



# Third Quarter 2020 Investor Review

**November 4, 2020**

40 YEARS OF SUSTAINABILITY IN ACTION

**CleanHarbors** | **40 YEARS**

# 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, the risks and uncertainties surrounding COVID-19 and the related impact on our business, and those items identified as "Risk Factors," in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2020. 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 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.

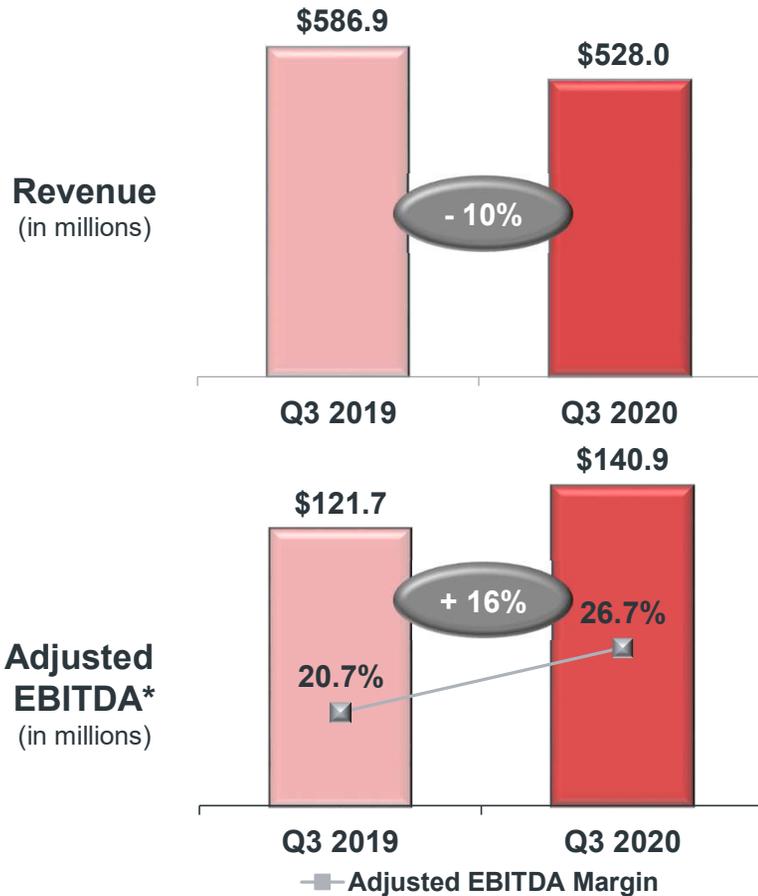
For a reconciliation of Adjusted EBITDA and adjusted net income to net income, a reconciliation of adjusted earnings per share to net income per share and a reconciliation of net cash from operating activities to adjusted free cash flow, please refer to the appendix of this presentation.

## Summary of Q3 Results

- Revenue of \$779.3M – in line with expectations and down YoY reflecting pandemic
- GAAP EPS of \$0.99 and Adjusted EPS of \$0.90
- Adjusted EBITDA\* was \$161.2M, including \$13.3 million from government pandemic relief programs; Adjusted EBITDA margin climbed 310 bps to 20.7%
- Adjusted free cash flow was a record \$123.5 million
- Environmental Services segment benefited from decontamination work and recovery in multiple service businesses, supported by substantial cost and productivity initiatives
- Safety-Kleen segment delivered significant sequential improvement as both branch business and re-refining rebounded steadily from Q2
- Corporate segment flat sequentially and up slightly YoY as lower incentive comp and cost savings offset increased employee benefits, change in environmental liabilities and bad debt

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

# Environmental Services

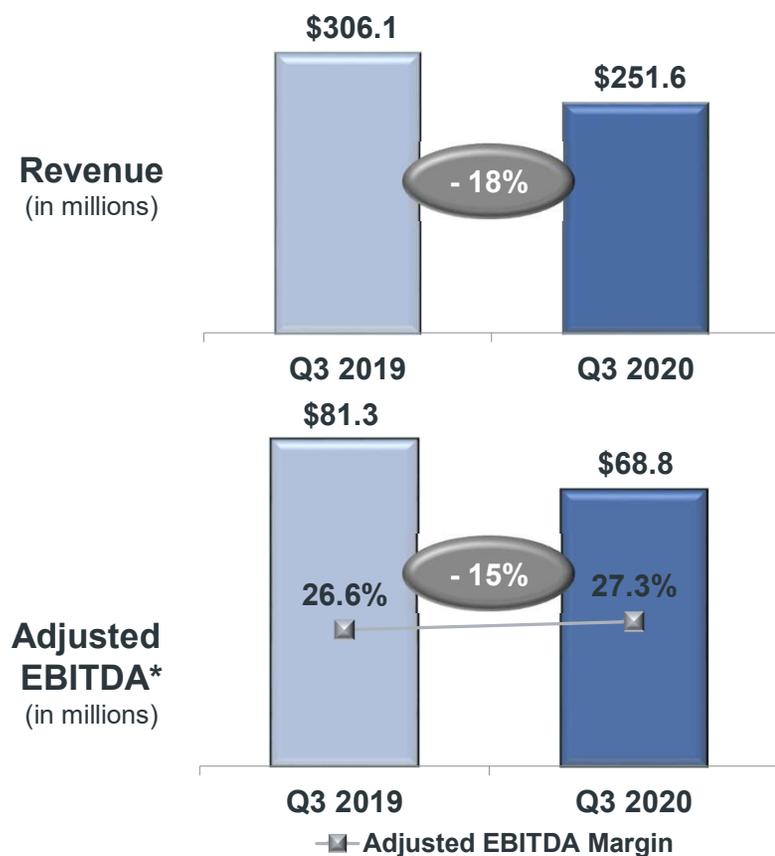


## Q3 Performance

- Revenue decrease YoY due to overall COVID related slowdown but revenue up sequentially as many of our service businesses increased even while decon work slowed from Q2 peak levels
- Adjusted EBITDA and margin up considerably on significant cost savings and enhanced productivity, as well as mix of higher margin work and government assistance programs
- Incinerator utilization was 80% vs. 92% in Q3'19 due to production lag from Q2 and timing of turnarounds; average price per pound increased 5% due to continued improvements in mix
- Landfill tonnage down 6% YoY due to lower project volumes with price per ton flat with prior year
- \$29M in the quarter from COVID-19 decontamination response work; up to 9,000 responses year-to-date

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

# Safety-Kleen



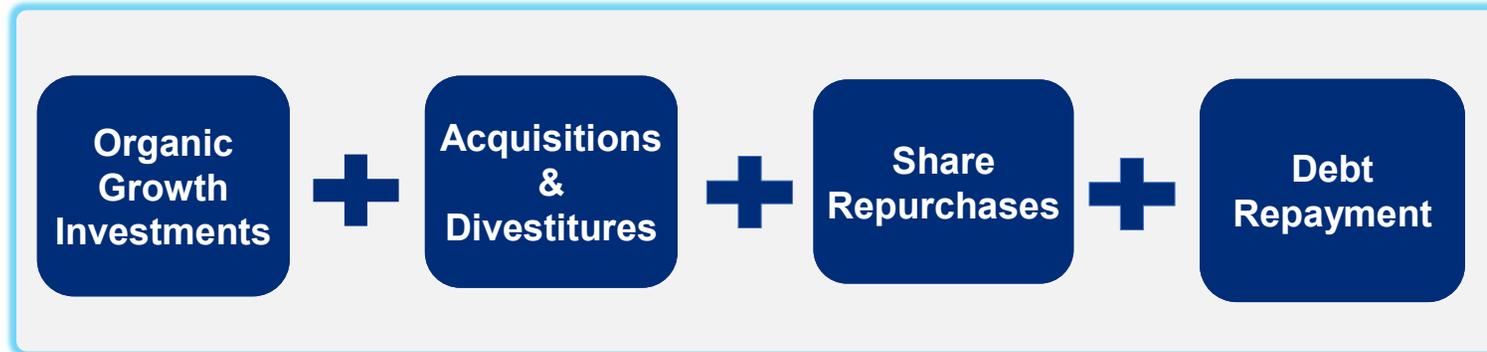
## Q3 Performance

- Revenue decrease resulting from lower customer activity levels and lube demand still below normalized levels, but both rebounded steadily from Q2
- Adjusted EBITDA decreased due to lower revenue and costs of re-refinery restarts; margins improved through comprehensive cost reduction efforts and government assistance programs
- Performed 221K parts washer services, down from 245K a year ago; other core branch offerings were off ~10%, slightly ahead of expectations
- Gathered 50 million gallons of waste oil, compared with 61 million a year ago and 43 million in Q2; substantially increased average charge-for-oil from a year ago
- Blended products accounted for 25% of volume compared with 27% in Q3'19; direct volume was 9% in the quarter vs. 8% a year ago

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

# 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

## Q3 Income Statement

(in millions, except per share data)

	<u>Q3 2020</u>	<u>Q3 2019</u>
Revenue	\$779.3	\$891.7
Cost of revenues	\$511.6	\$612.8
Gross profit	\$267.7	\$278.9
<i>Gross margin %</i>	34.4%	31.3%
Selling, general and administrative expenses	\$106.5	\$122.3
<i>SG&amp;A %</i>	13.7%	13.7%
Depreciation and amortization	\$74.5	\$73.8
Income from operations	\$83.9	\$80.4
Adjusted EBITDA*	\$161.2	\$156.6
<i>Adjusted EBITDA* margin %</i>	20.7%	17.6%
Net income	\$54.9	\$36.4
Diluted earnings per share	\$0.99	\$0.65
Adjusted earnings per share*	\$0.90	\$0.72

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

# Balance Sheet Highlights

(in millions)

	<u>9/30/20</u>	<u>6/30/20</u>	<u>12/31/19</u>
<b>Cash and short-term marketable securities</b>	<b>\$532.3</b>	<b>\$506.7</b>	<b>\$414.4</b>
<b>Accounts payable</b>	<b>\$213.8</b>	<b>\$188.3</b>	<b>\$298.4</b>
<b>Billed and unbilled receivables</b>	<b>\$661.5</b>	<b>\$617.1</b>	<b>\$701.1</b>
<b>Current and long-term debt obligations</b>	<b>\$1,558</b>	<b>\$1,634</b>	<b>\$1,562</b>
<b>Environmental liabilities</b>	<b>\$199.8</b>	<b>\$195.1</b>	<b>\$189.8</b>

# Cash Flow Highlights

(in millions)

	<u>Q3 2020</u>	<u>Q3 2019</u>
<b>Cash from operations</b>	\$143.9	\$146.2
<b>Capital expenditures, net of disposals</b>	(\$20.4)	(\$54.6)
<b>Adjusted free cash flow*</b>	<u>\$123.5</u>	<u>\$91.6</u>
<b>Share repurchases</b>	\$22.2	\$5.1

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

## Guidance (as of November 4, 2020)

### Full-Year 2020

*(in millions)*

	Range
<b>Net Income</b>	<b>\$104 to \$130</b>
<b>Adjusted EBITDA*</b>	<b>\$530 to \$550</b>
<b>Net Cash from Operating Activities</b>	<b>\$405 to \$445</b>
<b>Adjusted Free Cash Flow *</b>	<b>\$250 to \$270</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 Nine Months Ended:	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income	\$54,910	\$36,369	\$95,505	\$73,589
Accretion of environmental liabilities	2,822	2,490	8,149	7,624
Depreciation and amortization	74,470	73,756	221,497	223,328
Other (income) expense, net	(2,268)	427	597	(1,992)
Loss on sale of businesses	118	—	3,376	—
Loss on early extinguishment of debt	—	6,119	—	6,119
Interest expense, net	17,407	19,702	54,848	59,681
Provision for income taxes	13,712	17,750	35,269	39,752
Adjusted EBITDA	\$161,171	\$156,613	\$419,241	\$408,101
Adjusted EBITDA Margin	20.7%	17.6%	17.9%	16.1%

## Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended:		For the Nine Months Ended:	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>Adjusted net income</b>				
Net income	\$54,910	\$36,369	\$95,505	\$73,589
Loss on early extinguishment of debt, net of tax of \$1.8m	—	4,284	—	4,284
Loss on sale of businesses	118	—	3,376	—
Tax-related valuation allowances and other*	(5,128)	—	(4,502)	4,762
Adjusted net income	<u>\$49,900</u>	<u>\$40,653</u>	<u>\$94,379</u>	<u>\$82,635</u>
<b>Adjusted earnings per share</b>				
Earnings per share	\$0.99	\$0.65	\$1.71	\$1.31
Loss on early extinguishment of debt, net of tax of \$1.8m	—	0.07	—	0.08
Loss on sale of businesses	—	—	0.06	—
Tax-related valuation allowances and other*	(0.09)	—	(0.08)	0.08
Adjusted earnings per share	<u>\$0.90</u>	<u>\$0.72</u>	<u>\$1.69</u>	<u>\$1.47</u>

\* For the three and nine months ended September 30, 2020, other amounts include a \$1.6 million benefit, or \$0.03 per share, related to tax benefits from impacts of prior period tax filing amendments.

## Non-GAAP Results Reconciliation

(in thousands)

	For the Three Months Ended:		For the Nine Months Ended:	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>Adjusted free cash flow</b>				
Net cash from operating activities	\$143,946	\$146,205	\$317,432	\$284,675
Additions to property, plant and equipment	(24,636)	(56,161)	(150,357)	(174,533)
Purchase and capital improvements of corporate HQ	—	—	21,080	—
Proceeds from sale and disposal of fixed assets	4,206	1,559	7,307	8,948
Adjusted free cash flow	<u>\$123,516</u>	<u>\$91,603</u>	<u>\$195,462</u>	<u>\$119,090</u>

## Non-GAAP Guidance Reconciliation

(in millions)

	<b>For the Year Ending December 31, 2020</b>		
Projected GAAP net income	\$104	to	\$130
Adjustments:			
Accretion of environmental liabilities	11	to	10
Depreciation and amortization	295	to	285
Other expense, net	1	to	1
Loss on sale of businesses	3	to	3
Interest expense, net	74	to	73
Provision for income taxes	42	to	48
Projected Adjusted EBITDA	<u>\$530</u>	to	<u>\$550</u>

(in millions)

	<b>For the Year Ending December 31, 2020</b>		
Projected net cash from operating activities	\$405	to	\$445
Additions to property, plant and equipment	(186)	to	(206)
Purchase and capital improvements of corporate headquarters	21	to	21
Proceeds from sale and disposal of fixed assets	10	to	10
Projected adjusted free cash flow	<u>\$250</u>	to	<u>\$270</u>

# QUESTIONS?

