

# First-Quarter 2023 Investor Review

May 3, 2023



 **safety-kleen**  
A Clean Harbors Company

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

 **CleanHarbors**

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, which was filed on March 1, 2023. 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, less additions to property, plant and equipment plus proceeds from sale of fixed assets. All amounts in USD unless otherwise noted.

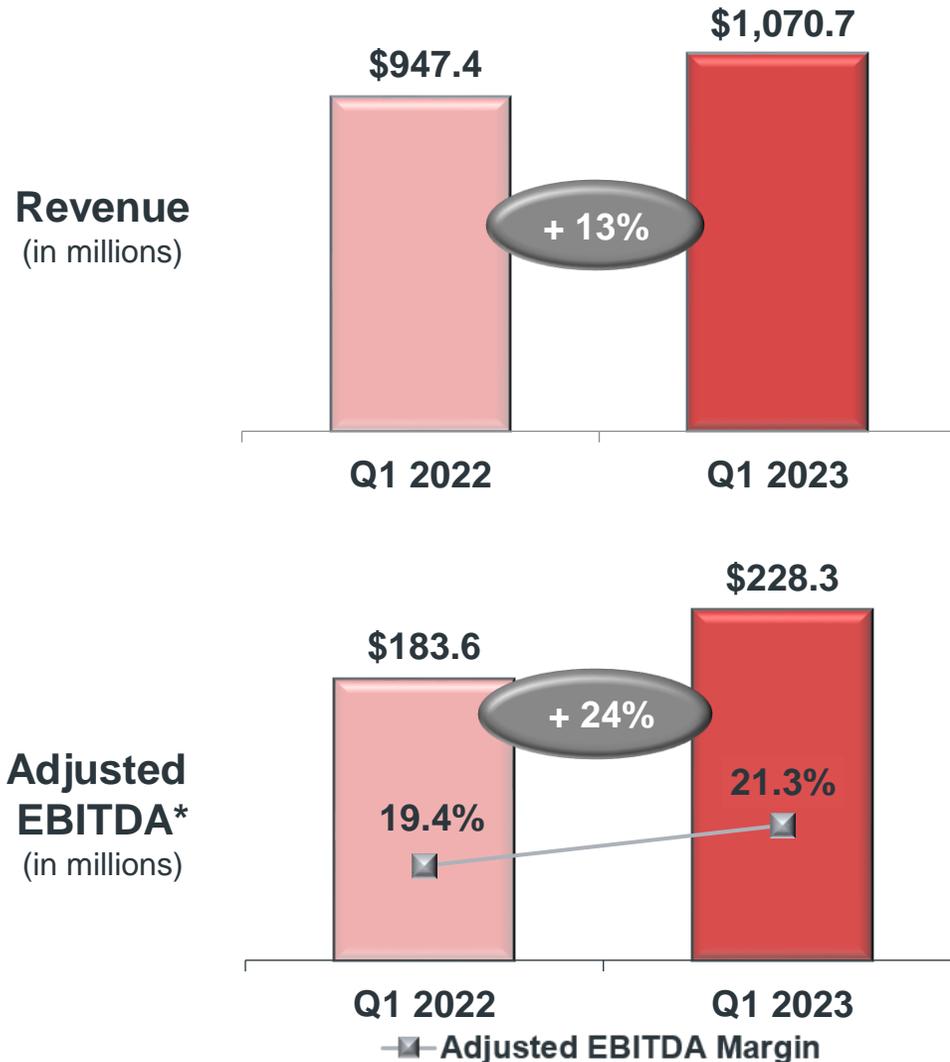
For a reconciliation of net income to Adjusted EBITDA and adjusted net income, a reconciliation of net income per share to adjusted earnings per share and a reconciliation of net cash from (used in) operating activities to adjusted free cash flow, please refer to the appendix of this presentation.

# Summary of Q1 Results

- Revenue of \$1.31B, up 12% YoY reflecting strong organic growth in ES segment
- GAAP EPS of \$1.33 and Adjusted EPS\* of \$1.36
- Adjusted EBITDA\* increased 19% to \$215.1M; Adjusted EBITDA margin of 16.5%
- Adjusted free cash flow\* was (\$51.8) million compared with (\$107.6) million in Q1'22 due to higher profitability, working capital management and timing of certain items
- Environmental Services segment benefited from continued strong demand across all our service businesses and our disposal/recycling network; margin moved up sharply YoY based on labor utilization, pricing, cost measures and increased productivity
- Safety-Kleen Sustainability Solutions segment delivered lower profitability due to pricing environment and re-refinery spread compression
- Corporate segment down slightly YoY due to strong cost management and lower incentive compensation offsetting inflationary pressures

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

# Environmental Services

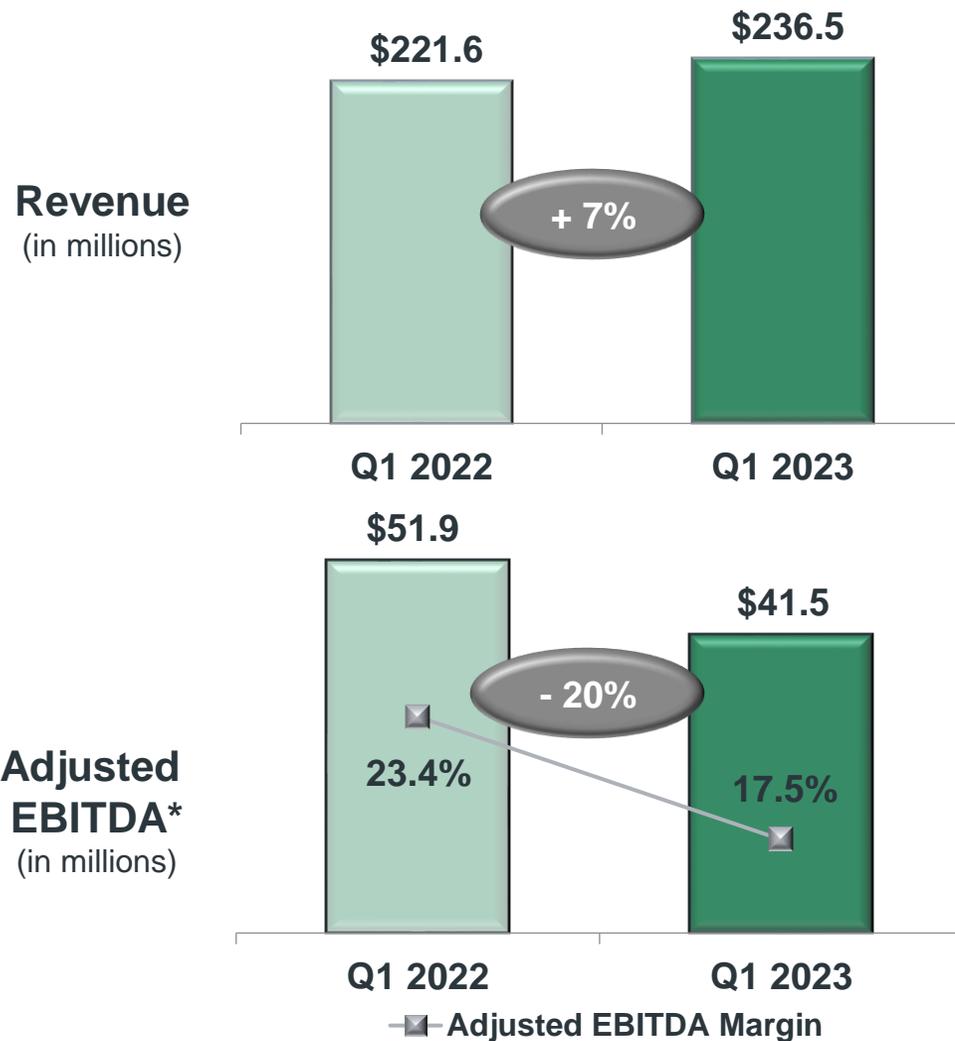


## Q1 Performance

- Strong YoY increase in revenue driven by pricing, growth across service businesses, and continued high demand for disposal and recycling
- Adjusted EBITDA rose due to higher revenue and significant margin enhancement. Margins benefited from pricing, cost improvements and productivity gains
- Incinerator utilization was 80% vs. 85% a year ago. Unplanned weather-related outages and repairs limited utilization. Average price was up 15% from Q1'22 due to focus on high-value streams
- Landfill tonnage was down 8% YoY due to flooding at California landfill; Strong base volumes drove average price per ton up 17%
- No major ER events in the quarter vs. \$9M of Covid decontamination a year ago
- Performed 250K parts washer services vs. 233K a year ago; SK core branch offerings are continuing to steadily grow

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

# Safety-Kleen Sustainability Solutions



## Q1 Performance

- Revenue increased due to base oil volumes, contribution from Synergy acquisition and higher sales of ancillary services
- Adjusted EBITDA and margin decrease driven by market weakness, current pricing environment and slow start to annual buying season
- Gathered 59 million gallons of waste oil, compared with 53 million gallons in Q1'22; as expected, average collection costs remain higher than a year ago but decreased sequentially
- Blended products accounted for 15% of volume compared with 21% a year ago; direct volume was 7% in the quarter, flat with 7% in Q1 2022

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

# Disciplined Capital Allocation Strategy – Driven by ROIC

**Organic Growth  
Investments**

**Share  
Repurchases**



**Acquisitions  
& Divestitures**

**Debt  
Repayment**

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

# FINANCIAL OVERVIEW



# Q1 Income Statement

(in millions, except per share data)

	<b>Q1 2023</b>	<b>Q1 2022</b>
Revenues	\$1,307.4	\$1,169.1
Cost of revenues	\$931.5	\$843.4
Gross profit	\$375.9	\$325.7
<b>Gross margin %</b>	<b>28.7%</b>	<b>27.9%</b>
Selling, general and administrative expenses	\$166.8	\$151.2
<b>SG&amp;A %</b>	<b>12.8%</b>	<b>12.9%</b>
Depreciation and amortization	\$84.8	\$84.3
Income from operations	\$121.0	\$87.1
Adjusted EBITDA*	\$215.1	\$180.3
<b>Adjusted EBITDA* margin %</b>	<b>16.5%</b>	<b>15.4%</b>
Net income	\$72.4	\$45.3
Diluted earnings per share	\$1.33	\$0.83
Adjusted earnings per share*	\$1.36	\$0.83

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

# Balance Sheet Highlights

(in millions)

	<u>3/31/23</u>	<u>12/31/22</u>	<u>3/31/22</u>
Cash and short-term marketable securities	\$376.1	\$554.6	\$414.9
Billed and unbilled receivables	\$1,101.2	\$1,071.6	\$1,024.2
Accounts payable	\$427.5	\$446.6	\$394.2
Current and long-term debt	\$2,419.7	\$2,424.8	\$2,531.5
Environmental liabilities	\$236.0	\$235.1	\$225.4

# Cash Flow Highlights

(in millions)

	<u>Q1 2023</u>	<u>Q1 2022</u>
Cash from (used in) operations	\$28.0	(\$38.6)
Capital expenditures, net of disposals	(\$79.8)	(\$69.0)
Adjusted free cash flow*	<u>(\$51.8)</u>	<u>(\$107.6)</u>
Share repurchases	\$3.0	\$3.7

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

# Guidance (as of May 3, 2023)

## Full-Year 2023

*(in millions)*

	Range
<b>Net Income</b>	<b>\$364 to \$400</b>
<b>Adjusted EBITDA*</b>	<b>\$1,020 to \$1,060</b>
<b>Net Cash from Operating Activities</b>	<b>\$705 to \$765</b>
<b>Adjusted Free Cash Flow*</b>	<b>\$305 to \$345</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)

Net income  
 Accretion of environmental liabilities  
 Stock-based compensation  
 Depreciation and amortization  
 Other income, net  
 Loss on early extinguishment of debt  
 Interest expense, net of interest income  
 Provision for income taxes  
 Adjusted EBITDA  
 Adjusted EBITDA Margin

	<b>For the Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	\$ 72,401	\$ 45,314
	3,407	3,156
	6,018	5,712
	84,758	84,298
	(116)	(704)
	2,362	—
	20,632	25,017
	25,676	17,466
	<u>\$ 215,138</u>	<u>\$ 180,259</u>
	16.5 %	15.4 %

# Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	<b>For the Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Adjusted net income</b>		
Net income	\$ 72,401	\$ 45,314
Loss on early extinguishment of debt	2,362	—
Tax-related valuation allowances and other*	(653)	114
Adjusted net income	<u>\$ 74,110</u>	<u>\$ 45,428</u>
<b>Adjusted earnings per share</b>		
Earnings per share	\$ 1.33	\$ 0.83
Loss on early extinguishment of debt	0.04	—
Tax-related valuation allowances and other*	(0.01)	—
Adjusted earnings per share	<u>\$ 1.36</u>	<u>\$ 0.83</u>

\* Other amounts include (\$0.7) million or (\$0.01) per share of tax impacts from the loss on early extinguishment of debt for the three months ended March 31, 2023.

# Non-GAAP Results Reconciliation

(in thousands)

## Adjusted free cash flow

Net cash from (used in) operating activities

Additions to property, plant and equipment

Proceeds from sale and disposal of fixed assets

Adjusted free cash flow

<b>For the Three Months Ended</b>	
<b>March 31, 2023</b>	<b>March 31, 2022</b>
\$ 28,008	\$ (38,629)
(81,686)	(70,308)
1,855	1,320
<u>\$ (51,823)</u>	<u>\$ (107,617)</u>

# Non-GAAP Guidance Reconciliation

(in millions)

	<b>For the Year Ending December 31, 2023</b>		
Projected GAAP net income	\$364	to	\$400
Adjustments:			
Accretion of environmental liabilities	14	to	13
Stock-based compensation	26	to	29
Depreciation and amortization	360	to	350
Loss on early extinguishment of debt	2	to	2
Interest expense, net	120	to	115
Provision for income taxes	134	to	151
Projected Adjusted EBITDA	<u>\$1,020</u>	to	<u>\$1,060</u>

(in millions)

	<b>For the Year Ending December 31, 2023</b>		
Projected net cash from operating activities	\$705	to	\$765
Additions to property, plant and equipment	(410)	to	(430)
Proceeds from sale and disposal of fixed assets	10	to	10
Projected adjusted free cash flow	<u>\$305</u>	to	<u>\$345</u>

# Questions





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