UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 4, 2020

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number: 001-32253

EnerSys

(Exact name of registrant as specified in its charter)

Delaware	23-3058564
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2366 Bernville Road
Reading, Pennsylvania 19605
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 610-208-1991

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value per share	ENS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). ☐ Yes ☒ No.

Common Stock outstanding at November 6, 2020: 42,577,285 shares

ENERSYS
INDEX – FORM 10-Q

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERSYS
Consolidated Condensed Balance Sheets (Unaudited)
(In Thousands, Except Share and Per Share Data)

	October 4, 2020	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 414,232	$ 326,979
Accounts receivable, net of allowance for doubtful accounts: October 4, 2020 - $13,317; March 31, 2020 - $15,246	499,781	595,873
Inventories, net	516,589	519,460
Prepaid and other current assets	133,473	120,593
Total current assets	1,564,075	1,562,905
Property, plant, and equipment, net	498,662	480,014
Goodwill	689,048	663,936
Other intangible assets, net	443,998	455,685
Deferred taxes	59,122	55,803
Other assets	78,317	83,355
Total assets	$ 3,333,222	$ 3,301,698
Liabilities and Equity		
Current liabilities:		
Short-term debt	$ 31,813	$ 46,544
Accounts payable	252,667	281,873
Accrued expenses	282,374	271,902
Total current liabilities	566,854	600,319
Long-term debt, net of unamortized debt issuance costs	1,039,208	1,104,731
Deferred taxes	79,491	78,363
Other liabilities	212,589	214,223
Total liabilities	1,898,142	1,997,636
Commitments and contingencies		
Equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at October 4, 2020 and at March 31, 2020	—	—
Common Stock, 0.01 par value per share, 135,000,000 shares authorized, 55,361,826 shares issued and 42,575,193 shares outstanding at October 4, 2020; 55,114,808 shares issued and 42,323,305 shares outstanding at March 31, 2020	554	551
Additional paid-in capital	537,092	529,100
Treasury stock at cost, 12,786,633 shares held as of October 4, 2020 and 12,791,503 shares held as of March 31, 2020	(563,853)	(564,376)
Retained earnings	1,612,640	1,556,980
Contra equity - indemnification receivable	(5,273)	(6,724)
Accumulated other comprehensive loss	(149,769)	(215,006)
Total EnerSys stockholders’ equity	1,431,391	1,300,525
Nonredeemable noncontrolling interests	3,689	3,537
Total equity	1,435,080	1,304,062
Total liabilities and equity	$ 3,333,222	$ 3,301,698

See accompanying notes.

Table of Contents

ENERSYS
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Quarter ended	
	October 4, 2020	September 29, 2019
Net sales	$ 708,402	$ 762,137
Cost of goods sold	530,842	564,820
Gross profit	177,560	197,317
Operating expenses	119,026	132,325
Restructuring and other exit charges	3,119	6,282
Operating earnings	55,415	58,710
Interest expense	9,829	10,097
Other (income) expense, net	4,110	199
Earnings before income taxes	41,476	48,414
Income tax expense (benefit)	5,745	(14,284)
Net earnings attributable to EnerSys stockholders	$ 35,731	$ 62,698
Net earnings per common share attributable to EnerSys stockholders:		
Basic	$ 0.84	$ 1.48
Diluted	$ 0.83	$ 1.47
Dividends per common share	$ 0.175	$ 0.175
Weighted-average number of common shares outstanding:		
Basic	42,521,659	42,392,039
Diluted	43,087,455	42,708,082

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Six months ended	
	October 4, 2020	September 29, 2019
Net sales	$ 1,413,326	$ 1,542,367
Cost of goods sold	1,060,789	1,143,538
Gross profit	352,537	398,829
Operating expenses	239,396	263,129
Restructuring and other exit charges	4,506	8,654
Operating earnings	108,635	127,046
Interest expense	19,994	20,995
Other (income) expense, net	5,572	(953)
Earnings before income taxes	83,069	107,004
Income tax expense (benefit)	12,155	(4,330)
Net earnings	$ 70,914	$ 111,334
Net earnings per common share attributable to EnerSys stockholders:		
Basic	$ 1.67	$ 2.62
Diluted	$ 1.65	$ 2.59
Dividends per common share	$ 0.35	$ 0.35
Weighted-average number of common shares outstanding:		
Basic	42,453,774	42,524,189
Diluted	43,009,755	42,913,258

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Comprehensive Income (Unaudited)
(In Thousands)

	Quarter ended		Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Net earnings	$ 35,731	$ 62,698	$ 70,914	$ 111,334
Other comprehensive income (loss):				
Net unrealized gain on derivative instruments, net of tax	1,470	3,586	3,813	1,257
Pension funded status adjustment, net of tax	305	237	596	474
Foreign currency translation adjustment	32,833	(32,199)	60,980	(35,410)
Total other comprehensive income (loss), net of tax	34,608	(28,376)	65,389	(33,679)
Total comprehensive income	70,339	34,322	136,303	77,655
Comprehensive gain (loss) attributable to noncontrolling interests	144	(131)	152	(214)
Comprehensive income attributable to EnerSys stockholders	$ 70,195	$ 34,453	$ 136,151	$ 77,869

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Cash Flows (Unaudited)
(In Thousands)

	Six months ended	
	October 4, 2020	September 29, 2019
Cash flows from operating activities		
Net earnings	$ 70,914	$ 111,334
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	47,059	41,053
Write-off of assets relating to exit activities	1,753	9,969
Derivatives not designated in hedging relationships:		
Net (gains) losses	(372)	696
Cash proceeds (settlements)	846	(821)
Provision for doubtful accounts	182	3,245
Deferred income taxes	(1,820)	(20,973)
Non-cash interest expense	1,036	752
Stock-based compensation	10,586	8,868
Loss (gain) on disposal of property, plant, and equipment	156	(119)
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	106,581	26,763
Inventories	21,080	(11,687)
Prepaid and other current assets	7,369	(18,214)
Other assets	3,132	4,699
Accounts payable	(49,557)	(22,005)
Accrued expenses	1,282	(18,576)
Other liabilities	(2,954)	(9,922)
Net cash provided by operating activities	217,273	105,062
Cash flows from investing activities		
Capital expenditures	(39,905)	(43,378)
Proceeds from disposal of property, plant, and equipment	81	2,645
Net cash used in investing activities	(39,824)	(40,733)
Cash flows from financing activities		
Net repayments on short-term debt	(16,502)	(20,019)
Proceeds from 2017 Revolver borrowings	45,000	285,000
Repayments of 2017 Revolver borrowings	(100,000)	(135,000)
Repayments of 2017 Term Loan	(16,837)	(5,645)
Option proceeds	1,766	25
Payment of taxes related to net share settlement of equity awards	(4,602)	(6,250)
Purchase of treasury stock	—	(34,561)
Dividends paid to stockholders	(14,879)	(14,898)
Other	255	161
Net cash (used in) provided by financing activities	(105,799)	68,813
Effect of exchange rate changes on cash and cash equivalents	15,603	(7,508)
Net increase in cash and cash equivalents	87,253	125,634
Cash and cash equivalents at beginning of period	326,979	299,212
Cash and cash equivalents at end of period	$ 414,232	$ 424,846

See accompanying notes.

ENERSYS
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(In Thousands, Except Share and Per Share Data)

1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments except those otherwise described herein) considered necessary for a fair presentation have been included, unless otherwise disclosed. Operating results for the three and six months ended October 4, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2021.

The Consolidated Condensed Balance Sheet at March 31, 2020 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s 2020 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on June 1, 2020 (the “2020 Annual Report”).

EnerSys (the “Company,”) reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2021 end on July 5, 2020, October 4, 2020, January 3, 2021, and March 31, 2021, respectively. The four quarters in fiscal 2020 ended on June 30, 2019, September 29, 2019, December 29, 2019, and March 31, 2020, respectively.

The consolidated condensed financial statements include the accounts of the Company and its wholly-owned subsidiaries and any partially owned subsidiaries that the Company has the ability to control. All intercompany transactions and balances have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB, issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326)”: Measurement of Credit Losses on Financial Instruments, which changes the recognition model for the impairment of financial instruments, including accounts receivable, loans and held-to-maturity debt securities, among others. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In contrast to current guidance, which considers current information and events and utilizes a probable threshold, (an “incurred loss” model), ASU 2016–13 mandates an “expected loss” model. The expected loss model: (i) estimates the risk of loss even when risk is remote, (ii) estimates losses over the contractual life, (iii) considers past events, current conditions and reasonable supported forecasts and (iv) has no recognition threshold. The Company adopted the standard effective April 1, 2020 and the adoption did not have a material impact on the Company's operating results, financial position or cash flows. However, the adoption resulted in the modification of the Company's policies for accounts receivable.

The Company estimates the allowance for credit losses in relation to accounts receivable based on relevant qualitative and quantitative information about historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported accounts receivable. Subsequent to April 1, 2020, accounts receivable are recorded at amortized cost less an allowance for expected credit losses. The Company maintains an allowance for credit losses for the expected failure or inability of its customers to make required payments. The Company recognizes the allowance for expected credit losses at inception and reassesses quarterly, based on management’s expectation of the asset’s collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as management’s expectations of conditions in the future. The Company’s allowance for uncollectible accounts receivable is based on management’s assessment of the collectability of assets pooled together with similar risk characteristics. The Company then adjusts the historical credit loss percentage by current and forecasted economic conditions. The Company then includes a baseline credit loss percentage into the historical credit loss percentage for each aging category to reflect the potential impact of the current and economic conditions. Such a baseline calculation will be adjusted further if changes in the economic environment impacts the Company's expectation for future credit losses.

The following table sets forth the quarterly changes in the Company's allowance for doubtful accounts:

Allowance for doubtful accounts:	Balance at Beginning of Period	Provision for doubtful debts	Write-offs, net of recoveries and other	Balance at End of Period
First quarter ended July 5, 2020	$ 15,246	$ 96	$ (2,113)	$ 13,229
Second quarter ended October 4, 2020	$ 13,229	$ 86	$ 2	$ 13,317

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848)”: Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides temporary optional expedients to ease the financial reporting burdens of the expected market transition from London Interbank Offered Rate (LIBOR) to an alternative reference rate such as Secured Overnight Financing Rate (SOFR). The Company’s agreements with respect to its borrowings already contain comparable alternative reference rates that would automatically take effect upon the phasing out of LIBOR. The Company has adopted the standard and the adoption did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Issued But Not Adopted as of October 4, 2020

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740)”: Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently assessing the potential impact that the adoption will have on its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including, but not limited to, the potential impacts arising from the coronavirus pandemic of 2019 (“COVID-19”) and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts of COVID-19 remain unclear, the Company’s estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates.

Examples of significant estimates include the allowance for credit losses, the recoverability of property, plant and equipment, the incremental borrowing rate for lease liabilities, the recoverability of intangible assets and other long-lived assets, fair value measurements, including those related to financial instruments, goodwill and intangible assets, valuation allowances on tax assets, pension and postretirement benefit obligations, contingencies and the identification and valuation of assets acquired and liabilities assumed in connection with business combinations.

2. Revenue Recognition

The Company's revenues by reportable segments are presented in Note 17.

Service revenues related to the work performed for the Company’s customers by its maintenance technicians generally represent a separate and distinct performance obligation. Control for these services passes to the customer as the services are performed. Service revenues for the second quarter of fiscal 2021 and 2020 amounted to $74,327 and $61,282, respectively. Service revenues for the six months of fiscal 2021 and 2020 amounted to $143,085 and $122,000, respectively.

A small portion of the Company's customer arrangements obligate the Company to create customized products for its customers that require the bundling of both products and services into a single performance obligation because the individual products and services that are required to fulfill the customer requirements do not meet the definition for a distinct performance obligation. These customized products generally have no alternative use to the Company and the terms and conditions of these arrangements give the Company the enforceable right to payment for performance completed to date, including a reasonable profit margin. For these arrangements, control transfers over time and the Company measures progress towards completion by selecting the input or output method that best depicts the transfer of control of the underlying goods and services to the customer for each respective arrangement. Methods used by the Company to measure progress toward completion include labor hours, costs incurred and units of production. Revenues recognized over time for the second quarter of fiscal 2021 and 2020 amounted to $35,074 and $33,595, respectively. Revenues recognized over time for the six months of fiscal 2021 and 2020 amounted to $71,176 and $75,090, respectively.

On October 4, 2020, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately $104,552, of which, the Company estimates that approximately $53,781 will be recognized as revenue in fiscal 2021, $36,990 in fiscal 2022, $12,388 in fiscal 2023, $1,359 in fiscal 2024 and $34 in fiscal 2025.

Any payments that are received from a customer in advance, prior to the satisfaction of a related performance obligation and billings in excess of revenue recognized, are deferred and treated as a contract liability. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when recognition of revenue is expected. As of October 4, 2020, the current and non-current portion of contract liabilities were $17,871 and $6,383, respectively. As of March 31, 2020, the current and non-current portion of contract liabilities were $17,342 and $8,356, respectively. Revenues recognized during the second quarter of fiscal 2021 and 2020 that were included in the contract liability at the beginning of the year, amounted to $4,175 and $3,690, respectively. Revenues recognized during the six months of fiscal 2021 and 2020 that were included in the contract liability at the beginning of the year, amounted to $7,641 and $8,157, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were $49,769 and $39,048 as of October 4, 2020 and March 31, 2020, respectively.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized. At October 4, 2020, the right of return asset related to the value of inventory anticipated to be returned from customers was $4,267 and refund liability representing amounts estimated to be refunded to customers was $7,034.

3. Leases

The Company leases manufacturing facilities, distribution centers, office space, vehicles and other equipment under non-cancellable leases with initial terms typically ranging from 1 to 17 years.

Short term leases with an initial term of 12 months or less are not presented on the balance sheet and expense is recognized as incurred.

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	As of October 4, 2020	As of March 31, 2020
Operating Leases:			
Right-of-use assets	Other assets	$ 67,072	$ 70,045
Operating lease current liabilities	Accrued expenses	21,511	21,128
Operating lease non-current liabilities	Other liabilities	47,787	51,215
Finance Leases:			
Right-of-use assets	Property, plant, and equipment, net	$ 574	$ 540
Finance lease current liabilities	Accrued expenses	193	162
Finance lease non-current liabilities	Other liabilities	415	407

The components of lease expense for the second quarter and six months ended October 4, 2020 and September 29, 2019 were as follows:

		Quarter ended		Six months ended	
	Classification	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Operating Leases:					
Operating lease cost	Operating expenses	$ 6,745	$ 7,260	$ 13,681	$ 14,555
Variable lease cost	Operating expenses	1,613	2,122	3,732	3,828
Short term lease cost	Operating expenses	1,578	1,927	3,406	4,111
Finance Leases:					
Depreciation	Operating expenses	$ 46	$ 138	$ 88	$ 281
Interest expense	Interest expense	7	10	14	22
Total		$ 9,989	$ 11,457	$ 20,921	$ 22,797

The following table presents the weighted average lease term and discount rates for leases as of October 4, 2020:

Operating Leases:	
Weighted average remaining lease term	6 years
Weighted average discount rate	5.35%
Finance Leases:	
Weighted average remaining lease term	3.3 years
Weighted average discount rate	4.95%

The following table presents future payments due under leases reconciled to lease liabilities as of October 4, 2020:

	Finance Leases	Operating Leases
Six months ended March 31, 2021	$ 109	$ 12,839
Year ended March 31,		
2022	217	21,638
2023	174	14,669
2024	120	9,190
2025	25	5,828
Thereafter	14	16,654
Total undiscounted lease payments	659	80,818
Present value discount	51	11,520
Lease liability	$ 608	$ 69,298

The following table presents supplemental disclosures of cash flow information related to leases for the second quarter and six months ended October 4, 2020 and September 29, 2019:

	Quarter ended		Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Operating cash flows from finance leases	$ 7	$ 10	$ 14	$ 22
Operating cash flows from operating leases	6,739	7,170	13,660	14,383
Financing cash flows from finance leases	45	138	86	281
Supplemental non-cash information on lease liabilities arising from right-of-use assets:				
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 87	$ —	$ 87	$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	955	2,318	7,132	4,946

4. Acquisition

NorthStar

In fiscal 2020, the Company completed the acquisition of N Holding, AB (“NorthStar”) for $77,777 in cash consideration and the assumption of $107,018 in debt, which was funded using existing cash and credit facilities. NorthStar, through its direct and indirect subsidiaries, manufactures and distributes thin plate pure lead (TPPL) batteries and battery enclosures. NorthStar has two large manufacturing facilities in Springfield, Missouri. The Company acquired tangible and intangible assets, including trademarks, technology, customer relationships and goodwill. Based on valuations performed, trademarks were valued at $6,000, technology at $19,000, customer relationships at $9,000, and goodwill was recorded at $76,784. As a result of the change in operating and reportable segments discussed in Note 17, goodwill associated with the acquisition of NorthStar has been allocated to the Energy Systems and Specialty segments on a relative fair value basis. The useful lives of technology were estimated at 10 years, customer relationships were estimated at 15 to 18 years and trademarks were estimated at 5 years. Goodwill deductible for tax purposes is $75,436.

During the second quarter of fiscal 2021, the Company finalized the measurement of all provisional amounts recognized in connection with the NorthStar business combination. The purchase accounting adjustments resulted in an increase to goodwill during the current quarter, by $2,996 as a result of finalizing income tax accounting.

Other Intangible Assets

Information regarding the Company’s other intangible assets are as follows:

	Balance as of					
	October 4, 2020			March 31, 2020		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Indefinite-lived intangible assets:						
Trademarks	$ 148,000	$ (957)	$ 147,043	$ 147,356	$ (953)	$ 146,403
Finite-lived intangible assets:						
Customer relationships	295,840	(76,274)	219,566	292,155	(64,855)	227,300
Non-compete	3,029	(2,824)	205	3,021	(2,817)	204
Technology	96,765	(25,027)	71,738	96,047	(20,349)	75,698
Trademarks	8,008	(2,562)	5,446	8,008	(1,928)	6,080
Licenses	1,196	(1,196)	—	1,196	(1,196)	—
Total	$ 552,838	$ (108,840)	$ 443,998	$ 547,783	$ (92,098)	$ 455,685

The Company’s amortization expense related to finite-lived intangible assets was $8,187 and $16,742 for the second quarter and six months of fiscal 2021, compared to $7,309 and $14,625 for the second quarter and six months of fiscal 2020. The expected amortization expense based on the finite-lived intangible assets as of October 4, 2020, is $15,917 for the remainder of fiscal 2021, $32,420 in fiscal 2022, $31,122 in fiscal 2023, $27,725 in fiscal 2024 and $26,494 in fiscal 2025.

5. Inventories

Inventories, net consist of:

	October 4, 2020	March 31, 2020
Raw materials	$ 144,627	$ 141,906
Work-in-process	98,580	91,520
Finished goods	273,382	286,034
Total	$ 516,589	$ 519,460

6. Fair Value of Financial Instruments

Recurring Fair Value Measurements

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of October 4, 2020 and March 31, 2020, and the basis for that measurement:

	Total Fair Value Measurement October 4, 2020	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ (3,229)	$ —	$ (3,229)	$ —
Foreign currency forward contracts	(213)	—	(213)	—
Total derivatives	$ (3,442)	$ —	$ (3,442)	$ —

	Total Fair Value Measurement March 31, 2020	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	$ (2,433)	$ —	$ (2,433)	$ —
Foreign currency forward contracts	1	—	1	—
Total derivatives	$ (2,432)	$ —	$ (2,432)	$ —

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange (“LME”) and, therefore, were classified as Level 2 within the fair value hierarchy, as described in Note 1. Summary of Significant Accounting Policies to the Company's consolidated financial statements included in its 2020 Annual Report.

The fair values for foreign currency forward contracts are based upon current quoted market prices and are classified as Level 2 based on the nature of the underlying market in which these derivatives are traded.

Financial Instruments

The fair values of the Company’s cash and cash equivalents approximate carrying value due to their short maturities.

The fair value of the Company’s short-term debt and borrowings under the Amended Credit Facility (as defined in Note 12), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

In fiscal 2020, the Company issued its 4.375% Senior Notes due 2027 (the “2027 Notes”), with an original face value of $300,000. The Company's 5.00% Senior Notes due 2023 (the “2023 Notes”), with an original face value of $300,000, were issued in April 2015. The fair value of the 2027 Notes and 2023 Notes, (collectively, the “Senior Notes”) represent the trading values based upon quoted market prices and are classified as Level 2. The 2027 Notes were trading at approximately 102% and 94% of face value on October 4, 2020 and March 31, 2020, respectively. The 2023 Notes were trading at approximately 103% and 97% of face value on October 4, 2020 and March 31, 2020, respectively.

The carrying amounts and estimated fair values of the Company’s derivatives and Senior Notes at October 4, 2020 and March 31, 2020 were as follows:

	October 4, 2020		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Derivatives [1]	$ —	$ —	$ —	$ —
Financial liabilities:				
Senior Notes [2]	$ 600,000	$ 614,625	$ 600,000	$ 573,000
Derivatives [1]	3,442	3,442	2,432	2,432

(1) Represents lead and foreign currency forward contracts (see Note 7 for asset and liability positions of the lead and foreign currency forward contracts at October 4, 2020 and March 31, 2020).

(2) The fair value amount of the Senior Notes at October 4, 2020 and March 31, 2020 represent the trading value of the instruments.

7. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices and foreign exchange rates under established procedures and controls. The Company does not enter into derivative contracts for speculative purposes. The Company’s agreements are with creditworthy financial institutions and the Company anticipates performance by counterparties to these contracts and therefore no material loss is expected.

Derivatives in Cash Flow Hedging Relationships

Lead Forward Contracts

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year. At October 4, 2020 and March 31, 2020, the Company has hedged the price to purchase approximately 50.0 million pounds and 35.0 million pounds of lead, respectively, for a total purchase price of $43,228 and $30,078, respectively.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts and options to hedge a portion of the Company’s foreign currency exposures for lead, as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of October 4, 2020 and March 31, 2020, the Company had entered into a total of $23,726 and $34,008, respectively, of such contracts.

In the coming twelve months, the Company anticipates that $2,640 of pretax loss relating to lead and foreign currency forward contracts will be reclassified from AOCI (“Accumulated Other Comprehensive Income”) as part of cost of goods sold. This amount represents the current net unrealized impact of hedging lead and foreign exchange rates, which will change as market rates change in the future, and will ultimately be realized in the Consolidated Condensed Statements of Income as an offset to the corresponding actual changes in lead costs to be realized in connection with the variable lead cost and foreign exchange rates being hedged.

Derivatives not Designated in Hedging Relationships

Foreign Currency Forward Contracts

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Condensed Statements of Income. As of October 4, 2020 and March 31, 2020, the notional amount of these contracts was $26,769 and $42,232, respectively.

Presented below in tabular form is information on the location and amounts of derivative fair values in the Consolidated Condensed Balance Sheets and derivative gains and losses in the Consolidated Condensed Statements of Income:

Fair Value of Derivative Instruments
October 4, 2020 and March 31, 2020

	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	October 4, 2020	March 31, 2020	October 4, 2020	March 31, 2020
Prepaid and other current assets:				
Foreign currency forward contracts	$ —	$ —	$ —	$ 375
Total assets	$ —	$ —	$ —	$ 375
Accrued expenses:				
Lead forward contracts	$ 3,229	$ 2,433	$ —	$ —
Foreign currency forward contracts	114	374	99	—
Total liabilities	$ 3,343	$ 2,807	$ 99	$ —

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended October 4, 2020

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ (2,219)	Cost of goods sold	$ (4,854)
Foreign currency forward contracts	(454)	Cost of goods sold	257
Total	$ (2,673)		$ (4,597)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ 260
Total		$ 260

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended September 29, 2019

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ 1,526	Cost of goods sold	$ (3,173)
Foreign currency forward contracts	62	Cost of goods sold	63
Total	$ 1,588		$ (3,110)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ (730)
Total		$ (730)

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended October 4, 2020

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ (3,493)	Cost of goods sold	$ (8,653)
Foreign currency forward contracts	(193)	Cost of goods sold	(26)
Total	$ (3,686)		$ (8,679)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ 372
Total		$ 372

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended September 29, 2019

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	$ (968)	Cost of goods sold	$ (2,732)
Foreign currency forward contracts	165	Cost of goods sold	280
Total	$ (803)		$ (2,452)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	$ (696)
Total		$ (696)

8. Income Taxes

The Company’s income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2021 and 2020 was based on the estimated effective tax rates applicable for the full years ending March 31, 2021 and March 31, 2020, respectively, after giving effect to items specifically related to the interim periods. The Company’s effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which the Company operates, change in tax laws and the amount of the Company's consolidated earnings before taxes.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Company recorded a deferred tax asset of $22,500 during fiscal 2020 related to the amortizable goodwill. Based on further evaluation with the Swiss tax authority, the Company recorded an additional income tax benefit of $1,883 during the six months of fiscal 2021.

The consolidated effective income tax rates for the second quarter of fiscal 2021 and 2020 were 13.9% and (29.5)% and for the six months of fiscal 2021 and 2020 were 14.6% and (4.0)%, respectively. The rate increase in the second quarter and six months of fiscal 2021 compared to the comparable prior year quarter is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 73% for fiscal 2021 compared to 75% for fiscal 2020. The foreign effective tax rates for the six months of fiscal 2021 and 2020 were 10.6% and (2.4)%, respectively. The rate increase compared to the prior year period is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2021 and fiscal 2020 and is taxed at an effective income tax rate of approximately 8% and 6%, respectively.

9. Warranty

The Company provides for estimated product warranty expenses when products are sold, with related liabilities included within accrued expenses and other liabilities. As warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, costs of claims may ultimately differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

	Quarter ended		Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Balance at beginning of period	$ 59,771	$ 56,179	$ 63,525	$ 54,568
Current period provisions	7,683	6,475	14,657	13,994
Costs incurred	(8,662)	(7,227)	(19,972)	(13,175)
Foreign currency translation adjustment	1,520	(491)	2,102	(451)
Balance at end of period	$ 60,312	$ 54,936	$ 60,312	$ 54,936

10. Commitments, Contingencies and Litigation

Litigation and Other Legal Matters

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of environmental, anticompetition, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries. In the ordinary course of business, the Company and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

European Competition Investigations

Certain of the Company’s European subsidiaries had received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by, the competition authorities of Belgium, Germany and the Netherlands relating to conduct and anticompetitive practices of certain industrial battery participants. For additional information regarding these matters, see Note 19 - Commitments, Contingencies and Litigation to the consolidated financial statements contained in the Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

The Company settled the Belgian regulatory proceeding in February 2016 by acknowledging certain anticompetitive practices and conduct and agreeing to pay a fine of $1,962, which was paid in March 2016. With respect to the Belgian regulatory matter, during fiscal 2019, the Company paid $2,402 towards certain aspects related to this matter, which are under appeal. As of October 4, 2020 and March 31, 2020, the Company did not have a reserve balance related to these matters.

The precise scope, timing and time period at issue, as well as the final outcome of the investigations or customer claims, remain uncertain. Accordingly, the Company’s estimate may change from time to time, and actual losses could vary.

Environmental Issues

As a result of its operations, the Company is subject to various federal, state, and local, as well as international environmental laws and regulations and is exposed to the costs and risks of registering, handling, processing, storing, transporting, and disposing of hazardous substances, especially lead and acid. The Company’s operations are also subject to federal, state, local and international occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace.

The Company is responsible for certain cleanup obligations at the former Yuasa battery facility in Sumter, South Carolina, that predates its ownership of this facility. This manufacturing facility was closed in 2001 and the Company established a reserve for this facility, which was $1,060 as of October 4, 2020 and March 31, 2020. Based on current information, the Company's management believes this reserve is adequate to satisfy the Company's environmental liabilities at this facility. This facility is separate from the Company's current metal fabrication facility in Sumter.

Lead and Foreign Currency Forward Contracts

To stabilize its lead costs and reduce volatility from currency movements, the Company enters into contracts with financial institutions. The vast majority of such contracts are for a period not extending beyond one year. Please refer to Note 7 - Derivative Financial Instruments for more details.

11. Restructuring and other Exit Charges

Restructuring Plans

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, the Company committed to restructuring plans aimed at improving operational efficiencies across its lines of business. A substantial portion of these plans are complete with an estimated $5,500 remaining to be incurred by the end of fiscal 2021. Restructuring and exit charges for the second quarter and six months of fiscal 2021 by reportable segments are as follows:

	Quarter ended October 4, 2020			
	Energy Systems	Motive Power	Specialty	Total
Restructuring charges	$ 1,331	$ 172	$ —	$ 1,503
Exit charges	—	1,509	107	1,616
Restructuring and other exit charges	$ 1,331	$ 1,681	$ 107	$ 3,119

	Six months ended October 4, 2020			
	Energy Systems	Motive Power	Specialty	Total
Restructuring charges	$ 1,843	$ 934	$ 129	$ 2,906
Exit charges	—	1,509	91	1,600
Restructuring and other exit charges	$ 1,843	$ 2,443	$ 220	$ 4,506

A roll-forward of the restructuring reserve is as follows:

Balance as of March 31, 2020	$ 3,325
Accrued	2,906
Costs incurred	(4,068)
Foreign currency impact	293
Balance as of October 4, 2020	$ 2,456

Exit Charges

During fiscal 2021, the Company committed to a plan to close its facility in Vijayawada, India to align with its strategic vision for the new line of business structure and footprint. The Company recorded exit charges of $1,509, primarily relating to asset write-offs.

During fiscal 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. Of the estimated total charges of $30,000 for all these actions, the Company had recorded charges amounting to $20,242 in fiscal 2019, relating to severance and inventory and fixed asset write-offs and an additional $5,123 relating to cash and non-cash charges during fiscal 2020. During the six months of fiscal 2021, in keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, the Company continued to execute further actions which resulted in a non-material net impact from the cash and non-cash charges.

During the second quarter of fiscal 2020, in keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, the Company also sold certain licenses and assets for $2,031 and recorded a net gain of $892, which were reported as other exit charges in our Specialty segment.

During the second quarter of fiscal 2020, the Company also wrote off $5,441 of assets at its Kentucky and Tennessee Motive Power plants, as a result of its strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

Richmond, Kentucky Plant Fire

In fiscal 2020, a fire broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility. The Company maintains insurance policies for both property damage and business interruption and are finishing cleanup and repair. The Company is nearing completion of the reconstruction of the facility and estimates that the total claim, including the replacement of inventory and equipment, the cleanup and repairs to the building, as well as the claim for business interruption is approximately $45,000.

In fiscal 2020, the Company recorded $17,037 of write-offs for damages caused to its fixed assets and inventories, as well as for cleanup, asset replacement and other ancillary activities directly associated with the fire and received $12,000 in advances related to its initial claims for recovery from its property and casualty insurance carriers.

During the six months of fiscal 2021, the Company recorded a further charge of $15,316 for cleanup and received $18,144 in advances from the insurance carriers. Accumulated charges relating to the fire through October 4, 2020 were $32,353 and advances received from the property and casualty insurance carriers were $30,144.

The Company also received $10,156 through October 4, 2020, of which $5,156 was recorded in the six months of fiscal 2021 and $5,000 in fiscal 2020, relating to a partial settlement of its claim for business interruption which was recorded as a reduction to cost of goods sold. The Company expects to receive $2,000 in its third quarter of fiscal 2021 which would complete the settlement of its business interruption claim.

12. Debt

The following summarizes the Company's long-term debt as of October 4, 2020 and March 31, 2020:

	October 4, 2020		March 31, 2020	
	Principal	Unamortized Issuance Costs	Principal	Unamortized Issuance Costs
Senior Notes	$ 600,000	$ 5,706	$ 600,000	$ 6,306
Amended Credit Facility, due 2022	446,665	1,751	513,224	2,187
	$ 1,046,665	$ 7,457	$ 1,113,224	$ 8,493
Less: Unamortized issuance costs	7,457		8,493	
Long-term debt, net of unamortized issuance costs	$ 1,039,208		$ 1,104,731	

The Company's Senior Notes comprise the following:

4.375% Senior Notes due 2027

On December 11, 2019, the Company issued $300,000 in aggregate principal amount of its 4.375% Senior Notes due December 15, 2027 (the "2027 Notes"). Proceeds from this offering, net of debt issuance costs were $296,250 and were utilized to pay down the Amended 2017 Revolver (defined below). The 2027 Notes bear interest at a rate of 4.375% per annum accruing from December 11, 2019. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The 2027 Notes mature on December 15, 2027, unless earlier redeemed or repurchased in full. The 2027 Notes are unsecured and unsubordinated obligations of the Company. The 2027 Notes are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Amended Credit Facility. These guarantees are unsecured and unsubordinated obligations of such guarantors.

The Company may redeem, prior to September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest and a "make whole" premium to, but excluding, the redemption date. The Company may redeem, on or after September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. If a change of control triggering event occurs, the Company will be required to offer to repurchase the 2027 Notes at a price in cash equal to 101% of the aggregate principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase. The 2027 Notes rank pari passu with the 2023 Notes.

5.00% Senior Notes due 2023

The 5% Senior Notes due April 30, 2023 (the “2023 Notes”) bear interest at a rate of 5.00% per annum and have an original face value of $300,000. Interest is payable semiannually in arrears on April 30 and October 30 of each year and commenced on October 30, 2015. The 2023 Notes will mature on April 30, 2023, unless earlier redeemed or repurchased in full. The 2023 Notes are unsecured and unsubordinated obligations of the Company. The 2023 Notes are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Amended Credit Facility. These guarantees are unsecured and unsubordinated obligations of such guarantors.

2017 Credit Facility and Subsequent Amendment

In fiscal 2018, the Company entered into a credit facility (the “2017 Credit Facility”). The 2017 Credit Facility scheduled to mature on September 30, 2022, initially comprised a $600,000 senior secured revolving credit facility (“2017 Revolver”) and a $150,000 senior secured term loan (“2017 Term Loan”). The Company utilized the borrowings from the 2017 Credit Facility to repay its pre-existing credit facility.

In fiscal 2019, the Company amended the 2017 Credit Facility (as amended, the “Amended Credit Facility”) to fund the Alpha acquisition. The Amended Credit Facility consists of $449,105 senior secured term loans (the “Amended 2017 Term Loan”), including a CAD 133,050 ($99,105) term loan and a $700,000 senior secured revolving credit facility (the “Amended 2017 Revolver”). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by $299,105 and $100,000, respectively.

As of October 4, 2020, the Company had $53,000 outstanding under the Amended 2017 Revolver and $393,665 under the Amended 2017 Term Loan.

Subsequent to the amendment, the quarterly installments payable on the Amended 2017 Term Loan are $5,645 beginning December 31, 2018, $8,468 beginning December 31, 2019 and $11,290 beginning December 31, 2020 with a final payment of $320,000 on September 30, 2022. The Amended Credit Facility may be increased by an aggregate amount of $325,000 in revolving commitments and / or one or more new tranches of term loans, under certain conditions. Both the Amended 2017 Revolver and the Amended 2017 Term Loan bear interest, at the Company's option, at a rate per annum equal to either (i) the London Interbank Offered Rate (“LIBOR”) or Canadian Dollar Offered Rate (“CDOR”) plus (i) LIBOR plus between 1.25% and 2.00% (currently 1.50% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate (which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America “Prime Rate” and (c) the Eurocurrency Base Rate plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero) (iii) the CDOR Base Rate equal to the higher of (a) Bank of America “Prime Rate” and (b) average 30-day CDOR rate plus 0.50%. Obligations under the Amended Credit Facility are secured by substantially all of the Company’s existing and future acquired assets, including substantially all of the capital stock of the Company’s United States subsidiaries that are guarantors under the Amended Credit Facility and up to 65% of the capital stock of certain of the Company’s foreign subsidiaries that are owned by the Company’s United States subsidiaries.

The Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio from 3.50x to 4.00x for a four quarter period following an acquisition larger than $250,000. Effective December 7, 2018 through December 28, 2019, the maximum leverage ratio was increased to 4.00x. On December 29, 2019, the maximum leverage ratio returned to 3.50x.

The current portion of the Amended 2017 Term Loan of $44,990 is classified as long-term debt as the Company expects to refinance the future quarterly payments with revolver borrowings under the Amended Credit Facility.

Short-Term Debt

As of October 4, 2020 and March 31, 2020, the Company had $31,813 and $46,544, respectively, of short-term borrowings. The weighted average interest rate on these borrowings was approximately 2% at October 4, 2020 and 3% at March 31, 2020.

Letters of Credit

As of October 4, 2020 and March 31, 2020, the Company had standby letters of credit of $7,720.

Debt Issuance Costs

Amortization expense, relating to debt issuance costs, included in interest expense was $518 and $374, respectively, for the quarters ended October 4, 2020 and September 29, 2019 and $1,036 and $752 for the six months ended October 4, 2020 and September 29, 2019. Debt issuance costs, net of accumulated amortization, totaled $7,457 and $8,493, respectively, at October 4, 2020 and March 31, 2020.

Available Lines of Credit

As of October 4, 2020 and March 31, 2020, the Company had available and undrawn, under all its lines of credit, $765,768 and $693,640, respectively, including $123,074 and $105,946, respectively, of uncommitted lines of credit as of October 4, 2020 and March 31, 2020.

13. Retirement Plans

The following tables present the components of the Company's net periodic benefit cost related to its defined benefit pension plans:

	United States Plans Quarter ended		International Plans Quarter ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Service cost	$ —	$ —	$ 252	$ 227
Interest cost	133	154	348	364
Expected return on plan assets	(66)	(114)	(474)	(518)
Amortization and deferral	132	51	259	245
Net periodic benefit cost	$ 199	$ 91	$ 385	$ 318

	United States Plans Six months ended		International Plans Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Service cost	$ —	$ —	$ 487	$ 462
Interest cost	265	308	675	740
Expected return on plan assets	(131)	(226)	(921)	(1,056)
Amortization and deferral	265	103	503	498
Net periodic benefit cost	$ 399	$ 185	$ 744	$ 644

14. Stock-Based Compensation

As of October 4, 2020, the Company maintains the 2017 Equity Incentive Plan ("2017 EIP"). The 2017 EIP reserved 4,173,554 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market condition-based on total shareholder return ("TSR") and performance condition-based share units ("PSU") and other forms of equity-based compensation.

The Company recognized stock-based compensation expense associated with its equity incentive plans of $5,533 for the second quarter of fiscal 2021 and $4,994 for the second quarter of fiscal 2020. Stock-based compensation was $10,586 and $8,868 for the six months of fiscal 2021 and fiscal 2020, respectively. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards.

During fiscal 2021, the Company granted to non-employee directors 38,171 restricted stock units, pursuant to the 2017 EIP. The awards vest immediately upon the date of grant and are settled in shares of common stock.

During fiscal 2021, the Company granted to management and other key employees 295,068 non-qualified stock options that vest ratably over three years from the date of grant and 283,101 restricted stock units that vest ratably over four years from the date of grant.

Common stock activity during fiscal 2021 included the vesting of 199,499 restricted stock units, 65,096 TSRs and the exercise of 34,369 stock options.

As of October 4, 2020, there were 1,025,768 non-qualified stock options, 932,976 restricted stock units, 125,537 TSRs and 99,608 PSUs outstanding.

15. Stockholders' Equity and Noncontrolling Interests

Common Stock

The following demonstrates the change in the number of shares of common stock outstanding during the six months ended October 4, 2020:

Shares outstanding as of March 31, 2020	42,323,305
Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes	251,888
Shares outstanding as of October 4, 2020	42,575,193

Treasury Stock

During the six months ended October 4, 2020, the Company did not purchase any shares but purchased 581,140 shares for $34,561 during the six months ended September 29, 2019. At October 4, 2020 and March 31, 2020, the Company held 12,786,633 and 12,791,503 shares as treasury stock, respectively. During the six months ended October 4, 2020, the Company also issued 6,667 shares out of its treasury stock, valued at $62.55 per share, on a LIFO basis, to participants under the Company's Employee Stock Purchase Plan.

Accumulated Other Comprehensive Income ("AOCI")

The components of AOCI, net of tax, as of October 4, 2020 and March 31, 2020, are as follows:

	March 31, 2020	Before Reclassifications	Amounts Reclassified from AOCI	October 4, 2020
Pension funded status adjustment	$ (22,794)	$ —	$ 596	$ (22,198)
Net unrealized (loss) gain on derivative instruments	(5,923)	(2,812)	6,625	(2,110)
Foreign currency translation adjustment	(186,289)	60,828	—	(125,461)
Accumulated other comprehensive (loss) income	$ (215,006)	$ 58,016	$ 7,221	$ (149,769)

The following table presents reclassifications from AOCI during the second quarter ended October 4, 2020:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized loss on derivative instruments	$ 4,597	Cost of goods sold
Tax benefit	(1,088)	
Net unrealized loss on derivative instruments, net of tax	$ 3,509	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 391	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(86)	
Net periodic benefit cost, net of tax	$ 305	

The following table presents reclassifications from AOCI during the six months ended October 4, 2020:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized loss on derivative instruments	$ 8,679	Cost of goods sold
Tax benefit	(2,054)	
Net unrealized loss on derivative instruments, net of tax	$ 6,625	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 768	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(172)	
Net periodic benefit cost, net of tax	$ 596	

The following table presents reclassifications from AOCI during the second quarter ended September 29, 2019:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized loss on derivative instruments	$ 3,110	Cost of goods sold
Tax benefit	(736)	
Net unrealized loss on derivative instruments, net of tax	$ 2,374	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 296	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(59)	
Net periodic benefit cost, net of tax	$ 237	

The following table presents reclassifications from AOCI during the six months ended September 29, 2019:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized loss on derivative instruments	$ 2,452	Cost of goods sold
Tax benefit	(580)	
Net unrealized loss on derivative instruments, net of tax	$ 1,872	
Defined benefit pension costs:		
Prior service costs and deferrals	$ 601	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(127)	
Net periodic benefit cost, net of tax	$ 474	

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended October 4, 2020:

(In Thousands, Except Per Share Data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2020	**$ —**	**$ 551**	**$ 529,100**	**$ (564,376)**	**$ 1,556,980**	**$ (215,006)**	**$ (6,724)**	**$ 1,300,525**	**$ 3,537**	**$ 1,304,062**
Stock-based compensation	—	—	5,053	—	—	—	—	5,053	—	5,053
Exercise of stock options	—	2	479	—	—	—	—	481	—	481
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(3,135)	—	—	—	—	(3,135)	—	(3,135)
Other	—	—	(123)	299	—	—	—	176	—	176
Net earnings	—	—	—	—	35,183	—	—	35,183	—	35,183
Dividends ($0.175 per common share)	—	—	172	—	(7,600)	—	—	(7,428)	—	(7,428)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $86)	—	—	—	—	—	291	—	291	—	291
Net unrealized gain (loss) on derivative instruments (net of tax expense of $726)	—	—	—	—	—	2,343	—	2,343	—	2,343
Foreign currency translation adjustment	—	—	—	—	—	28,139	—	28,139	8	28,147
Balance at July 5, 2020	**$ —**	**$ 553**	**$ 531,546**	**$ (564,077)**	**$ 1,584,563**	**$ (184,233)**	**$ (6,724)**	**$ 1,361,628**	**$ 3,545**	**$ 1,365,173**
Stock-based compensation	—	—	5,533	—	—	—	—	5,533	—	5,533
Exercise of stock options	—	1	1,284	—	—	—	—	1,285	—	1,285
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(1,467)	—	—	—	—	(1,467)	—	(1,467)
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	1,451	1,451	—	1,451
Other	—	—	(7)	224	—	—	—	217	—	217
Net earnings	—	—	—	—	35,731	—	—	35,731	—	35,731
Dividends ($0.175 per common share)	—	—	203	—	(7,654)	—	—	(7,451)	—	(7,451)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $86)	—	—	—	—	—	305	—	305	—	305
Net unrealized gain (loss) on derivative instruments (net of tax expense of $454)	—	—	—	—	—	1,470	—	1,470	—	1,470
Foreign currency translation adjustment	—	—	—	—	—	32,689	—	32,689	144	32,833
Balance at October 4, 2020	**$ —**	**$ 554**	**$ 537,092**	**$ (563,853)**	**$ 1,612,640**	**$ (149,769)**	**$ (5,273)**	**$ 1,431,391**	**$ 3,689**	**$ 1,435,080**

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended September 29, 2019:

(In Thousands, Except Per Share Data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2019	**$ —**	**$ 548**	**$ 512,696**	**$ (530,760)**	**$ 1,450,325**	**$ (142,682)**	**$ (7,840)**	**$ 1,282,287**	**$ 3,730**	**$ 1,286,017**
Stock-based compensation	—	—	3,874	—	—	—	—	3,874	—	3,874
Exercise of stock options	—	3	35	—	—	—	—	38	—	38
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(6,081)	—	—	—	—	(6,081)	—	(6,081)
Purchase of common stock	—	—	—	(23,029)	—	—	—	(23,029)	—	(23,029)
Other	—	—	(80)	—	—	—	—	(80)	—	(80)
Net earnings	—	—	—	—	48,636	—	—	48,636	—	48,636
Dividends ($0.175 per common share)	—	—	133	—	(7,632)	—	—	(7,499)	—	(7,499)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $68)	—	—	—	—	—	237	—	237	—	237
Net unrealized gain (loss) on derivative instruments (net of tax benefit of $720)	—	—	—	—	—	(2,329)	—	(2,329)	—	(2,329)
Foreign currency translation adjustment	—	—	—	—	—	(3,128)	—	(3,128)	(83)	(3,211)
Balance at June 30, 2019	**$ —**	**$ 551**	**$ 510,577**	**$ (553,789)**	**$ 1,491,329**	**$ (147,902)**	**$ (7,840)**	**$ 1,292,926**	**$ 3,647**	**$ 1,296,573**
Stock-based compensation	—	—	4,994	—	—	—	—	4,994	—	4,994
Exercise of stock options	—	—	(13)	—	—	—	—	(13)	—	(13)
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(169)	—	—	—	—	(169)	—	(169)
Purchase of common stock	—	—	—	(11,532)	—	—	—	(11,532)	—	(11,532)
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	2,002	2,002	—	2,002
Other	—	—	—	213	—	—	—	213	—	213
Net earnings	—	—	—	—	62,698	—	—	62,698	—	62,698
Dividends ($0.175 per common share)	—	—	209	—	(7,608)	—	—	(7,399)	—	(7,399)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of $59)	—	—	—	—	—	237	—	237	—	237
Net unrealized gain (loss) on derivative instruments (net of tax benefit of $1,112)	—	—	—	—	—	3,586	—	3,586	—	3,586
Foreign currency translation adjustment	—	—	—	—	—	(32,068)	—	(32,068)	(131)	(32,199)
Balance at September 29, 2019	**$ —**	**$ 551**	**$ 515,598**	**$ (565,108)**	**$ 1,546,419**	**$ (176,147)**	**$ (5,838)**	**$ 1,315,475**	**$ 3,516**	**$ 1,318,991**

16. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted weighted-average number of common shares outstanding and the calculations of net earnings per common share attributable to EnerSys stockholders.

	Quarter ended		Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Net earnings attributable to EnerSys stockholders	$ 35,731	$ 62,698	$ 70,914	$ 111,334
Weighted-average number of common shares outstanding:				
Basic	42,521,659	42,392,039	42,453,774	42,524,189
Dilutive effect of:				
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	565,796	316,043	555,981	389,069
Diluted weighted-average number of common shares outstanding	43,087,455	42,708,082	43,009,755	42,913,258
Basic earnings per common share attributable to EnerSys stockholders	$ 0.84	$ 1.48	$ 1.67	$ 2.62
Diluted earnings per common share attributable to EnerSys stockholders	$ 0.83	$ 1.47	$ 1.65	$ 2.59
Anti-dilutive equity awards not included in diluted weighted-average common shares	149,616	1,005,326	267,940	831,068

17. Business Segments

Effective April 1, 2020, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments and identified the following as its three new operating segments, based on lines of business:

- **Energy Systems** - uninterruptible power systems, or “UPS” applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications, as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles, as well as medical and security systems.

The new operating segments also represent the Company's reportable segments under ASC 280, *Segment Reporting*. All prior comparative periods presented have been recast to conform to these changes.

Summarized financial information related to the Company's reportable segments for the second quarter and six months ended October 4, 2020 and September 29, 2019, is shown below:

	Quarter ended		Six months ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
Net sales by segment to unaffiliated customers				
Energy Systems	$ 340,822	$ 342,925	$ 694,209	$ 696,818
Motive Power	263,738	335,315	526,572	679,702
Specialty	103,842	83,897	192,545	165,847
Total net sales	$ 708,402	$ 762,137	$ 1,413,326	$ 1,542,367
Operating earnings by segment				
Energy Systems	$ 22,997	$ 20,457	$ 45,082	$ 44,044
Motive Power	24,149	34,531	51,425	71,629
Specialty	11,388	10,004	16,634	20,027
Restructuring charges - Energy Systems	(1,331)	(622)	(1,843)	(1,732)
Restructuring and other exit charges - Motive Power	(1,681)	(434)	(2,443)	(992)
Restructuring and other exit charges - Specialty	(107)	215	(220)	(489)
Fixed asset write-off relating to exit activities and other - Energy Systems	—	(50)	—	(50)
Fixed asset write-off relating to exit activities and other - Motive Power	—	(5,380)	—	(5,380)
Fixed asset write-off relating to exit activities - Specialty	—	(11)	—	(11)
Total operating earnings [(1)]	$ 55,415	$ 58,710	$ 108,635	$ 127,046

(1) The Company does not allocate interest expense or other (income) expense to the reportable segments.
(2) The Company does not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information.
(3) Reportable segments do not record inter-segment revenues and accordingly there are none to report.

Goodwill

Concurrent with the change in reporting segments effective April 1, 2020, goodwill was reassigned to the affected reporting units that have been identified within each operating segment, using a relative fair value approach outlined in ASC 350, *Intangibles - Goodwill and Other*.

The following table presents the amount of goodwill that has been reassigned to each of the Company's reportable segments as of April 1, 2020, using the relative fair value approach, as well as any changes in the carrying amount of goodwill by segment during the six months of fiscal 2021:

	Energy Systems	Motive Power	Specialty	Total
Balance at March 31, 2020	$ 263,150	$ 308,497	$ 92,289	$ 663,936
Measurement period adjustments	1,348	—	1,648	2,996
Foreign currency translation adjustment	8,334	11,076	2,706	22,116
Balance as of October 4, 2020	$ 272,832	$ 319,573	$ 96,643	$ 689,048

18. Subsequent Events

On November 10, 2020, the EnerSys' Board of Directors approved a plan to substantially close its facility in Hagen, Germany, which produces flooded motive power batteries for forklifts. EnerSys expects to incur a pre-tax charge of approximately $82,000 under this plan when completed, the majority of which is expected to be recorded by the end of fiscal 2021, of which $20,000 is expected to be a non-cash charge from inventory and equipment write-offs. Cash charges include severance, clean up and decommissioning related to the facility, contractual releases and legal expenses.

Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market as well as the near term decline in demand and increased uncertainty from the ongoing pandemic.

In connection with this restructuring plan, which is estimated to be substantially complete in fiscal 2022, EnerSys estimates that there will be a reduction of approximately 200 employees.

On November 10, 2020, the Board of Directors approved a quarterly cash dividend of $0.175 per share of common stock to be paid on December 31, 2020, to stockholders of record as of December 18, 2020.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of EnerSys. EnerSys and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in EnerSys’ filings with the Securities and Exchange Commission (“SEC”) and its reports to stockholders. Generally, the inclusion of the words “anticipate,” “believe,” “expect,” “future,” “intend,” “estimate,” “will,” “plans,” or the negative of such terms and similar expressions identify statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that EnerSys expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management’s then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in the Company’s 2020 Annual Report on Form 10-K (the “2020 Annual Report”) and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Our actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including the following factors:

- economic, financial and other impacts of the COVID-19 pandemic;
- general cyclical patterns of the industries in which our customers operate;
- the extent to which we cannot control our fixed and variable costs;
- the raw materials in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of certain hazardous substances in our products;
- risks involved in our operations such as disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- general economic conditions in the markets in which we operate;
- competitiveness of the battery markets and other energy solutions for industrial applications throughout the world;
- our timely development of competitive new products and product enhancements in a changing environment and the acceptance of such products and product enhancements by customers;
- our ability to adequately protect our proprietary intellectual property, technology and brand names;
- litigation and regulatory proceedings to which we might be subject;
- our expectations concerning indemnification obligations;
- changes in our market share in the business segments where we operate;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- quality problems associated with our products;
- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion and restructuring plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies, strategic gains, and cost savings may be significantly harder to achieve, if at all, or may take longer to achieve;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;

- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure, supply chain, or our facilities, such as the Richmond, Kentucky facility, including, but not limited to, satisfactory resolution of insurance coverage and claims for both property damage, business interruption and other insurable losses, strategy for business interruption and revenue loss;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics, outbreaks of hostilities or terrorist acts, or the effects of climate change, and our ability to deal effectively with damages or disruptions caused by the foregoing; and
- the operation, capacity and security of our information systems and infrastructure.

This list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered “non-GAAP financial measures” under SEC rules. These rules require supplemental explanation and reconciliation, which is provided in this Quarterly Report on Form 10-Q. EnerSys’ management uses the non-GAAP measures “primary working capital” and “primary working capital percentage” in its evaluation of cash flow and financial position performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for cash flow determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

Overview

EnerSys (the “Company,” “we,” or “us”) is a world leader in stored energy solutions for industrial applications. We also manufacture and distribute energy systems solutions and motive power batteries, specialty batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Energy Systems which combine enclosures, power conversion, power distribution and energy storage are used in the telecommunication and broadband, utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions. Motive Power batteries and chargers are utilized in electric forklift trucks and other industrial electric powered vehicles. Specialty batteries are used in aerospace and defense applications, large over the road trucks, premium automotive and medical. We also provide aftermarket and customer support services to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force around the world.

During the first quarter of fiscal 2021, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments. The new operating segments were identified as Energy Systems, Motive Power and Specialty. The Company’s operating segments also represent its reportable segments under ASC 280, *Segment Reporting*. Therefore, the Company has changed its segment presentation from three reportable segments based on geographic basis to three reportable segments based on line of business. All prior comparative periods presented have been recast to reflect these changes.

The Company's three reportable segments, based on lines of business, are as follows:

- **Energy Systems** - uninterruptible power systems, or “UPS” applications for computer and computer - controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.

- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles as well as medical and security systems.

Economic Climate

The COVID-19 pandemic has weakened economic activity around the world. EnerSys' lines of business have been affected by varying degrees. Our Motive Power business has been our most impacted segment as many industrial manufacturing plants around the world were closed or operated on reduced production levels. During our second fiscal quarter more countries relaxed pandemic restrictions which led to increased economic activity. Our recent order intake reflects this trend and has returned close to pre COVID-19 levels.

Our Energy Systems business has been less impacted as telecommunications and broadband operators either harden their networks to make them more robust or increase bandwidth to handle the increased demand for remote data caused by the work and school from home initiatives. While the pandemic may have caused a delay in full scale deployment of 5G telecom networks, we are seeing a number of companies starting their 5G deployments and feel the pandemic has reinforced the need for 5G.

Within the Specialty business, the truck original equipment manufacturer (OEM) market is recovering from a normal business cycle decline while aftermarket retail and distribution continue to drive increased demand. Defense activity also remains steady.

Volatility of Commodities and Foreign Currencies

Our most significant commodity and foreign currency exposures are related to lead and the Euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. As a result of the COVID-19 pandemic and a forecasted global economic recession, we anticipate that our commodity costs will be lower in the near future and foreign currency exposures may continue to fluctuate as they have in the past several years. Since the outbreak of COVID-19 in our fourth fiscal quarter of fiscal 2020, we experienced declining commodity costs in our first fiscal quarter followed by a partial price recovery during our second fiscal quarter.

Customer Pricing

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 30% of our revenue is currently subject to agreements that adjust pricing to a market-based index for lead. Selling prices rose for the most part of fiscal 2018 in response to increased lead and other commodity costs, peaked in the first quarter of fiscal 2019 and then declined sequentially in every quarter in fiscal 2019. In fiscal 2020, our selling prices continued to decline in response to declining commodity costs, including lead. Based on current commodity markets, we will likely see continued year over year benefits in fiscal 2021 from declining commodity costs, with some related reduction in our selling prices.

Liquidity and Capital Resources

We believe that our financial position is strong and we have substantial liquidity to cover short-term liquidity requirements and anticipated growth in the foreseeable future, with $414 million of available cash and cash equivalents and available and undrawn credit lines of approximately $766 million at October 4, 2020, availability subject to Credit Agreement financial covenants.

A substantial majority of the Company's cash and investments are held by foreign subsidiaries and are considered to be indefinitely reinvested and expected to be utilized to fund local operating activities, capital expenditure requirements and acquisitions. The Company believes that it has sufficient sources of domestic and foreign liquidity.

We believe that our strong capital structure and liquidity affords us access to capital for future acquisition and stock repurchase opportunities and continued dividend payments.

Results of Operations

Net Sales

Net sales decreased $53.7 million or 7.1% in the second quarter of fiscal 2021 as compared to the second quarter of fiscal 2020. This decrease was the result of an 11% decrease in organic volume resulting from the pandemic and a 1% decrease in pricing, partially offset by a 4% increase from the NorthStar acquisition and a 1% increase in foreign currency translation impact.

Net sales decreased $129.0 million or 8.4% in the six months of fiscal 2021 as compared to the six months of fiscal 2020. This decrease was the result of an 11% decrease in organic volume resulting from the pandemic and a 1% decrease in pricing, partially offset by a 4% increase from the NorthStar acquisition.

Segment sales

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Energy Systems	$ 340.8	48.1 %	$ 342.9	45.0 %	$ (2.1)	(0.6)%
Motive Power	263.8	37.2	335.3	44.0	(71.5)	(21.3)
Specialty	103.8	14.7	83.9	11.0	19.9	23.8
Total net sales	$ 708.4	100.0 %	$ 762.1	100.0 %	$ (53.7)	(7.1)%

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Energy Systems	$ 694.2	49.1 %	$ 696.7	45.2 %	$ (2.5)	(0.4)%
Motive Power	526.6	37.3	679.7	44.1	(153.1)	(22.5)
Specialty	192.5	13.6	165.9	10.7	26.6	16.1
Total net sales	$ 1,413.3	100.0 %	$ 1,542.3	100.0 %	$ (129.0)	(8.4)%

Net sales of our Energy Systems segment in the second quarter of fiscal 2021 decreased $2.1 million or 0.6% compared to the second quarter of fiscal 2020. This decrease was due to a 5% decrease in organic volume and a 1% decrease in pricing, partially offset by a 4% increase from the NorthStar acquisition and a 1% increase in foreign currency translation impact. Demand from telecommunication and data center customers continued to remain strong in a work from home environment, offset by weakness in demand for power supplies from broadband customers. Net sales in the six months of fiscal 2021 decreased $2.5 million or 0.4% compared to the six months of fiscal 2020 primarily due to a 4% decrease in organic volume and a 1% decrease in pricing, offset by a 5% increase from the NorthStar acquisition.

Net sales of our Motive Power segment in the second quarter of fiscal 2021 decreased by $71.5 million or 21.3% compared to the second quarter of fiscal 2020. This decrease was primarily due to a 21% decrease in organic volume and a 1% decrease in pricing, partially offset by a 1% increase in foreign currency translation impact. COVID-19 restrictions and related economic slowdown impacted this segment more than our other lines of business. Net sales in the six months quarter of fiscal 2021 decreased by $153.1 million or 22.5% compared to the six months of fiscal 2020 primarily due to a 21% decrease in organic volume, a 1% decrease each in foreign currency translation impact and pricing.

Net sales of our Specialty segment in the second quarter of fiscal 2021 increased by $19.9 million or 23.8% compared to the second quarter of fiscal 2020. The increase was primarily due to a 17% increase from the NorthStar acquisition, a 9% increase in organic volume and a 1% increase in foreign currency translation impact, partially offset by a 3% decrease in pricing. Net sales in the six months quarter of fiscal 2021 increased by $26.6 million or 16.1% compared to the six months of fiscal 2020 primarily due to a 14% increase from the NorthStar acquisition and a 4% increase in organic volume, partially offset by a

2% decrease in pricing. Increased demand from new aftermarket customers in the automotive battery market generated the significant improvement in revenues in this segment.

Gross Profit

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	$ 177.5	25.1 %	$ 197.3	25.9 %	$ (19.8)	(10.0)%

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	$ 352.5	24.9 %	$ 398.8	25.9 %	$ (46.3)	(11.6)%

Gross profit decreased $19.8 million or 10.0% in the second quarter and decreased $46.3 million or 11.6% in the six months of fiscal 2021 compared to the comparable periods of fiscal 2020. Gross profit, as a percentage of net sales, decreased 80 basis points and 100 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. This decrease in the gross profit margin reflects the impact of lower volumes on manufacturing efficiencies leading to unfavorable manufacturing variances.

Operating Items

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	$ 119.0	16.8 %	$ 132.3	17.4 %	$ (13.3)	(10.1)%
Restructuring and other exit charges	$ 3.1	0.5 %	$ 6.3	0.8 %	$ (3.2)	(50.4)%

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	$ 239.4	16.9 %	$ 263.1	17.1 %	$ (23.7)	(9.0)%
Restructuring and other exit charges	$ 4.5	0.3 %	$ 8.7	0.6 %	$ (4.2)	(47.9)%

Operating expenses, as a percentage of sales, decreased 60 basis points and 20 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the comparable periods of fiscal 2020. We continued to focus on certain austerity measures that were initiated during the aftermath of the COVID-19 outbreak in the first quarter of fiscal 2021. We also benefited from limited travel and other selling expenses, due to the restrictions brought about by COVID-19, allowing us to align our operating expenses with sales volume.

Selling expenses, our main component of operating expenses, were 42.2% and 42.5% of total operating expenses in the second quarter and six months of fiscal 2021, respectively, compared to 44.3% and 44.7% of total operating expenses in the second quarter and six months of fiscal 2020, respectively.

Restructuring and Other Exit Charges

Included in our second quarter of fiscal 2021 operating results are restructuring charges of $1.3 million in Energy Systems, primarily relating to Alpha and $0.2 million in Motive Power. During the second quarter of fiscal 2021, we also committed to a plan to close our facility in Vijayawada, India to align with the strategic vision for our new line of business structure and footprint. We recorded exit charges of $1.5 million primarily relating to asset write-offs.

Included in our second quarter of fiscal 2020 operating results were restructuring charges of $0.6 million in Energy Systems and $0.4 million in Motive Power, related to improving operational efficiencies in the respective lines of business. Also included in the second quarter of fiscal 2020 operating results were non-cash exit charges of $0.7 million in the Specialty segment relating to the closure of our facility in Targovishte, Bulgaria.

In keeping with our strategy of exiting the manufacture of batteries for diesel-electric submarines, during the second quarter of fiscal 2020, we sold certain licenses and assets for $2.0 million and recorded a net gain of $0.9 million, which was reported as other exit charges in our Specialty segment.

During the second quarter of fiscal 2020, we also wrote off $5.5 million of assets at our Kentucky and Tennessee Motive Power plants, as a result of our strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

Richmond, Kentucky Plant Fire

In fiscal 2020, a fire broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility. The Company maintains insurance policies for both property damage and business interruption and are finishing cleanup and repair. The Company is nearing completion of the reconstruction of the facility and estimates that the total claim, including the replacement of inventory and equipment, the cleanup and repairs to the building, as well as the claim for business interruption is approximately $45 million.

In fiscal 2020, the Company recorded $17.0 million of write-offs for damages caused to its fixed assets and inventories, as well as for cleanup, asset replacement and other ancillary activities directly associated with the fire and received $12.0 million in advances related to its initial claims for recovery from its property and casualty insurance carriers.

During the six months of fiscal 2021, the Company recorded a further charge of $15.3 million for cleanup and received $18.1 million in advances from the insurance carriers. Accumulated charges relating to the fire through October 4, 2020 were $32.3 million and advances received from the property and casualty insurance carriers were $30.1 million.

The Company also received $10.2 million through October 4, 2020, of which $5.2 million was recorded in the six months of fiscal 2021 and $5.0 million in fiscal 2020, relating to a partial settlement of its claim for business interruption which was recorded as a reduction to cost of goods sold. We expect to receive an additional $2.0 million in our third fiscal quarter of fiscal 2021, which would complete the settlement of our business interruption claim.

Operating Earnings

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Energy Systems	$ 22.8	6.7 %	$ 20.4	6.0 %	$ 2.4	12.4 %
Motive Power	24.2	9.2	34.6	10.3	(10.4)	(30.1)
Specialty	11.5	11.0	10.0	11.9	1.5	13.8
Subtotal	58.5	8.3	65.0	8.5	(6.5)	(9.9)
Restructuring charges - Energy Systems	(1.3)	(0.4)	(0.6)	(0.2)	(0.7)	NM
Restructuring and other exit charges - Motive Power	(1.7)	(0.6)	(0.4)	(0.1)	(1.3)	NM
Restructuring and other exit charges - Specialty	(0.1)	(0.1)	0.2	0.3	(0.3)	NM
Fixed asset write-off relating to exit activities and other - Motive Power	—	—	(5.4)	(1.6)	5.4	NM
Fixed asset write-off relating to exit activities and other - Energy Systems	—	—	(0.1)	—	0.1	NM
Total operating earnings	$ 55.4	7.8 %	$ 58.7	7.7 %	$ (3.3)	(5.6)%

NM = not meaningful

(1) The percentages shown for the segments are computed as a percentage of the applicable segment’s net sales.

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Energy Systems	$ 44.8	6.5 %	$ 44.0	6.3 %	$ 0.8	2.4 %
Motive Power	51.5	9.8	71.7	10.5	(20.2)	(28.2)
Specialty	16.8	8.6	20.0	12.1	(3.2)	(16.9)
Subtotal	113.1	8.0	135.7	8.8	(22.6)	(16.6)
Restructuring charges - Energy Systems	(1.8)	(0.3)	(1.7)	(0.2)	(0.1)	6.4
Restructuring and other exit charges - Motive Power	(2.5)	(0.5)	(1.0)	(0.1)	(1.5)	NM
Restructuring and other exit charges - Specialty	(0.2)	(0.1)	(0.5)	(0.3)	0.3	(55.0)
Fixed asset write-off relating to exit activities and other - Motive Power	—	—	(5.4)	(0.8)	5.4	NM
Fixed asset write-off relating to exit activities and other - Energy Systems		—	(0.1)	—	0.1	NM
Total operating earnings	$ 108.6	7.7 %	$ 127.0	8.2 %	$ (18.4)	(14.5)%

NM = not meaningful

(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.

Operating earnings decreased $3.3 million or 5.6% and decreased $18.4 or 14.5% in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. Operating earnings, as a percentage of net sales, increased 10 basis points and decreased 50 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. The relatively flat performance in the current quarter and decline in the six months is primarily due to declines in organic volume, particularly in our Motive Power segment, as explained earlier.

The Energy Systems operating earnings increased 70 basis points and 20 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. Revenue remained comparable to the prior year as demand for power electronics, batteries and enclosures from telecom operators offset weakness in demand for power supplies from broadband customers. Efficiency declines in manufacturing costs were partially offset by lower commodity costs along with reductions in operating expenses.

The Motive Power operating earnings decreased 110 basis points and 70 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. Manufacturing efficiency declines from lower volume were partially offset by significant cuts in operating expenses and the receipt of $5.2 million of the business interruption claim relating to the fire at our Richmond, Kentucky plant.

The Specialty operating earnings decreased 90 basis points and 350 basis points in the second quarter and six months of fiscal 2021, respectively, compared to the second quarter and six months of fiscal 2020. While increased demand from new aftermarket customers in the automotive battery market generated significant improvement in revenues, the unfavorable manufacturing variances arising from the NorthStar plants as they transition to EnerSys premium products continued to have a negative impact on the operating earnings.

Interest Expense

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	$ 9.8	1.4 %	$ 10.1	1.3 %	$ (0.3)	(2.7)%

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	$ 20.0	1.4 %	$ 21.0	1.4 %	$ (1.0)	(4.8)%

Interest expense of $9.8 million in the second quarter of fiscal 2021 (net of interest income of $0.5 million) was $0.3 million lower than the interest expense of $10.1 million in the second quarter of fiscal 2020 (net of interest income of $0.6 million).

Interest expense of $20.0 million in the six months of fiscal 2021 (net of interest income of $1.0 million) was $1.0 million lower than the interest expense of 21.0 million in the six months of fiscal 2020 (net of interest income of $1.1 million).

The decrease in interest expense in the second quarter and six months of fiscal 2021 is primarily due to lower average interest rates partially offset by higher average debt. Our average debt outstanding was $1,101.2 million and $1,130.3 million in the second quarter and six months of fiscal 2021, respectively, compared to $1,059.8 million in both the second quarter and six months of fiscal 2020.

Included in interest expense are non-cash charges for deferred financing fees of $0.5 million and $1.0 million in the second quarter and six months of fiscal 2021, respectively, compared to $0.4 million and $0.7 million, in the second quarter and six months of fiscal 2020.

Other (Income) Expense, Net

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	$ 4.1	0.6 %	$ 0.2	— %	$ 3.9	NM

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	$ 5.5	0.4 %	$ (1.0)	(0.1)%	$ 6.5	NM

NM = not meaningful

Other (income) expense, net in the second quarter of fiscal 2021 was expense of $4.1 million compared to expense of $0.2 million in the second quarter of fiscal 2020. Other (income) expense, net in the six months of fiscal 2021 was expense of $5.5 million compared to income of $1.0 million in the six months of fiscal 2020. Foreign currency impact resulted in a loss of $3.5 million and a loss of $4.8 million in the second quarter and six months of fiscal 2021, respectively, compared to a foreign currency loss of $0.2 million and a gain of $1.1 million in the second quarter and six months of fiscal 2020, respectively.

Earnings Before Income Taxes

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	$ 41.5	5.8 %	$ 48.4	6.4 %	$ (6.9)	(14.3)%

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	$ 83.1	5.9 %	$ 107.0	6.9 %	$ (23.9)	(22.4)%

As a result of the above, earnings before income taxes in the second quarter of fiscal 2021 decreased $6.9 million, or 14.3%, compared to the second quarter of fiscal 2020 and decreased $23.9 million, or 22.4%, in the six months of fiscal 2021, compared to the six months of fiscal 2020.

Income Tax Expense (Benefit)

	Quarter ended October 4, 2020		Quarter ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense (benefit)	$ 5.8	0.8 %	$ (14.3)	(1.8)%	$ 20.1	NM
Effective tax rate	13.9%		(29.5)%		43.4%	

	Six months ended October 4, 2020		Six months ended September 29, 2019		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense (benefit)	$ 12.2	0.9 %	$ (4.3)	(0.3)%	$ 16.5	NM
Effective tax rate	14.6%		(4.0)%		18.6%	

NM = not meaningful

The Company’s income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2021 and 2020 was based on the estimated effective tax rates applicable for the full years ending March 31, 2021 and March 31, 2020, respectively, after giving effect to items specifically related to the interim periods. Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which we operate, change in tax laws and the amount of our consolidated earnings before taxes.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. We recorded a deferred tax asset of $22.5 million during fiscal 2020 related to the amortizable goodwill. Based on further evaluation with the Swiss tax authority, we recorded an additional income tax benefit of $1.9 million during the six months of fiscal 2021.

The consolidated effective income tax rates for the second quarter of fiscal 2021 and 2020 were 13.9% and (29.5)%, respectively, and were 14.6% and (4.0)% for the six months of fiscal 2021 and 2020, respectively. The rate increase in the second quarter and six months of fiscal 2021 compared to the comparable prior year periods is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 73% for fiscal 2021 compared to 75% for fiscal 2020. The foreign effective income tax rates for the six months of fiscal 2021 and 2020 were 10.6% and (2.4)%, respectively. The rate increase compared to the prior year period is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions. Income from the Company's Swiss subsidiary comprised a substantial portion of our overall foreign mix of income for both fiscal 2021 and fiscal 2020 and is taxed at an effective income tax rate of approximately 8% and 6%, respectively.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies from those discussed under the caption "Critical Accounting Policies and Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 Annual Report.

Liquidity and Capital Resources

Cash Flow Analysis

Operating activities provided cash of $217.3 million in the six months of fiscal 2021 compared to $105.1 million in the comparable period of fiscal 2020, with the increase in operating cash resulting primarily from a reduction of $78.1 million in our primary working capital, net of currency translation changes. Primary working capital is discussed in further detail below. In the six months of fiscal 2021, net earnings were $70.9 million, depreciation and amortization $47.1 million, stock-based compensation $10.6 million, non-cash charges relating to exit charges $1.8 million, deferred tax benefit of $1.8 million and non-cash interest of $1.0 million. Prepaid and other current assets provided a source of funds of $7.4 million, primarily from the receipt of $23.1 million towards the insurance receivable relating to the Richmond plant claim in fiscal 2020 and the receipt of a working capital adjustment claim of $2.0 million, relating to an acquisition made several years ago, partially offset by an increase in contract assets of $10.4 million and other prepaid expenses such as taxes and insurance of $7.3 million. Other assets decreased by $3.1 million. Accrued expenses provided a source of funds of $1.3 million primarily from payroll related accruals of $12.5 million, offset by payments of warranty of $4.2 million, freight, tariffs and other expenses of $7.0 million. Other liabilities decreased by $3.0 million primarily relating to income taxes.

In the six months of fiscal 2020, cash provided by operating activities of $105.1 million was primarily from net earnings of $111.3 million, depreciation and amortization of $41.1 million, non-cash charges relating to restructuring, exit and other charges of $10.0 million, stock-based compensation of $8.9 million, provision for doubtful debts of $3.2 million and non-cash interest of $0.8 million, partially offset by deferred taxes of $21.0 million resulting from the Swiss Tax Reform. Cash provided by earnings adjusted for non-cash items were partially offset by the increase in primary working capital of $6.9 million, net of currency translation changes. Accrued expenses decreased by $18.5 million primarily for payments of $7.3 million related to the German competition authority matter and $6.1 million paid to the seller in connection with the Alpha acquisition, for certain reimbursable pre-acquisition items. Prepaid and other current assets increased by $18.2 million, primarily due to contract assets of $8.0 million, $4.0 million receivable from the Seller (Alpha) and insurance receivable of $1.9 million relating to the Richmond plant claim. Other liabilities decreased by $10.0 million due to income taxes.

As explained in the discussion of our use of "non-GAAP financial measures," we monitor the level and percentage of primary working capital to sales. Primary working capital for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable. The resulting net amount is divided by the trailing three month net sales (annualized) to derive a primary working capital percentage. Primary working capital was $763.7 million (yielding a primary working capital percentage of 27.0%) at October 4, 2020, $833.5 million (yielding a primary working capital percentage of 26.7%) at March 31, 2020 and $815.3 million at September 29, 2019 (yielding a primary working capital percentage of 26.7%). The primary working capital percentage of 27.0% at October 4, 2020 is 30 basis points higher than that for March 31, 2020 and September 29, 2019. The large decrease in primary working capital dollars, compared to the prior year periods reflects the decrease in all the three components of primary working capital, mainly accounts receivable and accounts payable. Sales declined as a direct adverse impact from COVID-19. Lower inventories reflect the Company's lower order levels and concerted efforts to keep inventory levels down.

Primary working capital and primary working capital percentages at October 4, 2020, March 31, 2020 and September 29, 2019 are computed as follows:

($ in Millions)

Balance At [1]	Trade Receivables	Inventory	Accounts Payable	Total	Quarter Revenue Annualized	Primary Working Capital %
October 4, 2020	$ 499.8	$ 516.6	$ (252.7)	$ 763.7	$ 2,833.6	27.0 %
March 31, 2020	595.9	519.5	(281.9)	833.5	3,127.2	26.7
September 29, 2019	585.1	507.1	(276.9)	815.3	3,048.5	26.7

(1) The Company acquired NorthStar on September 30, 2019, as disclosed in Note 4 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q. Therefore, the primary working capital and related calculations as of September 29, 2019 do not include NorthStar's primary working capital and its components. The inclusion of NorthStar's primary working capital did not have a material impact on the Company's consolidated primary working capital as of October 4, 2020 and March 31, 2020.

Investing activities used cash of $39.8 million in the six months of fiscal 2021 which primarily consisted of capital expenditures relating to plant improvements.

Investing activities used cash of $40.7 million in the six months of fiscal 2020 which primarily consisted of capital expenditures of $43.4 million, relating to plant improvements.

Financing activities used cash of $105.8 million in the six months of fiscal 2021. During the six months of fiscal 2021, we borrowed $45.0 million under the Amended 2017 Revolver and repaid $100.0 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was $16.8 million and net payments on short-term debt were $16.5 million. Payment of cash dividends to our stockholders were $14.9 million and payment of taxes related to net share settlement of equity awards were $4.6 million.

Financing activities provided cash of $68.8 million in the six months of fiscal 2020. During the six months of fiscal 2020, we borrowed $285.0 million under the Amended 2017 Revolver and repaid $135.0 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was $5.6 million and net payments on short-term debt were $20.0 million. Treasury stock open market purchases were $34.6 million, payment of cash dividends to our stockholders were $14.9 million and payment of taxes related to net share settlement of equity awards were $6.2 million.
Currency translation had a positive impact of $15.6 million and a negative impact of $7.5 million on our cash balance in the six months of fiscal 2021 and the six months of fiscal 2020, respectively. In the six months of fiscal 2021, principal currencies in which we do business such as the Euro, Swiss franc, Polish zloty and British pound generally trended stronger versus the U.S. dollar.

As a result of the above, total cash and cash equivalents increased by $87.3 million to $414.2 million, in the six months of fiscal 2021 compared to an increase by $125.6 million to $424.8 million, in the comparable period of fiscal 2020.

Compliance with Debt Covenants

All obligations under our Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The Amended Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under this credit facility.

We are in compliance with all covenants and conditions under our Amended Credit Facility and Senior Notes. We believe that we will continue to comply with these covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 10 to the Consolidated Financial Statements included in our 2020 Annual Report and Note 12 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for a detailed description of our debt.

Contractual Obligations and Commercial Commitments

A table of our obligations is contained in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations of our 2020 Annual Report for the year ended March 31, 2020. As of October 4, 2020, we had no significant changes to our contractual obligations table contained in our 2020 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Our cash flows and earnings are subject to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

Counterparty Risks

We have entered into lead forward purchase contracts and foreign exchange forward and purchased option contracts to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs and foreign currency exchange rates. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at October 4, 2020 are $3.6 million (pre-tax). Those contracts that result in an asset position at October 4, 2020 are $0.2 million (pre-tax) and the vast majority of these will settle within one year. The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

Interest Rate Risks

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements as well as short-term borrowings in our foreign subsidiaries.

A 100 basis point increase in interest rates would have increased interest expense, on an annualized basis, by approximately $4.8 million on the variable rate portions of our debt.

Commodity Cost Risks – Lead Contracts

We have a significant risk in our exposure to certain raw materials. Our largest single raw material cost is for lead, for which the cost remains volatile. In order to hedge against increases in our lead cost, we have entered into forward contracts with financial institutions to fix the price of lead. A vast majority of such contracts are for a period not extending beyond one year. We had the following contracts outstanding at the dates shown below:

Date	$'s Under Contract (in millions)	# Pounds Purchased (in millions)	Average Cost/Pound	Approximate % of Lead Requirements (1)
October 4, 2020	$ 43.2	50.0	$ 0.86	9 %
March 31, 2020	30.1	35.0	0.86	6
September 29, 2019	49.9	54.0	0.92	7

(1) Based on approximate annual lead requirements for the periods then ended.

For the remaining two quarters of this fiscal year, we believe approximately 71% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at October 4, 2020, lead purchased by October 4, 2020 that will be reflected in future costs under our FIFO accounting policy, and the benefit from our lead tolling program.

We estimate that a 10% increase in our cost of lead would have increased our cost of goods sold by approximately $13 million and $27 million, respectively, in the second quarter and six months of fiscal 2021.

Foreign Currency Exchange Rate Risks

We manufacture and assemble our products globally in the Americas, EMEA and Asia. Approximately 40% of our sales and expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in U.S. dollars, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the Euro, Swiss franc, British pound, Polish zloty, Chinese renminbi and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

We hedge approximately 5% - 10% of the nominal amount of our known foreign exchange transactional exposures. We primarily enter into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. The vast majority of such contracts are for a period not extending beyond one year.

Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. We also selectively hedge anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with Topic 815 - Derivatives and Hedging.

At October 4, 2020 and September 29, 2019, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately $3.3 million and $3.5 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective. We completed the NorthStar acquisition on September 30, 2019, and are in the process, but have not yet concluded our assessment of the effectiveness of our internal control over financial reporting including this recent acquisition. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include NorthStar. NorthStar accounted for 7.5% of total assets as of October 4, 2020 and 4.9% of net sales, in both the second quarter and six months ended October 4, 2020.

(b) Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and determined that there was no change in our internal control over financial reporting during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 10 - Commitments, Contingencies and Litigation to the Consolidated Condensed Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2020 Annual Report for the year ended March 31, 2020, which could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes the number of shares of common stock we purchased from participants in our equity incentive plans, as well as repurchases of common stock authorized by the Board of Directors. As provided by the Company's equity incentive plans, (a) vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Company's equity incentive plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise and (b) the withholding tax requirements related to the vesting and settlement of restricted stock units and market and performance condition-based share units may be satisfied by the surrender of shares of the Company's common stock.

Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1) (2)
July 6 – August 2, 2020	—	$ —	—	$ 9,002,889
August 3 – August 30, 2020	24,224	73.62	—	9,002,889
August 31 – October 4, 2020	—	—	—	9,002,889
Total	24,224	$ 73.62	—	

(1) The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity based award granted during such fiscal year under the 2017 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year.

(2) On November 8, 2017, the Company announced the establishment of a $100 million stock repurchase authorization, with no expiration date which has a remaining authorization of $59.1 million as of October 4, 2020. The authorization is in addition to the existing stock repurchase programs.

Item 4. Mine Safety Disclosures

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Fifth Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004).
3.2	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32253) filed on August 3, 2016).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith)..
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERSYS (Registrant)

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: November 11, 2020

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934

I, David M. Shaffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

Date: November 11, 2020

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934

I, Michael J. Schmidtlein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: November 11, 2020

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18. U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended October 4, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: November 11, 2020