



## Fourth Quarter and Year-End 2019 Investor Review

**February 26, 2020**

PEOPLE AND TECHNOLOGY CREATING A SAFER, CLEANER ENVIRONMENT



# 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 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, 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, 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 measurement of Adjusted EBITDA, while defined consistently and in accordance with our existing credit agreement, and our measurements of adjusted free cash flow, adjusted net income (loss) and adjusted earnings (loss) per share 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, 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 Adjusted EBITDA and adjusted net income to net income, a reconciliation of adjusted earnings per share to net income 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 Q4 and 2019 Results

## Safety Results

- 2019 TRIR of 1.05 – lowest in our history

## Q4

- Revenue increases 1% to \$871.0M
- GAAP EPS of \$0.43; Adjusted EPS of \$0.42
- Adjusted EBITDA\* growth of 8% to \$132.2M
- Adjusted EBITDA margin climbs 100 bps to 15.2%

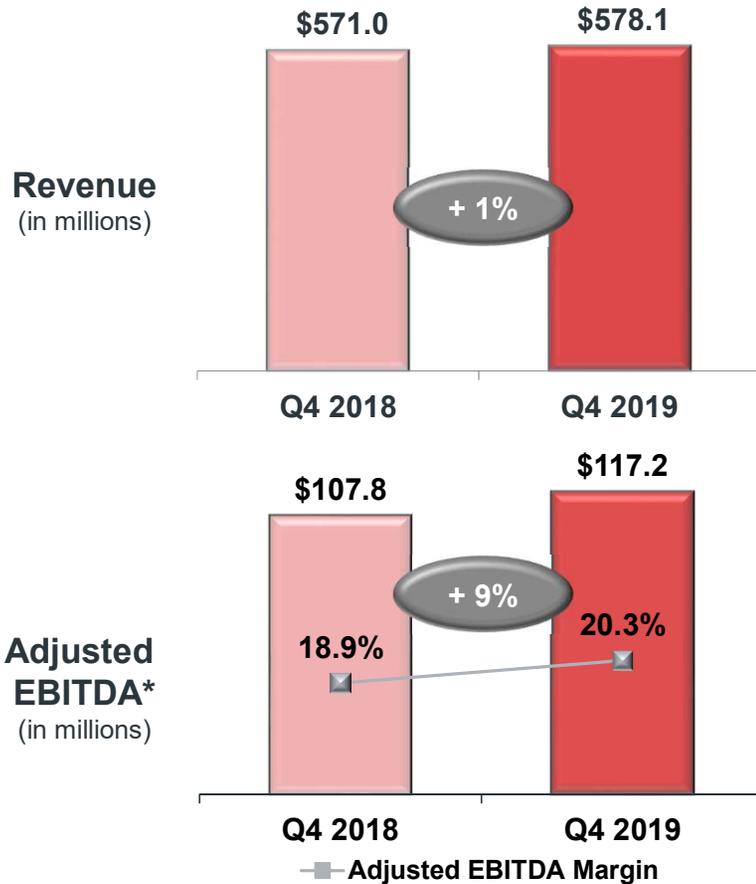
## 2019

- Revenue increases 3% to \$3.4B
- GAAP EPS of \$1.74; Adjusted EPS of \$1.89
- Adjusted EBITDA\* growth of 10% to \$540.3M
- Record Adjusted Free Cash Flow\* of \$208.5M

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



# Environmental Services



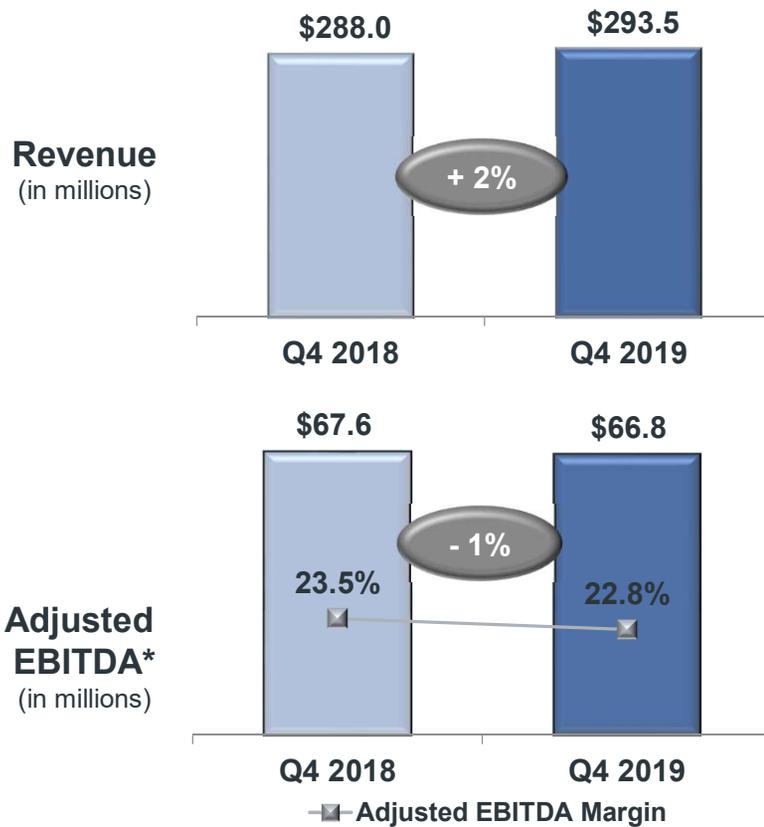
## Q4 Performance

- Revenue increase due to growth in facilities and field services, which offset weakness in industrial and energy-related businesses
- Adjusted EBITDA and margin up significantly on business mix, disposal volumes, cost controls and improved efficiencies
- Incinerator utilization was 89% vs. 86% in Q4'18 due to strong project volumes; average price per pound was flat due to impact of a large project with lower-priced volume
- Landfill tonnage up 40% YoY due to healthy base business and strong project volumes
- No major ER events in the quarter



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

# Safety-Kleen



## Q4 Performance

- Revenue increase primarily driven by growth in SK branch business
- Adjusted EBITDA and margin declined due to business mix and lower YoY pricing in base oil/blended products partly offset by higher CFO and improvements within the core lines of SK branch business
- Performed 239K parts washer services, up slightly from 238K in prior year; other core offerings, such as containerized waste and vacuum services, also increased
- Gathered 55 million gallons of waste oil, compared with 56 million a year ago; increased charge-for-oil average from Q3 and YoY
- Blended products accounted for 24% of volume, compared with 22% in Q4'18; direct volume was 7% in the quarter vs. 6% a year ago



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

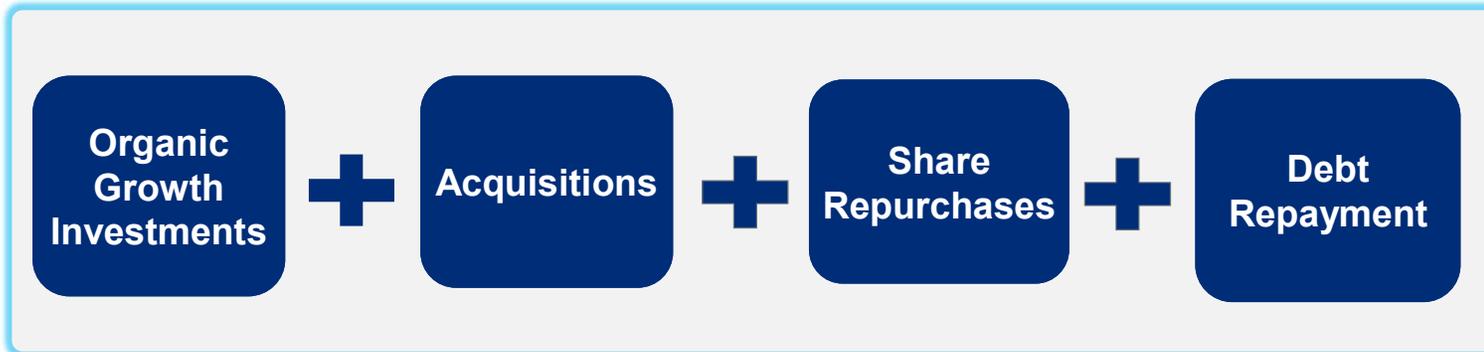
## Strategic Update

- Continue investments in workforce to grow employee base and lower voluntary turnover
- Increase leverage of facilities network through pricing initiatives, mix of waste streams and greater project volumes
- Launch E-commerce platform
- Capitalize on IMO 2020 market conditions
- Pursue emerging growth opportunities such as PFAS
- Capitalize on growing market acceptance of our sustainable offerings
- Execute capital allocation strategy



# Capital Allocation Strategy

- Four key elements:



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





# Financial Overview

## Q4 and 2019 Income Statement

(in millions, except per share data)

	<u>Q4 2019</u>	<u>Q4 2018</u>	<u>2019</u>	<u>2018</u>
Revenue	\$871.0	\$858.2	\$3,412.2	\$3,300.3
Cost of revenues	\$615.8	\$594.9	\$2,387.8	\$2,305.6
Gross profit	\$255.2	\$263.3	\$1,024.4	\$994.8
<i>Gross margin %</i>	29.3%	30.7%	30.0%	30.1%
Selling, general and administrative expenses	\$123.0	\$141.4	\$484.1	\$503.7
<i>SG&amp;A %</i>	14.1%	16.5%	14.2%	15.3%
Depreciation and amortization	\$77.4	\$77.9	\$300.7	\$298.6
Income from operations	\$52.3	\$41.5	\$229.5	\$182.6
Adjusted EBITDA*	\$132.2	\$121.9	\$540.3	\$491.0
<i>Adjusted EBITDA* margin %</i>	15.2%	14.2%	15.8%	14.9%
Net income	\$24.2	\$16.4	\$97.7	\$65.6
Diluted earnings per share	\$0.43	\$0.29	\$1.74	\$1.16
Adjusted earnings per share*	\$0.42	\$0.24	\$1.89	\$1.26



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

# Balance Sheet Highlights



(in millions)

	<u>12/31/19</u>	<u>9/30/19</u>	<u>12/31/18</u>
<b>Cash and short-term marketable securities</b>	<b>\$414.4</b>	<b>\$329.1</b>	<b>\$279.4</b>
<b>Accounts payable</b>	<b>\$298.4</b>	<b>\$277.5</b>	<b>\$276.5</b>
<b>Billed and unbilled receivables</b>	<b>\$701.1</b>	<b>\$700.5</b>	<b>\$661.7</b>
<b>Current and long-term debt obligations</b>	<b>\$1,562</b>	<b>\$1,563</b>	<b>\$1,573</b>
<b>Environmental liabilities</b>	<b>\$189.8</b>	<b>\$191.4</b>	<b>\$190.9</b>

# Cash Flow Highlights



<i>(in millions)</i>	<u>Q4 2019</u>	<u>Q4 2018</u>	<u>2019</u>	<u>2018</u>
<b>Cash from operations</b>	\$128.5	\$126.0	\$413.2	\$373.2
<b>Capital expenditures, net of disposals</b>	<u>(\$39.1)</u>	<u>(\$33.3)</u>	<u>(\$204.7)</u>	<u>(\$177.9)</u>
<b>Adjusted free cash flow*</b>	\$89.4	\$92.7	\$208.5	\$195.3
<b>Share repurchases</b>	\$5.0	\$11.5	\$21.4	\$45.1

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

## Guidance (as of February 26, 2020)



### Full-Year 2020

(in millions)

	Range
<b>Net Income</b>	<b>\$104 to \$147</b>
<b>Adjusted EBITDA*</b>	<b>\$545 to \$585</b>
<b>Net Cash from Operating Activities</b>	<b>\$405 to \$455</b>
<b>Adjusted Free Cash Flow *</b>	<b>\$210 to \$240</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)	For the Three Months Ended:		For the Twelve Months Ended:	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	\$24,151	\$16,431	\$97,740	\$65,636
Accretion of environmental liabilities	2,512	2,478	10,136	9,806
Depreciation and amortization	77,397	77,939	300,725	298,625
Other (income) expense, net	(905)	4,061	(2,897)	4,510
Loss on early extinguishment of debt	12	19	6,131	2,488
Gain on sale of business	(687)	—	(687)	—
Interest expense, net	18,989	20,139	78,670	81,094
Provision for income taxes	10,747	835	50,499	28,846
Adjusted EBITDA	\$132,216	\$121,902	\$540,317	\$491,005
Adjusted EBITDA Margin	15.2%	14.2%	15.8%	14.9%

## Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended:		For the Twelve Months Ended:	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Adjusted net income</b>				
Net income	\$24,151	\$16,431	\$97,740	\$65,636
Loss on early extinguishment of debt, net of tax	366	157	4,650	1,892
Gain on sale of business	(687)	—	(687)	—
Adjustments related to tax law changes	—	(288)	—	(288)
Tax-related valuation allowances and other*	(536)	(3,025)	4,226	3,568
Adjusted net income	<u>\$23,294</u>	<u>\$13,275</u>	<u>\$105,929</u>	<u>\$70,808</u>
<b>Adjusted earnings per share</b>				
Earnings per share	\$0.43	\$0.29	\$1.74	\$1.16
Loss on early extinguishment of debt, net of tax	0.01	—	0.08	0.03
Gain on sale of business	(0.01)	—	(0.01)	—
Adjustments related to tax law changes	—	—	—	—
Tax-related valuation allowances and other*	(0.01)	(0.05)	0.08	0.07
Adjusted earnings per share	<u>\$0.42</u>	<u>\$0.24</u>	<u>\$1.89</u>	<u>\$1.26</u>

\* For the three and twelve months ended December 31, 2018, other amounts include a \$7.1 million benefit, or \$0.13 per share, related to tax benefits from impacts of prior period tax filing amendments.

## Non-GAAP Results Reconciliation

(in thousands)

	<u>For the Three Months Ended:</u>		<u>For the Twelve Months Ended:</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Adjusted free cash flow</b>				
Net cash from operating activities	\$128,517	\$125,995	\$413,192	\$373,210
Additions to property, plant and equipment	(41,791)	(42,622)	(216,324)	(193,344)
Proceeds from sale and disposal of fixed assets	2,707	9,334	11,655	15,445
Adjusted free cash flow	<u>\$89,433</u>	<u>\$92,707</u>	<u>\$208,523</u>	<u>\$195,311</u>

## Non-GAAP Guidance Reconciliation

(in millions)	<b>For the Year Ending December 31, 2020</b>		
Projected GAAP net income	\$104	to	\$147
Adjustments:			
Accretion of environmental liabilities	11	to	10
Depreciation and amortization	300	to	290
Interest expense, net	77	to	75
Provision for income taxes	53	to	63
Projected Adjusted EBITDA	<u>\$545</u>	to	<u>\$585</u>

(in millions)	<b>For the Year Ending December 31, 2020</b>		
Projected net cash from operating activities	\$405	to	\$455
Additions to property, plant and equipment	(225)	to	(250)
Purchase and capital improvements of corporate headquarters	20	to	25
Proceeds from sale and disposal of fixed assets	10	to	10
Projected adjusted free cash flow	<u>\$210</u>	to	<u>\$240</u>



Questions?