



## First Quarter 2020 Investor Review

**April 29, 2020**

PEOPLE AND TECHNOLOGY CREATING A SAFER, CLEANER ENVIRONMENT



# Forward Looking Statements and GAAP Disclaimer

These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company’s customers, competitor responses to the Company’s products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission. Such statements may include, but are not limited to, statements about the Company’s business outlook and financial guidance and other statements that are not historical facts. Consequently such forward-looking statements should be regarded as the Company’s current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.



## Statement Regarding use of Non-GAAP Measures:

Adjusted EBITDA, adjusted free cash flow, adjusted net income and adjusted earnings per share, as presented in these slides, are non-GAAP financial measures and should not be considered alternatives to other measurements under generally accepted accounting principles (GAAP), but viewed only as a supplement to those measurements. These non-GAAP measures are not calculated identically by all companies. Therefore our measurement of Adjusted EBITDA, while defined consistently and in accordance with our existing credit agreement, and our measurements of adjusted free cash flow, adjusted net income (loss) and adjusted earnings (loss) per share may not be comparable to similarly titled measures reported by other companies. We believe that Adjusted EBITDA provides additional useful information to investors since our loan covenants are based upon levels of Adjusted EBITDA achieved and the fact that management routinely evaluates the performance of its businesses based upon levels of Adjusted EBITDA. We believe adjusted free cash flow provides useful information to investors about our ability to generate cash. We believe adjusted net income (loss) and adjusted earnings (loss) per share provide useful information about our performance excluding non-recurring or extraordinary items.

Adjusted EBITDA consists of net income (loss) plus accretion of environmental liabilities, depreciation and amortization, net interest expense, loss on early extinguishment of debt, provision for income taxes and excludes other gains, losses and non-cash charges not deemed representative of fundamental segment results and other (income) expense, net. Adjusted free cash flow consists of net cash from operating activities excluding cash impacts of items derived from non-operating activities, such as taxes paid in connection with divestitures, less additions to property, plant and equipment plus proceeds from sale of fixed assets. All amounts in USD unless otherwise noted.

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

## Our Response to COVID-19 Pandemic

- Resetting cost structure to align with current environment
  - Rightsizing workforce through furloughs and other actions
  - Implemented non-billable hiring/wage freeze and travel restrictions
- Shuttering nearly half our re-refinery capacity temporarily due to UMO supply and market demand
- Drew \$150 million on our revolver
- Lowering our expected 2020 net capex spend by more than \$50 million
- Withdrawing 2020 annual guidance until market conditions stabilize



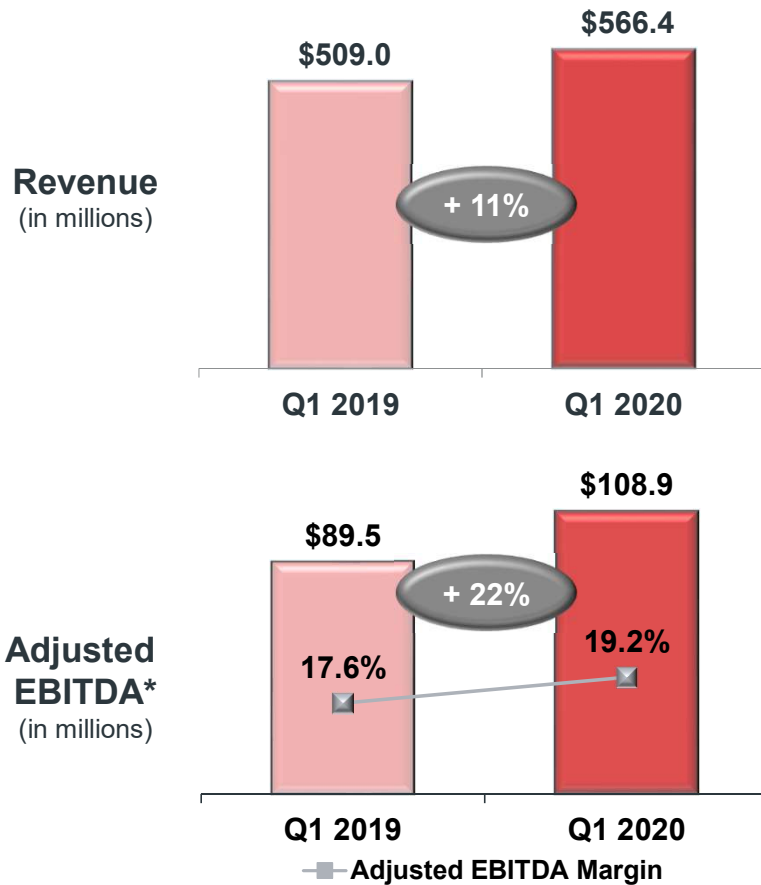
## Summary of Q1 Results

- Revenue increases 10% to \$858.6M, driven by growth in both operating segments
- GAAP EPS of \$0.21; Adjusted EPS of \$0.28
- Adjusted EBITDA\* growth of 21% to \$122.6M due to mix of waste streams, increased utilization, projects and emergency response work
- Adjusted EBITDA margins climb 130 bps to 14.3%
- Environmental Services driven by strong performance in disposal network and steady contributions across regions; Safety-Kleen's growth generated primarily by SK Oil, which had a favorable comp; Corporate segment costs up from investments in our workforce and increased marketing



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

# Environmental Services



## Q1 Performance

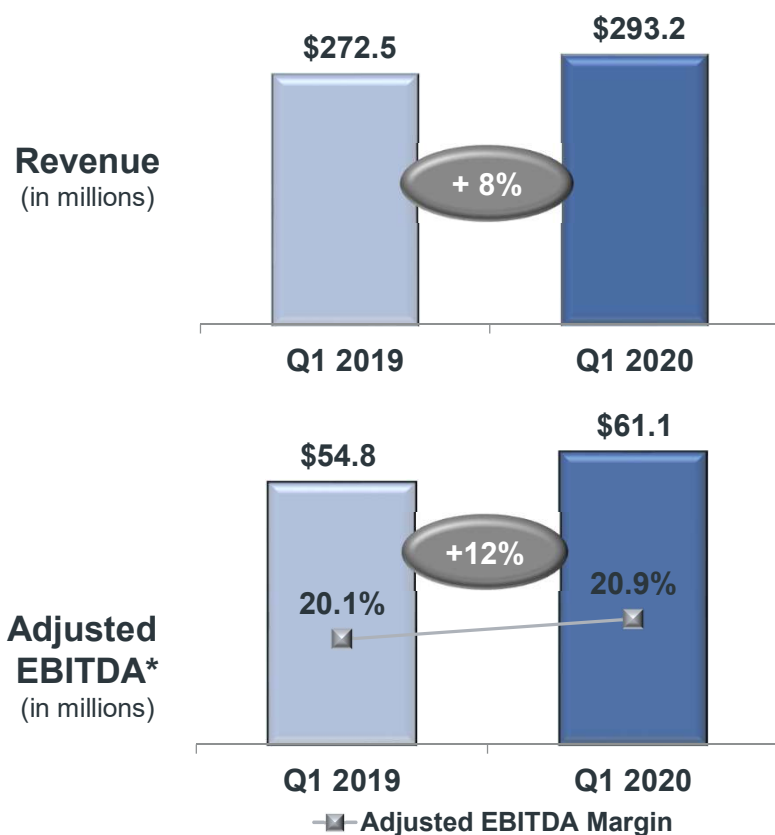
- Revenue increase primarily due to growth in facilities and field services, and benefit of warmer weather
- Adjusted EBITDA and margin up significantly on business mix, disposal volumes and ER work
- Incinerator utilization was 86% vs. 77% in Q1'19 due to seasonally strong volumes and last year's Deer Park shutdown; average price per pound was up 11% due to improved mix
- Landfill tonnage up 39% YoY due to stable base business and healthy project volumes
- \$21M in ER events in the quarter including COVID-19 response and cleanup of a chemical plant fire



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



# Safety-Kleen



## Q1 Performance

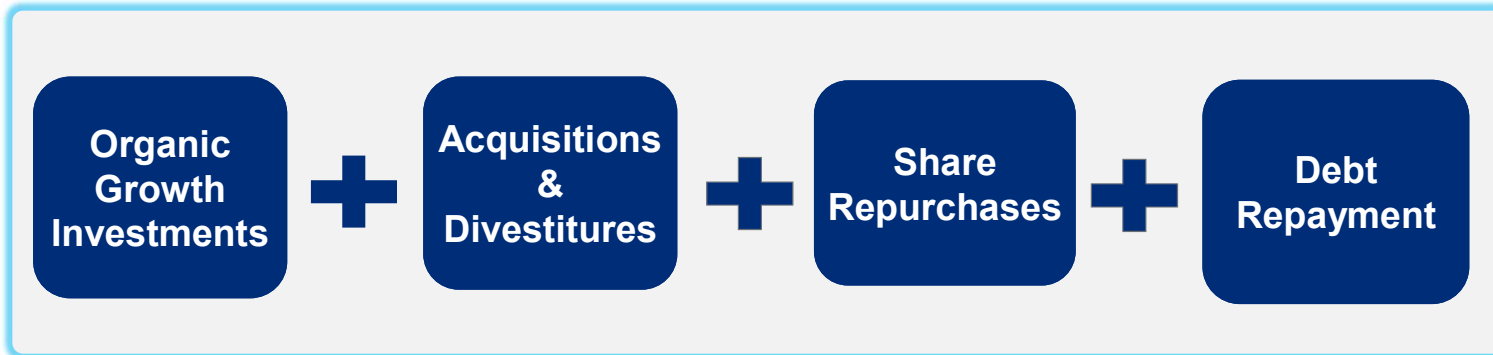
- Revenue increase driven by growth in both SK Oil and branch business
- Adjusted EBITDA and margin increased due to pricing gains, greater production volumes in SK Oil and lower YoY transportation costs compared to 2019 when frozen rivers and flooding disrupted the business
- Performed 241K parts washer services, flat with prior year; other core offerings, such as containerized waste and vacuum services, performed well
- Gathered 55 million gallons of waste oil, compared with 54 million a year ago; increased charge-for-oil average from Q4
- Blended products accounted for 25% of volume, compared with 28% in Q1'19; direct volume was 7% in the quarter vs. 8% a year ago



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

# Capital Allocation Strategy

- Four key elements:



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





# Financial Overview



# Q1 Income Statement

(in millions, except per share data)

	<b>Q1 2020</b>	<b>Q1 2019</b>
<b>Revenue</b>	<b>\$858.6</b>	<b>\$780.8</b>
<b>Cost of revenues</b>	<b>\$606.7</b>	<b>\$564.4</b>
<b>Gross profit</b>	<b>\$251.9</b>	<b>\$216.5</b>
<b>Gross margin %</b>	<b>29.3%</b>	<b>27.7%</b>
<b>Selling, general and administrative expenses</b>	<b>\$129.3</b>	<b>\$114.8</b>
<b>SG&amp;A %</b>	<b>15.1%</b>	<b>14.7%</b>
<b>Depreciation and amortization</b>	<b>\$74.5</b>	<b>\$75.4</b>
<b>Income from operations</b>	<b>\$45.5</b>	<b>\$23.7</b>
<b>Adjusted EBITDA*</b>	<b>\$122.6</b>	<b>\$101.7</b>
<b>Adjusted EBITDA* margin %</b>	<b>14.3%</b>	<b>13.0%</b>
<b>Net income</b>	<b>\$11.6</b>	<b>\$1.0</b>
<b>Diluted earnings per share</b>	<b>\$0.21</b>	<b>\$0.02</b>
<b>Adjusted earnings per share*</b>	<b>\$0.28</b>	<b>\$0.09</b>



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

## Balance Sheet Highlights



(in millions)

	<u>3/31/20</u>	<u>12/31/19</u>	<u>3/31/19</u>
Cash and short-term marketable securities	\$494.3	\$414.4	\$224.8
Accounts payable	\$267.9	\$298.4	\$242.3
Billed and unbilled receivables	\$709.7	\$701.1	\$656.0
Current and long-term debt obligations	\$1,711	\$1,562	\$1,572
Environmental liabilities	\$191.3	\$189.8	\$193.4

# Cash Flow Highlights



(in millions)

	<u>Q1 2020</u>	<u>Q1 2019</u>
<b>Cash from operations</b>	<b>\$33.7</b>	<b>\$29.7</b>
<b>Capital expenditures, net of disposals</b>	<b>(\$80.6)</b>	<b>(\$54.6)</b>
<b>Purchase and capital improvements of corporate headquarters</b>	<b>\$20.7</b>	<b>—</b>
<b>Adjusted free cash flow*</b>	<b>(\$26.2)</b>	<b>(\$24.9)</b>
<b>Share repurchases</b>	<b>\$17.3</b>	<b>\$6.3</b>

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



# Appendix

## Non-GAAP Results Reconciliation

(in thousands)

	<u>For the Three Months Ended:</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Net income	\$11,572	\$976
Accretion of environmental liabilities	2,561	2,574
Depreciation and amortization	74,533	75,355
Other expense (income), net	2,365	(2,983)
Loss on sale of businesses	3,074	—
Interest expense, net	18,787	19,764
Provision for income taxes	9,698	5,977
Adjusted EBITDA	<u>\$122,590</u>	<u>\$101,663</u>
Adjusted EBITDA Margin	<u>14.3%</u>	<u>13.0%</u>



## Non-GAAP Results Reconciliation

(in thousands, except per share amounts)

	<u>For the Three Months Ended:</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
<b>Adjusted net income</b>		
Net income	\$11,572	\$976
Loss on sale of businesses, net of tax	3,074	—
Tax-related valuation allowances	931	4,106
Adjusted net income	<u>\$15,577</u>	<u>\$5,082</u>

	<u>For the Three Months Ended:</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
<b>Adjusted earnings per share</b>		
Earnings per share	\$0.21	\$0.02
Loss on sale of businesses, net of tax	0.05	—
Tax-related valuation allowances	0.02	0.07
Adjusted earnings per share	<u>\$0.28</u>	<u>\$0.09</u>

## Non-GAAP Results Reconciliation

(in thousands)	<u>For the Three Months Ended:</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
<b>Adjusted free cash flow</b>		
Net cash from operating activities	\$33,681	\$29,740
Additions to property, plant and equipment	(82,767)	(58,947)
Purchase and capital improvements of corporate headquarters	20,735	—
Proceeds from sale and disposal of fixed assets	2,150	4,321
Adjusted free cash flow	<u>(\$26,201)</u>	<u>(\$24,886)</u>



Questions?