

The EnerSys logo features the company name in a white, italicized sans-serif font. A red diagonal line cuts through the text from the bottom left to the top right, ending in a red arrowhead pointing towards the top right. A thin red vertical line is positioned to the right of the logo.

***EnerSys***<sup>®</sup>

# Q3'25 Earnings

FEBRUARY 5, 2025



# Forward Looking Statements

As a reminder, we will be presenting certain forward-looking statements on this call that are based on Management's current expectations and views regarding future events and operating performance and are subject to uncertainties and changes in circumstances. Our actual results may differ materially from the forward-looking statements for a number of reasons. Our forward-looking statements are applicable only as of the date of this presentation. For a list of the factors which could affect our future results, including our earnings estimates, see forward-looking statements included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," set forth in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, and the "Caution Concerning Forward-Looking Statements" section of our press release and 8-K dated February 5, 2025, which was filed with the U.S. Securities and Exchange Commission.

In addition, we will also be presenting certain non-GAAP financial measures. For an explanation of the differences between the comparable GAAP financial information and the non-GAAP information, please see our company's Form 8-K which includes our press release dated February 5, 2025, which is located on our website at [www.enersys.com](http://www.enersys.com).



# Q3'25 Overview

**DAVE SHAFFER**

CHIEF EXECUTIVE OFFICER



# Q3'25 Performance

**\$906M**

Net Sales

+5% Y/Y

**\$155M**

Adj Op  
Earnings<sup>1,2</sup>

+19% Y/Y

Adj Op Earnings<sup>1</sup>  
Margin of 17.1%

**\$171M**

Adj  
EBITDA<sup>1,2</sup>

+19% Y/Y

Adj EBITDA<sup>1</sup>  
Margin of 18.9%

**\$3.12**

Adj EPS<sup>1,2</sup>

+22% Y/Y

**\$57M**

Free Cash  
Flow<sup>1</sup>

(\$55M) Y/Y

**Adjusted Gross Profit<sup>1</sup> Margin of 33.0% up +230bps Y/Y; up +80bps ex IRA**

1) Non-GAAP measure. Please refer to appendix for reconciliation.

2) Includes \$75M of IRA tax credit recorded in Cost of Goods Sold (COGS), including a \$36M retroactive benefit adjustment. Excluding IRA benefits Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EPS were up 13% Y/Y, 13% Y/Y and 10% Y/Y respectively.

3) Free Cash Flow, up \$54M sequentially

# Q3'25 Executing on Our Strategy



## Increasing Higher Value Solutions

- Designing BESS<sup>1</sup> for Motive Power (MP) — lithium and software technologies to optimize energy use, support peak shaving, and enhance operational flexibility with rapid deployment and semi-portable design
- Previewing Next-Generation Charging Solutions — featuring two-way data and energy flow to optimize energy use, integrates with our BESS for cloud-based data reporting for enhanced energy and operational management
- Wi-iQ<sup>®</sup> battery monitoring devices now standard on all applicable MP products sold in North America — delivers real-time analytics to optimize energy use, reduce costs, and extend asset life
- Alpha<sup>®</sup> XRT Extended Runtime Power Systems delivered 72-hour backup power to keep emergency services, telecommunications networks, and critical infrastructure connected during major California fires in January



## Expanding Margins

- Productivity improvements from TPPL manufacturing flexibility initiatives in Missouri on track for completion this fiscal year
- 20% Y/Y improvement in both Springfield 1 scrap rate and global TPPL scrap rate fiscal Q3YTD



## Compounding Value Creation

- Bren-Tronics acquisition — all major integration milestones complete and performance exceeding expectations
- Completed negotiations for \$199M U.S. DOE funding to partially fund our lithium-ion gigafactory

# Awards and Recognition



Earned the 2025 Military  
Friendly® Employer  
Designation



EnerSys Wins Prestigious  
German ESG  
Transparency Award



Newsweek's America's  
Most Responsible Companies  
Ranked at #208 – 144 spots  
higher than last year



# Segment Performance and Operations

**SHAWN O'CONNELL**

PRESIDENT AND COO



# Q3'25 Business Segment Performance

## ENERGY SYSTEMS



- AI-driven data demand fueling U.S. Communications network expansion
- Y/Y Americas order rates: Communications +~40% and Data Center +~25%
- Major customer raised outlook 20% for telecom power project

## MOTIVE POWER



- Expanding lithium and IoT-enabled products to enhance customer experience
- Driving price/mix advantage with maintenance-free products
- Positive demand indicators: industry forecast near double-digit lift truck shipment growth in 2025

## SPECIALTY



- Significant growth driven by robust A&D demand for chargers, soldier power and expeditionary power systems
- U.S. Transportation demand improving; B:B 1.4 with new account wins and aftermarket growth
- Industry data shows N.A. Class 8 truck orders +29% Y/Y in Dec



ANDI FUNK

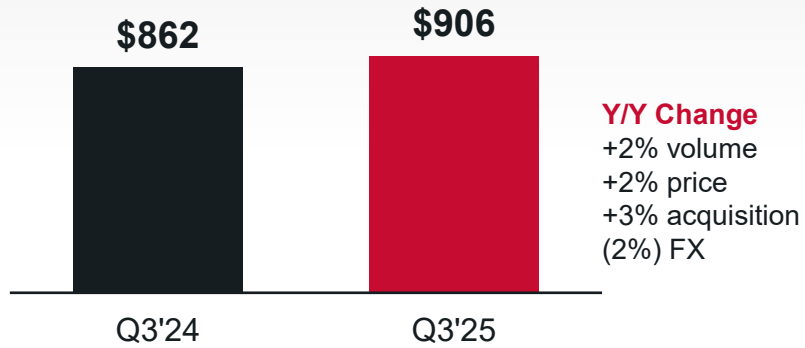
EVP AND CFO

# Q3'25 Financial Results Q4'25 & FY'25 Outlook

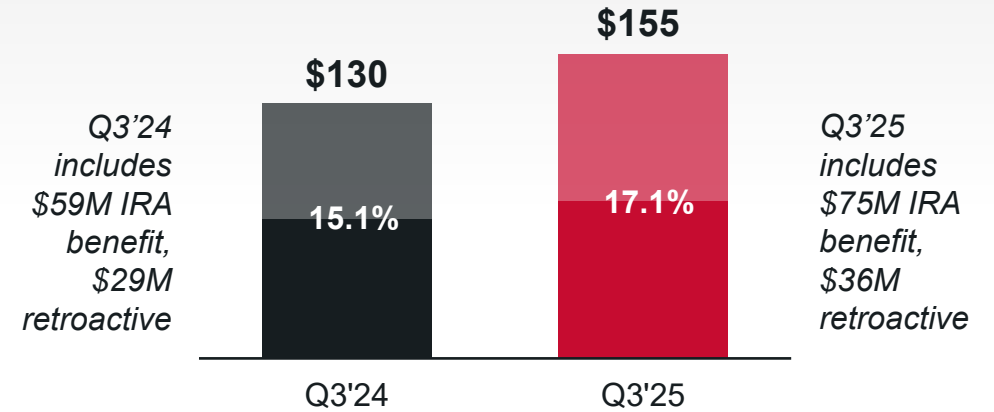


# Q3'25 Results

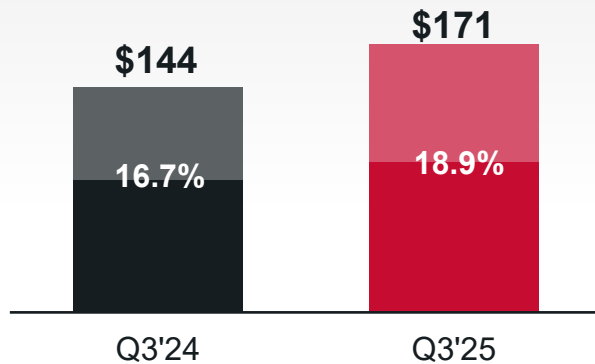
## NET SALES



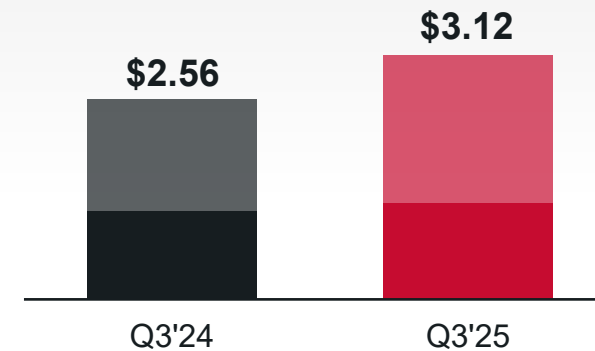
## ADJ OP EARNINGS<sup>1</sup> & MARGIN



## ADJ EBITDA<sup>1</sup> & MARGIN



## ADJ DILUTED EPS<sup>1</sup>



**Adj Op Earnings up \$25M or +19% Y/Y; excluding IRA benefits, up \$9M or +13% Y/Y**

# Energy Systems Segment Highlights



	Q3'25 (\$M)	Y/Y change
Net Sales	\$389	+4%
Adj Op Earnings <sup>1</sup>	\$25.3	+77%
Adj OE Margin <sup>1</sup>	6.5%	+270 bps

- **Net Sales +4% Y/Y**
  - +6% volume, flat price / mix, (2%) FX
  - First Y/Y improvement in six quarters, driven by the recovering U.S. Communications spending
- **Adj Op Earnings<sup>1</sup> +\$11M Y/Y**
  - First Y/Y improvement in five quarters on increased sales and optimized cost structure


# Motive Power Segment Highlights



	Q3'25 (\$M)	Y/Y change
Net Sales	\$359	+1%
Adj Op Earnings <sup>1</sup>	\$52.7	(0%)
Adj OE Margin <sup>1</sup>	14.7%	(20 bps)

- **Net Sales +1% Y/Y**
  - +2% price/mix, +1% volume, (2%) FX
  - Maintenance-free products increased to 27% of sales from 23% in Q3'24
  - Net Sales impacted by one-time events, including FX headwinds and a plant disruption at our largest customer ship-to location in EMEA
- **Adj Op Earnings<sup>1</sup> (\$0M) Y/Y**
  - Earnings in line with prior year on solid price/mix

# Specialty Segment Highlights



	Q3'25 (\$M)	Y/Y change
Net Sales	\$155	+17%
Adj Op Earnings <sup>1</sup>	\$9.5	+28%
Adj OE Margin <sup>1</sup>	6.2%	+50 bps

- **Net Sales +17% Y/Y**

- +21% acquisition, +2% price/mix, (6%) volume, flat FX
- Sequential volumes up 4%
- Strong A&D demand and outperformance of Bren-Tronics, partially offset by continued soft volumes in Class 8 truck OEM

- **Adj Op Earnings<sup>1</sup> +\$2M Y/Y**

- Y/Y increase driven by Bren-Tronics, partially offset by Class 8 OEM volumes
- Aftermarket volume growing and MO plant investments on track

# Balance Sheet, Cash Flow and Leverage

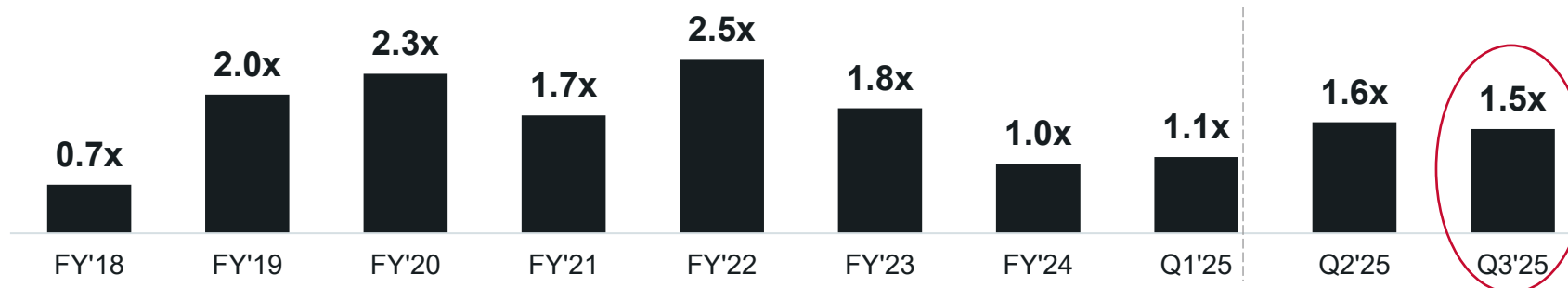
## SELECTED BALANCE SHEET METRICS<sup>1</sup>

(\$M)	Q4'24	Q3'25
Cash and Cash Equivalents	\$333	\$463
Net Debt <sup>3</sup>	\$511	\$852
Net Leverage Ratio <sup>3</sup>	1.0x	1.5x
Primary Operating Capital <sup>4</sup>	\$853	\$947

## SELECTED CASH FLOW METRICS<sup>2</sup>

(\$M)	Q3'24	Q3'25
Cash Flow from Operations	\$135	\$81
CapEx	(\$23)	(\$24)
Free Cash Flow <sup>4</sup>	\$111	\$57

## NET LEVERAGE RATIO<sup>3</sup>



**Strong Balance Sheet Enabling Disciplined Capital Allocation Strategy**

1) Balances as of periods ending March 31, 2024, and December 29, 2024

2) Periods ending December 31, 2023, and December 29, 2024

3) Net Debt includes finance lease obligations and letters of credit, net of cash and cash equivalents. Net leverage ratio = Net Debt / Adj EBITDA (per credit agreement). Please refer to appendix for reconciliations.

4) Primary Operating Capital (POC) was formerly referred to as Primary Working Capital (PWC) and is a non-GAAP measure. Free Cash Flow is a non-GAAP measure. Please refer to appendix for reconciliations.

# Disciplined Capital Allocation Strategy

Priorities	Q3'25	Future Priorities				
<b>Invest in Organic Growth (CapEx)</b>	\$24M	<ul style="list-style-type: none"> <li>• Continue TPPL capacity investments &amp; end-to-end solutions</li> <li>• Optimize EOS to drive additional operational efficiencies</li> <li>• Accelerate domestic-sourced lithium strategy</li> </ul>				
<b>Strategic M&amp;A</b>	Bren-Tronics major integration milestones complete	<ul style="list-style-type: none"> <li>• Focused on opportunities to:                             <ul style="list-style-type: none"> <li>➤ Strengthen customer intimacy</li> <li>➤ Expand wallet share, leveraging leading positions in growing end markets</li> <li>➤ Progress transformation journey</li> </ul> </li> <li>• Ample dry powder for future opportunistic tuck-in acquisitions</li> </ul>				
<b>Net Leverage<sup>1</sup></b>	1.5x EBITDA	<ul style="list-style-type: none"> <li>• Target low end of 2x – 3x long-term net leverage range</li> </ul>				
<b>Return of Capital</b>	<table border="0"> <tr> <td><i>Dividends</i></td> <td>\$9.5M</td> </tr> <tr> <td><i>Buybacks</i></td> <td>\$38.7M</td> </tr> </table>	<i>Dividends</i>	\$9.5M	<i>Buybacks</i>	\$38.7M	<ul style="list-style-type: none"> <li>• Committed to competitive dividend that grows with earnings over time (excluding IRA funds)</li> <li>• \$219M outstanding repurchase authorization<sup>2</sup></li> </ul>
<i>Dividends</i>	\$9.5M					
<i>Buybacks</i>	\$38.7M					

**Balancing Innovation and Growth Investments while Returning Capital to Shareholders**

# Looking Ahead: Q4'25 and FY'25 Guidance

	Q4'25	FY'25
<b>Net Sales</b>	<b>\$960M – \$1,000M</b>	<b>\$3,603M – \$3,643M</b> <i>Prev. \$3,675M – \$3,765M</i>
<b>Adj. EPS<sup>1</sup></b>	<b>\$2.75 – \$2.85</b>	<b>\$9.97 – \$10.07</b> <i>Prev. \$9.65 – \$9.95</i>
<b>CapEx</b>		<b>~\$120M</b>
<b>Tax Rate</b> <i>(pre-IRA)</i>		<b>18% – 20%</b>
<b>IRA Benefit</b>		<b>\$135M – \$175M</b> <i>Prev. \$120M – \$160M</i>

## ASSUMPTIONS

### Q4'25

- Higher volume across all lines of business
- ES: demand steadily improving in U.S. Communications market and optimization initiatives sustained
- MP: healthy demand and increasing maintenance-free conversions
- SP: robust A&D demand, Bren-Tronics benefit, and early signs of Transportation recovery
- Ongoing macroeconomic uncertainty, particularly in EMEA and U.S. executive actions
- OpEx discipline with incremental FC&S spending

**Revised Guidance Reflects Current Market Impacts to Topline and Accelerating Base Business Profitability**



# Q&A



# Appendix



# Non-GAAP Reconciliations

# Non-GAAP Reconciliation

## Q3 FY'25 ADJUSTED OPERATING EARNINGS

(\$ in millions)

	Quarter ended				
	December 29, 2024				
	Energy Systems	Motive Power	Specialty	Corporate and other	Total
<b>Net Sales</b>	\$ 389.2	\$ 358.9	\$ 155.2	\$ 2.90	\$ 906.2
<b>Operating Earnings</b>	\$ 19.2	\$ 51.5	\$ 4.2	\$ 67.8	\$ 142.7
Inventory step up to fair value relating to recent acquisitions	—	—	1.1	—	\$ 1.1
Restructuring and other exit charges	0.1	1.0	0.1	—	1.2
Amortization of intangible assets	5.8	0.2	2.4	—	8.4
Integration costs	—	—	1.6	—	1.6
Other	0.2	—	0.1	—	0.3
<b>Adjusted Operating Earnings</b>	\$ 25.3	\$ 52.7	\$ 9.5	\$ 67.8	\$ 155.3

(\$ in millions)

	Quarter ended				
	December 31, 2023				
	Energy Systems	Motive Power	Specialty	Corporate and other	Total
<b>Net Sales</b>	\$ 373.5	\$ 355.4	\$ 132.6	\$ —	\$ 861.5
<b>Operating Earnings</b>	\$ (18.6)	\$ 49.5	\$ 6.0	\$ 55.7	\$ 92.6
Inventory adjustment relating to recent acquisitions	—	—	—	—	—
Inventory adjustment relating to exit activities	16.1	—	—	—	16.1
Restructuring and other exit charges	2.4	2.9	0.8	—	6.1
Impairment of indefinite-lived intangibles	6.0	—	—	—	6.0
Amortization of intangible assets	6.0	0.2	0.7	—	6.9
Other	2.4	0.2	—	—	2.6
<b>Adjusted Operating Earnings</b>	\$ 14.3	\$ 52.8	\$ 7.5	\$ 55.7	\$ 130.3

Increase (Decrease) as a % from prior year quarter	Energy Systems	Motive Power	Specialty	Corporate and other	Total
Net Sales	4.2 %	1.0 %	17.0 %	NM	5.2 %
Operating Earnings	NM	4.0	(29.6)	21.6	54.1
Adjusted Operating Earnings	76.5	(0.1)	27.5	21.6	19.2

NM = Not Meaningful

# Non-GAAP Reconciliation

## Q3 FY'25 ADJUSTED EBITDA

(\$ in millions)

	Quarter ended	
	December 29, 2024	December 31, 2023
Net Earnings	114.8	\$ 76.2
Depreciation	17.2	16.2
Amortization	8.4	6.9
Interest	14.9	11.7
Income Taxes	11.9	2.5
EBITDA	167.2	113.5
Non-GAAP adjustments	4.2	30.8
Adjusted EBITDA	\$ 171.4	\$ 144.3

The following table provides the non-GAAP adjustments shown in the reconciliation above:

(\$ in millions)

	Quarter ended	
	December 29, 2024	December 31, 2023
Inventory adjustment relating to exit activities	\$ —	\$ 16.1
Inventory step up to fair value relating to recent acquisitions	1.1	—
Restructuring and other exit charges	1.2	6.1
Impairment of indefinite-lived intangibles	—	6.0
Integration Costs	1.6	—
Other	0.3	2.6
Non-GAAP adjustments	\$ 4.2	\$ 30.8

# Non-GAAP Reconciliation

## Q3 FY'25 ADJUSTED DILUTED EPS

(in millions, except share and per share amounts)

	Quarter ended	
	December 29, 2024	December 31, 2023
<b>Net earnings reconciliation</b>		
As reported Net Earnings	\$ 114.8	\$ 76.2
Non-GAAP adjustments:		
Inventory step up to fair value relating to recent acquisitions	1.1 (1)	—
Inventory adjustment relating to exit activities	—	16.1 (1)
Restructuring and other exit charges	1.2 (1)	6.1 (1)
Impairment of indefinite-lived intangibles	— (2)	6.0 (2)
Amortization of identified intangible assets	8.4 (2)	6.9 (3)
Integration costs	1.6 (4)	—
Other	0.3	2.6
Income tax effect of above non-GAAP adjustments	(3.1)	(8.9)
<b>Non-GAAP adjusted Net earnings</b>	<b>\$ 124.3</b>	<b>\$ 105.0</b>
<b>Outstanding shares used in per share calculations</b>		
Basic	39,305,035	40,451,279
Diluted	39,922,913	41,047,893
<b>Non-GAAP adjusted Net earnings per share:</b>		
Basic	\$ 3.16	\$ 2.59
Diluted	\$ 3.12	\$ 2.56
<b>Reported Net earnings (Loss) per share:</b>		
Basic	\$ 2.92	\$ 1.88
Diluted	\$ 2.88	\$ 1.86
<b>Dividends per common share</b>	<b>\$ 0.240</b>	<b>\$ 0.225</b>

The following table provides the line of business allocation of the non-GAAP adjustments of items relating operating earnings (that are allocated to lines of business) shown in the reconciliation at left:

	Quarter ended	
	December 29, 2024	December 31, 2023
	Pre-tax	Pre-tax
(1) Inventory adjustment relating to exit activities - Energy Systems	\$ —	\$ 16.1
(1) Inventory step up to fair value relating to recent acquisitions - Specialty	1.1	—
(1) Restructuring and other exit charges - Energy Systems	0.1	2.4
(1) Restructuring and other exit charges - Motive Power	1.0	2.9
(1) Restructuring and other exit charges - Specialty	0.1	0.8
(2) Impairment of indefinite-lived intangibles - Energy Systems	—	6.0
(3) Amortization of identified intangible assets - Energy Systems	5.8	6.0
(3) Amortization of identified intangible assets - Motive Power	0.2	0.2
(3) Amortization of identified intangible assets - Specialty	2.4	0.7
(4) Integration costs - Specialty	1.6	—
(4) Other - Energy Systems	\$ 0.2	\$ 2.4
(4) Other - Motive Power	\$ —	\$ 0.2
(4) Other - Specialty	\$ 0.1	\$ —
<b>Total Non-GAAP adjustments</b>	<b>\$ 12.6</b>	<b>\$ 37.7</b>

# Non-GAAP Reconciliation

## LEVERAGE RATIO BY YEAR

(\$ in millions, except ratios)	Fiscal year ended March 31,						
	2024	2023	2022	2021	2020	2019	2018
Net earnings as reported	\$269.1	\$175.8	\$143.9	\$143.3	\$137.1	\$160.5	\$119.8
Add back:							
Depreciation and amortization	92.0	91.2	95.9	94.1	87.3	63.3	54.3
Interest expense	49.9	59.5	37.8	38.5	43.7	30.9	25
Income tax expense	23.1	34.8	30	26.8	9.9	21.6	118.5
EBITDA (non GAAP)	\$434.1	\$361.3	\$307.5	\$302.7	\$278.0	\$276.3	\$317.6
Adjustments per credit agreement definitions <sup>(1)</sup>	85.8	51.7	51.5	56.3	123.6	139	23.2
Adjusted EBITDA (non-GAAP) per credit agreement <sup>(1)</sup>	\$519.9	\$413.0	\$359.1	\$359.0	\$401.6	\$415.3	\$340.8
Total net debt <sup>(2)</sup>	\$511.1	\$736.0	\$905.9	\$615.0	\$905.6	\$835.8	\$234.7
Leverage ratios:							
Total net debt/credit adjusted EBITDA ratio	1.0 X	1.8 X	2.5 X	1.7 X	2.3 X	2.0 X	0.7 X

(1) The \$85.8 million adjustment to EBITDA in the last twelve months ending March 31, 2024 primarily related to \$30.6 million of non-cash stock compensation, \$40.7 million of restructuring and other exit charges, impairment of indefinite-lived intangibles and write-down of other current assets of \$13.6 million. The \$51.7 million adjustment to EBITDA in fiscal 2023 primarily related to \$26.4 million of non-cash stock compensation, \$22.4 million of restructuring and other exit charges, impairment of indefinite-lived intangibles of \$0.5 million, and \$1.4 million for swap termination fees. The \$51.5 million adjustment to EBITDA in fiscal 2022 primarily related to \$24.3 million of non-cash stock compensation, \$26.0 million of restructuring and other exit charges, indefinite-lived intangibles of \$1.2 million. The \$56.3 million adjustment to EBITDA in fiscal 2021 primarily related to \$19.8 million of non-cash stock compensation, \$33.2 million of restructuring and other exit charges, business integration costs of \$7.3 million, partially offset by \$3.9 million of gain (\$4.4 million gain less insurance deductibles) relating to the final settlement of the Richmond, KY fire claim. The \$123.6 million adjustment to EBITDA in fiscal 2020 primarily related to impairment of goodwill and other intangible assets of \$44.2 million, \$20.8 million of non-cash stock compensation, inclusion of \$18.5 million of six months of pro forma earnings of NorthStar, \$20.8 million of restructuring and other exit charges and \$1.9 million of inventory adjustments (fair value step up relating to the NorthStar transaction), \$14.3 million for insurance reimbursement for business interruption due to the Richmond, KY fire and other charges of \$3.1 million. The \$139.0 million adjustment to EBITDA in fiscal 2019 primarily related to the inclusion of \$69.3 million of nine months of pro forma earnings of Alpha, \$13.6 million for fees and expenses related to the Alpha transaction, \$22.6 million of non-cash stock compensation, \$23.2 million of non-cash restructuring and other exit charges and \$10.3 million of inventory adjustments (including a fair value step up relating to the Alpha transaction of \$7.2 million). The \$23.2 million adjustment to EBITDA in fiscal 2018 primarily related to \$19.5 million of non-cash stock compensation and \$3.7 million of non-cash restructuring and other exit charges.

(2) Debt includes finance lease obligations and letters of credit and is net of all U.S. cash and cash equivalents and foreign cash and investments, as defined in the Fourth Amended Credit Facility. In fiscal 2024, the amounts deducted in the calculation of net debt were U.S. cash and cash equivalents and foreign cash investments of \$333.3 million; In fiscal 2023, were \$347.0 million, in fiscal 2022, were \$402.5 million, in fiscal 2021, were \$399 million, in fiscal 2020, were \$262 million, in fiscal 2019, were \$200 million, and in fiscal 2018, were \$372 million.

# Non-GAAP Reconciliation

## LEVERAGE RATIO BY QUARTER

(\$ in millions, except ratios)	Last twelve months ended	
	December 29, 2024	December 31, 2023
Net earnings as reported	\$328.1	\$274.1
Add back:		
Depreciation and amortization	98.1	90.5
Interest expense	46.4	54.1
Income tax expense	31.4	27.3
EBITDA (non GAAP)	\$504.0	\$446.0
Adjustments per credit agreement definitions <sup>(1)</sup>	52.6	78.6
Adjusted EBITDA (non-GAAP) per credit agreement <sup>(1)</sup>	\$556.6	\$524.6
Total net debt <sup>(2)</sup>	\$852.1	\$586.9
Leverage ratios:		
Total net debt/credit adjusted EBITDA ratio	1.5 X	1.1 X

(1) The \$52.6 million adjustment to EBITDA in the last twelve months ending December 29, 2024 primarily related to \$28.0 million of non-cash stock compensation, \$19.8 million of restructuring and other exit charges, impairment of indefinite-lived intangibles and write-down of other current assets of \$4.5 million. The \$78.6 million adjustment to EBITDA in the last twelve months ending December 31, 2023 primarily related to \$27.2 million of non-cash stock compensation, \$29.1 million of restructuring and other exit charges, impairment of indefinite-lived intangibles of \$2.1 and a swap termination fee of \$1.4 million.

(2) Debt includes finance lease obligations and letters of credit and is net of all U.S. cash and cash equivalents and foreign cash and investments, as defined in the Fourth Amended Credit Facility. In the last twelve months ending December 29, 2024 and December 31, 2023, the amounts deducted in the calculation of net debt were U.S. cash and cash equivalents and foreign cash investments of \$463.2 million, and in fiscal 2023, were \$332.7 million.

# Non-GAAP Reconciliation

## FREE CASH FLOW

(\$ in millions)

	Quarter ended	
	December 29, 2024	December 31, 2023
Net cash provided by (used in) operating activities	\$ 81.1	\$ 134.5
Less Capital Expenditures	(24.3)	(23.1)
<b>Free Cash Flow</b>	<b>56.8</b>	<b>111.4</b>

(\$ in millions)

	Quarter ended	
	December 29, 2024	December 31, 2023
Net cash provided by (used in) operating activities	\$ 81.1	\$ 134.5
Net earnings	114.8	76.2
<b>Operating cash flow conversion %</b>	<b>70.6 %</b>	<b>176.5 %</b>
Free cash flow	56.8	111.4
Adjusted net earnings	124.3	105.0
<b>Adjusted free cash flow conversion %</b>	<b>45.7 %</b>	<b>106.1 %</b>

# Non-GAAP Reconciliation

## ADJUSTED GROSS PROFIT AND GROSS MARGIN

(\$ in millions)

	Quarter ended	
	December 29, 2024	December 31, 2023
Gross Profit as reported	\$ 298.2	\$ 248.6
Inventory adjustment relating to exit activities	—	16.1
Inventory step up to fair value relating to recent acquisitions	1.1	—
<b>Adjusted Gross Profit</b>	<b>299.3</b>	<b>264.7</b>
Gross Margin	32.9 %	28.9 %
<b>Adjusted Gross Margin</b>	<b>33.0 %</b>	<b>30.7 %</b>

# Key Performance Indicator

## PRIMARY OPERATING CAPITAL

As part of managing the performance of our business, we monitor the level of primary operating capital, and its ratio to net sales. We define primary operating capital as accounts receivable, plus inventories, minus accounts payable. The resulting net amount is divided by the trailing three-month net sales (annualized) to derive a primary operating capital percentage. We believe these three elements included in primary operating capital are most operationally driven, and this performance measure provides us with information about the asset intensity and operating efficiency of the business on a company-wide basis that management can monitor and analyze trends over time. Primary operating capital was \$947.4 million (yielding a primary operating capital percentage of 26.1%) at December 29, 2024, \$852.9 million (yielding a primary operating capital percentage of 23.4%) at March 31, 2024 and \$911.6 million at December 31, 2023 (yielding a primary operating capital percentage of 26.5%). The primary operating capital percentage of 26.1% at December 29, 2024 increased by 270 basis points compared to March 31, 2024 and decreased 40 basis points compared to December 31, 2023. The increase in primary operating capital percentage at December 29, 2024 compared to March 31, 2024 was primarily due to the addition of Bren-Tronics balances as well as increases to inventory for strategic build up and decreases to accounts payable levels due to timing of payments this quarter. Accounts receivable amounts increased comparatively mainly due to longer termed collections from customers compared to the fourth fiscal quarter of the prior fiscal year. The slight decrease in primary operating capital percentage at December 29, 2024 compared to December 31, 2023 was due to improved inventory management actions and easing of supply chain constraints compared to the third quarter of fiscal 2024.

(\$ in Millions)	December 29, 2024	March 31, 2024	December 31, 2023
Accounts receivable, net	\$545.2	\$524.7	\$498.5
Inventory, net	753.4	697.7	755.2
Accounts payable	(351.2)	(369.5)	(342.1)
<b>Total primary operating capital</b>	<b>947.4</b>	<b>852.9</b>	<b>911.6</b>
Trailing 3 months net sales	906.2	910.7	861.6
Trailing 3 months net sales annualized	3,624.8	3,642.8	3,446.4
Primary operating capital as a % of annualized net sales	26.1 %	23.4 %	26.5 %



# Thank you.

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