MSA Safety Announces First Quarter Results

PITTSBURGH, April 28, 2021 /PRNewswire/ -- Global safety equipment manufacturer MSA Safety Incorporated (NYSE: MSA) today reported results for the first quarter of 2021.

Quarterly Highlights

- Revenue was \$308 million, decreasing 10 percent from a year ago on a reported basis and 11 percent on a constant currency basis.
- GAAP operating income was \$44 million or 14.3 percent of sales, compared to\$59 million or 17.2 percent of sales in the same period a year ago. Adjusted operating income was \$47 million or 15.4 percent of sales, compared to\$64 million or 18.7 percent of sales in the same period a year ago.
- GAAP earnings were \$36 million or \$0.92 per diluted share, compared to \$44 million or \$1.11 per diluted share in the same period a year ago. Adjusted earnings were \$37 million or \$0.95 per diluted share, compared to \$46 million or \$1.18 per diluted share in the same period a year ago.
- Operating cash flow was \$46 million, increasing 235% from a year ago. The company continues to execute a balanced
 capital allocation strategy focused on growing its business and returning value to shareholders. MSA deployed \$63 million
 for the acquisition of UK turnout gear leader Bristol Uniforms, \$10 million for strategic capital expenditures, and funded
 \$17 million of dividends to shareholders.

Comments from Management

"While the pandemic and its effects on the economy impacted our quarterly results, we remained focused on executing our strategy, investing in growth programs, improving productivity and generating strong cash flow," said Nish Vartanian, MSA Chairman, President and CEO. "In the first quarter, we launched breakthrough technology for firefighters, completed the acquisition of Bristol Uniforms, and generated significant improvements in cash flow that position us well for continued investments in our business," he said. Mr. Vartanian added that MSA's incoming orders strengthened in March and April, and backlog levels are healthy to start the second quarter.

For the quarter, MSA invested four percent of revenue in its R&D portfolio and realized 35 percent of its total revenue from products developed in the past five years. "While we've taken steps to streamline our cost structure, we remain committed to investing in our product development pipeline," he said. Mr. Vartanian noted that the company's recent launch of its LUNAR technology for firefighters reflects the company's sustained commitment to product development. LUNAR is a handheld device that uses Cloud technology to deliver breakthrough fire-scene management capabilities for incident commanders.

MSA deployed \$63 million for the acquisition of Bristol Uniforms in lateJanuary 2021, which expands its reach in the International fire service market. "Our integration plans at Bristol are well underway. We expect to continue to use our balance sheet to enhance our leadership positions in core markets, geographies, and technologies," Mr. Vartanian added.

"While economic recovery may not be a straight line, we're optimistic that the worst is behind us from a demand perspective. The uptick in our order book in March and April provides a sense of confidence in the near term, while our new product development pipeline and strong balance sheet position us well to increase shareholder value for many years to come," Mr. Vartanian concluded.

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

	Three Months	Ended March 31,
	2021	2020
Net sales	\$ 308,428	\$ 341,145
Cost of products sold	173,688	183,786
Gross profit	134,740	157,359
Selling, general and administrative	75,463	80,237
Research and development	13,234	14,112
· ·	1,308	2,007
Restructuring charges		
Currency exchange (gains) losses, net	(2,099)	270
Product liability expense	2,796	1,951
Operating income	44,038	58,782

Interest expense	1,911	3,144
Other income, net	(4,213)	(1,259)
Total other (income) expense, net	 (2,302)	 1,885
Income before income taxes	46,340	56,897
Provision for income taxes	9,740	13,095
Net income	36,600	43,802
Net income attributable to noncontrolling interests	(186)	(128)
Net income attributable to MSA Safety Incorporated	\$ 36,414	\$ 43,674
Earnings per share attributable to MSA Safety Incorporated common shareholders:		
Basic	\$ 0.93	\$ 1.12
Diluted	\$ 0.92	\$ 1.11
Basic shares outstanding Diluted shares outstanding	39,094 39,420	38,824 39,352
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MSA Safety Incorporated Condensed Consolidated Balance Sheet (Unaudited) (In thousands)

	Ма	arch 31, 2021	Dece	ember 31, 2020
Assets	•	104 700	•	400.070
Cash and cash equivalents	\$	184,728	\$	160,672
Trade receivables, net		224,954		252,283
Inventories		220,021		197,819
Notes receivable, insurance companies		3,825		3,796
Other current assets		131,050		139,708
Total current assets		764,578		754,278
Property, net		197,832		189,620
Prepaid pension cost		101,317		97,545
Operating lease assets, net		68,199		53,451
Goodwill		447,059		443,272
Notes receivable, insurance companies, noncurrent		48,837		48,540
Insurance receivable, noncurrent		83,692		85,077
Other noncurrent assets		231,248		200,701
Total assets	\$	1,942,762	\$	1,872,484
Liabilities and shareholders' equity Notes payable and current portion of long-term debt,				
net	\$	20,000	\$	20,000
Accounts payable		90,706		86,854
Other current liabilities		196,021		203,691
Total current liabilities		306,727		310,545
Long-term debt, net		340,428		287,157
Pensions and other employee benefits		201,040		208,068
Noncurrent operating lease liabilities		59,211		44,639
Deferred tax liabilities		12,065		10,916
Product liability and other noncurrent liabilities		200,401		201,268
Total shareholders' equity		822,890		809,891
Total liabilities and shareholders' equity	\$	1,942,762	\$	1,872,484

	Three Months	Ended March 31,
	2021	2020
Net income	\$ 36,600	\$ 43,802
Depreciation and amortization	10,504 (1,488)	9,640 (39,835)
Change in working capital and other operating		
Cash flow from operating activities	45,616	13,607
Capital expenditures	(9,582)	(6,562)
Acquisition, net of cash acquired	(62,992)	_
Change in short-term investments	20,030	(19,612)
Property disposals	35	92
Cash flow used in investing activities	(52,509)	(26,082)
Change in debt	52,017	28,000
Cash dividends paid	(16,820)	(16,331)
Other financing	(3,558)	(24,997)
Cash flow from (used in) financing activities	31,639	(13,328)
Effect of exchange rate changes on cash,		
cash equivalents and restricted cash	(720)	(3,756)
Increase (decrease) in cash, cash equivalents and restricted		
cash	\$ 24,026	\$ (29,559)

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

T. M E. L. IM L. G.	Americas			 nternation	al	Со	rporate	Consolidated			
Three Months Ended March 31, 2021 Sales to external customers	\$ 208,340			\$ 100,088		\$	_	\$	308,428		
Operating income Operating margin % Restructuring charges Currency exchange gains, net Product liability expense Acquisition related costs									44,038 14.3 1,308 (2,099) 2,796 1,373	%	
Adjusted operating income (loss) Adjusted operating margin % Depreciation and amortization	45,152 21.7	%	6	8,790 8.8	%	(6,	526)		47,416 15.4 10,504	%	
Adjusted EBITDA Adjusted EBITDA %	52,186 25.0	%	6	12,163 12.2	%	(6,	429)		57,920 18.8	%	
Three Months Ended March 31, 2020											
Sales to external customers Operating income Operating margin % Restructuring charges Currency exchange losses, net Product liability expense Acquisition related costs COVID-19 related costs	\$ 231,253			\$ 109,892		\$		\$	341,145 58,782 17.2 2,007 270 1,951 97 757	%	
Adjusted operating income (loss)	59,807			12,671		(8,	614)		63,864		

Adjusted operating margin %	25.9	%	11.5	%		18.7	%
Depreciation and amortization						9,640	
Adjusted EBITDA	66,257		15,765		(8,518)	73,504	
Adjusted EBITDA %	28.7	%	14.3	%		21.5	%

The Americas segment is comprised of our operations inNorth America and Latin America geographies. The International segment is comprised of our operations in all geographies outside of the Americas. 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, acquisition related costs, including acquisition related amortization, and COVID-19 related costs. Adjusted operating margin is defined as adjusted operating income (loss) divided by segment sales to external customers. 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 margin, 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

						TI	hree Mo	onths	Ended I	March	n 31, 20)21										
	Breathing Apparatus		J		3		Firefiq Helme Prote Appa	ts and ctive	Indus He Prote	ad	Porta Ga Detec	S	Fixed and Fl Detec	ame	Fa Prote	-	Co Sal	-	Nor Cor Sale	e	Ne Sale	-
GAAP reported sales change Plus:	(8)	%	8	%	(7)	%	(9)	%	(14)	%	(5)	%	(7)	%	(26)	%	(10)	%				
Currency translation effects Constant	(2)	%	(2)	%		%	(1)	%	(2)	%	(3)	%	(2)	%_	(2)	%	(1)	%_				
currency sales change	(10)	%	6	%	(7)	%	(10)	%	(16)	%	(8)	%	(9)	%	(28)	%	(11)	%				

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.

Americas Segment

						TI	ree M	onths	Ended	March	า 31, 20	21						
	Breat Appa	_	Helme Prote	ighter ets and ective parel	Indu: He Prote	ad	Porta Ga Dete	as	Fixed and FI Detec	ame	Fa Proted		Co Sa	-	No Co Sal	re	Ne Sale	
GAAP reported sales change Plus: Currency	(3)	%	_	%	(9)	%	(8)	%	(12)	%	(11)	%	(7)	%	(32)	%	(10)	%
translation effects Constant		%		%	3	%		%		%	<u> </u>	%	1	%	1	%	1	%
currency sales change	(3)	%	_	%	(6)	%	(8)	%	(12)	%	(11)	%	(6)	%	(31)	%	(9)	%

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 Ended March 31, 2021																	
	Breathing Apparatus		•			Industrial Head Protection		Portable Gas Detection		Fixed Gas and Flame Detection		Fall Protection		Core Sales		Non- Core Sales		et es
GAAP reported sales	••																	
change Plus: Currency translation	(10)	%	48	%	(2)	%	(13)	%	(17)	%	7	%	(5)	%	(26)	%	(9)	%
effects Constant currency	(7)	%	(13)	%	(7)	%	(6)	%	(5)	%	(8)	%	(7)	%	(6)	%	(7)	%_
sales change	(17)	%	35	%	(9)	%	(19)	%	(22)	%	(1)	%	(12)	%	(32)	%	(16)	%

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

	Thre	ch 31, 202	21			
	Consoli	dated	Ameri	cas	Internat	tional
Firefighter Helmets and Protective						
Apparel	6	%	_	%	35	%
Industrial Head Protection	(7)	%	(6)	%	(9)	%
Fall Protection	(8)	%	(11)	%	(1)	%
Breathing Apparatus	(10)	%	(3)	%	(17)	%
Portable Gas Detection	(10)	%	(8)	%	(19)	%
Fixed Gas and Flame Detection	(16)	%	(12)	%	(22)	%
Core Sales	(9)	%	(6)	%	(12)	%
Non-Core Sales	(28)	%	(31)	%	(32)	%
Net Sales	(11)	%	(9)	%	(16)	%

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 March 31,	
	2021	2020	% Change
Net income attributable to MSA Safety Incorporated Tax benefit associated with ASU 2016-09: Improvements to	\$ 36,414	\$ 43,674	(17)%
employee share-based payment accounting	(1,534)	(1,271)	
Subtotal	34,880	42,403	(18)%
Product liability expense	2,796	1,951	
Acquisition related costs	1,373	97	
Restructuring charges	1,308	2,007	
	19	122	
Asset related losses, net			
COVID-19 related costs	_	757	
Currency exchange (gains) losses, net	(2,099)	270	
Income tax expense on adjustments	(836)	(1,301)	
Adjusted earnings	\$ 37,441	\$ 46,306	(19)%
Adjusted earnings per diluted share	\$ 0.95	\$ 1.18	(19)%

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:

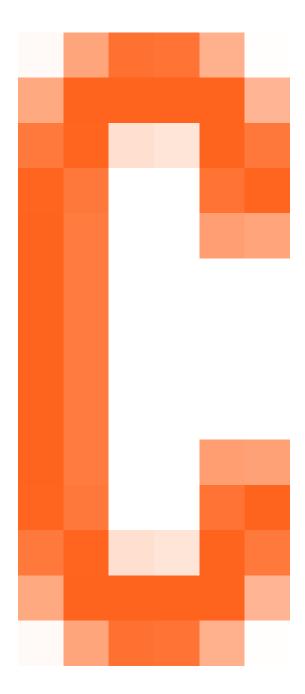
Established in 1914, MSA Safety Incorporated is the global leader in the development, manufacture and supply of safety products that protect people and facility infrastructures. Many MSA products integrate a combination of electronics, mechanical systems and advanced materials to protect users against 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, firefighter helmets and protective apparel, and fall protection devices. With 2020 revenues of \$1.35 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 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 19, 2021. 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 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 press release includes certain non-GAAP financial measures. These financial measures include constant currency revenue growth, adjusted operating income, adjusted operating margin, adjusted EBITDA, 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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