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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[Mark One]

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2022
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 1-37556

Stericycle®
We protect what matters.

Stericycle, Inc.
(Name of registrant as specified in its charter)

Delaware	36-3640402
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*

2355 Waukegan Road
Bannockburn, Illinois 60015
(Address of principal executive offices, including zip code)
(847) 367-5910
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	SRCL	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On August 2, 2022, there were 92,180,327 shares of the Registrant’s Common Stock outstanding.

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Glossary of Defined Terms

Unless the context requires otherwise, the “Company”, “Stericycle”, “we”, “us” or “our” refers to Stericycle, Inc. on a consolidated basis. The Company also uses several other terms in this Quarterly Report on Form 10-Q, most of which are explained or defined below:

Abbreviation	Description
2021 Form 10-K	Annual report on Form 10-K for the year ended December 31, 2021
Adjusted Income from Operations	Income from Operations adjusted for certain items discussed in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
AICPA	American Institute of Certified Public Accountants
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CDC	U.S. Centers for Disease Control and Prevention
Credit Agreement Defined Debt Leverage Ratio	As of any date of determination, the ratio of (a) (i) Consolidated Funded Indebtedness as of such date minus (ii) Unrestricted Cash as of such date to (b) Consolidated EBITDA for the period of four fiscal quarters most recently ended on or prior to such date
COR	Cost of Revenues
COVID-19	The global novel coronavirus disease 2019 outbreak, which the World Health Organization declared as to be a pandemic
Credit Agreement	Credit Agreement dated as of September 30, 2022 and First Amendment dated April 26, 2022, among the Company and certain subsidiaries as borrowers. Bank of America, N.A., as administrative agent, swing line lender, a lender and a letter of credit issuer and the other lenders party thereto, as amended
Credit Facility	The Company's $1.2 billion credit facility due in September of 2026 granted under the terms of the Credit Agreement
DEA	U.S. Drug Enforcement Administration. The DEA is a division of the U.S. Department of Justice. It is the federal agency which regulates the manufacture, dispensing, storage, and shipment of controlled substances including medications with human abuse potential
DOJ	U.S. Department of Justice
Domestic Environmental Solutions	Hazardous Waste Solutions and Manufacturing and Industrial Services
DOT	U.S. Department of Transportation
DSO	Days Sales Outstanding, defined as the average number of days that it takes a company to collect payment after revenue has been recorded, computed as the trailing twelve months of Revenues for the period ended DSO, divided by the Accounts Receivable balance at the end of the period
DTSC	U.S. Department of Toxic Substances Control
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization. Another common financial term utilized by Stericycle to analyze the core profitability of the business before interest, tax, depreciation and amortization
EPA	U.S. Environmental Protection Agency
ERP	Enterprise Resource Planning
Exchange Act	U.S. Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FCPA	U.S. Foreign Corrupt Practices Act
FCPA Settlement	FCPA Settlement with the Securities and Exchange Commission, the Department of Justice and Brazilian authorities of approximately $90.0 million
International	Operating segment including Europe, Middle East, Asia Pacific and Latin America Business operations outside of North America
IRS	U.S. Internal Revenue Service
North America	Operating segment in North America, including U.S., Canada and Puerto Rico
OSHA	U.S. Occupational Safety and Health Act of 1970
Other Costs	Represents corporate enabling and shared services costs, annual incentive and stock-based compensation
PFA	Pre-filing agreement with the U.S. Internal Revenue Service
Purchase Agreement	Stock Purchase Agreement, dated as of February 6, 2020, by and between Stericycle, Inc., and the Harsco Corporation and CEI Holding LLC, a Delaware limited liability company and subsidiary of Harsco Corporation
PSU	Performance-based Restricted Stock Unit
RSU	Restricted Stock Unit
RTO	Return to Office
RWCS	Regulated Waste and Compliance Services, a business unit that provides regulated medical waste services and patient engagement
SEC	U.S. Securities and Exchanges Commission
Senior Notes	5.375% ($600.0 million) Senior Notes due July 2024 and 3.875% ($500.0 million) Senior Notes due January 2029
SG&A	Selling, General and Administrative expenses
SID	Secure Information Destruction Services, a business unit that provides confidential customer material shredding services and recycling of shredded paper
SOP	Sorted Office Paper
SQ Settlement	Small quantity medical waste customers class action settlement of $295.0 million
Term Facility	Aggregate amount of commitments made by any lender under the terms of the Credit Agreement
Term Loans	Advances made by any lender under the Term Facility
U.S.	United States of America
U.S. GAAP	U.S. Generally Accepted Accounting Principles

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

STERICYCLE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

In millions, except per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	$ 679.8	$ 672.7	$ 1,344.0	$ 1,340.7
Cost of revenues	419.3	403.6	839.0	810.2
Gross profit	260.5	269.1	505.0	530.5
Selling, general and administrative expenses	222.4	213.5	461.0	415.8
Income from operations	38.1	55.6	44.0	114.7
Interest expense, net	(18.5)	(17.9)	(34.8)	(36.3)
Other (expense) income, net	(0.7)	0.7	(1.5)	—
Income before income taxes	18.9	38.4	7.7	78.4
Income tax expense	(8.4)	(9.1)	(11.3)	(22.9)
Net income (loss)	10.5	29.3	(3.6)	55.5
Net income attributable to noncontrolling interests	—	—	(0.2)	(0.1)
Net income (loss) attributable to Stericycle, Inc. common shareholders	$ 10.5	$ 29.3	$ (3.8)	$ 55.4
Earnings (loss) per common share attributable to Stericycle, Inc. common shareholders				
Basic	$ 0.11	$ 0.32	$ (0.04)	$ 0.60
Diluted	$ 0.11	$ 0.32	$ (0.04)	$ 0.60
Weighted average number of common shares outstanding:				
Basic	92.1	91.8	92.0	91.7
Diluted	92.2	92.1	92.0	92.1

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

In millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	$ 10.5	$ 29.3	$ (3.6)	$ 55.5
Other comprehensive (loss) income:				
Currency translation adjustments	(46.0)	6.7	(54.9)	(6.4)
Total other comprehensive (loss) income	(46.0)	6.7	(54.9)	(6.4)
Comprehensive (loss) income	(35.5)	36.0	(58.5)	49.1
Less: comprehensive loss (income) attributable to noncontrolling interests	(0.1)	0.1	(0.3)	—
Comprehensive (loss) income attributable to Stericycle, Inc. common shareholders	$ (35.4)	$ 35.9	$ (58.2)	$ 49.1

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions, except per share data

	June 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 45.9	$ 55.6
Accounts receivable, less allowance for doubtful accounts of $54.4 in 2022 and $43.3 in 2021	466.2	420.4
Prepaid expenses	35.4	45.6
Other current assets	49.4	53.9
Total Current Assets	596.9	575.5
Property, plant and equipment, less accumulated depreciation of $681.2 in 2022 and $658.5 in 2021	719.8	711.0
Operating lease right-of-use assets	357.1	344.8
Goodwill	2,784.3	2,815.7
Intangible assets, less accumulated amortization of $787.7 in 2022 and $736.6 in 2021	887.4	964.5
Other assets	62.5	61.6
Total Assets	$ 5,408.0	$ 5,473.1
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 16.5	$ 19.9
Bank overdrafts	1.0	1.6
Accounts payable	207.1	218.9
Accrued liabilities	256.2	359.6
Operating lease liabilities	85.4	85.5
Other current liabilities	52.4	46.2
Total Current Liabilities	618.6	731.7
Long-term debt, net	1,676.3	1,589.8
Long-term operating lease liabilities	292.2	279.8
Deferred income taxes	412.9	411.0
Long-term taxes payable	17.3	19.1
Other liabilities	37.0	38.9
Total Liabilities	3,054.3	3,070.3
Commitments and contingencies		
EQUITY		
Common stock (par value $0.01 per share, 120.0 shares authorized, 92.1 and 91.9 issued and outstanding in 2022 and 2021, respectively)	0.9	0.9
Additional paid-in capital	1,271.2	1,261.8
Retained earnings	1,351.0	1,354.8
Accumulated other comprehensive loss	(273.2)	(218.8)
Total Stericycle, Inc.'s Equity	2,349.9	2,398.7
Noncontrolling interests	3.8	4.1
Total Equity	2,353.7	2,402.8
Total Liabilities and Equity	$ 5,408.0	$ 5,473.1

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In millions

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
OPERATING ACTIVITIES:		
Net (loss) income	$ (3.6)	$ 55.5
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation	54.3	50.4
Intangible amortization	63.2	59.9
Stock-based compensation expense	12.6	12.2
Deferred income taxes	5.2	(8.8)
Loss on disposal of property plant and equipment and other charges	0.3	—
Other, net	1.6	2.2
Changes in operating assets and liabilities:		
Accounts receivable	(53.4)	(22.8)
Prepaid expenses	10.0	30.9
Accounts payable	(12.5)	(7.2)
Accrued liabilities	(91.6)	(11.0)
Other assets and liabilities	(4.5)	(11.5)
Net cash from operating activities	(18.4)	149.8
INVESTING ACTIVITIES:		
Capital expenditures	(70.0)	(59.7)
Proceeds (payments) from divestiture of businesses, net	1.6	(0.7)
Other, net	0.8	2.0
Net cash from investing activities	(67.6)	(58.4)
FINANCING ACTIVITIES:		
Repayments of long-term debt and other obligations	(8.4)	(11.6)
Repayments of foreign bank debt	(0.1)	(0.2)
Repayments of term loan	—	(104.3)
Proceeds from credit facility	732.5	648.0
Repayments of credit facility	(637.9)	(610.6)
(Repayment of) proceeds from bank overdrafts, net	(0.6)	2.3
Payments of finance lease obligations	(1.3)	(2.0)
Proceeds from issuance of common stock, net of (payments of) taxes from withheld shares	(5.2)	(3.6)
Payments to noncontrolling interest	—	(0.6)
Net cash from financing activities	79.0	(82.6)
Effect of exchange rate changes on cash and cash equivalents	(2.7)	(0.4)
Net change in cash and cash equivalents	(9.7)	8.4
Cash and cash equivalents at beginning of period	55.6	53.3
Cash and cash equivalents at end of period	$ 45.9	$ 61.7
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	$ 31.9	$ 23.0
Income taxes paid (refunded), net	$ 4.0	$ 8.1
Capital expenditures in Accounts payable	$ 30.8	$ 14.9

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

In millions

	Stericycle, Inc. Equity						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of April 1, 2022	92.1	$ 0.9	$ 1,263.4	$ 1,340.5	$ (227.3)	$ 3.9	$ 2,381.4
Net income	—	—	—	10.5	—	—	10.5
Currency translation adjustment	—	—	—	—	(45.9)	(0.1)	(46.0)
Issuance of common stock for incentive stock programs, net of (payments of) taxes from withheld shares	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	7.8	—	—	—	7.8
Balance as of June 30, 2022	92.1	$ 0.9	$ 1,271.2	$ 1,351.0	$ (273.2)	$ 3.8	$ 2,353.7

In millions

	Stericycle, Inc. Equity						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of April 1, 2021	91.8	$ 0.9	$ 1,235.9	$ 1,408.7	$ (200.3)	$ 3.6	$ 2,448.8
Net income	—	—	—	29.3	—	—	29.3
Currency translation adjustment	—	—	—	—	6.6	0.1	6.7
Issuance of common stock for incentive stock programs, net of (payments of) taxes from withheld shares	—	—	1.6	—	—	—	1.6
Stock-based compensation expense	—	—	7.1	—	—	—	7.1
Balance as of June 30, 2021	91.8	$ 0.9	$ 1,244.6	$ 1,438.0	$ (193.7)	$ 3.7	$ 2,493.5

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

In millions

	Stericycle, Inc. Equity						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of December 31, 2021	91.9	$ 0.9	$ 1,261.8	$ 1,354.8	$ (218.8)	$ 4.1	$ 2,402.8
Net (loss) income	—	—	—	(3.8)	—	0.2	(3.6)
Currency translation adjustment	—	—	—	—	(54.4)	(0.5)	(54.9)
Issuance of common stock for incentive stock programs, net of (payments of) taxes from withheld shares	0.2	—	(3.2)	—	—	—	(3.2)
Stock-based compensation expense	—	—	12.6	—	—	—	12.6
Changes in noncontrolling interest	—	—	—	—	—	—	—
Balance as of June 30, 2022	92.1	$ 0.9	$ 1,271.2	$ 1,351.0	$ (273.2)	$ 3.8	$ 2,353.7

In millions

	Stericycle, Inc. Equity						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of December 31, 2020	91.6	$ 0.9	$ 1,234.0	$ 1,382.6	$ (187.4)	$ 4.3	$ 2,434.4
Net income	—	—		55.4	—	0.1	55.5
Currency translation adjustment	—	—	—	—	(6.3)	(0.1)	(6.4)
Issuance of common stock for incentive stock programs, net of (payments of) taxes from withheld shares	0.2	—	(1.6)	—	—	—	(1.6)
Stock-based compensation expense	—	—	12.2	—	—	—	12.2
Changes in noncontrolling interest	—	—	—	—	—	(0.6)	(0.6)
Balance as of June 30, 2021	91.8	$ 0.9	$ 1,244.6	$ 1,438.0	$ (193.7)	$ 3.7	$ 2,493.5

See accompanying Notes to Condensed Consolidated Financial Statements.

STERICYCLE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Stericycle, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's Condensed Consolidated Financial Statements were prepared in accordance with U.S. GAAP and include the assets, liabilities, revenues, and expenses of all wholly owned subsidiaries and majority-owned subsidiaries over which the Company exercises control. Outside shareholders' interests in subsidiaries are shown on the Condensed Consolidated Financial Statements as “Noncontrolling interests”.

The accompanying unaudited Condensed Consolidated Financial Statements as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021, have been prepared pursuant to the rules and regulations of the SEC for interim reporting and, therefore, do not include all information and footnote disclosures normally included in audited financial statements prepared in conformity with U.S. GAAP. In the opinion of management, however, all adjustments, consisting of normal recurring adjustments necessary to present fairly the results of operations, financial position and cash flows have been made. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in the 2021 Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year or any other period.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Some areas where the Company makes estimates include allowance for doubtful accounts, credit memo reserves, contingent liabilities, asset retirement obligations, stock compensation expense, income tax assets and liabilities, accrued employee health and welfare benefits, accrued auto and workers’ compensation self-insured claims, leases, acquisition related long-lived assets, goodwill and held for sale impairment valuations. Such estimates are based on historical trends and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Accounting Standards Issued But Not Yet Adopted: Recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the AICPA and SEC did not, or are not expected to, have a material impact on our Condensed Consolidated Financial Statements.

NOTE 2 — REVENUES FROM CONTRACTS WITH CUSTOMERS

The Company provides RWCS, which provide collection and processing of regulated and specialized waste, including medical, pharmaceutical and hazardous waste, for disposal and compliance programs and communication solutions, and SID Services, which provide for the collection of personal and confidential information for secure destruction and recycling of shredded paper.

The Company’s customers typically enter into a contract for the provision of services on a regular and scheduled basis (e.g. weekly or monthly) or on an as needed basis (e.g. one-time service) over the contract term. Under the contract terms, the Company receives fees based on a monthly, quarterly or annual rate and/or fees based on contractual rates depending upon measures including the volume, weight, and type of waste, number and size of containers collected, weight and type of shredded paper, and number of call minutes.

Amounts are invoiced based on the terms of the underlying contract either on a regular basis (e.g. monthly or quarterly) or as services are performed and are generally due within a short period of time after invoicing based upon normal terms and conditions for our business type and the geography of the services performed.

Disaggregation of Revenues

The following table presents revenues disaggregated by service and reportable segments:

In millions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue by Service				
Regulated Waste and Compliance Services	$ 448.4	$ 463.0	$ 901.2	$ 936.6
Secure Information Destruction Services	231.4	209.7	442.8	404.1
Total Revenues	$ 679.8	$ 672.7	$ 1,344.0	$ 1,340.7
North America				
Regulated Waste and Compliance Services	$ 365.6	$ 362.2	$ 727.8	$ 729.0
Secure Information Destruction Services	203.0	180.4	384.5	347.3
Total North America Segment	$ 568.6	$ 542.6	$ 1,112.3	$ 1,076.3
International				
Regulated Waste and Compliance Services	$ 82.8	$ 100.8	$ 173.4	$ 207.6
Secure Information Destruction Services	28.4	29.3	58.3	56.8
Total International Segment	$ 111.2	$ 130.1	$ 231.7	$ 264.4

Contract Liabilities

Contract liabilities at June 30, 2022 and December 31, 2021, were $9.5 million and $9.0 million, respectively. Substantially all of the contract liabilities as of June 30, 2022, are expected to be recognized in Revenues, as the amounts are earned, which will be over the next 12 months.

Contract Acquisition Costs

The Company's incremental direct costs of obtaining a contract, which consist primarily of sales incentives, are deferred and amortized to SG&A over a weighted average estimated period of benefit of 6.5 years.

During the three months ended June 30, 2022 and 2021, the Company amortized $3.5 million and $3.1 million, respectively, of deferred sales incentives to SG&A. During the six months ended June 30, 2022 and 2021, the Company amortized $7.0 million and $6.1 million, respectively, of deferred sales incentives to SG&A.

Total contract acquisition costs, net of accumulated amortization, were classified as follows:

In millions

	June 30, 2022	**December 31, 2021**
Other current assets	$ 13.4	$ 12.4
Other assets	36.9	34.3
Total contract acquisition costs	$ 50.3	$ 46.7

Allowance for Doubtful Accounts

The Company estimates its allowance for doubtful accounts based on past collection history and specific risks identified among uncollected amounts, as well as management's expectation of future economic conditions. If current or expected future economic trends, events, or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are generally written off when the Company's collection efforts have been exhausted.

The changes in allowance for doubtful accounts were reported as follows:

In millions

	Six Months Ended June 30,	
	2022	**2021**
Beginning Balance	$ 43.3	$ 56.2
Bad debt expense, net of recoveries	16.6	1.8
Write-offs	(5.9)	(9.4)
Other changes	0.4	0.5
Ending Balance	$ 54.4	$ 49.1

NOTE 3 — DIVESTITURES

On September 1, 2021, the Company completed the sale of its operations in Japan for cash proceeds of $11.3 million reported in International. On December 1, 2021, the Company completed the sale of its Environmental Solutions operations in Canada for cash proceeds of $24.4 million reported in North America. The results of operations of these divested businesses have been excluded from our Condensed Consolidated Financial Statements from the date of the divestitures.

NOTE 4 — ACQUISITION

The Company acquired a midwest-based regulated waste business in North America on December 31, 2021, which is considered to be complementary to existing operations and aligns with the Company's portfolio optimization strategy.

The purchase price consideration of $42.8 million and the purchase price allocation was finalized in the second quarter of 2022. The final acquisition date fair value of the total consideration transferred included $10.5 million in cash, $21.3 million in promissory notes, and $11.0 million in deferred consideration. The purchase price consideration was allocated to the assets and liabilities based on fair value as of the acquisition date, with the excess of the purchase price consideration over the net assets acquired of $23.7 million recorded as goodwill based on the strategic benefits to be achieved and is deductible for tax purposes. The Company used a third party specialist to determine the fair value of tangible and intangible assets, which primarily consisted of customer relationships of $17.5 million. The Company recorded final fair value measurement adjustments in the second quarter of 2022, which included a decrease of $2.5 million in intangible assets, a $0.2 million increase in fixed assets, and a $1.7 million increase in goodwill.

NOTE 5 — LONG-TERM DEBT

The Company's long-term debt consisted of the following:

In millions

	June 30, 2022	December 31, 2021
$1.2 billion Credit Facility, due in 2026	$ 339.7	$ 247.0
$200 million Term Loan, due in 2026	200.0	200.0
$600 million Senior Notes, due in 2024	600.0	600.0
$500 million Senior Notes, due in 2029	500.0	500.0
Promissory notes and deferred consideration weighted average maturity of 3.7 years at 2022 and 3.7 years at 2021	45.6	54.6
Foreign bank debt weighted average maturity 5.5 years at 2022 and 6.0 years at 2021	0.5	0.7
Obligations under finance leases	19.8	21.4
Total debt	1,705.6	1,623.7
Less: current portion of total debt	16.5	19.9
Less: unamortized debt issuance costs	12.8	14.0
Long-term portion of total debt	$ 1,676.3	$ 1,589.8

The estimated fair value of our debt approximated $1.56 billion and $1.63 billion as of June 30, 2022 and December 31, 2021, respectively. These fair value amounts were estimated using an income approach by applying market interest rates for comparable instruments and developed based on inputs classified as Level 2.

The weighted average interest rates on long-term debt, excluding finance leases were as follows:

	Six Months Ended June 30, 2022	Twelve Months Ended December 31, 2021
$1.2 billion Credit Facility, due in 2026 (variable rate)	3.25 %	1.76 %
$200 million term loan, due in 2026 (variable rate)	3.17 %	1.40 %
$600 million Senior Notes, due in 2024 (fixed rate)	5.38 %	5.38 %
$500 million Senior Notes, due in 2029 (fixed rate)	3.88 %	3.88 %
Promissory notes and deferred consideration (fixed rate)	3.39 %	3.19 %
Foreign bank debt (fixed rate)	9.80 %	9.80 %

On April 26, 2022, we entered into a First Amendment which amends, among other provisions, the Credit Agreement to modify the definition of Consolidated EBITDA to add back certain charges in connection with the FCPA Settlement in an aggregate amount not to exceed (i) $61.0 million for the fiscal quarter ended September 30, 2021, (ii) $19.7 million for the fiscal quarter ended December 31, 2021, and (iii) $9.2 million for the fiscal quarter ended March 31, 2022. The Credit Agreement retains, among other covenants, its financial covenant requiring maintenance of a maximum Consolidated Leverage Ratio of 4.25 to 1.00 in any fiscal quarter ending before September 30, 2022 and 4.00 to 1.00 for any fiscal quarter ending on or after September 30, 2022, which includes, among other provisions, continuation of $100.0 million cash add backs to EBITDA through December 31, 2022, with no further add backs thereafter. In April 2022, the Company incurred deferred issuance costs of $0.4 million relating to the First Amendment.

As of June 30, 2022, the Company was in compliance with its financial covenants. The Credit Agreement Defined Debt Leverage Ratio covenant was 4.02 to 1.00, which was below the allowed maximum ratio of 4.25 to 1.00 as set forth in the amended Credit Agreement.

Amounts committed to outstanding letters of credit and the unused portion of the Company's Credit Facility were as follows:

In millions

	June 30, 2022	December 31, 2021
Outstanding letters of credit under Credit Facility	$ 61.1	$ 71.4
Unused portion of the Credit Facility	799.2	881.5

NOTE 6 — INCOME TAXES

The Company reported income tax expense of $8.4 million and $9.1 million for the three months ended June 30, 2022 and 2021, respectively. The effective tax rates for the three months ended June 30, 2022 and 2021, were 44.4% and 23.7%, respectively. The effective tax rate for the three months ended June 30, 2022, reflects (i) losses in jurisdictions that are not eligible for tax benefits on account of valuation allowances, and (ii) equity-based compensation awards expiring without a tax benefit. The effective tax rate for the three months ended June 30, 2021, reflects (i) a tax benefit associated with a matter that was subject to a PFA with the IRS, (ii) losses in jurisdictions that are not eligible for tax benefits on account of valuation allowances and (iii) equity-based compensation awards expiring without a tax benefit.

The Company reported income tax expense of $11.3 million and $22.9 million for the six months ended June 30, 2022 and 2021, respectively. The effective tax rates for the six months ended June 30, 2022 and 2021, were 146.8% and 29.2%, respectively. The effective tax rate for the six months ended June 30, 2022, reflects (i) losses in jurisdictions that are not eligible for tax benefits on account of valuation allowances, and (ii) equity-based compensation awards expiring without a tax benefit. The effective tax rate for the six months ended June 30, 2021, reflects (i) a tax benefit associated with a matter that was subject to a PFA with the IRS, (ii) losses in jurisdictions that are not eligible for tax benefits on account of valuation allowances and (iii) equity-based compensation awards expiring without a tax benefit.

NOTE 7 — EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share is computed by dividing Net income (loss) by the number of weighted average common shares outstanding during the reporting period. Diluted earnings per share is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period, in the periods in which such effect is dilutive.

The following table shows the effect of stock-based awards on the weighted average number of shares outstanding used in calculating diluted earnings per share:

In millions of shares	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted average common shares outstanding - basic	92.1	91.8	92.0	91.7
Incremental shares outstanding related to stock-based awards [(1)]	0.1	0.3	—	0.4
Weighted average common shares outstanding - diluted	92.2	92.1	92.0	92.1

(1) In periods of net loss, stock-based awards are anti-dilutive and therefore excluded from the earnings (loss) per share calculation.

Anti-dilutive stock-based awards excluded from the computation of diluted earnings (loss) per share using the treasury stock method includes the following:

In thousands of shares	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Option awards	1,233	1,958	1,395	2,131
RSU awards	579	8	235	5

PSUs are offered to key employees and are subject to achievement of specified performance conditions. Contingently issuable shares are excluded from the computation of diluted earnings per share based on current period results. The shares would not be issuable if the end of the reporting period were the end of the contingency period. If such goals are not met, no compensation expense is recognized, and any previously recognized compensation expense is reversed.

NOTE 8 — SEGMENT REPORTING

The Company evaluates, oversees, and manages the financial performance of two operating and reportable segments – North America and International.

The following tables show financial information for the Company's reportable segments:

In millions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues				
North America	$ 568.6	$ 542.6	$ 1,112.3	$ 1,076.3
International	111.2	130.1	231.7	264.4
Total	$ 679.8	$ 672.7	$ 1,344.0	$ 1,340.7
Adjusted Income from Operations				
North America	$ 148.9	$ 159.6	$ 283.5	$ 317.2
International	8.4	15.6	19.8	28.2
Other Costs	(75.3)	(69.5)	(162.3)	(129.7)
Total	$ 82.0	$ 105.7	$ 141.0	$ 215.7

The following table reconciles the Company's primary measure of segment profitability, Adjusted Income from Operations, to Income from operations:

In millions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total Reportable Segment Adjusted Income from Operations	$ 82.0	$ 105.7	$ 141.0	$ 215.7
Adjusting Items:				
ERP Implementation	(3.5)	(17.3)	(9.1)	(35.2)
Intangible Amortization	(30.8)	(30.1)	(63.2)	(59.9)
Portfolio Optimization	—	(0.4)	(1.3)	(1.6)
Litigation, Settlements and Regulatory Compliance	(9.6)	(2.3)	(23.4)	(4.3)
Income from operations	$ 38.1	$ 55.6	$ 44.0	$ 114.7

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company operates in highly regulated industries and responds to regulatory inquiries or investigations from time to time that may be initiated for a variety of reasons. At any given time, the Company has matters at various stages of resolution with the applicable government authorities. The Company is also routinely involved in actual or threatened legal actions, including those involving alleged personal injuries and commercial, employment, environmental, tax, and other issues. The outcomes of these matters are not within the Company's complete control and may not be known for prolonged periods of time. In some actions, claimants seek damages, as well as other relief, including injunctive relief, that could require significant expenditures or result in lost revenue.

In accordance with applicable accounting standards, the Company establishes an accrued liability for loss contingencies related to legal and regulatory matters when the loss is both probable and reasonably estimable. If the reasonable estimate of a probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is not probable or a probable loss is not reasonably estimable, no liability is recorded. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. These accruals represent management's best estimate of probable losses and, in such cases, there may be an exposure to loss in excess of the amounts accrued. Estimates of probable losses resulting from litigation and regulatory proceedings are difficult to predict. Legal and regulatory matters inherently involve significant uncertainties based on, among other factors, the jurisdiction and stage of the proceedings, developments in the applicable facts or law, and the unpredictability of the ultimate determination of the merits of any claim, any defenses the Company may assert against that claim, and the amount of any damages that may be awarded. The Company's accrued liabilities for loss contingencies related to legal and regulatory matters may change in the future as a result of new developments, including, but not limited to, the occurrence of new legal matters, changes in the law or regulatory environment, adverse or favorable rulings, newly discovered facts relevant to the matter, or changes in the strategy for the matter. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Contract Class Action and Opt Out Lawsuits. Beginning on March 12, 2013, the Company was served with several class action complaints filed in federal and state courts in several jurisdictions. These complaints asserted, among other things, that the Company had imposed unauthorized or excessive price increases and other charges on its customers in breach of its contracts and in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act. The complaints sought certification of the lawsuit as a class action and the award to class members of appropriate damages and injunctive relief. These related actions were ultimately transferred to the United States District Court for the Northern District of Illinois for centralized pretrial proceedings.

The parties engaged in discussions through and overseen by a mediator regarding a potential resolution of the matter and reached a settlement agreement, as previously disclosed, which settlement agreement obtained court approval on March 8, 2018. Under the terms of the SQ Settlement, the Company admitted no fault or wrongdoing whatsoever, and it entered into the SQ Settlement to avoid the cost and uncertainty of litigation.

Certain class members who have opted out of the SQ Settlement have filed lawsuits against the Company, and the Company is defending and intends to resolve those actions. The Company has made an accrual in respect of these collective matters consistent with its accrual policies described above, which is not material.

Government Investigations. On June 12, 2017, the SEC issued a subpoena to the Company, requesting documents and information relating to the Company's compliance with the FCPA or other foreign or domestic anti-corruption laws with respect to certain of the Company's operations in Latin America. In addition, the DOJ notified the Company that it was investigating this matter in parallel with the SEC. The Company is cooperating with these agencies and certain foreign authorities. The Company also conducted an internal investigation of these and other matters, including outside of Latin America, under the oversight of the Audit Committee of the Board of Directors and with the assistance of outside counsel.

As previously disclosed, the Company has engaged in settlement discussions in connection with the foregoing government investigations. On April 20, 2022, the Company announced that it has settled these matters with the DOJ and the SEC. Under the Company's settlement with the DOJ, the Company entered into a deferred prosecution agreement ("DPA") with the DOJ, under which the DOJ agreed to defer criminal prosecution of the Company for a period of three years for charges of conspiring to violate the anti-bribery and books and records provisions of the FCPA. If the Company remains in compliance with the DPA during its three-year term, the deferred charge against the Company would be dismissed with prejudice. The Company agreed to pay $52.5 million in criminal fines to the DOJ, subject to offsetting up to $17.5 million of that amount based upon fines paid to Brazilian authorities (as described below). Under the Company's settlement with the SEC, the Company entered into an administrative resolution with the SEC with respect to violations of the anti-bribery, books and records and internal controls provisions of the FCPA, and agreed to disgorge $22.2 million and pay pre-judgment interest of $6.0 million to the SEC. $4.2 million of the amount to be disgorged is subject to offset based upon amounts paid in disgorgement to Brazilian authorities (as described below). In addition, under the settlements with the DOJ and with the SEC, the Company will engage an independent compliance monitor for two years and undertake compliance with self-reporting obligations for an additional year.

Also as announced on April 20, 2022, the Company reached a settlement agreement with the Brazilian Controladora-General da Uniao (CGU) and Advocacia-General da Uniao (Attorney General Office) in the amount of $23.1 million, $13.5 million of which will offset amounts that would otherwise be paid to the DOJ and the SEC.

Based on the foregoing settlements and as provided by U.S. GAAP, in addition to the $80.7 million previously accrued in 2021, the Company accrued an additional $9.6 million in the first half of 2022 for the FCPA Settlement. In the second quarter of 2022, the Company paid $75.8 million of the agreed settlement to the DOJ, the SEC and the Brazilian authorities.

The Company is also discussing potential settlement of a related investigation with an additional Brazilian authority. Because this negotiation is ongoing, the Company cannot predict with certainty its outcome, including whether a settlement will be reached, the amount of any potential monetary payments, or injunctive or other relief. In the event the Company negotiates a settlement with this Brazilian authority, certain monetary portions of the agreement with the DOJ may be offset by payments made thereto. At the present time, the Company is unable to reasonably estimate nor provide any assurance regarding the amount of any potential loss in excess of the amount accrued relating to these matters.

In addition, the Company has been informed that the office of the United States Attorney for the Southern District of New York is conducting an investigation into compliance with the False Claims Act and other federal statutes in connection with the collection, transportation and disposal of hazardous waste by the Company's former ESOL business unit. The Company has also been informed that the State of California Department of Justice is conducting an investigation related to the Company's collection, transportation, and disposal of waste generated by government customers in California. The Company is cooperating with these investigations.

The Company has not accrued any amounts in respect of the investigation matters set forth in the preceding paragraph, as it cannot estimate any reasonably possible loss or any range of reasonably possible losses that the Company may incur. The Company is unable to make such an estimate because, based on what the Company knows now, in the Company's judgment, the factual and legal issues presented in these matters are sufficiently unique that the Company is unable to identify other circumstances sufficiently comparable to provide guidance in making estimates.

Environmental and Regulatory Matters. The Company is subject to various federal, state and local laws and regulations. In the ordinary course of business, we are routinely involved in government enforcement proceedings, private lawsuits, and other matters alleging non-compliance by the Company with applicable law. The issues involved in these proceedings generally relate to alleged violations of existing permits or other requirements, or alleged liability due to our current operations, pre-existing conditions at the locations where we operate, and/or successor or predecessor liability associated with our portfolio optimization strategy. From time to time, the Company may be subject to fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities.

Effective April 6, 2020, the Company completed the divestiture of its Domestic Environmental Solutions business, including the facility in Rancho Cordova, California, to Harsco Corporation. Pursuant to the Purchase Agreement, the Company may have liability under certain indemnification claims for matters relating to those Environmental Solutions facilities, including potentially with respect to the investigations by the Southern District of New York and California Department of Justice described above and the Rancho Cordova, California, and DEA Investigation matters discussed below.

Rancho Cordova, California, NOVs. On June 25 and 26, 2018, the California DTSC conducted a Compliance Enforcement Inspection of the Company's former Environmental Solutions facility in Rancho Cordova, California. On February 14, 2020, DTSC filed an action in the Superior Court for the State of California, Sacramento County Division, alleging violations of California's Hazardous Waste Control Law and the facility's hazardous waste permit arising from the inspection. That action is ongoing.

The Company has not accrued any amounts in respect of this matter and cannot estimate the reasonably possible loss or the range of reasonably possible losses that it may incur. The Company is unable to make such an estimate because (i) litigation is by its nature uncertain and unpredictable and (ii) in the Company's judgment, the factual and legal allegations asserted by DTSC are sufficiently unique that it is unable to identify other proceedings with circumstances sufficiently comparable to provide guidance in making estimates.

Rancho Cordova, California, Permit Revocation. Separately, on August 15, 2019, the Company received from DTSC a written Intent to Deny Hazardous Waste Facility Permit Application for the Rancho Cordova facility. Following legal challenges, that DTSC action became final as of April 8, 2022, triggering an obligation to execute the closure plan set forth in the facility's permit. Consistent with its accrual policies described previously, the Company has made an accrual in the amount of its estimate of closure costs reasonably likely to be incurred and indemnified to Harsco under the Purchase Agreement, which is not material.

DEA Investigation. On February 11, 2020, the Company received an administrative subpoena from the DEA, which executed a search warrant at the Company's former Environmental Solutions facility at Rancho Cordova, California and an administrative inspection warrant at the Company's former facility in Indianapolis, Indiana for materials related to the former Environmental Solutions business of collecting, transporting, and destroying controlled substances from retail customers (the "ESOL Retail Controlled Substances Business"). On that same day, agents from the DTSC executed a separate search warrant at the Rancho Cordova facility. Since that time, the U.S. Attorney's Office for the Eastern District of California ("USAO EDCA") has been overseeing criminal and civil investigations of the ESOL Retail Controlled Substances Business. The USAO EDCA has informed the Company that it may have civil liability under the Controlled Substances Act related to the Domestic Environmental Solutions Retail Controlled Substances Business. The Company is cooperating with the civil and criminal investigations, which are ongoing.

The Company has not accrued any amounts in respect of these investigations and cannot estimate the reasonably possible loss or any range of reasonably possible losses that the Company may incur. The Company is unable to make such an estimate because, based on what the Company knows now, in the Company's judgment, the factual and legal issues presented in this matter are sufficiently unique that the Company is unable to identify other circumstances sufficiently comparable to provide guidance in making estimates.

European Retrovirus Investigations. In conjunction with Europol, governmental authorities of Spain, Portugal, and Romania have conducted coordinated inspections of a large number of medical waste management facilities, including Stericycle facilities, relating to the transportation, management and disposal of waste that may be infected with the COVID-19 virus, and related matters. The inspections have resulted in proceedings in Spain and Portugal. The Company intends to vigorously defend itself in these proceedings.

The Company has not accrued any amounts in respect of these investigations, as it cannot estimate the reasonably possible loss or any range of reasonably possible losses that the Company may incur. The Company is unable to make such an estimate because, based on what the Company knows now, in the Company's judgment, the factual and legal issues presented in this matter are sufficiently unique that the Company is unable to identify other circumstances sufficiently comparable to provide guidance in making estimates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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, inflationary cost pressure in labor, supply chain and other expenses, decreases in the volume of regulated wastes or personal and confidential information collected from customers, the ability to implement the remaining phases of our ERP system, and disruptions resulting from deployment of our ERP system, disruptions in our supply chain, disruptions in or attacks on information technology systems, developments in the COVID-19 pandemic and the resulting impact on the results of operations, long-term remote work arrangements which may adversely affect our business, 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 team members 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, labor shortages, an economic disruption in the U.S. and other countries resulting from the COVID-19 virus, changing market conditions in the healthcare industry, competition and demand for services in the regulated waste and secure information destruction industries, SOP pricing volatility, foreign exchange rate volatility in the jurisdictions in which we operate, 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, charges related to portfolio optimization or the failure of acquisitions or 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, future or settled litigation or investigations including with respect to the U.S. Foreign Corrupt Practices Act and foreign anti-corruption laws, weather and environmental changes related to climate change, requirements of customers and investors for net carbon zero emissions strategies, and the introduction of regulations for greenhouse gases, which could negatively affect our costs to operate, failure to maintain an effective system of internal control over financial reporting, 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.

Overview

Stericycle is a global business-to-business services company. We provide an array of highly specialized solutions that protect the health and well-being of the people and places around us in a safe, responsible, and sustainable way. Since our founding in 1989, we have grown from a small start-up in medical waste management into a leader across a range of increasingly complex and highly regulated arenas, serving healthcare organizations and commercial businesses of every size through RWCS and SID.

Key business highlights include:

- Organic revenues[(1)] grew 5.0% compared to the second quarter of 2021, with SID organic revenue growing 12.2% and RWCS growing 1.8%.
- Pricing levers helped offset labor and other supply chain inflationary cost pressures in the second quarter of 2022. As a result, gross profit margin improved 140 basis points compared to the first quarter of 2022.
- Net cash from operating activities increased to a source of funds of $20.4 million in the second quarter of 2022, compared to a use of funds of $38.8 million in the first quarter of 2022.

(1) See *Results of Operations, Revenues* for a reconciliation between total U.S. GAAP Revenues and Organic Revenues.

COVID-19 Update and Other Developments

Our COVID-19 pandemic response has included efforts to protect the health and well-being of our workforce and our customers. We have worked proactively with the CDC, OSHA, DOT and other regulatory agencies around the world in an attempt to ensure readiness for proper regulated waste management. Our team has demonstrated leadership and commitment to protecting what matters by working with pharmaceutical companies and government agencies to align on standards for secure and compliant COVID-19 vaccination treatment protocols. Additionally, Stericycle supports the front end of vaccination programs through our Communications Solutions service line. We provide scalable patient hotlines, scheduling, and appointment reminders for vaccinations. In March 2022, the Company implemented its global RTO hybrid work schedule applicable to office workers that promotes our value of in person team collaboration while still maintaining our health standards. The Company is continuing to monitor the future implications of COVID-19 and variants and is taking proactive steps to continue to manage the health and safety of team members as they RTO.

Like many organizations, we have been impacted by higher absences related to COVID-variants that surged towards the end of the fourth quarter of 2021 and into the first quarter of 2022, particularly driver and operational team members. Our work force stabilized throughout the first and second quarters of 2022, as the effects of the Delta and Omicron variants on employee absences subsided, but still remains highly susceptible to fluctuations due to various variants that impact sites and regions periodically. Additionally, we have been impacted by driver and operational team member shortages. To date, we are addressing our internal needs through three main areas: (i) recruitment, (ii) market competitive compensation and benefits, and (iii) employee engagement and retention.

Beginning in third quarter of 2021 and continuing throughout the second quarter of 2022, we experienced inflationary cost increases in our underlying expenses, including labor, supply-chain and other costs. We also have been experiencing delays in completing certain capital projects and face additional challenges due to macroeconomic supply chain disruptions. The higher operating labor costs were mainly associated with maintaining competitive wages for existing team members and increased starting wages for new hires. Higher supply chain and other inflationary costs were mainly from higher vehicle rental and maintenance expenses as we continued to experience delays in replacement vehicle deliveries, higher utility expenses, and higher costs associated with supplies and disposable containers and liners. While fuel costs have increased, they have been offset through our existing fuel surcharges.

We have continued to see the impact of the strengthening U.S. Dollar on our foreign currency translation. In the second quarter of 2022, changes in foreign exchange rates unfavorably impacted revenues by $13.7 million.

Stericycle collects and delivers SOP for recycling into paper products to be used in the hospitality industry including napkins, paper towels, and bathroom tissues. Recycled paper tonnage volume for the first half of 2022 was approximately 267,000, which is about 5% lower than the first half of 2021.

Key Business Priorities

In 2022, our five key business priorities remain the following:

- ***Quality of revenue*** **–** We have been executing against our foundational initiatives to drive revenue quality. These included a formal cross-functional deal review committee, realignment of sales incentive plans, re-organization of our commercial leadership team around our service lines, key customer channels, and implementation of global customer pipeline management processes for both RWCS and SID. As a reminder, our three main pricing levers are as follows: (i) for all multi-year contracts, we adjust pricing at contract anniversary and renewal, (ii) for all new customers and purchasers of our one-time services, we adjust our rates at point of sale, and (iii) for many of our customers, we also have surcharges and fees that provide inflationary cost protection for commodity and other price volatility. Our pricing actions have gained momentum since the first quarter, including our adjustment of surcharges and fees, which provide the most flexible mechanism to help offset inflationary costs by adjusting these surcharges and fees.

- ***Operational efficiency, modernization, and innovation –*** We remain focused on operational efficiency, modernization, and innovation to control variable and discretionary costs and improve performance and efficiencies in our field operations. Our goal is to optimize our facilities with a strategic and standardized operating model. We are analyzing processing capabilities, plant and transportation equipment needs, team member requirements, and potential customer implications or benefits. For example, in the second quarter, we opened new RWCS facilities in the Northeast U.S. and Romania and began constructing a new incineration facility on the U.S. west coast. In addition, we recently installed our new patented SMS Revolution technology in two of our facilities, which increased our Sharps processing capacity and led to at least one shift reduction in both facilities.

- ***ERP Implementation –*** In 2022, we plan to complete pilot ERP system deployments to a subset of North America RWCS. This disciplined and consistent deployment approach allows us to mitigate risk and test data and functionality before deploying the ERP across all RWCS North America customers and facilities. This follows the deployment of our ERP system for North America's finance and procurement processes and for North America's SID business that was completed in 2021.

- ***Debt reduction and leverage improvement –*** We expect to improve our leverage ratio through continued focus on operating margin expansion, free cash flow generation, and divestiture proceeds, if applicable. Our amended Credit Facility defined debt leverage ratio was 4.02 times as of June 30, 2022, compared to 3.61 times as of December 31, 2021. Net debt, as defined in the Credit Agreement, and as reported under U.S. GAAP (total U.S. GAAP debt less U.S. GAAP cash and cash equivalents), increased $91.6 million in the first half of 2022, increasing total net debt to approximately $1.7 billion as of June 30, 2022.

- ***Portfolio optimization –*** We expect to continue evaluating opportunities to further optimize our portfolio through a combination of asset rationalizations and strategic accretive tuck-in acquisitions, which streamlines our portfolio of businesses and allows us to focus more deeply on our core businesses.

Certain Key Priorities and Other Significant Matters

The following table identifies certain key priorities and other significant matters impacting our business and how they are classified in the Condensed Consolidated Statements of Income (Loss):

In millions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Included in SG&A				
ERP Implementation	$ 3.5	$ 17.3	$ 9.1	$ 35.2
Intangible Amortization	30.8	30.1	63.2	59.9
Portfolio Optimization	—	0.4	1.3	1.6
Litigation, Settlements and Regulatory Compliance	9.6	2.3	23.4	4.3
Total included in SG&A	$ 43.9	$ 50.1	$ 97.0	$ 101.0
After tax items:				
Other Tax Matter	$ —	$ (5.5)	$ —	$ (5.5)
Total after-tax	$ —	$ (5.5)	$ —	$ (5.5)

ERP Implementation

For the periods presented and for the cumulative period since the inception of the ERP Implementation, we have recognized the following, principally reported in Other Costs:

In millions

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative Since Inception
	2022	2021	2022	2021	
ERP Implementation					
Consulting and professional fees	$ 3.5	$ 10.7	$ 9.1	$ 22.3	$ 115.9
Internal labor	—	2.8	—	5.5	39.1
Software usage/maintenance fees	—	3.3	—	6.4	42.3
Other related expenses	—	0.5		1.0	11.5
Operating expenditures	3.5	17.3	9.1	35.2	208.8
Capital expenditures	3.5	9.4	4.1	11.8	184.8
Total operating and capital expenditures	$ 7.0	$ 26.7	$ 13.2	$ 47.0	$ 393.6

As we continue to implement and deploy the North America ERP system in our RWCS business, we will incur costs to develop and deploy the system, which includes additional capital expenditures as well as operating expenditures. Upon the substantial implementation of North America's finance and procurement processes and for North America's SID business in the third quarter of 2021, certain costs became incremental information technology ongoing costs for running the new system, including maintenance, licensing, and depreciation expenses. Additionally, we will continue to incur costs to maintain the legacy suite of applications that are also used by our international businesses until their system portfolio is modernized.

Intangible Amortization

See table above for certain key priorities and other significant matters for intangible amortization expense from acquisitions for the periods presented and how they are classified in the Condensed Consolidated Statements of Income (Loss). The increase in amortization expense is primarily due to a decrease in the useful life of certain customer relationship intangibles effective on January 1, 2022.

Portfolio Optimization

See table above for certain key priorities and other significant matters for portfolio optimization for the periods presented, and how they are classified in the Condensed Consolidated Statements of Income (Loss). Professional fees are reported in Other Costs.

Divestitures

We evaluate our portfolio of services on an ongoing basis with a country-by-country and service line-by-service line approach to assess long-term potential and identify potential business candidates for divestiture. Divestitures resulting from this evaluation may cause us to record significant charges, including those related to goodwill, other intangible assets, long-lived assets, and cumulative translation adjustments. In addition, divestitures we complete may not yield the targeted improvements in our business. Any charges that we are required to record or the failure to achieve the intended financial results associated with the portfolio optimization evaluation could have a material adverse effect on our business, financial condition, or results of operations. See *Part I, Item I. Financial Statements; Note 3 — Divestitures*.

Acquisitions

We regularly evaluate the competitive environment and consider opportunistic acquisitions that strengthen our core businesses. We believe acquisitions, when appropriately valued and constructively integrated, may be an efficient way to gain customers, scale treatment operations, and build customer density for transportation. We expect to focus on smaller accretive tuck-in acquisitions. See *Part I, Item I. Financial Statements; Note 4 — Acquisition* for additional details.

Litigation, Settlements and Regulatory Compliance

We operate in highly regulated industries and must address regulatory inquiries or respond to investigations from time to time. We are also involved in a variety of civil litigation matters from time to time. Certain of these matters are detailed in *Part I, Item I. Financial Statements; Note 9 — Commitments and Contingencies*. Our financial results may also include considerations of non-recurring matters including settlements, environmental remediation, and legal related consulting and professional fees.

See table above for certain key priorities and other significant matters for litigation, settlement and regulatory compliance charges. Among other things, the table reflects consulting and professional fees, contingent liability provisions and settlements, net of insurance recoveries, impacting our business for the periods presented, primarily in Other Costs. In the first half of 2022, we accrued an additional $9.6 million for the FCPA Settlement, bringing the total cumulative charge to approximately $90.3 million. In the second quarter of 2022, we paid $75.8 million related to the FCPA settlement. See *Part I, Item I. Financial Statements; Note 9 — Commitments and Contingencies* for additional details.

Other Tax Matter

The Other Tax Matter relates to a tax benefit associated with resolution of a matter that was subject to a PFA with the IRS.

Results of Operations

Three and Six Months Ended June 30, 2022 Compared to Three and Six Months Ended June 30, 2021:

Revenues:

We analyze revenues by revenue service category and reportable segment which were as follows:

	Three Months Ended June 30,							
	In millions				Components of Change (%)[1]			
	2022	2021	Change ($)	Change (%)	Organic Growth [2]	Acquisition	Divestitures	Foreign Exchange [3]
Revenue by Service								
Regulated Waste and Compliance Services	$ 448.4	$ 463.0	$ (14.6)	(3.1)%	1.8 %	0.4 %	(3.2)%	(2.1)%
Secure Information Destruction Services	231.4	209.7	21.7	10.3 %	12.2 %	— %	— %	(1.9)%
Total Revenues	$ 679.8	$ 672.7	$ 7.1	1.1 %	5.0 %	0.3 %	(2.2)%	(2.0)%
North America								
Regulated Waste and Compliance Services	$ 365.6	$ 362.2	$ 3.4	1.0 %	2.8 %	0.5 %	(2.3)%	(0.1)%
Secure Information Destruction Services	203.0	180.4	22.6	12.5 %	12.9 %	— %	— %	(0.4)%
Total North America Segment	$ 568.6	$ 542.6	$ 26.0	4.8 %	6.2 %	0.3 %	(1.5)%	(0.2)%
International								
Regulated Waste and Compliance Services	$ 82.8	$ 100.8	$ (18.0)	(17.9)%	(2.3)%	— %	(6.5)%	(9.1)%
Secure Information Destruction Services	28.4	29.3	(0.9)	(3.0)%	8.0 %	— %	— %	(11.0)%
Total International Segment	$ 111.2	$ 130.1	$ (18.9)	(14.5)%	— %	— %	(5.1)%	(9.5)%

	Six Months Ended June 30,							
	In millions				Components of Change (%) [1]			
	2022	2021	Change ($)	Change (%)	Organic Growth [2]	Acquisition	Divestitures	Foreign Exchange[3]
Revenue by Service								
Regulated Waste and Compliance Services	$ 901.2	$ 936.6	$ (35.4)	(3.8)%	0.4 %	0.4 %	(3.0) %	(1.5) %
Secure Information Destruction Services	442.8	404.1	38.7	9.6 %	10.9 %	— %	— %	(1.3) %
Total Revenues	$ 1,344.0	$ 1,340.7	$ 3.3	0.2 %	3.5 %	0.3 %	(2.1 %)	(1.5 %)
North America								
Regulated Waste and Compliance Services	$ 727.8	$ 729.0	$ (1.2)	(0.2)%	1.5 %	0.5 %	(2.1) %	(0.1) %
Secure Information Destruction Services	384.5	347.3	37.2	10.7 %	10.9 %	— %	— %	(0.2) %
Total North America Segment	$ 1,112.3	$ 1,076.3	$ 36.0	3.3 %	4.5 %	0.4 %	(1.4) %	(0.1) %
International								
Regulated Waste and Compliance Services	$ 173.4	$ 207.6	$ (34.2)	(16.5)%	(3.5)%	— %	(6.3) %	(6.7) %
Secure Information Destruction Services	58.3	56.8	1.5	2.7 %	10.7 %	— %	— %	(8.0) %
Total International Segment	$ 231.7	$ 264.4	$ (32.7)	(12.4)%	(0.5)%	— %	(5.0) %	(7.0) %

(1) Components of Change % in summation may not crossfoot to the total Change % due to rounding.

(2) Organic growth is change in Revenues which includes SOP pricing and volume and excludes the impact of divestitures, an acquisition, and foreign exchange.

(3) The comparisons at constant currency rates (foreign exchange) reflect comparative local currency balances at the prior period's foreign exchange rates. Stericycle calculated these percentages by taking current period reported Revenues less the respective prior period reported Revenues, divided by the prior period reported Revenues, all at the respective prior period's foreign exchange rates. This measure provides information on the change in Revenues assuming that foreign currency exchange rates have not changed between the prior and the current period. Management believes the use of this measure aids in the understanding of changes in Revenues without the impact of foreign currency.

Revenues for the second quarter of 2022, were $679.8 million, an increase of $7.1 million, or 1.1%, compared to $672.7 million for the second quarter of 2021. Organic revenues grew $33.8 million, or 5.0%, primarily due to SID organic revenue growth of $25.7 million, or 12.2%, which was mainly driven by higher recycled paper revenues, reflecting higher SOP prices, quality of revenue initiatives, including fuel surcharges, and continued recovery from the impact of COVID-19. RWCS organic revenues grew $8.1 million, or 1.8%, due to year-over-year improvement in quality of revenue, maritime recovery, and an acquisition. The acquisition contributed $1.8 million, or 0.3%, during the quarter. Partially offsetting these revenue increases was a reduction in COVID-19 related transactional volume revenue, such as vaccine and testing waste, international waste over-classification and patient engagement related call volumes. In addition, revenues declined as a result of the impact of divestitures of $14.8 million, or 2.2%, which include divestitures of the Japan RWCS business in the third quarter of 2021 and the Canada Environmental Solutions business in the fourth quarter of 2021, and the impact of unfavorable foreign exchange rates of $13.7 million, or 2.0%.

Revenues for the six months ended June 30, 2022, were $1,344.0 million, an increase of 0.2% compared to $1,340.7 million for the six months ended June 30, 2021. Revenues increased due to growth in organic revenues of $47.4 million, or 3.5%, and acquisition revenues of $4.0 million, or 0.3%, partially offset by divestitures in 2021, which reduced revenues by $28.5 million, or 2.1%, and the impact of unfavorable foreign exchange rates of $19.6 million, or 1.5%.

North America revenues increased $26.0 million, or 4.8%, in the second quarter of 2022, to $568.6 million from $542.6 million in the second quarter of 2021. Organic revenues increased $33.7 million, or 6.2%, primarily due to higher recycled paper revenues, reflecting higher SOP prices, fuel surcharges, and continued recovery from the impact of COVID-19 in our SID business. In addition, higher RWCS organic revenues were due to quality of revenue initiatives, recovery of maritime waste services, and an acquisition. The acquisition contributed $1.8 million, or 0.3%. These revenue increases were partially offset by a reduction in RWCS COVID-19 related transactional volume revenue, such as vaccine and testing waste and patient engagement related call volumes, the impact of divestitures of $8.2 million, or 1.5%, and the impact of unfavorable exchange rates of $1.3 million, or 0.2%.

International revenues decreased $18.9 million, or 14.5%, in the second quarter of 2022, to $111.2 million from $130.1 million in the second quarter of 2021. The decrease was due to the impact of divestitures of $6.6 million, or 5.1%, the impact of unfavorable foreign exchange rates of $12.4 million, or 9.5%, and a reduction in COVID-19 related transactional volume revenue of $2.3 million, or 1.8%, including waste over-classification in our RWCS business.

North America revenues increased $36.0 million, or 3.3%, for the six months ended June 30, 2022, to $1,112.3 million from $1,076.3 million for the six months ended June 30, 2021. Organic revenue increased $48.6 million, or 4.5%, and an acquisition contributed $4.0 million, or 0.4%, partially offset by divestitures reducing revenues by $15.4 million, or 1.4%.

International revenues decreased $32.7 million, or 12.4%, for the six months ended June 30, 2022, to $231.7 million from $264.4 million for the six months ended June 30, 2021. The decrease was primarily due to the impact of unfavorable foreign exchange rates of $18.4 million, or 7.0%, and a decrease in revenue from divestitures of $13.1 million, or 5.0%.

Gross profit:

In millions	Three Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Gross profit	260.5	38.3 %	269.1	40.0 %	(8.6)	(3.2)%

In millions	Six Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Gross profit	505.0	37.6 %	530.5	39.6 %	(25.5)	(4.8)%

The decrease in the three and six months ended June 30, 2022, compared to the 2021 comparable periods, was primarily due to higher supply chain, wage adjustments, and other inflationary costs and higher headcount, onboarding, and overtime costs. Quality of revenue initiatives, including results from our pricing levers, resulted in revenue flow through which helped offset inflationary cost pressures in 2022. In addition, the decrease was offset by lower self-insurance expense.

SG&A:

In millions	Three Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
SG&A	222.4	32.7 %	213.5	31.7 %	8.9	4.2 %

In millions	Six Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
SG&A	461.0	34.3 %	415.8	31.0 %	45.2	10.9 %

For the three months ended June 30, 2022, compared to the 2021 comparable period, we incurred higher SG&A mainly from increased bad debt expense, due to normalizing bad debt and continued North America SID billing and collection efforts relating to the ERP deployment, and higher charges due to Litigation, Settlement and Regulatory Compliance matters. Additionally, we incurred anticipated higher ongoing IT operating expenses, which was partially offset by lower ERP implementation costs. These increases were partially offset by lower annual incentive compensation expense.

The increase in SG&A for the six months ended June 30, 2022, compared to the same periods in 2021, is due to Litigation, Settlement and Regulatory Compliance matters which included the FCPA settlement, and increased bad debt expense due to normalizing bad debt and continued North America SID billing and collection efforts related to the ERP deployment. Additionally, we incurred anticipated higher ongoing IT operating expenses, which was partially offset by lower ERP implementation costs. These increases were partially offset by lower annual incentive compensation expense.

Segment Profitability:

Segment profitability was as follows:

In millions

	Three Months Ended June 30,						Six Months Ended June 30,					
	2022		2021		Change 2022 versus 2021		2022		2021		Change 2022 versus 2021	
	$	% Segment Revenues	$	% Segment Revenues	$	%	$	% Segment Revenues	$	% Segment Revenues	$	%
Adjusted Income from Operations												
North America	148.9	26.2 %	159.6	29.4 %	(10.7)	(6.7)%	283.5	25.5 %	317.2	29.5 %	(33.7)	(10.6)%
International	8.4	7.6 %	15.6	12.0 %	(7.2)	(46.2)%	19.8	8.5 %	28.2	10.7 %	(8.4)	(29.8)%
Other Costs	(75.3)	nm	(69.5)	nm	(5.8)	8.3 %	(162.3)	nm	(129.7)	nm	(32.6)	25.1 %
Total	82.0	12.1 %	105.7	15.7 %	(23.7)	(22.4)%	141.0	10.5 %	215.7	16.1 %	(74.7)	(34.6)%
Reconciliation to Income from operations:												
Adjusted Income from Operations	82.0		105.7				141.0		215.7			
Adjusting Items Total (1)	(43.9)		(50.1)				(97.0)		(101.0)			
Income from operations	38.1		55.6				44.0		114.7			

nm - percentage of segment revenue, and/or change not meaningful

(1) See *Part I, Item 1. Financial Statements; Note 8 — Segment Reporting* in the Condensed Consolidated Financial Statements for more detail.

Adjusted Income from Operations for North America decreased $10.7 million, or 6.7%, for the three months ended June 30, 2022, to $148.9 million from $159.6 million for the three months ended June 30, 2021. Adjusted Income from Operations decreased due to higher supply chain, wage adjustments, and other inflationary costs; higher headcount, onboarding, and overtime costs; and bad debt expense. These declines were partially offset by the impact of commercial pricing actions implemented during 2022, resulting in revenue flow through, which includes higher recycled paper revenues in our SID business; and lower self-insurance expense.

Adjusted Income from Operations for North America decreased $33.7 million, or 10.6%, for the six months ended June 30, 2022, to $283.5 million from $317.2 million for the six months ended June 30, 2021. Adjusted Income from Operations decreased due to higher supply chain, wage adjustments, and other inflationary costs; higher headcount, onboarding, and overtime costs; and bad debt expense. These declines were partially offset by the impact of commercial pricing actions implemented during 2022, resulting in revenue flow through, which includes higher recycled paper revenues in our SID business; and lower self-insurance expense.

Adjusted Income from Operations for International decreased $7.2 million, or 46.2%, for the three months ended June 30, 2022, to $8.4 million from $15.6 million for the three months ended June 30, 2021. The decrease was primarily driven by decreased COVID-related transactional revenues including waste over classification in RWCS, the impact of divestitures, higher labor costs, and higher supply chain and other inflationary costs. Higher recycled paper revenues in our SID business helped to offset the reduction in Adjusted Income from Operations in the second quarter.

Adjusted Income from Operations for International decreased $8.4 million, or 29.8%, for the six months ended June 30, 2022, to $19.8 million from $28.2 million for the six months ended June 30, 2021. The decrease was primarily driven by decreased COVID-related transactional revenues including waste over classification in RWCS, the impact of divestitures, higher labor costs, and higher supply chain and other inflationary costs, partially offset by higher recycled paper revenues in our SID business.

Adjusted Loss from Operations for Other Costs increased $5.8 million for the three months ended June 30, 2022, compared to the comparable 2021 period, primarily as certain costs became incremental information technology ongoing costs for running the new ERP system, including maintenance, licensing, and depreciation expenses, as well as higher labor costs, partially offset by lower annual incentive compensation expense.

Adjusted Loss from Operations for Other Costs increased $32.6 million for the six months ended June 30, 2022, compared to the 2021 comparable period, as certain costs became incremental information technology ongoing costs for running the new ERP system, including maintenance, licensing, and depreciation expenses, as well as higher labor costs, partially offset by lower annual incentive compensation expense.

Interest expense, net:

In millions	Three Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Interest expense, net	18.5	2.7 %	17.9	2.7 %	0.6	3.4 %

In millions	Six Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Interest expense, net	34.8	2.6 %	36.3	2.7 %	(1.5)	(4.1)%

The increase for the three months ended June 30, 2022, as compared to 2021, is the result of higher weighted-average interest rates offset in part by a lower weighted-average debt balance. The decrease for the six months ended June 30, 2022, as compared to 2021, is due to $0.7 million in interest income associated with an IRS refund and a lower weighted-average debt balance, offset in part by higher interest rates. For further information see *Part I, Item I. Financial Statements; Note 5 — Long-Term Debt* in the Condensed Consolidated Financial Statements.

Other expense (income), net:

In millions	Three Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Other expense (income), net	0.7	0.1 %	(0.7)	(0.1)%	1.4	(200.0)%

In millions	Six Months Ended June 30,					
	2022		2021		Change	
	$	% Revenues	$	% Revenues	$	%
Other expense, net	1.5	0.1 %	—	— %	1.5	— %

Other expense (income), net is primarily comprised of foreign exchange losses (gains).

Income tax expense:

In millions

	Three Months Ended June 30,					
	2022		2021		Change	
	$	Effective Rate	$	Effective Rate	$	%
Income tax expense	8.4	44.4 %	9.1	23.7 %	(0.7)	(7.7)%

In millions

	Six Months Ended June 30,					
	2022		2021		Change	
	$	Effective Rate	$	Effective Rate	$	%
Income tax expense	11.3	146.8 %	22.9	29.2 %	(11.6)	(50.7)%

For further information, see *Part I, Item I. Financial Statements; Note 6 — Income Taxes* in the Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

The Company believes that it has sufficient liquidity to support its ongoing operations and to invest in future growth to create value for its shareholders. Operating cash flows and the Company's $1.2 billion Credit Facility are the Company's primary sources of liquidity and are expected to be used for, among other things, payment of interest and principal on the Company's long-term debt obligations and capital expenditures necessary to support growth and productivity improvements. To the extent the Company needs to add additional funding options to meet additional liquidity requirements or diversify its funding portfolio, the Company could seek additional financing from alternative sources, including approaching the capital markets. In the second quarter of 2022, the Company paid $75.8 million in accordance with the FCPA Settlement. The FCPA Settlement accrual balance was $14.5 million as of June 30, 2022. The Company anticipates paying the remaining accrued FCPA Settlement in 2022 (see *Part I, Item I. Financial Statements; Note 9 — Commitments and Contingencies*).

For further details concerning these matters see *Part I, Item I. Financial Statements; Note* 5 — *Long-Term Debt* in the Condensed Consolidated Financial Statements.

Cash Flow Summary:

The following table shows cash flow information for the Company by activity:

In millions

	Six Months Ended June 30,	
	2022	2021
Net cash from operating activities	$ (18.4)	$ 149.8
Net cash from investing activities	(67.6)	(58.4)
Net cash from financing activities	79.0	(82.6)
Effect of exchange rate changes on cash and cash equivalents	(2.7)	(0.4)
Net change in cash and cash equivalents	$ (9.7)	$ 8.4

Operating Cash Flows: Net cash from operating activities decreased $168.2 million in the first six months of 2022, to a use of funds of $18.4 million from a source of funds of $149.8 million in the first six months of 2021. The year-over-year decline of $168.2 million was primarily driven by the expected payments of $75.8 million in the second quarter for the FCPA settlement; timing of changes in net working capital of $54.6 million, driven by accounts receivable, reflecting the continued North America SID billing and collection efforts related to the ERP deployment; and lower cash generated from income from operations of $37.8 million.

DSO as of June 30, 2022, as reported was 64 days, compared to 56 days as of June 30, 2021. The difference was mainly driven by the timing of North America SID customer invoicing and subsequent collections, and higher revenues in the quarter.

Investing Cash Flows: Net cash used from investing activities increased $9.2 million in the first six months of 2022, to net cash used of $67.6 million from $58.4 million in the first six months of 2021. Our cash paid for capital expenditures increased by $10.3 million to $70.0 million from $59.7 million in the first six months of 2021. The change in cash paid for capital expenditures was mainly attributable to the timing of cash payments.

Financing Cash Flows: Net cash provided from financing activities increased $161.6 million in the first six months of 2022, to a source of funds of $79.0 million from a use of funds of $82.6 million in the first six months of 2021. Our net borrowings on our Credit Facility and Term Loan were $94.6 million in the first six months of 2022, compared to net repayments of $66.9 million in the first six months of 2021.

Critical Accounting Policies and Estimates

As discussed in our 2021 Form 10-K, the preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent liabilities at the date of the Condensed Consolidated Financial Statements and revenues and expenses during the periods reported. There were no material changes from the information provided therein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risks, including changes in interest rates, certain commodity prices, including SOP and diesel fuel and foreign currency rates. We do not specifically hedge our exposure to these risks.

We are subject to market risks arising from changes in interest rates which relate primarily to our financing activities. We performed a sensitivity analysis to determine how market rate changes might affect the fair value of our market risk-sensitive debt instruments (variable rate debt) which in aggregate as of June 30, 2022, are 31.6% of total aggregate debt. Our potential additional interest expense over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate debt would be approximately $5.4 million on a pre-tax basis.

We are subject to market risks arising from changes in the prices for commodities such as diesel fuel and utilities. For example, historically diesel fuel has been approximately five percent of our Cost of Revenues. As the market prices for these commodities increase or decrease, our revenues, operating costs and margins may also increase or decrease. Variability in commodity prices can also impact the margins of our business as certain components of our revenue are structured as a pass through of costs, including fuel surcharges as changes in diesel costs are generally offset in Revenues through our indexed fuel surcharges.

There were no other material changes from the information provided in our 2021 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) are effective as of June 30, 2022, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2022, there were no changes that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Further information pertaining to legal proceedings can be found in *Part I, Item I. Financial Statements; Note 9 — Commitments and Contingencies* in the Notes to the Condensed Consolidated Financial Statements and is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information included in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in the 2021 Form 10-K and subsequent Quarterly Reports on Form 10-Q and the factors identified under “Safe Harbor Statement” at the beginning of Part I, Item 2 of this Quarterly Report on Form 10-Q, which could materially affect our business, financial condition, cash flows, or results of operations. The risks described in the 2021 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently considers immaterial also may materially adversely affect its business, financial condition, and/or operating results. There have been no material changes to the risk factors included in the 2021 Form 10-K and subsequent Quarterly Reports on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the three months ended June 30, 2022.

Item 6. Exhibits

The following exhibits are filed or furnished as part of this report:

Exhibit Index

Exhibit Index	Description
2.1	Stock Purchase Agreement, dated as of February 6, 2020, by and among Stericycle, Inc., Harsco Corporation and CEI Holding, LLC (incorporated by reference to Exhibit 2.1 to our current report on Form 8-K filed February 7, 2020)
3.1	Amended and restated certificate of incorporation (incorporated by reference to Exhibit 3.1 to our registration statement on Form S-1 declared effective on August 22, 1996)
3.2	First certificate of amendment to amended and restated certificate of incorporation (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed November 29, 1999)
3.3	Second certificate of amendment to amended and restated certificate of incorporation (incorporated by reference to Exhibit 3.4 to our annual report on Form 10-K for 2002)
3.4	Third certificate of amendment to amended and restated certificate of incorporation (incorporated by reference to Exhibit 3.4 to our registration statement on Form S-4 declared effective on October 10, 2007)
3.5	Fourth certificate of amendment to amended and restated certificate of incorporation (incorporated by reference to Exhibit 3(i).1 to our quarterly report on Form 10-Q filed August 7, 2014)
3.6	Certificate of Designation setting forth the specific rights, preferences, limitations, restrictions and other terms and conditions of the Series A Convertible Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed November 29, 1999)
3.7	Certificate of Elimination of the Certificate of Designations relating to Series A Convertible Preferred Stock, par value 0.01 per share (incorporated by reference to Exhibit 3.1 and 4.1 to our current report on Form 8-K filed September 15, 2015)
3.8	Certificate of Designations setting forth the specific rights, preferences, limitations, restrictions and other terms and conditions of the Mandatory Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 8-A filed September 15, 2015)
3.9	Certificate of Elimination of the Certificate of Designations relating to 5.25% Series A Mandatory Convertible Preferred Stock (incorporated by reference to Exhibit 3.9 to our Quarterly Report on Form 10-Q filed November 11, 2018)
3.10	Amended and restated bylaws (incorporated by reference to Exhibit 3(ii).1 to our current report on Form 8-K filed June 1, 2016)
10.1	First Amendment, dated as of April 26, 2022, to the Amended and Restated Credit Agreement, dated as of September 30, 2021, among Stericycle, Inc. and certain subsidiaries as borrowers, Bank of America, N.A., as administrative agent, swing line lender, a lender and a letter of credit issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q file April 28, 2022)
10.2	Amendment to the Stericycle, Inc. Annual Incentive Plan
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101	The following information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Income (Loss); (ii) Condensed Consolidated Statements of Comprehensive (Loss) Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Changes in Equity and (vi) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* The Company agrees to furnish supplementally a copy of any omitted exhibit or appendix to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 5, 2022

STERICYCLE, INC.
(Registrant)
By: /s/ JANET H. ZELENKA
Janet H. Zelenka
Executive Vice President, Chief Financial Officer & Chief Information Officer

FIRST AMENDMENT
To the
STERICYCLE, INC. ANNUAL INCENTIVE PLAN
(As in Effect on January 1, 2021)

This First Amendment to the Stericycle, Inc. Annual Incentive Plan, as in effect on January 1, 2021 (the "Plan") is hereby made effective January 1, 2022 for the purpose of revising the post-death payment rules under the Plan.

NOW THEREFORE, the Plan is hereby amended by Stericycle, Inc. as Plan sponsor acting within its powers under Section 8.11 of the Plan, in the following respects:

1. Section 6.7 of the Plan is hereby amended to read as follows:

6.7 **Deceased Employees**

In the event of a Participant's death on or after the last day of a Plan Year, but prior to the payment date referenced in Section 7.1 below, the Participant's estate shall receive all or a portion of the Participant's Bonus Payout for such Plan Year, payable at the same time as active Participants are paid. If the Participant dies before the end of the Plan Year, the Participant's estate shall be eligible to receive a prorated Bonus Payout based on the period of time in which he or she was an active Participant for such Plan Year, and calculated based on target, rather than actual performance. The payment of any Bonus Payout under this Section 6.7 will generally be made as soon as practicable following the Participant's death, but no later than the payment date referenced in Section 7.1 below.

2. Subsection 8.7(a) of the Plan is hereby amended to replace the reference to "beneficiary" with "the estate" each time it appears in this subsection.

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification

Cindy J. Miller
Chief Executive Officer

I, Cindy J. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stericycle, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ CINDY J. MILLER

Cindy J. Miller
Chief Executive Officer
Stericycle, Inc.

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification

Janet H. Zelenka
Chief Financial Officer

I, Janet H. Zelenka, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stericycle, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ JANET H. ZELENKA

Janet H. Zelenka
Executive Vice President, Chief Financial Officer & Chief Information Officer
Stericycle, Inc.

Exhibit 32

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Stericycle, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) we, Cindy J. Miller, Chief Executive Officer of the registrant, and Janet H. Zelenka, Chief Financial Officer of the registrant, certify as follows:

(a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ CINDY J. MILLER
Cindy J. Miller
Chief Executive Officer
Stericycle, Inc.

/s/ JANET H. ZELENKA
Janet H. Zelenka
Executive Vice President, Chief Financial Officer & Chief Information Officer
Stericycle, Inc.