

STERICYCLE INVESTOR PRESENTATION

# Third Quarter 2019 Earnings Results

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October 31, 2019

Nasdaq: **SRCL**



# Safe Harbor Statement

This document may contain forward-looking statements. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of our management about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Factors that could cause such differences include, among others, SOP pricing volatility, foreign exchange rate volatility in the jurisdictions in which we operate, the volume and size of any recall events, changes in governmental regulation of the collection, transportation, treatment and disposal of regulated waste or the proper handling and protection of personal and confidential information, the level of government enforcement of regulations governing regulated waste collection and treatment or the proper handling and protection of personal and confidential information, decreases in the volume of regulated wastes or personal and confidential information collected from customers, the ability to implement our ERP system or execute on Business Transformation initiatives and achieve the anticipated benefits and cost savings, charges related to the portfolio rationalization strategy or the failure of this strategy to achieve the desired results, failure to consummate strategic alternative transactions with respect to non-core businesses, the obligations to service substantial indebtedness and comply with the covenants and restrictions contained in our credit agreements and notes, a downgrade in our credit rating resulting in an increase in interest expense, political, economic, inflationary and other risks related to our foreign operations, the outcome of pending or future litigation or investigations including with respect to the U.S. Foreign Corrupt Practices Act, changing market conditions in the healthcare industry, competition and demand for services in the regulated waste and secure information destruction industries, failure to maintain an effective system of internal control over financial reporting, delays or failures in implementing remediation efforts with respect to existing or future material weaknesses, disruptions in or attacks on information technology systems, as well as other factors described in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K and subsequent Quarterly Reports on Forms 10-Q. As a result, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate future results or trends. We disclaim any obligation to update or revise any forward-looking or other statements contained herein other than in accordance with legal and regulatory obligations.

## Key Business Highlights

- Stericycle announced important progress on its portfolio rationalization as it divested non-core operations in Mexico and two service lines within Communication and Related Services during October.
- Organic revenue in core businesses showed continued strength with 6.1% organic growth in Secure Information Destruction excluding the impact of sorted office paper pricing and 1.6% organic growth in Regulated Waste and Compliance Services.
- Positive free cash flow for the quarter was \$77.2 million, bringing the year to date total to \$40.0 million. This enabled a net debt reduction of approximately \$83.0 million, the largest decrease since the third quarter of 2017.

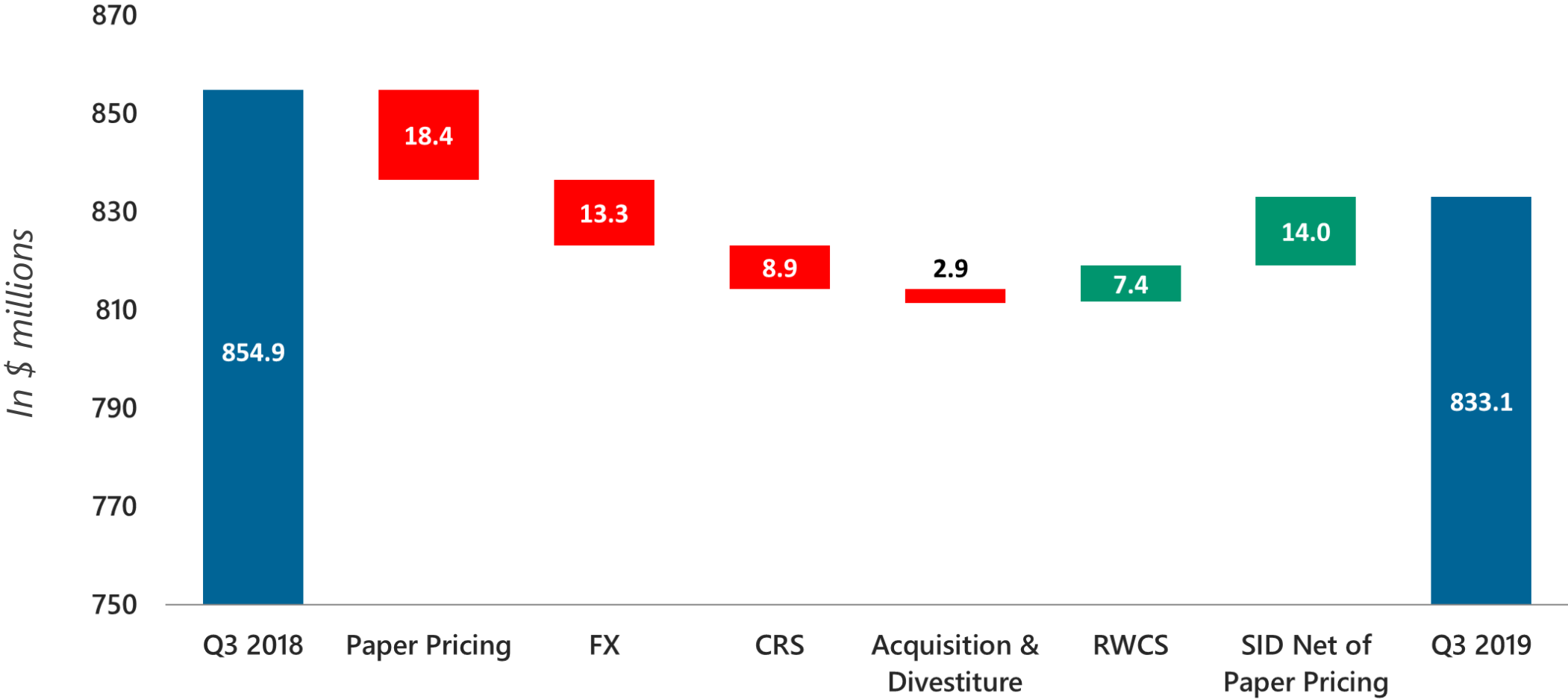
## 2019 Priorities

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

## Q3 2019 Global Revenues by Service Compared to Same Quarter Prior Year

	<i>In \$ millions</i>				<i>Components of Change (%)</i>			
	2019	2018	Change (\$)	Change (%)	Organic	Acquisitions	Divestitures	Foreign Exchange
<b>Revenues by Service</b>								
Regulated Waste and Compliance Services	\$ 474.9	\$ 476.6	\$ (1.7)	(0.4 %)	1.6 %	–	(0.2 %)	(1.8 %)
Secure Information Destruction Services ("SID")	222.6	227.6	(5.0)	(2.2 %)	(2.0 %)	0.6 %	–	(0.8 %)
<i>SID Organic Growth Net of Paper Pricing Impact</i>					6.1 %			
Communication and Related Services	58.9	71.6	(12.7)	(17.7 %)	(12.4 %)	–	(5.0 %)	(0.3 %)
Manufacturing and Industrial Services	76.7	79.1	(2.4)	(3.0 %)	0.4 %	–	–	(3.4 %)
<b>Total Revenues</b>	<b>\$ 833.1</b>	<b>\$ 855</b>	<b>\$ (21.8)</b>	<b>(2.6 %)</b>	<b>(0.7 %)</b>	<b>0.2 %</b>	<b>(0.5 %)</b>	<b>(1.6 %)</b>

# Q3 2019 Revenue Bridge



# Q3 2019 Factors Driving Revenue

## REGULATED WASTE AND COMPLIANCE SERVICES

- Revenues of \$474.9 million compared to \$476.6 million in Q3 2018.
- Excluding foreign exchange, organic growth was 1.6%, slightly higher growth than last quarter.
- Growth reflects positive performance in medical waste and healthcare hazardous waste across the hospital portion of our business and internationally.

## COMMUNICATION AND RELATED SERVICES

- Revenues of \$58.9 million, compared to \$71.6 million in Q3 2018.
- This largely reflects fewer recall events and lower revenue due to the Q1 2019 divestiture of the U.K. texting business.

## SECURE INFORMATION DESTRUCTION

- Revenues of \$222.6 million compared to \$227.6 million in Q3 2018.
- Excluding the impact of foreign exchange rates and acquisitions, organic revenue growth was (2.0%).
- When backing out the impact of declining SOP prices, organic revenue growth was a healthy 6.1%.

## MANUFACTURING AND INDUSTRIAL SERVICES

- Revenues of \$76.7 million, compared to \$79.1 million in Q3 2018.
- This reflects slight organic growth of 0.4% driven by international performance, which was offset by the impact of foreign exchange rates.

## Q3 2019 Financial Performance

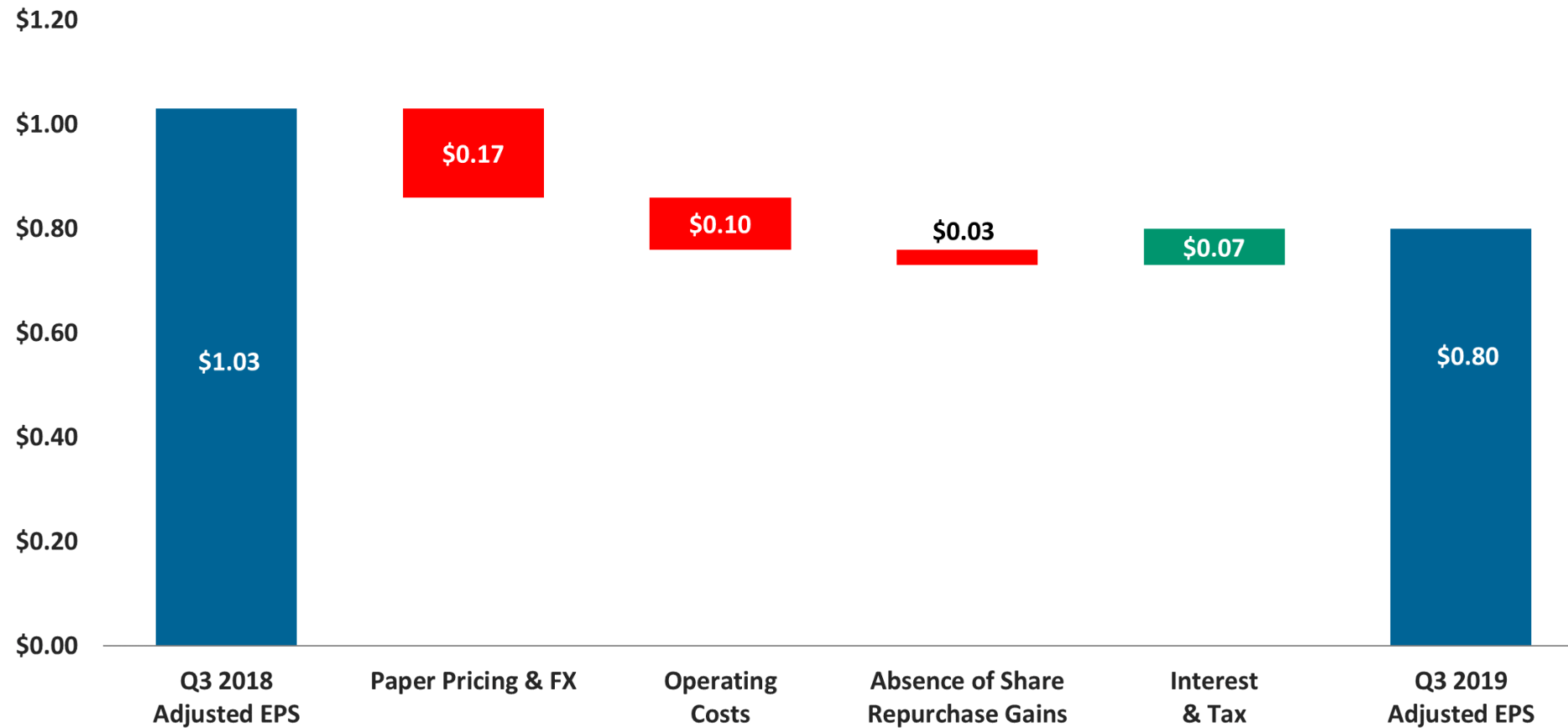
<i>(\$ in millions except for EPS)</i>	Q3 2019	Q3 2018
Revenues	\$833.1	\$854.9
(Loss) Income from Operations	(\$ 34.5) <sup>(1)</sup>	\$ 68.3
U.S. GAAP Diluted (Loss) Earnings per Share	(\$0.65)	\$0.20
Adjusted EBITDA <sup>(2)</sup>	\$150.5	\$183.9
Adjusted Diluted EPS <sup>(2)</sup>	\$0.80	\$1.03

<sup>(1)</sup> Excluding non-cash impairment charges of \$82.4 million related to the three divestitures, income from operations was \$47.9 million.

<sup>(2)</sup> Reconciliation of Adjusted EBITDA and Adjusted Diluted EPS to their respective U.S. GAAP measures can be found in the appendix of this presentation.



# Q3 2019 Adjusted Diluted EPS\* Bridge



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

## Balance Sheet and Cash Flow

<i>Balance Sheet (\$ in millions)</i>	As of September 30, 2019	As of December 31, 2018
Current Portion of Long-Term Debt	\$111.9	\$104.3
Long-Term Portion of Debt*	\$2,632.2	\$2,674.4
Cash Balance	\$30.8	\$34.3
Net Debt*	\$2,713.3	\$2,744.4
Net Debt to Adjusted EBITDA*	4.41X	3.64X

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

<i>Cash Flow (\$ in millions)</i>	Year-to-Date 2019	Year-to-Date 2018
Cash from Operations	\$201.2	\$89.9
Free Cash Flow	\$40.0	(\$7.0)
Capital Expenditures	(\$161.2)	(\$96.9)
Days Sales Outstanding ( <i>as of September 30, 2019</i> )	61 days <sup>(1)</sup>	63 days

<sup>(1)</sup>DSO of 61 days includes the benefit of reclassifying receivables to assets held for sale; excluding divestitures DSO was 63 days.

# 2019 Full-Year Guidance

**\$3,300 – \$3,335** Million

Global Revenue

**\$575 – \$595** Million

Adjusted EBITDA\*

**\$2.55 – \$2.70**

Adjusted Diluted EPS\*

**\$50** Million

Free Cash Flow Minimum

## Key Assumptions and Considerations

- Updated to reflect the impact of removing three divestitures closed in October
- Current foreign exchange rates and estimates for SOP pricing
- Excludes any future divestitures
- Capital expenditures in the range of \$180 million to \$200 million

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

# Appendix

## Non-GAAP Financial Measures

The Non-GAAP financial measures contained in this document are reconciled to the most comparable measures calculated in accordance with U.S. GAAP. Management believes the Non-GAAP financial measures are useful measures of Stericycle's performance because they provide additional information about Stericycle's operations and exclude certain specified items, allowing better evaluation of underlying business performance and better period-to-period comparability. Additionally, the Company uses such Non-GAAP financial measures in evaluating business unit and management performance. All Non-GAAP financial measures are intended to supplement the applicable U.S. GAAP measures and should not be considered in isolation from, or a replacement for, financial measures prepared in accordance with U.S. GAAP and may not be comparable to, or calculated in the same manner as Non-GAAP financial measures published by other companies. Please see Stericycle's Current Report on Form 8-K furnished to the SEC on the date hereof for more information regarding these Non-GAAP financial measures.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA) is Income from operations excluding certain specified items, Depreciation and Intangible Amortization.

# Reconciliation of U.S. GAAP to Adjusted Q3 2019 Financial Measures

(In millions, except per share data)

	Three Months Ended September 30, 2019				
	Gross Profit	Selling, General and Administrative Expenses	(Loss) Income from Operations	Net (Loss) Income Attributable to Common Shareholders	Diluted (Loss) Earnings Per Share
<b>U.S. GAAP Financial Measures</b>	\$ 295.3	\$ 247.4	\$ (34.5)	\$ (59.2)	\$ (0.65)
<b>Adjustments:</b>					
Business Transformation	0.1	(17.0)	17.1	12.7	0.14
Intangible Amortization	-	(35.8)	35.8	28.5	0.31
Acquisition and Integration	-	(1.6)	1.6	1.5	0.02
Operational Optimization	3.8	(0.1)	3.9	3.3	0.04
Divestitures and Held-for-Sale Impairments	-	(2.9)	85.3	75.7	0.83
Litigation, Settlements and Regulatory Compliance	-	(2.4)	2.4	2.4	0.03
Impairment (including Goodwill Impairment)	-	-	-	-	-
Other	-	(7.2)	7.2	7.6	0.08
Capital Allocation	-	-	-	-	-
U.S. Tax Reform	-	-	-	-	-
<b>Total Adjustments</b>	<b>3.9</b>	<b>(67.0)</b>	<b>153.3</b>	<b>131.7</b>	<b>1.45</b>
<b>Adjusted Financial Measures</b>	<b>\$ 299.2</b>	<b>\$ 180.4</b>	<b>\$ 118.8</b>	<b>\$ 72.5</b>	<b>\$ 0.80</b>

For more details on adjusted items, please see Stericycle's earnings press release for Q3 2019 issued on October 31, 2019.

# Reconciliation of U.S. GAAP to Adjusted Q3 2019 Financial Measures

<b>(In millions)</b>	<b>Three Months Ended September 30,</b>	
	<b>2019</b>	
<b>(Loss) income from operations</b>	<b>\$</b>	<b>(34.5)</b>
Depreciation		<b>31.7</b>
Intangible Amortization		<b>35.8</b>
<b>EBITDA</b>		<b>33.0</b>
<b>Adjustments:</b>		
Business Transformation		17.1
Acquisition and Integration		1.6
Operational Optimization		3.9
Divestitures and Held-for-Sale Impairments		85.3
Litigation, Settlements and Regulatory Compliance		2.4
Impairment (including Goodwill Impairment)		-
Other		7.2
Capital Allocation		-
U.S. Tax Reform		-
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>150.5</b>

*For more details on adjusted items, please see Stericycle's earnings press release for Q3 2019 issued on October 31, 2019.*