

STERICYCLE INVESTOR PRESENTATION

# Third Quarter 2018 Earnings Results

---

November 1, 2018 Earnings Release

Nasdaq: **SRCL**



# Safe Harbor Statement

This document may contain forward-looking statements that involve risks and uncertainties, some of which are beyond our control (for example, general economic and market conditions). When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Actual results could differ significantly from the results described here. 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, the level of government enforcement of regulations governing regulated waste collection and treatment or the proper handling and protection of personal and confidential information, decreases in the volume of regulated wastes or personal and confidential information collected from customers, the ability to execute on Business Transformation initiatives and achieve the anticipated benefits and cost savings, charges related to the portfolio rationalization strategy or the failure of this strategy to achieve the desired results, failure to consummate a strategic alternative transaction with respect to Communication and Related Services, potential charges related to a strategic alternative transaction with respect to Communication and Related Services, or the failure of any such transaction to achieve desired results, the obligations to service substantial indebtedness and comply with the covenants and restrictions contained in private placement notes and credit agreements, political, economic, inflationary, currency and other risks related to our foreign operations, the outcome of pending or future litigation including litigation with respect to the U.S. Foreign Corrupt Practices Act, changing market conditions in the healthcare industry, competition and demand for services in the regulated waste and secure information destruction industries, changes in the demand and price for recycled paper, failure to maintain an effective system of internal control over financial reporting, disruptions in or attacks on information technology systems, as well as other factors described in filings with the U.S. Securities and Exchange Commission, including the most recently filed Annual Report on Form 10-K and subsequent Forms 10-Q. 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. To the extent permitted under applicable law, 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.

# Leadership Position Provides Significant Long-Term Opportunities

- Multiple service lines addressing regulatory compliance needs
- Market-leading positions in multiple large, fragmented markets
- Long-term customer relationships on multi-year agreements
- Strong, consistent free cash flow

## Business Trends and Opportunities Remain Favorable for Stericycle

- ✓ Increasing regulatory oversight worldwide
- ✓ Growing markets for compliance and sustainable waste services
- ✓ Continued trend by customers to outsource services to focus on their core businesses
- ✓ Numerous cross-selling opportunities as less than 20% of customers use more than one service
- ✓ Acquisition opportunities allow for growth and synergies

## Estimated 10% Global Market Share\*



\* Note: 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 (including ancillary services & products). Source: Various industry studies and management estimates.

# Business Transformation to Drive Shareholder Value

## KEY INITIATIVES TO DRIVE BUSINESS TRANSFORMATION

Enterprise Performance Management (EPM) model supported by Enterprise Resource Planning (ERP) platform to drive efficiency and enable Stericycle to better capitalize on growth opportunities

Portfolio Rationalization	Operational Optimization	Organizational Excellence & Efficiency	Commercial Excellence	Strategic Sourcing
<ul style="list-style-type: none"> <li>Focus on core services</li> <li>Evaluate strategic fit of geographies</li> <li>Divest non-strategic service lines and markets</li> </ul>	<ul style="list-style-type: none"> <li>Standardize logistics</li> <li>Modernize operations</li> <li>Drive network efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Optimize organizational structure</li> <li>Optimize resources</li> <li>Align around global shared service model</li> </ul>	<ul style="list-style-type: none"> <li>Sales &amp; service aligned around the customer</li> <li>Standardizing CRM process and expanding self-service options</li> </ul>	<ul style="list-style-type: none"> <li>Global procure-to-pay processes</li> <li>Leveraging organizational scale</li> </ul>

## COMPELLING FINANCIAL BENEFITS

**\$850M-1.0B**

CUMULATIVE ADJUSTED EBITDA BENEFITS FROM 2018-2022

**85-95%**

TARGET IRR

**~5-9%**

EXPECTED ADJUSTED EBITDA CAGR BETWEEN 2018-2022

**~6-10%**

EXPECTED ADJUSTED EPS CAGR BETWEEN 2018-2022

**~10-14%**

EXPECTED CASH FLOW CAGR BETWEEN 2018-2022

*Note: Business Transformation compound annual growth rates (CAGR) are more heavily weighted by years 2020-2022 following the implementation of the ERP system.*

# Q3 2018 Business Highlights

---

## Highlights from the Quarter

- Core Regulated Waste and Compliance Services and Secure Information Destruction businesses exceeded expectations
- Business Transformation and ERP initiatives are on track and within budget
- Divested the domestic clean room services business and continuing Portfolio Rationalization evaluations
- Cindy J. Miller joined as President and Chief Operating Officer

# Q3 2018 Progress toward the Business Transformation

## Key Q3 Accomplishments

- Adjusted EBITDA benefits driven by additional strategic sourcing initiatives
- Completed the detailed design phase of the ERP for our end-to-end future state processes
- On track to achieve milestones for 2018
- Completed the previously announced divestiture of a U.S. non-core clean room service business

BT Benefits <i>in millions</i>	Q1	Q2	Q3	Q4	FY Benefits
Q1	\$8.0	\$7.1	\$7.1	\$7.1	\$29.4
Q2		\$8.8	\$7.2	\$7.2	\$23.1
Q3			\$1.6	\$3.0	\$4.6
Q4				\$3 to \$8	\$3 to \$8
<b>Total</b>	<b>\$8.0</b>	<b>\$15.9</b>	<b>\$15.9</b>	<b>\$20 - \$25</b>	<b>\$60 - \$65</b>

**\$1.6M**

Additional Adjusted EBITDA benefit from Q3 Transformation initiatives. YTD benefits of \$39.8 million.

**\$57.1M**

Expected 2018 Adjusted EBITDA run rate from initiatives thru Q3 toward \$60-\$65M full year goal.

**\$21.0M**

Transformation expenses during Q3 inclusive of \$6.8 million non-cash software impairment. YTD expenses of \$64.9M against 2018 budget of \$95-\$105M.

**\$4.5M**

Capital expenditure payments during Q3. YTD \$8.2M.

# Portfolio Rationalization Progress

- Pursuing strategic alternatives for Communication and Related Services and evaluating other non-core service lines and geographies
- Divested U.S.-based non-core clean room service within RWCS on August 1, 2018
- Divested remaining hazardous waste service line in the UK in June 2018
- Divested Secure Information Destruction business in South Africa in November 2017
- Divested patient transport business in the UK in June 2017
- Divested hazardous waste business in the UK in November 2016

# Q3 2018 Financial Results

---

# Q3 2018 Global Revenues by Service Compared to Q3 2017

<i>(\$ in millions)</i>	Q3 2018	Organic Growth	Total Growth
Regulated Waste and Compliance Services	\$476.6	(3.0%)	(5.2%)
Secure Information Destruction Services	\$227.6	9.1%	11.2%
Communication and Related Services	\$71.6	(19.3%)	(19.6%)
Manufacturing and Industrial Services (M&I)	\$79.1	6.8%	(8.7%)
<b>Total Revenues</b>	<b>\$854.9</b>	<b>(0.9%)</b>	<b>(3.2%)</b>
<b>Adjusted Revenues, excluding M&amp;I</b>	<b>\$775.8</b>	<b>(1.8%)</b>	<b>(2.6%)</b>
Acquisitions Effect*			\$7.7
Divestitures Effect*			(\$10.4)
Foreign Exchange Impact			(\$17.3)

\*Includes quarterly revenue effect from acquisitions and divestitures with less than a full-year impact in the comparative period.

# Q3 2018 Revenue Highlights

## REGULATED WASTE AND COMPLIANCE SERVICES

- Revenues exceeded our expectations
- Encouraged by trends across multiple service lines including SQ and hospital sales in the U.S.
- Partially offset by softness in Latin America, primarily in Brazil, and foreign exchange impact
- Includes divestiture of U.S. non-core clean room service

## COMMUNICATION AND RELATED SERVICES

- Highest number of recall events in eight quarters
- Average revenue per event was down significantly year over year
- Recall is an unpredictable, project-based service

## SECURE INFORMATION DESTRUCTION

- Organic revenue growth of 9.1% or 4.7% when adjusted for higher recycled paper pricing
- SOP index continues to trend above the 10-year average
- Stronger than anticipated growth in the UK driven by GDPR privacy regulations

## MANUFACTURING AND INDUSTRIAL SERVICES

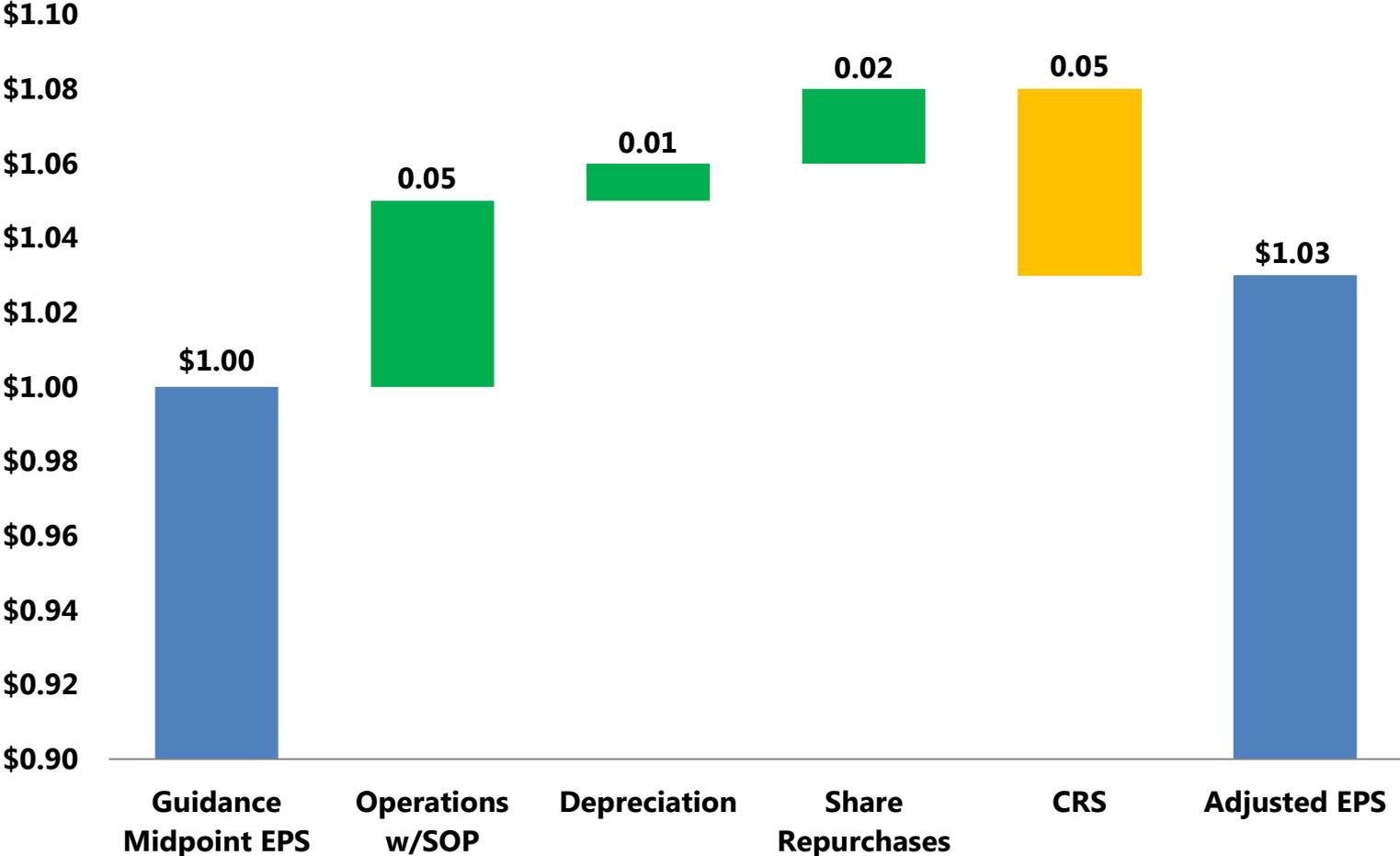
- Organic growth of 6.8% excluding divestitures and foreign exchange
- Total growth of (8.7%) driven by UK divestitures and foreign exchange headwind from Latin America

## Q3 2018 Financial Performance

<i>(\$ in millions except for EPS)</i>	Q3 2018	Drivers of Financial Results
Revenues	\$854.9	Driven by growth in Secure Information Destruction and other core services offset by a decline in CRS, Latin America and divestitures
Adjusted EBITDA*	\$183.9	
U.S. GAAP Diluted EPS	\$0.20	Due to Business Transformation charges and other adjusting items
Adjusted Diluted EPS*	\$1.03	See bridge on slide 14
Cash from Operations	(\$141.1)	Excluding the SQ settlement, Cash from Operations was \$153.9 and Free Cash Flow was \$121.0, which included a temporary increase in accounts payable
Free Cash Flow*	(\$174.0)	

\*Reconciliation of Adjusted EBITDA, Adjusted Diluted EPS, and Free Cash Flow to their respective U.S. GAAP measures can be found in the appendix.

# Q3 2018 Adjusted Diluted EPS Bridge from Guidance



## Balance Sheet and Cash Flow

<i>Balance Sheet (\$ in millions)</i>	As of Sept 30, 2018	As of Dec 31, 2017
Current Portion of Long-Term Debt	\$109	\$120
Long-Term Portion of Debt	\$2,731	\$2,627
Cash Balance	\$52	\$42
Net Debt	\$2,788	\$2,705
Net Debt to Adjusted EBITDA	3.58X	3.66X
<i>Amounts and measures above as defined by debt agreements in effect as of the respective period end. Includes the \$295 million SQ settlement payment made in July 2018.</i>		

<i>Cash Flow (\$ in millions)</i>	Nine months ended Sept 30, 2018
Cash from Operations	\$89.9
Capital Expenditures	\$96.9
Days Sales Outstanding	63 days

# 2018 Guidance

---

# 2018 Updated Guidance

*(\$ in millions except for Adjusted EPS)*

Regulated Waste and Compliance Services	\$1,910 - \$1,930
Secure Information Destruction	\$900 - \$920
Communication and Related Services	\$310 - \$330
Manufacturing and Industrial	\$320 - \$340
<b>Total Revenues</b>	<b>\$3,440 - \$3,520</b>
Adjusted EBITDA*	\$736 - \$756
Adjusted Diluted EPS*	\$4.31 - \$4.41
Cash from Operations	\$160 - \$195
Capital Expenditures	\$145 - \$160
Free Cash Flow*	\$0 - \$50

*\*Reconciliation of Adjusted EBITDA, Adjusted Diluted EPS and Free Cash Flow to their respective U.S. GAAP measures can be found in the appendix of this presentation.*

# 2018 Guidance Assumptions

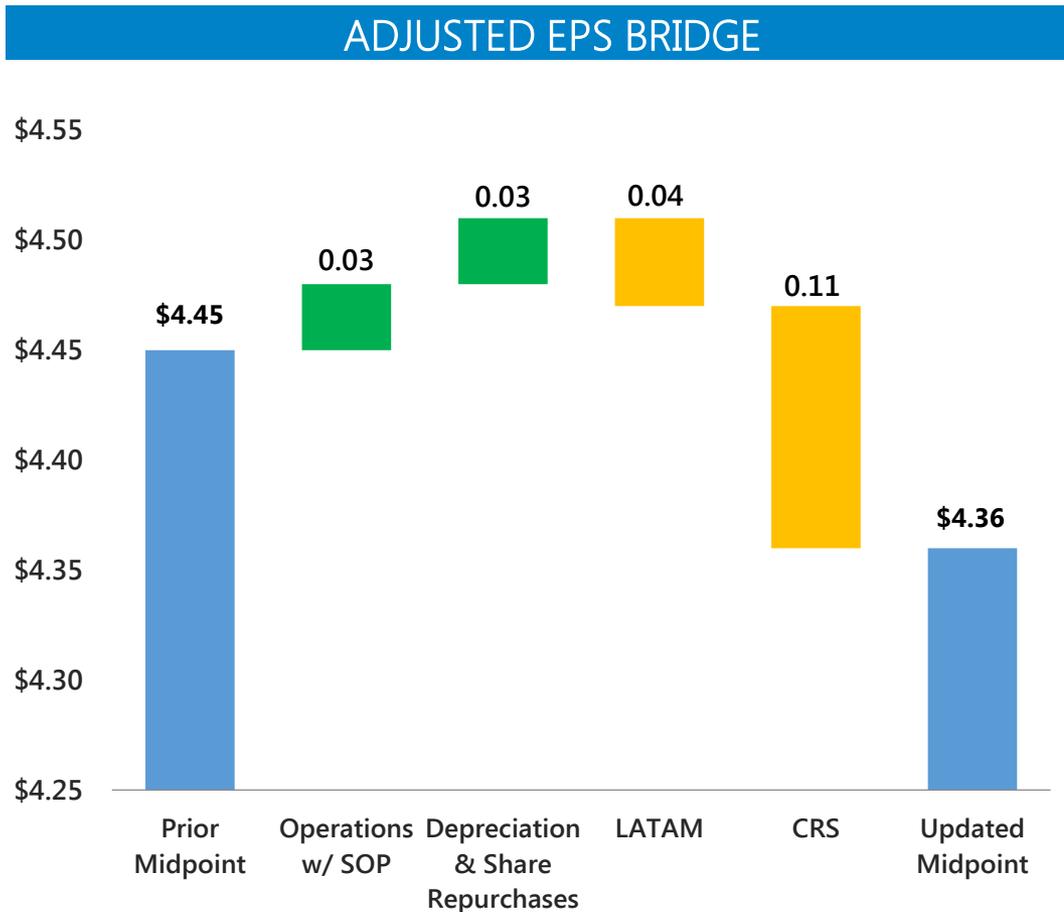
## KEY ASSUMPTIONS

- Interest expense of \$105 - \$108 million
- Adjusted tax rate of 25.5% - 26.0%
- Depreciation expense of \$127 - \$132 million
- Amortization expense of \$125 - \$130 million
- Outstanding share count of 90.5 million including conversion of preferred shares
- EPS of \$0.19 from share repurchases

## MODELING CONSIDERATIONS

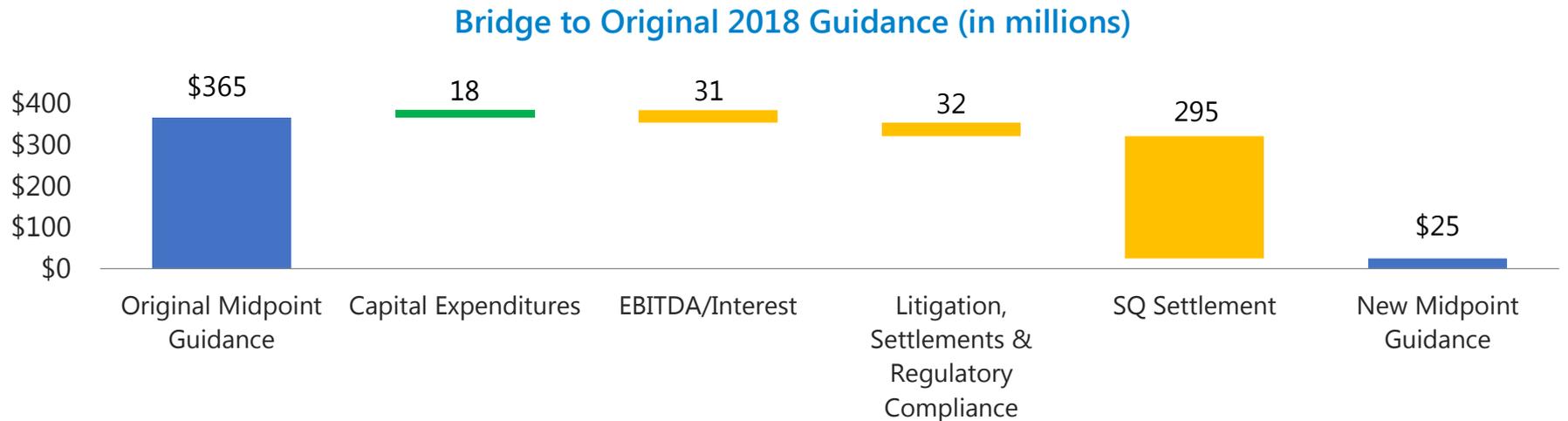
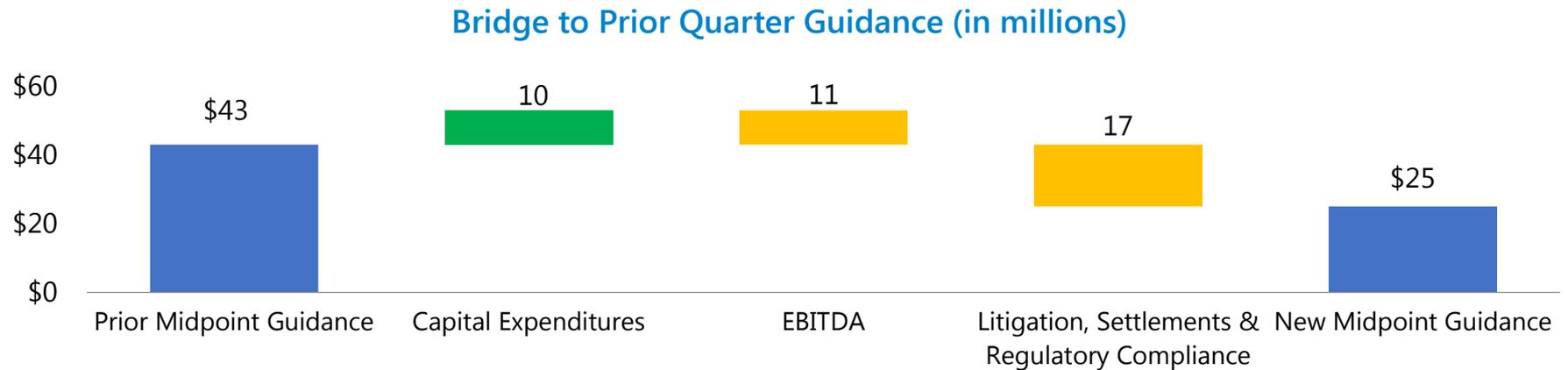
- No future acquisitions, divestitures or adjusted litigation, settlement and regulatory compliance matters included
- Foreign exchange rates as of September 2018
- Cash from Operations includes payment of previously disclosed SQ settlement

# Updated 2018 Adjusted EPS to Prior Guidance



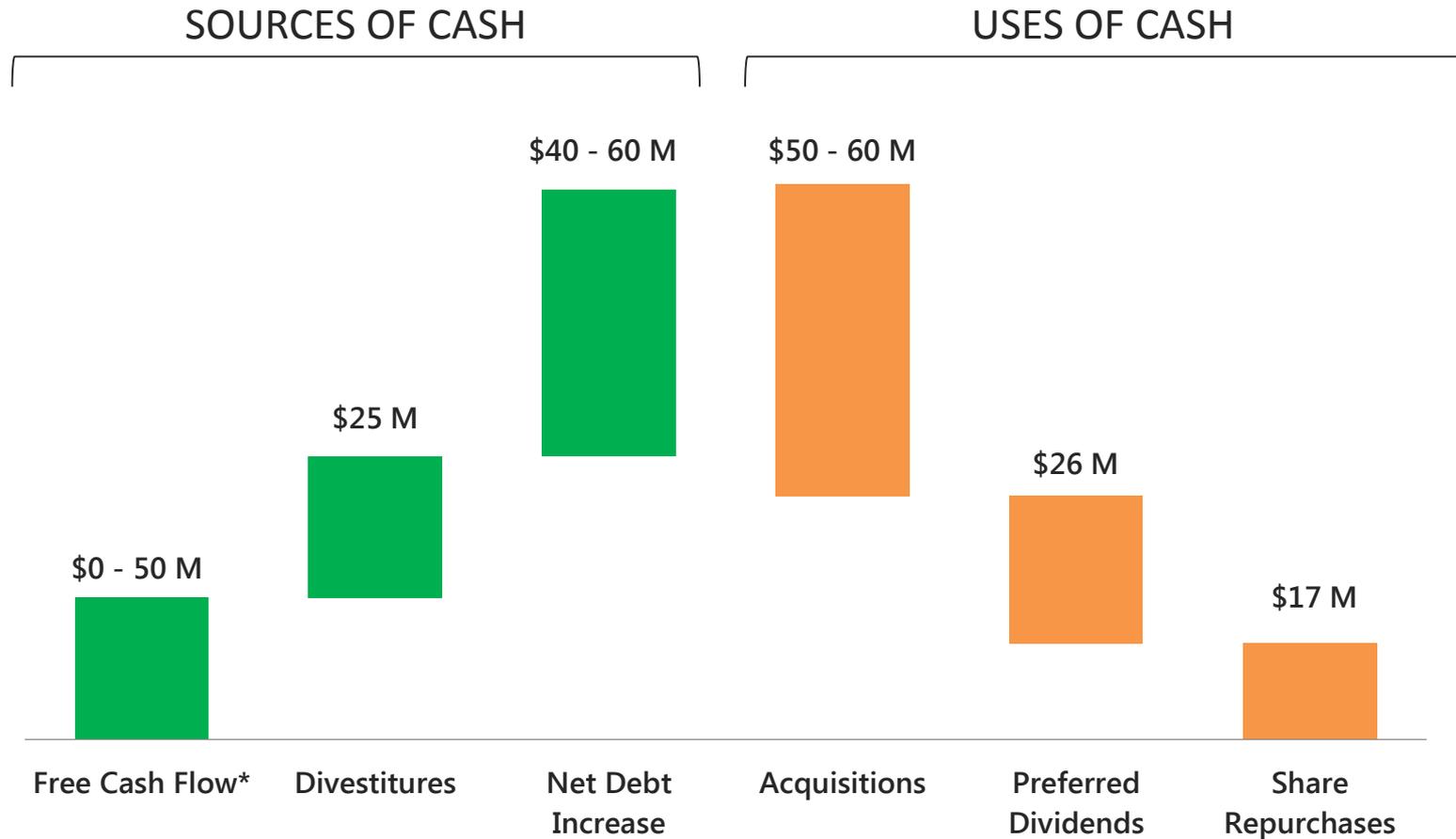
- Regulated Waste and Compliance Services and Secure Information Destruction remain on track with favorability from paper pricing
- Guidance updated to reflect favorability in depreciation and Q3 share repurchases
- Latin America impact reflects lower revenue in Brazil, cost pressures from a temporary plant closure, and foreign exchange
- CRS impact reflects Q3 actual results (\$0.05) and expected lower recall revenues continuing through year end (\$0.06)

# Updated 2018 Free Cash Flow Guidance



*The Company's guidance does not include amounts related to future acquisitions, divestitures, or certain litigation, settlements and regulatory compliance matters, as the Company is not able to forecast these items without unreasonable effort.*

# 2018 Capital Allocation Guidance



\*Free Cash Flow guidance includes payment of the previously disclosed SQ settlement.

# Stericycle is Well Positioned for Long-Term Value Creation

**Premium provider of innovative business-to-business compliance solutions that protect people and brands, promote health and safeguard the environment**

- Market opportunities continue to grow due to increasing regulatory oversight
- Diverse customer base with multi-year agreements and cross-selling opportunities
- A leadership position in our core businesses with comprehensive infrastructure and route density
- Business Transformation and ERP implementation underway focused on delivering consistent results and operational efficiency to drive additional value for shareholders
- Committed to improving top- and bottom-line financial results over a five-year period:
  - Revenue CAGR of 3-5%
  - Adjusted EPS CAGR of 6-10%
  - Adjusted EBITDA CAGR of 5-9%
  - Free Cash Flow CAGR of 10-14%
- Growth rates are more heavily weighted in years 2020-2022 following the successful implementation of the Business Transformation including our global ERP system

# Appendix

# Non-GAAP Financial Measures

The Non-GAAP financial measures contained in this document are reconciled to the most comparable measures calculated in accordance with U.S. GAAP in the schedules attached to this document. Management believes the Non-GAAP financial measures are useful measures of Stericycle's performance because they provide additional information about Stericycle's operations and exclude certain specified items, allowing better evaluation of underlying business performance and better period-to-period comparability. Additionally, the Company uses such Non-GAAP financial measures in evaluating business unit and management performance. All Non-GAAP financial measures are intended to supplement the applicable U.S. GAAP measures and should not be considered in isolation from, or a replacement for, financial measures prepared in accordance with U.S. GAAP and may not be comparable to, or calculated in the same manner as Non-GAAP financial measures published by other companies. Please see Stericycle's Current Report on Form 8-K furnished to the SEC on the date hereof for more information regarding these Non-GAAP financial measures.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA) is Income from operations excluding certain specified items, Depreciation and Intangible Amortization.

# Reconciliation of U.S. GAAP to Adjusted Q3 2018 Results

(In millions, except per share data)

	Three Months Ended September 30, 2018				
	Gross Profit	Selling, General & Administrative Expenses	Income from Operations	Net Income Attributable to Common Shareholders	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 335.5	\$ 267.2	\$ 68.3	\$ 17.5	\$ 0.20
<b>Adjustments:</b>					
Business Transformation	7.8	(13.2)	21.0	15.6	0.18
Intangible Amortization		(31.8)	31.8	23.6	0.27
Acquisition and Integration		(1.6)	1.6	1.2	0.01
Operational Optimization		(3.6)	3.6	2.8	0.03
Divestitures		(2.0)	2.0	1.6	0.02
Litigation, Settlements and Regulatory Compliance		(17.3)	17.3	12.7	0.15
Capital Allocation		-	-	8.4	0.05
Other		(6.2)	6.2	9.7	0.12
U.S. Tax Reform		-	-	0.4	0.00
<b>Adjusted Financial Measures</b>	<b>\$ 343.3</b>	<b>\$ 191.5</b>	<b>\$ 151.8</b>	<b>\$ 93.5</b>	<b>\$ 1.03</b>

(In millions)	Three Months Ended September 30, 2018
<b>Adjusted income from operations</b>	<b>\$ 151.8</b>
Depreciation	<b>32.1</b>
<b>Adjusted EBITDA</b>	<b>\$ 183.9</b>

(In millions)	Three Months Ended September 30, 2018
<b>Cash From Operations</b>	<b>\$ (141.1)</b>
Capital Expenditures	<b>(32.9)</b>
<b>Free Cash Flow</b>	<b>\$ (174.0)</b>

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2018 issued on November 1, 2018.

# Reconciliation of U.S. GAAP to Adjusted 2018 Guidance

(In millions, except per share data)	2018 FINANCIAL GUIDANCE	
	Income from Operations	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	<b>\$234 - \$249</b>	<b>\$0.89 - \$1.04</b>
<b>Adjustments:</b>		
Business Transformation	\$95 - \$105	\$0.82 - \$0.90
Intangible Amortization	\$125 - \$130	\$1.08 - \$1.12
Acquisition and Integration	\$15 - \$20	\$0.14 - \$0.18
Operational Optimization	\$20 - \$25	\$0.17 - \$0.22
Divestitures	\$19	\$0.17
Litigation, Settlements and Regulatory Compliance	\$61	\$0.52
Capital Allocation	\$0	\$0.10
Other	\$25 - \$30	\$0.27 - \$0.31
<b>Adjusted Financial Measures</b>	<b>\$609 - \$624</b>	<b>\$4.31 - \$4.41</b>
<b>Adjusted income from operations</b>	<b>\$609 - \$624</b>	
Depreciation	\$127 - \$132	
<b>Adjusted EBITDA</b>	<b>\$736 - \$756</b>	

In millions	2018 FINANCIAL GUIDANCE	
	Free Cash Flow	
Net cash from operating activities - low end of range	\$	160
Capital expenditures - high end of range		160
Free cash flow - low end of range	\$	-
Net cash from operating activities - high end of range	\$	195
Capital expenditures - low end of range		145
Free cash flow - high end of range	\$	50

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2018 issued on November 1, 2018.