

# Second Quarter 2022 Investor Review

August 3, 2022



 **safety-kleen**  
A Clean Harbors Company

 **HPC** **INDUSTRIAL**  
POWERED BY CLEAN HARBORS



THREE INDUSTRY LEADERS UNITED INTO ONE COMPANY

# Forward Looking Statements and GAAP Disclaimer

These slides contain (and the accompanying oral discussion will contain) forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "seeks," "should," "estimates," "projects," "may," "likely" or similar expressions. Such statements may include, but are not limited to, statements about future financial and operating results, the Company's plans, objectives, expectations and intentions and other statements that are not historical facts. Forward-looking statements are neither historical facts nor assurances of future performance. Such statements are based upon the beliefs and expectations of Clean Harbors' management as of this date only and are subject to certain risks and uncertainties that could cause actual results to differ materially, including, without limitation, those items identified as "Risk Factors," disclosed in our periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K filed on February 23, 2022. Therefore, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Clean Harbors undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements other than through its filings with the SEC, which may be viewed in the "Investors" section of the Clean Harbors website.

## Statement Regarding use of Non-GAAP Measures:

Adjusted EBITDA, adjusted free cash flow, adjusted net income and adjusted earnings per share, as presented in these slides, are non-GAAP financial measures and should not be considered alternatives to other measurements under generally accepted accounting principles (GAAP), but viewed only as a supplement to those measurements. These non-GAAP measures are not calculated identically by all companies. Therefore, our measurements of Adjusted EBITDA, adjusted free cash flow, adjusted net income (loss) and adjusted earnings (loss) per share are clearly defined and may not be comparable to similarly titled measures reported by other companies. We believe that Adjusted EBITDA provides additional useful information to investors since our loan covenants are based upon levels of Adjusted EBITDA achieved and the fact that management routinely evaluates the performance of its businesses based upon levels of Adjusted EBITDA. We believe adjusted free cash flow provides useful information to investors about our ability to generate cash. We believe adjusted net income (loss) and adjusted earnings (loss) per share provide useful information about our performance excluding non-recurring or extraordinary items.

Adjusted EBITDA consists of net income (loss) plus accretion of environmental liabilities, stock-based compensation, depreciation and amortization, net interest expense, loss on early extinguishment of debt, provision for income taxes and excludes other gains, losses and non-cash charges not deemed representative of fundamental segment results and other (income) expense, net. Adjusted free cash flow consists of net cash from operating activities excluding cash impacts of items derived from non-operating activities, such as taxes paid in connection with divestitures, less additions to property, plant and equipment plus proceeds from sale of fixed assets. All amounts in USD unless otherwise noted.

For a reconciliation of net income to Adjusted EBITDA and adjusted net income, a reconciliation of net income per share to adjusted earnings per share and a reconciliation of net cash from operating activities to adjusted free cash flow, please refer to the appendix of this presentation.

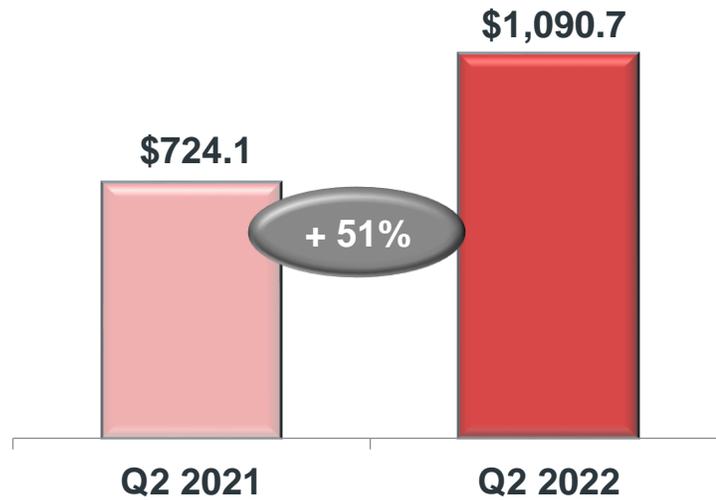
## Summary of Q2 Results

- Revenue of \$1.36B – ahead of expectations; Up 46% YoY reflecting the addition of HPC, organic growth and pricing to offset inflation
- GAAP EPS of \$2.71 and Adjusted EPS\* of \$2.44
- Adjusted EBITDA\* increased 65% to \$309.1M; Adjusted EBITDA margin of 22.8%
- Adjusted free cash flow\* was \$94.6 million compared with \$114.6 million in Q2'21
- Environmental Services segment benefited from strong demand across our disposal network and all service businesses, along with contributions from HPC
- Safety-Kleen Sustainability Solutions segment delivered record performance due to effective base oil spread management while benefitting from favorable market pricing dynamics
- Corporate segment up YoY due to HPC costs, along with wage and benefits cost increases partially offset by synergies and expense reduction initiatives

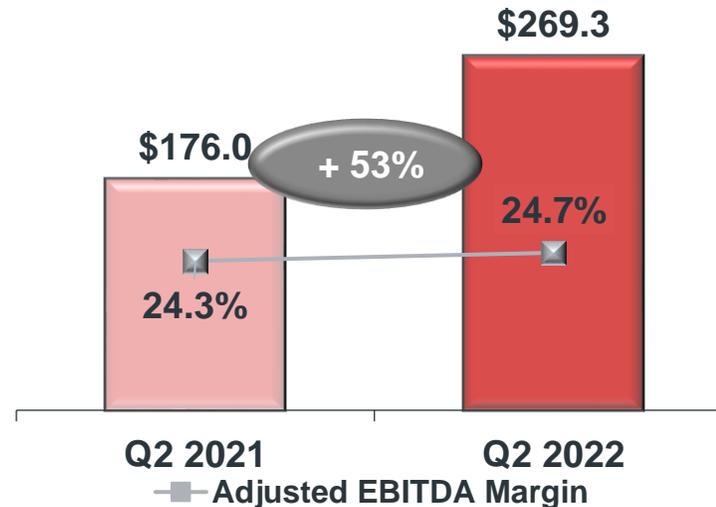
\* For a reconciliation of non-GAAP measures to its nearest GAAP equivalent, please refer to the appendix in this presentation.

# Environmental Services

**Revenue**  
(in millions)



**Adjusted EBITDA\***  
(in millions)

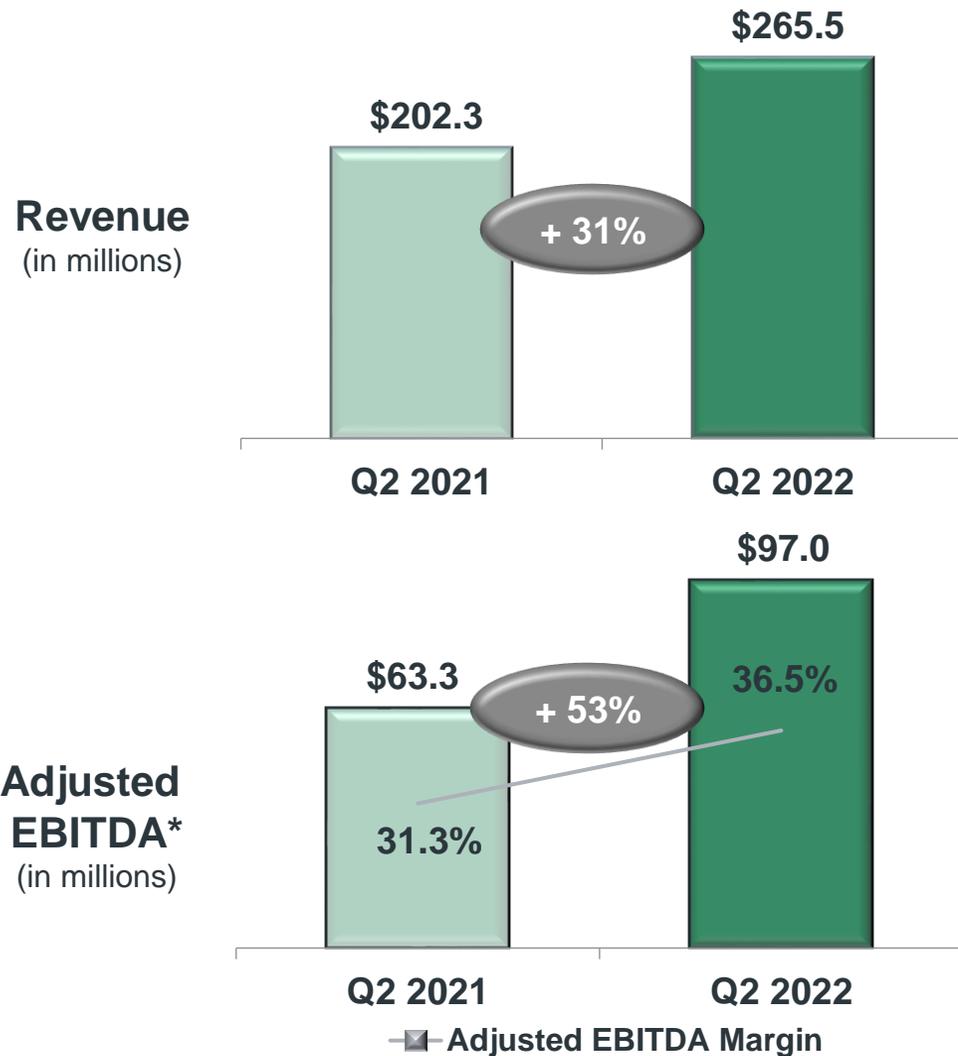


## Q2 Performance

- Revenue up substantially YoY due to combination of HPC acquisition with strong organic growth
- Adjusted EBITDA grew primarily due to higher revenue. Margins up YoY as pricing offset inflation and cost reduction/productivity improvements drove profitability
- Incinerator utilization was 90% vs. 87% a year ago. Average price up 18% from Q2'21, primarily due to growing supply of high value waste streams
- Landfill tonnage was up 36% YoY as we saw a strong pick up in project volumes; Average price per ton down 15% due to mix
- \$5M from decontamination response work vs. \$11M a year ago
- Performed 239K parts washer services vs 240K a year ago; SK core branch offerings continuing to perform well as demand has reached pre-pandemic levels

\* For a reconciliation of Adjusted EBITDA to net income, please refer to the appendix in this presentation.

# Safety-Kleen Sustainability Solutions



## Q2 Performance

- Revenue up sharply due to pricing of base oil, blended products and byproducts vs a year ago
- Adjusted EBITDA and margin improvement driven by higher pricing, along with effective spread management of waste oil collection costs
- Gathered 60 million gallons of waste oil, compared with 57 million in Q2'21; as expected, average collection costs are higher than a year ago due to base oil pricing and energy value of waste oil
- Blended products were in-line with expectations given base oil demand. Blended products accounted for 19% of volume compared with 21% a year ago; direct volume was 7% in the quarter, compared with 6% in Q2 2021

\* For a reconciliation of Adjusted EBITDA to net income, please refer to the appendix in this presentation.

# Capital Allocation Strategy – Driven by ROIC



- Invest capex to drive organic growth
- Evaluate acquisition and divestiture opportunities
- Execute authorized buyback plan
- Assess current debt structure and leverage

# FINANCIAL OVERVIEW



# Q2 Income Statement

(in millions, except per share data)

	<u>Q2 2022</u>	<u>Q2 2021</u>
Revenues	\$1,356.3	\$926.5
Cost of revenues	\$898.5	\$617.9
Gross profit	\$457.8	\$308.6
<i>Gross margin %</i>	33.8%	33.3%
Selling, general and administrative expenses	\$155.6	\$124.1
<i>SG&amp;A %</i>	11.5%	13.4%
Depreciation and amortization	\$87.9	\$71.6
Income from operations	\$211.2	\$110.0
Adjusted EBITDA*	\$309.1	\$187.8
<i>Adjusted EBITDA* margin %</i>	22.8%	20.3%
Net income	\$148.2	\$67.1
Diluted earnings per share	\$2.71	\$1.22
Adjusted earnings per share*	\$2.44	\$1.19

\* Please refer to the appendix in this presentation for a reconciliation to the nearest GAAP equivalent.

# Balance Sheet Highlights

(in millions)

	<u>6/30/22</u>	<u>3/31/22</u>	<u>12/31/21</u>
Cash and short-term marketable securities	\$415.4	\$414.9	\$534.3
Accounts payable	\$409.2	\$394.2	\$359.9
Billed and unbilled receivables	\$1,139.7	\$1,024.2	\$887.7
Current and long-term debt	\$2,528.5	\$2,531.5	\$2,534.6
Environmental liabilities	\$226.7	\$225.4	\$211.0

# Cash Flow Highlights

(in millions)

	<u>Q2 2022</u>	<u>Q2 2021</u>
<b>Cash from operations</b>	<b>\$170.6</b>	<b>\$162.4</b>
<b>Capital expenditures, net of disposals</b>	<b>(\$76.0)</b>	<b>(\$47.8)</b>
<b>Adjusted free cash flow*</b>	<b>\$94.6</b>	<b>\$114.6</b>
<b>Share repurchases</b>	<b>\$30.0</b>	<b>\$18.9</b>

\* Please refer to the appendix in this presentation for a reconciliation to the nearest GAAP equivalent.

# Guidance (as of August 3, 2022)

## Full-Year 2022

*(in millions)*

	Range
<b>Net Income</b>	<b>\$355 to \$390</b>
<b>Adjusted EBITDA*</b>	<b>\$975 to \$1,005</b>
<b>Net Cash from Operating Activities</b>	<b>\$630 to \$690</b>
<b>Adjusted Free Cash Flow*</b>	<b>\$310 to \$350</b>

\* Please refer to the appendix in this presentation for a reconciliation of Adjusted EBITDA and Adjusted Free Cash Flow to the nearest GAAP equivalent.

# APPENDIX



# Non-GAAP Results Reconciliation

(in thousands, except percentages)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income	\$ 148,157	\$ 67,075	\$ 193,471	\$ 88,811
Accretion of environmental liabilities	3,197	2,873	6,353	5,826
Stock-based compensation	6,835	3,305	12,547	6,785
Depreciation and amortization	87,868	71,592	172,166	143,755
Other (income) expense, net	(1,265)	1,480	(1,969)	2,708
Gain on sale of business	(8,864)	—	(8,864)	—
Interest expense, net of interest income	26,256	18,051	51,273	35,969
Provision for income taxes	46,886	23,395	64,352	33,368
Adjusted EBITDA	\$ 309,070	\$ 187,771	\$ 489,329	\$ 317,222
Adjusted EBITDA Margin	22.8%	20.3%	19.4%	18.3%

# Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Adjusted net income</b>				
Net income	\$ 148,157	\$ 67,075	\$ 193,471	\$ 88,811
Gain on sale of business	(8,864)	—	(8,864)	—
Tax-related valuation allowances and other	(6,209)	(1,641)	(6,095)	7
Adjusted net income	<u>\$ 133,084</u>	<u>\$ 65,434</u>	<u>\$ 178,512</u>	<u>\$ 88,818</u>
<b>Adjusted earnings per share</b>				
Earnings per share	\$ 2.71	\$ 1.22	\$ 3.54	\$ 1.62
Gain on sale of business	(0.16)	—	(0.16)	—
Tax-related valuation allowances and other	(0.11)	(0.03)	(0.11)	—
Adjusted earnings per share	<u>\$ 2.44</u>	<u>\$ 1.19</u>	<u>\$ 3.27</u>	<u>\$ 1.62</u>

# Non-GAAP Results Reconciliation

(in thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Adjusted free cash flow</b>				
Net cash from operating activities	\$ 170,599	\$ 162,432	\$ 131,970	\$ 265,432
Additions to property, plant and equipment	(77,734)	(50,075)	(148,042)	(91,988)
Proceeds from sale and disposal of fixed assets	1,703	2,275	3,023	3,479
Adjusted free cash flow	\$ 94,568	\$ 114,632	\$ (13,049)	\$ 176,923

# Non-GAAP Guidance Reconciliation

(in millions)

	<b>For the Year Ending December 31, 2022</b>		
Projected GAAP net income	\$355	to	\$390
Adjustments:			
Accretion of environmental liabilities	13	to	12
Stock-based compensation	26	to	29
Depreciation and amortization	345	to	335
Gain on sale of business	(9)	to	(9)
Interest expense, net	114	to	109
Provision for income taxes	131	to	139
Projected Adjusted EBITDA	<u>\$975</u>	to	<u>\$1,005</u>

(in millions)

	<b>For the Year Ending December 31, 2022</b>		
Projected net cash from operating activities	\$630	to	\$690
Additions to property, plant and equipment	(330)	to	(350)
Proceeds from sale and disposal of fixed assets	10	to	10
Projected adjusted free cash flow	<u>\$310</u>	to	<u>\$350</u>

# Questions





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