



TECHNICAL SERVICES



SAFETY-KLEEN



INDUSTRIAL & FIELD SERVICES



OIL & GAS FIELD SERVICES



# Fourth Quarter and Year End 2013 Investor Review

Presented February 26, 2014

# 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 alternatives 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, and provision for income taxes. Also excluded are other expense (income), loss on early extinguishment on debt and pre-tax, non-cash acquisition inventory adjustments as these amounts are not considered part of usual business operations. 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 EBITDA to net income, please refer to the appendix in this presentation.

# Summary of Q4 and Full Year 2013 Results

- Q4 revenue increased 57% YOY to \$879.4M;  
2013 Revenue of \$3.5 billion, low end of guidance range
- Q4 Adjusted EBITDA\* increased 55% YOY to \$129.3M;  
2013 Adjusted EBITDA of \$510.1M, below guidance range
- Primary factors influencing Q4 performance
  - Quarter began strong; October was highest monthly revenue in our history
  - Significant slowdown from weather and holidays landing mid week, shut down many customers
  - Lodging occupancy was down 10% in the quarter
  - Base/blended oil sales decreased near year-end; customers were betting on lower prices and were proved right in mid-January
  - Oil and Gas affected by reduced exploration budgets
  - S-K Environmental Services delivered solid results

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



# 2013 Results – Initial Assumptions

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- Originally targeted ~\$3.75B in revenue and ~\$620M of Adjusted EBITDA (guidance of \$605M - \$620M) for 2013
- High level bridge to ~\$620M
  - Closed 2012 with ~\$375M of Adjusted EBITDA
    - + Small 2012 acquisitions expected to add ~\$15M
    - + S-K acquisition expected to add \$188M including synergies
    - + Expected ~\$7M from Ruth Lake
    - + Growth in core business/pricing to add ~\$35M
    - = total of ~\$620M

# 2013 Results

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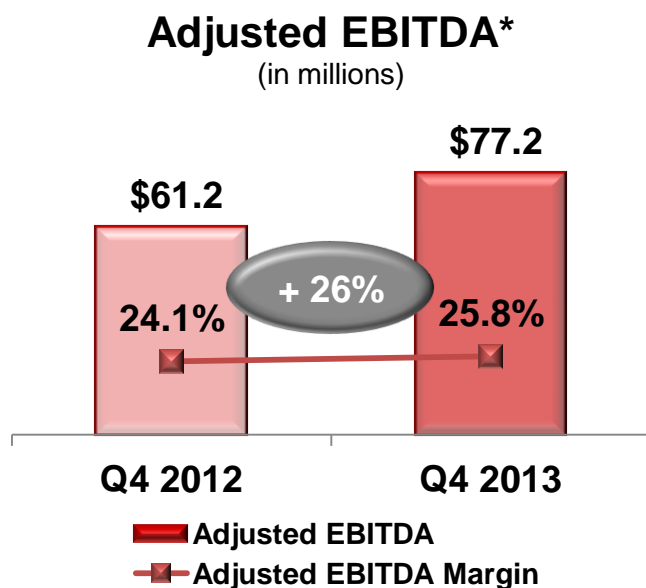
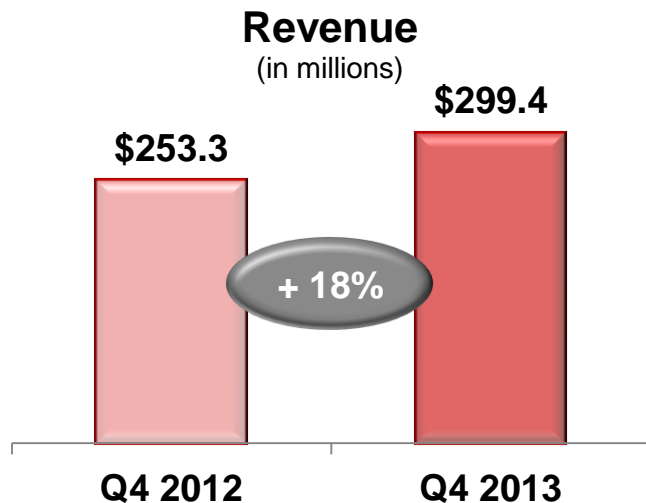
- The \$510M we reported in 2013 Adjusted EBITDA was miss of ~\$110M
  - Safety-Kleen shortfall = ~\$90M
    - Base oil/blended pricing contributed more than \$80M of total
  - Industrial and Field Services shortfall = ~\$30M
    - Construction delays and cost overruns at Ruth Lake
    - Loss of Oil Sands contract due to unionization
    - Push outs of turnarounds by refineries
  - Oil and Gas Field Services shortfall = ~\$25M
    - Less robust winter drilling season
    - Historic flooding in Western Canada
    - Weakness in seismic business toward year-end
  - Additional synergies offset some of these shortfalls

# How Are We Responding

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- Launching broad strategic review of operating structure with emphasis on driving organic growth and improving ROIC
- Initiated a comprehensive expense reduction program targeting \$75M in additional costs to lower cost structure
  - Non-billable headcount
  - Maintenance
  - Inventory and Logistics
- Launched a broad array of margin improvement initiatives
  - Move to Regional Sales organization to drive organic revenue and cross selling
  - Pay-for-oil program reduction
  - Waste Network optimization
  - Expand blending capabilities

## Year-Over-Year Comparison

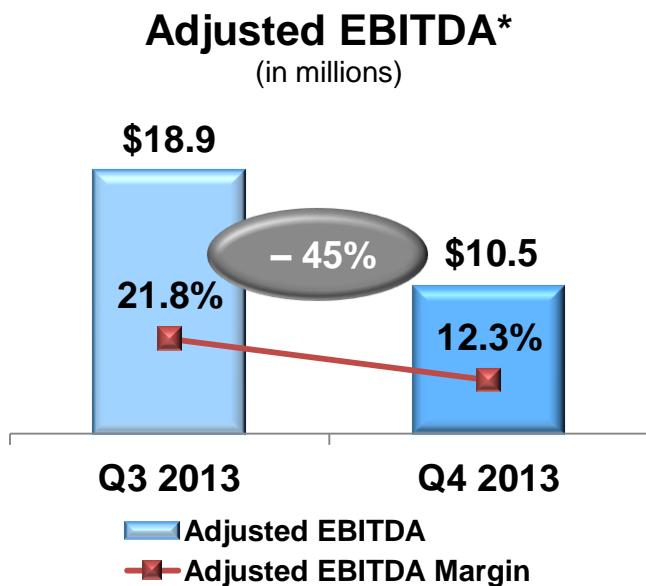
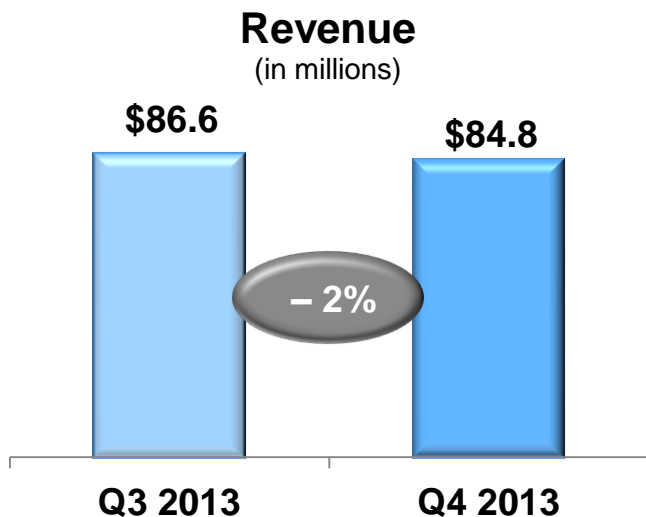


## Q4 Performance

- Revenue and Adjusted EBITDA growth driven by addition of S-K customers and waste streams
- Incinerator utilization was 91%; 92% U.S., 88% Canada
- Landfill tonnage down 25% sequentially and 15% YoY
- Quarter began strong, but did not see typical year-end surge
- Less favorable mix as we experienced a near-term decline in some high-margin waste streams

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

## Sequential Comparison



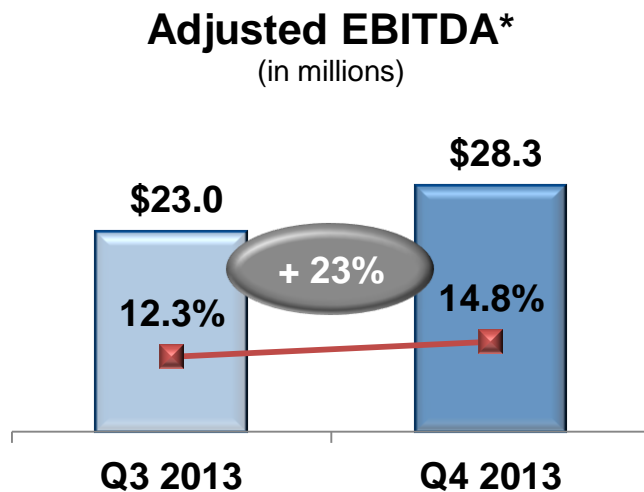
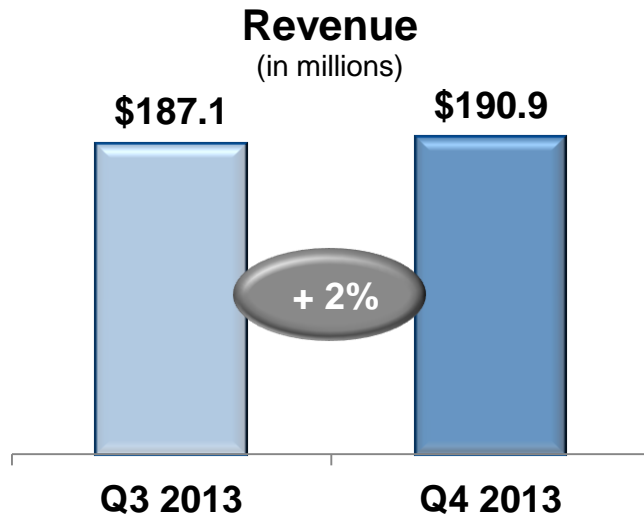
## Q4 Performance

- Revenue essentially flat with Q3 as lower sequential volumes of base/blended products at S-K facilities partly offset by addition of Evergreen revenue
- Experienced a sharp decline in base oil and blended sales in final two weeks of year as buyers anticipated subsequent January price drop
- Investments in Evergreen re-refinery also drove down segment profitability
- PFO (Pay for oil) costs down slightly from Q3
- Blended sales accounted for 33% of volume in Q4, below the year average of 37%

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



## Sequential Comparison



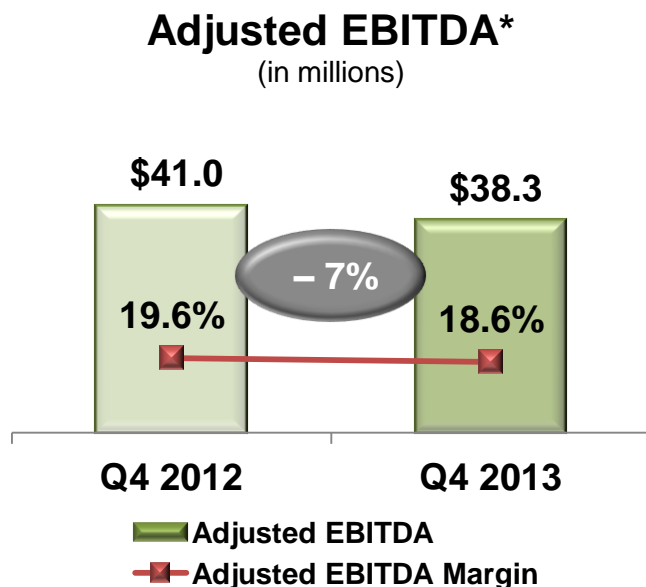
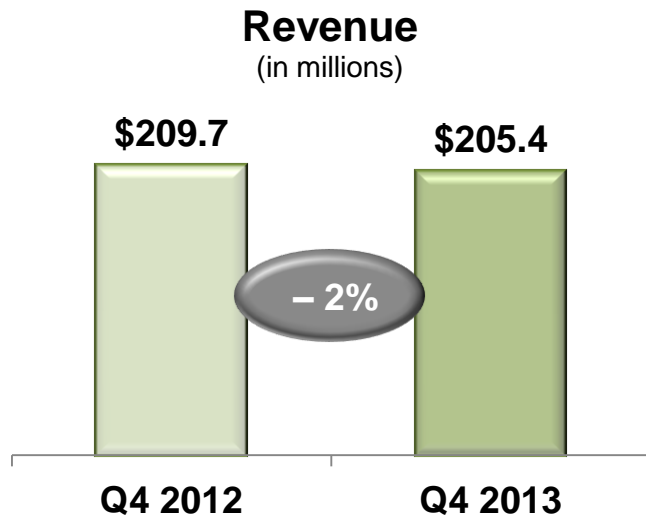
■ Adjusted EBITDA  
■ Adjusted EBITDA Margin

## Q4 Performance

- Strong sequential increase in profitability as margins normalized and we generated more favorable product mix
- 220,000 parts washer services conducted in quarter, consistent with prior quarters
- Collected 51 million gallons of waste oil in quarter with some incremental contributions from Evergreen
- Demand for containerized waste services, parts washers and vac services was steady

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## Year-Over-Year Comparison

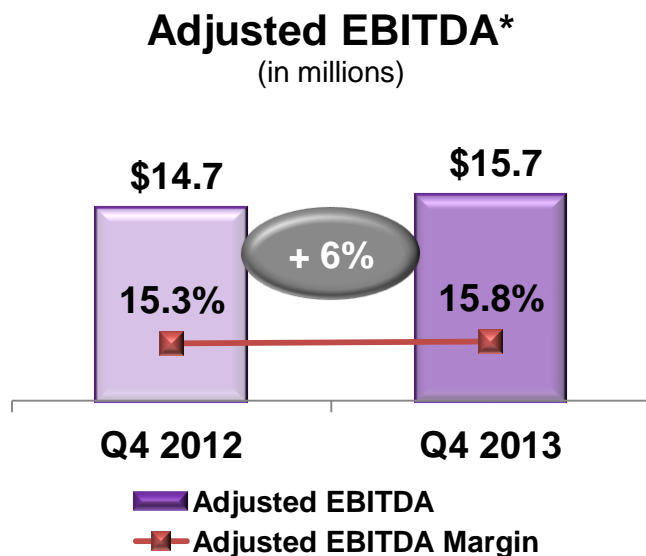
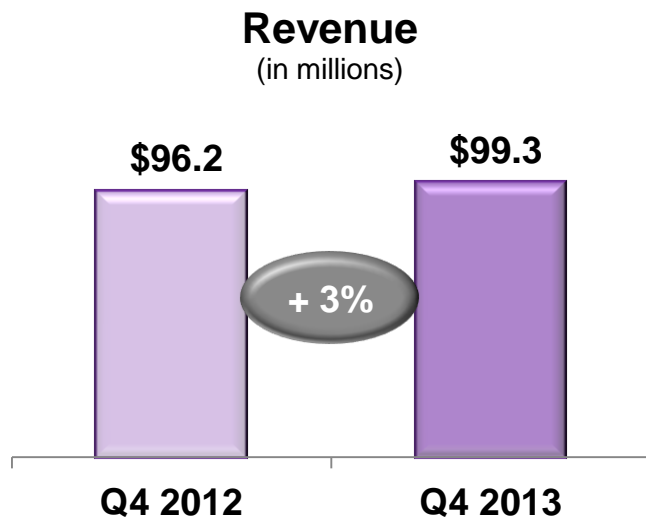


## Q4 Performance

- Revenue essentially flat as growth in certain lines of business offset by previously announced lost Oil Sands contract
- Q412 revenue contained \$12M in ER work associated with Hurricane Sandy, no major events in Q413
- Lower profitability primarily related to business mix and slightly higher costs in Oil Sands region
- Outside room utilization at primary fixed lodges was 72%; lodging sluggish due to renovations and Ruth Lake slowly filling capacity
- Personnel utilization of 80%, with a full year average of 82%

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

## Year-Over-Year Comparison



## Q4 Performance

- Revenue uptick resulted from increase in surface rentals and production services offset by lower-than-expected seismic revenue
- Profitability improved from a weak Q412, but below expectations due to seismic
- Average number of rigs serviced during the quarter was 195, with Canada slightly behind plan and U.S. growing
- Increasing market share for surface rentals in the Rockies; recently on first rigs in Texas/Oklahoma region
- Utilization of key equipment was 61%

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

# Outlook



## Technical Services

- Driving additional volumes into our network, particularly from Safety-Kleen
- Proceeding with constructing new El Dorado incinerator – now have permit in-hand



## Oil Re-refining and Recycling

- Pursuing promising sales pipeline for blended products, particularly EcoPower
- Focusing on enhancing margins and optimizing operations at Evergreen Oil



## SK Environmental Services

- Expanding through opening of new branch locations, particularly in Canada
- Implementing PFO incentive programs and continuing to seek new sources of low-cost waste oil



## Industrial and Field Services

- Focusing near-term on filling capacity at Ruth Lake lodge
- Regaining momentum in Oil Sands region
- Cross-selling Field Services to S-K's 200,000 customers



## Oil and Gas Field Services

- Focusing on redeployment of underutilized equipment
- Expanding efforts to grow the U.S., particularly in Southern regions



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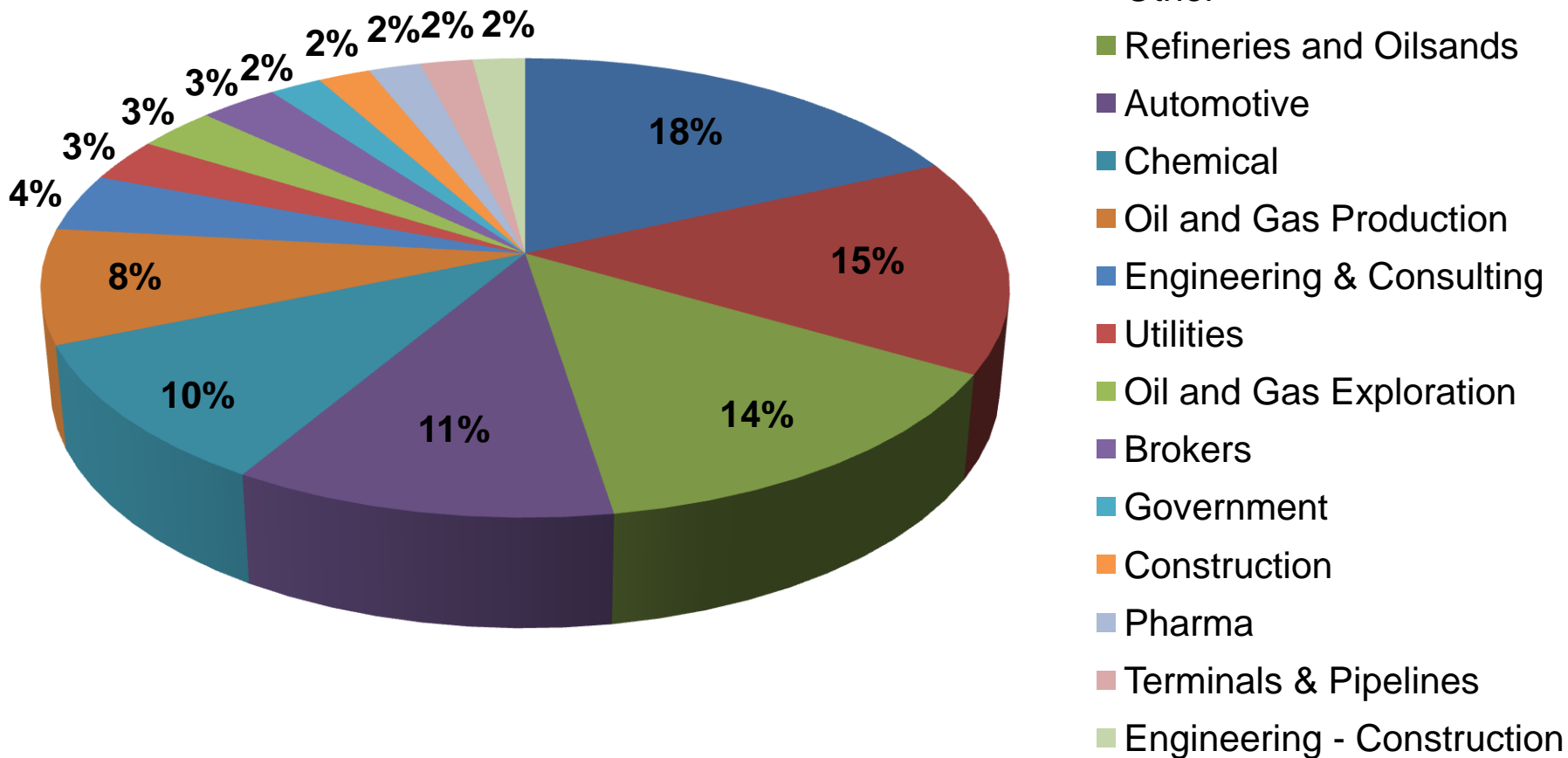
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# Financial Review

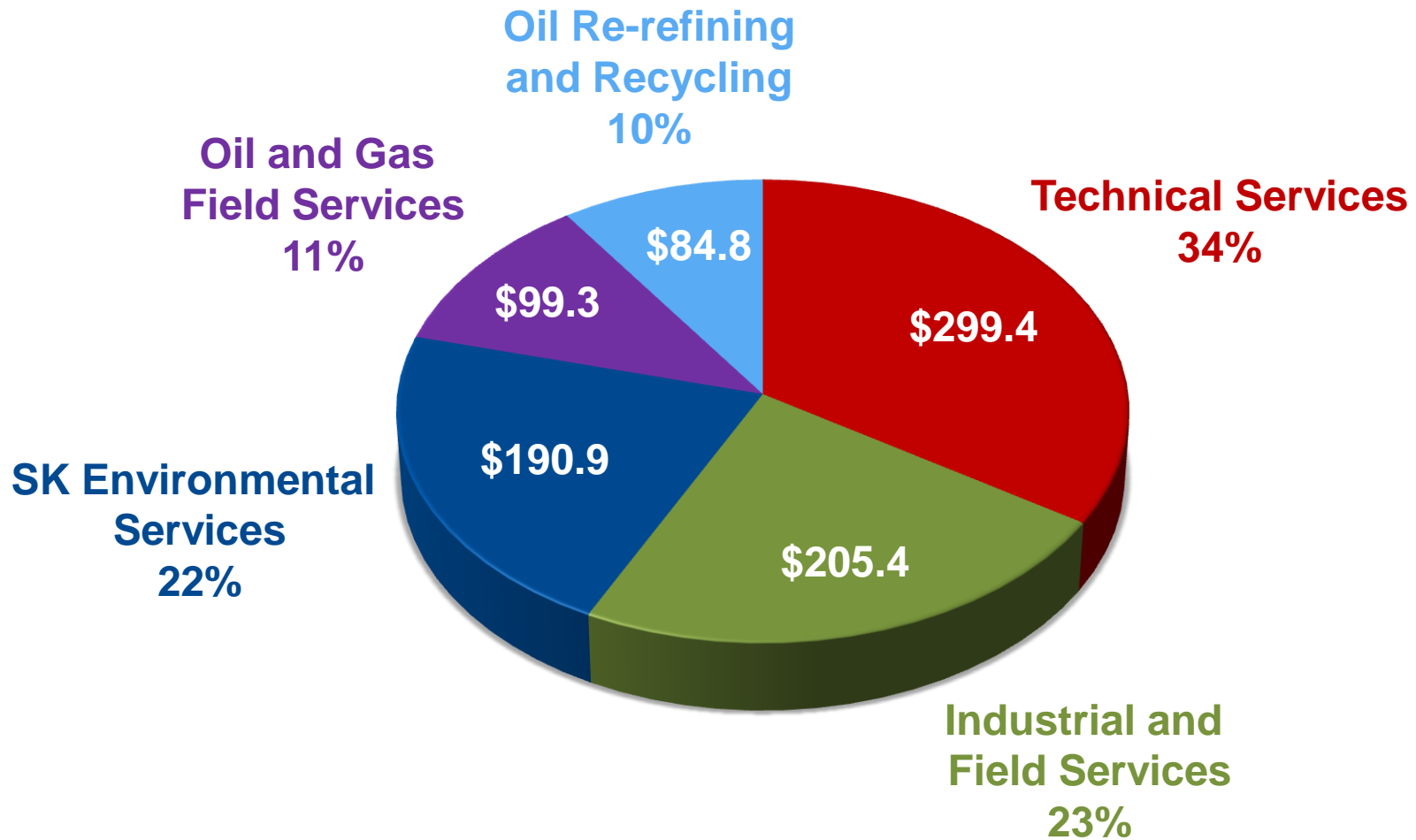
# Key Verticals Performance in Q4 2013

(% of total Q4 revenue)



# Snapshot of Q4 2013 Direct Revenues

(In millions)



# Q4 & 2013 Income Statement

(In millions, except per share data)

	<u>Q4 2012</u>	<u>Q4 2013</u>	<u>2012</u>	<u>2013</u>
Revenue	\$559.0	\$879.4	\$2,187.9	\$3,509.7
Cost of revenues	\$399.7	\$645.2	\$1,540.6	\$2,542.6
Gross profit	\$159.2	\$234.3	\$647.3	\$967.0
<i>Gross margin</i>	28.5%	26.6%	29.6%	27.6%
Selling, general and administrative expenses	\$75.6	\$104.9	\$273.5	\$470.5
SG&A %	13.5%	11.9%	12.5%	13.4%
Depreciation and amortization	\$44.9	\$67.5	\$161.6	\$264.4
Income from operations	\$36.2	\$58.9	\$202.2	\$220.6
Adjusted EBITDA*	\$83.6	\$129.3	\$373.8	\$510.1
<i>Adjusted EBITDA* margin</i>	15.0%	14.7%	17.1%	14.5%
Net income	\$61.9	\$26.8	\$129.7	\$95.6
Diluted earnings per share	\$1.11	\$0.44	\$2.40	\$1.57

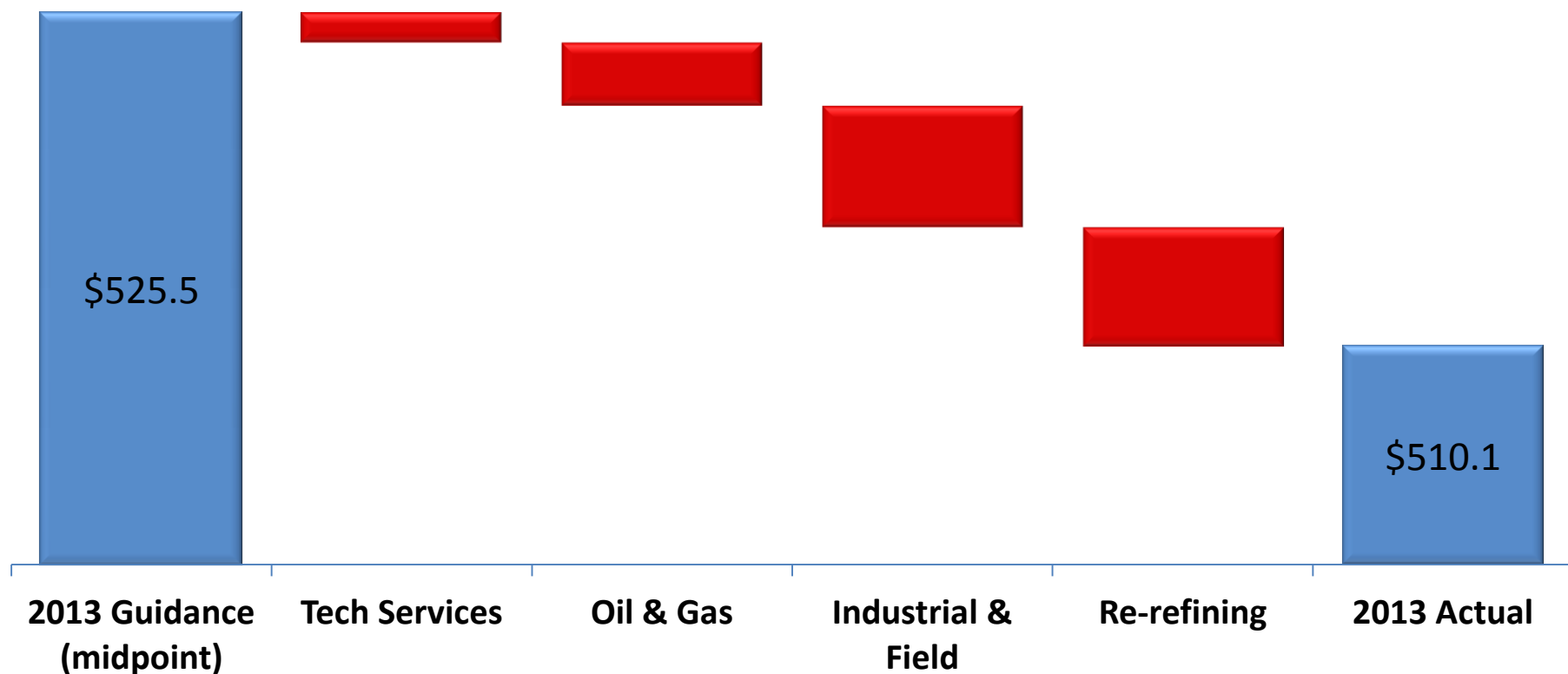
\* For a reconciliation of Adjusted EBITDA to net income, please refer to the appendix in this presentation.





# Bridging the Q4 Adjusted EBITDA Miss

(\$ In millions)



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



# Balance Sheet and Cash Flow Highlights

*(In millions)*

## Balance Sheet Highlights

Cash and marketable securities

Billed & unbilled receivables

Days sales outstanding (DSO)

Environmental liabilities

## Cash Flow Highlights

Capital expenditures

Cash flow from operations

12/31/12

(As Adjusted)

\$241.6

\$573.2

72 days

\$227.4

\$197.4

\$324.4

12/31/13

\$322.5

\$606.0

69 days

\$219.6

\$280.2

\$415.8

# Guidance (as of February 26, 2014)

## Q1 2014

	Range	
<b>Total Revenue (in millions)</b>	<b>\$820</b>	<b>\$840</b>
<b>Adjusted EBITDA* (in millions)</b>	<b>\$100</b>	<b>\$105</b>

## 2014

	Range	
<b>Total Revenue (in billions)</b>	<b>\$3.5</b>	<b>\$3.6</b>
<b>Adjusted EBITDA* (in millions)</b>	<b>\$525</b>	<b>\$555</b>

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



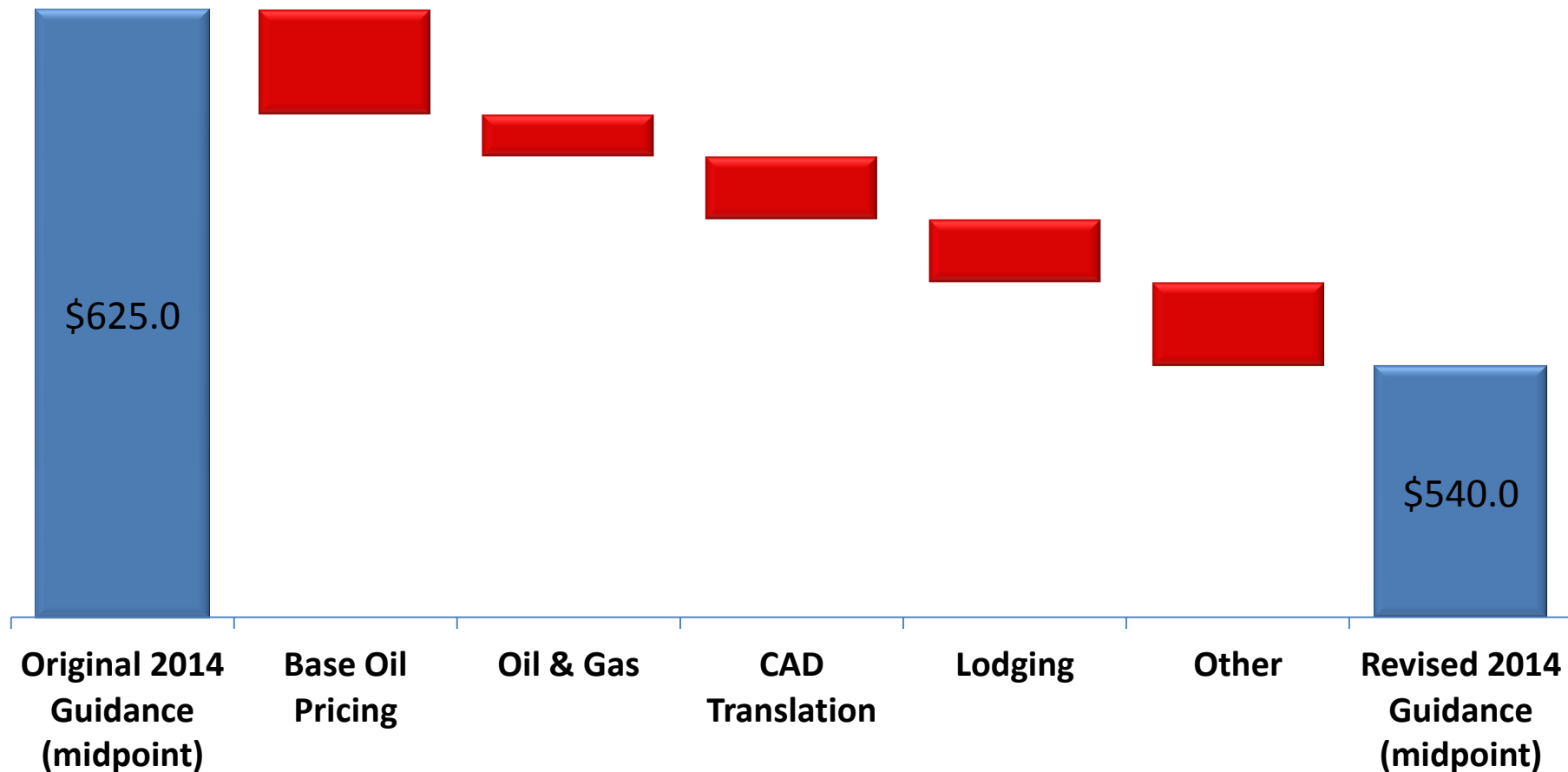
# Headwinds Entering 2014

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- Posted market price of Group 2 lubricants reduced in January by 25 to 30 cents by the refining majors
- Currency translation due to sharp decline in Canadian dollar
- Slowdown in seismic business due to lower land exploration spending in North America and focus on off-shore
- Sluggish start to the year due to severe winter weather
- Ruth Lake slow to fill to capacity, lodging experiencing near-term effects of project delays

# Bridging the Change in 2014 Guidance

(\$ In millions)



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



# Share Repurchase Plan

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- Board of Directors authorized a \$150M stock buyback program
- Repurchases to be funded through available cash
- Opportunity to return value to shareholders
- Demonstrates confidence in long-term corporate vision
- Flexibility to execute program while pursuing two-pronged growth strategy



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## Questions & Answers





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# Appendix



# Non-GAAP Reconciliation

(in thousands)	For the three months ended:			For the year ended:	
	December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Net income	\$26,801	\$35,361	\$61,874	\$95,566	\$129,674
Accretion of environmental liabilities	2,913	2,914	2,508	11,541	9,917
Depreciation and amortization	67,545	69,430	44,852	264,449	161,646
Other expense (income)	325	150	337	(1,705)	802
Loss on early extinguishment of debt	—	—	—	—	26,385
Interest expense, net	19,592	19,326	13,451	78,376	47,287
Pre-tax, non-cash acquisition accounting inventory adjustment	—	—	—	13,559	—
Provision (benefit) for income taxes	12,159	18,771	(39,431)	48,319	(1,944)
Adjusted EBITDA	\$129,335	\$145,952	\$83,591	\$510,105	\$373,767

# Non-GAAP Reconciliation

	<b>For the Quarter Ending March 31, 2014</b>			
	<b>Amount</b>		<b>Margin % (1)</b>	
	(In millions)			
Projected GAAP net income	\$ 4	to	\$ 9	0.5% to 1.1%
Adjustments:				
Accretion of environmental liabilities	3	to	3	0.4% to 0.4%
Depreciation and amortization	70	to	68	8.5% to 8.1%
Interest expense, net	20	to	20	2.4% to 2.3%
Provision for income taxes	3	to	5	0.4% to 0.6%
Projected Adjusted EBITDA	\$ 100	to	\$ 105	12.2% to 12.5%
Revenues (In millions)	\$820	to	\$840	

(1) The Margin % indicates the percentage that the line-item represents to total revenues for the respective reporting period, calculated by dividing the dollar amount for the line-item by total revenues for the reporting period.

# Non-GAAP Reconciliation

	<b>For the Year Ending December 31, 2014</b>			
	<b>Amount</b>		<b>Margin % (1)</b>	
	(In millions)			
Projected GAAP net income	\$ 96	to	\$ 122	2.7% to 3.4%
Adjustments:				
Accretion of environmental liabilities	13	to	11	0.4% to 0.3%
Depreciation and amortization	280	to	275	8.0% to 7.6%
Interest expense, net	80	to	79	2.3% to 2.2%
Provision for income taxes	56	to	68	1.6% to 1.9%
Projected Adjusted EBITDA	<u>\$ 525</u>	to	<u>\$ 555</u>	<u>15.0%</u> to <u>15.4%</u>
Revenues (In millions)	\$3,500	to	\$3,600	

(1) The Margin % indicates the percentage that the line-item represents to total revenues for the respective reporting period, calculated by dividing the dollar amount for the line-item by total revenues for the reporting period.