31, 2021, the current and non-current portion of contract liabilities were $15,992 and $2,072, respectively. Revenues recognized during the first quarter of fiscal 2022 and 2021 that were included in the contract liability at the beginning of the quarter, amounted to $3,596 and $3,466, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were $50,290 and $46,451 as of July 4, 2021 and March 31, 2021, 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 July 4, 2021, the right of return asset related to the value of inventory anticipated to be returned from customers was $4,274 and refund liability representing amounts estimated to be refunded to customers was $7,590.

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 July 4, 2021	As of March 31, 2021
Operating Leases:			
Right-of-use assets	Other assets	$ 60,480	$ 62,159
Operating lease current liabilities	Accrued expenses	21,057	21,774
Operating lease non-current liabilities	Other liabilities	41,825	42,528
Finance Leases:			
Right-of-use assets	Property, plant, and equipment, net	$ 524	$ 573
Finance lease current liabilities	Accrued expenses	235	236
Finance lease non-current liabilities	Other liabilities	382	435

The components of lease expense for the first quarter ended July 4, 2021 and July 5, 2020 were as follows:

		Quarter ended	
	Classification	July 4, 2021	July 5, 2020
Operating Leases:			
Operating lease cost	Operating expenses	$ 6,716	$ 6,936
Variable lease cost	Operating expenses	2,573	2,119
Short term lease cost	Operating expenses	1,817	1,829
Finance Leases:			
Depreciation	Operating expenses	$ 60	$ 42
Interest expense	Interest expense	8	7
Total		$ 11,174	$ 10,933

The following table presents the weighted average lease term and discount rates for leases as of July 4, 2021 and March 31, 2021:

	July 4, 2021	March 31, 2021
Operating Leases:		
Weighted average remaining lease term (years)	5.6 years	5.5 years
Weighted average discount rate	5.15%	5.16%
Finance Leases:		
Weighted average remaining lease term (years)	2.9 years	3.1 years
Weighted average discount rate	4.81%	4.81%

The following table presents future payments due under leases reconciled to lease liabilities as of July 4, 2021:

	Finance Leases	Operating Leases
Nine months ended March 31, 2022	$ 200	$ 18,344
Year ended March 31,		
2023	220	17,097
2024	160	11,142
2025	47	7,341
2026	26	5,428
Thereafter	—	13,396
Total undiscounted lease payments	653	72,748
Present value discount	36	9,866
Lease liability	$ 617	$ 62,882

The following table presents supplemental disclosures of cash flow information related to leases for the first quarter ended July 4, 2021 and July 5, 2020:

	Quarter ended	
	July 4, 2021	July 5, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 8	$ 7
Operating cash flows from operating leases	6,765	6,921
Financing cash flows from finance leases	60	41
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	3,681	6,177

4. Goodwill and Other Intangible Assets

Other Intangible Assets

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

	Balance as of					
	July 4, 2021			March 31, 2021		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Indefinite-lived intangible assets:						
Trademarks	$ 148,296	$ (953)	$ 147,343	$ 148,164	$ (953)	$ 147,211
Finite-lived intangible assets:						
Customer relationships	299,366	(92,993)	206,373	298,576	(87,308)	211,268
Non-compete	2,825	(2,825)	—	2,825	(2,825)	—
Technology	97,542	(31,887)	65,655	97,349	(29,561)	67,788
Trademarks	8,012	(3,789)	4,223	8,012	(3,381)	4,631
Licenses	1,196	(1,196)	—	1,196	(1,196)	—
Total	$ 557,237	$ (133,643)	$ 423,594	$ 556,122	$ (125,224)	$ 430,898

The Company's amortization expense related to finite-lived intangible assets was $8,419 for the first quarter of fiscal 2022, compared to $8,555 for the first quarter of fiscal 2021. The expected amortization expense based on the finite-lived intangible assets as of July 4, 2021, is $24,205 for the remainder of fiscal 2022, $30,399 in fiscal 2023, $27,544 in fiscal 2024, $26,552 in fiscal 2025 and $25,618 in fiscal 2026.

Goodwill

The following table presents the amount of goodwill, as well as any changes in the carrying amount of goodwill by segment during the first quarter of fiscal 2022:

	Energy Systems	Motive Power	Specialty	Total
Balance at March 31, 2021	$ 279,676	$ 327,055	$ 98,862	$ 705,593
Foreign currency translation adjustment	5,788	1,300	196	7,284
Balance as of July 4, 2021	$ 285,464	$ 328,355	$ 99,058	$ 712,877

5. Inventories

	July 4, 2021	March 31, 2021
Raw materials	$ 164,688	$ 147,040
Work-in-process	103,855	97,715
Finished goods	295,371	273,492
Total	$ 563,914	$ 518,247

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 July 4, 2021 and March 31, 2021, and the basis for that measurement:

	Total Fair Value Measurement July 4, 2021	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ 3,781	$ —	$ 3,781	$ —
Foreign currency forward contracts	180	—	180	—
Total derivatives	$ 3,961	$ —	$ 3,961	$ —

	Total Fair Value Measurement March 31, 2021	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ (1,980)	$ —	$ (1,980)	$ —
Foreign currency forward contracts	424	—	424	—
Total derivatives	$ (1,556)	$ —	$ (1,556)	$ —

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 2021 Annual Report.

The fair values for foreign currency forward contracts 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 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 2027 (the “2027 Notes”), with an original face value of $300,000. The Company's 5.00% Senior Notes due 2023 (the “2023 Notes”), with an original face value of $300,000, were issued in April 2015. The fair value of the Company's 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 104% and 102% of face value on July 4, 2021 and March 31, 2021, respectively. The 2023 Notes were trading at approximately 104% and 105% of face value on July 4, 2021 and March 31, 2021, respectively.

The carrying amounts and estimated fair values of the Company's derivatives and Senior Notes at July 4, 2021 and March 31, 2021 were as follows:

	July 4, 2021		March 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Derivatives (1)	$ 3,961	$ 3,961	$ —	$ —
Financial liabilities:				
Senior Notes (2)	$ 600,000	$ 625,500	$ 600,000	$ 621,000
Derivatives (1)	—	—	1,556	1,556

(1) Represents lead and foreign currency forward contracts (see Note 7 for asset and liability positions of the lead and foreign currency forward contracts at July 4, 2021 and March 31, 2021).

(2) The fair value amount of the Senior Notes at July 4, 2021 and March 31, 2021 represent the trading value of the instruments.

7. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices and foreign exchange rates 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 July 4, 2021 and March 31, 2021, the Company has hedged the price to purchase approximately 50.0 million pounds and 54.5 million pounds of lead, respectively, for a total purchase price of $48,705 and $50,567, 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 July 4, 2021 and March 31, 2021, the Company had entered into a total of $26,495 and $26,033, respectively, of such contracts.

In the coming twelve months, the Company anticipates that $5,685 of pretax gain relating to lead and foreign currency forward contracts will be reclassified from AOCI ("Accumulated Other Comprehensive Income") as part of cost of goods sold. This amount represents the current net unrealized impact of hedging lead and foreign exchange rates, which will change as market rates change in the future, and will ultimately be realized in the Consolidated Condensed Statements of Income as an offset to the corresponding actual changes in lead costs to be realized in connection with the variable lead cost and foreign exchange rates being 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 July 4, 2021 and March 31, 2021, the notional amount of these contracts was $29,262 and $28,995, 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
July 4, 2021 and March 31, 2021

	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	July 4, 2021	March 31, 2021	July 4, 2021	March 31, 2021
Prepaid and other current assets:				
Lead forward contracts	$ 3,781	$ —	$ —	$ —
Foreign currency forward contracts	271	524	—	—
Total assets	$ 4,052	$ 524	$ —	$ —
Accrued expenses:				
Lead forward contracts	$ —	$ 1,980	$ —	$ —
Foreign currency forward contracts	—	—	91	100
Total liabilities	$ —	$ 1,980	$ 91	$ 100

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended July 4, 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	$ 7,572	Cost of goods sold	$ 2,459
Foreign currency forward contracts	(189)	Cost of goods sold	(160)
Total	$ 7,383		$ 2,299

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	$ (6)
Total		$ (6)

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended July 5, 2020

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	$ (1,274)	Cost of goods sold	$ (3,799)
Foreign currency forward contracts	261	Cost of goods sold	(283)
Total	$ (1,013)		$ (4,082)

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	$ 262
Total		$ 262

8. Income Taxes

The Company’s income tax provision consists of federal, state and foreign income taxes. The tax provision for the first quarter of fiscal 2022 and 2021 was based on the estimated effective tax rates applicable for the full years ending March 31, 2022 and March 31, 2021, 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.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures were effective January 1, 2020. The Company recorded an income tax benefit of $1,883 during the first quarter of fiscal 2021.

The consolidated effective income tax rates for the first quarter of fiscal 2022 and 2021 were 16.0% and 15.4%, respectively. The rate increase in the first quarter of fiscal 2022 compared to the prior year quarter is primarily due to the Swiss tax reform, partially offset by Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 72% for fiscal 2022 compared to 67% for fiscal 2021. The foreign effective tax rate for both the first quarter of fiscal 2022 and 2021 was 9%. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2022 and fiscal 2021 and is taxed at an effective income tax rate of approximately 8% and 6%, 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	
	July 4, 2021	July 5, 2020
Balance at beginning of period	$ 58,962	$ 63,525
Current period provisions	5,330	6,974
Costs incurred	(5,252)	(11,310)
Foreign currency translation adjustment	127	582
Balance at end of period	$ 59,167	$ 59,771

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 2021 Annual Report. As of July 4, 2021 and March 31, 2021, 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 and Foreign Currency Forward Contracts

To stabilize its lead costs and reduce volatility from currency movements, the Company enters into contracts with financial institutions. The vast majority of such contracts are for a period not extending beyond one year. Please refer to Note 7 - Derivative Financial Instruments for more details.

11. Restructuring and other Exit Charges

Restructuring Programs

As disclosed in the 2021 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 $4,666 remaining to be incurred by the end of fiscal 2022, mainly related to plans started in fiscal 2021 and 2022. Restructuring and exit charges for the first quarter of fiscal 2022 by reportable segments are as follows:

	Quarter ended July 4, 2021			
	Energy Systems	Motive Power	Specialty	Total
Restructuring charges	$ 858	$ 432	$ 36	$ 1,326
Exit charges	(370)	8,101	(1,225)	6,506
Restructuring and other exit charges	$ 488	$ 8,533	$ (1,189)	$ 7,832

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

Balance as of March 31, 2021	$ 2,595
Accrued	1,326
Costs incurred	(2,142)
Foreign currency impact	65
Balance as of July 4, 2021	$ 1,844

Exit Charges

Fiscal 2021 Programs

Hagen, Germany

In fiscal 2021, the EnerSys’ Board of Directors approved a plan to substantially close its facility in Hagen, Germany, which produces flooded motive power batteries for 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, the majority of which are expected to be recorded by the end of calendar 2021. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $40,000 and non-cash charges from inventory and equipment write-offs are estimated to be $20,000. 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 the first quarter of fiscal 2022, the Company recorded charges, primarily relating to severance of $8,471.

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 current quarter of fiscal 2022, the Company sold this facility for $1,489. A net gain of $1,225 was recorded as a credit to exit charges in the Consolidated Condensed Statement of Income.

Zamudio, Spain

During the first quarter 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.

Richmond, Kentucky Plant Fire

During fiscal 2021, the Company settled its claims with its insurance carrier relating to the fire that broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility in fiscal 2020.

During the first quarter of fiscal 2021, the Company recorded a charge of $9,274 as receivable for cleanup and received $10,000 from the insurance carrier. In addition to the property damage claim, the Company also received $3,700 in business interruption claims and was credited to cost of goods sold.

12. Debt

The following summarizes the Company’s long-term debt as of July 4, 2021 and March 31, 2021:

	July 4, 2021		March 31, 2021	
	Principal	Unamortized Issuance Costs	Principal	Unamortized Issuance Costs
Senior Notes	$ 600,000	$ 4,806	$ 600,000	$ 5,106
Amended Credit Facility, due 2022	426,319	1,097	376,039	1,315
	$ 1,026,319	$ 5,903	$ 976,039	$ 6,421
Less: Unamortized issuance costs	5,903		6,421	
Long-term debt, net of unamortized issuance costs	$ 1,020,416		$ 969,618	

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 Amended Credit Facility. 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 Amended Credit Facility. These guarantees are unsecured and unsubordinated obligations of such guarantors.

2017 Credit Facility and Subsequent Amendment

In fiscal 2018, the Company entered into a credit facility (the “2017 Credit Facility”). The 2017 Credit Facility 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 consists of $449,105 senior secured term loans (the “Amended 2017 Term Loan”), including a CAD 133,050 ($99,105) term loan and a $700,000 senior secured revolving credit facility (the “Amended 2017 Revolver”). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by $299,105 and $100,000, respectively.

Subsequent to the amendment, the quarterly installments payable on the Amended 2017 Term Loan are $5,645 beginning December 31, 2018, $8,468 beginning December 31, 2019 and $11,290 beginning December 31, 2020 with a final payment of $320,000 on September 30, 2022. The Amended Credit Facility may be increased by an aggregate amount of $325,000 in revolving commitments and / or one or more new tranches of term loans, under certain conditions. Both the Amended 2017 Revolver and the Amended 2017 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 1.25% and 2.00% (currently 1.25% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate (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%. Obligations under the 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 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 Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio from 3.50x to 4.00x for a four quarter period following an acquisition larger than $250,000. Effective December 7, 2018 through December 28, 2019, the maximum leverage ratio was increased to 4.00x. On December 29, 2019, the maximum leverage ratio returned to 3.50x.

On July 15, 2021, the Company entered into an amendment to the Amended Credit Facility. See Note 18 for more details.

As of July 4, 2021, the Company had $60,000 outstanding under the Amended 2017 Revolver and $366,319 under the Amended 2017 Term Loan.

The current portion of the Amended 2017 Term Loan of $45,790 is classified as long-term debt as the Company expects to refinance the future quarterly payments with revolver borrowings under the Amended Credit Facility.

Short-Term Debt

As of July 4, 2021 and March 31, 2021, the Company had $40,260 and $34,153, respectively, of short-term borrowings. The weighted average interest rate on these borrowings was approximately 2% at both July 4, 2021 and at March 31, 2021.

Letters of Credit

As of July 4, 2021 and March 31, 2021, the Company had $2,959 of standby letters of credit.

Debt Issuance Costs

Amortization expense, relating to debt issuance costs, included in interest expense was $518 for both the quarters ended July 4, 2021 and July 5, 2020. Debt issuance costs, net of accumulated amortization, totaled $5,903 and $6,421, respectively, at July 4, 2021 and March 31, 2021.

Available Lines of Credit

As of July 4, 2021 and March 31, 2021, the Company had available and undrawn, under all its lines of credit, $745,809 and $697,875, respectively, including $107,934 and $122,303, 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	
	July 4, 2021	**July 5, 2020**	**July 4, 2021**	**July 5, 2020**
Service cost	$ —	$ —	$ 299	$ 235
Interest cost	130	132	366	327
Expected return on plan assets	(128)	(65)	(563)	(447)
Amortization and deferral	5	133	303	244
Net periodic benefit cost	$ 7	$ 200	$ 405	$ 359

14. Stock-Based Compensation

As of July 4, 2021, 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 $3,659 for the first quarter of fiscal 2022 and $5,053 for the first quarter of fiscal 2021. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards.

During the first quarter of fiscal 2022, the Company granted to non-employee directors 1,053 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.

Common stock activity during the first quarter of fiscal 2022 included the exercise of 19,652 stock options and the vesting of 65,213 restricted stock units and 45,216 TSRs.

As of July 4, 2021, there were 776,144 non-qualified stock options, 811,983 restricted stock units including non-employee director restricted stock units, 80,893 TSRs and 98,528 PSUs 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 first quarter ended July 4, 2021:

Shares outstanding as of March 31, 2021	42,753,020
Purchase of treasury stock	(329,008)
Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes	87,124
Shares outstanding as of July 4, 2021	42,511,136

Treasury Stock

During the first quarter ended July 4, 2021, the Company purchased 329,008 shares for $31,512 and did not purchase any shares during the first quarter ended July 5, 2020. At July 4, 2021 and March 31, 2021, the Company held 13,103,838 and 12,799,790 shares as treasury stock, respectively. During the first quarter ended July 4, 2021, the Company also issued 4,960 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 July 4, 2021 and March 31, 2021, are as follows:

	March 31, 2021	Before Reclassifications	Amounts Reclassified from AOCI	July 4, 2021
Pension funded status adjustment	$ (20,947)	$ —	$ 240	$ (20,707)
Net unrealized gain (loss) on derivative instruments	360	5,657	(1,760)	4,257
Foreign currency translation adjustment	(95,296)	15,272	—	(80,024)
Accumulated other comprehensive (loss) income	$ (115,883)	$ 20,929	$ (1,520)	$ (96,474)

The following table presents reclassifications from AOCI during the first quarter ended July 4, 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	$ (2,299)	Cost of goods sold
Tax expense	539	
Net unrealized gain on derivative instruments, net of tax	$ (1,760)	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 308	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(68)	
Net periodic benefit cost, net of tax	$ 240	

The following table presents reclassifications from AOCI during the first quarter ended July 5, 2020:

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	$ 4,082	Cost of goods sold
Tax benefit	(966)	
Net unrealized loss on derivative instruments, net of tax	$ 3,116	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 377	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(86)	
Net periodic benefit cost, net of tax	$ 291	

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the first quarter ended July 4, 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**

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the first quarter and current quarter ended July 5, 2020:

(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, 2020	**$ —**	**$ 551**	**$ 529,100**	**$ (564,376)**	**$ 1,556,980**	**$ (215,006)**	**$ (6,724)**	**$ 1,300,525**	**$ 3,537**	**$ 1,304,062**
Stock-based compensation	—	—	5,053	—	—	—	—	5,053	—	5,053
Exercise of stock options	—	2	479	—	—	—	—	481	—	481
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(3,135)	—	—	—	—	(3,135)	—	(3,135)
Other	—	—	(123)	299	—	—	—	176	—	176
Net earnings	—	—	—	—	35,183	—	—	35,183	—	35,183
Dividends ($0.175 per common share)	—	—	172	—	(7,600)	—	—	(7,428)	—	(7,428)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $86)	—	—	—	—	—	291	—	291	—	291
Net unrealized gain (loss) on derivative instruments (net of tax expense of $726)	—	—	—	—	—	2,343	—	2,343	—	2,343
Foreign currency translation adjustment	—	—	—	—	—	28,139	—	28,139	8	28,147
Balance at July 5, 2020	**$ —**	**$ 553**	**$ 531,546**	**$ (564,077)**	**$ 1,584,563**	**$ (184,233)**	**$ (6,724)**	**$ 1,361,628**	**$ 3,545**	**$ 1,365,173**

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	
	July 4, 2021	July 5, 2020
Net earnings attributable to EnerSys stockholders	$ 43,929	$ 35,183
Weighted-average number of common shares outstanding:		
Basic	42,700,329	42,385,888
Dilutive effect of:		
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	837,015	546,166
Diluted weighted-average number of common shares outstanding	43,537,344	42,932,054
Basic earnings per common share attributable to EnerSys stockholders	$ 1.03	$ 0.83
Diluted earnings per common share attributable to EnerSys stockholders	$ 1.01	$ 0.82
Anti-dilutive equity awards not included in diluted weighted-average common shares	165,386	386,263

17. Business Segments

Summarized financial information related to the Company's reportable segments for the first quarter ended July 4, 2021 and July 5, 2020, is shown below:

	Quarter ended	
	July 4, 2021	July 5, 2020
Net sales by segment to unaffiliated customers [(1)]		
Energy Systems	$ 371,206	$ 353,387
Motive Power	336,116	262,834
Specialty	107,571	88,703
Total net sales	$ 814,893	$ 704,924
Operating earnings by segment		
Energy Systems	$ 7,106	$ 22,085
Motive Power	50,634	27,276
Specialty	10,992	5,246
Restructuring and other exit charges - Energy Systems	(488)	(512)
Restructuring and other exit charges - Motive Power	(8,533)	(762)
Restructuring and other exit charges - Specialty	1,189	(113)
Total operating earnings [(2)]	$ 60,900	$ 53,220

(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 July 15, 2021, the Company entered into a second amendment to its existing Amended Credit Facility (as defined in Note 12) that resulted in the extension of the maturity date for the Amended Credit Facility to September 30, 2026, resetting of the principal amortization with respect to the Amended 2017 Term Loan, refinancing the existing term loan, increasing the revolving line of credit limit, and certain other modifications to the existing credit agreement.

On August 5, 2021, the Board of Directors approved a quarterly cash dividend of $0.175 per share of common stock to be paid on September 24, 2021, to stockholders of record as of September 10, 2021.

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, 2021 (our "2021 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;
- general cyclical patterns of the industries in which our customers operate;
- 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 certain hazardous substances in our products;
- risks involved in our operations such as 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;
- general economic conditions in the markets in which we operate;
- 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;
- 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;
- 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;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics, 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

Global economies are recovering differently from the COVID-19 pandemic. The United States and Chinese economies have experienced a strong recovery while EMEA’s economy continues to be slowed by high levels of COVID-19 cases.

EnerSys is experiencing some supply chain disruptions in certain materials such as plastic resins and electronic components along with occasional transportation and related logistics challenges. In addition, some locations are experiencing difficulty meeting hiring goals. Generally, our mitigation efforts and the recent economic recovery, limit the impact of the pandemic-related challenges.

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. As a result of the COVID-19 pandemic, lead dropped into the low 70 cents per pound rate during our first fiscal quarter of 2021 and has currently rallied over $1.00 per pound rate, which is above the pre-COVID-19 levels. We are experiencing increasing costs in some of our raw materials such as plastic resins, steel, copper and electronics.

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. Lead prices peaked in the first quarter of fiscal 2019 and then declined sequentially in every quarter in fiscal 2019. In fiscal 2020, our selling prices declined in response to declining commodity costs, including lead. In fiscal 2021, lead prices declined further in the first quarter and then recovered slowly throughout the rest of the fiscal year. During the first quarter of fiscal 2022, pricing increased slightly.

Based on current commodity markets, we will likely see year over year headwinds from increasing commodity prices, with some related increase in our selling prices in the upcoming year. As we concentrate more on energy systems and non-lead chemistries, the emphasis on lead will 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 $406 million of available cash and cash equivalents and available and undrawn committed credit lines of approximately $746 million at July 4, 2021, 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.

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

Results of Operations

Net Sales

Net sales increased $110.0 million or 15.6% in the first quarter of fiscal 2022 as compared to the first quarter of fiscal 2021. This increase was the result of a 12% increase in organic volume resulting primarily from the easing of the pandemic and a 4% increase in foreign currency translation impact.

Segment sales

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Energy Systems	$ 371.2	45.6 %	$ 353.4	50.1 %	$ 17.8	5.0 %
Motive Power	336.1	41.2	262.8	37.3	73.3	27.9
Specialty	107.6	13.2	88.7	12.6	18.9	21.3
Total net sales	$ 814.9	100.0 %	$ 704.9	100.0 %	$ 110.0	15.6 %

Net sales of our Energy Systems segment in the first quarter of fiscal 2022 increased $17.8 million or 5.0% compared to the first quarter of fiscal 2021. This increase was due to a 3% increase each in organic volume and foreign currency translation impact, partially offset by a 1% decrease in pricing. Continued strong demand in telecommunication has offset weakness in demand for power supplies from industrial customers with site access restrictions.

Net sales of our Motive Power segment in the first quarter of fiscal 2022 increased by $73.3 million or 27.9% compared to the first quarter of fiscal 2021. This increase was primarily due to a 22% increase in organic volume, a 5% increase in foreign currency translation impact and a 1% increase in pricing. The prior year's COVID-19 restrictions and related economic slowdown impacted this segment more than our other lines of business in the prior year.

Net sales of our Specialty segment in the first quarter of fiscal 2022 increased by $18.9 million or 21.3% compared to the first quarter of fiscal 2021. The increase was primarily due to a 18% increase in organic volume, a 2% increase in foreign currency translation impact and a 1% increase in pricing. Continued strong demand from transportation was joined with a resurgence in aerospace and defense sales.

Gross Profit

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	$ 193.2	23.7 %	$ 175.0	24.8 %	$ 18.2	10.4 %

Gross profit increased $18.2 million or 10.4% in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021. Gross profit, as a percentage of net sales, decreased 110 basis points in the first quarter of fiscal 2022 compared to the first quarter fiscal 2021. The decrease in the gross profit margin in the current quarter reflects the negative impact of lower margin revenue growth in our Energy Systems, which has also been impacted by higher costs in tariffs and freight costs from their imported electronics supply chain. Motive Power and Specialty enjoyed mild improvements in gross profit margin from price increases and productivity improvements.

Operating Items

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	$ 124.5	15.2 %	$ 120.4	17.1 %	$ 4.1	3.4 %
Restructuring and other exit charges	$ 7.8	1.0 %	$ 1.4	0.2 %	$ 6.4	NM

NM = not meaningful

Operating expenses, as a percentage of sales, decreased 190 basis points in the first quarter of fiscal 2022, compared to the first quarter of fiscal 2021. We have benefited from limited travel and other reduced selling expenses. While some of these benefits are COVID-19 related, we believe our operating expenses have been reduced, the benefit of which continues as the economy improves.

Selling expenses, our main component of operating expenses, were 43.8% of total operating expenses in the first quarter of fiscal 2022, compared to 42.8% of total operating expenses in the first quarter of fiscal 2021.

Restructuring and Other Exit Charges

Restructuring Programs

Included in our first quarter of fiscal 2022 operating results are restructuring charges of $0.9 million in Energy Systems and $0.4 million in Motive Power.

Included in our first quarter of fiscal 2021 operating results were restructuring charges of $0.5 million in Energy Systems and $0.8 million in Motive Power and $0.1 million in Specialty.

Exit Charges

Hagen, Germany

During the third quarter of fiscal 2021, we committed to a plan to substantially close our facility in Hagen, Germany, which produces flooded motive power batteries for 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, the majority of which are expected to be recorded by the end of calendar 2021. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $40.0 million and non-cash charges from inventory and equipment write-offs are estimated to be $20.0 million. 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 the first quarter of fiscal 2022, the Company recorded charges, primarily relating to severance of $8.5 million.

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 current quarter 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 first quarter 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.

Richmond, Kentucky Plant Fire

During fiscal 2021, the Company settled its claims with its insurance carrier relating to the fire that broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility in fiscal 2020.

During the first quarter of fiscal 2021, the Company recorded a charge of $9.3 million for cleanup and received $10.0 million in advances from the insurance carrier. In addition to the property damage claim, the Company also received $3.7 million relating to a partial settlement of its claim for business interruption which was recorded as a reduction to cost of goods sold.

Operating Earnings

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Energy Systems	$ 7.1	1.9 %	$ 22.0	6.2 %	$ (14.9)	(67.8)%
Motive Power	50.6	15.1	27.3	10.4	23.3	85.6
Specialty	11.0	10.2	5.3	5.9	5.7	109.5
Subtotal	68.7	8.4	54.6	7.7	14.1	25.9
Restructuring and other exit charges - Energy Systems	(0.5)	(0.1)	(0.5)	(0.1)	—	—
Restructuring and other exit charges - Motive Power	(8.5)	(2.5)	(0.8)	(0.3)	(7.7)	NM
Restructuring and other exit charges - Specialty	1.2	1.1	(0.1)	(0.1)	1.3	NM
Total operating earnings	$ 60.9	7.5 %	$ 53.2	7.5 %	$ 7.7	14.4 %

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 $7.7 million or 14.4% in the first quarter of fiscal 2022, compared to the first quarter of fiscal 2021. Operating earnings, as a percentage of net sales, remained flat in the first quarter of fiscal 2022, compared to the first quarter of fiscal 2021.

The Energy Systems operating earnings, as a percentage of sales, decreased 430 basis points in the first quarter of fiscal 2022, compared to the first quarter and of fiscal 2021. Lower margin revenue growth, along with higher freight, duties and operating expenses, negatively impacted the performance of this line of business.

The Motive Power operating earnings, as a percentage of sales, increased 470 basis points in the first quarter of fiscal 2022, compared to the first quarter and of fiscal 2021. The strong recovery in organic growth and price increases improved the performance of this line of business.

The Specialty operating earnings, as a percentage of sales, increased 430 basis points in the first quarter of fiscal 2022, compared to the first quarter of fiscal 2021. Solid revenue growth enabled the expansion in Specialty's operating margins.

Interest Expense

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	$ 9.1	1.1 %	$ 10.2	1.4 %	$ (1.1)	(10.4)%

Interest expense of $9.1 million in the first quarter of fiscal 2022 (net of interest income of $0.6 million) was $1.1 million lower than the interest expense of $10.2 million in the first quarter of fiscal 2021 (net of interest income of $0.5 million).

The decrease in interest expense in the first quarter of fiscal 2022 is primarily due to lower borrowing. Our average debt outstanding was $1,033.9 million in the first quarter of fiscal 2022, compared to $1,160.7 million in the first quarter of fiscal 2021.

Included in interest expense are non-cash charges for deferred financing fees of $0.5 million in both the first quarter of fiscal 2022 and in the first quarter of fiscal 2021.

Other (Income) Expense, Net

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	$ (0.5)	— %	$ 1.4	0.2 %	$ (1.9)	NM

NM = not meaningful

Other (income) expense, net in the first quarter of fiscal 2022 was income of $0.5 million compared to expense of $1.4 million in the first quarter of fiscal 2021. Foreign currency impact resulted in a gain of $1.1 million in the first quarter of fiscal 2022, compared to a foreign currency loss of $1.3 million in the first quarter of fiscal 2021.

Earnings Before Income Taxes

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	$ 52.3	6.4 %	$ 41.6	5.9 %	$ 10.7	25.7 %

As a result of the above, earnings before income taxes in the first quarter of fiscal 2022 increased $10.7 million, or 25.7%, compared to the first quarter of fiscal 2021.

Income Tax Expense

	Quarter ended July 4, 2021		Quarter ended July 5, 2020		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense	$ 8.4	1.0 %	$ 6.4	0.9 %	$ 2.0	30.4 %
Effective tax rate	16.0%		15.4%		0.6%	

The Company’s income tax provision consists of federal, state and foreign income taxes. The tax provision for the first quarter of fiscal 2022 and 2021 was based on the estimated effective tax rates applicable for the full years ending March 31, 2022 and

March 31, 2021, 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.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures were effective January 1, 2020. The Company recorded an income tax benefit of $1.9 million during the first quarter of fiscal 2021.

The consolidated effective income tax rates for the first quarter of fiscal 2022 and 2021 were 16.0% and 15.4%, respectively. The rate increase in the first quarter of fiscal 2022 compared to the prior year quarter is primarily due to Swiss tax reform, partially offset by the Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 72% for fiscal 2022 compared to 67% for fiscal 2021. The foreign effective income tax rate for both the first quarter of fiscal 2022 and 2021 was 9%. Income from the Company's Swiss subsidiary comprised a substantial portion of our overall foreign mix of income for both fiscal 2022 and fiscal 2021 and is taxed at an effective income tax rate of approximately 8% and 6%, 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 2021 Annual Report.

Liquidity and Capital Resources

Cash Flow and Financing Activities

Operating activities used cash of $48.1 million in the current quarter of fiscal 2022 compared to $116.6 million of cash generated in the first quarter of fiscal 2021, 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 first quarter of fiscal 2022, primary working capital, net of currency translation changes, resulted in an outflow of funds of $58.2 million. In the first quarter of fiscal 2022, net earnings were $43.9 million, depreciation and amortization $24.4 million, stock-based compensation $3.7 million, non-cash charges relating to exit charges $2.1 million, primarily relating to the Hagen, Germany plant closure, allowance for doubtful debts of $1.0 million and non-cash interest of $0.5 million. Prepaid and other current assets were a use of funds of $15.6 million, primarily from an increase of contract assets of $4.4 million and other prepaid expenses of $11.2 million, such as taxes, insurance and other advances. Accrued expenses were a use of funds of $50.3 million primarily from payroll related accruals of $16.1 million, Hagen severance payments of $11.7 million, selling and other expenses of $8.0 million, interest payment net of accrued interest of $7.4 million, income tax payments of $3.9 million, and other payments of $3.2 million.
In the first quarter of fiscal 2021, cash provided by operating activities of $116.6 million was primarily from a reduction of $67.0 million in our primary working capital, net of currency translation changes. In the first quarter of fiscal 2021, net earnings were $35.2 million, depreciation and amortization $23.7 million, non-cash charges relating to exit charges $0.5 million, stock-based compensation $5.1 million and non-cash interest of $0.5 million. Accrued expenses decreased by $18.6 million primarily for payments of interest of $8.1 million, selling expense accruals of $6.3 million and warranties of $4.1 million. Prepaid and other current assets provided a source of funds of $2.7 million, from the receipt of $15.0 million towards the insurance receivable relating to the Richmond plant claim in fiscal 2020 offset by related accruals of $9.3 million, the receipt of a working capital adjustment claim of $2.0 million, relating to an acquisition made several years ago, partially offset by an increase in contract assets of $5.7 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 $851.5 million (yielding a primary working capital percentage of
26.1 %) at July 4, 2021, $797.9 million (yielding a primary working capital percentage of 24.5%) at March 31, 2021 and $776.6 million at July 5, 2020 (yielding a primary working capital percentage of 27.5%). The primary working capital percentage of 26.1 % at July 4, 2021 is 160 basis points higher than that for March 31, 2021 and 140 basis points lower than that for July 5, 2020. The large increase in primary working capital dollars, compared to the first quarter of fiscal 2021 reflects the increase in revenue in the current quarter as compared to a COVID-19 restricted revenue in the prior year. The increase in primary working

capital dollars compared to March 31, 2021, is primarily due to a seasonal increase in inventory levels and reduced accounts payable.

Primary working capital and primary working capital percentages at July 4, 2021, March 31, 2021 and July 5, 2020 are computed as follows:

($ in Millions)

Balance At	Trade Receivables	Inventory	Accounts Payable	Total	Quarter Revenue Annualized	Primary Working Capital %
July 4, 2021	$ 581.0	$ 563.9	$ (293.4)	$ 851.5	$ 3,259.6	26.1 %
March 31, 2021	603.6	518.2	(323.9)	797.9	3,254.2	24.5
July 5, 2020	509.0	510.6	(243.0)	776.6	2,819.7	27.5

Investing activities used cash of $13.1 million in the first quarter of fiscal 2022 which primarily consisted of capital expenditures of $16.4 million relating to plant improvements. We also received $3.3 million from the sale of our facilities in Europe.

Investing activities used cash of $26.3 million in the first quarter of fiscal 2021 which primarily consisted of capital expenditures relating to plant improvements.

Financing activities provided cash of $10.9 million in the first quarter of fiscal 2022. During the first quarter of fiscal 2022, we borrowed $65.7 million under the Amended 2017 Revolver and repaid $5.7 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was $11.4 million and net borrowings on short-term debt were $5.5 million. Treasury stock open market purchases were $31.5 million, payment of cash dividends to our stockholders were $7.4 million and payment of taxes related to net share settlement of equity awards were $4.8 million. Proceeds from stock options were $0.4 million.

Financing activities provided cash of $39.5 million in the first quarter of fiscal 2021. During the first quarter of fiscal 2021, we borrowed $35.0 million under the Amended 2017 Revolver and repaid $55.0 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was $8.4 million and net payments on short-term debt were $1.0 million. Payment of cash dividends to our stockholders were $7.4 million and payment of taxes related to net share settlement of equity awards were $3.1 million.
Currency translation had a positive impact of $4.8 million and $6.6 million on our cash balance in the first quarter of fiscal 2022 and the first quarter of fiscal 2021, respectively. In the first quarter of fiscal 2022, principal currencies in which we do business such as the Euro, Swiss franc, Polish zloty and British pound generally trended stronger versus the U.S. dollar.

As a result of the above, total cash and cash equivalents decreased by $45.6 million to $406.2 million, in the first quarter of fiscal 2022 compared to an increase by $57.4 million to $384.4 million, in the first quarter of fiscal 2021.

Compliance with Debt Covenants

All obligations under our Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The 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 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 2021 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. On July 15, 2021, the Company entered into a second amendment to its existing Amended Credit Facility that resulted in the extension of the maturity date for the Amended Credit Facility to September 30, 2026, resetting of the principal amortization with respect to the Amended 2017 Term Loan, refinancing the existing term loan, increasing the revolving line of credit limit, and certain other modifications to the existing credit agreement.

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 2021 Annual Report. As of July 4, 2021, we had no significant changes to our contractual obligations table contained in our 2021 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 and foreign exchange forward and purchased option contracts to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs and foreign currency exchange rates. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at July 4, 2021 are $0.2 million (pre-tax). Those contracts that result in an asset position at July 4, 2021 are $4.2 million (pre-tax) and the vast majority of these will settle within one year. The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

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 $4.7 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)
July 4, 2021	$ 48.7	50.0	$ 0.97	9 %
March 31, 2021	50.6	54.5	0.93	10
July 5, 2020	19.3	24.0	0.80	4

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

For the remaining three quarters of this fiscal year, we believe approximately 44% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at July 4, 2021, lead purchased by July 4, 2021 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 $16 million in the first quarter of fiscal 2022.

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.

At July 4, 2021 and July 5, 2020, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately $3.6 million and $1.3 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 2021 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)
April 1 – May 2, 2021	—	$ —	—	$ 89,819,550
May 3 – May 30, 2021	122,955	92.96	89,126	81,468,865
May 31 – July 4, 2021	251,364	96.80	239,882	58,307,065
Total	374,319	$ 95.53	329,008	

(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 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 November 8, 2017, the Company announced the establishment of a $100 million stock repurchase authorization, with no expiration date which has a remaining authorization of $58.3 million as of July 4, 2021. The authorization is in addition to the existing stock repurchase programs.

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).
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/ Michael J. Schmidtlein
Michael J. Schmidtlein
Chief Financial Officer

Date: August 11, 2021

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: August 11, 2021

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, Michael J. Schmidtlein, 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/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: August 11, 2021

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 July 4, 2021, 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/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: August 11, 2021