



# Fourth Quarter 2018 Investor Review

**February 27, 2019**

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 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 and Adjusted free cash flow, as presented in these slides, are non-GAAP financial measures and should not be considered alternatives to net income (loss) and net cash from operating activities, respectively, or other measurements under generally accepted accounting principles (GAAP), but viewed only as a supplement to those measurements. Adjusted EBITDA and Adjusted free cash flow are not calculated identically by all companies, and therefore our measurement of Adjusted EBITDA, while defined consistently and in accordance with our existing credit agreement, and our measurement of adjusted free cash flow, 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.

Adjusted EBITDA consists of net income (loss) plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for income taxes and excludes other gains or non-cash charges not deemed representative of fundamental segment results and other 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, adjusted net income (loss) and adjusted earnings (loss) per share to net income and a reconciliation of net cash from operating activities to adjusted free cash flow, please refer to the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission.

# Summary of Q4 and 2018 Results



## Q4

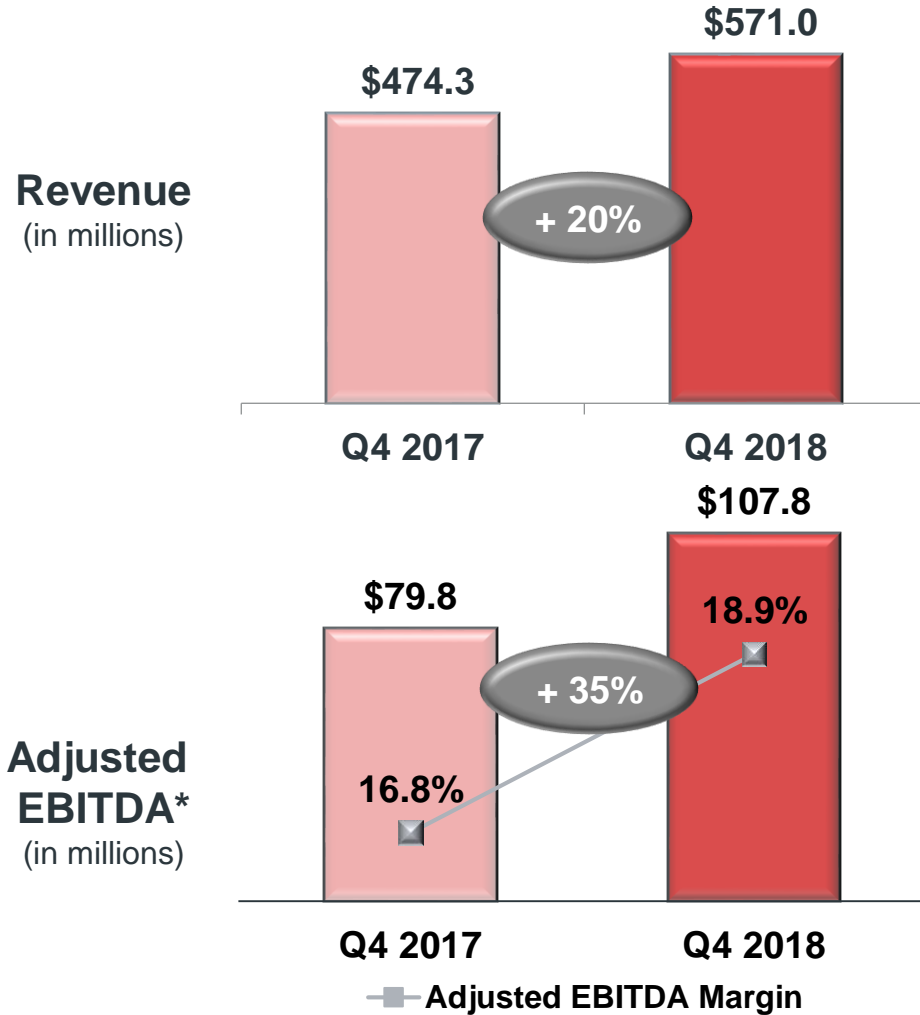
- Revenue increases 15% to \$858.2M, driven by organic growth and Veolia
- Net income of \$0.29 per diluted share; Adjusted EPS of \$0.24
- Adjusted EBITDA\* growth of 20% to \$121.9 million
- Strong Environmental Services performance led by improved pricing/mix of waste streams, increase in Industrial/Energy/Field Services
- Safety-Kleen revenue up on higher pricing and incremental growth in branch's core offerings and achieved 10<sup>th</sup> straight quarter of Adjusted EBITDA growth

## 2018

- Revenue increases 12% to \$3.3 billion
- Net income of \$1.16 per diluted share; Adjusted EPS of \$1.26
- Adjusted EBITDA\* growth of 15% to \$491.0 million
- Record Adjusted Free Cash Flow\* of \$195.3 million

\* For a reconciliation of Adjusted EBITDA to net income and Adjusted Free Cash Flow to net cash from operating activities, please refer to the appendix in this presentation.

# Environmental Services



## Q4 Performance

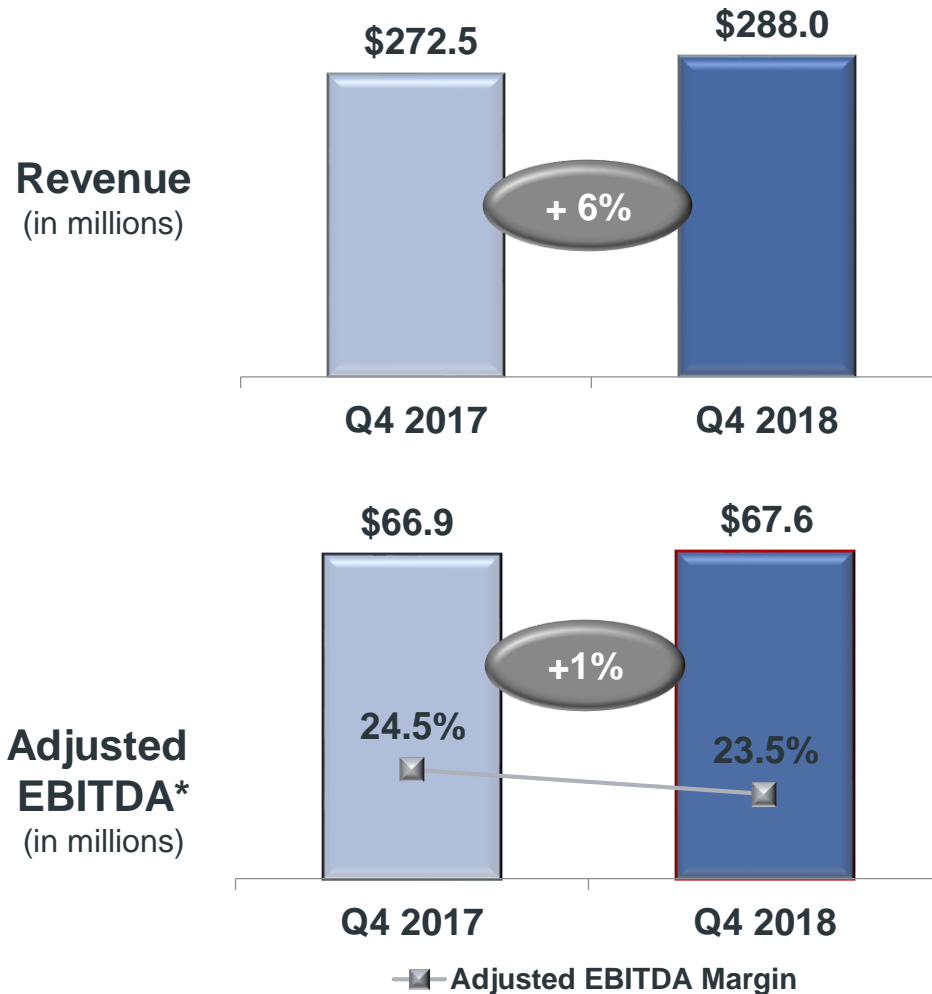
- Revenue growth due to Veolia acquisition and organic growth
- Adjusted EBITDA and margins up primarily on pricing initiatives and mix of waste streams, as well as Veolia contribution and favorable comparison due to hurricane-related costs a year ago
- Incinerator utilization was 86% vs. 92% in Q4'17; average pricing up 17% due to improved mix
- Landfill tonnage down 6% YoY reflecting higher priced mix of business that drove average pricing up 18%
- No major ER events in the quarter



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

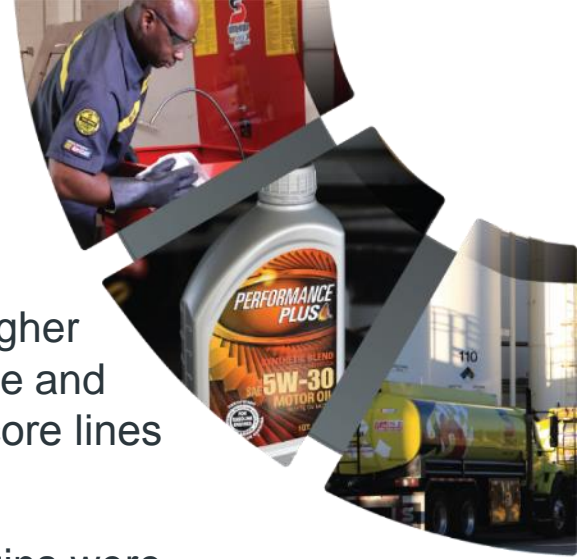


# Safety-Kleen



## Q4 Performance

- Revenue increase primarily driven by higher production volumes, closed loop initiative and pricing/growth within branch network's core lines of business
- Adjusted EBITDA grew slightly but margins were lower due to near-term spread compression due to base oil pricing
- Performed 238K parts washer services, down from prior year, but more than offset by price increases
- Gathered 56 million gallons of waste oil in Q4 and a record 234 million gallons in 2018
- Blended products accounted for 22% of volume, compared with 23% in Q417; direct volume was 6% in the quarter vs. 4% in Q417



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

# Market Diversification – Top 10 Industries Served



	<u>2017</u>	<u>2018</u>
Manufacturing	16%	<b>17%</b>
Chemical	13%	<b>14%</b>
Refineries	9%	<b>8%</b>
Base and Blended Oils	8%	<b>8%</b>
Automotive	8%	<b>7%</b>
Government	7%	<b>6%</b>
Utilities	5%	<b>5%</b>
Transportation	4%	<b>4%</b>
Oil & Gas	4%	<b>4%</b>
Construction	3%	<b>3%</b>
Other Industries	23%	<b>24%</b>

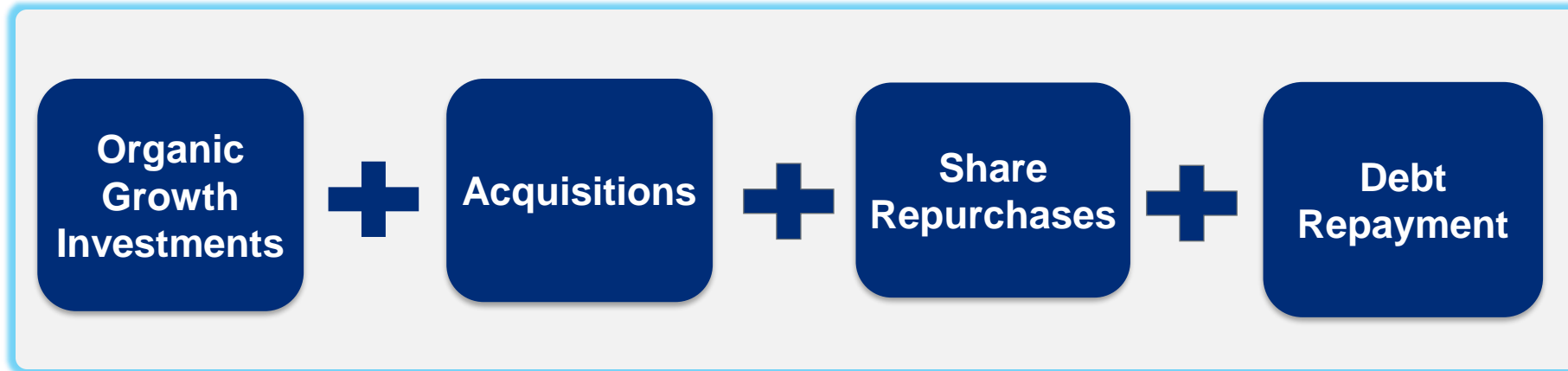
# Corporate Update



- **Reinvesting in workforce through additional benefits in 2019**
- **Drive 2019 key growth initiatives:**
  - Disposal network – extend price/mix improvements and pursue project volumes
  - Blended sales – 2019 goal of 50 million total gallons  
Closed loop offering – increase volumes by more than 50% from 2018
  - Monitor IMO 2020 impact on UMO/base oil spread and look for opportunities to capitalize on market conditions
  - Margin improvement through better utilization and cost management
- **Executing 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 2018 Income Statement

(in millions, except per share data)

	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>2018</b>	<b>2017</b>
Revenue	\$858.2	\$747.4	\$3,300.3	\$2,945.0
Cost of revenues	\$594.9	\$526.7	\$2,305.6	\$2,062.7
Gross profit	\$263.3	\$220.7	\$994.8	\$882.3
<b>Gross margin %</b>	<b>30.7%</b>	<b>29.5%</b>	<b>30.1%</b>	<b>30.0%</b>
Selling, general and administrative expenses	\$141.4	\$118.9	\$503.7	\$456.6
<b>SG&amp;A %</b>	<b>16.5%</b>	<b>15.9%</b>	<b>15.3%</b>	<b>15.5%</b>
Depreciation and amortization	\$77.9	\$71.5	\$298.6	\$288.4
Income from operations	\$41.5	\$27.9	\$182.6	\$127.8
Adjusted EBITDA*	\$121.9	\$101.8	\$491.0	\$425.7
<b>Adjusted EBITDA* margin %</b>	<b>14.2%</b>	<b>13.6%</b>	<b>14.9%</b>	<b>14.5%</b>
Net income	\$16.4	\$84.2	\$65.6	\$100.7
Diluted earnings per share	\$0.29	\$1.48	\$1.16	\$1.76
Adjusted earnings (loss) per share*	\$0.24	(\$0.06)	\$1.26	\$0.20



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

# Balance Sheet Highlights



(in millions)

	<u>12/31/18</u>	<u>9/30/18</u>	<u>12/31/17</u>
Cash and short-term marketable securities	\$279.4	\$252.9	\$357.6
Accounts payable	\$276.5	\$248.4	\$224.2
Billed and unbilled receivables	\$661.7	\$672.6	\$564.8
Days sales outstanding (DSO)	76 days	75 days	72 days
Current and Long-term debt	\$1,573	\$1,624	\$1,630
Net debt/EBITDA ratio	2.6X	2.8X	3.0X
Environmental liabilities	\$190.9	\$188.1	\$185.5

# Cash Flow Highlights



(in millions)

	<u>Q4 2018</u>	<u>Q4 2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash from operations</b>	<b>\$126.0</b>	<b>\$64.2</b>	<b>\$373.2</b>	<b>\$285.7</b>
<b>Capital expenditures, net of disposals</b>	<b>(\$33.3)</b>	<b>(\$37.5)</b>	<b>(\$177.9)</b>	<b>(\$159.9)</b>
<b>Tax liability on sale of business</b>	<b>—</b>	<b>\$14.4</b>	<b>—</b>	<b>\$14.4</b>
<b>Adjusted free cash flow*</b>	<b>\$92.7</b>	<b>\$41.1</b>	<b>\$195.3</b>	<b>\$140.2</b>
<b>Share repurchases</b>	<b>\$11.5</b>	<b>\$24.5</b>	<b>\$45.1</b>	<b>\$49.0</b>

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

# Guidance (as of February 27, 2019)



## Full-Year 2019

*(in millions)*

	Range
<b>Net Income</b>	<b>\$70 to \$110</b>
<b>Adjusted EBITDA*</b>	<b>\$500 to \$540</b>
<b>Net Cash from Operating Activities</b>	<b>\$380 to \$430</b>
<b>Adjusted Free Cash Flow *</b>	<b>\$190 to \$220</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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	\$16,431	\$84,194	\$65,636	\$100,739
Accretion of environmental liabilities	2,478	2,407	9,806	9,460
Depreciation and amortization	77,939	71,490	298,625	288,422
Other expense, net	4,061	3,305	4,510	6,119
Loss on early extinguishment of debt	19	—	2,488	7,891
Loss (gain) on sale of business	—	913	—	(30,732)
Interest expense, net	20,139	20,065	81,094	85,808
Provision (benefit) for income taxes	835	(80,542)	28,846	(42,050)
Adjusted EBITDA	<u>\$121,902</u>	<u>\$101,832</u>	<u>\$491,005</u>	<u>\$425,657</u>

# Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended:		For the Twelve Months Ended:	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Adjusted net income (loss)</b>				
Net income	\$16,431	\$84,194	\$65,636	\$100,739
Loss on early extinguishment of debt, net of tax	157	—	1,892	4,735
Loss (gain) on sale of business, net of tax	—	548	—	(17,919)
Adjustments related to tax law changes	(288)	(93,009)	(288)	(93,009)
Tax-related valuation allowances and other*	(3,025)	4,905	3,568	17,050
Adjusted net income (loss)	<u>\$13,275</u>	<u>(\$3,362)</u>	<u>\$70,808</u>	<u>\$11,596</u>

\* For the three and twelve months ended December 31, 2018 and 2017, other amounts include a \$7.1 million benefit, or \$0.13 per share, and a \$2.6 million charge, or \$0.04 per share, respectively, related to tax benefits from impacts of prior period tax filing amendments and charges associated with prior year tax positions taken by the Company.

# Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	For the Three Months Ended:		For the Twelve Months Ended:	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Adjusted earnings (loss) per share</b>				
Earnings per share	\$0.29	\$1.48	\$1.16	\$1.76
Loss on early extinguishment of debt, net of tax	—	—	0.03	0.08
Loss (gain) on sale of business, net of tax	—	0.01	—	(0.31)
Adjustments related to tax law changes	—	(1.63)	—	(1.63)
Tax-related valuation allowances and other*	(0.05)	0.08	0.07	0.30
Adjusted earnings (loss) per share	<u>\$0.24</u>	<u>(\$0.06)</u>	<u>\$1.26</u>	<u>\$0.20</u>

\* For the three and twelve months ended December 31, 2018 and 2017, other amounts include a \$7.1 million benefit, or \$0.13 per share, and a \$2.6 million charge, or \$0.04 per share, respectively, related to tax benefits from impacts of prior period tax filing amendments and charges associated with prior year tax positions taken by the Company.

# Non-GAAP Results Reconciliation

(in thousands)	For the Three Months Ended:		For the Twelve Months Ended:	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Adjusted free cash flow</b>				
Net cash from operating activities	\$125,995	\$64,229	\$373,210	\$285,698
Additions to property, plant and equipment	(42,622)	(39,271)	(193,344)	(167,007)
Proceeds from sale and disposal of fixed assets	9,334	1,749	15,445	7,124
Tax liability on sale of business	—	14,423	—	14,423
Adjusted free cash flow	<u>\$92,707</u>	<u>\$41,130</u>	<u>\$195,311</u>	<u>\$140,238</u>



# Non-GAAP Guidance Reconciliation

(in millions)

	<b>For the Year Ending December 31, 2019</b>		
Projected GAAP net income	\$70	to	\$110
Adjustments:			
Accretion of environmental liabilities	10	to	10
Depreciation and amortization	295	to	285
Interest expense, net	82	to	80
Provision for income taxes	43	to	55
Projected Adjusted EBITDA	<u>\$500</u>	to	<u>\$540</u>

(in millions)

	<b>For the Year Ending December 31, 2019</b>		
Projected net cash from operating activities	\$380	to	\$430
Additions to property, plant and equipment	(200)	to	(220)
Proceeds from sale and disposal of fixed assets	10	to	10
Projected adjusted free cash flow	<u>\$190</u>	to	<u>\$220</u>



**Questions?**