



TECHNICAL SERVICES



SAFETY-KLEEN



INDUSTRIAL & FIELD SERVICES



OIL & GAS FIELD SERVICES



# Third Quarter 2015 Investor Review

Presented November 4, 2015

# Forward Looking Statements and GAAP Disclaimer

These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company’s customers and suppliers, competitor responses to the Company’s products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission. Such statements may include, but are not limited to, statements about the Company’s business outlook and financial guidance and other statements that are not historical facts. Consequently such forward-looking statements should be regarded as the Company’s current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

## Statement Regarding use of Non-GAAP Measures:

Adjusted EBITDA as presented in these slides, is a supplemental measure of our performance. In each case, this measure is not required by, or presented in accordance with, generally accepted accounting principles in the United States (“GAAP”). Adjusted EBITDA is not a measurement of our financial performance or financial position under GAAP and should not be considered as an alternative to net sales, net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flow from operating activities as measures of our liquidity.

Adjusted EBITDA consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for income taxes, other non-cash charges not deemed representative of our fundamental business performance, and excludes other expense (income). Our management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Because Adjusted EBITDA is not calculated identically by all companies, our measurement of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. All amounts in USD unless otherwise noted.

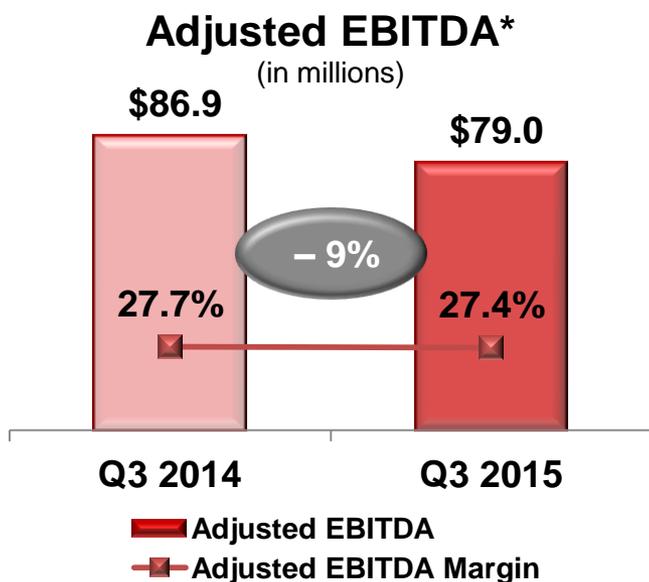
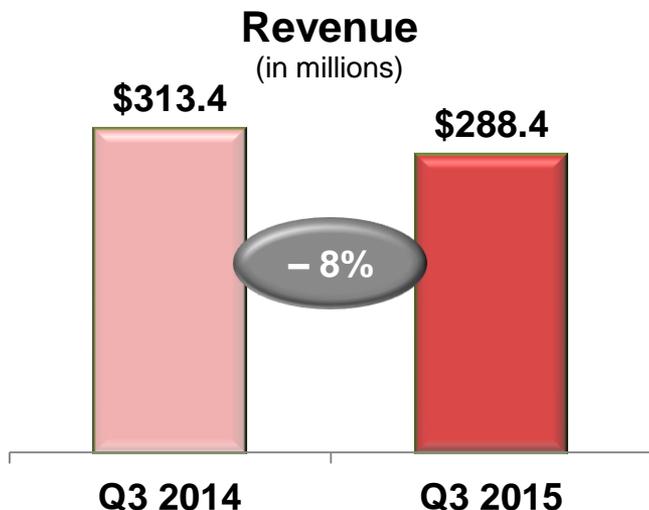
For a reconciliation of adjusted income from operations, adjusted net income, adjusted earnings per share and Adjusted EBITDA to net income, please refer to the appendix in this presentation.

# Summary of Q3 Results

- Q3 revenue was \$893.4 million, up 5% from prior year with emergency response (ER) work more than offsetting headwinds
- Q3 Adjusted EBITDA\* of \$165.6 million, an increase of 8%; Adjusted EBITDA margin of 18.5%, up 50 basis points
- Industrial & Field Services had a second consecutive quarter of considerable ER work, and strong U.S. turnaround activity
- SK Environmental achieved profitable growth through pricing and volume
- Technical Services limited by energy market slowdown, strong U.S. dollar, project delays and performance of spread businesses
- Kleen Performance Products under near-term pressure from multiple reductions in base oil pricing
- Lodging and Oil & Gas remain challenged by the energy environment, particularly in the Oil Sands region

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

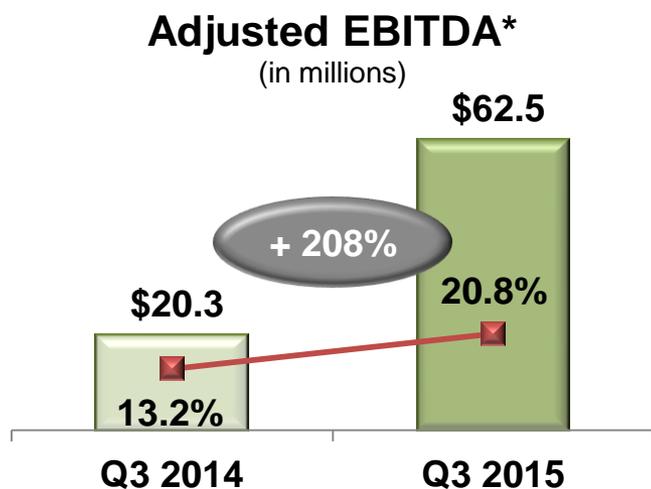
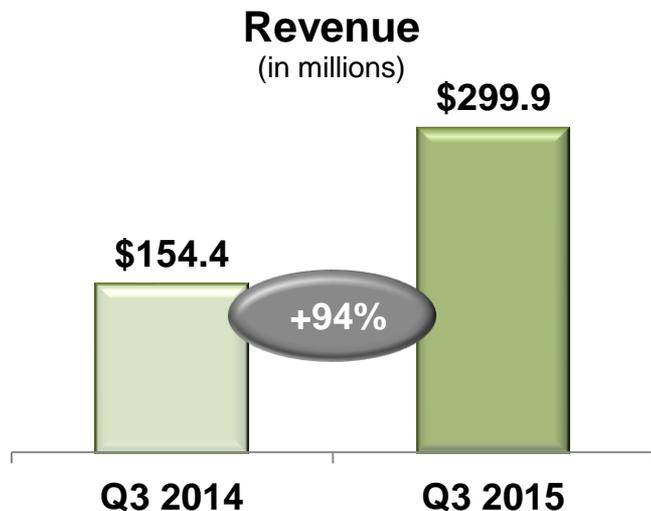




## Q3 Performance

- Revenue down slightly YoY due to lower E&P volumes, industrial production, waste project delays, reduced fuel recovery charges and currency translation, which outweighed continued gains in drum volumes and bulk solids
- Adjusted EBITDA and margins affected by same challenges, as well as our business mix in the quarter
- Incinerator utilization at 92% for quarter; 86% for U.S. and 100+% for Canada
- Landfill tonnage down 28% YoY, due to lower oil and gas production waste streams and project delays

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

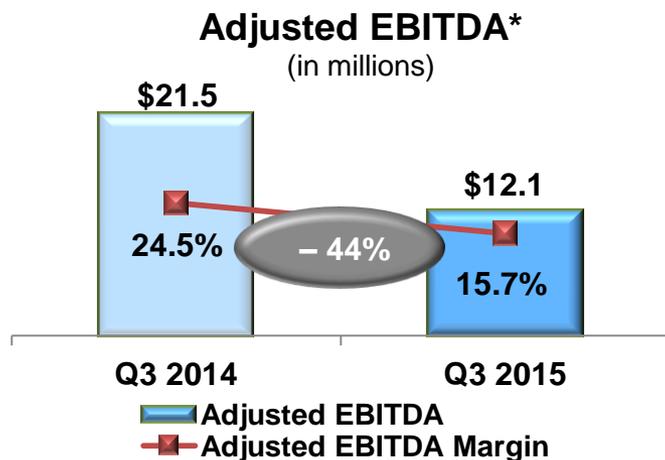
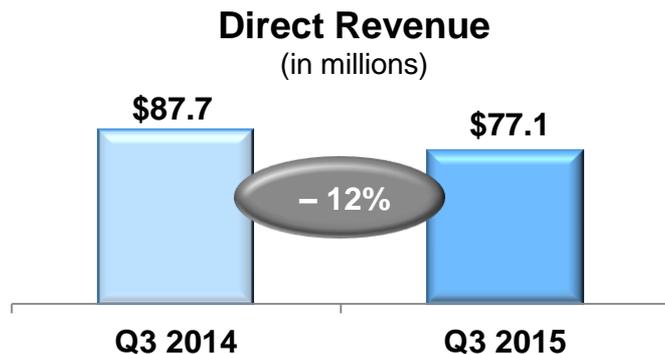
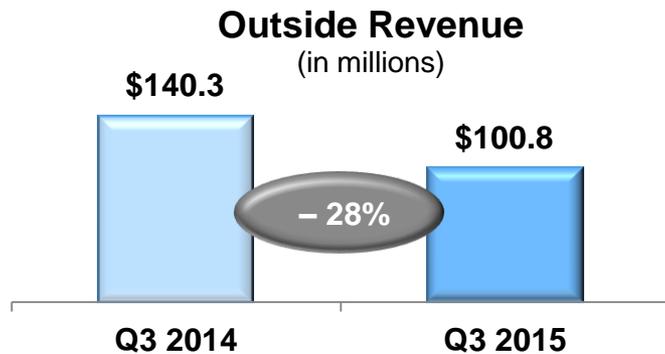


■ Adjusted EBITDA  
■ Adjusted EBITDA Margin

## Q3 Performance

- Revenue up significantly primarily due to ER work
- Base Field Services business and specialty industrial services related to U.S. turnaround activity also generated growth in the quarter
- This growth offset declines in the Oil Sands and the currency translation effect on our base Canadian industrial business
- More than tripled profitability and substantially increased margins due to ER work and higher margin industrial work
- Personnel utilization of 81%, consistent with a year ago

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



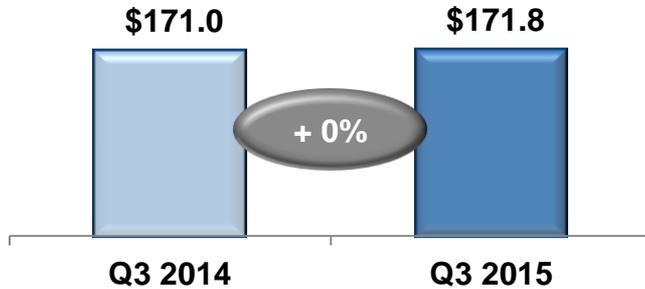
## Q3 Performance

- Both outside and direct revenue down from a year ago due to declines in base oil and blended pricing of more than \$1 per gallon
- Continue to lower transportation costs as well as our acquisition costs for waste oil culminating with our universal Charge-for-Oil announcement in September
- Profitability down reflecting the pricing drop and corresponding near-term margin pressure
- Blended products accounted for 34% of volume, compared with 34% in Q3 a year ago and 33% in Q2 2015

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

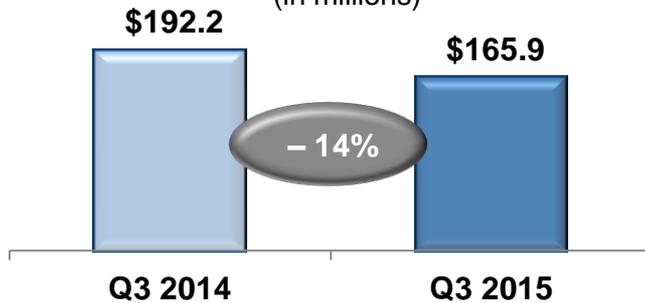
### Outside Revenue

(in millions)



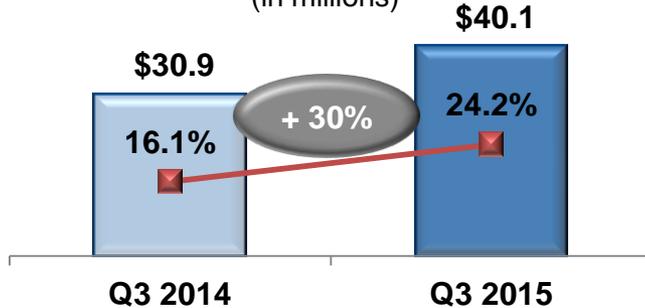
### Direct Revenue

(in millions)



### Adjusted EBITDA\*

(in millions)

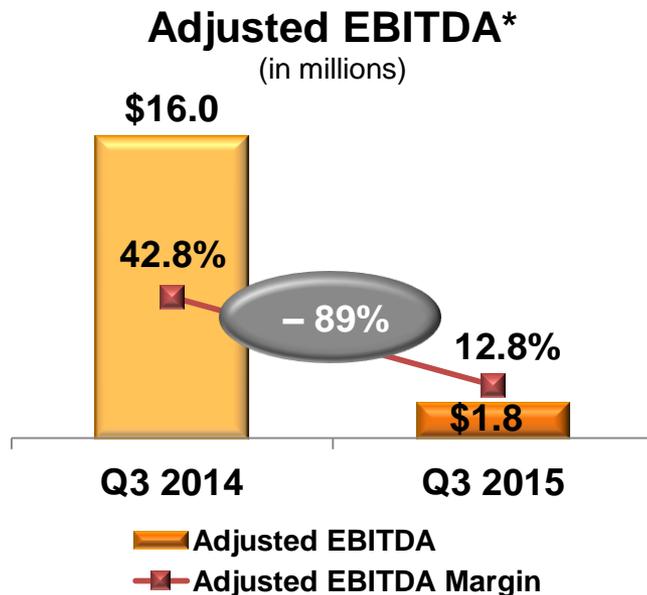
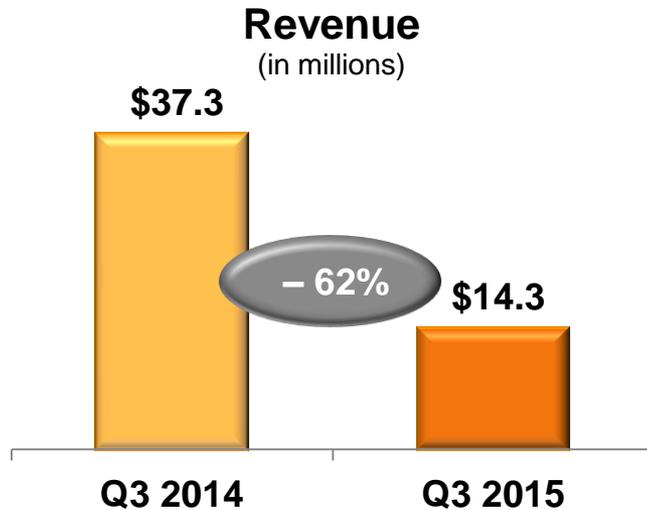


■ Adjusted EBITDA  
 ■ Adjusted EBITDA Margin

## Q3 Performance

- Similar to Q2, outside revenue up slightly as addition of TFI and increase in base business offset decrease in RFO revenue
- Direct revenue decline related to expected lower intercompany contribution caused by reduction in PFO
- Significant increase in Adjusted EBITDA and margin improvement reflect volume gains, cost reductions and TFI contribution
- 250K parts washer services conducted, up from the 247K reported in Q3 2014
- Collected approximately 57 million gallons of waste oil vs. 55 million in Q3 2014
- PFO decline continued with average down approximately two cents from Q2

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



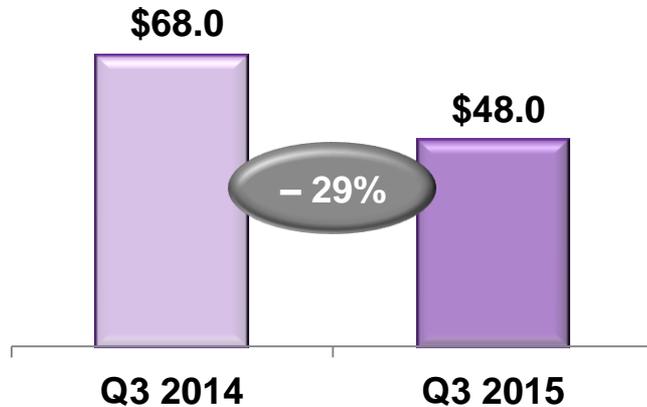
## Q3 Performance

- Revenue down again YoY primarily due to low occupancy and reduction in room rates at our fixed locations in the Oil Sands
- Decline at fixed lodges compounded by currency translation effect, limited mobile camp activity and fewer manufacturing opportunities
- Throttled back capacity at manufacturing plant during summer months
- Downward pressure on profitability and margins continues due to lower pricing, occupancy levels and business mix
- Outside room utilization at primary fixed lodges was 19%, compared with 31% in Q2 and 76% in Q3 a year ago

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

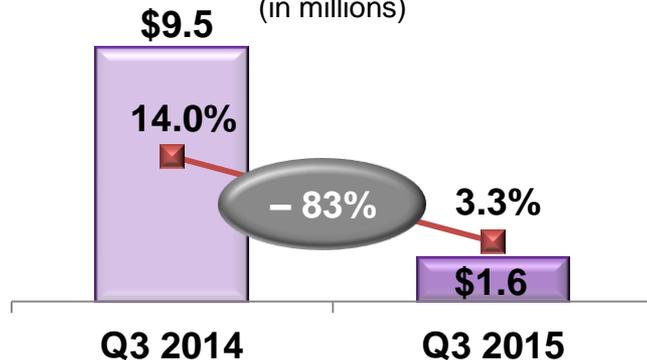
## Revenue

(in millions)



## Adjusted EBITDA\*

(in millions)



■ Adjusted EBITDA  
 ■ Adjusted EBITDA Margin

## Q3 Performance

- Revenue decline reflects currency translation and continued slowdown in U.S. and Canadian energy markets, particularly in active rig counts
- Won major seismic project in Alaska but overall exploration budgets remain depressed
- Profitability and margins still down due to reduced revenue, lower pricing environment and effect of currency
- Average number of rigs serviced was 101, down 27% from 138 in Q3 2014
- Average utilization of key equipment was 38%, compared with 54% a year ago and 32% in Q2

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

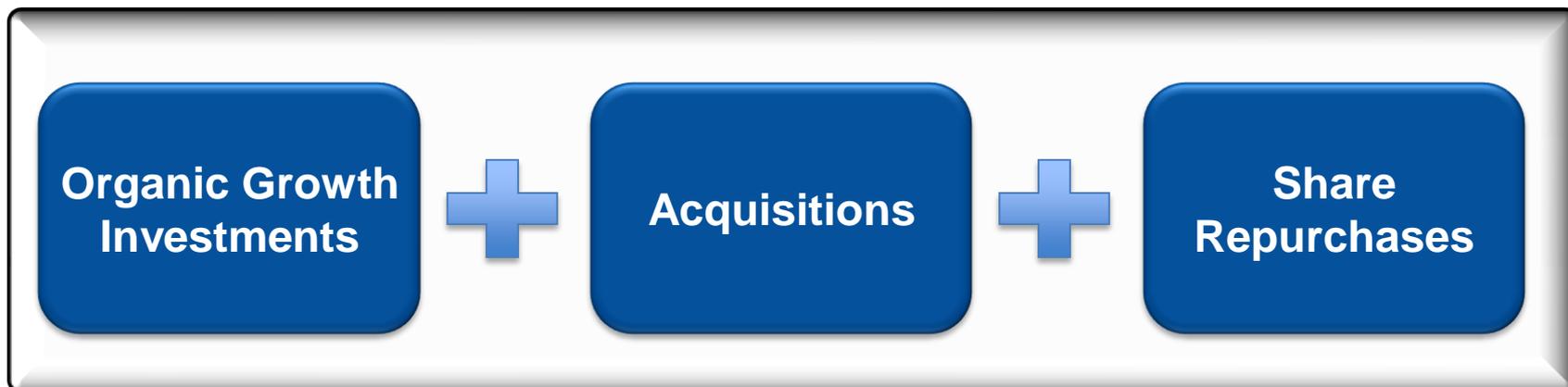
# Corporate Update

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- \$100 Million cost reduction program targeted by end of 2016
  - Aligns structure with current environment, which may persist
  - Minimum of \$50 million to be recognized in 2016
  - Consisting of lower G&A spend, office and real estate consolidation, and gains in operational efficiencies
- Launch of Kleen Performance Products
  - Will tie all of our re-refining sales under one umbrella brand
  - Announced in conjunction with our effort to build separate collection business within Safety-Kleen
  - Aligns with our planned growth in direct blended sales
- Carve-out continues to proceed on schedule
  - Implemented planned internal reorganization in preparation for IPO
  - In process of completing historical financial statements for prospectus
  - On track to go public when market conditions improve

# Capital Allocation Strategy

- Three key elements:



- Mix will be determined on a relative basis by: performance, price, risk, opportunity and cost of capital
- Will deploy capital with a focus on building long-term shareholder value and improving returns, particularly ROIC

# Outlook



## Technical Services

- Continuing growth of drums and bulk solids to feed incinerators
- Seeking to capture strong pipeline of large volume projects for landfills
- Proceeding with construction of new El Dorado incinerator



## Industrial and Field Services

- Allocating resources to complete 2015 turnaround season
- Expanding Field Services footprint through collaboration with SK branch network
- Cross-selling Field Services to TFI customers



## Kleen Performance Products

- Improving the efficiency of our plants
- Increasing emphasis on expanding blended products percentage
- Completing direct blended sales pilot program

# Outlook



## SK Environmental Services

- Opening new branches or co-locating with existing Field Services locations
- Implementing CFO and stop fees program while maintaining sufficient volumes
- Integrating TFI by optimizing network and cross-selling environmental services



## Lodging Services

- Focusing on maximizing fixed lodge usage, moving assets as necessary
- Seeking opportunities for underutilized mobile assets including pipeline projects
- Pursuing non-traditional manufacturing opportunities



## Oil and Gas Field Services

- Capitalizing on some emerging opportunities in seismic market
- Gaining market share in shale plays to increase utilization
- Focusing on reducing costs to better reflect current environment



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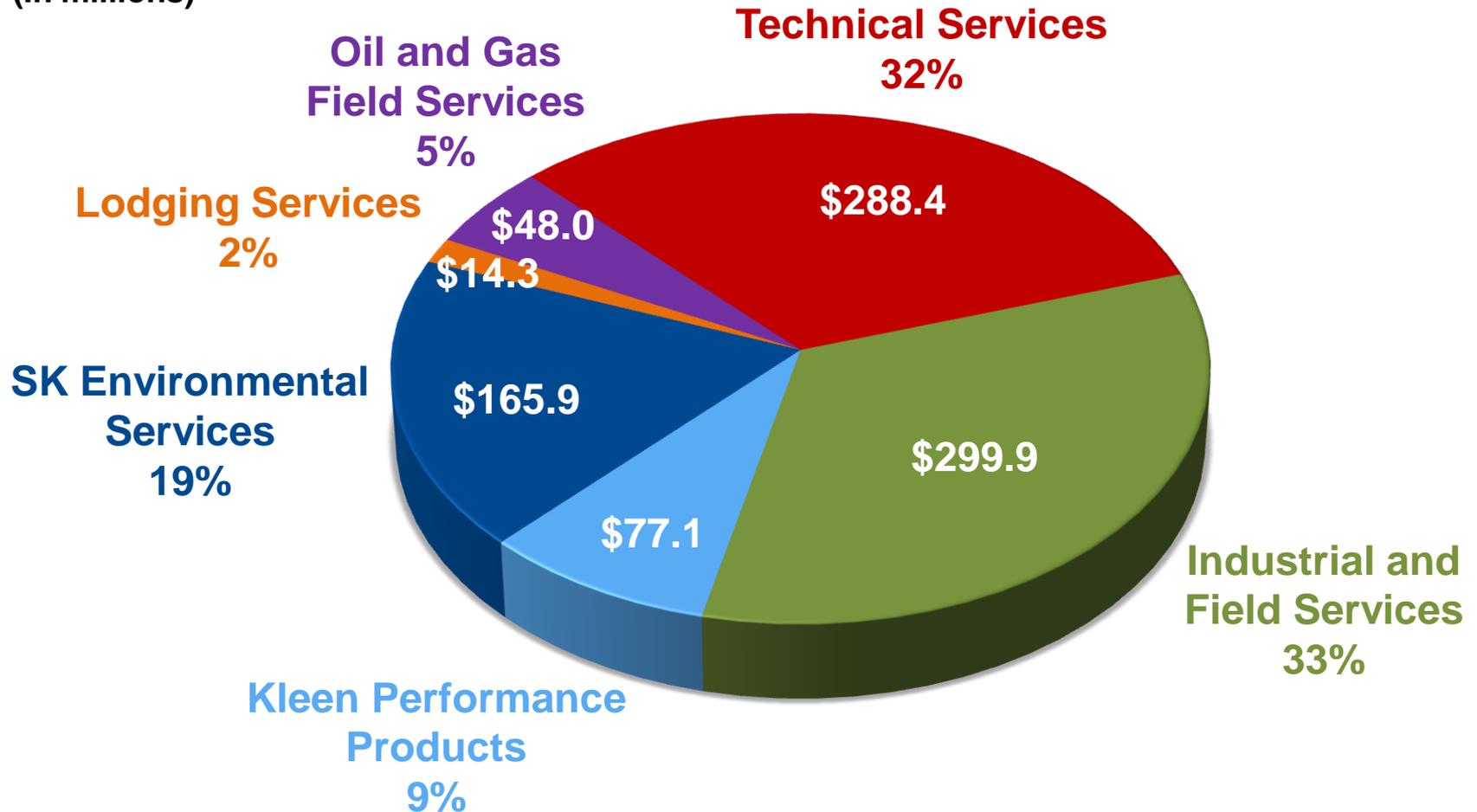
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# Financial Review

# Reporting Segments – Q3 Direct Revenue

(In millions)



# Q3 Income Statement

(In millions, except per share data)

	<u>Q3 2015</u>	<u>Q3 2014</u>
<b>Revenue</b>	\$893.4	\$851.5
<b>Cost of revenues</b>	\$634.6	\$598.4
<b>Gross profit</b>	\$258.7	\$253.1
<b>Gross margin %</b>	29.0%	29.7%
<b>Selling, general and administrative expenses</b>	\$93.1	\$99.7
<b>SG&amp;A %</b>	10.4%	11.7%
<b>Depreciation and amortization</b>	\$69.1	\$70.0
<b>Income (loss) from operations</b>	\$94.0	(\$42.7)
<b>Adjusted EBITDA*</b>	\$165.6	\$153.4
<b>Adjusted EBITDA* margin %</b>	18.5%	18.0%
<b>Net income (loss)</b>	\$40.2	(\$93.3)
<b>Diluted earnings (loss) per share</b>	\$0.69	(\$1.55)
<b>Adjusted earnings per share*</b>	\$0.69	\$0.45

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



# Balance Sheet and Cash Flow Highlights

(In millions)

## Balance Sheet Highlights

	<u>9/30/15</u>	<u>6/30/15</u>	<u>12/31/14</u>
Cash and cash equivalents	\$179.2	\$173.6	\$246.9
Accounts payable	\$295.5	\$365.1	\$267.3
Billed and unbilled receivables	\$641.8	\$722.0	\$597.9
Days sales outstanding (DSO)	72 days	71 days	71 days
Environmental liabilities	\$196.6	\$200.6	\$205.8

Q3 2015

Q2 2015

Q3 2014

## Cash Flow Highlights

Capital expenditures (net of disposals)	\$64.8	\$69.3	\$57.8
Cash flow from operations	\$115.8	\$109.0	\$81.1
Share repurchase	\$37.6	\$16.1	\$37.6

# Guidance (as of November 4, 2015)

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**2015**

	Range	
<b>Adjusted EBITDA* (in millions)</b>	<b>\$507</b>	<b>\$514</b>

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





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## Questions & Answers





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# Appendix

# Non-GAAP Reconciliation

(in thousands)	<b>For the Three Months Ended:</b>		<b>For the Nine Months Ended:</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Net income (loss)	\$40,228	\$(93,337)	\$43,534	\$(55,705)
Accretion of environmental liabilities	2,577	2,642	7,795	7,975
Depreciation and amortization	69,060	70,049	205,189	205,480
Goodwill impairment charge	—	123,414	31,992	123,414
Other expense (income)	139	(613)	390	(4,136)
Interest expense, net	19,017	19,494	57,704	58,430
Provision for income taxes	<u>34,586</u>	<u>31,708</u>	<u>60,402</u>	<u>55,684</u>
Adjusted EBITDA	<u><u>\$165,607</u></u>	<u><u>\$153,357</u></u>	<u><u>\$407,006</u></u>	<u><u>\$391,142</u></u>

# Non-GAAP Reconciliation

(in thousands, except per share amounts)

	<b>For the Three Months Ended:</b>		<b>For the Nine Months Ended:</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Adjusted income from operations</b>				
Income (loss) from operations	\$ 93,970	\$ (42,748)	\$ 162,030	\$ 54,273
Goodwill impairment charge	—	123,414	31,992	123,414
Adjusted income from operations	<u>\$ 93,970</u>	<u>\$ 80,666</u>	<u>\$ 194,022</u>	<u>\$177,687</u>
<b>Adjusted net income</b>				
Net income (loss)	\$ 40,228	\$(93,337)	\$ 43,534	\$(55,705)
Goodwill impairment charge, net of tax	—	120,750	31,992	120,750
Adjusted net income	<u>\$ 40,228</u>	<u>\$ 27,413</u>	<u>\$ 75,526</u>	<u>\$ 65,045</u>
<b>Adjusted earnings per share</b>				
Earnings (loss) per share	\$ 0.69	\$(1.55)	\$ 0.74	\$(0.92)
Goodwill impairment charge, net of tax	—	2.00	0.54	1.99
Adjusted earnings per share	<u>\$ 0.69</u>	<u>\$ 0.45</u>	<u>\$ 1.28</u>	<u>\$ 1.07</u>

# Non-GAAP Reconciliation

	<u>For the Year Ending December 31, 2015</u>		
	<u>Amount</u>		
	(In millions)		
Projected GAAP net income	\$48	to	\$57
Adjustments:			
Accretion of environmental liabilities	11	to	10
Depreciation and amortization	274	to	270
Goodwill impairment charge	32	to	32
Interest expense, net	76	to	76
Provision for income taxes	66	to	69
Projected Adjusted EBITDA	<u>\$507</u>	to	<u>\$514</u>