

Fourth-Quarter and Full-Year 2022 Investor Review

March 1, 2023



 **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, which will be filed later today. 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 operating activities to adjusted free cash flow, please refer to the appendix of this presentation.

Delivered Strong Q4 and 2022 Results

Q4

- Revenue grew 14% to \$1.28B
- GAAP EPS of \$1.52; Adjusted EPS* of \$1.44
- Adjusted EBITDA* increased 29% to \$224.2M
- Adjusted EBITDA margin was 17.5%, up 190 bps from prior year

Full-Year 2022

- Revenue grew 36% to \$5.17B
- GAAP EPS of \$7.56; Adjusted EPS* of \$7.15
- Adjusted EBITDA* increased 51% to \$1,022.1M
- Adjusted EBITDA margin was 19.8%
- Adjusted free cash flow* was \$289.9M

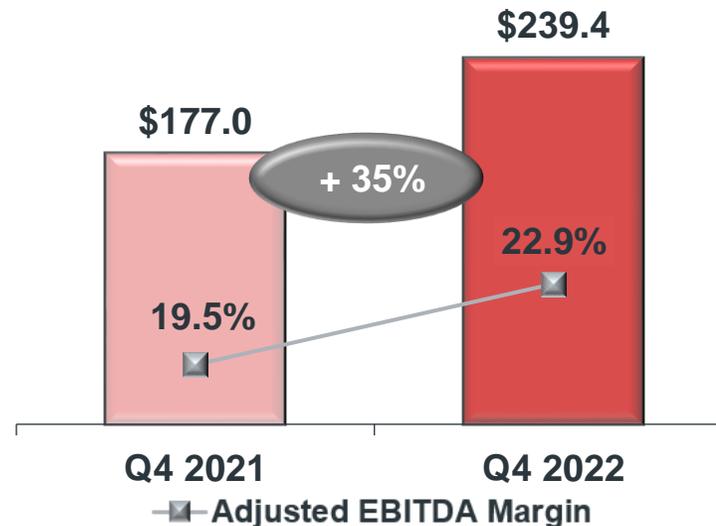
* For a reconciliation of non-GAAP measures to its nearest GAAP equivalent, please refer to the appendix in this presentation.

Environmental Services

Revenue
(in millions)



Adjusted EBITDA*
(in millions)

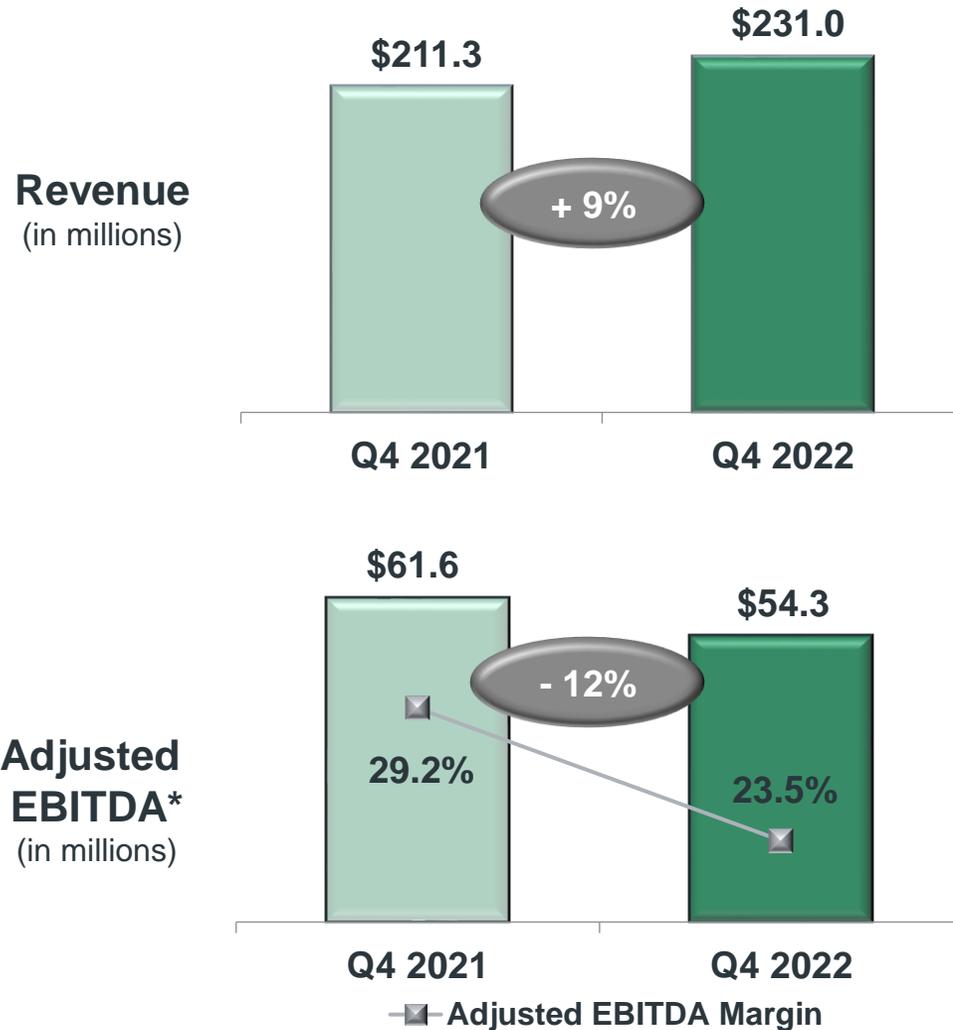


Q4 Performance

- Strong YoY increase in revenue driven by healthy demand for disposal, recycling and service businesses, along with pricing
- Adjusted EBITDA up due to higher revenue and significant margin enhancement. Margin benefiting from pricing to offset inflation, cost improvement and productivity gains
- Incinerator utilization was 84% vs. 92% a year ago. Impact from December storm limited utilization. Average price up 21% from Q4'21 as we focused on high-value streams. Full-year utilization at 86% vs. 85% in 2021
- Landfill tonnage was up 28% YoY due to strong base volumes and uptick in project volumes; Average price per ton up 3%
- ~\$1 million from Covid response work vs. \$11 million a year ago; YTD Covid decon revenue = \$19 million vs. \$59 million in 2021
- Performed 236K parts washer services vs. 228K a year ago; SK core branch offerings continuing to grow with active demand environment

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

Safety-Kleen Sustainability Solutions



Q4 Performance

- Revenue increased YoY due to base oil and blended product pricing, higher sales of RFO and ancillary services, along with contribution from the Synergy acquisition
- Adjusted EBITDA and margin decrease driven by market weakness following a record Q3, as well as some weather impacts
- Gathered 57 million gallons of waste oil, compared with 56 million gallons in Q4'21; as expected, average collection costs are higher than a year ago but down slightly from Q3
- Blended products were in-line with expectations given market conditions. Blended products accounted for 17% of volume compared with 21% a year ago; direct volume was 8% in the quarter, flat with 8% in Q4 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



Q4 and Full-Year 2022 Income Statement

(in millions, except per share data)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>2022</u>	<u>2021</u>
Revenues	\$1,278.1	\$1,119.5	\$5,166.6	\$3,805.6
Cost of revenues	\$891.4	\$792.2	\$3,543.9	\$2,609.8
Gross profit	\$386.7	\$327.3	\$1,622.7	\$1,195.7
<i>Gross margin %</i>	<i>30.3%</i>	<i>29.2%</i>	<i>31.4%</i>	<i>31.4%</i>
Selling, general and administrative expenses	\$168.9	\$159.1	\$627.4	\$538.0
<i>SG&A %</i>	<i>13.2%</i>	<i>14.2%</i>	<i>12.1%</i>	<i>14.1%</i>
Depreciation and amortization	\$87.0	\$82.9	\$347.6	\$298.1
Income from operations	\$127.4	\$82.2	\$634.7	\$347.9
Adjusted EBITDA*	\$224.2	\$174.3	\$1,022.1	\$676.6
<i>Adjusted EBITDA* margin %</i>	<i>17.5%</i>	<i>15.6%</i>	<i>19.8%</i>	<i>17.8%</i>
Net income	\$82.5	\$49.0	\$411.7	\$203.2
Diluted earnings per share	\$1.52	\$0.90	\$7.56	\$3.71
Adjusted earnings per share*	\$1.44	\$0.89	\$7.15	\$3.64

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

Balance Sheet Highlights

(in millions)

	<u>12/31/22</u>	<u>9/30/22</u>	<u>12/31/21</u>
Cash and short-term marketable securities	\$554.6	\$514.1	\$534.3
Accounts payable	\$446.6	\$416.9	\$359.9
Billed and unbilled receivables	\$1,071.6	\$1,161.0	\$887.7
Current and long-term debt	\$2,424.8	\$2,525.5	\$2,534.6
Environmental liabilities	\$235.1	\$224.0	\$211.0

Cash Flow Highlights

(in millions)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>2022</u>	<u>2021</u>
Cash from operations	\$268.7	\$177.8	\$626.2	\$546.0
Capital expenditures, net of disposals	(\$96.8)	(\$89.5)	(\$336.3)	(\$219.7)
Adjusted free cash flow*	<u>\$171.8</u>	<u>\$88.3</u>	<u>\$289.9</u>	<u>\$326.3</u>
Share repurchases	\$6.0	\$6.0	\$50.2	\$54.4

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

Guidance (as of March 1, 2023)

Full-Year 2023

(in millions)

	Range
Net Income	\$355 to \$391
Adjusted EBITDA*	\$1,010 to \$1,050
Net Cash from Operating Activities	\$705 to \$765
Adjusted Free Cash Flow*	\$305 to \$345

* 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 Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net income	\$ 82,474	\$ 48,993	\$ 411,744	\$ 203,247
Accretion of environmental liabilities	3,344	3,120	12,943	11,745
Stock-based compensation	6,469	6,053	26,844	18,839
Depreciation and amortization	87,034	82,929	347,594	298,135
Other (income) expense, net	(399)	(1,994)	(2,472)	515
Loss on early extinguishment of debt	422	—	422	—
Gain on sale of business	—	—	(8,864)	—
Interest expense, net of interest income	28,309	23,704	107,663	77,657
Provision for income taxes	16,591	11,495	126,254	66,468
Adjusted EBITDA	\$ 224,244	\$ 174,300	\$ 1,022,128	\$ 676,606
Adjusted EBITDA Margin	17.5 %	15.6 %	19.8 %	17.8 %

Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Adjusted net income				
Net income	\$ 82,474	\$ 48,993	\$ 411,744	\$ 203,247
Loss on early extinguishment of debt	422	—	422	—
Gain on sale of business	—	—	(8,864)	—
Tax-related valuation allowances and other*	(4,354)	(428)	(13,848)	(3,649)
Adjusted net income	<u>\$ 78,572</u>	<u>\$ 48,565</u>	<u>\$ 389,454</u>	<u>\$ 199,598</u>
Adjusted earnings per share				
Earnings per share	\$ 1.52	\$ 0.90	\$ 7.56	\$ 3.71
Loss on early extinguishment of debt	0.01	—	0.01	—
Gain on sale of business	—	—	(0.16)	—
Tax-related valuation allowances and other*	(0.09)	(0.01)	(0.26)	(0.07)
Adjusted earnings per share	<u>\$ 1.44</u>	<u>\$ 0.89</u>	<u>\$ 7.15</u>	<u>\$ 3.64</u>

* For the three and twelve months ended December 31, 2022, other amounts include (\$0.1) million and \$1.5 million, or \$0.03 per share, of tax impacts from the loss on early extinguishment of debt and gain on sale of business, respectively.

Non-GAAP Results Reconciliation

(in thousands)

	For the Three Months Ended		For the Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Adjusted free cash flow				
Net cash from operating activities	\$ 268,672	\$ 177,771	\$ 626,214	\$ 545,997
Additions to property, plant and equipment	(100,509)	(95,202)	(345,056)	(241,856)
Proceeds from sale and disposal of fixed assets	3,661	5,732	8,779	22,156
Adjusted free cash flow	<u>\$ 171,824</u>	<u>\$ 88,301</u>	<u>\$ 289,937</u>	<u>\$ 326,297</u>

Non-GAAP Guidance Reconciliation

(in millions)

	For the Year Ending December 31, 2023		
Projected GAAP net income	\$355	to	\$391
Adjustments:			
Accretion of environmental liabilities	14	to	13
Stock-based compensation	26	to	29
Depreciation and amortization	355	to	345
Loss on early extinguishment of debt	2		2
Interest expense, net	128	to	123
Provision for income taxes	130	to	147
Projected Adjusted EBITDA	<u>\$1,010</u>	to	<u>\$1,050</u>

(in millions)

	For the Year Ending December 31, 2023		
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





(NYSE: CLH)

42 Longwater Drive
Norwell, MA 02061

Jim Buckley
SVP, Investor Relations
781-792-5100

Email: Buckley.James@CleanHarbors.com

www.cleanharbors.com