MSA Announces Record Fourth Quarter Results

Strength in core products drives record quarterly sales and earnings

PITTSBURGH, Feb. 16, 2015 /PRNewswire/ -- Global safety equipment manufacturer MSA Safety Incorporated (NYSE: MSA) today reported results for the fourth quarter and full year of 2014.

Quarterly Highlights

- Revenue was a record\$311 million, up 7 percent from the fourth quarter of 2013. Income from continuing operations was a
 record \$33 million or \$0.88 per basic share. Adjusted earnings were a record\$35 million, or \$0.94 per basic share, increasing 24
 percent.
- Quarterly local currency revenue from core product lines increased 13 percent, driven by strong shipping activity across all core
 product categories.
- Operating margin of 16.4 percent of sales reflects a 220 basis point increase from a year ago.
- Free cash flow was \$47 million or 143 percent of net income, increasing 31 percent compared to the same quarter a year ago.

Annual Highlights

- Revenue was \$1.1 billion, up 2 percent from 2013. Income from continuing operations was\$87 million or \$2.34 per basic share. Adjusted earnings were \$95 million, or \$2.55 per basic share, decreasing 1 percent compared to a year ago.
- Local currency revenue from core product lines increased 8 percent excluding sales of self-contained breathing apparatus (SCBA), which were hampered for most of the year by regulatory delays in the U.S.
- Free cash flow of \$73 million, or 83 percent of net income, helped to fund further reductions in long-term debt and dividend payments to shareholders.

Comments from Management

"Our fourth quarter reflected a very strong finish to what turned out to be a most challenging year," saidWilliam M. Lambert, MSA President and CEO. "In addition to clearing certification hurdles and beginning shipments of our new and revolutionary G1 SCBA to the fire service market, we recognized solid growth in our core products and drove record earnings in the quarter."

Sales of core products represented 74 percent of total revenue in the quarter and increased 13 percent compared to the same period a year ago. "While a higher level of large fixed gas and flame detection orders was a leader of growth in the quarter, we saw strong shipment activity across each of our core product categories," Mr. Lambert said. He also commented on MSA's continued success in introducing innovative new core products, explaining that 36 percent of quarterly core sales were from products developed within the last five years.

"While our fourth quarter results and a robust SCBA backlog certainly provide momentum as we transition into 2015, headwinds associated with weakness in commodity-based end markets, a stronger U.S. dollar and challenging conditions across key emerging markets somewhat temper my optimism moving forward," Mr. Lambert said. "As we conclude our centennial year in business and turn our attention to the next chapter of MSA's story, we will maintain our long-standing commitment to driving profitable growth and increasing shareholder value, even as we navigate through inevitable periods of uncertainty," Mr. Lambert concluded.

MSA Safety Incorporated Condensed Consolidated Statement of Income (Unaudited) (In thousands, except earnings per share)

		onths Ended mber 31,	Twelve Months Ended December 31,			
	2014	2013	2014	2013		
Net sales Other income (loss), net	\$ 311,188 1,779 312,967	\$ 291,429 (1,190) 290,239	\$ 1,133,885 2,765 1,136,650	\$ 1,112,058 (175) 1,111,883		
Cost of products sold Selling, general and administrative Research and development Restructuring and other charges Interest expense Currency exchange losses, net	171,047 77,420 11,643 2,118 2,234 1,151 265,613	161,378 77,109 11,578 1,402 2,526 1,304 255,297	618,536 322,797 48,247 8,515 9,851 1,509 1,009,455	615,213 309,206 45,858 5,344 10,677 5,452 991,750		
Income before income taxes Provision for income taxes	47,354 14,988	34,942 10,470	127,195 41,044	120,133 35,145		

Income from continuing operations	 32,366		24,472		86,151	 84,988
(Loss) income from discontinued operations	(56)		614		1,776	3,061
Net income	32,310	-	25,086		87,927	 88,049
Net loss attributable to noncontrolling						
interests	377		325		579	198
Net income attributable to MSA Safety						
Incorporated	 32,687		25,411		88,506	 88,247
Income from continuing operations	33,119		24,929		87,447	85,858
(Loss) income from discontinued operations	(432)		482		1,059	2,389
Net income attributable to MSA Safety		<u> </u>		<u> </u>		
Incorporated	 32,687		25,411		88,506	 88,247
Earnings Per Share Attributable to MSA Safety Incorporated Basic						
Income from continuing operations	\$ 0.88	\$	0.67	\$	2.34	\$ 2.31
(Loss) income from discontinued operations	\$ (0.01)	\$	0.01	\$	0.03	\$ 0.06
Net income	\$ 0.87	\$	0.68	\$	2.37	\$ 2.37
Diluted						
Income from continuing operations	\$ 0.87	\$	0.66	\$	2.30	\$ 2.28
(Loss) income from discontinued operations	\$ (0.01)	\$	0.01	\$	0.03	\$ 0.06
Net income	\$ 0.86	\$	0.67	\$	2.33	\$ 2.34
Basic shares outstanding	37,216		36,939		37,138	36,868
Diluted shares outstanding	37,786		37,487		37,728	37,450

MSA Safety Incorporated Condensed Consolidated Balance Sheet (Unaudited) (In thousands)

	De	ecember 31, 2014	De	ecember 31, 2013
Current assets				
Cash and cash equivalents	\$	105,998	\$	96,265
Trade receivables, net	*	211,440	*	200,364
Inventories		122,954		136,837
Other current assets		57,477		67,500
Total current assets		497,869		500,966
Total carrent accord		107,000		000,000
Property, net		151,352		152,755
Prepaid pension cost		75,017		121,054
Goodwill		252,520		260,134
Other noncurrent assets		288,034		199,361
Total		1,264,792		1,234,270
Current liabilities				
Notes payable and current portion of long-term debt	\$	6,700	\$	7,500
Accounts payable		70,210		66,902
Other current liabilities		157,147		117,162
Total current liabilities		234,057		191,564
Long-term debt		245,000		260,667
Pensions and other employee benefits		174,598		152,084
Deferred tax liabilities		26,306		49,621
Other noncurrent liabilities		46,198		7,987
Equity		538,633		572,347
Total		1,264,792		1,234,270

	Three Months Ended December 31,			onths Ended mber 31,
	2014	2013	2014	2013
Net income Depreciation and amortization Change in working capital and other operating Cash from operations	\$ 32,310 7,610 16,309 56,229	\$ 25,086 7,372 13,617 46,075	\$ 87,927 29,921 (10,817) 107,031	\$ 88,049 30,764 (8,032) 110,781
Capital expenditures Property disposals Other investing Cash from investing	(9,350) 3,385 (500) (6,465)	(10,303) 27 — (10,276)	(33,583) 3,385 (500) (30,698)	(36,517) 1,360 — (35,157)
Change in debt Cash dividends paid Other financing Cash from financing	(25,634) (11,543) (82) (37,259)	(21,288) (11,300) (2,061) (34,649)	(16,463) (45,586) 3,931 (58,118)	(11,004) (43,994) (3,242) (58,240)
Exchange rate changes	(3,862)	(895)	(8,482)	(3,837)
Increase in cash	8,643	255	9,733	13,547

MSA Safety Incorporated Segment Information (Unaudited) (In thousands)

	Three Months Ended December 31,			Twelve Months Ended December 31,				
		2014		2013	_	2014		2013
Net sales North America Europe International Total	\$	147,592 92,012 71,584 311,188	\$	\$ 130,360 86,579 74,490 291,429		\$ 547,739 321,618 264,528 1,133,885		533,161 293,092 285,805 1,112,058
Net income (loss) North America Europe International Reconciling Items Income from continuing operations (Loss) income from discontinued operations	\$	24,215 9,159 6,194 (6,449) 33,119 (432)	\$	17,373 8,832 6,371 (7,647) 24,929 482	\$	73,874 22,187 15,234 (23,848) 87,447 1,059	\$	62,835 20,204 27,206 (24,387) 85,858 2,389
Total		32,687		25,411		88,506		88,247

MSA's sales are allocated to each country based primarily on the destination of the end-customer. Effective lanuary 1, 2014, the General Monitors business has been fully integrated into MSA. As such, sales made by General Monitors companies now follow a similar allocation methodology by which sales are allocated to each country based on the destination of the end-customer and the value added to that order. In prior years, sales made by General Monitors companies were reported as domestic sales based on the country from which the product was shipped. The 2013 results presented above have been restated to reflect this change in allocation methodology.

MSA Safety Incorporated Supplemental Segment Information (Unaudited) Local Currency Revenue Growth

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Three	Months	Ended	December	· 31.	2014

		,	
Consolidated	North America	Europe	International

Fixed Gas and Flame Detection	24	%	35	%	9	%	18	3 %	,
Fall Protection	19	%	19	%	27	%	20) %	, o
Breathing Apparatus	8	%	28	%	9	%	(22) %	, o
Portable Gas Detection	8	%	(1)	%	8	%	32	2 %	, o
Head Protection	5	%	8	%	25	%	(5) %	,
Core Sales	13	%	 20	%	 10	%	- 2	2 %	, o
Non-Core Sales	8	%	(7)	%	 28	%		l %	,
Net Sales	11	%	 14	%	 15	%	3	3 %	, o

Twelve Months Ended December 31, 2014

	Consolidated		North America		Europe		International		
Fixed Gas and Flame Detection	10	%	11	%	16	%	(7)	%	
Fall Protection	5	%	1	%	29	%	14	%	
Breathing Apparatus	(7)	%	(11)	%	5	%	(17)	%	
Portable Gas Detection	9	%	7	%	3	%	21	%	
Head Protection	5	%	10	%	6	%	(4)	%	
Core Sales	4	%	4	%	9	%	(3)	%	
Non-Core Sales	5	%	(1)	%	13	%	2	%	
Net Sales	4	%	3	%	10	%	(1)	%	

MSA Safety Incorporated Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures Adjusted Earnings / Earnings per Share (Unaudited) (In thousands, except per share amounts)

		Three Months Ended December 31,		Twelve M Dece	- 0/		
	2014	2013	% Change	2014	2013	% Change	
Net income attributable to MSA Safety Incorporated	\$ 32,687	\$ 25,411	28.6%	\$ 88,506	\$ 88,247	0.3%	
Less: (Loss) income from discontinued operations	(432)	482		1,059	2,389		
Income from continuing operations	33,119	24,929	32.9%	87,447	85,858	1.9%	
Restructuring charges	2,118	1,402		8,515	5,344		
Self-insured legal settlements and defense costs	1,607	317		3,893	1,697		
Currency exchange losses, net	1,151	1,304		1,509	5,452		
Asset related (gains) / losses	(1,731)	1,557		(2,116)	957		
Income tax (expense)	(997)	(1,374)		(3,812)	(3,941)		
Adjusted earnings	35,267	28,135	25.3%	95,436	95,367	0.1%	
Adjusted earnings per basic share	\$ 0.94	\$ 0.76	23.7%	\$ 2.55	\$ 2.57	(0.8)%	

Management believes that adjusted earnings and adjusted earnings per share are useful measures for investors when analyzing ongoing operating trends. There can be no assurances that additional special items will not occur in future periods, nor that MSA's definition of adjusted earnings is consistent with that of other companies. As such, management believes that it is appropriate to consider both net income determined on a GAAP basis as well as adjusted earnings.

MSA Safety Incorporated Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures Free Cash Flow (Unaudited) (In thousands)

		nths Ended nber 31,		onths Ended onber 31,
	2014	2013	2014	2013
Cash from operations Capital expenditures	\$ 56,229 (9,350)	\$ 46,075 (10,303)	\$ 107,031 (33,583)	\$ 110,781 (36,517)
Free cash flow	46,879	35,772	73,448	74,264

Management believes that free cash flow is a meaningful measure for investors, as management reviews cash from operations after deducting capital expenditures because these expenditures are necessary to promote growth of MSA's business and are likely to produce cash from operations in future periods. It is important to note that free cash flow does not reflect the residual cash balance of the company for discretionary spending since other items, including debt and dividend payments, are deducted from free cash flow before arriving at the company's ending cash balance.

About MSA:

Established in 1914, MSA Safety Incorporated is the global leader in the development, manufacture and supply of safety products that protect people and facility infrastructures. Many MSA products integrate a combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life-threatening situations. The company's comprehensive line of products is used by workers around the world in a broad range of markets, including the oil, gas and petrochemical industry, the fire service, the construction industry, mining, and the military. The company's core products include self-contained breathing apparatus, fixed gas and flame detection systems, portable gas detection instruments, head protection products and fall protection devices. With 2014 revenues of \$1.1 billion, MSA employs approximately 5,000 people worldwide. The company is headquartered north of Pittsburgh in Cranberry Township, Pa., and has manufacturing operations in the United States, Europe, Asia and Latin America. With more than 40 international locations, MSA realizes approximately half of its revenue from outside North America. For more information, visit MSA's website at www.MSAsafety.com.

Cautionary Statement Regarding Forward-Looking Statements:

Except for historical information, certain matters discussed in this press release may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to all projections and anticipated levels of future performance. Forward looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Any number of factors could cause actual results to differ materially from projections or forward looking statements, including without limitation global economic conditions, spending patterns of government agencies, competitive pressures, product liability claims, the success of new product introductions, foreign exchange rate fluctuations and the risks of doing business in foreign countries. A full listing of these risks, uncertainties and other factors are detailed from time-to-time in our filings with the United States Securities and Exchange Commission ("SEC"), including our most recent Form 10-K filed on February 24, 2014. You are strongly urged to review all such filings for a more detailed discussion of such risks and uncertainties. MSA's SEC filings are readily obtainable at no charge at www.sec.gov, as well as on its own investor relations website at http://investors.MSAsafety.com. MSA undertakes no duty to publicly update any forward looking statements contained herein, except as required by law.

Non-GAAP Financial Measures:

This earnings release includes certain non-GAAP financial measures. These financial measures include adjusted earnings, adjusted earnings per basic share and free cash flow. The presentation of these financial measures does not comply with U.S. generally accepted accounting principles ("GAAP"). For an explanation of these measures, together with a reconciliation to the most directly comparable GAAP financial measure, see the Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures in the financial tables section above.

To view the original version on PR Newswire, visit http://www.prnewswire.com/news-releases/msa-announces-record-fourth-quarter-results-300036682.html

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