

STERICYCLE INVESTOR PRESENTATION

# First Quarter 2018 Earnings Results

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May 3, 2018

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). Our 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 we collect from customers, our ability to execute on our Business Transformation initiatives and achieve the anticipated benefits and cost savings, our obligations to service our substantial indebtedness and comply with the covenants and restrictions contained in our private placement notes and our credit agreement, 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, our failure to maintain an effective system of internal control over financial reporting, disruptions in or attacks on our information technology systems, changes in the demand and price for recycled paper, charges related to our portfolio optimization strategy or the failure of our portfolio optimization strategy to achieve the desired results, 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 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, sustainable waste services, and brand protection solutions
- ✓ 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. Source: Various industry studies and management estimates (including ancillary services & products).

# Q1 2018 Business Highlights

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## Highlights from the Quarter

- Strong start to 2018 with revenue, Adjusted EBITDA and Adjusted EPS ahead of expectations
- Business Transformation initiatives are on track
- Developed the strategic blueprint for our target operating model
- Robert Murley appointed Independent Chairman
- Strengthened executive team by adding a Chief Ethics and Compliance Officer and promoting our Chief Information Officer

# Business Transformation to Drive Shareholder Value

## The Catalysts

- 450+ business applications and 65+ financial systems
- Inconsistent business processes built around service lines
- Redundant resources
- Competitive pressure, including pricing
- Inconsistent performance of non-core assets
- Control and compliance weaknesses

## Our Vision

A best-in-class performance management model that enables:

- An enhanced experience for our customers while increasing returns to shareholders
- Stable revenue growth of 3-5% CAGR over 5 years
- Adjusted EPS growth of 6-10% CAGR over 5 years
- Free cash flow growth of 10-14% CAGR over 5 years

## Our Process

- Performed comprehensive diagnostic assessment of the business
- Identified strategic opportunities for performance improvement
- Leading advisors and dedicated work teams validated opportunities
- Developing detailed work plans and contingencies for each opportunity
- Executing against implementation plans; tracking and confirming results

**We are reconfiguring our operating model to more effectively manage the business and enhance shareholder value over the long-term.**

# Key Initiatives to Business Transformation

An Enterprise Resource Planning (ERP) platform is the foundation of the Transformation.

The ERP is expected to drive efficiency and enable Stericycle to better capitalize on growth opportunities.

PORTFOLIO RATIONALIZATION	<ul style="list-style-type: none"> <li>• Focus on core services</li> <li>• Evaluate strategic fit of geographies</li> </ul>	<ul style="list-style-type: none"> <li>• Divest/exit non-strategic service lines and markets</li> </ul>
OPERATIONAL OPTIMIZATION	<ul style="list-style-type: none"> <li>• Standardize route planning logistics</li> <li>• Modernize field operations</li> </ul>	<ul style="list-style-type: none"> <li>• Network efficiency across service line facilities</li> <li>• Consolidate call center activities</li> </ul>
ORGANIZATIONAL EXCELLENCE AND EFFICIENCY	<ul style="list-style-type: none"> <li>• Optimize organizational structure</li> <li>• Staff monitoring &amp; controls</li> </ul>	<ul style="list-style-type: none"> <li>• Global shared business services</li> </ul>
COMMERCIAL EXCELLENCE	<ul style="list-style-type: none"> <li>• Sales &amp; service aligned around the customer</li> <li>• Customer self-service options</li> </ul>	<ul style="list-style-type: none"> <li>• Standardize customer relationship management</li> </ul>
STRATEGIC SOURCING	<ul style="list-style-type: none"> <li>• Global procure-to-pay processes</li> <li>• Fewer suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Demand management</li> <li>• Purchasing governance</li> </ul>

# Q1 2018 Progress toward the Business Transformation

**\$8.0M**

Recurring Adjusted EBITDA benefit for Q1 2018

\$32 million annualized benefit toward 2018 goal of \$60-\$65 million

**\$22.1M**

Investment during Q1 2018 against the 2018 planned investment of \$95-\$105 million

## Key Q1 Accomplishments

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- Financial savings driven by organizational restructuring, strategic sourcing initiatives, and operational optimization projects
- Dedicated internal ERP implementation team and third-party system integrator now in place
- Developed the strategic blueprint for the target operating model and moving into detailed design phase of the enabling technology
- On track to achieve milestones for 2018

# Q1 2018 Financial Results

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## Q1 2018 Global Revenues by Service

<i>(\$ in millions)</i>	Q1 2018	% Change from Q1 2017
Regulated Waste and Compliance Services	\$497.4	(2.7%)
Secure Information Destruction Services	\$219.9	7.7%
Communication and Related Services	\$91.9	(1.7%)
Manufacturing and Industrial Services (M&I)	\$85.8	2.6%
<b>Total Revenues</b>	<b>\$895.0</b>	<b>0.3%</b>
<b>Adjusted Revenues, excluding M&amp;I</b>	<b>\$809.2</b>	<b>0.0%</b>
Acquisitions*	\$7.1	
Divestitures*	(\$10.8)	
Foreign Exchange	\$11.5	

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

# Q1 2018 Year-over-Year Revenue Results

## REGULATED WASTE & COMPLIANCE SERVICES

- Revenues exceeded expectations
- Hospital compliance services continued to expand
- Retail hazardous waste growth from emergency response project work and medication disposal kiosks

## SECURE INFORMATION DESTRUCTION

- Organic revenue growth of 3.8% or 4.8% when adjusted for lower recycled paper pricing
- Inside sales delivered exceptional results driven by the process improvements and automation implemented over the past 12 months.

## COMMUNICATION & RELATED SERVICES

- Revenues continue to be strong as expected
- Highlighted by continued automotive recall events in the U.S. and strong performance by our UK communications team

## MANUFACTURING & INDUSTRIAL SERVICES

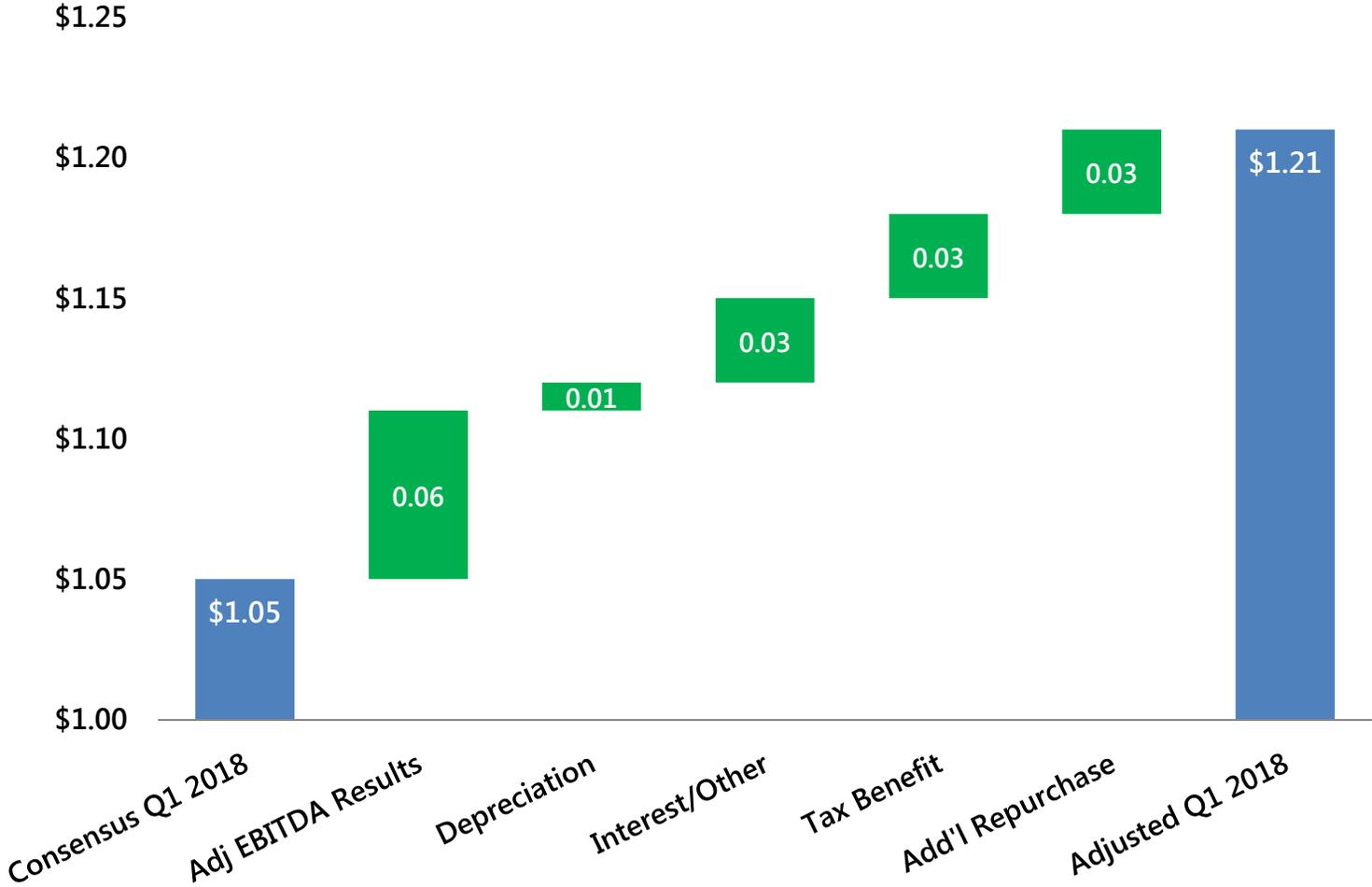
- Revenues up 2.6% in part due to strong international activity

## Q1 2018 Financial Performance

(\$ in millions except for EPS)	Q1 2018	DRIVERS OF FINANCIAL RESULTS
Revenues	\$895.0	Stronger than anticipated with all service lines delivering at or above plan; Shred-it, Retail Hazardous and Hospital Compliance Services led growth
Adjusted EBITDA*	\$189.3	Driven in part by strong revenue performance and lower than anticipated SG&A expenses
U.S. GAAP Diluted EPS	\$0.25	Down due to certain non-recurring adjusted items
Adjusted Diluted EPS	\$1.21	Ahead of consensus and guidance of \$1.05. See EPS bridge on next slide for details.
Cash flow from Operations	\$110.4	Inclusive of cash outflows for non-recurring adjusting items including Business Transformation

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

# Q1 2018 Adjusted Diluted EPS Bridge to Consensus



## Balance Sheet and Cash Flow

Balance Sheet ( <i>\$ in millions</i> )	As of Mar 31, 2018	As of Dec 31, 2017
Current Portion of Long-Term Debt	\$122	\$120
Long-Term Portion of Debt	\$2,598	\$2,627
Cash Balance	\$49	\$42
Net Debt	\$2,671	\$2,705
Net Debt to EBITDA <i>As defined by debt agreements in effect as of the respective period end</i>	3.25X	3.66X

Cash Flow ( <i>\$ in millions</i> )	Three months ended Mar 31, 2018
Cash from Operations	\$110.4
Capital Expenditures	\$28.5
Days Sales Outstanding	64 days

# 2018 Outlook

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## 2018 Updated Guidance

*(\$ in millions except for EPS)*

Regulated Waste & Compliance Services	\$1,935 - \$1,975
Secure Information Destruction	\$875 - \$915
Communication & Related Services	\$355 - \$385
Manufacturing & Industrial	\$335 - \$365
<b>Total Revenue</b>	<b>\$3,500 - \$3,640</b>
Adjusted EBITDA*	\$760 - \$810
Adjusted Diluted EPS*	\$4.45 - \$4.85
Cash from Operations	\$510 - \$560
Capital Expenditures	\$160 - \$180
Free Cash Flow	\$330 - \$400

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

# 2018 Guidance Assumptions

## KEY ASSUMPTIONS

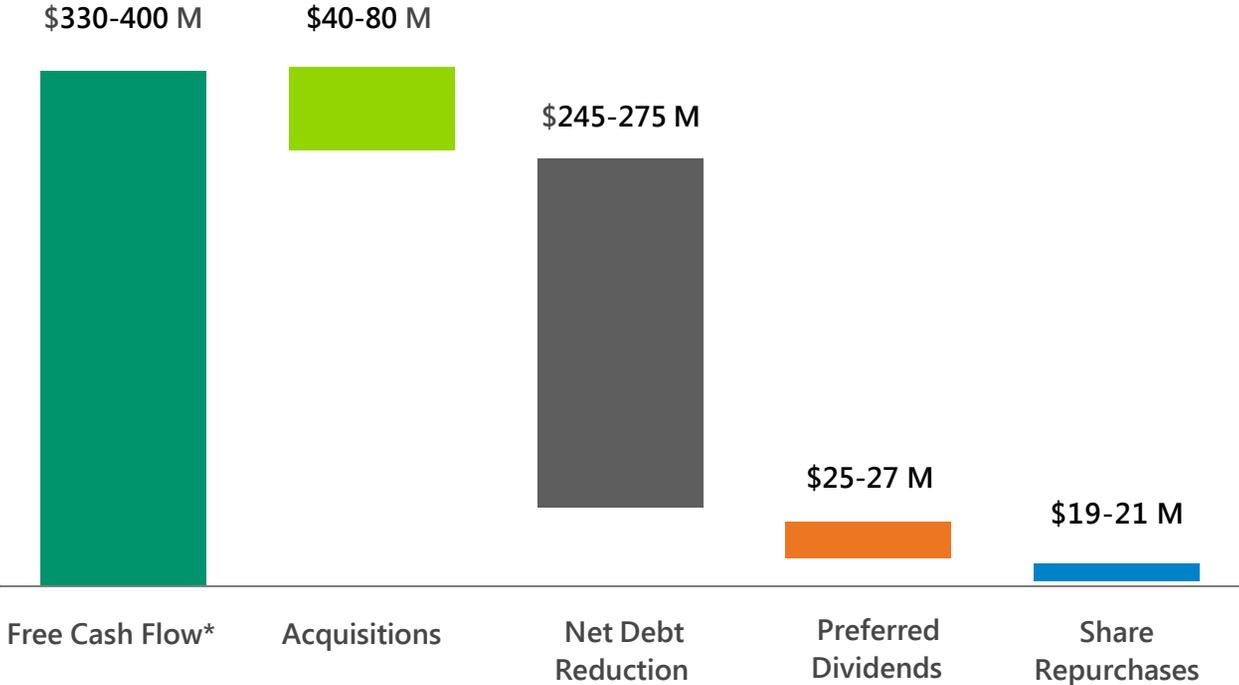
- Interest expense of \$100 - \$105 million
- Tax rate and adjusted tax rate of 25.5% - 26.0%
- Depreciation expense of \$130 - \$140 million
- Amortization expense of \$120 - \$130 million
- Outstanding share count of 90.5 million assuming conversion of preferred shares
- ~\$0.17 from share repurchases

## MODELING CONSIDERATIONS

- No future acquisitions, divestitures or nonrecurring litigation matters included
- Foreign exchange rates as of March 2018
- Cash flow from operations does not include payment of previously disclosed SQ settlement

# Capital Allocation Outlook – Our Disciplined Strategy

## 2018 CAPITAL ALLOCATION



\*Free cash flow outlook excludes 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**

- Leader in multiple large, fragmented markets that continue to grow due to increasing regulatory oversight and focus on sustainable waste solutions
- Diverse customer base with multi-year agreements and cross-selling opportunities
- Business Transformation underway: focused on delivering consistent results, operating more efficiently and better capitalizing on growth opportunities
- Global ERP system should provide significant operating leverage to drive upside from current levels of performance
- Committed to improving top- and bottom-line financial results with long-term revenue CAGR (3-5%), Adjusted EBITDA CAGR (5-9%) and Adjusted EPS CAGR (6-10%)
- Strong, consistent free cash flow (10-14% CAGR) combined with benefits of Business Transformation should provide significant capital to drive additional value for shareholders

# 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 10-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 Q1 2018 Results

(In millions, except per share data)

	Three Months Ended March 31, 2018			
	Selling, General and Administrative Expenses	Income from Operations	Net Income Attributable to Common Shareholders <sup>(b)</sup>	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	<b>\$ 304.4</b>	<b>\$ 54.1</b>	<b>\$ 21.0</b>	<b>\$ 0.25</b>
<b>Adjustments:</b>				
Business Transformation	(22.1)	22.1	16.4	0.19
Intangible Amortization	(31.9)	31.9	23.7	0.28
Acquisition and Integration	(4.1)	4.1	3.2	0.04
Operational Optimization	(8.9)	8.9	6.6	0.07
Divestitures	(4.1)	4.1	3.7	0.04
Litigation, Settlements and Regulatory Compliance	(27.5)	27.5	20.3	0.23
Capital Allocation	-	-	10.8	0.06
Other	(5.8)	5.8	4.4	0.05
<b>Adjusted Financial Measures</b>	<b>\$ 200.0</b>	<b>\$ 158.5</b>	<b>\$ 110.1</b>	<b>\$ 1.21</b>

For more details on adjusting items, please see Stericycle's earnings press release for Q1 2018 issued on May 3, 2018.

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

(In millions, except per share data)

	2018 FINANCIAL OUTLOOK	
	Income from Operations	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	<b>\$328 - \$333</b>	<b>\$1.78 - \$1.89</b>
<b>Adjustments:</b>		
Business Transformation	\$95 - \$105	\$0.82 - \$0.90
Intangible Amortization	\$120 - \$130	\$1.03 - \$1.12
Acquisition and Integration	\$15 - \$20	\$0.13 - \$0.17
Operational Optimization	\$15 - \$20	\$0.13 - \$0.17
Divestitures	\$4	\$0.04
Litigation, Settlements and Regulatory Compliance	\$28	\$0.23
Capital Allocation	\$0	\$0.08
Other	\$25 - \$30	\$0.21 - \$0.25
<b>Adjusted Financial Measures</b>	<b>\$630 - \$670</b>	<b>\$4.45 - \$4.85</b>
<b>Adjusted Income from Operations</b>	<b>\$630 - \$670</b>	
Depreciation	\$130 - \$140	
<b>Adjusted EBITDA</b>	<b>\$760 - \$810</b>	

For more details on adjusting items, please see Stericycle's earnings press release for Q1 2018 issued on May 3, 2018.