# **MSA Announces Second Quarter Results**

Quarterly GAAP earnings include a charge related to recent product liability settlements and estimated indemnity on all asserted cumulative trauma product liability claims, which did not have a cash impact in the quarter; Adjusted earnings were \$33 million, growing 10 percent on continued product margin expansion and a streamlined cost structure

PITTSBURGH , Aug. 3, 2017 / PRNewswire / -- Global safety equipment manufacturer MSA Safety Incorporated (NYSE: MSA) today reported results for the second quarter of 2017.

### **Quarterly Highlights**

- Reported revenue was \$289 million, decreasing 2 percent from a year ago on both a reported and constant currency basis.
- GAAP earnings from continuing operations were \$13 million or \$0.32 per diluted share, compared to \$29 million or \$0.77 per diluted share in the same period a year ago. The decline in GAAP earnings is fully attributable to a \$30 million pre-tax charge related to product liability settlements and an increased reserve reflecting all asserted cumulative trauma product liability claims. This charge did not have a cash impact in the second quarter.
- Adjusted earnings were \$33 million or \$0.85 per diluted share, compared to \$30 million or \$0.79 per diluted share a year ago.
- The company recently completed its acquisition of Globe Manufacturing Company in an all-cash transaction valued a\\$21\tilde{5}\$ million. The transaction is expected to be accretive to GAAP earnings by \\$0.10 \\$0.15 per share and accretive to adjusted earnings by \\$0.20 \\$0.25 per share in the first 12 months of ownership.
- Cash flow from operating activities was\$50 million, compared to \$24 million in the same period a year ago. The company continues to make progress collecting its insurance receivable, and received \$22 million during the quarter from its insurance carriers, bringing total year-to-date collections to\$110 million.

## Cumulative Trauma Product Liability Charge

The company increased its cumulative trauma product liability reserve by\$84 million in the second quarter related to recent product liability settlements and estimated indemnity for all asserted cumulative trauma claims, bringing the total reserve to \$93 million. The company's quarterly GAAP results include a\$30 million, or \$21 million after tax (\$0.53 per diluted share) charge, which reflects the increase to the reserve, net of expected insurance collections.

- Approximately \$75 million of the increase to the reserve relates to product liability settlements reached irAugust 2017. The company will pay \$25 million towards these settlements in the second half of 2017, with the balance expected to be paid ratably over seven quarters beginning in the first quarter of 2018 and ending in the third quarter of 2019. The settlements enable the company to gain more certainty around its cash flow position in the coming years while reducing future exposure related to cumulative trauma claims. As a result of these settlements, the company is now largely self-insured for cumulative trauma claims.
- The remaining increase to the reserve reflects estimated indemnity for all other asserted cumulative trauma product liability claims.
- The liability is related to legacy products designed, manufactured and sold many years ago. These products are not currently sold by the company.
- The cash impact associated with payments for cumulative trauma product liability claims has been reflected in the company's operating cash flow since 2005, without the benefit of inflows from insurance proceeds in most of those years. Due to the recent success in collecting disputed available insurance, the company expects to have cash flow streams from past and future settlements to fund this liability without a material impact on its current capital allocation priorities.

# Comments from Management

"The charge to our GAAP earnings, which did not have a cash impact in the quarter, relates to product liability settlements and estimated indemnity on all asserted cumulative trauma product liability claims. For more than a decade, we have funded product liability settlements from operating cash flow, without the benefit of inflows from insurance proceeds. In the past year, we have made great progress collecting insurance proceeds and establishing cash flow streams for the future, which will allow us to fund this liability without a material impact on our current capital allocation priorities," said William M. Lambert, MSA Chairman and CEO.

"Our second quarter operating results reflect our ongoing focus on streamlining MSA's cost structure, expanding product margins, and generating higher levels of cash flow," Mr. Lambert continued. "Most notably, we were able to improve gross profit by 40 basis points and drive 10 percent adjusted earnings growth in the quarter."

Mr. Lambert noted that revenue driven by short-cycle industrial products, including hard hats and fall protection equipment, continued to gain momentum in the quarter. "In particular, our previous investments in R&D and acquisitions have enabled us to capitalize on stronger market conditions to drive double-digit revenue growth in each of these areas." Mr. Lambert added that sales of hard hats, which increased 15 percent in the quarter, were supported by the company's market leading Fas-Trac® III Suspension and its ability to offer customers best-in-class customization options. He also commented that the company's 16 percent quarterly growth in fall protection was driven largely by Latchways, the UK-based fall protection manufacturer MSA acquired in 2015.

"We have a strong history of using our balance sheet to complete acquisitions, like Latchways and General Monitors, that drive shareholder value," Mr. Lambert said. "Similarly, our recently completed acquisition of Globe is an excellent strategic and financial fit, helping us continue to enhance our market leadership position in the U.S. fire service. Going forward, we remain focused on managing our cost structure while strategically deploying capital for investments that will continue to drive profitable growth and market share gains," Mr. Lambert concluded.

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

	Three Months	s Ended June 30,	Six Months	Ended June 30,	
	2017	2016	2017	2016	
Net sales Cost of products sold Gross profit	\$ 288,775 155,170 133,605	\$ 295,998 160,143 135,855	\$ 554,540 301,213 253,327	\$ 575,266 318,706 256,560	
Selling, general and administrative	73,943	75,716	149,926	154,911	

Research and development Restructuring charges Currency exchange losses (gains), net Other operating expense <sup>(a)</sup> Operating income	11,933 967 2,851 29,610 14,301	11,144 1,338 (242) ———————————————————————————————————	22,931 13,706 3,431 29,610 33,723	21,507 1,808 1,708 ————————————————————————————————————
Interest expense Other income, net Total other expense, net	3,014	4,201	6,605	8,103
	(425)	(775)	(1,080)	(1,663)
	2,589	3,426	5,525	6,440
Income from continuing operations before income taxes (Benefit) provision for income taxes Income from continuing operations Income from discontinued operations Net income Net income attributable to noncontrolling interests Net income attributable to MSA Safety Incorporated	11,712 (902) 12,614 ————————————————————————————————————	44,473 15,026 29,447 2,484 31,931 (848) 31,083	28,198 894 27,304 — 27,304 (359) 26,945	70,186 27,537 42,649 1,355 44,004 (1,170) 42,834
Amounts attributable to MSA Safety Incorporated common shareholders: Income from continuing operations Income from discontinued operations Net income  Earnings per share attributable to MSA Safety Incorporated common shareholders:	12,532 — — — — — — — — — — —	29,306 1,777 31,083	26,945 — 26,945	41,989 845 42,834
Basic Income from continuing operations Income from discontinued operations Net income	\$ 0.33	\$ 0.78	\$ 0.71	\$ 1.12
	\$ —	\$ 0.05	\$ —	\$ 0.02
	\$ 0.33	\$ 0.83	\$ 0.71	\$ 1.14
Diluted Income from continuing operations Income from discontinued operations Net income	\$ 0.32	\$ 0.77	\$ 0.70	\$ 1.11
	\$ —	\$ 0.05	\$ —	\$ 0.02
	\$ 0.32	\$ 0.82	\$ 0.70	\$ 1.13
Basic shares outstanding Diluted shares outstanding	38,065	37,411	37,914	37,368
	38,780	37,860	38,685	37,807

a) Represents a charge related to product liability settlements reached in August 2017 and estimated indemnity for all other asserted cumulative trauma product liability claims. See further description under *Cumulative Trauma Product Liability Charge* section of Press Release narrative.

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

Assats	June 30, 2017	De	ecember 31, 2016
Assets Cash and cash equivalents Trade receivables, net Inventories Notes receivable, insurance companies Other current assets Total current assets	\$ 115,361 219,491 130,613 14,161 72,531 552,157	\$	113,759 209,514 103,066 4,180 42,287 472,806
Property, net Prepaid pension cost Goodwill Notes receivable, insurance companies, noncurrent Insurance receivable, noncurrent Other noncurrent assets Total assets	143,884 56,519 341,925 63,833 81,111 122,607 \$ 1,362,036	\$	148,678 62,916 333,276 63,147 157,929 115,168 1,353,920
Liabilities and shareholders' equity Notes payable and current portion of long-term debt, net Accounts payable Other current liabilities Total current liabilities	\$ 26,827 65,392 163,123 255,342	\$	26,666 62,734 132,010 221,410
Long-term debt, net Pensions and other employee benefits Deferred tax liabilities Other noncurrent liabilities Total shareholders' equity	242,679 166,672 36,176 59,571 601,596		363,836 157,927 34,044 15,491 561,212

Corporate

Consolidated

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

		onths Ended ne 30,		ths Ended ne 30,
	2017	2016	2017	2016
Net income Depreciation and amortization Change in working capital and other operating Cash flow from operating activities	\$ 12,614 8,984 28,294 49,892	\$ 31,931 8,576 (16,979) 23,528	\$ 27,304 17,736 101,242 146,282	\$ 44,004 17,732 (49,214) 12,522
Capital expenditures Property disposals and other investing Cash flow (used in) from investing activities	(4,685) 512 (4,173)	(4,776) 1,257 (3,519)	(6,127) 677 (5,450)	(10,595) 16,965 6,370
Change in debt Cash dividends paid Other financing Cash flow (used in) financing activities	(28,203) (13,369) 5,098 (36,474)	(17,009) (12,348) 1,605 (27,752)	(124,640) (25,824) 7,944 (142,520)	(3,376) (24,284) 3,161 (24,499)
Effect of exchange rate changes on cash and cash equivalents	1,689	(1,009)	3,290	2,831
Increase (decrease) in cash and cash equivalents	10,934	(8,752)	1,602	(2,776)

International

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

Three months ended June 30, 2017 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Other operating expense Adjusted operating income (loss) Adjusted operating margin %	\$ 174,960 45,528 26.0	%	\$ 113,815 10,970 9.6 %	(8,769)	\$	288,775 14,301 5.0 % 967 2,851 29,610 47,729 16.5 %
Six Months Ended June 30, 2017 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Other operating expense Adjusted operating income (loss)	\$ 341,528 83,634		\$ 213,012	(20,778)	\$	554,540 33,723 6.1 % 13,706 3,431 29,610 80,470
Adjusted operating margin %	24.5 Americas	%	8.3 % International	Corporate	(	14.5 % Consolidated
Three months ended June 30, 2016 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange (gains), net Other operating expense	\$ 177,623		\$ 118,375	_	\$	295,998 47,899 16.2 % 1,338 (242)
Adjusted operating income (loss) Adjusted operating margin %	44,671 25.1	%	12,741 10.8 %	(8,417)	\$	48,995 16.6 %
Six Months Ended June 30, 2016 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net	\$ 344,965		\$ 230,301	-	\$	575,266 76,626 13.3 % 1,808 1,708

Americas

The Americas and International segments were established on January 1, 2016. The Americas segment is comprised of our operations in the U.S., Canada and Latin America. The International segment is comprised of our operations in all other parts of the world including Europe, Africa, the Middle East, India, China, South East Asia and Australia. Certain global expenses are allocated to each segment in a manner consistent with where the benefits from the expenses are derived.

Adjusted operating income (loss) and adjusted operating margin are the measures used by the chief operating decision maker to evaluate segment performance and allocate resources. As such, management believes that adjusted operating income (loss) and adjusted operating margin are useful metrics for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring, currency exchange gains (losses) and other operating expense. Adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. Adjusted operating income (loss) and adjusted operating margin are not recognized terms under GAAP and therefore do not purport to be alternatives to operating income or operating margin as a measure of operating performance. The Company's definition of adjusted operating income (loss) and adjusted operating margin may not be comparable to similarly titled measures of other companies. As such, management believes that it is appropriate to consider operating income determined on a GAAP basis in addition to these non-GAAP measures.

### MSA Safety Incorporated

Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures Constant currency revenue growth (Unaudited)

### Consolidated

Throo	Montho	Ended.	luna	$^{\circ}$	2017
THIER I	VIOLILIS	riidea.	HHH	.7().	/////

Six Months Ended June 30, 2017

	Breath Appara	•	Fire an Rescu Helmet	Э	Industrial Head Protection	Portable Ga		Fixed Gas and Flame Detection	Fall Protection	Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change Plus: Currency	(12)	%	(4)	%	15 %	(8)	%	10 %	11 %	— %	(12) %	(2) %
translation effects	_	%	1 %	, o	— %	— %		1 %	5 %	— %	_ %	_ %
Constant currency sales change	(12)	%	(3)	%	15 %	(8)	%	11 %	16 %	— %	(12) %	(2) %

							SIX IVIOI	ILIIS EIIU	ed Julie 30,	2017								
	Breath Appara	0	Fire ar Rescu Helme	e	Industria Prote		Portabl Detec		Fixed Ga Flame De		Fa Prote		Co Sal	-	Nor Cor Sale	e	N Sa	
GAAP reported sales change Plus: Currency	(12)	%	(1)	%	17	%	1	%	_	%	(1)	%	(2)	%	(11)	%	(4)	%
translation effects		%	2 9	%	(1)	%	_	%	1	%	5	%	1	%	(1)	%	1	%
Constant currency sales change	(12)	%	1 9	%	16	%	1	%	1	%	4	%	(1)	%	(12)	%	(3)	%

Management believes that constant currency revenue growth is a useful metric for investors, as foreign currency translation can have a material impact on revenue growth trends. Constant currency revenue growth highlights ongoing business performance excluding the impact of fluctuating foreign currencies, which is outside of management's control.

There can be no assurances that MSA's definition of constant currency revenue growth is consistent with that of other companies. As such, management believes that it is appropriate to consider revenue growth determined on a GAAP basis in addition to this non-GAAP financial measure.

# MSA Safety Incorporated

Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures Constant currency revenue growth (Unaudited)

#### Americas Segment

Throo	Months	Endod	luna	JΩ	2017
111166	IVIUITILIS	LIIUEU	Julie	JU,	2017

•	Breathing Apparatus	Fire and Rescue Helmets	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Core Protection Sales	Non- Core Sales	Net Sales
GAAP reported sales change Plus: Currency	(16) %	(5) %	15 %	4 %	2 %	31 % — %	(9) %	(1) %
translation effects	— %	— %	(1) %	(1) %	— %	1 % — %	%	(1) %
Constant currency sales change	(16) %	(5) %	14 %	3 %	2 %	32 % — %	(9) %	(2) %

### Six Months Ended June 30, 2017

•	Breathing Apparatus	Fire and Rescue Helmets		Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Protection	Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change Plus: Currency	(12)	% (5)	%	16 %	11 %	(5) %	22 %	- %	(6) %	(1) %
translation effects	— %	— %		(2) %	(1) %	1 %	1 %	— %	(1) %	_ %
Constant currency sales change	(12)	<b>%</b> (5)	%	14 %	10 %	(4) %	23 %	— %	(7) %	(1) %

Management believes that constant currency revenue growth is a useful metric for investors, as foreign currency translation can have a material impact on revenue growth trends. Constant currency revenue growth highlights ongoing business performance excluding the impact of fluctuating foreign currencies, which is outside of management's control.

There can be no assurances that MSA's definition of constant currency revenue growth is consistent with that of other companies. As such, management believes that it is appropriate to consider revenue growth determined on a GAAP basis in addition to this non-GAAP financial measure.

### MSA Safety Incorporated

Reconciliation of As Reported Financial Measures to Non-GAAP Financial Measures Constant currency revenue growth (Unaudited)

International Segment

			-	Three Months End	ed June 30, 2017			
CAAD	Breathing Apparatus	Fire and Rescue Helmets	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Core Protection Sales	Non- Core Sales	Net Sales
GAAP reported sales change Plus: Currency	(5) %	(4) %	16 %	(25) %	20 %	(8) % (1) %	(16) %	(4) %
translation effects	1 %	2 %	1 %	1 %	1 %	9 % 2 %	— %	2 %
Constant currency sales change	(4) %	(2) %	17 %	(24) %	21 %	1 % 1 %	(16) %	(2) %
				Six Months Ende	d June 30, 2017			
	Breathing Apparatus	Fire and Rescue Helmets	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Core Protection Sales	Non- Core Sales	Net Sales
GAAP reported sales change Plus: Currency	(12) %	3 %	20 %	(14) %	6 %	(19) % (5) %	(17) %	(8) %
translation effects Constant currency	1 %	2 %	1 %	1 %	2 %	8 % 3 %	1 %	3 %

Management believes that constant currency revenue growth is a useful metric for investors, as foreign currency translation can have a material impact on revenue growth trends. Constant currency revenue growth highlights ongoing business performance excluding the impact of fluctuating foreign currencies, which is outside of management's control.

(13)

8 %

21

There can be no assurances that MSA's definition of constant currency revenue growth is consistent with that of other companies. As such, management believes that it is appropriate to consider revenue growth determined on a GAAP basis in addition to this non-GAAP financial measure.

# MSA Safety Incorporated

sales change

Supplemental Segment Information (Unaudited)

Summary of constant currency revenue growth by segment and product group

	Three Months Ended June 30, 2017						
	Consoli	dated	Americas		International		
Fall Protection	16	%	32	%	1	%	
Industrial Head Protection	15	%	14	%	17	%	
Fixed Gas and Flame							
Detection	11	%	2	%	21	%	
Fire and Rescue Helmets	(3)	%	(5)	%	(2)	%	
Portable Gas Detection	(8)	%	3	%	(24)	%	
Breathing Apparatus	(12)	%	(16)	%	(4)	%	
Core Sales	` _	%	· —	%	ìí	%	
Non-Core Sales	(12)	%	(9)	%	(16)	%	
Net Sales	(2)	%	(2)	%	(2)	%	

	Six Months Ended June 30, 2017						
	Consoli	dated	Amer	icas	International		
Fall Protection	4	%	23	%	(11)	%	
Industrial Head Protection	16	%	14	%	21	%	
Fixed Gas and Flame							
Detection	1	%	(4)	%	8	%	
Fire and Rescue Helmets	1	%	(5)	%	5	%	
Portable Gas Detection		0/	10	0/	(40)	0/	
B	1 (4.0)	%	10	%	(13)	%	
Breathing Apparatus	(12)	%	(12)	%	(11)	%	
Core Sales	(1)	%	_	%	(2)	%	
Non-Core Sales	(12)	%	(7)	%	(16)	%	
Net Sales	(3)	%	(1)	%	(5)	%	

Oir Manda Fradad Irra 00 0017

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

	Three Months	s Ended June 30,	0/	Six Months	-	
	2017	2016	% Change	2017	2016	% Change
Income from continuing operations attributable to MSA Safety Inc. Tax (benefit) associated with ASU 2016-09: Improvements to employee share-based payment	\$ 12,532	\$ 29,306	(57)%	\$ 26,945	\$ 41,989	(36)%
accounting	(4,030)	_		(6,812)	_	
Tax charges associated with European reorganization	_	_		_	3,600	
Subtotal	8,502	29,306	(71)%	20,133	45,589	(56)%
Self-insured legal settlements and defense costs <sup>(a)</sup>	29,653	275		29,685	295	
Currency exchange losses (gains), net Strategic transaction costs	2,851 1,642	(242)		3,431 2,979	1,708 511	
Restructuring charges	967	1,338		13,706	1,808	
Asset related losses (gains), net	137	(216)		169	(559)	
Income tax expense on adjustments	(10,681)	(390)		(14,769)	(1,295)	
Adjusted earnings	33,071	30,071	10%	55,334	48,057	15%
Adjusted earnings per diluted share	\$ 0.85	\$ 0.79	8%	\$ 1.43	\$ 1.27	13%

<sup>(</sup>a) Represents a charge related to product liability settlements reached in August 2017 and estimated indemnity for all other asserted cumulative trauma product liability claims. See further description under *Cumulative Trauma Product Liability Charge* section of Press Release narrative.

Management believes that adjusted earnings and adjusted earnings per diluted share are useful measures for investors, as management uses these measures to internally assess the company's performance and 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 product line 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. MSA's core products include self-contained breathing apparatus, fixed gas and flame detection systems, portable gas detection instruments, industrial head protection products, fire and rescue helmets, and fall protection devices. With 2016 revenues of \$1.15 billion, MSA employs approximately 4,300 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 web site at <a href="https://www.MSAsafety.com">www.MSAsafety.com</a>.

### 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 28, 2017. 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 <a href="http://investors.MSAsafety.com">www.sec.gov</a>, as well as on its own investor relations website at <a href="http://investors.MSAsafety.com">http://investors.MSAsafety.com</a>. 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 constant currency revenue growth, adjusted operating income, adjusted operating margin, 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.

View original content with multimedia: http://www.prnewswire.com/news-releases/msa-announces-second-quarter-results-300499592.html

SOURCE MSA

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

https://news.msasafety.com/2017-08-03-MSA-Announces-Second-Quarter-Results,1