MSA Announces Third Quarter Results

Breathing Apparatus sales up more than 80 percent on strong fire service demand for new G1 Model, helping offset weakness in other end markets

PITTSBURGH, Oct. 21, 2015 / PRNewswire / -- Global safety equipment manufacturer MSA Safety Incorporated (NYSE: MSA) today reported results for the third quarter of 2015.

Quarterly Highlights

- Reported revenue was \$274 million, up 8 percent on a local currency basis from the third quarter of 2014 but down 1 percent on a reported basis, reflecting a 9 percent currency headwind associated with the stronger U.S. dollar. Income from continuing operations was\$16 million, or \$0.41 per diluted share. Adjusted earnings were\$22 million, or \$0.59 per diluted share, increasing 4 percent from the third quarter of 2014.
- Local currency sales of self-contained breathing apparatus (SCBA) increased 83 percent globally, driven by strong demand for the company's new G1 model within the North American fire service market. Global SCBA backlog at the end of the quarter was \$68 million, compared to \$77 million at the end of the second quarter of 2015.
- Local currency sales of MSA core products increased 13 percent in the quarter, with strong performance in SCBA and fire
 helmets, offset by a lower level of fixed gas and flame detection (FGFD) shipments and continued weakness in the sale of
 portable gas detection and industrial head protection, both of which are more exposed to employment levels within the
 energy market.
- In response to challenging business conditions and weak outlooks in the energy market and key emerging geographies like Brazil and China, the company is executing a restructuring program to reduce operating costs. Restructuring investments are expected to total \$4 to \$6 million in the fourth quarter of 2015, resulting in approximately\$10 million of cost savings in 2016.
- R&D investments in new products are generating strong returns, as products developed and launched over the last five years represented 44 percent of quarterly core product revenue, compared to 36 percent from a year ago.
- Earlier today, the company closed on its acquisition of U.K. based Latchways plc, a market leader in permanent engineered fall protection solutions. The transaction doubles MSA's market share in fall protection, which represents one of the largest and fastest growing segments of the global safety market.

Comments from Management

"The third quarter presented us with several challenges, including a stronger U.S. dollar, softer business conditions in emerging markets, and continued weakness in the energy market. Despite these headwinds, the results we continue to see in the fire service market provide a sense of optimism in an otherwise challenging macro environment," said William M. Lambert, MSA Chairman, President and CEO. He noted that the company's revolutionary new G1 SCBA platform continues to generate significant interest among the fire service community and was a key driver of guarterly core product growth of 13 percent.

"Although we continue to see solid results in the fire service, we are actively taking steps to reduce our cost structure to mitigate the weakness we see in the energy sector and certain emerging markets," Mr. Lambert said. He explained that the company has started executing a restructuring program that is expected to generate \$10 million of cost savings in 2016.

"The impacts of lower commodity prices, economic challenges in emerging markets like Brazil and China, and continued weakness of foreign currencies are all challenges we foresee lasting into 2016," Mr. Lambert said.

"While we are taking steps to reduce our cost structure, we certainly recognize the importance of investing for growth and advancing the core areas of our business. That commitment, and the R&D investments we've made over the past several years, are what's driving the strong returns we're seeing in the fire service, and on the inorganic side we recently completed a strategic acquisition in a very attractive market," he said. "Overall, we are taking decisive action to mitigate risk in response to this challenging business cycle, but we continue to make key growth investments that have and will continue to generate long-term value for all of our stakeholders," he concluded.

		nths Ended mber 30,	Nine Mont Septem	ths Ended aber 30,
	2015	2014	2015	2014
Net sales Other income, net	\$ 273,746 431	\$ 275,159 585	\$ 817,465 1,166	\$ 822,697 986
	274,177	275,744	818,631	823,683
Cost of products sold Selling, general and administrative Research and development Restructuring and other charges	153,965 72,727 12,532 3,740	151,436 77,301 13,420 3,640	450,372 231,683 36,430 4,698	447,489 245,377 36,604 6,397
Interest expense	2,827	2,493	7,802	7,617
Currency exchange losses, net	4,327	315	3,336	358
	250,118	248,605	734,321	743,842
Income from continuing operations before income taxes	24,059	27,139	84,310	79,841
Provision for income taxes	8,935	8,699	36,669	26,056
Income from continuing operations	15,124	18,440	47,641	53,785
Income from discontinued operations	462	765	1,240	1,832
Net income Net loss attributable to noncontrolling interests	15,586 390	19,205 100	48,881 1,075	55,617 202
Net income attributable to MSA Safety Incorporated	15,976	19,305	49,956	55,819
Amounts attributable to MSA Safety Incorporated common shareholders:				
Income from continuing operations Income from discontinued operations	15,712 264	18,674 631	48,750 1,206	54,328 1,491
Net income	15,976	19,305	49,956	55,819
Earnings per share attributable to MSA Safety Incorporated common shareholders: Basic	00.40	#0.F0	01.00	04.45
Income from continuing operations Income from discontinued operations	\$0.42 \$0.01	\$0.50 \$0.02	\$1.30 \$0.03	\$1.45 \$0.04
Net income	\$0.43	\$0.52	\$1.33	\$1.49
Diluted Income from continuing operations Income from discontinued operations Net income	\$0.41 \$0.01 \$0.42	\$0.49 \$0.02 \$0.51	\$1.29 \$0.03 \$1.32	\$1.43 \$0.04 \$1.47
Basic shares outstanding Diluted shares outstanding	37,252 37,709	37,187 37,784	37,301 37,776	37,111 37,708

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

	Septe 2015	mber 30,	Dece 2014	mber 31,
Assets				
Cash and cash equivalents	\$	189,343	\$	105,998
Trade receivables, net		211,709		211,440
Inventories		150,125		122,954
Other current assets		69,407		57,477
Total current assets		620,584	_	497,869

Property, net	144,805	151,352
Prepaid pension cost	82,011	75,017
Goodwill	248,319	252,520
Other noncurrent assets	281,248	288,034
Total assets	1,376,967	1,264,792
Liabilities and shareholders' equity		
Notes payable and current portion of long-term		
debt	\$ 6,806	\$ 6,700
Accounts payable	68,798	70,210
Other current liabilities	175,664	157,147
Total current liabilities	251,268	 234,057
Long-term debt	388,000	245,000
Pensions and other employee benefits	167,151	174,598
Deferred tax liabilities	29,410	26,306
Other noncurrent liabilities	16,235	46,198
Total shareholders' equity	524,903	538,633
Total liabilities and shareholders' equity	 1,376,967	 1,264,792

MSA Safety Incorporated Condensed Consolidated Statement of Cash Flows (Unaudited) (In thousands)

	Three Mon Septem		Nine Mont Septem	
	2015 2014		2015	2014
Net income Depreciation and amortization Change in working capital and other operating Cash from operations	\$ 15,586 6,982 (20,451) 2,117	\$ 19,205 7,196 9,091 35,492	\$ 48,881 22,646 (61,697) 9,830	\$ 55,617 22,311 (27,126) 50,802
Capital expenditures Property disposals Cash from investing	(9,133) — (9,133)	(9,705) ————————————————————————————————————	(25,148) 7,969 (17,179)	(24,233) ———————————————————————————————————
Cash dividends paid Change in debt Share repurchase program Other financing Cash from financing	(11,926) 125,138 — (136) 113,076	(11,542) (11,012) — 1,938 — (20,616)	(35,448) 143,142 (7,104) (391) 100,199	(34,043) 9,171 — 4,013 (20,859)
Exchange rate changes	(4,851)	(3,999)	(9,505)	(4,620)
Increase in cash	101,209	1,172	83,345	1,090

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

Three Mont	ths Ended	Nine Months Ended				
Septem	ber 30,	Septem	nber 30,			
2015	2014	2015	2014			

Net sales North America Europe International Total	\$ 156,141 62,489 55,116 273,746	\$	131,844 75,785 67,530 275,159	\$	445,898 203,819 167,748 817,465	\$ 400,147 229,606 192,944 822,697
Net income (loss)						
North America	\$ 25,225	\$	18,324	\$	61,909	\$ 51,991
Europe	(837)		2,575		1,322	12,807
International	2,275		3,807		8,926	11,570
Corporate	(10,357)		(6,500)		(22,849)	(21,859)
Reconciling Items	(594)		468		(558)	(181)
Income from continuing operations	 15,712	_	18,674	_	48,750	 54,328
Income from discontinued operations	264		631		1,206	1,491
Total	15,976		19,305		49,956	 55,819

The Corporate segment was established on January 1, 2015 to reflect the activities of centralized functions in our corporate headquarters and to capture results in a manner that the chief operating decision maker reviews. The corporate segment primarily consists of administrative expenses and centrally-managed costs such as interest expense and foreign exchange gains or losses. Additionally, effective January 1, 2015, we changed the allocation methodology applied to Research and Development expense. The 2014 segment results have been recast to conform with current period presentation.

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

Three Months Ended September 30, 2015

	Three Month's Ended September 30, 2013								
	Consolidated		North America		Europe		International		
Breathing Apparatus	83	%	163	%	5	%	48	%	
Fire and Rescue Helmets	32	%	21	%	21	%	82	%	
Fall Protection	(2)	%	(1)	%	75	%	(4)	%	
Industrial Head Protection Fixed Gas and Flame	(8)	%	(10)	%	21	%	(10)	%	
Detection	(9)	%	(4)	%	(7)	%	(26)	%	
Portable Gas Detection	(13)	%	(15)	%	(17)	%	(2)	%	
Core Sales	13	%	25	%	(1)	%	3	%	
Non-Core Sales	(11)	%	(5)	%	(11)	%	(18)	%	
Net Sales	8	%	20	%	(4)	%	(3)	%	

Nine Months Ended September 30, 2015

	Consolidated		North Ar	North America		Europe		International	
Breathing Apparatus	50	%	105	%	3	%	9	%	
Fire and Rescue Helmets	18	%	7	%	4	%	89	%	
Fall Protection	2	%	3	%	23	%	(3)	%	
Industrial Head Protection Fixed Gas and Flame	(8)	%	(9)	%	20	%	(13)	%	
Detection	2	%	3	%	_	%	4	%	
Portable Gas Detection	(7)	%	(17)	%	6	%	9	%	
Core Sales	10	%	16	%	3	%	4	%	
Non-Core Sales	(2)	%	(4)	%	12	%	(14)	%	
Net Sales	8	%	13	%	5	%	(1)	%	

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

	Three Months Ended September 30,			Nine Mo Septe	_	
	2015	2014	% Change	2015	2014	% Change
Income from continuing operations attributable to MSA Safety Incorporated Nonrecurring tax charges	15,712	18,674	(15.9)%	48,750	54,328	(10.3)%
associated with European reorganization Non-deductible transaction costs associated with	_	_		7,605	_	
Latchways acquisition	707		_	707	<u> </u>	_
Income from continuing operations excluding non-						
deductible charges	16,419	18,674	(12.1)%	57,062	54,328	5.0%
Currency exchange losses, net Restructuring and other charges	4,327 3,740	315 3,640		3,336 4,698	358 6,397	
Self-insured legal settlements and defense costs	708	29		1,050	2,286	
Asset related losses, net	206	_		538		
Income tax expense on adjustments	(3,287)	(1,279)		(3,300)	(2,950)	
Adjusted earnings	22,113	21,379	3.4%	63,384	60,419	4.9%
Adjusted earnings per diluted share	\$ 0.59	\$ 0.57	3.5%	\$ 1.68	\$ 1.60	5.0%

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.

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, industrial head protection, fire and rescue helmets and fall protection devices. With 2014 revenues of \$1.1 billion, MSA employs approximately 4,600 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, the impact of acquisitions and related integration activities, product liability claims, the success of new product introductions, currency 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 25, 2015. 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 https://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 and adjusted earnings per diluted share. 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-third-quarter-results-300164330.html

SOURCE MSA

For further information: Media Relations Contact: Mark Deasy (724) 741 - 8570, or Investor Relations Contact: Kenneth Krause (724) 741 - 8534

https://news.msasafety.com/2015-10-21-MSA-Announces-Third-Quarter-Results,1