

STERICYCLE INVESTOR PRESENTATION

Fourth Quarter 2019 Earnings Results and 2020 Guidance

February 27, 2020

Nasdaq: **SRCL**



Safe Harbor Statement

This document may contain forward-looking statements. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of our management about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Factors that could cause such differences include, among others, SOP pricing volatility, foreign exchange rate volatility in the jurisdictions in which we operate, the volume and size of any recall events, 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 implement our ERP system, charges related to portfolio rationalization or the failure of divestitures to achieve the desired results, failure to consummate transactions with respect to non-core businesses, including the risk that the Domestic Environmental Solutions transaction may not be completed in a timely manner or at all, the failure to satisfy the conditions to the consummation of such transaction, including the receipt of certain governmental and regulatory approvals, the effect of the announcement or pendency of the Domestic Environmental Solutions transaction on Stericycle's business relationships, operating results and business generally and risks related to diverting management's attention from Stericycle's ongoing business operations, the obligations to service substantial indebtedness and comply with the covenants and restrictions contained in our credit agreements and notes, a downgrade in our credit rating resulting in an increase in interest expense, political, economic, inflationary and other risks related to our foreign operations, the outcome of pending or future litigation or investigations including 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, failure to maintain an effective system of internal control over financial reporting, delays or failures in implementing remediation efforts with respect to existing or future material weaknesses, disruptions in or attacks on information technology systems, as well as other factors described in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K and subsequent Quarterly Reports on 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. We disclaim any obligation to update or revise any forward-looking or other statements contained herein other than in accordance with legal and regulatory obligations.

Key Business Highlights

- Entered into a definitive agreement to sell its Domestic Environmental Solutions business, excluding the healthcare customer and unused consumer pharmaceutical take-back services, to Harsco Corporation for \$462.5 million in cash
- Completed the sale of operations in Chile to an affiliate of Veolia for approximately \$30.7 million in December
- Organic revenue growth was up 2.0% in Regulated Waste and Compliance Services (“RWCS”) the highest growth rate in three years, as a result of continued momentum on quality of revenue initiatives
- Free Cash Flow for the quarter was \$13.8 million, bringing full year 2019 to \$53.8 million

Compelling Progress on Key Initiatives in 2019

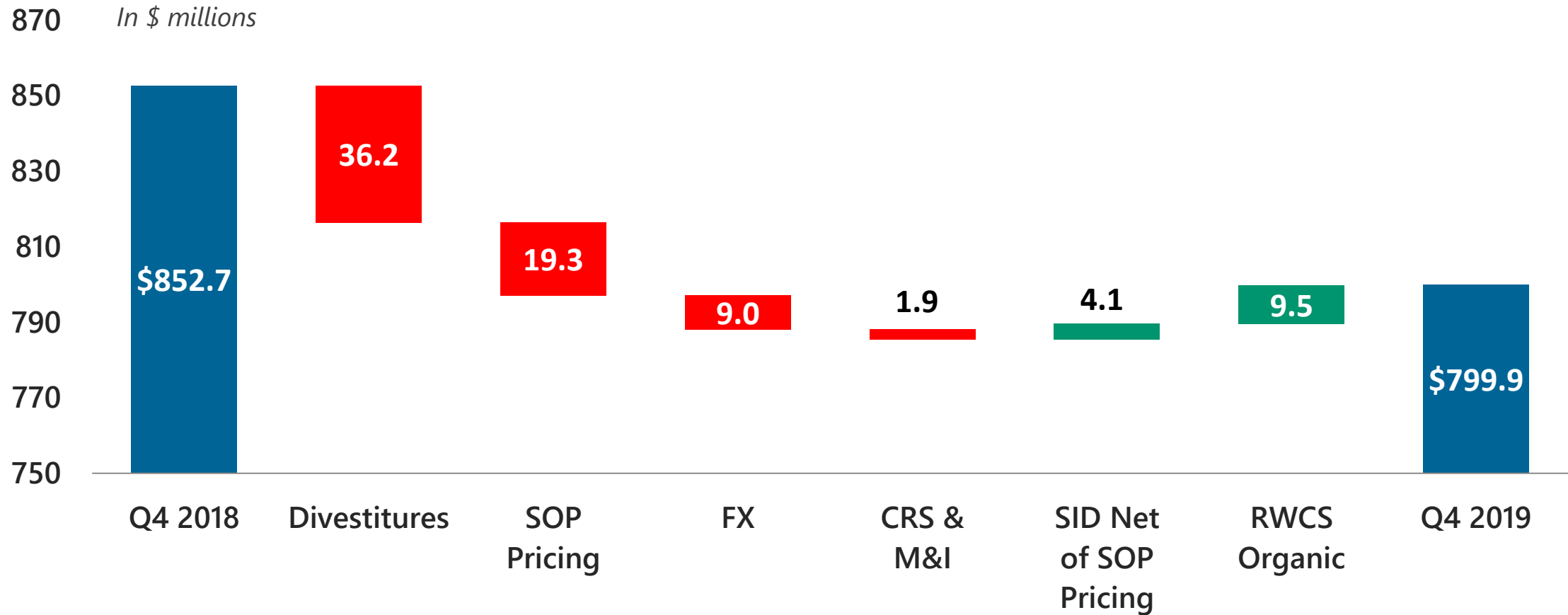
- Portfolio rationalization
- Debt reduction and leverage improvement
- Quality of revenue
- Operational cost efficiencies
- ERP implementation

Q4 2019 Global Revenues by Service Compared to Same Quarter Prior Year

	Three Months Ended December 31,								
	<i>In millions</i>				<i>Components of Change (%)</i>				
	2019	2018	Change (\$)	Change (%)	Organic		Acquisitions	Divestitures	Foreign Exchange
					SOP Related	Other			
Revenues by Service									
Regulated Waste and Compliance Services	\$ 473.7	\$ 474.8	\$ (1.1)	(0.2%)	–	2.0%	–	(0.9%)	(1.3%)
Secure Information Destruction Services	217.9	233.5	(15.6)	(6.7%)	(8.3%)	1.8%	0.1%	–	(0.3%)
Communication and Related Services	35.9	68.3	(32.4)	(47.4%)	–	(2.0%)	–	(45.6%)	0.2%
Manufacturing and Industrial Services	72.4	76.1	(3.7)	(4.9%)	–	(0.9%)	–	(1.0%)	(3.0%)
Total Revenues	\$799.9	\$852.7	\$ (52.8)	(6.2%)	(2.3%)	1.3%	–	(4.2%)	(1.1%)
Revenues by Geography									
Domestic and Canada	\$ 660.8	\$ 700.6	\$ (39.8)	(5.7%)	(2.3%)	0.3%	–	(3.7%)	(0.0%)
International	139.1	152.1	(13.0)	(8.5%)	(2.2%)	6.0%	–	(6.5%)	(5.9%)
Total Revenues	\$799.9	\$852.7	\$ (52.8)	(6.2%)	(2.3%)	1.3%	–	(4.2%)	(1.1%)

For more details and explanation, please see Stericycle's earnings press release for Q4 2019 issued on February 27, 2020.

Q4 2019 Revenue Bridge



Q4 2019 Factors Driving Revenue

REGULATED WASTE AND COMPLIANCE SERVICES

- Revenues of \$473.7 million compared to \$474.8 million in Q4 2018.
- Excluding foreign exchange impact and divestitures, organic growth was 2.0%, the highest growth in more than three years.
- Growth reflects positive performance in hospital medical waste and stabilization of customer loss and discounting trends among small healthcare practices.

COMMUNICATION AND RELATED SERVICES

- Revenues of \$35.9 million, compared to \$68.3 million in Q4 2018.
- Excluding the impact of divestitures, which accounted for approximately \$31.1 million in lower revenues, and foreign exchange impact, organic revenue declined 2.0%.

SECURE INFORMATION DESTRUCTION

- Revenues of \$217.9 million compared to \$233.5 million in Q4 2018.
- Excluding the impact of SOP pricing, foreign exchange and acquisitions, organic revenue growth was 1.8%.

MANUFACTURING AND INDUSTRIAL SERVICES

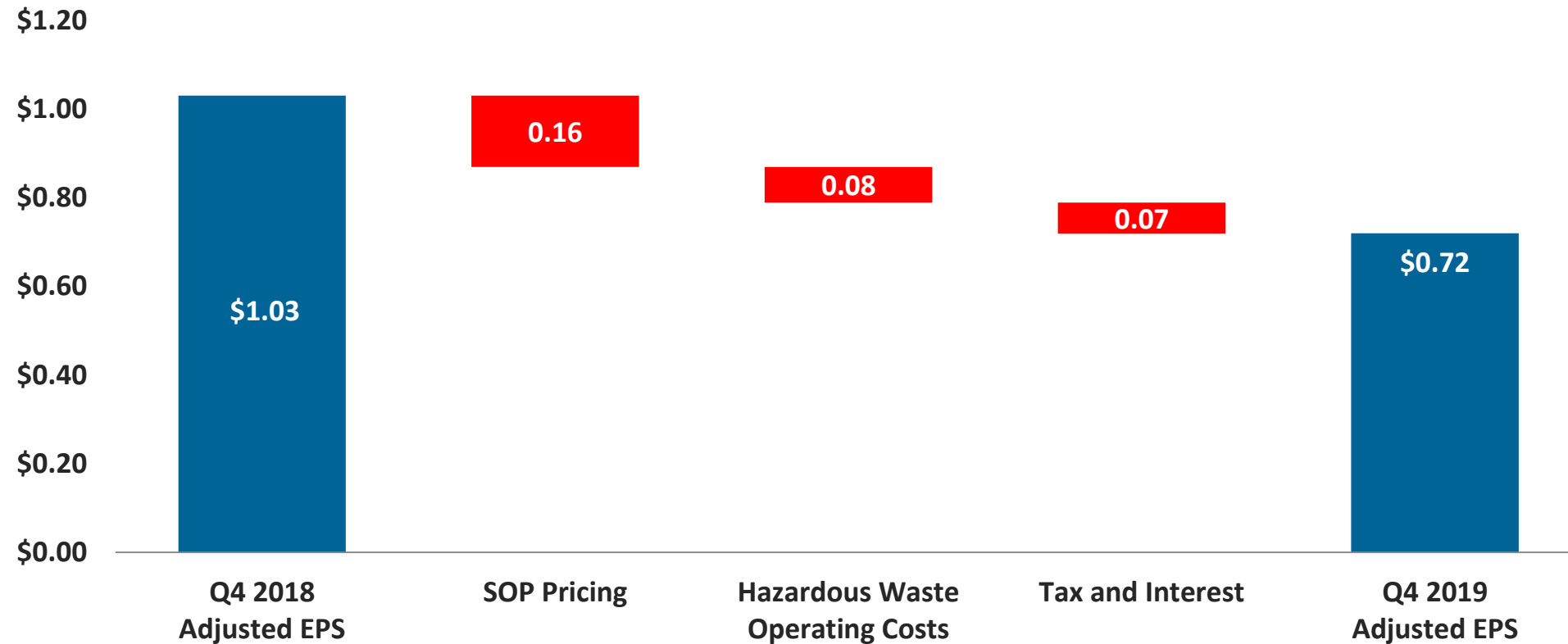
- Revenues of \$72.4 million, compared to \$76.1 million in Q4 2018.
- Foreign exchange impact contributed to reduced revenues by 3.0%, divestitures reduced revenues by 1.0%, and organic revenue declined 0.9%.

Q4 2019 Financial Performance

<i>(\$ in millions except for EPS)</i>	Q4 2019	Q4 2018
Revenues	\$799.9	\$852.7
Loss from Operations	(\$198.5)	(\$345.9)
U.S. GAAP Diluted Loss per Share	(\$2.41)	(\$3.51)
Adjusted EBITDA ⁽¹⁾	\$152.8	\$180.5
Adjusted Diluted EPS ⁽¹⁾	\$0.72	\$1.03

⁽¹⁾ Reconciliation of Adjusted EBITDA and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.

Q4 2019 Adjusted Diluted EPS Bridge



Reconciliation of Adjusted Diluted EPS to its respective U.S. GAAP measure can be found in the appendix of this presentation.

Balance Sheet and Cash Flow

<i>Balance Sheet (\$ in millions)</i>	As of December 31, 2019	As of December 31, 2018
Current Portion of Long-Term Debt	\$103.1	\$104.3
Long-Term Portion of Debt	\$2,559.3	\$2,663.9
Cash Balance	\$34.7	\$34.3
Net Debt*	\$2,641.0	\$2,744.4
Net Debt to Adjusted EBITDA*	4.45X	3.64X

**Amounts and measures above as defined by debt agreements in effect as of the respective period end.*

<i>Cash Flow (\$ in millions)</i>	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash from Operations	\$248.0	\$165.7
Free Cash Flow	\$53.8	\$34.9
Capital Expenditures	(\$194.2)	(\$130.8)
Days Sales Outstanding	62 days ⁽¹⁾	63 days

⁽¹⁾DSO excludes divestiture revenues from the DSO calculation. As reported DSO is 60 days.

Full Year 2019 Key Financial Information Compared to 2018

<i>(\$ in millions except for EPS)</i>	FY 2019	FY 2018
Regulated Waste and Compliance Services	\$1,892.8	\$1,932.6
Secure Information Destruction Services	\$901.9	\$911.0
Communication and Related Services	\$219.2	\$313.1
Manufacturing and Industrial Services (M&I)	\$295.0	\$329.2
Total Revenues	\$3,308.9	\$3,485.9
Loss from Operations	(\$211.9)	(\$161.1)
Adjusted EBITDA ⁽¹⁾	\$577.8	\$744.6
U.S. GAAP Diluted EPS	(\$3.81)	(\$2.91)
Adjusted Diluted EPS ⁽¹⁾	\$2.65	\$4.45
Cash from Operations	\$248.0	\$165.7

⁽¹⁾ Reconciliation of Adjusted EBITDA and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.

Full Year 2019 Key Financial Information Actual to 2019 Guidance

<i>(\$ in millions except for EPS)</i>	2019	Guidance
Revenues	\$3,308.9	\$3,300 – 3,335
Adjusted EBITDA	\$577.8	\$575 - \$595
Adjusted Diluted EPS	\$2.65	\$2.55 - \$2.70
Free Cash Flow	\$53.8	\$50 minimum
Capital Expenditures	\$194.2	\$180 - \$200

Guidance is on an Adjusted (Non-GAAP) basis because it is not possible to predict or provide without unreasonable effort a reconciliation reflecting the impact of future acquisitions, divestitures, certain litigation, settlements and regulatory compliance matters, Business Transformation, intangible amortization, operational optimization, certain other items, or the impact of highly inflationary accounting on operations in Argentina or other unanticipated events, which would be included in reported (U.S. GAAP) results and could be material.

2020 Full-Year Guidance

Revenue, Organic⁽¹⁾

\$3,220 – \$3,300 Million

Free Cash Flow⁽²⁾

\$150 – \$200⁽³⁾ Million

(1) We present Organic Revenues which exclude future acquisitions, future divestitures, and the impact of changes in foreign exchange rates.

(2) Free Cash Flow is calculated as Net cash flow from operating activities less Capital expenditures. For guidance purposes it is not possible to predict or provide without unreasonable effort a reconciliation reflecting the impact of future acquisitions, divestitures, certain litigation, settlements and regulatory compliance matters, uncertain U.S. cash tax matters, and certain other items or other unanticipated events, which would be included in reported (U.S. GAAP) results and could be material.

(3) Free Cash Flow Guidance includes estimates for:

- ERP implementation operating expenditures of \$40 million to \$60 million and consulting and professional fees for internal control remediation activities and portfolio rationalization of \$20 million to \$30 million that will be reported as Adjusted Non-GAAP items; and*
- Capital expenditures of \$175 million to \$195 million, which includes cash paid for ERP implementation capital expenditures of \$45 million to \$55 million.*

Highlights of the 2020 Executive Compensation Program

	2019 Program		2020 Program	
	Plan Metric	Allocation	Plan Metric	Allocation
Annual Incentive	<ul style="list-style-type: none"> Adjusted EBITDA Adjusted ROIC 	<p>70%</p> <p>30%</p>	<ul style="list-style-type: none"> EBIT⁽¹⁾ Free Cash Flow Safety Improvements Service During ERP Transition 	<p>40%</p> <p>35%</p> <p>15%</p> <p>10%</p>
Long-Term Equity Incentive	<ul style="list-style-type: none"> Options RSUs PSUs with vesting based on annual Adjusted EPS targets 	<p>33.3%</p> <p>33.3%</p> <p>33.3%</p>	<ul style="list-style-type: none"> Restricted Share Units (RSUs) <ul style="list-style-type: none"> Ratable vesting over three years Performance Share Units (PSUs) <ul style="list-style-type: none"> Grants based on EPS⁽¹⁾ (50%) and ROIC less goodwill (50%) targets One-year targets with three-year cliff vesting Relative total shareholder return (rTSR) modifier adjusts units up or down based on performance relative to the S&P Mid Cap 400 	<p>45%</p> <p>55%</p>

⁽¹⁾ EBIT and EPS metrics have pre-approved and clearly defined adjusted items that are reasonable and customary.

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. 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 Q4 2019 Financial Measures

(In millions, except per share data)		Three Months Ended December 31, 2019				
	Gross Profit	Selling, General and Administrative Expenses	(Loss) Income from Operations	Net (Loss) Income Attributable to Common Shareholders	Diluted (Loss) Earnings Per Share	
U.S. GAAP Financial Measures	\$ 279.5	\$ 245.7	\$ (198.5)	\$ (219.3)	\$ (2.41)	
Adjustments:						
Business Transformation	0.3	(15.8)	16.1	12.1	0.13	
Intangible Amortization	-	(34.7)	34.7	26.7	0.29	
Acquisition and Integration	-	-	-	-	-	
Operational Optimization	1.8	(1.6)	3.4	2.6	0.03	
Divestitures (including Divestiture Losses, net of Gains)	-	(2.4)	27.3	14.1	0.16	
Litigation, Settlements and Regulatory Compliance	-	(6.9)	6.9	5.3	0.06	
Asset Impairments	3.6	(14.8)	18.4	18.4	0.21	
Goodwill Impairment	-	-	207.4	200.5	2.20	
Other	-	(6.9)	6.9	5.4	0.05	
Capital Allocation	-	-	-	-	-	
U.S. Tax Reform	-	-	-	-	-	
Total Adjustments	5.7	(83.1)	321.1	285.1	3.13	
Adjusted Financial Measures	\$ 285.2	\$ 162.6	\$ 122.6	\$ 65.8	\$ 0.72	

For more details on adjusted items, please see Stericycle's earnings press release for Q4 2019 issued on February 27, 2020.

Reconciliation of U.S. GAAP to Adjusted Full-Year 2019 Financial Measures

	(In millions, except per share data) Year Ended December 31, 2019				
	Gross Profit	Selling, General and Administrative Expenses	(Loss) Income from Operations	Net (Loss) Income Attributable to Common Shareholders	Diluted (Loss) Earnings Per Share
U.S. GAAP Financial Measures	\$ 1,174.5	\$ 1,055.1	\$ (211.9)	\$ (346.8)	\$ (3.81)
Adjustments:					
Business Transformation	0.4	(67.3)	67.7	51.1	0.56
Intangible Amortization	-	(145.2)	145.2	112.0	1.23
Acquisition and Integration	-	(3.5)	3.5	3.1	0.03
Operational Optimization	9.8	(4.7)	14.5	11.9	0.13
Divestitures (including Divestiture Losses, net of Gains)	-	(11.7)	114.7	90.0	0.99
Litigation, Settlements and Regulatory Compliance	-	(28.2)	28.2	23.7	0.26
Asset Impairments	5.2	(16.9)	22.1	21.5	0.24
Goodwill Impairment	-	-	228.3	221.4	2.43
Other	-	(39.7)	39.7	33.4	0.37
Capital Allocation	-	-	-	19.8	0.22
U.S. Tax Reform	-	-	-	-	-
Total Adjustments	15.4	(317.2)	663.9	587.9	6.46
Adjusted Financial Measures	\$ 1,189.9	\$ 737.9	\$ 452.0	\$ 241.1	\$ 2.65

For more details on adjusted items, please see Stericycle's earnings press release for Q4 2019 issued on February 27, 2020.

Reconciliation of U.S. GAAP to Adjusted Q4 2019 Financial Measures

(In millions)	Three Months Ended December 31,	
	2019	2018
Loss from operations	\$ (198.5)	\$ (345.9)
Adjustments:		
Business Transformation	16.1	17.7
Acquisition and Integration	-	2.3
Operational Optimization	3.4	9.9
Divestitures (including Divestiture Losses, net of Gains)	27.3	1.4
Litigation, Settlements and Regulatory Compliance	6.9	32.0
Asset Impairments	18.4	26.5
Goodwill Impairment	207.4	358.7
Other	6.9	14.2
Total Adjustments	286.4	462.7
Adjusted EBIT	87.9	116.8
Depreciation	30.2	30.0
Intangible Amortization	34.7	33.7
Adjusted EBITDA	\$ 152.8	\$ 180.5
Adjustments:		
Non-cash related	\$ 251.8	\$ 392.0
Cash related	34.6	70.7
Total	\$ 286.4	\$ 462.7

For more details on adjusted items, please see Stericycle's earnings press release for Q4 2019 issued on February 27, 2020.