

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022  
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM      TO**

Commission File Number 001-34223

**CLEAN HARBORS, INC.**

(Exact name of registrant as specified in its charter)

**Massachusetts**

(State or Other Jurisdiction of Incorporation or Organization)

**42 Longwater Drive Norwell MA**

(Address of Principal Executive Offices)

**04-2997780**

(IRS Employer Identification No.)

**02061-9149**

(Zip Code)

Registrant's Telephone Number, Including area code: **(781) 792-5000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	CLH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of Common Stock, \$0.01 par value, of the registrant outstanding at October 28, 2022 was 54,074,296.

**CLEAN HARBORS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
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**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	September 30, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 449,023	\$ 452,575
Short-term marketable securities	65,034	81,724
Accounts receivable, net of allowances aggregating \$48,826 and \$40,140, respectively	1,026,226	792,734
Unbilled accounts receivable	134,742	94,963
Inventories and supplies	294,220	250,692
Prepaid expenses and other current assets	71,846	68,483
Total current assets	2,041,091	1,741,171
Property, plant and equipment, net	1,923,675	1,863,175
<b>Other assets:</b>		
Operating lease right-of-use assets	161,668	161,797
Goodwill	1,246,327	1,227,042
Permits and other intangibles, net	621,834	644,912
Other	78,032	15,602
Total other assets	2,107,861	2,049,353
Total assets	\$ 6,072,627	\$ 5,653,699
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 17,535	\$ 17,535
Accounts payable	416,913	359,866
Deferred revenue	93,425	83,749
Accrued expenses and other current liabilities	405,257	391,414
Current portion of closure, post-closure and remedial liabilities	36,904	25,136
Current portion of operating lease liabilities	47,879	47,614
Total current liabilities	1,017,913	925,314
<b>Other liabilities:</b>		
Closure and post-closure liabilities, less current portion of \$17,373 and \$12,015, respectively	89,399	87,088
Remedial liabilities, less current portion of \$19,531 and \$13,121, respectively	97,737	98,752
Long-term debt, less current portion	2,507,946	2,517,024
Operating lease liabilities, less current portion	116,607	117,991
Deferred tax liabilities	326,842	314,853
Other long-term liabilities	78,602	78,790
Total other liabilities	3,217,133	3,214,498
Commitments and contingent liabilities (See Note 17)		
<b>Stockholders' equity:</b>		
Common stock, \$0.01 par value:		
Authorized 80,000,000 shares; issued and outstanding 54,070,197 and 54,419,321 shares, respectively	541	544
Additional paid-in capital	506,359	536,377
Accumulated other comprehensive loss	(171,567)	(196,012)
Accumulated earnings	1,502,248	1,172,978
Total stockholders' equity	1,837,581	1,513,887
Total liabilities and stockholders' equity	\$ 6,072,627	\$ 5,653,699

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Service revenues	\$ 1,073,810	\$ 744,549	\$ 3,100,914	\$ 2,141,820
Product revenues	289,276	206,930	787,593	544,265
Total revenues	<u>1,363,086</u>	<u>951,479</u>	<u>3,888,507</u>	<u>2,686,085</u>
<b>Cost of revenues: (exclusive of items shown separately below)</b>				
Service revenues	738,041	508,498	2,168,025	1,451,498
Product revenues	172,607	130,734	484,481	366,156
Total cost of revenues	<u>910,648</u>	<u>639,232</u>	<u>2,652,506</u>	<u>1,817,654</u>
Selling, general and administrative expenses	151,711	133,164	458,492	378,911
Accretion of environmental liabilities	3,246	2,799	9,599	8,625
Depreciation and amortization	88,394	71,451	260,560	215,206
<b>Income from operations</b>	<u>209,087</u>	<u>104,833</u>	<u>507,350</u>	<u>265,689</u>
Other income (expense), net	104	199	2,073	(2,509)
Gain on sale of business	—	—	8,864	—
Interest expense, net of interest income of \$1,103, \$653, \$2,159 and \$1,712, respectively	(28,081)	(17,984)	(79,354)	(53,953)
<b>Income before provision for income taxes</b>	<u>181,110</u>	<u>87,048</u>	<u>438,933</u>	<u>209,227</u>
Provision for income taxes	45,311	21,605	109,663	54,973
<b>Net income</b>	<u>\$ 135,799</u>	<u>\$ 65,443</u>	<u>\$ 329,270</u>	<u>\$ 154,254</u>
<b>Earnings per share:</b>				
Basic	<u>\$ 2.51</u>	<u>\$ 1.20</u>	<u>\$ 6.07</u>	<u>\$ 2.83</u>
Diluted	<u>\$ 2.50</u>	<u>\$ 1.20</u>	<u>\$ 6.04</u>	<u>\$ 2.81</u>
Shares used to compute earnings per share - Basic	<u>54,111</u>	<u>54,411</u>	<u>54,278</u>	<u>54,553</u>
Shares used to compute earnings per share - Diluted	<u>54,381</u>	<u>54,707</u>	<u>54,542</u>	<u>54,862</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 135,799	\$ 65,443	\$ 329,270	\$ 154,254
Other comprehensive (loss) income, net of tax:				
Unrealized loss on available-for-sale securities	(36)	(18)	(692)	(140)
Unrealized gain (loss) on fair value of interest rate hedges	23,750	(99)	59,674	2,660
Reclassification adjustment for interest rate hedge amounts realized in net income	(1,296)	2,532	4,062	7,474
Unfunded pension liability	40	—	50	—
Foreign currency translation adjustments	(31,323)	(14,242)	(38,649)	767
Other comprehensive (loss) income, net of tax	(8,865)	(11,827)	24,445	10,761
Comprehensive income	<u>\$ 126,934</u>	<u>\$ 53,616</u>	<u>\$ 353,715</u>	<u>\$ 165,015</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 329,270	\$ 154,254
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	260,560	215,206
Allowance for doubtful accounts	6,684	7,186
Amortization of deferred financing costs and debt discount	4,734	2,718
Accretion of environmental liabilities	9,599	8,625
Changes in environmental liability estimates	2,105	341
Deferred income taxes	2,226	5,202
Other (income) expense, net	(2,073)	2,509
Stock-based compensation	20,375	12,786
Gain on sale of business	(8,864)	—
Environmental expenditures	(9,720)	(12,223)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable and unbilled accounts receivable	(293,562)	(113,601)
Inventories and supplies	(44,324)	(12,882)
Other current and non-current assets	(12,600)	(10,785)
Accounts payable	52,979	86,974
Other current and long-term liabilities	40,153	21,916
Net cash from operating activities	<u>357,542</u>	<u>368,226</u>
Cash flows used in investing activities:		
Additions to property, plant and equipment	(244,547)	(146,654)
Proceeds from sale and disposal of fixed assets	5,118	16,424
Acquisitions, net of cash acquired	(73,568)	(22,819)
Proceeds from sale of business, net of transaction costs	16,811	—
Additions to intangible assets including costs to obtain or renew permits	(1,094)	(2,659)
Proceeds from sale of available-for-sale securities	51,736	83,226
Purchases of available-for-sale securities	(36,418)	(96,785)
Net cash used in investing activities	<u>(281,962)</u>	<u>(169,267)</u>
Cash flows used in financing activities:		
Change in uncashed checks	887	(4,323)
Tax payments related to withholdings on vested restricted stock	(6,214)	(7,383)
Repurchases of common stock	(44,182)	(48,409)
Deferred financing costs paid	(410)	(150)
Payments on finance leases	(9,538)	(5,845)
Principal payments on debt	(13,152)	(5,652)
Net cash used in financing activities	<u>(72,609)</u>	<u>(71,762)</u>
Effect of exchange rate change on cash	(6,523)	365
(Decrease) increase in cash and cash equivalents	(3,552)	127,562
Cash and cash equivalents, beginning of period	452,575	519,101
Cash and cash equivalents, end of period	<u>\$ 449,023</u>	<u>\$ 646,663</u>
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	\$ 86,407	\$ 61,807
Income taxes paid, net of refunds	53,183	48,202
Non-cash investing activities:		
Property, plant and equipment accrued	23,726	11,561
Remedial liability assumed in acquisition of property, plant and equipment	8,092	—
ROU assets obtained in exchange for operating lease liabilities	39,899	18,528
ROU assets obtained in exchange for finance lease liabilities	11,263	18,704

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value				
Balance at January 1, 2022	54,419	\$ 544	\$ 536,377	\$ (196,012)	\$ 1,172,978	\$ 1,513,887
Net income	—	—	—	—	45,314	45,314
Other comprehensive income	—	—	—	33,849	—	33,849
Stock-based compensation	—	—	5,712	—	—	5,712
Issuance of common stock for restricted share vesting, net of employee tax withholdings	36	—	(1,831)	—	—	(1,831)
Repurchases of common stock	(41)	—	(3,694)	—	—	(3,694)
Balance at March 31, 2022	54,414	544	536,564	(162,163)	1,218,292	1,593,237
Net income	—	—	—	—	148,157	148,157
Other comprehensive loss	—	—	—	(539)	—	(539)
Stock-based compensation	—	—	6,835	—	—	6,835
Issuance of common stock for restricted share vesting, net of employee tax withholdings	31	—	(740)	—	—	(740)
Repurchases of common stock	(335)	(3)	(29,997)	—	—	(30,000)
Balance at June 30, 2022	54,110	541	512,662	(162,702)	1,366,449	1,716,950
Net income	—	—	—	—	135,799	135,799
Other comprehensive loss	—	—	—	(8,865)	—	(8,865)
Stock-based compensation	—	—	7,828	—	—	7,828
Issuance of common stock for restricted share vesting, net of employee tax withholdings	68	1	(3,644)	—	—	(3,643)
Repurchases of common stock	(108)	(1)	(10,487)	—	—	(10,488)
Balance at September 30, 2022	54,070	\$ 541	\$ 506,359	\$ (171,567)	\$ 1,502,248	\$ 1,837,581

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)**  
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value				
Balance at January 1, 2021	54,773	\$ 548	\$ 582,749	\$ (211,477)	\$ 969,731	\$ 1,341,551
Net income	—	—	—	—	21,736	21,736
Other comprehensive income	—	—	—	11,948	—	11,948
Stock-based compensation	—	—	3,480	—	—	3,480
Issuance of common stock for restricted share vesting, net of employee tax withholdings	78	1	(3,720)	—	—	(3,719)
Repurchases of common stock	(300)	(3)	(26,543)	—	—	(26,546)
Balance at March 31, 2021	54,551	546	555,966	(199,529)	991,467	1,348,450
Net income	—	—	—	—	67,075	67,075
Other comprehensive income	—	—	—	10,640	—	10,640
Stock-based compensation	—	—	3,305	—	—	3,305
Issuance of common stock for restricted share vesting, net of employee tax withholdings	42	—	(1,020)	—	—	(1,020)
Repurchases of common stock	(200)	(2)	(18,861)	—	—	(18,863)
Balance at June 30, 2021	54,393	544	539,390	(188,889)	1,058,542	1,409,587
Net income	—	—	—	—	65,443	65,443
Other comprehensive loss	—	—	—	(11,827)	—	(11,827)
Stock-based compensation	—	—	6,001	—	—	6,001
Issuance of common stock for restricted share vesting, net of employee tax withholdings	50	—	(2,644)	—	—	(2,644)
Repurchases of common stock	(33)	—	(3,000)	—	—	(3,000)
Balance at September 30, 2021	54,410	\$ 544	\$ 539,747	\$ (200,716)	\$ 1,123,985	\$ 1,463,560

The accompanying notes are an integral part of these unaudited consolidated financial statements.



**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**(1) BASIS OF PRESENTATION**

The accompanying consolidated interim financial statements are unaudited and include the accounts of Clean Harbors, Inc. and its subsidiaries (collectively, "Clean Harbors" or the "Company") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of management, include all adjustments which are of a normal recurring nature and are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Management has made estimates and assumptions affecting the amounts reported in the Company's consolidated interim financial statements and accompanying footnotes; actual results could differ from those estimates and judgments. The results for interim periods are not necessarily indicative of results for the entire year or any other interim periods. The financial statements presented herein should be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies are described in Note 2, "Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes in these policies or their application during the periods presented.

**(3) REVENUES**

The Company's third-party revenues are disaggregated by geographic location and source of revenue as management believes these categories depict how revenue and cash flows are affected by economic factors. The Company's significant sources of revenue include:

*Technical Services*—Technical Services contribute to the revenues of the Environmental Services operating segment. Revenues for these services are generated from fees charged for waste material management and disposal services including onsite environmental management services, large remediation projects, collection and transportation, packaging, recycling, treatment and disposal of waste. Revenue is primarily generated by short-term projects, most of which are governed by master service agreements that are long-term in nature. These master service agreements are typically entered into with the Company's larger customers and outline the pricing and legal frameworks for such arrangements. Services are provided based on purchase orders or agreements with the customer and include prices based upon units of volume of waste, and transportation and other fees. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred as a basis for measuring the satisfaction of the performance obligation. Revenues for treatment and disposal of waste are recognized upon completion of treatment, final disposition in a landfill or incineration, or when the waste is shipped to a third-party for processing and disposal. The Company periodically enters into bundled arrangements for the collection and transportation and disposal of waste. For such arrangements, transportation and disposal are considered distinct performance obligations and the Company allocates revenue to each based on the relative standalone selling price (i.e., the estimated price that a customer would pay for the services on a standalone basis). Revenues and the related costs from waste that is not yet completely processed and disposed of are deferred. The deferred revenues and costs are recognized when the services are completed. The period between collection and transportation and the final processing and disposal ranges depending on the location of the customer, but generally is measured in days.

*Field and Emergency Response Services*—Field and Emergency Response Services contribute to the revenues of the Environmental Services operating segment. Field Services revenues are generated from cleanup services at customer sites, including those managed by municipalities and utility providers, or other locations on a scheduled or emergency response basis. Services include confined space entry for tank cleaning, site decontamination, remediation, railcar cleaning, manhole/vault clean outs, product recovery and transfer and vacuum services. Additional services include filtration and water treatment services. Response services for environmental emergencies of any scale range from man-made disasters such as oil spills to natural disasters such as hurricanes. Emergency response services also include spill cleanup on land and water, contagion disinfection, decontamination and disposal services most recently in response to the COVID-19 pandemic. Field and emergency response services are provided based on purchase orders or agreements with customers and include prices generally based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The

Company uses the input method to recognize revenue over time, based on time and materials incurred. The duration of such services can be over a number of hours, several days or even months for larger scale projects.

*Industrial Services and Other*—Industrial Services contribute to the revenues of the Environmental Services operating segment. These revenues are primarily generated from industrial and specialty services provided to refineries, mines, upgraders, chemical plants, pulp and paper mills, manufacturing facilities, power generation facilities and other industrial customers throughout North America. Services include in-plant cleaning and maintenance services, plant outage and turnaround services, specialty cleaning services including chemical cleaning, pigging and high and ultra-high pressure water cleaning, leak detection and repair, daylighting, production services and upstream energy services. Services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred.

*Safety-Kleen Environmental Services*—Safety-Kleen Environmental Services revenues contribute both to the Environmental Services operating segment and the Safety-Kleen Sustainability Solutions operating segment depending upon the nature of such revenues and operating responsibilities relative to executing the revenue contracts. Revenues from providing containerized waste handling and disposal services, parts washer services and vacuum services, referred to collectively as the Safety-Kleen branches' core service offerings, contribute to the revenues of the Environmental Services operating segment. In addition, sales of packaged blended oil products and other complementary product sales contribute to the revenues of the Environmental Services operating segment. Revenues generated from waste oil, anti-freeze and oil filter collection services, sales of bulk blended oil products and sales of bulk automotive fluids contribute to the Safety-Kleen Sustainability Solutions operating segment.

Generally, the revenue from services is recognized over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The duration of such services can be over a number of hours or several days. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Product revenue is recognized upon the transfer of control whereby control transfers when the products are delivered to the customer. Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of waste. Related collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. Parts washer services include customer use of our parts washer equipment, cleaning and maintenance of the parts washer equipment and removal and replacement of used cleaning fluids. Parts washer services are considered a single performance obligation due to the highly integrated and interdependent nature of the arrangement. Revenue from parts washer services is recognized over the service interval as the customer receives the benefit of the services.

*Safety-Kleen Oil*—Safety-Kleen Oil related sales contribute to the revenues of the Safety-Kleen Sustainability Solutions segment. These revenues are generated from sales of high-quality base and blended lubricating oils to third-party distributors, government agencies, fleets, railroads and industrial customers. The business also sells recycled fuel oil to asphalt plants, industrial plants and pulp and paper companies. The used oil is also processed into vacuum gas oil which can be further re-refined into lubricant base oils or sold directly into the marine diesel oil fuel market. Revenue for oil products is recognized at a point in time, upon the transfer of control. Control transfers when the products are delivered to the customer.

The following tables present the Company's third-party revenue disaggregated by source of revenue and geography (in thousands):

<b>For the Three Months Ended September 30, 2022</b>				
	<b>Environmental Services</b>	<b>Safety-Kleen Sustainability Solutions</b>	<b>Corporate</b>	<b>Total</b>
<b>Primary Geographical Markets</b>				
United States	\$ 960,737	\$ 249,035	\$ 283	\$ 1,210,055
Canada	119,295	33,736	—	153,031
Total third-party revenues	\$ 1,080,032	\$ 282,771	\$ 283	\$ 1,363,086
<b>Sources of Revenue</b>				
Technical Services	\$ 398,664	\$ —	\$ —	\$ 398,664
Field and Emergency Response Services	150,031	—	—	150,031
Industrial Services and Other	332,025	—	283	332,308
Safety-Kleen Environmental Services	199,312	52,072	—	251,384
Safety-Kleen Oil	—	230,699	—	230,699
Total third-party revenues	\$ 1,080,032	\$ 282,771	\$ 283	\$ 1,363,086
<b>For the Three Months Ended September 30, 2021</b>				
	<b>Environmental Services</b>	<b>Safety-Kleen Sustainability Solutions</b>	<b>Corporate</b>	<b>Total</b>
<b>Primary Geographical Markets</b>				
United States	\$ 632,755	\$ 185,096	\$ 59	\$ 817,910
Canada	111,076	22,493	—	133,569
Total third-party revenues	\$ 743,831	\$ 207,589	\$ 59	\$ 951,479
<b>Sources of Revenue</b>				
Technical Services	\$ 308,158	\$ —	\$ —	\$ 308,158
Field and Emergency Response Services	116,677	—	—	116,677
Industrial Services and Other	154,977	—	59	155,036
Safety-Kleen Environmental Services	164,019	39,551	—	203,570
Safety-Kleen Oil	—	168,038	—	168,038
Total third-party revenues	\$ 743,831	\$ 207,589	\$ 59	\$ 951,479
<b>For the Nine Months Ended September 30, 2022</b>				
	<b>Environmental Services</b>	<b>Safety-Kleen Sustainability Solutions</b>	<b>Corporate</b>	<b>Total</b>
<b>Primary Geographical Markets</b>				
United States	\$ 2,740,994	\$ 688,444	\$ 434	\$ 3,429,872
Canada	364,342	94,293	—	458,635
Total third-party revenues	\$ 3,105,336	\$ 782,737	\$ 434	\$ 3,888,507
<b>Sources of Revenue</b>				
Technical Services	\$ 1,109,339	\$ —	\$ —	\$ 1,109,339
Field and Emergency Response Services	427,250	—	—	427,250
Industrial Services and Other	1,001,733	—	434	1,002,167
Safety-Kleen Environmental Services	567,014	145,841	—	712,855
Safety-Kleen Oil	—	636,896	—	636,896
Total third-party revenues	\$ 3,105,336	\$ 782,737	\$ 434	\$ 3,888,507

**For the Nine Months Ended September 30, 2021**

	<b>Environmental Services</b>	<b>Safety-Kleen Sustainability Solutions</b>	<b>Corporate</b>	<b>Total</b>
<b>Primary Geographical Markets</b>				
United States	\$ 1,824,848	\$ 504,302	\$ 217	\$ 2,329,367
Canada	295,008	61,710	—	356,718
Total third-party revenues	\$ 2,119,856	\$ 566,012	\$ 217	\$ 2,686,085
<b>Sources of Revenue</b>				
Technical Services	\$ 887,063	\$ —	\$ —	\$ 887,063
Field and Emergency Response Services	328,831	—	—	328,831
Industrial Services and Other	425,154	—	217	425,371
Safety-Kleen Environmental Services	478,808	118,982	—	597,790
Safety-Kleen Oil	—	447,030	—	447,030
Total third-party revenues	\$ 2,119,856	\$ 566,012	\$ 217	\$ 2,686,085

The operations related to HydroChemPSC, which the Company acquired on October 8, 2021, have been fully integrated into the Industrial Services and Field Services operations of the Company. Third-party revenues generated from the acquired HydroChemPSC business are no longer separately identifiable.

#### **Contract Balances**

(in thousands)	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Receivables	\$ 1,026,226	\$ 792,734
Contract assets (unbilled receivables)	134,742	94,963
Contract liabilities (deferred revenue)	93,425	83,749

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and customer advances and deposits or deferred revenue (contract liabilities) on the consolidated balance sheet. Generally, billing occurs subsequent to revenue recognition, as a right to payment is not just subject to passage of time, resulting in contract assets. Contract assets are generally classified as current. The Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the consolidated balance sheet on a contract-by-contract basis at the end of each reporting period. The contract liability balances at the beginning of each period presented were generally fully recognized in the subsequent three-month period.

#### **(4) BUSINESS COMBINATIONS**

##### **2022 Acquisition**

On June 17, 2022, the Company acquired a privately-owned company for an all-cash purchase price of approximately \$78.6 million, net of cash acquired and subject to the final settlement of working capital. Pursuant to the purchase agreement, in the three months ended September 30, 2022, the Company paid \$4.8 million to partially settle working capital. The Company expects to finalize working capital, which is not expected to be material, prior to December 31, 2022. The operations of the newly acquired company expand the Safety-Kleen Sustainability Solutions segment's waste oil collection capabilities and re-refining business throughout the southeast region of the United States, including the addition of a re-refinery in Georgia.

The preliminary allocation of the purchase price is provisional and was based on estimates of the fair value of assets acquired and liabilities assumed as of June 17, 2022. The Company continues to obtain information to complete the valuation of these balances and the associated income tax accounting. Measurement period adjustments will reflect new information obtained.

about facts and circumstances that existed as of the acquisition date. The following table summarizes the preliminary determination and recognition of assets acquired and liabilities assumed (in thousands):

	At Acquisition Date	Measurement Period Adjustments	At Acquisition Date As Reported September 30, 2022
Accounts receivable	\$ 1,079	\$ (3)	\$ 1,076
Inventories and supplies	5,737	79	5,816
Prepaid expenses and other current assets	269	(135)	134
Property, plant and equipment	23,270	55	23,325
Permits and other intangibles	16,750	—	16,750
Operating lease right-of-use assets	585	—	585
Other non-current assets	42	(29)	13
Current liabilities	(2,756)	(437)	(3,193)
Current portion of operating lease liabilities	(186)	—	(186)
Operating lease liabilities, less current portion	(399)	—	(399)
Other long-term liabilities	—	(55)	(55)
Total identifiable net assets	44,391	(525)	43,866
Goodwill	29,375	5,327	34,702
Total purchase price	\$ 73,766	\$ 4,802	\$ 78,568

Permits and other intangible assets acquired include supplier relationships, permits, customer relationships and trademarks/tradenames and are anticipated to have estimated useful lives of between five and 20 years with a weighted average useful life of approximately 17 years. The excess of the total purchase price, which includes the aggregate cash consideration paid in excess of the fair value of the tangible and intangible assets acquired, was recorded as goodwill. The goodwill recognized is attributable to the expected operating synergies, assembled workforce and growth potential that the Company expects to realize from the acquisition. Goodwill generated from the acquisition is deductible for tax purposes.

The operations included in the Company's financial statements for the period ended September 30, 2022 and pro forma revenue and earnings amounts on a combined basis as if this acquisition had been completed on January 1, 2021 are immaterial to the consolidated financial statements of the Company.

### **2021 Acquisitions**

On October 8, 2021, the Company completed the acquisition of LJ Energy Services Intermediate Holding Corp. and its subsidiaries (collectively, "HydroChemPSC"), a privately-owned company, for an all-cash purchase price of approximately \$1.23 billion. HydroChemPSC is a leading U.S. provider of industrial cleaning, specialty maintenance and utilities services. These operations enhance and have been fully integrated into the Company's Environmental Services segment. In the first quarter of 2022, the Company received \$5.0 million after finalizing the acquisition date working capital balances, which decreased the overall purchase price.

As of September 30, 2022, the Company finalized the purchase accounting for the acquisition of HydroChemPSC. The allocation of the purchase price was based on estimates of the fair value of assets acquired and liabilities assumed as of October 8,

2021. The following table summarizes the final determination and recognition of assets acquired and liabilities assumed (in thousands):

	At Acquisition Date As Reported December 31, 2021	Measurement Period Adjustments	Final Allocation At Acquisition Date As Reported September 30, 2022
Accounts receivable, including unbilled receivables	\$ 131,924	\$ (408)	\$ 131,516
Inventories and supplies	3,162	—	3,162
Prepaid expenses and other current assets	16,016	275	16,291
Property, plant and equipment	313,540	857	314,397
Other intangibles	289,000	—	289,000
Operating lease right-of-use assets	34,347	68	34,415
Other non-current assets	1,045	(83)	962
Current liabilities	(115,704)	(3,150)	(118,854)
Current portion of operating lease liabilities	(11,659)	382	(11,277)
Operating lease liabilities, less current portion	(26,128)	(216)	(26,344)
Deferred tax liabilities	(85,908)	5,522	(80,386)
Other long-term liabilities	(2,685)	(1,485)	(4,170)
<b>Total identifiable net assets</b>	<b>546,950</b>	<b>1,762</b>	<b>548,712</b>
Goodwill <sup>(i)</sup>	683,463	(6,762)	676,701
<b>Total purchase price</b>	<b>\$ 1,230,413</b>	<b>\$ (5,000)</b>	<b>\$ 1,225,413</b>

(i) Goodwill represents the excess of the fair value of the net assets acquired over the purchase price. Goodwill of \$676.7 million was assigned to the Environmental Sales & Service reporting unit and is attributable to the future economic benefits arising from the acquired operations, synergies and the acquired workforce of HydroChemPSC. None of the goodwill related to this acquisition will be deductible for tax purposes.

HydroChemPSC's results of operations have been included in the Company's financial statements for the period subsequent to the completion of the acquisition on October 8, 2021. The following unaudited supplemental pro-forma data presents consolidated information as if the acquisition had occurred on January 1, 2021 (in thousands):

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Pro forma combined revenues	\$ 1,138,940	\$ 3,246,249
Pro forma combined net income	68,821	170,899

The pro forma results do not include any costs incurred directly attributable to the acquisition of HydroChemPSC. The pro forma results do reflect impacts resulting from the issuance of \$1.0 billion senior secured term loans issued in connection with the acquisition assuming interest rates in effect at the time of the acquisition.

This pro forma financial information is not necessarily indicative of the Company's consolidated operating results that would have been reported had the transactions been completed as described herein, nor is such information necessarily indicative of the Company's consolidated results for any future period. Interest expense used in calculating the pro forma net income did not contemplate the interest rate swaps that the Company put in place in early 2022.

On March 27, 2021, the Company also acquired a privately-owned business for \$22.8 million cash consideration. The acquired company increases the Safety-Kleen Sustainability Solutions segment's network within the south central United States. In connection with this acquisition, a final goodwill amount of \$16.3 million was recognized.

## (5) DISPOSITION OF BUSINESS

On June 30, 2022, the Company completed the sale of a line of business as part of its continuous focus on divesting certain non-core operations. The divested line of business was previously included within the Sales & Services reporting unit of the Environmental Services segment. The Company determined that the disposition did not constitute a strategic shift and that the impact on the Company's overall operations and financial results will not be material. Accordingly, the operations associated with the disposal are not reported in discontinued operations. The final purchase price for the line of business was \$18.8 million, after settling working capital. The gain on sale of \$8.9 million, after accounting for the assets sold, liabilities transferred upon sale and transaction

costs, is included in gain on sale of business in the Company's consolidated statement of operations for the nine months ended September 30, 2022.

## (6) INVENTORIES AND SUPPLIES

Inventories and supplies consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Oil and oil related products	\$ 128,565	\$ 101,965
Supplies	137,666	126,602
Solvent and solutions	11,742	8,099
Other	16,247	14,026
<b>Total inventories and supplies</b>	<b>\$ 294,220</b>	<b>\$ 250,692</b>

Supplies inventories consist primarily of critical spare parts to support the Company's incinerator and re-refinery operations and other general supplies used in our normal day-to-day operations. Other inventories consist primarily of parts washer components, cleaning fluids, absorbents and automotive fluids, such as windshield washer fluid and antifreeze.

## (7) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Land	\$ 172,143	\$ 165,010
Asset retirement costs (non-landfill)	20,832	19,105
Landfill assets	217,277	205,873
Buildings and improvements <sup>(1)</sup>	575,429	551,795
Camp equipment	115,859	127,680
Vehicles <sup>(2)</sup>	1,066,576	912,836
Equipment <sup>(3)</sup>	2,042,972	2,092,395
Furniture and fixtures	6,458	6,444
Construction in progress	124,069	60,447
	4,341,615	4,141,585
<b>Less - accumulated depreciation and amortization</b>	<b>2,417,940</b>	<b>2,278,410</b>
<b>Total property, plant and equipment, net</b>	<b>\$ 1,923,675</b>	<b>\$ 1,863,175</b>

(1) Balances inclusive of gross right-of-use ("ROU") assets classified as finance leases of \$8.0 million and \$8.9 million, respectively.

(2) Balances inclusive of gross ROU assets classified as finance leases of \$88.8 million and \$77.7 million, respectively.

(3) Balances inclusive of gross ROU assets classified as finance leases of \$9.1 million and \$9.3 million, respectively.

Depreciation expense, inclusive of landfill and finance lease amortization, was \$75.3 million and \$223.0 million for the three and nine months ended September 30, 2022, respectively. Depreciation expense, inclusive of landfill and finance lease amortization, was \$63.9 million and \$192.3 million for the three and nine months ended September 30, 2021, respectively.

## (8) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill by segment for the nine months ended September 30, 2022 were as follows (in thousands):

	Environmental Services	Safety-Kleen Sustainability Solutions	Totals
Balance at January 1, 2022	\$ 1,085,534	\$ 141,508	\$ 1,227,042
Increase from current period acquisition	—	34,702	34,702
Measurement period adjustments from prior period acquisition	(6,762)	—	(6,762)
Decrease from disposition of business	(4,412)	—	(4,412)
Foreign currency translation	(3,045)	(1,198)	(4,243)
Balance at September 30, 2022	<u>\$ 1,071,315</u>	<u>\$ 175,012</u>	<u>\$ 1,246,327</u>

The decrease from disposition of business relates to the divestiture discussed in Note 5, "Disposition of Business." The Company assesses goodwill on an annual basis as of December 31 or at an interim date when events or changes in the business environment ("triggering events") would more likely than not reduce the fair value of a reporting unit below its carrying value. During the period ended September 30, 2022, no such triggering events were identified.

As of September 30, 2022 and December 31, 2021, the Company's intangible assets consisted of the following (in thousands):

	September 30, 2022			December 31, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Permits	\$ 187,843	\$ 106,810	\$ 81,033	\$ 187,519	\$ 102,408	\$ 85,111
Customer and supplier relationships	586,024	235,291	350,733	576,474	214,776	361,698
Other intangible assets	94,592	26,916	67,676	94,271	19,359	74,912
Total amortizable permits and other intangible assets	868,459	369,017	499,442	858,264	336,543	521,721
Trademarks and trade names	122,392	—	122,392	123,191	—	123,191
Total permits and other intangible assets	<u>\$ 990,851</u>	<u>\$ 369,017</u>	<u>\$ 621,834</u>	<u>\$ 981,455</u>	<u>\$ 336,543</u>	<u>\$ 644,912</u>

Amortization expense of permits, customer and supplier relationships and other intangible assets was \$13.1 million and \$37.6 million in the three and nine months ended September 30, 2022, respectively. Amortization expense of permits, customer and supplier relationships and other intangible assets was \$7.6 million and \$22.9 million in the three and nine months ended September 30, 2021, respectively.

The expected amortization of the net carrying amount of finite-lived intangible assets at September 30, 2022 was as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Expected Amortization</u>
2022 (three months)	\$ 12,450
2023	45,682
2024	41,536
2025	39,586
2026	37,703
Thereafter	322,485
	<u>\$ 499,442</u>



## (9) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued insurance	\$ 95,114	\$ 102,853
Accrued interest	9,277	19,785
Accrued compensation and benefits	123,442	133,604
Accrued income, real estate, sales and other taxes	86,744	29,954
Interest rate swap liability	—	17,383
Accrued other	90,680	87,835
	<u>\$ 405,257</u>	<u>\$ 391,414</u>

The decrease in the interest rate swap liability balance from December 31, 2021 is due to changes in future interest rate expectations. As of September 30, 2022, the interest rate swap derivatives are in an asset position and therefore are included within Other Assets on the consolidated balance sheet. For additional information relating to the interest rate swaps, see Note 12, "Financing Arrangements."

## (10) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as "asset retirement obligations") from January 1, 2022 through September 30, 2022 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2022	\$ 53,425	\$ 45,678	\$ 99,103
Liabilities assumed in acquisitions	—	55	55
Measurement period adjustments from prior period acquisitions	—	1,148	1,148
New asset retirement obligations	2,681	—	2,681
Accretion	3,409	3,027	6,436
Changes in estimates recorded to consolidated statement of operations	566	233	799
Changes in estimates recorded to consolidated balance sheet	—	583	583
Expenditures	(2,424)	(889)	(3,313)
Currency translation and other	(522)	(198)	(720)
Balance at September 30, 2022	<u>\$ 57,135</u>	<u>\$ 49,637</u>	<u>\$ 106,772</u>

In the nine months ended September 30, 2022, there were no significant charges or benefits resulting from changes in estimates for closure and post-closure liabilities.

New asset retirement obligations incurred during the first nine months of 2022 were discounted at the credit-adjusted risk-free rate of 5.37%.

## (11) REMEDIAL LIABILITIES

The changes to remedial liabilities from January 1, 2022 through September 30, 2022 were as follows (in thousands):

	Remedial Liabilities for Landfill Sites	Remedial Liabilities for Inactive Sites	Remedial Liabilities (Including Superfund) for Non-Landfill Operations	Total
Balance at January 1, 2022	\$ 1,780	\$ 59,787	\$ 50,306	\$ 111,873
Liability assumed in acquisition of real estate	—	—	8,092	8,092
Measurement period adjustment from a prior period acquisition	—	—	338	338
Accretion	64	1,891	1,208	3,163
Changes in estimates recorded to consolidated statement of operations	2	1,240	64	1,306
Expenditures	(37)	(2,508)	(3,862)	(6,407)
Currency translation and other	—	(51)	(1,046)	(1,097)
Balance at September 30, 2022	\$ 1,809	\$ 60,359	\$ 55,100	\$ 117,268

In the nine months ended September 30, 2022, there were no significant benefits or charges resulting from changes in estimates for remedial liabilities. The \$8.1 million liability assumed in acquisition relates to real estate that the Company acquired in 2022. In purchasing the property, the Company assumed a known associated remedial liability, which was contemplated in the purchase price.

## (12) FINANCING ARRANGEMENTS

### Long-term Debt

The following table is a summary of the Company's long-term debt (in thousands):

<b>Current Portion of Long-Term Debt:</b>	September 30, 2022	December 31, 2021
Secured senior term loans	\$ 17,535	\$ 17,535
<b>Long-Term Debt:</b>		
Secured senior term loans due June 30, 2024 ("2024 Term Loans")	\$ 706,439	\$ 712,091
Secured senior term loans due October 8, 2028 ("2028 Term Loans")	982,500	990,000
Unsecured senior notes, at 4.875%, due July 15, 2027 ("2027 Notes")	545,000	545,000
Unsecured senior notes, at 5.125%, due July 15, 2029 ("2029 Notes")	300,000	300,000
Long-term debt, at par	\$ 2,533,939	\$ 2,547,091
Unamortized debt issuance costs and discount, net	(25,993)	(30,067)
Long-term debt, at carrying value	\$ 2,507,946	\$ 2,517,024

### Financing Activities

As of September 30, 2022 and December 31, 2021, the estimated fair value of the Company's outstanding long-term debt, including the current portion, was \$2.5 billion and \$2.6 billion, respectively. The Company's estimates of fair value of its long-term debt, including the current portion, are based on quoted market prices or other available market data which are considered Level 2 measures according to the fair value hierarchy. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency for similar assets and liabilities.

The Company maintains a \$400.0 million revolving credit facility under which the Company had no outstanding loan balances as of September 30, 2022 and December 31, 2021. As of September 30, 2022, the Company had \$292.6 million available to borrow under the revolving credit facility and outstanding letters of credit were \$107.4 million. Subject to certain conditions, this credit facility will expire in October 2025.

### Cash Flow Hedges

The Company's strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements.

Although the interest rates on the Term Loans are variable, the Company has effectively fixed the interest rate on \$350.0 million principal of the outstanding 2024 Term Loans by entering into interest rate swap agreements in 2018 with a notional amount of \$350.0 million ("2018 Swaps"). Under the terms of the 2018 Swaps, the Company receives interest based on the one-month LIBOR index and pays interest at a weighted average rate of approximately 2.92%, resulting in a fixed effective annual interest rate of approximately 4.67%.

In January 2022, the Company entered into interest rate swap agreements ("2022 Swaps") with a notional amount of \$600.0 million to effectively fix the interest rate on \$600.0 million principal of the outstanding 2028 Term Loans. Under the terms of the 2022 Swaps' agreements, the Company will receive interest based upon the variable rates on the 2028 Term Loans and pay a fixed amount of interest. The fixed rate on these instruments is 0.931% through June 30, 2023 and then increases to 1.9645% from July 1, 2023 through September 30, 2027. The variable rate on these instruments is designed to both mirror the current 2028 Term Loan interest payments and the successor rate upon the eventual sunset of the LIBOR rate. Under the terms of the 2022 Swaps, the Company currently receives interest based on the one-month LIBOR index and pays interest at a weighted average rate of 0.931%, resulting in a fixed effective annual interest rate of approximately 2.931%.

The Company has designated both the 2018 Swaps and the 2022 Swaps (collectively referred to as the "Swaps") as cash flow hedges. The Company recognizes the fair value of the derivative instruments by counterparty as either a net asset, included in Other Assets, or net liability, included in Accrued expenses and other current liabilities, on the consolidated balance sheets. As of September 30, 2022, the Company recorded a related derivative asset with a fair value of \$65.3 million. As of December 31, 2021, the derivative liability totaled \$17.4 million. The change in the fair value of the interest rate swap liability is mainly due to the passage of time and changes in future interest rate expectations.

The fair value of the Swaps are measured using discounted cash flow valuation methodologies based upon the yield curves of the relevant variable rate indexes that are observable at commonly quoted intervals for the term of the Swaps and as such is considered a Level 2 measure according to the fair value hierarchy.

No ineffectiveness has been identified on the Swaps and, therefore the change in fair value is recorded in stockholders' equity as a component of accumulated other comprehensive loss. Amounts are reclassified from accumulated other comprehensive loss into interest expense on the consolidated statement of operations in the same period or periods during which the hedged transactions affect earnings.

### **(13) INCOME TAXES**

The Company records a tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized and the income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period. The estimated annual effective tax rate may be significantly impacted by projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised. The Company's effective tax rate for the three and nine months ended September 30, 2022 was 25.0%, compared to 24.8% and 26.3%, respectively, for the comparable periods in 2021.

As of September 30, 2022 and December 31, 2021, the Company had recorded \$2.5 million and \$5.5 million, respectively, of gross liabilities for unrecognized tax benefits and \$1.8 million and \$2.3 million, respectively, of accrued interest.

#### (14) EARNINGS PER SHARE

The following are computations of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator for basic and diluted earnings per share:				
Net income	\$ 135,799	\$ 65,443	\$ 329,270	\$ 154,254
Denominator:				
Weighted-average basic shares outstanding	54,111	54,411	54,278	54,553
Dilutive effect of outstanding stock awards	270	296	264	309
Dilutive shares outstanding	54,381	54,707	54,542	54,862
Basic earnings per share:	\$ 2.51	\$ 1.20	\$ 6.07	\$ 2.83
Diluted earnings per share:	\$ 2.50	\$ 1.20	\$ 6.04	\$ 2.81

For the three months ended September 30, 2022 and 2021, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 81,341 and 67,019, respectively, of performance stock awards for which the performance criteria were not attained at the reporting dates and 10,043 and 38,250, respectively, of restricted stock awards and performance awards which were excluded as their inclusion would have an antidilutive effect.

For the nine months ended September 30, 2022 and 2021, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 81,341 and 67,019, respectively, of performance stock awards for which the performance criteria were not attained at the reporting dates and 13,500 and 39,750, respectively, of restricted stock awards and performance awards which were excluded as their inclusion would have an antidilutive effect.

#### (15) ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component and related tax impacts for the nine months ended September 30, 2022 were as follows (in thousands):

	Foreign Currency Translation	Unrealized Loss on Available- For-Sale Securities	Unrealized (Loss) Gain on Interest Rate Hedges	Unrealized Loss on Unfunded Pension Liability	Total
Balance at January 1, 2022	\$ (177,824)	\$ (150)	\$ (17,383)	\$ (655)	\$ (196,012)
Other comprehensive (loss) income before reclassifications	(38,649)	(876)	78,607	50	39,132
Amounts reclassified out of accumulated other comprehensive loss	—	—	4,062	—	4,062
Tax benefit (provision)	—	184	(18,933)	—	(18,749)
Other comprehensive (loss) income	(38,649)	(692)	63,736	50	24,445
Balance at September 30, 2022	\$ (216,473)	\$ (842)	\$ 46,353	\$ (605)	\$ (171,567)

The amount realized in the consolidated statement of operations during the three and nine months ended September 30, 2022 which was reclassified out of accumulated other comprehensive loss was as follows (in thousands):

Other Comprehensive (Loss) Income Component	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022	Location
Unrealized (loss) gain on interest rate hedges	\$ 1,296	\$ (4,062)	Interest expense, net of interest income

#### (16) STOCK-BASED COMPENSATION

Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2022 was \$7.8 million and \$20.4 million, respectively. Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2021 was \$6.0 million and \$12.8 million,

respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and nine months ended September 30, 2022 was \$1.5 million and \$3.8 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and nine months ended September 30, 2021 was \$1.3 million and \$2.8 million, respectively.

### **Restricted Stock Awards**

The following table summarizes information about restricted stock awards for the nine months ended September 30, 2022:

<b>Restricted Stock</b>	<b>Number of Shares</b>	<b>Weighted Average Grant-Date Fair Value</b>
Balance at January 1, 2022	452,197	\$ 76.88
Granted	154,703	93.26
Vested	(152,752)	72.66
Forfeited	(19,794)	81.32
Balance at September 30, 2022	<u>434,354</u>	<u>84.00</u>

As of September 30, 2022, there was \$28.2 million of total unrecognized compensation cost arising from restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.7 years. The total fair value of restricted stock vested during the three and nine months ended September 30, 2022 was \$9.1 million and \$14.7 million, respectively. The total fair value of restricted stock vested during the three and nine months ended September 30, 2021 was \$7.4 million and \$16.3 million, respectively.

### **Performance Stock Awards**

Performance stock awards are subject to performance criteria established by the Compensation Committee of the Company's Board of Directors prior to or at the date of grant. The vesting of the performance stock awards is based on achieving targets currently based on revenue, Adjusted EBITDA, Adjusted EBITDA Margin, Return on Invested Capital and Total Recordable Incident Rate. In addition, performance stock awards include continued service conditions.

The following table summarizes information about performance stock awards for the nine months ended September 30, 2022:

<b>Performance Stock</b>	<b>Number of Shares</b>	<b>Weighted Average Grant-Date Fair Value</b>
Balance at January 1, 2022	169,757	\$ 85.56
Granted	156,687	92.60
Vested	(46,351)	87.77
Forfeited	(8,329)	87.45
Balance at September 30, 2022	<u>271,764</u>	<u>89.19</u>

As of September 30, 2022, there was \$12.5 million of total unrecognized compensation cost arising from unvested performance stock awards deemed probable of vesting. The total fair value of performance awards vested during the three months ended September 30, 2022 was \$1.0 million. No performance awards vested during the three months ended September 30, 2021. The total fair value of performance awards vested during the nine months ended September 30, 2022 and September 30, 2021 was \$4.7 million and \$6.4 million, respectively.

## **(17) COMMITMENTS AND CONTINGENCIES**

### **Legal and Administrative Proceedings**

The Company and its subsidiaries are subject to legal proceedings and claims arising in the ordinary course of business. Actions filed against the Company arise from commercial and employment-related claims including alleged class actions related to sales practices and wage and hour claims. The plaintiffs in these actions may be seeking damages or injunctive relief or both. These actions are in various jurisdictions and stages of proceedings, and some are covered in part by insurance. In addition, the Company's waste management services operations are regulated by federal, state, provincial and local laws enacted to regulate discharge of

materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to legal or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such proceedings generally relate to alleged violations of existing permits and licenses or alleged responsibility under federal or state Superfund laws to remediate contamination at properties owned either by the Company or by other parties ("third-party sites") to which either the Company or the prior owners of certain of the Company's facilities shipped waste.

At September 30, 2022 and December 31, 2021, the Company had recorded reserves of \$39.3 million and \$36.1 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. In management's opinion, it is not reasonably possible that the potential liability beyond what has been recorded, if any, that may result from these actions, either individually or collectively, will have a material effect on our financial position, results of operations or cash flows. The Company periodically adjusts the aggregate amount of these reserves when actual or probable liabilities are paid or otherwise discharged, new claims arise or additional relevant information about existing or probable claims becomes available. As of September 30, 2022 and December 31, 2021, the \$39.3 million and \$36.1 million, respectively, of reserves consisted of (i) \$23.6 million and \$24.1 million, respectively, related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) \$15.7 million and \$12.0 million, respectively, which were included in accrued expenses and other current liabilities on the consolidated balance sheets and primarily related to general legal matters as well as federal, state and provincial enforcement actions.

As of September 30, 2022, the Company's principal legal and administrative proceedings were as follows:

*Ville Mercier.* In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued two permits to dump organic liquids into lagoons on the property to a company unrelated to the Mercier Subsidiary. In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. In 2012, the municipalities amended their existing statement of claim to seek \$2.9 million (CAD) in general damages and \$10.0 million (CAD) in punitive damages, plus interest and costs, as well as injunctive relief. Both the Government of Quebec and the Company have filed summary judgment motions against the municipalities. The parties are attempting to negotiate a resolution and hearings on the motions have been delayed. In September 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a notice pursuant to Section 115.1 of the Environment Quality Act, superseding notices issued in 1992, which are the subject of the pending litigation. The more recent notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Company has accrued for costs expected to be incurred relative to the resolution of this matter and believes this matter will not have a future material effect on its financial position, results of operations or cash flows.

*Product Liability Cases.* On December 28, 2012, the Company acquired Safety-Kleen, Inc. ("Safety-Kleen") and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Kleen has been named as a potentially responsible party as described below under "Superfund Proceedings," Safety-Kleen has been named as a defendant in various product liability lawsuits that are currently pending in various courts and jurisdictions throughout the United States. As of September 30, 2022, Safety-Kleen has been named in approximately 59 outstanding proceedings (excluding cases which have been settled but not formally dismissed), wherein persons claim personal injury resulting from the use of Safety-Kleen's parts washer equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts washer equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to adequately warn the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene.

The Company maintains insurance that it believes will provide coverage for these product liability claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. The Company also believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 30, 2022. From January 1, 2022 to September 30, 2022, 13 product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, the Company did not incur any expense as insurance provided coverage in full for all such claims.

Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.

### ***Superfund Proceedings***

The Company has been notified that either the Company or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 131 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 131 Superfund related sites, six (including the BR Facility described below) involve facilities that are now owned or leased by the Company and 125 involve third-party sites to which either the Company or the prior owners of certain of the Company's facilities shipped wastes. Of the 125 third-party sites, 30 are now settled, 16 are currently requiring expenditures on remediation and 79 are not currently requiring expenditures on remediation.

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any indemnification obligations, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability, if any, of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts and the existence and legal standing of indemnification agreements, if any, with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations. The Company believes its potential liability could exceed \$1.0 million at three of the 131 Superfund related sites.

*BR Facility.* The Company acquired in 2002 a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the U.S. Environmental Protection Agency ("EPA") issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and storm water have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA. These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. In 2018, the Company completed performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality and has also completed conducting the remedial investigation feasibility study for Devil's Swamp under the order issued by the EPA at which point the feasibility study, with several remedial alternatives, was submitted to the EPA for review. During 2020, the EPA signed a Record of Decision which defined the remediation alternative selected and approved by the EPA and in return, the Company increased the estimated remedial liability for this inactive site by \$3.3 million. Changes in the natural landscape and/or new information identified during the remediation could impact this estimate; however, any such changes are not expected to have a future material effect on the Company's financial position, liquidity or results of operation.

*Third-Party Sites.* Of the 125 third-party Superfund sites at which the Company has been notified it is a PRP or potential PRP or may have indemnification obligations, the Company has an indemnification agreement at a total of 17 sites. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 17 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management and McKesson. Accordingly, the indemnifying parties are paying all costs of defending those subsidiaries in those 17 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreements which the Company holds from ChemWaste and McKesson, the Company does not have an indemnity agreement with respect to any of the 125 third-party sites discussed above.

### ***Federal, State and Provincial Enforcement Actions***

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of September 30, 2022 and December 31, 2021, there were two proceedings for which the Company reasonably believes that the sanctions could equal or exceed \$1.0 million. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will not, individually or in the aggregate, have a material effect on its financial condition, results of operations or cash flows.

## (18) SEGMENT REPORTING

Segment reporting is prepared on the same basis that the Company's chief executive officer, who is the Company's chief operating decision maker, manages the business, makes operating decisions and assesses performance. The Company is managed and reports as two operating segments; (i) the Environmental Services segment and (ii) the Safety-Kleen Sustainability Solutions segment.

Third-party revenue is revenue billed to outside customers by a particular segment. Direct revenues is revenue allocated to the segment providing the product or service. Intersegment revenues represent the sharing of third-party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third-party. Transactions between the segments are accounted for at the Company's best estimate based on similar transactions with outside customers. The intersegment revenues are shown net. The operations not managed through the Company's operating segments described above are recorded as "Corporate Items."

The following table reconciles third-party revenues to direct revenues for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	For the Three Months Ended September 30, 2022			For the Three Months Ended September 30, 2021		
	Third-party revenues	Intersegment revenues, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Direct revenues
Environmental Services	\$ 1,080,032	\$ 6,452	\$ 1,086,484	\$ 743,831	\$ 1,802	\$ 745,633
Safety-Kleen Sustainability Solutions	282,771	(6,452)	276,319	207,589	(1,802)	205,787
Corporate Items	283	—	283	59	—	59
Total	<u>\$ 1,363,086</u>	<u>\$ —</u>	<u>\$ 1,363,086</u>	<u>\$ 951,479</u>	<u>\$ —</u>	<u>\$ 951,479</u>

  

	For the Nine Months Ended September 30, 2022			For the Nine Months Ended September 30, 2021		
	Third-party revenues	Intersegment revenues, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Direct revenues
Environmental Services	\$ 3,105,336	\$ 19,336	\$ 3,124,672	\$ 2,119,856	\$ 4,476	\$ 2,124,332
Safety-Kleen Sustainability Solutions	782,737	(19,336)	763,401	566,012	(4,476)	561,536
Corporate Items	434	—	434	217	—	217
Total	<u>\$ 3,888,507</u>	<u>\$ —</u>	<u>\$ 3,888,507</u>	<u>\$ 2,686,085</u>	<u>\$ —</u>	<u>\$ 2,686,085</u>

The primary financial measure by which the Company evaluates the performance of its segments is "Adjusted EBITDA," which consists of net income 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 or non-cash charges not deemed representative of fundamental segment results and other (income) expense, net.



The following table presents Adjusted EBITDA information used by management by reported segment (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Adjusted EBITDA:</b>				
Environmental Services	\$ 260,687	\$ 166,471	\$ 713,630	\$ 482,766
Safety-Kleen Sustainability Solutions	103,156	70,810	252,043	165,756
Corporate Items	(55,288)	(52,197)	(167,789)	(146,216)
Total	308,555	185,084	797,884	502,306
<b>Reconciliation to Consolidated Statements of Operations:</b>				
Accretion of environmental liabilities	3,246	2,799	9,599	8,625
Stock-based compensation	7,828	6,001	20,375	12,786
Depreciation and amortization	88,394	71,451	260,560	215,206
Income from operations	209,087	104,833	507,350	265,689
Other (income) expense, net	(104)	(199)	(2,073)	2,509
Gain on sale of business	—	—	(8,864)	—
Interest expense, net of interest income	28,081	17,984	79,354	53,953
Income before provision for income taxes	\$ 181,110	\$ 87,048	\$ 438,933	\$ 209,227

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Forward-Looking Statements*

In addition to historical information, this Quarterly Report on Form 10-Q contains 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," in this report under Item 1A and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 23, 2022, and in other documents we file from time to time with the SEC. 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.

### *Overview*

We are North America's leading provider of environmental and industrial services supporting our customers in finding environmentally responsible solutions to further their sustainability goals in today's world. Everywhere industry meets the environment, we strive to provide eco-friendly products and services that protect and restore North America's natural environment. We believe we operate, in the aggregate, the largest number of hazardous waste incinerators, landfills and treatment, storage and disposal facilities ("TSDFs") in North America. We serve over 300,000 customers, including the majority of Fortune 500 companies. This diverse customer base includes the chemical, energy, manufacturing and additional markets, as well as numerous government agencies. These customers rely on us to deliver a broad range of services including but not limited to end-to-end hazardous waste management, emergency response, industrial cleaning and maintenance and recycling services. We are the largest re-refiner and recycler of used oil in North America and the largest provider of parts washer and related environmental services to commercial, industrial and automotive customers in North America.

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA, as reconciled to our net income and described more fully below. The following is a discussion of how management evaluates its segments in regards to other factors including key performance indicators that management uses to assess the segments' results, as well as certain macroeconomic trends and influences that impact each reportable segment:

- **Environmental Services** - Environmental Services segment results are predicated upon customer demand for waste services, waste volumes generated by such services and project work for which waste handling and/or disposal is required. Environmental Services results are also impacted by the demand for planned and unplanned industrial related cleaning and maintenance services at customer sites and environmental cleanup services on a scheduled or emergency basis, including response to national events such as major chemical spills, natural disasters, or other events where immediate and specialized services are required, including our contagion disinfection, decontamination and disposal services. With the addition of the Safety-Kleen core service offerings, (e.g. containerized waste disposal, parts washer and vacuum services), the Environmental Services results are further impacted by the volumes of waste collected from these customers, the overall number of parts washers placed at customer sites and the demand for and frequency of other offered services. In managing the business and evaluating performance, management tracks the volumes and mix of waste handled and disposed of or recycled, generally through our incinerators, TSDFs and landfills, the utilization rates of our incinerators, equipment and workforce, including billable hours, and number of parts washer services performed, among other key metrics. Levels of activity and ultimate performance associated with this segment can be impacted by several factors including overall U.S. GDP, U.S. industrial production, economic conditions in the automotive, manufacturing and other industrial markets, weather conditions, efficiency of our operations, technology, changing regulations, competition, market pricing of our services, costs incurred to deliver our services and the management of our related operating costs.
- **Safety-Kleen Sustainability Solutions** - Safety-Kleen Sustainability Solutions segment results are impacted by our customers' demand for high-quality, environmentally responsible recycled oil products and their demand for our related service offerings and products. Safety-Kleen Sustainability Solutions offers high quality recycled KLEEN+ base oils and various blended oil products to end users including fleet customers, distributors and manufacturers of oil products.

Segment results are impacted by overall demand as well as product mix as it relates to these oil products. Segment results are also predicated on the demand for the Safety-Kleen Sustainability Solutions other product and service offerings including collection services for used oil, used oil filters and other automotive fluids. These fluid collections are used as feedstock in our oil re-refining to make our base and blended oil products and our recycled automotive related fluid products or are integrated into the Clean Harbors' recycling and disposal network. In operating the business and evaluating performance, management tracks the volumes and relative percentages of base and blended oil sales along with various pricing metrics associated with the commodity driven margin. Management also tracks the volumes and pricing of used oil and automotive fluid collections. Levels of activity and ultimate performance associated with this segment can be impacted by economic conditions in the automotive services and manufacturing markets, efficiency of our operations, technology, weather conditions, changing regulations, competition, the management of our related operating costs and the availability of raw materials including used oil and additives. Costs incurred in connection with the collection of used oil and other raw materials associated with the segment's oil related products can also be volatile. The overall market price of oil and regulations that change the possible usage of used oil, including the International Maritime Organization's 2020 regulation ("IMO 2020") and other regulations related to the burning of used motor oil as a fuel, both impact the premium the segment can charge for used oil collections.

### **Highlights**

Total revenues for the three and nine months ended September 30, 2022 were \$1,363.1 million and \$3,888.5 million, compared with \$951.5 million and \$2,686.1 million for the three and nine months ended September 30, 2021. Our Environmental Services segment direct revenues increased \$340.9 million and \$1,000.3 million or 45.7% and 47.1% from the comparable periods in 2021. Our acquisition of HydroChemPSC on October 8, 2021, contributed to increases in both our industrial services and field and emergency response service offerings within the Environmental Services segment for the three and nine months ended September 30, 2022. Continued demand for our disposal network and pricing initiatives across the business also contributed meaningfully to the overall growth in this segment. Specifically, approximately one-third of the total revenue growth in the segment was driven by growth within our technical services and Safety-Kleen environmental services revenue streams, neither of which were impacted by the acquisition of HydroChemPSC. In the three and nine months ended September 30, 2022, our Safety-Kleen Sustainability Solutions segment direct revenues increased \$70.5 million and \$201.9 million or 34.3% and 35.9% from the comparable periods in 2021 predominately due to higher pricing of our base and blended oil products. Foreign currency translation of our Canadian operations negatively impacted our consolidated direct revenues by \$6.5 million and \$13.7 million in the three and nine months ended September 30, 2022.

In the three and nine months ended September 30, 2022, costs have increased in both the Environmental Services and Safety-Kleen Sustainability Solutions segments when comparing to the prior year given the increase in business levels, revenue mix, inflationary pressures seen across several cost categories and supply chain constraints. Our business began seeing the impact of macroeconomic factors including inflationary pressures and supply chain constraints in 2021 and these factors continue to impact the business operations. Supply chain challenges for additives and other materials used in the oil re-refining process have delayed production, added costs and shifted the product mix within our Safety-Kleen Sustainability Solutions segment. Similarly within the Environmental Services segment, supply chain challenges have delayed fleet and equipment delivery, increasing rental and external transportation costs. Strategic decisions made in connection with these challenges drove increased investment in and levels of certain supplies related inventory which have increased overall working capital of the Company. We believe that this investment will also mitigate future potential supply chain constraints.

In combating inflationary pressures across both segments and our Corporate operations, in recent quarters we have executed upon cost control initiatives, to the greatest extent possible, as well as strategic pricing initiatives with customers. As a result of these focused efforts, our quarterly operating margins have improved in 2022 as compared to quarters prior to the implementation of these initiatives.

We reported income from operations for the three and nine months ended September 30, 2022 of \$209.1 million and \$507.4 million, compared with \$104.8 million and \$265.7 million in the three and nine months ended September 30, 2021, representing increases of 99.4% and 91.0%, respectively. Net income for the three and nine months ended September 30, 2022 was \$135.8 million and \$329.3 million, compared with net income of \$65.4 million and \$154.3 million in the three and nine months ended September 30, 2021, representing increases of 107.5% and 113.5%, respectively.

Adjusted EBITDA, which is the primary financial measure by which our segments are evaluated, increased 66.7% to \$308.6 million in the three months ended September 30, 2022 from \$185.1 million in the three months ended September 30, 2021 and increased 58.8% to \$797.9 million in the nine months ended September 30, 2022 from \$502.3 million in the nine months ended September 30, 2021. This improved performance was driven by the increased revenue levels in both segments noted above, including the acquisition of HydroChemPSC, focused pricing initiatives in the Environmental Services segment, strong spread management as

it relates to the pricing of base oil products and used motor oil collection services in the Safety-Kleen Sustainability Solutions segment and cost control initiatives across the entire business. Additional information, including a reconciliation of Adjusted EBITDA to net income, appears below under "*Adjusted EBITDA.*"

Net cash from operating activities for the nine months ended September 30, 2022 was \$357.5 million, as compared to net cash from operating activities of \$368.2 million in the comparable period of 2021. Adjusted free cash flow, which management uses to measure our financial strength and ability to generate cash, was \$118.1 million in the nine months ended September 30, 2022 as compared to \$238.0 million in the comparable period of 2021. These expected decreases in our cash flows were the result of an increase in working capital arising from our significant growth in the business and strategic inventory management decisions, comparatively higher incentive compensation and interest payments and higher levels of cash spending on the acquisition of property, plant and equipment, partially offset by higher operating income. Additional information, including a reconciliation of adjusted free cash flow to net cash from operating activities, appears below under "*Adjusted Free Cash Flow.*"

## Segment Performance

The primary financial measure by which we evaluate the performance of our segments is Adjusted EBITDA, as described below under "Adjusted EBITDA". The following table sets forth certain financial information associated with our results of operations for the three and nine months ended September 30, 2022 and September 30, 2021 (in thousands, except percentages):

	Summary of Operations							
	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2022	September 30, 2021	Change	% Change	September 30, 2022	September 30, 2021	Change	% Change
<b>Direct Revenues <sup>(1)</sup>:</b>								
Environmental Services	\$ 1,086,484	\$ 745,633	\$ 340,851	45.7%	\$ 3,124,672	\$ 2,124,332	\$ 1,000,340	47.1%
Safety-Kleen Sustainability Solutions	276,319	205,787	70,532	34.3	763,401	561,536	201,865	35.9
Corporate Items	283	59	224	N/M	434	217	217	N/M
<b>Total</b>	<b>1,363,086</b>	<b>951,479</b>	<b>411,607</b>	<b>43.3</b>	<b>3,888,507</b>	<b>2,686,085</b>	<b>1,202,422</b>	<b>44.8</b>
<b>Cost of Revenues <sup>(2)</sup>:</b>								
Environmental Services	746,869	516,340	230,529	44.6	2,175,864	1,454,852	721,012	49.6
Safety-Kleen Sustainability Solutions	154,753	119,332	35,421	29.7	457,790	350,733	107,057	30.5
Corporate Items	9,026	3,560	5,466	N/M	18,852	12,069	6,783	N/M
<b>Total</b>	<b>910,648</b>	<b>639,232</b>	<b>271,416</b>	<b>42.5</b>	<b>2,652,506</b>	<b>1,817,654</b>	<b>834,852</b>	<b>45.9</b>
<b>Selling, General &amp; Administrative Expenses:</b>								
Environmental Services	78,928	62,822	16,106	25.6	235,178	186,714	48,464	26.0
Safety-Kleen Sustainability Solutions	18,410	15,645	2,765	17.7	53,568	45,047	8,521	18.9
Corporate Items	54,373	54,697	(324)	(0.6)	169,746	147,150	22,596	15.4
<b>Total</b>	<b>151,711</b>	<b>133,164</b>	<b>18,547</b>	<b>13.9</b>	<b>458,492</b>	<b>378,911</b>	<b>79,581</b>	<b>21.0</b>
<b>Adjusted EBITDA:</b>								
Environmental Services	260,687	166,471	94,216	56.6	713,630	482,766	230,864	47.8
Safety-Kleen Sustainability Solutions	103,156	70,810	32,346	45.7	252,043	165,756	86,287	52.1
Corporate Items	(55,288)	(52,197)	(3,091)	(5.9)	(167,789)	(146,216)	(21,573)	(14.8)
<b>Total</b>	<b>\$ 308,555</b>	<b>\$ 185,084</b>	<b>\$ 123,471</b>	<b>66.7%</b>	<b>\$ 797,884</b>	<b>\$ 502,306</b>	<b>\$ 295,578</b>	<b>58.8%</b>
<b>Adjusted EBITDA as a % of Direct Revenues:</b>								
Environmental Services	24.0 %	22.3 %	1.7 %		22.8 %	22.7 %	0.1 %	
Safety-Kleen Sustainability Solutions	37.3 %	34.4 %	2.9 %		33.0 %	29.5 %	3.5 %	
Corporate Items	N/M	N/M	N/M		N/M	N/M	N/M	
<b>Total</b>	<b>22.6 %</b>	<b>19.5 %</b>	<b>3.1 %</b>		<b>20.5 %</b>	<b>18.7 %</b>	<b>1.8 %</b>	

N/M = not meaningful

(1) Direct revenue is revenue allocated to the segment performing the provided service.

(2) Cost of revenue is shown exclusive of items presented separately on the consolidated statements of operations which consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

## Direct Revenues

There are many factors which have impacted and continue to impact our revenues including, but not limited to: overall levels of industrial activity and economic growth in North America, existence or non-existence of large scale environmental waste and remediation projects, competitive industry pricing, miles driven and related lubricant demand, impacts of acquisitions and divestitures, the level of emergency response services, captive incinerator closures, government infrastructure investment, weather related events, base and blended oil pricing, market changes relative to the collection of used oil, our ability to manage the spread between oil product prices and prices for the collection of used oil, the number of parts washers placed at customer sites and foreign currency translation. In addition, customer efforts to minimize hazardous waste and changes in regulation can also impact our revenues.

### Environmental Services

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Direct revenues	\$ 1,086,484	\$ 745,633	\$ 340,851	45.7 %	\$ 3,124,672	\$ 2,124,332	\$ 1,000,340	47.1 %

Environmental Services direct revenues for the three months ended September 30, 2022 increased \$340.9 million from the comparable period in 2021. With the acquisition of HydroChemPSC, our industrial services and field and emergency response services direct revenues grew. In addition, our technical services and Safety-Kleen environmental revenue streams, which were not impacted by the acquisition of HydroChemPSC, grew 29.4% and 21.5% respectively. More specifically, direct revenues of our industrial service offerings increased \$179.1 million most notably focused in revenue streams associated with the HydroChemPSC operations including vacuum services, hydroblasting and industrial cleaning. Technical services revenues increased \$89.1 million largely due to higher collection and throughput of waste streams at our facilities including higher value waste streams at our incinerators coupled with pricing initiatives across the business. Higher volumes, throughput efficiencies and fewer down days at our incinerators drove an increase in utilization from 82% in the third quarter of 2021 to 86% in the third quarter of 2022. We also saw an increase in landfill volumes in the third quarter of 2022 as compared to the third quarter of 2021. Field and emergency response services revenues increased approximately \$36.8 million largely due to contributions from the HydroChemPSC operations, despite a \$5.2 million decrease in COVID-19 decontamination service revenues. Direct revenues for the Safety-Kleen core service offerings increased \$35.9 million from the comparable period in 2021 due to improved pricing and greater demand for these containerized waste, parts washer and vacuum services. The Canadian operations of the Environmental Services segment were negatively impacted by \$4.7 million due to foreign currency translation.

Environmental Services direct revenues for the nine months ended September 30, 2022 increased \$1,000.3 million from the comparable period in 2021. Consistent with the discussion above, revenues associated with HydroChemPSC operations within industrial services and field and emergency response services drove much of this increase, however, Technical services and Safety-Kleen environmental services offerings grew organically by 25.1% and 18.4%, respectively. Direct revenues of our industrial service offerings increased \$567.3 million which was due to increases in revenue streams associated with the HydroChemPSC operations. Technical services revenues increased \$244.5 million largely due to higher throughput at our facilities and higher value waste streams at our incinerators coupled with pricing initiatives. Utilization at our incinerators increased from 83% in the nine months ended September 30, 2021 to 87% in the nine months ended September 30, 2022 largely driven by increased volumes, throughput efficiencies and fewer down days. We also saw an increase in landfill volumes in the nine months of 2022 as compared to the first nine months of 2021. Field and emergency response services revenues increased approximately \$104.2 million, mainly due to contributions from the HydroChemPSC business, despite a \$30.9 million decrease in COVID-19 decontamination service revenues. Direct revenues for the Safety-Kleen core service offerings increased \$83.9 million from the comparable period in 2021 due to improved pricing and greater demand for our containerized waste, vacuum services and parts washer services. The Canadian operations of the Environmental Services segment were negatively impacted by \$10.5 million due to foreign currency translation.

### Safety-Kleen Sustainability Solutions

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Direct revenues	\$ 276,319	\$ 205,787	\$ 70,532	34.3 %	\$ 763,401	\$ 561,536	\$ 201,865	35.9 %

Safety-Kleen Sustainability Solutions direct revenues for the three months ended September 30, 2022 increased \$70.5 million from the comparable period in 2021 predominately due to higher pricing of our base and blended oil products. For the three months ended September 30, 2022, base oil sales revenues increased \$48.2 million from the comparable period in 2021 mainly due to pricing increases and, to a lesser extent, an increase in volumes sold. Pricing also drove an increase in revenues from recycled fuel oil and refinery byproducts of \$20.6 million and an increase in blended oil sales of \$6.5 million. In the three months ended September 30, 2022, the Canadian operations of the Safety-Kleen Sustainability Solutions segment were negatively impacted by \$1.8 million due to foreign currency translation.

In the nine months ended September 30, 2022, the overall direct revenue increase of \$201.9 million was largely due to a \$146.4 million increase in base oil sales driven by higher pricing across a relatively consistent volume sold. Revenues from recycled fuel oil and refinery byproducts increased \$35.1 million in the nine months ended September 30, 2022 when compared to 2021 and revenues from blended oil sales increased \$33.6 million due to higher pricing which more than offset lower volumes sold. The volume of used oil collected increased, however, revenue from the collection of used motor oil decreased \$8.8 million. This decrease is in line with expectations given the inverse correlation between movements in base oil pricing and the market prices associated with our used oil collection services. The Canadian operations of the Safety-Kleen Sustainability Solutions segment were negatively impacted by \$3.2 million in the nine months ended September 30, 2022 due to foreign currency translation.

### Cost of Revenues

We believe that management of operating costs is vital to our ability to remain price competitive. We continue to experience the current macroeconomic inflationary pressures across several cost categories, but most notably related to internal and external labor, transportation, general supplies and energy related costs. We aim to manage these increases through constant cost monitoring as well as our overall customer pricing strategies designed to offset the negative inflationary impacts on our margins.

We continue to upgrade the quality and efficiency of our services through the development of new technology and continued modifications and expansion at our facilities, invest in new business opportunities and aggressively implement strategic sourcing and logistics solutions in the face of these inflationary pressures, while also continuing to optimize our management and operating structure in an effort to manage our operating margins.

### Environmental Services

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Cost of revenues	\$ 746,869	\$ 516,340	\$ 230,529	44.6 %	\$ 2,175,864	\$ 1,454,852	\$ 721,012	49.6 %
As a % of Direct revenues	68.7 %	69.2 %	(0.5)%		69.6 %	68.5 %	1.1 %	

Environmental Services cost of revenues for the three months ended September 30, 2022 increased \$230.5 million from the comparable period in 2021, primarily due to the increase in direct revenues noted above, including additional costs from the HydroChemPSC operations. Cost of revenues as a percentage of direct revenues for the three months ended September 30, 2022 remained relatively consistent with the three months ended September 30, 2021 despite lower COVID-19 decontamination services and the growth of our industrial services offerings which typically operate at a lower margin than our waste disposal focused offerings. Overall, labor and benefit related costs increased \$122.4 million, equipment and supply costs increased \$45.7 million and external transportation, vehicle and fuel costs increased \$38.5 million. These increases were driven by a combination of increased business, including the addition of HydroChemPSC, and inflationary pressures.

Environmental Services cost of revenues for the nine months ended September 30, 2022 increased \$721.0 million from the comparable period in 2021, primarily due to the increase in direct revenues noted above, including additional costs from the HydroChemPSC operations and inflationary pressures. Cost of revenues as a percentage of direct revenues increased 1.1% from the comparable period in the prior year mainly due to the mix of services, most notably lower COVID-19 decontamination services and

the growth of our industrial service offerings. Inflationary pressures across several cost categories including labor, transportation, equipment and supply costs have also contributed to the increase of these costs as a percentage of revenues. Overall, labor and benefit related costs increased \$357.2 million, equipment and supply costs increased \$176.5 million and external transportation, vehicle and fuel related costs increased \$120.7 million.

#### *Safety-Kleen Sustainability Solutions*

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Cost of revenues	\$ 154,753	\$ 119,332	\$ 35,421	29.7 %	\$ 457,790	\$ 350,733	\$ 107,057	30.5 %
As a % of Direct revenues	56.0 %	58.0 %	(2.0)%		60.0 %	62.5 %	(2.5)%	

Safety-Kleen Sustainability Solutions cost of revenues for the three months ended September 30, 2022 increased \$35.4 million from the comparable period in 2021. The cost of raw materials used in production of our oil products increased \$17.4 million, driven mainly by increased costs to obtain used oil through our used oil collection services. The increase in base oil pricing in the third quarter of 2022 as compared to the same period in 2021 has resulted in a correlating increase in the cost we now pay for used oil feedstock. Increased external transportation, vehicle and fuel costs of \$8.3 million, labor and benefit related costs of \$3.6 million and equipment and supply costs of \$1.8 million also contributed to the overall increase in cost of revenues. The remaining increase was spread across various cost categories.

Safety-Kleen Sustainability Solutions cost of revenues for the nine months ended September 30, 2022 increased \$107.1 million from the comparable period in 2021. The cost of raw materials used in production of our oil products increased \$66.9 million, more than half of which was due to increased costs to obtain used oil through our used oil collection services. As noted above, the increase in base oil pricing has resulted in a correlating increase in the cost we now pay for used oil feedstock. Other costs that contributed to the overall increase include external transportation, vehicle and fuel costs which increased \$18.6 million, labor and benefit related costs which increased \$6.4 million and equipment and supply costs of which increased \$1.8 million. The remaining increase was spread across various cost categories.

As a percentage of revenues, Safety-Kleen Sustainability Solutions costs of revenues improved by 2.0% and 2.5% in the three and nine months ended September 30, 2022 as compared to the comparable periods in 2021. This margin improvement was largely driven by the increased pricing of our products which outpaced the increase in cost of revenues as the business continued to capitalize on the favorable market conditions and efficient management of the spread between the pricing of products and the rising costs to obtain oil feedstock.

#### *Selling, General and Administrative Expenses*

We strive to manage our selling, general and administrative ("SG&A") expenses commensurate with the overall performance of our segments and corresponding revenue levels. We believe our ability to properly align these costs with business performance is reflective of our strong management of the businesses and further promotes our ability to remain competitive in the marketplace.

#### *Environmental Services*

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
SG&A expenses	\$ 78,928	\$ 62,822	\$ 16,106	25.6 %	\$ 235,178	\$ 186,714	\$ 48,464	26.0 %
As a % of Direct revenues	7.3 %	8.4 %	(1.1)%		7.5 %	8.8 %	(1.3)%	

Environmental Services SG&A expenses for the three months and nine months ended September 30, 2022 increased \$16.1 million and \$48.5 million from the comparable periods in 2021. These cost increases were primarily driven by increased labor and benefits related costs of \$13.7 million and \$37.7 million in the three and nine month periods respectively, predominately due to the addition of the HydroChemPSC business operations, investments in our employees and higher incentive compensation. Professional fees also increased \$2.0 million in the nine months ended September 30, 2022 as compared to the same period in the prior year. The remaining increases were spread across various other cost categories. As a percentage of revenue, the Environmental Services SG&A expense improved by 1.1% and 1.3% in both the three and nine months ended September 30, 2022, driven both by the HydroChemPSC business operations which have lower associated SG&A expenses when compared to the business's related revenues



and overall improved leverage of SG&A in the legacy Environmental Services business.

#### *Safety-Kleen Sustainability Solutions*

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
SG&A expenses	\$ 18,410	\$ 15,645	\$ 2,765	17.7 %	\$ 53,568	\$ 45,047	\$ 8,521	18.9 %
As a % of Direct revenues	6.7 %	7.6 %	(0.9)%		7.0 %	8.0 %	(1.0)%	

Safety-Kleen Sustainability Solutions SG&A expenses for the three and nine months ended September 30, 2022 increased \$2.8 million and \$8.5 million from the comparable periods in 2021 primarily due to a \$1.2 million and \$5.8 million increase in labor and benefit costs as we expanded our sales team for the segment. As a percentage of revenue, these costs improved in both the three and nine months ended September 30, 2022 when compared to the same periods in the prior year.

#### *Corporate Items*

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
SG&A expenses	\$ 54,373	\$ 54,697	\$ (324)	(0.6)%	\$ 169,746	\$ 147,150	\$ 22,596	15.4 %
As a % of Total Clean Harbors' Direct revenues	4.0 %	5.7 %	(1.7)%		4.4 %	5.5 %	(1.1)%	

We manage our Corporate Items SG&A expenses commensurate with the overall total company performance and direct revenue levels. Generally, as revenues increase, we would expect some increase in these costs; however, Corporate Items SG&A expenses for the three and nine months ended September 30, 2022 decreased as a percentage of total Clean Harbors' direct revenues when compared to the same period in the prior year which has also contributed to Clean Harbors' overall profitability.

For the three months ended September 30, 2022, the overall costs remained relatively consistent with the prior year while improving as a percentage of total Clean Harbors' direct revenues with lower bad debt expense and professional fees more than offsetting increases in labor and benefit related costs.

For the nine months ended September 30, 2022, the overall increase of \$22.6 million included a \$17.6 million increase in labor and benefits related costs and a \$7.6 million increase from higher stock-based compensation costs. This increase in stock-based compensation is mainly due to the timing of grants in 2022. We expect the overall grants for 2022 to be relatively consistent with 2021. Information technology/cyber-security related technology costs also increased \$5.4 million. These increases were partially offset by the \$3.0 million breakup fee received related to the termination of the proposed asset acquisition from Vertex Energy, Inc. and \$2.7 million reduction in professional fees in the nine months ended September 30, 2022.

#### *Adjusted EBITDA*

Management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or other GAAP metrics. Adjusted EBITDA is not calculated identically by all companies and therefore our measurements of Adjusted EBITDA, while defined consistently and in accordance with our existing credit agreement, may not be comparable to similarly titled measures reported by other companies.

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
<b>Adjusted EBITDA:</b>								
Environmental Services	\$ 260,687	\$ 166,471	\$ 94,216	56.6 %	\$ 713,630	\$ 482,766	\$ 230,864	47.8 %
Safety-Kleen Sustainability Solutions	103,156	70,810	32,346	45.7	252,043	165,756	86,287	52.1
Corporate Items	(55,288)	(52,197)	(3,091)	(5.9)	(167,789)	(146,216)	(21,573)	(14.8)
<b>Total</b>	<b>\$ 308,555</b>	<b>\$ 185,084</b>	<b>\$ 123,471</b>	<b>66.7 %</b>	<b>\$ 797,884</b>	<b>\$ 502,306</b>	<b>\$ 295,578</b>	<b>58.8 %</b>

We use Adjusted EBITDA to enhance our understanding of our operating performance, which represents our views concerning our performance in the ordinary, ongoing and customary course of our operations. We historically have found it helpful, and believe that investors have found it helpful, to consider an operating measure that excludes certain expenses relating to transactions not reflective of our core operations.

The information about our operating performance provided by this financial measure is used by our management for a variety of purposes. We regularly communicate Adjusted EBITDA results to our lenders since our loan covenants are based upon levels of Adjusted EBITDA achieved and to our board of directors, and we discuss our interpretation of such results with the board. We also compare our Adjusted EBITDA performance against internal targets as a key factor in determining cash and stock bonus compensation for executives and other employees, largely because we believe that this measure is indicative of how the fundamental business is performing and is being managed.

We also provide information relating to our Adjusted EBITDA so that analysts, investors and other interested persons have the same data that we use to assess our core operating performance. We believe that Adjusted EBITDA should be viewed only as a supplement to the GAAP financial information. We also believe, however, that providing this information in addition to, and together with, GAAP financial information permits the users of our financial statements to obtain a better understanding of our core operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance on a standalone and a comparative basis.

The following is a reconciliation of net income to Adjusted EBITDA for the following periods (in thousands, except percentages):

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net income	\$ 135,799	\$ 65,443	\$ 329,270	\$ 154,254
Accretion of environmental liabilities	3,246	2,799	9,599	8,625
Stock-based compensation	7,828	6,001	20,375	12,786
Depreciation and amortization	88,394	71,451	260,560	215,206
Other (income) expense, net	(104)	(199)	(2,073)	2,509
Gain on sale of business	—	—	(8,864)	—
Interest expense, net of interest income	28,081	17,984	79,354	53,953
Provision for income taxes	45,311	21,605	109,663	54,973
<b>Adjusted EBITDA</b>	<b>\$ 308,555</b>	<b>\$ 185,084</b>	<b>\$ 797,884</b>	<b>\$ 502,306</b>
As a % of Direct revenues	22.6 %	19.5 %	20.5 %	18.7 %

### Depreciation and Amortization

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Depreciation of fixed assets and amortization of landfills and finance leases	\$ 75,327	\$ 63,875	\$ 11,452	17.9 %	\$ 223,001	\$ 192,277	\$ 30,724	16.0 %
Permits and other intangibles amortization	13,067	7,576	5,491	72.5	37,559	22,929	14,630	63.8
Total depreciation and amortization	\$ 88,394	\$ 71,451	\$ 16,943	23.7 %	\$ 260,560	\$ 215,206	\$ 45,354	21.1 %

Depreciation and amortization for the three and nine months ended September 30, 2022 increased by \$16.9 million and \$45.4 million from the comparable periods in 2021 due to the depreciation and amortization of the HydroChemPSC tangible and intangible assets which were acquired in the fourth quarter of 2021.

### Gain on Sale of Business

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Gain on sale of business	\$ —	\$ —	\$ —	— %	\$ 8,864	\$ —	\$ 8,864	100.0 %

During the nine months ended September 30, 2022, we recorded a \$8.9 million gain on the sale of a non-core line of business within our Environmental Services segment. For additional information regarding this gain on sale of business, see Note 5, "Disposition of Business," to the accompanying financial statements.

### Provision for Income Taxes

(in thousands, except percentages)	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2022 over 2021		September 30,		2022 over 2021	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Provision for income taxes	\$ 45,311	\$ 21,605	\$ 23,706	109.7 %	\$ 109,663	\$ 54,973	\$ 54,690	99.5 %
Effective tax rate	25.0 %	24.8 %	0.2 %		25.0 %	26.3 %	(1.3)%	

The provision for income taxes for the three and nine months ended September 30, 2022 increased \$23.7 million and \$54.7 million from the comparable periods in 2021 due to an increase in income before provision for income taxes. Our effective tax rate for the three months ended September 30, 2022 was relatively consistent to the prior year while the rate for the nine months ended September 30, 2022 decreased 1.3%. The decrease in our effective tax rate is largely due to the utilization of previous unbenefited losses in certain of our Canadian entities.

In recent periods, certain Canadian entities which have historically generated net operating losses and for which we have recognized valuation allowances, have been operating at a profit. This recent profitability and associated utilization of previous unbenefited losses is due to operational improvements and tax strategies as well as government subsidies and the gain on sale of business. As of September 30, 2022, we do not yet believe that sufficient positive evidence exists to support that the profitability of these certain Canadian entities will continue for a sustained period. We will continue to evaluate this on an ongoing basis to determine when, if at all, to release some or all of the associated remaining valuation allowances. The related valuation allowances, should they be released, would not have a significant impact on the Company's results of operations.

**Liquidity and Capital Resources**

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest payments and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and internal investing cash needs. We monitor our actual needs and forecasted cash flows, our liquidity and our capital resources, enabling us to plan our present needs and fund items that may arise during the year as a result of changing business conditions or opportunities. Furthermore, our existing cash balance and the availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

**Summary of Cash Flow Activity**

(in thousands)	Nine Months Ended September 30,	
	2022	2021
Net cash from operating activities	\$ 357,542	\$ 368,226
Net cash used in investing activities	(281,962)	(169,267)
Net cash used in financing activities	(72,609)	(71,762)

*Net cash from operating activities*

Net cash from operating activities for the nine months ended September 30, 2022 was \$357.5 million as compared to \$368.2 million in the comparable period of 2021. This \$10.7 million decrease in operating cash flows was attributable to an increase in working capital caused by the recent significant growth in the business and higher interest, incentive compensation and income tax payments in the first nine months of 2022. With approximately 30% of our debt being subject to variable interest rates, the LIBOR rate increases during 2022 have resulted in the increase in interest payments when compared to the prior year. These operating cash flow decreases were partially offset by greater levels of operating income.

*Net cash used in investing activities*

Net cash used in investing activities for the nine months ended September 30, 2022 was \$282.0 million, an increase of \$112.7 million from the comparable period in 2021. The increase in net cash used in investing activities as compared to the same prior year period was primarily due to a \$109.2 million increase in additions to property, plant and equipment, net of proceeds from the sale and disposal of fixed assets and incremental spend of \$50.7 million for acquisitions, net of cash acquired. The increase in additions to property plant and equipment, net of proceeds from the sale and disposal of fixed assets is inclusive of \$26.8 million of capital spending for our new incinerator construction in Kimball, Nebraska as well as incremental spend for the HydroChemPSC operations. These uses of cash were partially offset by a \$28.9 million cash inflow related to the timing of investment transactions within our wholly owned captive insurance company and a \$16.8 million cash inflow from the disposition of a business.

*Net cash used in financing activities*

Net cash used in financing activities for the nine months ended September 30, 2022 was \$72.6 million, as compared to \$71.8 million in the comparable period in 2021. Higher principal payments on debt and payments on finance leases were partially offset by the change in the level of uncashed checks as well as lower cash spent on repurchases of common stock.

**Adjusted Free Cash Flow**

Management considers adjusted free cash flow to be a measure of liquidity which provides useful information to both management, creditors and investors about our financial strength and our ability to generate cash. Additionally, adjusted free cash flow is a metric on which a portion of management incentive compensation is based. We define adjusted free cash flow as 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 sales or disposals of fixed assets. Adjusted free cash flow is not calculated identically by all companies, and therefore our measurements of adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation from net cash from operating activities to adjusted free cash flow for the following periods (in thousands):

	Nine Months Ended	
	September 30,	
	2022	2021
Net cash from operating activities	\$ 357,542	\$ 368,226
Additions to property, plant and equipment	(244,547)	(146,654)
Proceeds from sale and disposal of fixed assets	5,118	16,424
Adjusted free cash flow	<u>\$ 118,113</u>	<u>\$ 237,996</u>

### **Summary of Capital Resources**

At September 30, 2022, cash and cash equivalents and marketable securities totaled \$514.1 million, compared to \$534.3 million at December 31, 2021. At September 30, 2022, cash and cash equivalents held by our foreign subsidiaries totaled \$79.0 million. The cash and cash equivalents and marketable securities balance for our U.S. operations was \$435.1 million at September 30, 2022. Our U.S. operations had net operating cash inflows of \$323.9 million for the nine months ended September 30, 2022.

We also maintain a \$400.0 million revolving credit facility of which, as of September 30, 2022, approximately \$292.6 million was available to borrow and letters of credit under the credit facility in the amount of \$107.4 million were outstanding.

### **Material Capital Requirements**

#### *Capital Expenditures*

Capital expenditures during the first nine months of 2022 were \$244.5 million as compared to \$146.7 million during the nine months of 2021. We anticipate that 2022 capital spending, net of disposals, will be in the range of \$325.0 million to \$345.0 million, including approximately \$45.0 million of capital spending for our new incinerator construction in Kimball, Nebraska, of which \$26.8 million has been spent during the first nine months of 2022.

As always, unanticipated changes in environmental regulations could require us to make significant capital expenditures for our facilities and could adversely affect our results of operations and cash flow.

#### *Financing Arrangements*

As of September 30, 2022, our financing arrangements include (i) \$714.0 million of senior secured term loans due 2024, (ii) \$545.0 million of 4.875% senior unsecured notes due 2027, (iii) \$992.5 million of senior secured term loans due 2028 and (iv) \$300.0 million of 5.125% senior unsecured notes due 2029. We also maintain our \$400.0 million revolving credit facility. As of September 30, 2022, under the revolving credit facility, we had no outstanding loan balance, \$292.6 million available to borrow and outstanding letters of credit of \$107.4 million. We obtain standby letters of credit as security for financial assurances we have been required to provide to regulatory bodies for our hazardous waste facilities and which would be called only in the event that we fail to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities.

The material terms of these arrangements are discussed further in Note 12, "Financing Arrangements," to our consolidated financial statements included in Item 8 of this report.

As of September 30, 2022, we were in compliance with the covenants of all of our debt agreements, and we believe we will continue to meet such covenants.

#### *Common Stock Repurchases Pursuant to Publicly Announced Plan*

The Company's common stock repurchases are made pursuant to the previously authorized board approved plan to repurchase up to \$600.0 million of the Company's common stock. During the three and nine months ended September 30, 2022, the Company repurchased and retired a total of approximately 0.1 million and 0.5 million shares of the Company's common stock, respectively, for total expenditures of approximately \$10.5 million and \$44.2 million, respectively. During the three and nine months ended September 30, 2021, the Company repurchased and retired a total of approximately 33.4 thousand and 533.4 thousand shares of the Company's common stock, respectively, for total expenditures of approximately \$3.0 million and \$48.4 million, respectively.

Through September 30, 2022, the Company has repurchased and retired a total of approximately 8.1 million shares of its common stock for approximately \$488.7 million under this program. As of September 30, 2022, an additional \$111.3 million remained available for repurchase of shares under this program.

*Environmental Liabilities*

(in thousands, except percentages)	September 30, 2022	December 31, 2021	Change	% Change
Closure and post-closure liabilities	\$ 106,772	\$ 99,103	\$ 7,669	7.7 %
Remedial liabilities	117,268	111,873	5,395	4.8
Total environmental liabilities	<u>\$ 224,040</u>	<u>\$ 210,976</u>	<u>\$ 13,064</u>	<u>6.2 %</u>

Total environmental liabilities as of September 30, 2022 were \$224.0 million, an increase of \$13.1 million compared to December 31, 2021, primarily due to new liabilities, including those assumed in acquisition, of \$10.8 million and accretion of \$9.6 million, partially offset by expenditures of \$9.7 million. The majority of the new liabilities relate to a real estate acquisition completed in 2022 in connection with which we assumed a remedial liability. The remedial liability was contemplated when arriving at the amount paid to acquire the property.

We anticipate our environmental liabilities, substantially all of which we assumed in connection with our acquisitions, will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required.

Events not anticipated (such as future changes in environmental laws and regulations) could require that payments to satisfy our environmental liabilities be made earlier or in greater amounts than currently anticipated, which could adversely affect our results of operations, cash flow and financial condition. Conversely, the development of new treatment technologies or other circumstances may arise in the future which may reduce amounts ultimately paid.

**Critical Accounting Policies and Estimates**

Other than as described below, there were no material changes in the first nine months of 2022 to the information provided under the heading “Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes in the first nine months of 2022 to the information provided under Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**ITEM 4. CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective as of September 30, 2022 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the nine months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

See Note 17, “Commitments and Contingencies,” to the unaudited consolidated financial statements included in Item 1 of this report, which description is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors from the information provided in Item 1A. in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Common Stock Repurchase Program**

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) <sup>(3)</sup>
July 1, 2022 through July 31, 2022	96,034	\$ 88.30	62,852	\$ 116,265
August 1, 2022 through August 31, 2022	1,808	83.20	—	116,265
September 1, 2022 through September 30, 2022	49,737	109.98	45,700	111,265
Total	<u>147,579</u>	<u>—</u>	<u>108,552</u>	

- (1) Includes 39,027 shares withheld by us from employees to satisfy employee tax obligations upon vesting of restricted stock granted to our employees under the Company's equity incentive plans.
- (2) The average price paid per share of common stock repurchased under the stock repurchase program includes the commissions paid to brokers.
- (3) Our board of directors has authorized the repurchase of up to \$600.0 million of our common stock. We have funded and intend to fund the repurchases through available cash resources. The stock repurchase program authorizes us to purchase our common stock on the open market or in privately negotiated transactions periodically in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases has depended and will depend on several factors, including share price, cash required for business plans, trading volume and other conditions. We maintain a repurchase plan in accordance with Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended. During the three months ended September 30, 2022, 62,852 shares were repurchased under the Rule 10b5-1 plan. Future repurchases may be made as open market or privately negotiated transactions as described above. We have no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

<b>Item No.</b>	<b>Description</b>	<b>Location</b>
31.1	<a href="#">Rule 13a-14a/15d-14(a) Certification of the CEO Alan S. McKim</a>	Filed herewith
31.2	<a href="#">Rule 13a-14a/15d-14(a) Certification of the CFO Michael L. Battles</a>	Filed herewith
32	<a href="#">Section 1350 Certifications</a>	Filed herewith
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: Financial statements from the quarterly report on Form 10-Q of Clean Harbors, Inc. for the quarterly period ended September 30, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Comprehensive Income, (iv) Unaudited Consolidated Statements of Cash Flows, (v) Unaudited Consolidated Statements of Stockholders' Equity and (vi) Notes to Unaudited Consolidated Financial Statements.	*
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022, formatted in iXBRL and contained in Exhibit 101.	

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\* Interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.





## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan S. McKim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clean Harbors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ALAN S. MCKIM

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**Alan S. McKim**  
*Chairman, President and Chief Executive Officer*

Date: November 2, 2022

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael L. Battles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clean Harbors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL L. BATTLES

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**Michael L. Battles**  
*Executive Vice President and Chief Financial Officer*

Date: November 2, 2022

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**CERTIFICATION PURSUANT TO  
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Clean Harbors, Inc.

By: \_\_\_\_\_ /s/ ALAN S. MCKIM  
**Alan S. McKim**  
**Chairman, President and Chief Executive Officer**

Date: November 2, 2022

By: \_\_\_\_\_ /s/ MICHAEL L. BATTLES  
**Michael L. Battles**  
**Executive Vice President and Chief Financial Officer**

Date: November 2, 2022