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# Stericycle Investor Presentation

November 2016

NASDAQ: SRCL



# Forward - Looking Statements

This presentation may contain forward-looking statements that involve risks and uncertainties, some of which are beyond our control (for example, general economic and market conditions). Our actual results could differ significantly from the results described in the forward-looking statements. Factors that could cause such differences include changes in governmental regulation of the collection, transportation, treatment and disposal of regulated waste or the proper handling and protection of personal and confidential information, increases in transportation and other operating costs, the level of governmental enforcement of regulations governing regulated waste collection and treatment or the proper handling and protection of personal and confidential information, our obligations to service our substantial indebtedness and to comply with the covenants and restrictions contained in our private placement notes, term loan credit facility and revolving credit facility, our ability to execute our acquisition strategy and to integrate acquired businesses, competition and demand for services in the regulated waste and secure information destruction industries, political, economic and currency risks related to our foreign operations, impairments of goodwill or other indefinite-lived intangibles, variability in the demand for services we provide on a project or non-recurring basis, exposure to environmental liabilities, fluctuations in the price we receive for the sale of paper, disruptions in or attacks on our information technology systems, compliance with existing and future legal and regulatory requirements, as well as other factors described in our filings with the U.S. Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K. As a result, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate future results or trends. We make no commitment to disclose any subsequent revisions to forward-looking statements.

# Stericycle: A Purpose-Driven Company



*We provide our customers with innovative and sustainable, business-to-business compliance solutions that protect people and brands, promote health and safeguard the environment.*

# Stericycle Today (SRCL - NASDAQ)

## Market-Leading Positions...

- ✓ A portfolio of complementary services that solve complex, highly regulated business challenges
- ✓ Steady consolidator of global, fragmented markets through strategic acquisitions and organic growth
- ✓ Consistent and diversified growth company with a history of delivering strong, sustained profitability and market-leading shareholder returns

## ... with Global Coverage

**700+**  
Locations  
**22**  
Countries

**1M+**  
Customers

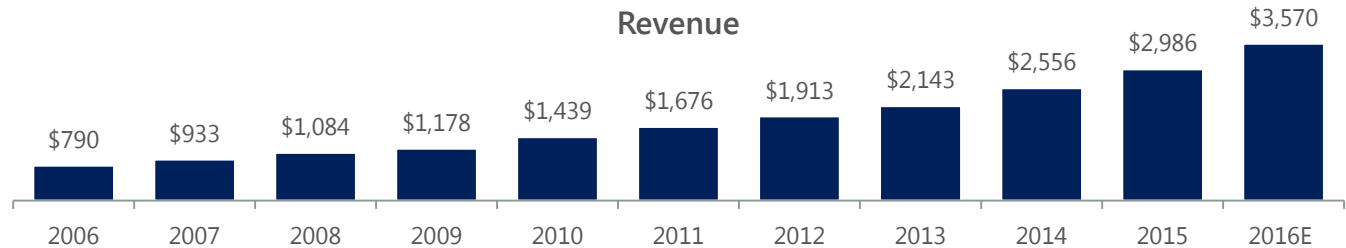
**\$3.6 BN**  
Revenue  
2016 Est.

**\$890 MM**  
Adj. EBITDA  
2016 Est.

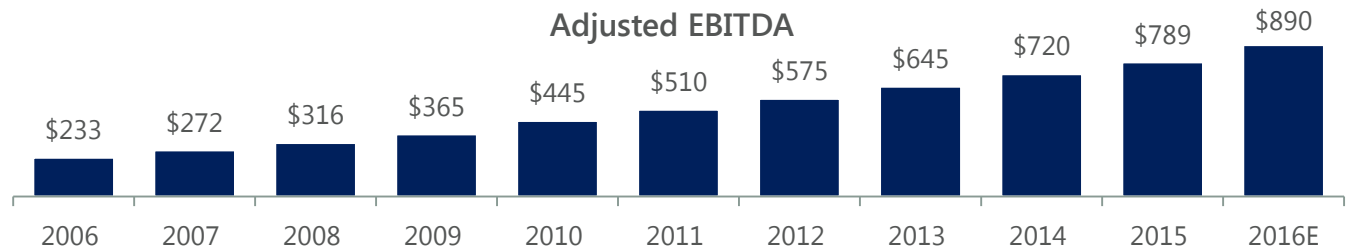
**25,700**  
Team Members

# Proven Long-Term Financial Performance

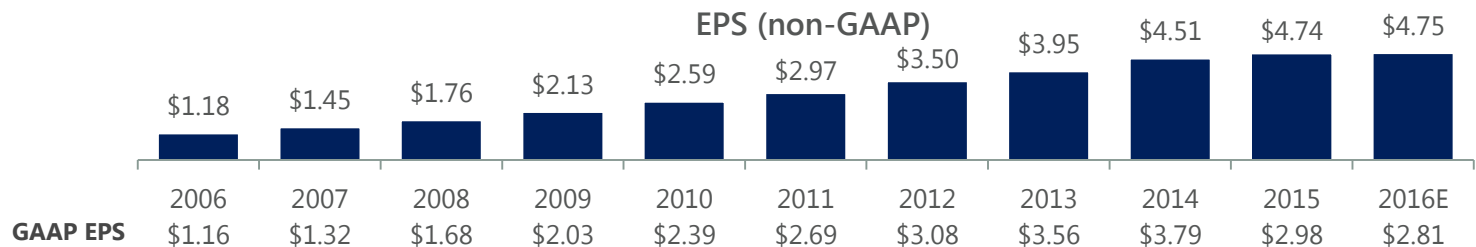
**Strong Topline Growth**



**Consistent Adj. EBITDA Growth**



**Consistent EPS Growth**



# Our Services & Customer Relationships

- We are a trusted provider of high value, high margin outsourced services
- These services address complex, highly regulated business needs
  - Critical functions with significant potential liability associated with non-compliance
  - Stringent standards from EPA, DEA, FDA, OSHA, DOT, HIPAA, FACTA plus other state, local and international agencies
  - Focus on healthcare, pharmacy, retail, biotech, manufacturing, professional services industries, and governments
- Our customers are loyal, commit to long-term contracts, renew at high rates, and show interest in expanding the relationship



# Overview of Stericycle's Key Services



## Medical Waste

Compliant management of regulated medical waste to protect workers, reduce contamination risk, and improve sustainability



## Compliance

Tools and resources to promote safety, compliance, data privacy, and other best practices for small healthcare offices



## Sharps Management

Turn-key service with proactive replacement of reusable sharps containers to reduce inadvertent needle sticks and aid sustainability efforts



## Pharmaceutical Waste

Proper packaging, transportation and treatment for all types of unused pharmaceuticals to protect the environment and communities



## Information Destruction

Protects businesses and their customers with secure collection and destruction of confidential information



## Retail/Healthcare Hazardous Waste

Turn-key services to manage disposal of hazardous wastes in the healthcare setting and from unusable products from retail outlets



## M&I Hazardous Waste

Proper packaging, transportation and treatment of "less than a truckload" RCRA regulated materials



## Communication Solutions

Live voice and automated systems to manage customer and patient contact, appointments, and other communications

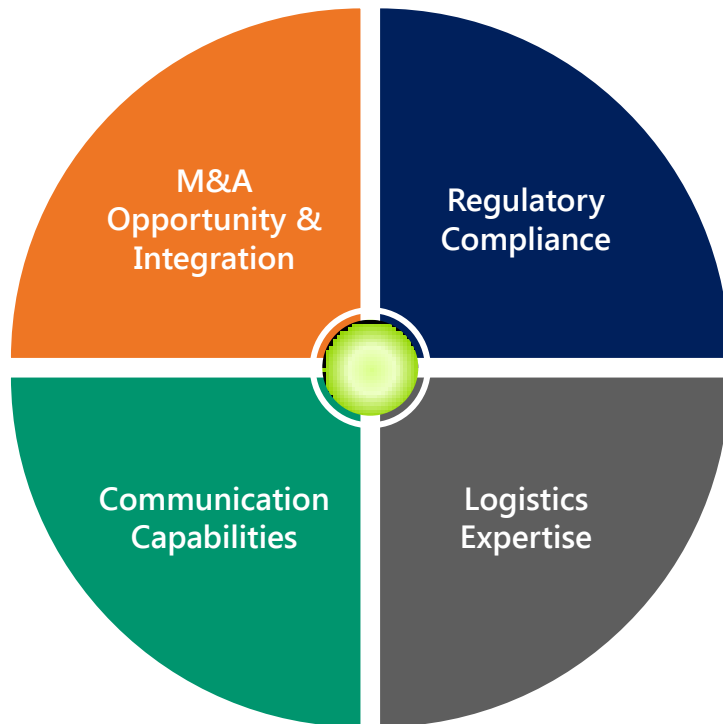


## Recalls

Comprehensive brand protection solutions including notifications, returns management, replacement, and reporting of product recalls

# Service Offerings Align with Core Competencies and Key Business Objectives

## Core Competencies



## Key Business Objectives

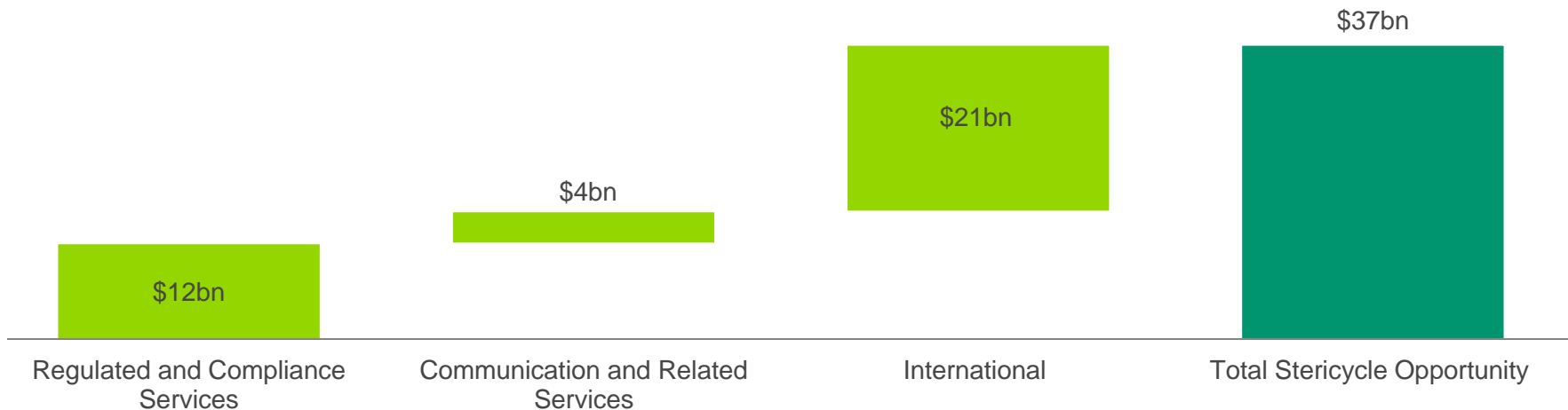




# Leadership in Growing \$37 Billion Global Market

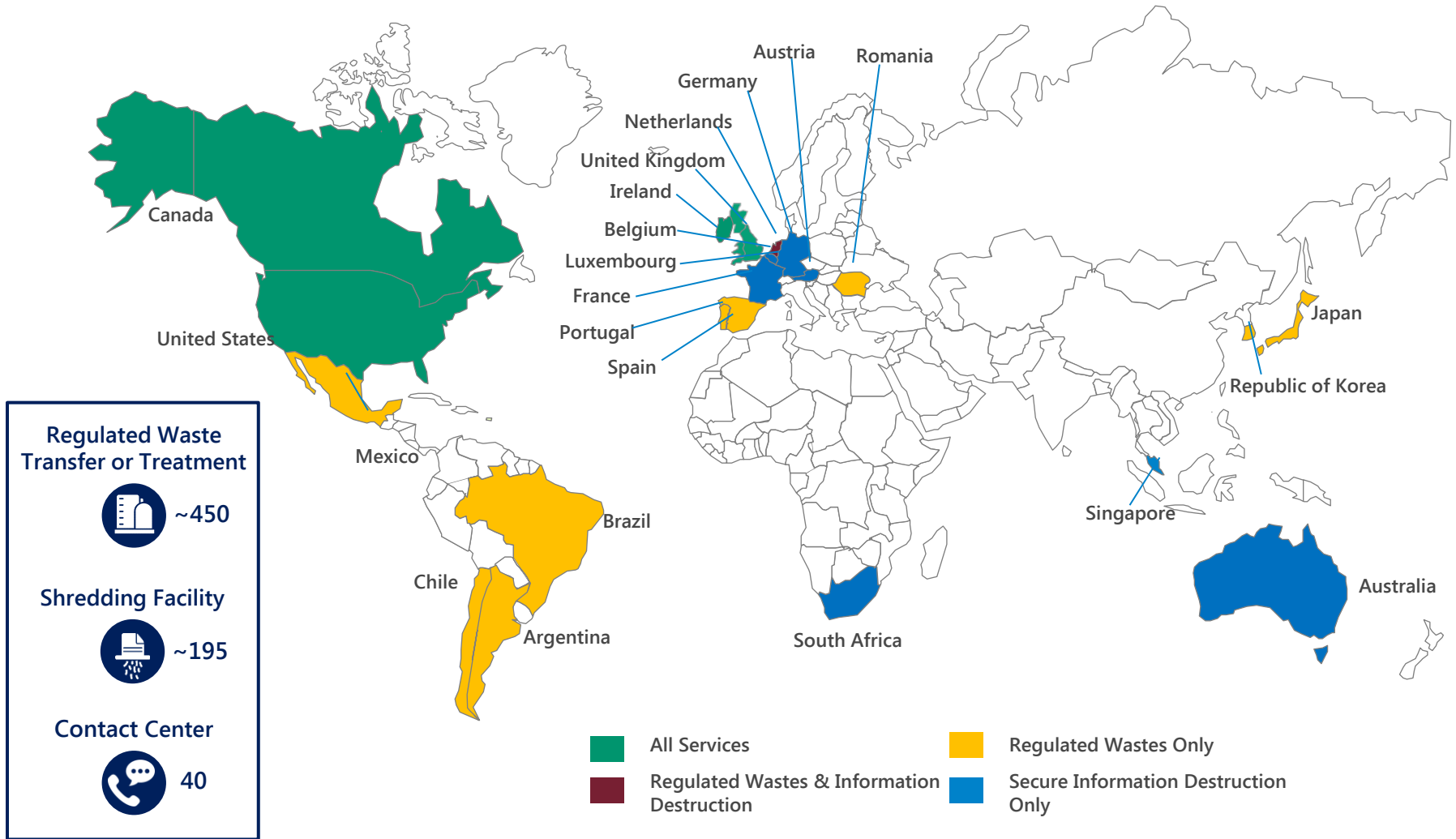
- Market-leading positions in multiple large, highly fragmented markets
- Significant opportunities to increase market share and for future domestic and global expansion
- Continued trend by customers to outsource services in order to focus on their core businesses

**Stericycle has 10% Share of a \$37 Billion Global Market**

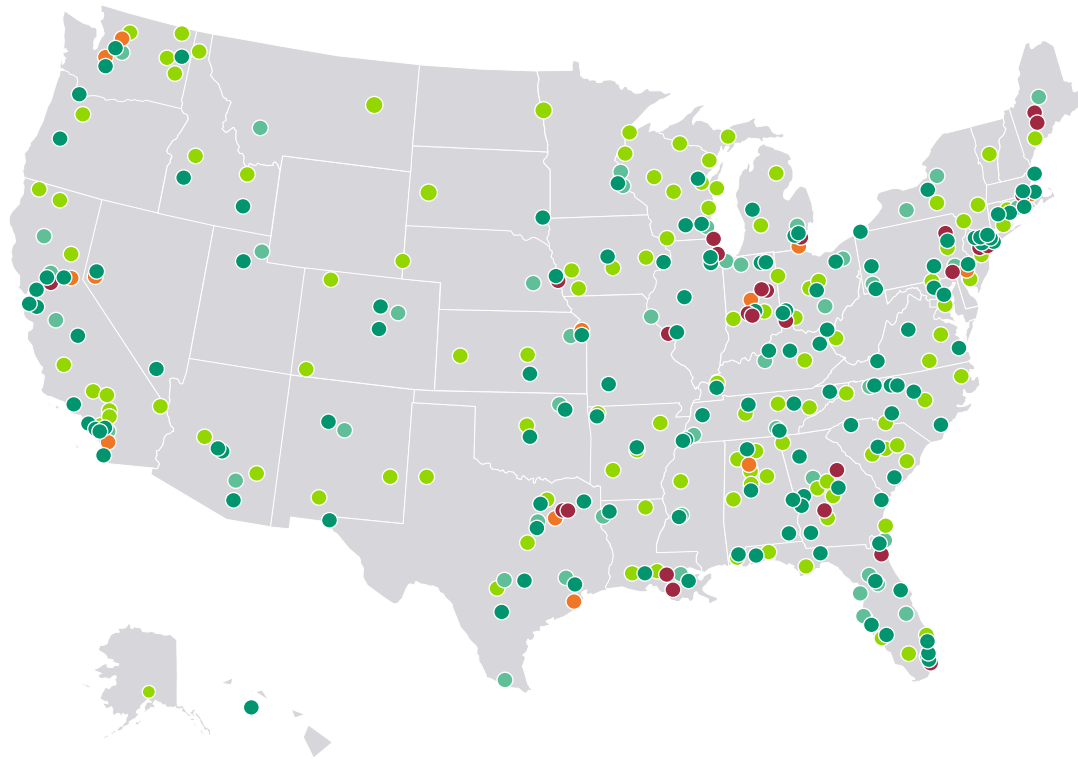


*Notes: Includes global markets with established regulatory framework for medical waste plus global markets in which Stericycle operates for hazardous waste, information destruction and communication services. Source: Various industry studies and management estimates (including ancillary services & products).*

# Supported by Our International Presence...



# ...And a Broad, Comprehensive US Network



*The most comprehensive network across all our business segments, which enables us to provide outstanding services across all service lines nationwide.*

# Our Business Segments & Global Service Lines

## Business Segments

### Domestic Regulated Waste & Compliance Services

- \$2.4 billion in revenue, 66% of company total
- \$12 billion market opportunity

### Domestic Communication & Related Services

- \$0.3 billion in revenue, 8% of company total
- \$4 billion market opportunity

### International

- \$0.9 billion in revenue, 26% of company total
- \$21 billion market opportunity

## Global Service Lines

### Regulated Waste & Compliance Services

- 58% of total revenue

### Secure Information Destruction

- 21% of total revenue

### Communication & Related Services

- 10% of total revenue

### Manufacturing & Industrial Services

- 11% of total revenue

Notes: Revenue based on 2016 projections. Market size includes strategic target markets of regulated medical waste. Compliance, information destruction, and retail/healthcare hazardous waste. The non-recurring, project-based manufacturing & industrial hazardous waste has been excluded.

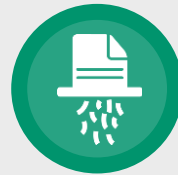
# Domestic Regulated Waste and Compliance Service

## Healthcare Compliance Solutions



Regulated Medical Waste  
Sharps Management Service  
Pharmaceutical Waste  
Steri-Safe Compliance  
Healthcare & Retail  
Hazardous Waste

## Shred-it



Secure Information  
Destruction  
Hard Drive & E-media  
Destruction

## Environmental Solutions



Manufacturing & Industrial  
Hazardous Waste  
Sustainability Services  
Universal Waste

*Notes: Revenue based on 2016 projections. Market size includes strategic target markets of regulated medical waste. Compliance, information destruction, and retail/healthcare hazardous waste. The non-recurring, project-based manufacturing & industrial hazardous waste has been excluded.*

# Overview of Domestic Regulated Waste and Compliance Services

## Overview

- Focus on highly regulated services
- Aging population and increased enforcement is driving increased demand
- Long-term customer agreements with predictable revenue
- Multiple services increases customer value proposition and enhances loyalty
- Highly fragmented markets
- Opportunity to convert the unvend market

## Key Strengths

- Vast national infrastructure including multiple treatment options, regional redundancies, and compliance experts
- Low-cost position driven by strong route density and logistics expertise
- Superior, best-in-class service levels provided by highly-trained experts
- Market leader across all key service lines

# Communication and Related Services

## Communication Solutions



### Live Voice

#### Contact Center Expertise

Telephone Answering Service

Scheduling

Switchboard Management

Event Registration



### Automated Solutions

#### Ability to Opt Out to Contact Center

Appointment Reminders

Mass Broadcast  
Communications

Online Scheduling

Automated Telephone  
Answering Service

## Expert Solutions



### Global Recall Services

#### Contact Center Expertise

Warehousing

Multichannel Notifications

Retrieval & Quality Audit

Fulfillment/Remedy

Reimbursement

Reporting

# Communication and Related Services

## Overview

- Comprehensive network of technology and infrastructure
- Scalable suite of customizable solutions
- Diversified customer base encompassing a wide range of market segments
- Growing markets with increasing demand for contact center solutions and increasing focus on product safety
- Expertise in operations and product management to lead continued growth and innovation

## Key Strengths

- Unrivaled suite of live voice and automated communication solutions
- Global brand recognition and recall experience managing > 5,000 recalls
- Standardization of training and technology drives efficiencies and quality
- Established relationships with key regulators and leading industry trade associations
- Experienced leadership team that can provide unique solutions to our customers
- Stericycle brand recognition and relationships within healthcare



# International Segment

## Canada



- Early expansion area and therefore most similar to the US service offering

## Latin America



- Medical and hazardous waste with no secure information destruction

## Europe



- Regulated waste and secure information destruction services

## Asia Pacific



- Medical waste in Korea and Japan
- Information destruction in Australia and Singapore

# International Segment

## Overview

- Positioned in markets with more mature regulations and enforcement for medical waste and information destruction
- Focused on fragmented markets with multiple smaller competitors
- Market growth driven by aging population trends and increased awareness of information security needs
- Integrated and organized by geography with strong country-wide or regionally based operations
- Opportunity to convert the unvend market

## Key Strengths

- Global brand recognition
- Stericycle is one of the top service providers in all markets in which we operate
- Comprehensive infrastructure by market including multiple treatment options, regional redundancies, and compliance expertise
- Opportunities to follow Stericycle's traditional growth strategy:
  - Tuck-in acquisitions for geographic expansion and route density
  - Leveraging customer relationships to drive additional multiple services

# Strategies for Continued Growth and Value Creation

Leverage multiple opportunities to drive organic growth, including additional services

Increase profitability through continuous improvement and synergy attainment

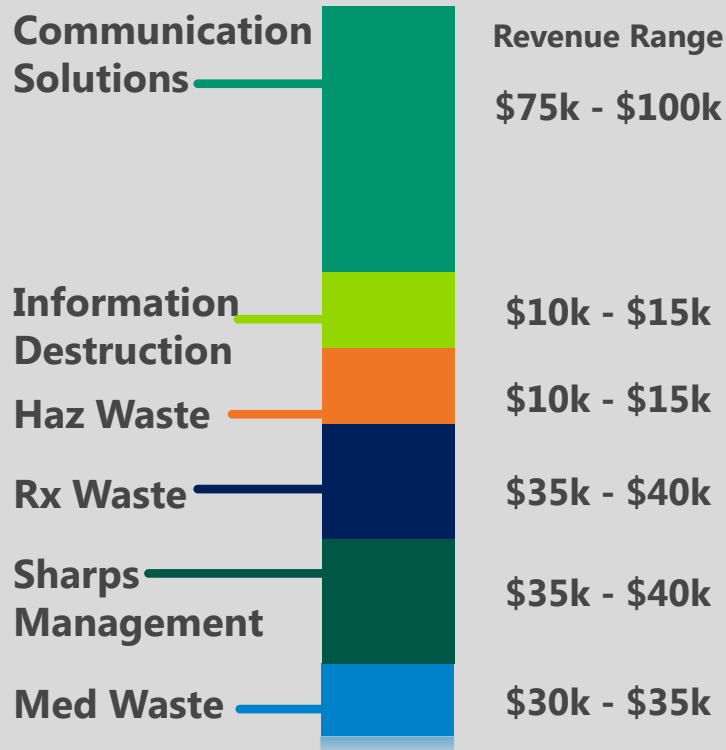
Expand core service lines and build route density within existing international markets

Review options and develop strategy around non-core assets

Execution of a disciplined capital allocation plan

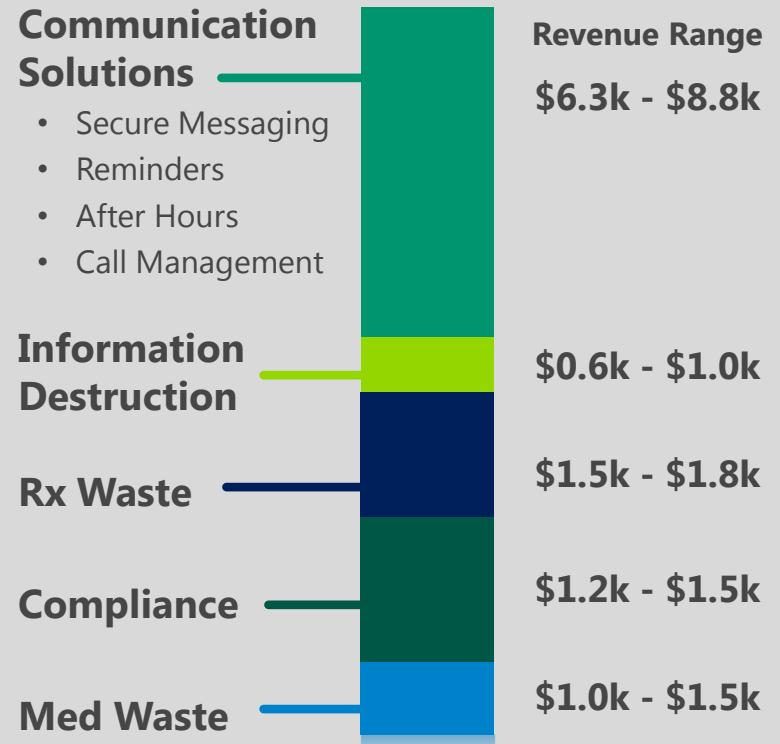
# Leveraging Healthcare Customer Relationships

## Hospital Example



Potential Revenue Opportunity: \$195k - \$245k

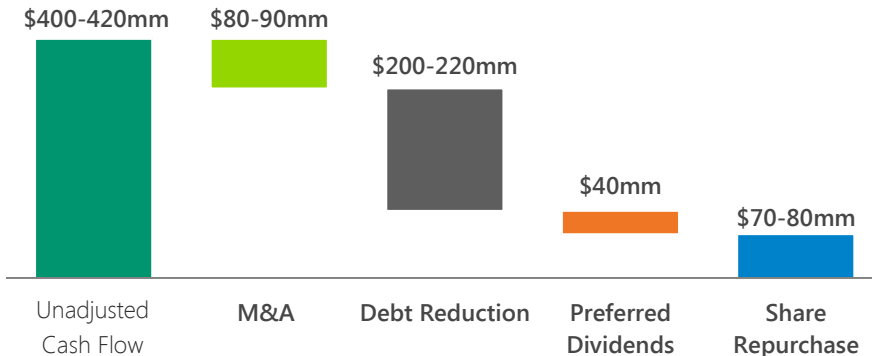
## Physician Practice Example



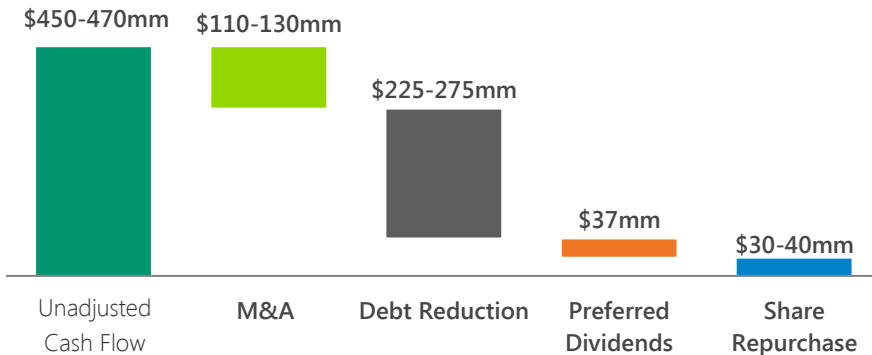
Potential Revenue Opportunity: \$10.6k - \$14.6k

# Disciplined Capital Allocation Approach

## 2016 Capital Allocation



## 2017 Capital Allocation



## Capital Allocation Priorities

- Tuck-in M&A opportunities to accelerate growth and drive efficiencies
- Debt reduction to return to +/- 2.5 debt to EBITDA
- Continue share repurchase opportunistically
- Evaluate long-term dividend / share repurchase strategy as Stericycle approaches target leverage (of ~2.5x)

*We are committed to leveraging balance sheet strength at appropriate times to improve returns for shareholders.*

# Near Term Challenges

## Business Challenges

Pricing pressures from physician practice consolidation into hospital networks and from independent healthcare practices driven by healthcare reform

Performance of non-strategic service lines due to market conditions and business dynamics (includes M&I and Patient Transport businesses)

In LATAM, the political environment remains unstable, inflation is high, and FX is consistently volatile

## Mitigating Factors

- Increase sales and marketing efforts to grow the small healthcare base
- Invest in big data and advanced analytics to drive sales targeting
- Continue focus on multiple services
- Strategic review of all non-core assets
- Evaluation of contract terms and conditions to improve financials
- Reallocate resources to higher growth and margin services
- Focus on routine, country-specific pricing optimization to offset inflation
- Accelerate expansion in private sector
- Contract-by-contract evaluation of opportunities to improve margin

# 2016 - 2017 Guidance

## Core Business Assumptions

- Underlying demand growth and momentum
- Regionalize SG&A support and improve SG&A management for margin expansion
- Price concessions of \$10-15mm in 2016, \$30-40mm in 2017
- Paper price of \$157/ton in 2017
- Spot FX rate as of September 30, 2016
- \$31 and \$20 million in Shred-it synergies in 2016 and 2017 respectively

## Investments

- Focus on tuck-in acquisitions
- Evaluate certain businesses and countries for their long-term strategic fit

## 2016 Expectation

**Revenue<sup>1</sup>:**  
\$3,560 - \$3,580

**Gross Margin:**  
~42%

**EBITDA Margin:**  
~25%

**EPS:**  
\$4.74 - \$4.76

## 2017 Guidance

**Revenue**  
\$3,540 - \$3,670

**Gross Margin:**  
43-44%

**EBITDA Margin:**  
24-25%

**EPS:**  
\$4.57 - \$4.77

<sup>1</sup> Revenue includes the impact of Shred-it acquisition.

# Long-Term Outlook

*We expect financial results to stabilize over time, driven by continuous improvement initiatives and execution of key revenue growth strategies:*

- Continue track record of organic growth through new sales strategies and services, converting the unvend, and cross selling additional services
- Assess and optimize service portfolio and geographical markets
- Expand service lines and market position within existing international markets
- Acquisitions and stock repurchases – not included table - will supplement organic growth initiatives in driving shareholder value

Financial Metric	Five Year Sales CAGR	Potential Upside	Upside Five Year
Domestic Regulated Waste and Compliance Services	3-4 %	Additional 1-2%	4-6%
Communications and Related Services	5-6%	Additional 1-2%	6-7%
International	3-4 %	Additional 1.5-2%	4.5-6%
Consolidated	3-5 %	Additional 1-2%	4-7%



## Strong Balance Sheet

(\$ in millions)	Dec 31, 2014	Dec 31, 2015	Sep 30, 2016
Current Portion of Long Term Debt	\$132	\$161	\$91
Revolver	\$460	\$354	\$429
Long-Term Term Loan		\$1,200	\$1,000
Private Placement	\$750	\$1,250	\$1,250
Other Debt	\$317	\$249	\$253
Total Long Term Debt	\$1,527	\$3,053	\$2,932
Common Equity*	\$1,895	\$1,983	\$2,143
Mandatory Preferred	N/A	\$747	\$715
Total Capitalization	\$3,554	\$5,944	\$5,880
Debt to EBITDA	2.22X	3.45X	3.35X

\* Common Equity is defined as Total Shareholders' Equity less non controlling interests.

# Stericycle Investment Highlights

Stable, long-term business driven by market-leading, premium service offerings with recurring revenue

Focus on regulated markets with growing demand

Well positioned to capitalize on multiple opportunities for growth

Diverse and expansive customer base, with established long term relationships

Strong financial profile with strong free cash flow and a focus on continuous improvement to drive margin expansion

Led by a strong and experienced management team





# Appendix



# Definition of Terms

This presentation uses certain abbreviations:

- CAGR means compound annual growth rate
- EBITDA means earnings before interest expense, income taxes, depreciation, and amortization
- EPS means earnings per share diluted
- GAAP means United States generally accepted accounting principles
- Free Cash Flow means cash from operations less capital expenditures

# Adjusting Items for Non-GAAP Measures

- For the purpose of evaluating revenues, we present non-GAAP revenues to show the impact of foreign currency, revenues from acquisitions and Manufacturing and Industrial Services (“M&I”). Management reviews and analyzes revenues excluding the effect of foreign currency translation and revenue from acquisitions because we believe this better represents the Company’s underlying business trends, including organic revenue growth. Separate presentation of M&I allows for visibility of a revenue stream that has shown greater volatility than our other service lines.
- For the purpose of evaluating operating performance, we present our financials to show the impact of income and expenses in our non-GAAP earnings related to acquisitions. These adjustments include acquisition expense, integration expense, amortization expense, and the change in fair value of contingent consideration. This allows for comparison of period over period results without the impact of acquisition-related expenses.
- For the purpose of evaluating operating performance, we additionally present our financials to show the impact of certain expenses and income in our non-GAAP earnings to allow for period over period comparison of financials without the impact of charges that may not occur each year and if so, are due to different factors. For the periods presented, these adjustments include litigation expense, restructuring and plant conversion expenses, contract exit costs, and insurance proceeds.
- For the purpose of calculating the ultimate impact of our mandatory convertible preferred stock, we show the impact to our EPS by excluding the mandatory convertible preferred stock dividend and using the “if-converted” method of share dilution. This provides the reader insight to how our diluted shares will be affected after these preferred shares are converted to common shares.