

# Investor Presentation

## Third Quarter 2022 Results

November 3, 2022



# 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, energy, 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, labor shortages, a recession or economic disruption in the U.S. and other countries resulting from the COVID-19 virus or otherwise, 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, rising interest rates or a downgrade in our credit rating resulting in an increase in interest expense, political, economic, inflationary and other risks related to our foreign operations, 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, 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, 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, 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.

## Stericycle's Key Business Priorities

- Quality of Revenue
- Operational Efficiency, Modernization and Innovation
- ERP Implementation
- Debt Reduction and Leverage Improvement
- Portfolio Optimization

# Q3 2022 Key Business Highlights

- Organic revenue grew 10.9%, with SID growing 32.3% and RWCS growing 2.2%
- Adjusted EBITDA<sup>(1)</sup> improved 130 basis points compared to Q2 2022 primarily from pricing actions
- Adjusted EPS<sup>(1)</sup> improved \$0.21 compared to Q3 2021 and \$0.17 compared to Q2 2022
- Net cash from operating activities was \$61.5 million, a \$41.1 million improvement from Q2 2022

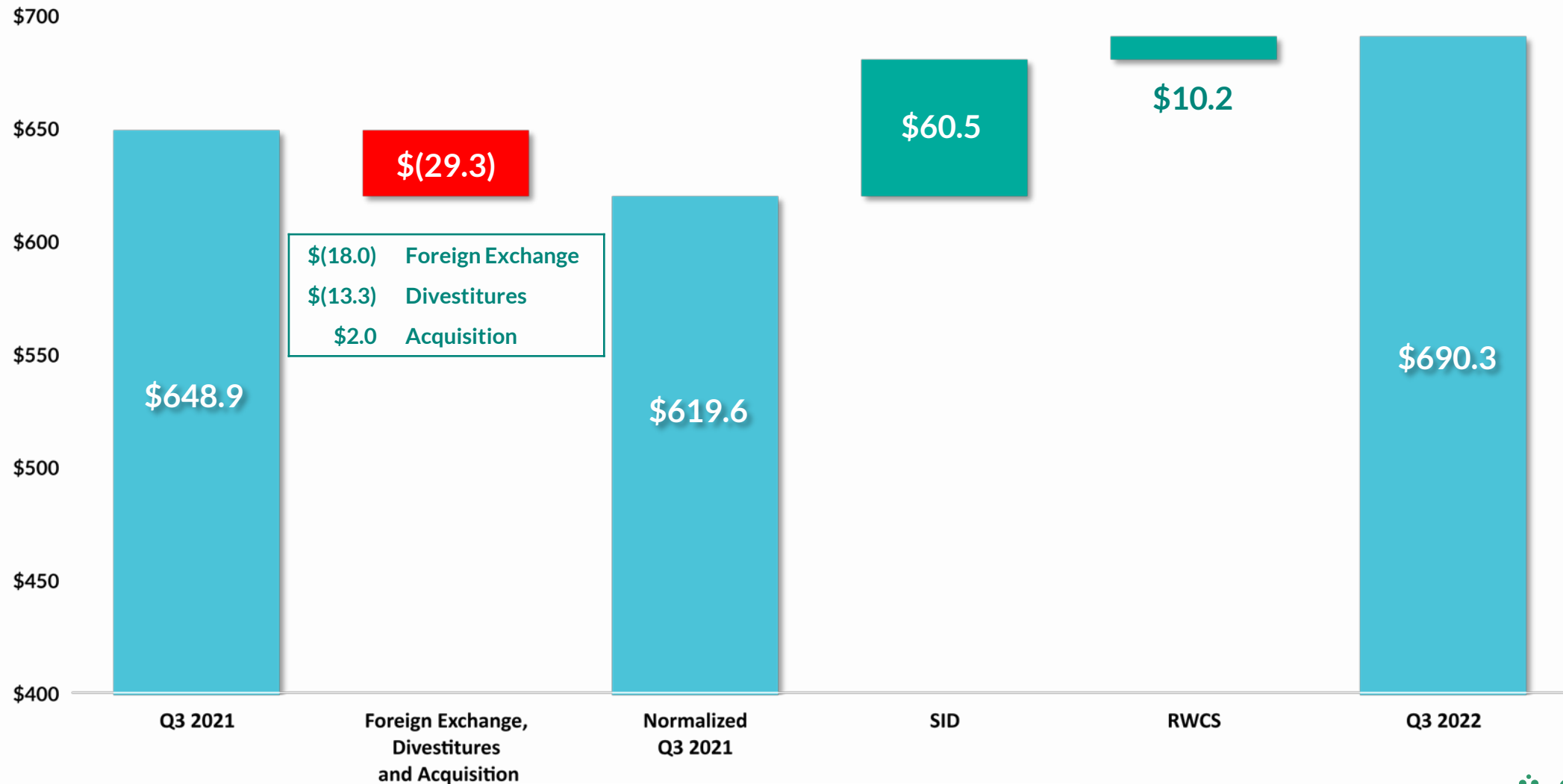
(\$ millions except for EPS)	Three Months Ended September 30, 2022
Revenues	\$690.3
Income from Operations	\$50.6
Adjusted Income from Operations <sup>(1)</sup>	\$92.0
Diluted Earnings per Share	\$0.30
Adjusted Diluted Earnings per Share <sup>(1)</sup>	\$0.65
(\$ millions)	Nine Months Ended September 30, 2022
Net Cash from Operating Activities	\$43.1
Free Cash Flow <sup>(2)</sup>	\$(62.9)

<sup>(1)</sup> Reconciliation of Adjusted Earnings Before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA"), Adjusted Income from Operations and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.

<sup>(2)</sup> Free cash flow is calculated as Net cash from operating activities less Capital expenditures.

# Q3 2022 Revenue Bridge

\$ millions



# Q3 2022 Revenues Changes by Service and Segment Compared to Q3 2021

	Three Months Ended September 30,							
	In millions				Components of Change (%) <sup>(1)</sup>			
	2022	2021	Change (\$)	Change (%)	Organic Growth <sup>(2)</sup>	Acquisition	Divestitures	Foreign Exchange <sup>(3)</sup>
Revenue by Service								
Regulated Waste and Compliance Services	\$ 447.8	\$ 461.7	\$ (13.9)	(3.0)%	2.2%	0.4%	(2.9)%	(2.8)%
Secure Information Destruction Services	242.5	187.2	55.3	29.5%	32.3%	-%	-%	(2.8)%
Total Revenues	<u>\$ 690.3</u>	<u>\$ 648.9</u>	<u>\$ 41.4</u>	6.4%	10.9%	0.3%	(2.0)%	(2.8)%
North America								
Regulated Waste and Compliance Services	\$ 369.7	\$ 365.4	\$ 4.3	1.2%	3.2%	0.6%	(2.4)%	(0.2)%
Secure Information Destruction Services	215.1	158.5	56.6	35.7%	36.1%	-%	-%	(0.5)%
Total North America Segment	<u>\$ 584.8</u>	<u>\$ 523.9</u>	<u>\$ 60.9</u>	11.6%	13.2%	0.4%	(1.7)%	(0.2)%
International								
Regulated Waste and Compliance Services	\$ 78.1	\$ 96.3	\$ (18.2)	(18.9)%	(1.5)%	-%	(4.5)%	(12.8)%
Secure Information Destruction Services	27.4	28.7	(1.3)	(4.5)%	11.0%	-%	-%	(15.5)%
Total International Segment	<u>\$ 105.5</u>	<u>\$ 125.0</u>	<u>\$ (19.5)</u>	(15.6)%	1.3%	-%	(3.5)%	(13.3)%

<sup>(1)</sup> Components of Change (%) in summation may not cross foot to the total Change (%) due to rounding.

<sup>(2)</sup> Organic growth is the change in revenues which includes SOP (sorted office paper) pricing and volume and excludes the impact of divestitures, an acquisition, and foreign exchange.

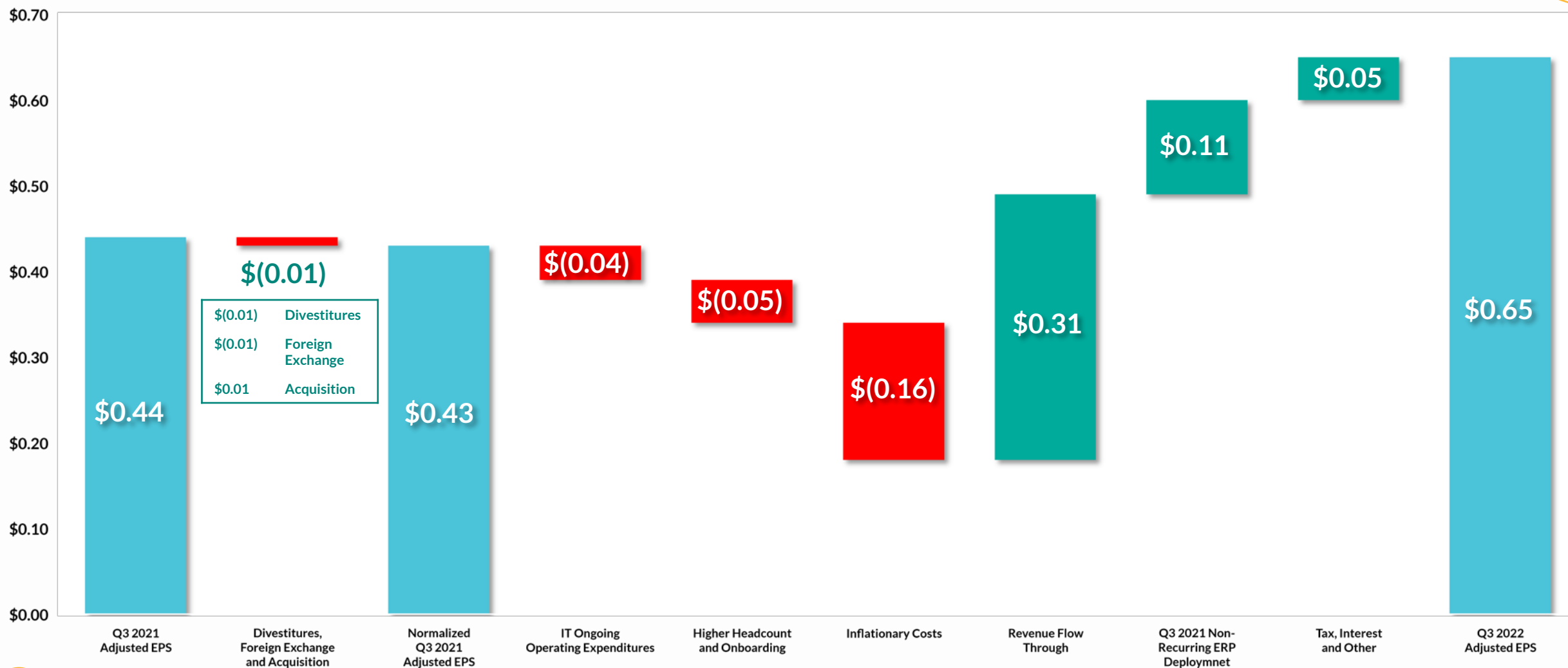
<sup>(3)</sup> Foreign Exchange is change in revenues attributed to effects of foreign currency exchange rates.

# Q3 2022 Financial Performance

(\$ millions except for EPS)	Three Months Ended September 30,	
	2022	2021
Revenues	\$690.3	\$648.9
Income (Loss) from Operations	\$50.6	\$(50.6)
Diluted Earnings per Share	\$0.30	\$(0.72)
Adjusted Income from Operations <sup>(1)</sup>	\$92.0	\$72.5
Adjusted Diluted Earnings per Share <sup>(1)</sup>	\$0.65	\$0.44

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

# Q3 2022 Adjusted Diluted EPS Bridge





# Free Cash Flow<sup>(1)</sup> Bridge for the nine months ended September 30, 2022

(\$ millions)		
Free Cash Flow for the nine months ended September 30, 2021		\$116.4
Changes in Free Cash Flow:		
FCPA Payments <sup>(2)</sup>	(81.0)	
Timing of Vendor Payments <sup>(3)</sup>	(36.2)	
Increase in Days Sales Outstanding (DSO) <sup>(4)</sup>	(30.3)	
Higher Interest Payments <sup>(5)</sup>	(9.3)	
Other	(2.3)	
Timing of Capital Expenditures	(20.2)	
Year-over-year change in Free Cash Flow		(179.3)
Free Cash Flow for the nine months ended September 30, 2022		\$(62.9)

<sup>(1)</sup> Free Cash Flow is calculated as Net cash from operating activities less Capital expenditures.

<sup>(2)</sup> Changes in Accrued Liabilities was primarily driven by the payments of \$81 million for the FCPA settlement paid in the second and third quarter of 2022.

<sup>(3)</sup> Changes in Accounts Payable was primarily due to lower vendor payments in 2021 compared to a more normalized vendor payment volume in 2022.

<sup>(4)</sup> Changes in Accounts Receivable was primarily driven by a four day increase in DSO, primarily driven by the timing of North America SID customer billing and subsequent collections as discussed in the prior periods and higher revenues in the third quarter.

<sup>(5)</sup> Approximately \$7 million reflects higher amount of interest paid on the \$500 million Senior Notes that we issued in November 2020 due to 8 months of bond interest payments in 2021 compared to 12 months in 2022. The remaining \$2.3 million was mostly due to higher interest rates.

# Liquidity and Debt Leverage

	As of September 30, 2022	As of December 31, 2021
Net Debt <sup>(1)</sup>	\$1,636.8	\$1,568.1
Credit Agreement Defined Debt Leverage Ratio	3.76X	3.61X
Unused Portion of the Revolving Credit Facility	\$822.6	\$881.5

<sup>(1)</sup> Net debt is calculated as total debt less cash and cash equivalents as defined by our Credit Agreement.

- The amended credit agreement allows add backs to EBITDA related to the FCPA settlement when calculating the credit agreement defined debt leverage ratio as of September 30, 2022.
- For additional information, see *Note 5 – Long-Term Debt* in the Form 10-Q for the quarter ended September 30, 2022.

# 2022 Guidance\*

We expect the following:

Organic Revenue Growth <sup>(1)</sup>	5 to 7 percent on a base of \$2.60 billion
Adjusted EPS <sup>(2)(3)(4)(5)</sup>	\$2.00 to \$2.15
Free Cash Flow <sup>(6)(7)</sup>	\$80-\$100 million
Capital Expenditures	\$125-\$135 million

<sup>(1)</sup> Organic revenue base of \$2.60 billion represents 2021 revenues normalized for revenues from businesses divested in 2021.

<sup>(2)</sup> Assumes foreign exchange rates as of September 30, 2022, with an expected unfavorable impact of \$0.05 to prior year.

<sup>(3)</sup> Assumes increased interest rates with an expected unfavorable impact of \$0.04 to prior year.

<sup>(4)</sup> Net operating results assumes SOP recycling revenue per ton market price as of September 30, 2022.

<sup>(5)</sup> Assumes adjusted effective tax rate remains in the range of 25% to 28%.

<sup>(6)</sup> Assumes payments of approximately \$90 million, up from \$80 million, for the FCPA settlement in 2022, as we believe the originally forecasted 2023 payments of \$10 million will now be made in 2022.

<sup>(7)</sup> Excludes other adjusted litigation items accrued for in 2022 which we anticipate being paid in the fourth quarter and would reduce free cash flow by approximately \$16 million.

\*Forward Looking Statements. Please refer to the Safe Harbor Statement on Slide 2. This guidance is based on currently known items and certain business assumptions, including assumptions with respect to foreign exchange rates and estimates for SOP pricing. This guidance also excludes future acquisitions, divestitures, litigation and monitoring costs. For guidance purposes, it is not possible to predict or provide without unreasonable effort a reconciliation reflecting the impact of future acquisitions, divestitures, certain litigation, settlements and regulatory compliance matters (including monitoring costs), uncertain tax matters, certain other items or other unanticipated events, which would be included in reported (U.S. GAAP) results and could be material.

# Long-Term Outlook\*

We expect the following:

## 3 – 5 % CAGR

Five-year compounded annual rate of 3 to 5 percent with 2020 as the base year

## \$400 million in Free Cash Flow

Generate at least \$400 million in annual free cash flow between 2024 and 2025, primarily driven by operating margin expansion

## Debt Leverage <3.0X

Achieve a credit agreement defined debt leverage ratio below 3 times by early 2023

*\*Forward Looking Statements. Please refer to the Safe Harbor Statement on Slide 2. This outlook is based on currently known items and certain business assumptions, including assumptions with respect to foreign exchange rates and estimates for SOP pricing. This outlook also excludes future acquisitions, divestitures, litigation and monitoring costs.*



# Appendix



# Non-GAAP Financial Measures

The Non-GAAP financial measures contained in this document are reconciled to the most comparable measures calculated in accordance with U.S. GAAP. Management believes the Non-GAAP financial measures are useful measures of Stericycle's performance because they provide additional information about Stericycle's operations and exclude certain specified items, allowing better evaluation of underlying business performance and better period-to-period comparability. Additionally, the Company uses such Non-GAAP financial measures in evaluating business unit and management performance. All Non-GAAP financial measures are intended to supplement the applicable U.S. GAAP measures and should not be considered in isolation from, or a replacement for, financial measures prepared in accordance with U.S. GAAP and may not be comparable to or calculated in the same manner as Non-GAAP financial measures published by other companies. Please see Stericycle's Current Report on Form 8-K furnished to the SEC on the date hereof for more information regarding these Non-GAAP financial measures. For guidance purposes, it is not possible to predict or provide without unreasonable effort a reconciliation reflecting the impact of future acquisitions, divestitures, certain litigation, settlements and regulatory compliance matters (including monitoring costs), uncertain tax matters, certain other items or other unanticipated events, which would be included in reported (U.S. GAAP) results and could be material.

# Reconciliation of U.S. GAAP to Adjusted Q3 2022 Financial Measures

(In millions, except per share data)

	Three Months Ended September 30, 2022			
	Selling, General and Administrative Expenses	Income from Operations	Net Income Attributable to Common Shareholders	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 215.6	\$ 50.6	\$ 28.0	\$ 0.30
<b>Adjustments:</b>				
ERP Implementation	(3.9)	3.9	3.0	0.04
Intangible Amortization	(31.5)	31.5	24.3	0.26
Portfolio Optimization	(1.4)	1.4	1.0	0.01
Litigation, Settlements and Regulatory Compliance	(2.6)	2.6	2.0	0.02
Asset Impairments	(2.0)	2.0	1.5	0.02
Total Adjustments	(41.4)	41.4	31.8	0.35
<b>Adjusted Financial Measures</b>	<b>\$ 174.2</b>	<b>\$ 92.0</b>	<b>\$ 59.8</b>	<b>\$ 0.65</b>
Depreciation		27.3		
<b>Adjusted EBITDA</b>		<b>\$ 119.3</b>		

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2022 issued on November 3, 2022.



# Reconciliation of U.S. GAAP to Adjusted Q2 2022 Financial Measures

(In millions, except per share data)

	Three Months Ended June 30, 2022			
	Selling, General and Administrative Expenses	Income from Operations	Net Income Attributable to Common Shareholders	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 222.4	\$ 38.1	\$ 10.5	\$ 0.11
<b>Adjustments:</b>				
ERP Implementation	(3.5)	3.5	2.6	0.03
Intangible Amortization	(30.8)	30.8	23.9	0.26
Portfolio Optimization	-	-	-	-
Litigation, Settlements and Regulatory Compliance	(9.6)	9.6	7.1	0.08
Other Tax Matter	-	-	-	-
Total Adjustments	(43.9)	43.9	33.6	0.37
<b>Adjusted Financial Measures</b>	<b>\$ 178.5</b>	<b>\$ 82.0</b>	<b>\$ 44.1</b>	<b>\$ 0.48</b>
Depreciation		27.0		
<b>Adjusted EBITDA</b>		<b>\$ 109.0</b>		

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2022 issued on November 3, 2022.



# Reconciliation of U.S. GAAP to Adjusted Q3 2021 Financial Measures

(In millions, except per share data)

	Three Months Ended September 30, 2021			
	Selling, General and Administrative Expenses	Income from Operations	Net Income Attributable to Common Shareholders	Diluted Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 279.4	\$ (50.6)	\$ (66.0)	\$ (0.72)
<b>Adjustments:</b>				
ERP Implementation	(14.6)	14.6	10.9	0.12
Intangible Amortization	(29.2)	29.2	22.6	0.25
Portfolio Optimization	(1.3)	12.2	7.5	0.08
Litigation, Settlements and Regulatory Compliance	(67.1)	67.1	65.5	0.71
Asset Impairments	-	-	-	-
Total Adjustments	(112.2)	123.1	106.5	1.16
<b>Adjusted Financial Measures</b>	<b>\$ 167.2</b>	<b>\$ 72.5</b>	<b>\$ 40.5</b>	<b>\$ 0.44</b>
Depreciation		27.4		
<b>Adjusted EBITDA</b>		<b>\$ 99.9</b>		

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2022 issued on November 3, 2022.

# Contact Us

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