

STERICYCLE INC
Form 8-K
October 30, 2003

Exhibit 99.1

October 30, 2003

STERICYCLE, INC. REPORTS RESULTS
FOR THIRD QUARTER 2003

- NET INCOME OF \$17.2 MILLION FOR THE QUARTER, UP 41% FROM YEAR-AGO QUARTER
- EARNINGS PER SHARE OF \$0.37 FOR THE QUARTER, UP 37% FROM YEAR-AGO QUARTER
- CASH PROVIDED BY OPERATIONS LESS CAPITAL EXPENDITURES WAS \$23.0 MILLION FOR THE QUARTER AND \$73.7 MILLION FOR THE FIRST NINE MONTHS OF THE YEAR
- REVENUES WERE \$113.2 MILLION, UP 11.0% FROM YEAR-AGO QUARTER

Lake Forest, Illinois, October 30, 2003 - Stericycle, Inc. (NASDAQ:SRCL), the United States' leading provider of medical waste management and compliance services for the healthcare community, today reported financial results for the third quarter of 2003. "The third quarter was another strong quarter for our company, with across-the-board growth," said Mark Miller, Stericycle president and chief executive officer. "Our continued focus on strategically managing our business has resulted in continued increases in revenues, operating income, and net income."

THIRD QUARTER AND YEAR-TO-DATE RESULTS

Revenues for the quarter ended September 30, 2003 were \$113.2 million, up 11.0% from \$102.0 million in the same quarter last year. International equipment related sales contributed \$0.2 million in revenues for the quarter as compared to \$2.2 million in the third quarter of 2002. Revenues excluding international equipment related sales increased 13.3% over the same period in 2002. Gross profit was \$49.5 million, up 17.7% from \$42.0 million in the same quarter last year. Gross profit as a percent of revenues increased to 43.7% from 41.2% in the third quarter of 2002.

Net income for the third quarter of 2003 rose 41.5% to \$17.2 million, up from \$12.1 million in the third quarter of 2002.

Earnings per diluted share for the third quarter of 2003 were \$0.37, up 37.0% from \$0.27 in the third quarter of 2002. Weighted shares outstanding used to determine earnings per diluted share were 46,285,456 for the third quarter of 2003 and 45,124,354 for the third quarter of 2002.

For the nine months ended September 30, 2003, revenues increased to \$338.7 million, up 13.5% from \$298.3 million in the same period a year ago. Gross profit was \$145.5 million, up 20% from \$121.2 million in the same period a year ago. Gross profit as a percent of revenues increased to 43.0% for the nine months ended September 30, 2003 from 40.6% for the same period in 2002. Earnings per share increased 35.5% to \$1.03 from \$0.76 per diluted share in the same period a year ago.

During the third quarter of 2003, the company continued to improve its balance sheet position, our total debt to capitalization percentage ratio improving from 39.1% at December 31, 2002 to 30.1% at September 30, 2003.

Miller said, "During the quarter we continued to execute our proven business model, generating strong sales growth and record income from operations. The cash flow of \$88.3 million generated from operations for the first nine months of the year, was used to strengthen the business by repurchasing senior subordinated bonds, paying down the senior bank debt and investing in the company's future."

Stericycle provides medical waste collection, transportation, treatment and disposal services and safety and compliance programs to healthcare companies nationwide, including hospitals, physician and dental offices, laboratories and clinics. Medical waste includes single-use disposables such as needles, syringes, gloves and other supplies that have been in contact with blood or other bodily fluids, as well as blood, blood products and other items that could harbor infectious agents.

Safe Harbor Statement:

Statements in this press release may contain forward-looking statements that involve risks and uncertainties, some of which are beyond Stericycle's control (for example, general economic conditions). Our actual results could differ significantly from the results described in the forward-looking statements. Factors that could cause such differences include difficulties in completing the integration of acquired businesses, changes in governmental regulation of medical waste collection and treatment, and increases in transportation and other operating costs, as well as the various other factors identified in our filings with the U.S. Securities and Exchange Commission. As a result, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate future results or trends. The Company makes no commitment to disclose any subsequent revisions to forward-looking statements.

Stericycle Financial Statements for Third Quarter 2003

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2003	December 31 2002
	-----	-----
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 6,542	\$ 8,375
Short-term investments.....	1,302	512
Accounts receivable, less allowance for doubtful accounts of \$4,480 in 2003 and \$3,779 in 2002.....	62,995	62,013
Parts and supplies.....	4,630	4,494
Prepaid expenses.....	3,120	7,170
Notes receivable.....	823	823
Deferred tax asset.....	8,164	6,720
Other.....	3,682	4,249
	-----	-----
Total current assets.....	91,258	94,356
	-----	-----
Property, plant and equipment, net.....	94,705	88,501
Other assets:		
Goodwill.....	466,308	447,272
Intangible assets, less accumulated amortization of \$7,613 in 2003 and \$3,609 in 2002.....	29,061	20,110

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Notes receivable.....	7,717	7,717
Other.....	7,748	9,139
	-----	-----
Total other assets.....	510,834	484,238
	-----	-----
Total assets.....	\$ 696,797	\$ 667,095
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 9,766	\$ 3,933
Accounts payable.....	10,254	14,330
Accrued liabilities.....	41,998	31,810
Deferred revenue.....	4,758	3,681
	-----	-----
Total current liabilities.....	66,776	53,754
	-----	-----
Long-term debt, net of current portion.....	169,988	224,124
Deferred income taxes.....	38,807	30,729
Other liabilities.....	4,614	3,710
Redeemable preferred stock:		
Series A convertible preferred stock (par value \$.01 share, 75,000 shares authorized, 22,799 outstanding in 2003 and 29,326 in 2002, liquidation preference of \$24,814 at September 30, 2003 and \$31,919 at December 31, 2002).....	20,944	28,049
Common shareholders' equity:		
Common stock (par value \$.01 per share, 80,000,000 shares authorized, 42,042,289 issued and outstanding in 2003, 40,437,023 issued and outstanding in 2002)....	421	404
Additional paid-in capital.....	298,276	277,531
Treasury stock of 50,000 shares.....	(1,435)	(1,435)
Accumulated other comprehensive loss.....	574	(229)
Retained earnings.....	97,832	50,458
	-----	-----
Total shareholders' equity.....	395,668	326,729
	-----	-----
Total liabilities and shareholders' equity.....	\$ 696,797	\$ 667,095
	=====	=====
Total debt to capitalization percentage ratio.....	30.1 %	39.1 %
Calculation of total debt to capitalization percentage ratio:		
Total debt.....	\$ 179,754	\$ 228,057
Redeemable preferred stock.....	20,944	28,049
Shareholders' equity.....	395,668	326,729
	-----	-----
Capitalization.....	\$ 596,366	\$ 582,835

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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(UNAUDITED)

	Three Months Ended September 30,					
	2003		2002			
	\$	% of Rev	\$	% of Rev	\$	
Revenues.....	\$ 113,228	100.0 %	\$ 101,979	100.0 %	\$ 338,	
Cost of revenues.....	63,728	56.3	59,932	58.8	193,	
Gross profit	49,500	43.7	40,047	41.2	145,	
Selling, general and administrative expenses.....	17,276	15.3	14,854	14.6	50,	
Amortization.....	389	0.3	540	0.5	1,	
Total SG&A expenses and amortization.	17,665	15.6	15,394	15.1	51,	
Acquisition-related costs.....	216	0.2	48	--		
Income from operations.....	31,619	27.9	26,605	26.1	93,	
Other income (expense):						
Interest income.....	232	0.2	113	0.1		
Interest expense.....	(2,829)	(2.5)	(6,602)	(6.5)	(10,	
Debt extinguishments and restructuring..	--		--		(3,	
Other expense.....	(641)	(0.6)	(257)	(0.3)	(1,	
Total other income (expense).....	(3,238)	(2.9)	(6,746)	(6.6)	(14,	
Income before income taxes.....	28,381	25.1	19,859	19.5	78,	
Income tax expense.....	11,210	9.9	7,723	7.6	31,	
Net income.....	\$ 17,171	15.2 %	\$ 12,136	11.9 %	\$ 47,	
Earnings per share - diluted.....	\$ 0.37		\$ 0.27		\$ 1	
Weighted average number of common shares outstanding - diluted.....	46,285,456		45,124,354		46,000,	
Calculation of EBITDA:						
Net Income.....	\$ 17,171		\$ 12,136		\$ 47,	
Interest Income.....	(232)		(113)		(
Interest Expense.....	2,829		6,602		10,	
Income tax expense.....	11,210		7,723		31,	
Depreciation and amortization.....	4,243		\$ 3,901		\$ 12,	
EBITDA.....	\$ 35,221	31.1 %	\$ 30,249	29.4 %	\$ 100,	

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2003	2002
OPERATING ACTIVITIES:		
Net income.....	\$ 47,374	\$ 34,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Ineffective portion of cash flow hedges.....	--	(381)
Write off of deferred financing costs.....	484	--
Stock compensation expense.....	76	--
Tax benefit of disqualifying dispositions of stock options.....	5,645	1,168
Loss on sale of property and equipment.....	212	341
Depreciation.....	11,467	9,555
Amortization.....	1,075	1,556
Deferred income taxes.....	6,634	13,545
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable.....	2,699	3,404
Parts and supplies.....	334	1,795
Prepaid expenses and other assets.....	7,539	1,346
Accounts payable.....	(5,002)	(3,725)
Accrued liabilities.....	9,224	11,554
Deferred revenue.....	522	(1,551)
Net cash provided by operating activities.....	88,283	72,897
INVESTING ACTIVITIES:		
Payments for acquisitions and international investments, net of cash acquired.....	(33,411)	(10,884)
Purchases of short-term investments.....	(790)	(47)
Proceeds from sale of property and equipment.....	384	98
Capital expenditures.....	(14,561)	(11,363)
Net cash used in investing activities.....	(48,378)	(22,196)
FINANCING ACTIVITIES:		
Proceeds from issuance of note payable.....	1,132	882
Repayment of senior subordinated debt.....	(17,775)	(10,537)
Payments of deferred financing costs.....	(395)	--
Repayment of long-term debt.....	(3,714)	(913)
Net repayments of senior credit facility.....	(27,792)	(50,187)
Principal payments on capital lease obligations.....	(913)	(619)
Purchase of treasury stock.....	--	(1,435)
Proceeds from other issuances of common stock.....	8,024	5,176
Net cash used in financing activities.....	(41,433)	(57,633)
Effect of exchange rate changes on cash.....	(305)	106
Net decrease in cash and cash equivalents.....	(1,833)	(6,826)

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Cash and cash equivalents at beginning of period.....	8,375	12,737
	-----	-----
Cash and cash equivalents at end of period.....	\$ 6,542	\$ 5,911
	=====	=====
Non-cash activities:		
Net issuances of common stock for certain acquisitions.	\$ 70	\$ 2,298
Net issuances of notes payable for certain acquisitions.	--	180
