# **MSA Announces Second Quarter Results**

Broad-based growth and continued focus on productivity drives quarterly earnings increase of 20 percent

PITTSBURGH, July 24, 2019 (PRNewswire) -- Global safety equipment manufacturer MSA Safety Incorporated (NYSE: MSA) today reported results for the second quarter of 2019.

# **Quarterly Highlights**

- · Revenue was \$350 million, increasing 3 percent from a year ago on a reported basis and 5 percent on a constant currency basis.
- GAAP operating income increased 16 percent to \$54 million or 15.6 percent of sales, compared to \$47 million or 13.8 percent of sales in the same period a year ago. Adjusted operating income increased 11 percent to \$64 million or 18.4 percent of sales, compared to \$58 million or 17.1 percent of sales in the same period a year ago, driven by gross margin expansion and operating expense leverage.
- GAAP earnings increased 20 percent to\$40 million or \$1.01 per diluted share, compared to\$33 million or \$0.85 per diluted share in the same period a year ago. Adjusted earnings increased 15 percent to \$48 million or \$1.22 per diluted share, compared to\$41 million or \$1.07 per diluted share in the same period a year ago.
- MSA deployed \$33 million of capital for the acquisition of California-based Sierra Monitor Corporation and funded a \$16 million dividend on common stock. The dividend reflects an 11 percent increase per share from the previous quarterly dividend, continuing the company's long history of raising its dividend annually for more than 50 consecutive years.

# Comments from Management

"The growth across substantially all of our core product areas and incremental margins that continue to exceed 40 percent were clear highlights in the quarter. This performance reflects both the favorable returns being generated by our new product development investments as well as our ongoing focus on improving productivity," said Nish Vartanian, MSA President and CEO. "Revenue increased five percent in the quarter, and our team was able to convert that increase into 15 percent adjusted earnings growth," he added. Mr. Vartanian noted that MSA's profitability improvements continue to be driven by an ongoing focus on delivering customer-driven innovation and efficiency improvement programs across MSA's global footprint.

MSA's sales vitality index - which measures the percentage of revenue from products introduced within the past five years - is approximately 35 percent. "Our fastest growing core products in the quarter were gas detection and fall protection. These are also the areas where we've seen the most meaningful improvements in sales vitality," Mr. Vartanian commented. In particular, he cited the company's new X5000 and S5000 Gas Monitors and the recently launched V-Series line of fall protection harnesses, all of which were key contributors to the company's second quarter performance.

"With a strong balance sheet and healthy backlog headed into the second half of 2019, we remain well positioned and committed to investing in the products, technology and talent we know are key to long-term value creation for all of the many stakeholders of MSA," Mr. Vartanian concluded.

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

		Three Mo Jur	onths E ne 30,	Ended		Six Mor Jur	nths Er ne 30,	nded
		2019		2018		2019		2018
Net sales Cost of products sold Gross profit		349,675 88,591 161,084	\$	339,331 185,495 153,836	\$	675,713 364,647 311,066	\$	665,225 364,050 301,175
Selling, general and administrative Research and development Restructuring charges Currency exchange losses, net (a) Product liability expense Operating income		84,009 14,256 3,522 1,290 3,529 54,478		81,962 13,909 2,335 815 8,018		162,437 27,962 9,353 18,251 6,425 86,638	· <u></u>	162,213 26,456 7,609 2,823 10,842 91,232
Interest expense Other income, net Total other expense, net		4,470 (3,342) 1,128		5,181 (1,701) 3,480		6,830 (5,921) 909		9,962 (4,041) 5,921
Income before income taxes Provision for income taxes Net income Net income attributable to noncontrolling interests Net income attributable to MSA Safety		53,350 13,238 40,112 (306)		43,317 9,896 33,421 (242)		85,729 22,241 63,488 (450)	· <u></u>	85,311 19,401 65,910 (360)
Incorporated	\$	39,806	\$	33,179	\$	63,038	\$	65,550
Earnings per share attributable to MSA Safety Incorporated common shareholders: Basic Diluted	\$ \$	1.03 1.01	\$ \$	0.86 0.85	\$ \$	1.63 1.61	\$ \$	1.71 1.69

Basic shares outstanding	38,663	38,327	38,602	38,272
Diluted shares outstanding	39,160	38,903	39,124	38,841

<sup>(</sup>a) Year-to-date currency exchange losses includes a \$15.4 million non-cash charge related to the recognition of currency translation adjustments associated with the closure of MSA's South Africa affiliates.

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

	Jı	une 30, 2019	Dec	ember 31, 2018
Assets	•		•	440.005
Cash and cash equivalents	\$	111,511	\$	140,095
Trade receivables, net		256,666		245,032
Inventories		187,779		156,602
Notes receivable, insurance companies		3,616		3,555
Other current assets		128,062		111,339
Total current assets		687,634		656,623
Property, net		158,047		157,940
Operating lease assets, net		50,935		_
Prepaid pension cost		64,987		57,568
Goodwill		433,156		413,640
Notes receivable, insurance companies, noncurrent		56,724		56,012
Insurance receivable, noncurrent		49,933		56,866
Other noncurrent assets		212,440		209,363
Total assets	\$	1,713,856	\$	1,608,012
Liabilities and shareholders' equity				
Notes payable and current portion of long-term debt, net	\$	20,127	\$	20,063
Accounts payable		73,264	·	78,367
Other current liabilities		164,126		183,630
Total current liabilities		257,517		282,060
Long-term debt, net		378,380		341,311
Pensions and other employee benefits		168,340		166,101
Noncurrent operating lease liabilities		40,710		· —
Deferred tax liabilities		10,986		7,164
Product liability and other noncurrent liabilities		166,776		171,857
Total shareholders' equity		691,147		639,519
Total liabilities and shareholders' equity	\$	1,713,856	\$	1,608,012

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

		onths Ended ne 30,		ths Ended e 30,
	2019	2018	2019	2018
Net income Depreciation and amortization Change in working capital and other operating Cash flow from operating activities	\$ 40,112 9,466 (13,250) 36,328	\$ 33,421 9,536 5,072 48,029	\$ 63,488 18,792 (44,735) 37,545	\$ 65,910 19,207 (19,735) 65,382
Cash now from operating activities	30,320	40,029	37,343	05,362
Capital expenditures Acquisition, net of cash acquired	(8,628) (33,196)	(5,571)	(13,525) (33,196)	(8,812)
Change in short-term investments	1,639	_	(17,302)	_
Property disposals  Cash flow used in investing activities	(40,116)	3,001 (2,570)	81 (63,942)	3,059 (5,753)
	00.070	(00.004)	07.004	(40.005)
Change in debt Cash dividends paid	22,973 (16,282)	(32,884) (14,591)	37,064 (30,934)	(42,285) (27,981)
Other financing Cash flow from (used in) financing activities	(1,410) 5,281	2,563 (44,912)	(7,391) (1,261)	738 (69,528)
Effect of exchange rate changes on cash,	2 226	(0.402)	(985)	(8,130)
cash equivalents and restricted cash	2,236	(9,493)	(985)	(8,130)

MSA Safety Incorporated Segment Information (Unaudited) (In thousands, except percentage amounts)

The Mostle Foded Lee 00 0040	Americas		nternation	al	Coi	rporate	 Consolidat	ed
Three Months Ended June 30, 2019 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs	\$ 231,389		\$ 118,286		\$	_	\$ 349,675 54,478 15.6 3,522 1,290 3,529 1,529	%
Adjusted operating income (loss) Adjusted operating margin % Depreciation and amortization	57,689 24.9	%	15,072 12.7	%	(8,	413)	64,348 18.4 9,466	%
Adjusted EBITDA Adjusted EBITDA %	63,842 27.6	%	18,288 15.5	%	(8,	316)	73,814 21.1	%
Three Months Ended June 30, 2018 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs	\$ 215,339		\$ 123,992		\$	_	\$ 339,331 46,797 13.8 2,335 815 8,018 58	%
Adjusted operating income (loss) Adjusted operating margin % Depreciation and amortization	49,838 23.1	%	15,853 12.8	%	(7,	668)	58,023 17.1 9,536	%
Adjusted EBITDA Adjusted EBITDA %	55,894 26.0	%	19,233 15.5	%	(7,	568)	67,559 19.9	%
O' Marila Fadad I as 90 0040	 Americas		 nternation	al	Coi	rporate	 Consolidat	ed
Six Months Ended June 30, 2019 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs	\$ Americas 445,076		\$ nternation 230,637	al	<u>Cor</u>	rporate —	\$ 675,713 86,638 12.8 9,353 18,251 6,425	ed %
Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs Adjusted operating income (loss) Adjusted operating margin %	\$	%		al	\$	rporate — 952)	 675,713 86,638 12.8 9,353 18,251 6,425 1,985 122,652 18.2	
Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs Adjusted operating income (loss)	\$ 445,076 112,492	%	 230,637		\$ (15,	_	 675,713 86,638 12.8 9,353 18,251 6,425 1,985 122,652	%
Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs Adjusted operating income (loss) Adjusted operating margin % Depreciation and amortization Adjusted EBITDA Adjusted EBITDA Six Months Ended June 30, 2018 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense	\$ 445,076 112,492 25.3 124,742		 230,637 26,112 11.3 32,459	%	\$ (15,	952)	 675,713 86,638 12.8 9,353 18,251 6,425 1,985 12,652 18,792 141,444 20.9 665,225 91,232 13,7 7,609 2,823 10,842	%
Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Strategic transaction costs Adjusted operating income (loss) Adjusted operating margin % Depreciation and amortization Adjusted EBITDA Adjusted EBITDA %  Six Months Ended June 30, 2018 Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net	445,076 112,492 25.3 124,742 28.0		 26,112 11.3 32,459 14.1	%	\$ (15, (15, \$	952)	\$ 675,713 86,638 12.8 9,353 18,251 6,425 1,985 122,652 18,792 141,444 20.9 665,225 91,232 13.7 7,609 2,823	% %

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), adjusted operating margin, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted EBITDA 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), adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin are useful metrics

for investors. Adjusted operating income (loss) is defined as operating income excluding restructuring charges, currency exchange gains / losses, product liability expense and strategic transaction costs and adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. Adjusted EBITDA is defined as adjusted operating income (loss) plus depreciation and amortization and adjusted EBITDA margin is defined as adjusted EBITDA divided by segment sales to external customers. Adjusted operating income (loss), adjusted operating margin, adjusted EBITDA and adjusted EBITDA 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), adjusted operating margin, adjusted EBITDA and adjusted EBITDA 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

			Three	Months Ended	lune 30, 2019			
GAAP reported	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Core Protection Sales	Non- Core Sales	Net Sales
sales change	— %	5 %	(2) %	3 %	11 %	21 % 5 %	(9) %	3 %
Plus: Currency translation effects	2 %	1 %	2 %	2 %	2 %	4 % 2 %	3 %	2 %
Constant currency sales change	2 %	6 %	— %	5 %	13 %	25 % 7 %	(6) %	5 %

			Six I	Months Ended Ju	ne 30, 2019			
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Core Protection Sales	Non- Core Sales	Net Sales
GAAP reported sales change	— %	1 %	— %	(1) %	5 %	19 % 3 %	(8) %	2 %
Plus: Currency translation effects	3 %	2 %	3 %	3 %	3 %	5 % 3 %	4 %	2 %
Constant currency sales change	3 %	3 %	3 %	2 %	8 %	24 % 6 %	(4) %	4 %

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

			Three	Months Ended J	lune 30, 2019				
CAAD was ded	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection		Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change	8 %	3 %	(2) %	5 %	18 %	24 %	8 %	3 %	7 %
Plus: Currency translation effects	1 %	1 %	1 %	1 %	— %	1 %	1 %	1 %	1 %
Constant currency sales change	9 %	4 %	(1) %	6 %	18 %	25 %	9 %	4 %	8 %

0445	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Protection	Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change	6 %	2 %	(1) %	(1) %	10 %	26 %	5 %	2 %	5 %
Plus: Currency translation effects	— %	— %	2 %	1 %	— %	1 %	1 %	2 %	1 %
Constant currency sales change	6 %	2 %	1 %	— %	10 %	27 %	6 %	4 %	6 %

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

			Thre	ee Months End	ded June 30, 2019				
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Protection	Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change	(15) %	9 %	— %	(2) %	2 %	18 %	(1) %	(21) %	(5) %
Plus: Currency translation effects	5 %	6 %	6 %	6 %	6 %	7 %	5 %	4 %	6 %
Constant currency sales change	(10) %	15 %	6 %	4 %	8 %	25 %	4 %	(17) %	1 %

			Six	Months Ende	d June 30, 2019				
	Breathing Apparatus	Firefighter Helmets and Protective Apparel	Industrial Head Protection	Portable Gas Detection	Fixed Gas and Flame Detection	Fall Protection	Core Sales	Non- Core Sales	Net Sales
GAAP reported sales change	(9) %	(2) %	5 %	— %	— %	11 %	(1) %	(18) %	(4) %
Plus: Currency translation effects	6 %	6 %	7 %	7 %	6 %	7 %	6 %	5 %	6 %
Constant currency sales change	(3) %	4 %	12 %	7 %	6 %	18 %	5 %	(13) %	2 %

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.

Three Months Ended June 20, 2010

MSA Safety Incorporated Supplemental Segment Information (Unaudited) Summary of constant currency revenue growth by segment and product group

	111	ree Mon	tus Ena	ea Jun	e 30, 20 i	9
	Consol	idated	Ame	ricas	Interna	tional
Fall Protection	25	%	25	%	25	%
Fixed Gas and Flame Detection	13	%	18	%	8	%
Firefighter Helmets and Protective						
Apparel	6	%	4	%	15	%
Portable Gas Detection	5	%	6	%	4	%
Breathing Apparatus	2	%	9	%	(10)	%
Industrial Head Protection		%	(1)	%	6	%

0010 00100		70						
Non-Core Sales	(6)	%	4	%	(17)	%		
Net Sales	5	%	8	%	1	%		
	Six Months Ended June 30, 2019  Consolidated Americas Internation							
		Americas		International				
Fall Protection	24	%	27	%	18	%		
Fixed Gas and Flame Detection Firefighter Helmets and Protective	8	%	10	%	6	%		
Apparel	3	%	2	%	4	%		
Portable Gas Detection	2	%	_	%	7	%		
Breathing Apparatus	3	%	6	%	(3)	%		
Industrial Head Protection	3	%	1	%	12	%		
Core Sales	6	%	6	%	5	%		
Non-Core Sales	(4)	%	4	%	(13)	%		
Net Sales	4	%	6	%	2	%		

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 Ended June 30,					Six Months Ended June 30,			
	 2019	_	2018	% Change	_	2019	- <u> </u>	2018	% Change
Net income attributable to MSA Safety Incorporated Non-deductible non-cash charge related to the recognition of currency translation	\$ 39,806	\$	33,179	20%		63,038		65,550	(4)%
adjustments <sup>(a)</sup> Tax expense (benefit) associated with ASU 2016-09: Improvements to employee share-based payment	_		_			15,359		_	
accounting	429		(962)			(1,993)		(1,875)	
Subtotal	40,235		32,217	25%		76,404	_	63,675	20%
Product liability expense Restructuring charges	3,529 3,522		8,018 2,335			6,425 9,353		10,842 7.609	
Strategic transaction costs	1,529		58			1,985		152	
Currency exchange losses, net	1,290		815			2,892		2,823	
Asset related losses, net	208		1,131			233		1,148	
Income tax expense on adjustments	(2,439)		(3,102)			(5,034)		(5,621)	
Adjusted earnings	\$ 47,874	\$	41,472	15%	\$	92,258	\$	80,628	14%
Adjusted earnings per diluted share	\$ 1.22	\$	1.07	14%	\$	2.36	\$	2.08	13%

<sup>(</sup>a) Included in Currency exchange losses, net on the Statement of Income.

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:

Core Sales

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, firefighter helmets and protective apparel, and fall protection devices. With 2018 revenues of \$1.4 billion, MSA employs approximately 4,800 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

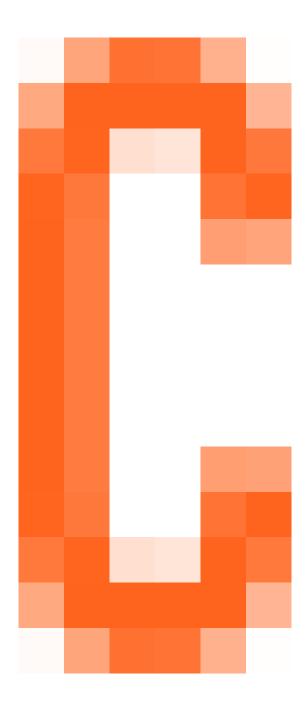
MSA's web site at www.MSAsafety.com.

### 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 22, 2019. 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 press release includes certain non-GAAP financial measures. These financial measures include constant currency revenue growth, adjusted operating income, adjusted operating margin, adjusted EBITDA 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.



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