

STERICYCLE INVESTOR PRESENTATION

# Second Quarter 2020 Results

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August 6, 2020

Nasdaq: **SRCL**



# Safe Harbor Statement

This document may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. When we use words such as “believes,” “expects,” “anticipates,” “estimates” “may,” “plan,” “will,” “goal” 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, developments in the COVID-19 pandemic and the resulting impact on the results of operations, precautions we have taken to safeguard the health and safety of our employees which may make certain of our business processes less efficient, measures taken by governmental authorities to prevent the spread of the COVID-19 virus which could disrupt our supply chain, result in disruptions in transportation services and restrictions on the ability of our employees to travel, result in temporary closure of our facilities or the facilities of our customers and suppliers, affect the volume of paper processed by our secure information destruction business and the revenue generated from the sale of SOP, disruptions in our relationships with our employees as a result of certain cost-saving measures, an economic slowdown in the U.S. and other countries resulting from the outbreak of the COVID-19 virus, 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, 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

- Improved cash flow from operations to \$207.3 million and free cash flow to \$132.7 million for the first half of 2020, compared to \$71.0 million and (\$37.2) million, respectively.
- Reduced net debt by approximately \$514 million in the quarter, leveraging divestiture proceeds and cash flow from operations, which lowered the adjusted debt to EBITDA leverage ratio to 3.89 times.
- Income from operations, normalized for divestitures and foreign exchange, improved \$6.5 million, driven by operational efficiencies and cost reductions.
- Regulated Waste and Compliance Services revenues remained stable with prior year as the COVID-19 pandemic continued.

(\$ millions except for EPS)	Three months ended June 30, 2020
Revenue	\$598.2
GAAP Income from Operations	\$24.9
Adjusted Income from Operations <sup>(1)</sup>	\$85.3
GAAP Loss per Share	\$(0.05)
Adjusted Diluted Earnings per Share <sup>(1)</sup>	\$0.46
(\$ millions)	Six months ended June 30, 2020
GAAP Net cash from operating activities	\$207.3
Free Cash Flow <sup>(2)</sup>	\$132.7

<sup>(1)</sup> Reconciliation of Adjusted Income from Operations and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.

<sup>(2)</sup> Free Cash Flow is calculated as Net cash from operating activities less capital expenditure.

## Continued Progress on Key Initiatives

<b>Portfolio rationalization</b>	<ul style="list-style-type: none"><li>• Divested Domestic Environmental Solutions business for \$462.5 million in April</li><li>• Divested operations in Argentina for \$3.9 million in August</li></ul>
<b>Debt reduction and leverage improvement</b>	<ul style="list-style-type: none"><li>• Reduced net debt by approximately \$514 million during Q2 2020</li><li>• Adjusted debt-to-EBITDA leverage ratio improved to 3.89 times</li></ul>
<b>Quality of revenue</b>	<ul style="list-style-type: none"><li>• Launched three new services to support our customers' needs:<ul style="list-style-type: none"><li>- Medical waste offering specific to COVID-19 testing centers</li><li>- Waste service for COVID-related PPE from non-healthcare facilities</li><li>- Express and Priority pick-up service for Secure Information Destruction</li></ul></li></ul>
<b>Operational cost efficiencies</b>	<ul style="list-style-type: none"><li>• Continued efforts to centralize field oversight, improve processes and implement metrics</li><li>• Achieved sustainable productivity improvements and fleet rationalization</li><li>• Continued focus on team member safety</li></ul>
<b>ERP system</b>	<ul style="list-style-type: none"><li>• Shifted ERP deployment to 2021 given the need for predictable travel and safe face-to-face teamwork</li></ul>

# Q2 2020 Global Revenues by Service and Segment Compared to Prior Year Quarter

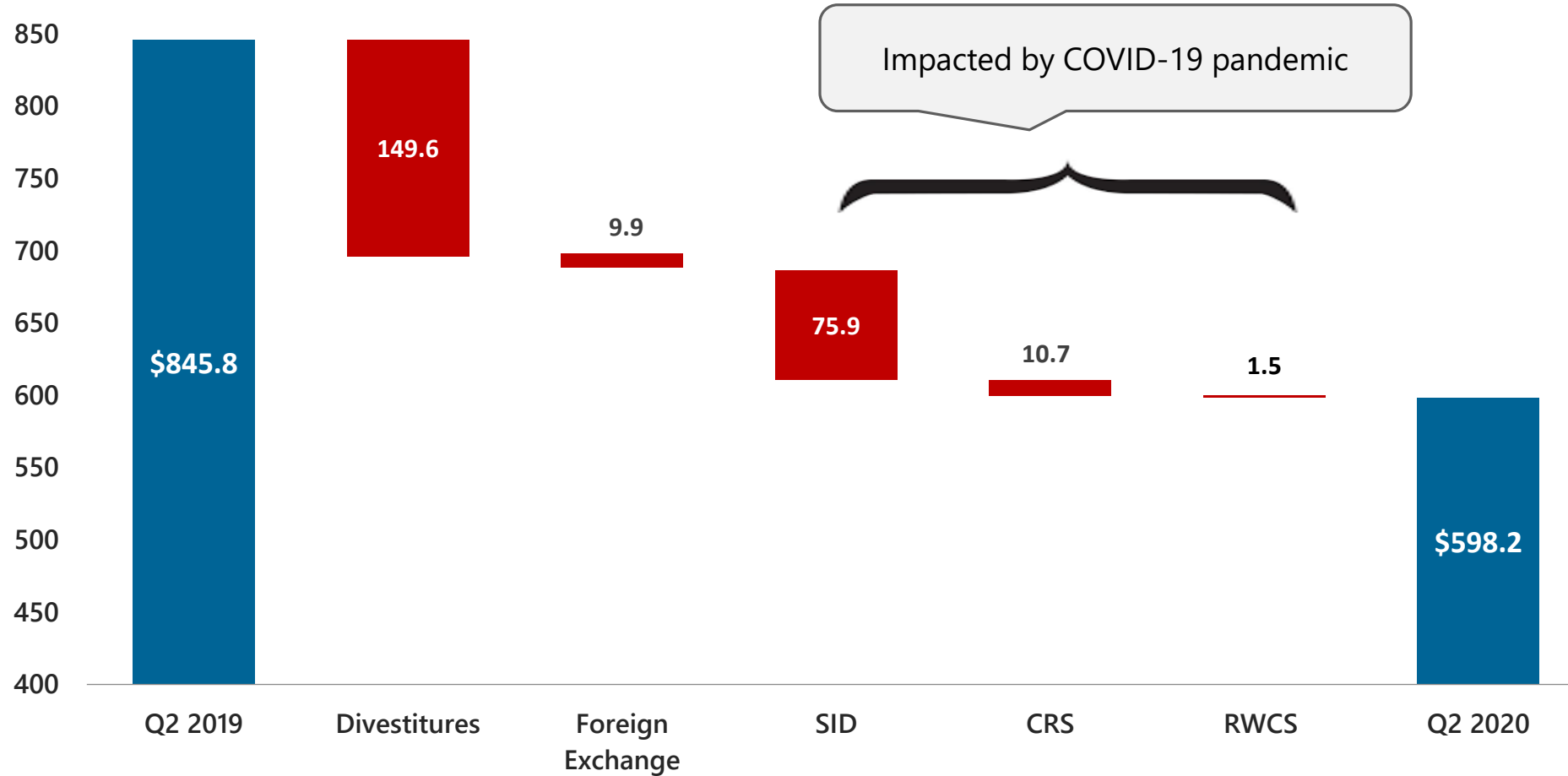
	Three Months Ended June 30,							
	<i>In millions</i>				<i>Components of Change (%)</i>			
	2020	2019	Change (\$)	Change (%)	<i>Organic</i>			Foreign Exchange
				Growth <sup>(1)</sup>	SOP Pricing	Divestitures		
<b>Revenues by Service</b>								
Regulated Waste and Compliance Services	\$ 418.1	\$ 553.2	\$ (135.1)	(24.4%)	(0.3%)	–	(22.6%)	(1.6%)
Secure Information Destruction Services	152.5	229.4	(76.9)	(33.5%)	(33.6%)	0.6%	–	(0.5%)
Communication and Related Services	27.6	63.2	(35.6)	(56.3%)	(17.1%)	–	(39.1%)	(0.2%)
<b>Total Revenues</b>	<b>\$ 598.2</b>	<b>\$ 845.8</b>	<b>\$ (247.6)</b>	<b>(29.3%)</b>	<b>(10.6%)</b>	<b>0.2%</b>	<b>(17.7%)</b>	<b>(1.2%)</b>
<b>North America</b>								
Regulated Waste and Compliance Services	\$ 328.5	\$ 445.2	\$ (116.7)	(26.2%)	(0.5%)	–	(25.6%)	(0.1%)
Secure Information Destruction Services	137.4	196.6	(59.2)	(30.1%)	(30.4%)	0.6%	–	(0.3%)
Communication and Related Services	25.4	61.0	(35.6)	(58.4%)	(17.9%)	–	(40.5%)	–
<b>Total North America Segment</b>	<b>\$ 491.3</b>	<b>\$ 702.8</b>	<b>\$ (211.5)</b>	<b>(30.1%)</b>	<b>(10.4%)</b>	<b>0.2%</b>	<b>(19.7%)</b>	<b>(0.1%)</b>
<b>International</b>								
Regulated Waste and Compliance Services	\$ 89.6	\$ 108.0	\$ (18.4)	(17.0%)	0.6%	–	(10.0%)	(7.7%)
Secure Information Destruction Services	15.1	32.8	(17.7)	(54.0%)	(53.0%)	0.6%	–	(1.5%)
Communication and Related Services	2.2	2.2	–	–	4.5%	–	–	(4.5%)
<b>Total International Segment</b>	<b>\$ 106.9</b>	<b>\$ 143.0</b>	<b>\$ (36.1)</b>	<b>(25.2%)</b>	<b>(11.6%)</b>	<b>0.1%</b>	<b>(7.6%)</b>	<b>(6.2%)</b>

<sup>(1)</sup> Growth is the change in revenues excluding the impact of SOP pricing, divestitures and foreign exchange.

For more details and explanation, please see Stericycle's earnings press release for Q2 2020 issued on August 6, 2020.

# Q2 2020 Revenue Bridge

*In \$ millions*

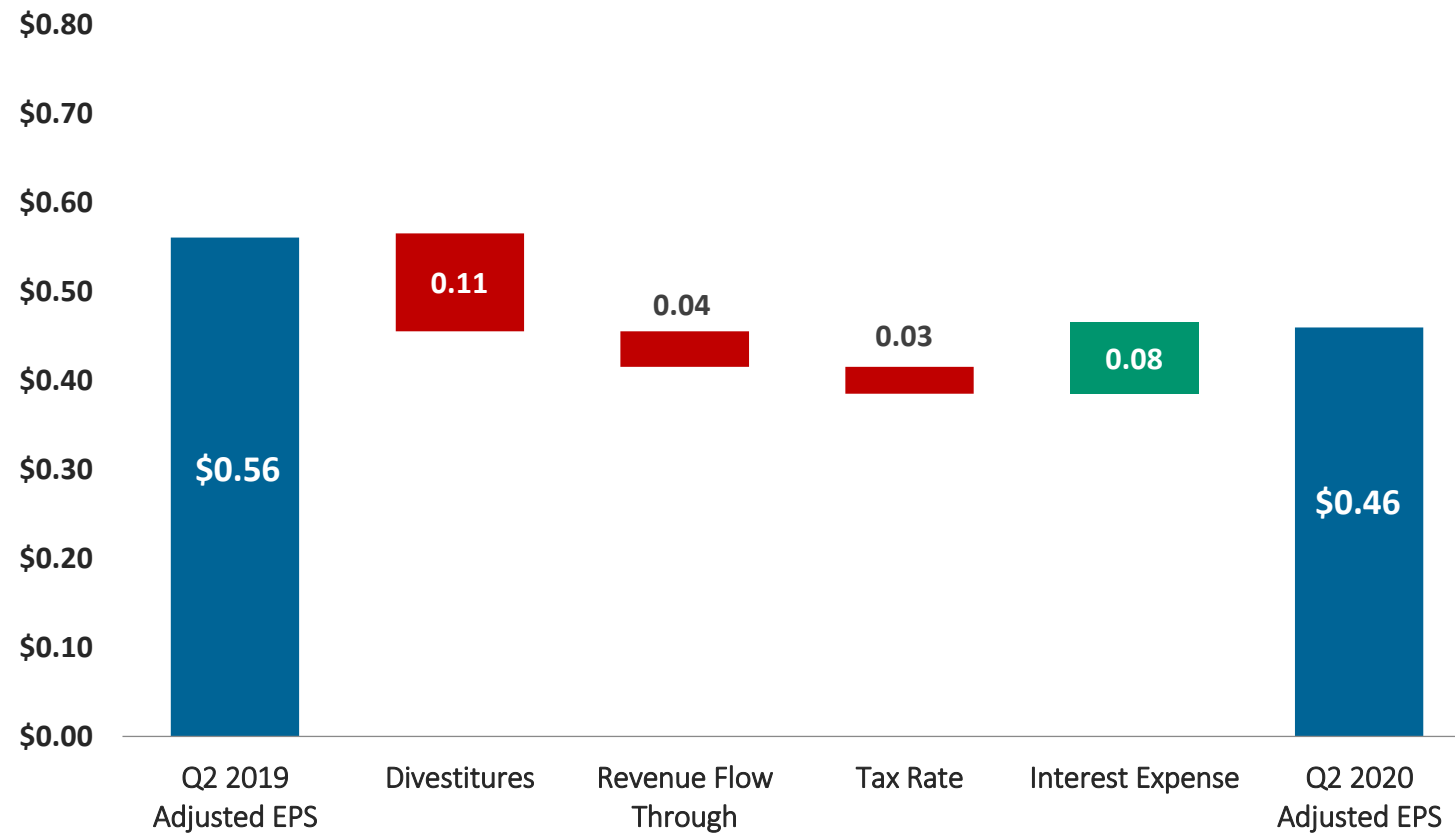


## Q2 2020 Financial Performance

<i>(\$ millions except for EPS)</i>	Three months ended June 30, 2020	Three months ended June 30, 2019
Revenues	\$598.2	\$845.8
Income from Operations	\$24.9	\$25.3
U.S. GAAP Diluted Loss per Share	\$(0.05)	\$(0.33)
Adjusted Income from Operations <sup>(1)</sup>	\$85.3	\$105.6
Adjusted Diluted EPS <sup>(1)</sup>	\$0.46	\$0.56

<sup>(1)</sup> Reconciliation of Adjusted Income from Operations and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.

# Q2 2020 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.



## Liquidity, Debt Leverage and Cash Flow

(\$ in millions)	As of June 30, 2020	As of June 30, 2019
Net Debt*	\$2,085	\$2,796
Net Debt to Adjusted EBITDA*	3.89X	4.36X
<i>*Amounts and measures above are defined by debt agreements in effect as of the respective period end.</i>		

- Continued track record of significant debt reduction
- ~\$500 million of available credit, which matures in November 2022

(\$ in millions)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash from Operations	\$207.3	\$71.0
Free Cash Flow	\$132.7	\$(37.2)
Capital Expenditures	\$(74.6)	\$(108.2)
Days Sales Outstanding	46 days <sup>(1)</sup>	66 days

<sup>(1)</sup> When excluding the revenues from divested businesses from the trailing 12-month DSO calculation, DSO was 52 days, compared to 61 days for the first quarter of 2020.

# 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.

# Reconciliation of U.S. GAAP to Adjusted Q2 2020 Financial Measures

(In millions, except per share data)

	Three Months Ended June 30, 2020				
	Gross Profit	Selling, General and Administrative Expenses	Income from Operations	Net (Loss) Income Attributable to Common Shareholders	Diluted (Loss) Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 229.7	\$ 201.0	\$ 24.9	\$ (4.5)	\$ (0.05)
<b>Adjustments:</b>					
Business Transformation	-	(9.2)	9.2	6.8	0.07
Intangible Amortization	-	(31.2)	31.2	23.7	0.26
Acquisition and Integration	-	-	-	-	-
Operational Optimization	-	-	-	-	-
Divestitures (including Divestiture Losses (Gains), net)	-	(2.4)	6.2	5.5	0.06
Litigation, Settlements and Regulatory Compliance	-	(4.2)	4.2	3.1	0.03
Asset Impairments	6.8	(1.5)	8.3	6.8	0.07
Goodwill Impairment	-	-	-	-	-
Other	-	(1.3)	1.3	1.5	0.02
Capital Allocation	-	-	-	-	-
U.S. CARES Act	-	-	-	-	-
Total Adjustments	6.8	(49.8)	60.4	47.4	0.51
<b>Adjusted Financial Measures</b>	<b>\$ 236.5</b>	<b>\$ 151.2</b>	<b>\$ 85.3</b>	<b>\$ 42.9</b>	<b>\$ 0.46</b>
Depreciation			28.4		
<b>Adjusted EBITDA</b>			<b>\$ 113.7</b>		

For more details on adjusted items, please see Stericycle's earnings press release for Q2 2020 issued on August 6, 2020.

# Reconciliation of U.S. GAAP to Adjusted Q2 2019 Financial Measures

(In millions, except per share data)

	Three Months Ended June 30, 2019				
	Gross Profit	Selling, General and Administrative Expenses	Income from Operations	Net (Loss) Income Attributable to Common Shareholders	Diluted (Loss) Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 302.6	\$ 277.0	\$ 25.3	\$ (30.5)	\$ (0.33)
<b>Adjustments:</b>					
Business Transformation	-	(14.0)	14.0	10.5	0.12
Intangible Amortization	-	(36.9)	36.9	28.0	0.31
Acquisition and Integration	-	-	-	-	-
Operational Optimization	2.2	(1.4)	3.6	2.9	0.03
Divestitures (including Divestiture Losses (Gains), net)	-	(4.6)	4.9	3.7	0.04
Litigation, Settlements and Regulatory Compliance	-	(9.1)	9.1	7.4	0.08
Asset Impairments	-	(2.1)	2.1	2.0	0.02
Goodwill Impairment	-	-	-	-	-
Other	-	(9.7)	9.7	7.4	0.07
Capital Allocation	-	-	-	19.8	0.22
U.S. CARES Act	-	-	-	-	-
Total Adjustments	2.2	(77.8)	80.3	81.7	0.89
<b>Adjusted Financial Measures</b>	<b>\$ 304.8</b>	<b>\$ 199.2</b>	<b>\$ 105.6</b>	<b>\$ 51.2</b>	<b>\$ 0.56</b>
Depreciation			32.1		
<b>Adjusted EBITDA</b>			<b>\$ 137.7</b>		

For more details on adjusted items, please see Stericycle's earnings press release for Q2 2020 issued on August 6, 2020.