

# SHARPS<sup>®</sup>

*Compliance Corp.*



**NASDAQ:SMED**

**Investor Overview  
May 2022**

# Forward-Looking Statements

These slides contain certain forward-looking statements and information relating to Sharps Compliance Corp. (the “Company”) and its subsidiaries that are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the Company’s management. When used in these slides, the words “may,” “position,” “plan,” “potential,” “continue,” “anticipate,” “believe,” “expect,” “estimate,” “project” and “intend” and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect known and unknown risks, uncertainties and assumptions related to certain factors, including without limitation, competitive factors, general economic conditions, customer relations, relationships with vendors, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein including the impact of the coronavirus COVID-19 (“COVID-19”) pandemic on our operations and financial results. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. Consequently, no forward-looking statements can be guaranteed. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in the Company’s Annual Report on Form 10-K and the Company’s other filings with the Securities and Exchange Commission (“SEC”). Actual results may vary materially. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and as such should not consider the preceding list or the risk factors to be a complete list of all potential risks and uncertainties. The Company does not intend to update these forward-looking statements.

Non-GAAP Measures - These slides contain certain financial information not derived in accordance with generally accepted accounting principles (“GAAP”), including customer billings information, EBITDA, Adjusted EBITDA and Adjusted EPS. The Company believes this information is useful to investors and other interested parties. EBITDA and Adjusted EBITDA are significant performance metrics used by management and by external users of our financial statements such as investors, research analysts and others to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and our operating performance and return on capital as compared to those of other companies in our industry. Such information should not be considered as a substitute for any measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or measure of our liquidity, and may not be comparable to other similarly titled measures of other companies. Reconciliation of this information to the most comparable GAAP measures is included in the slides below.



## AGENDA

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- **COMPANY OVERVIEW**
- **MEDICAL WASTE SOLUTIONS**
- **UNUSED MEDICATIONS**
- **FINANCIAL REVIEW**

# A Leader In Medical Waste Solutions

## Serving Two Billion Dollar Markets

Medical Waste for  
Small to Medium  
Sized Generators

83% of Revenue\*

Unused  
Medications

11% of Revenue\*

18% 5-YEAR CAGR; STRONG BALANCE SHEET

- Full Year Ended 6.30.21; Medical Waste for Small and Medium Sized Generators includes Mailback and Route Based

# Immunization-Related Opportunities Continue

## **FY 2021 - November 2020 – June 2021:**

- Immunization Billings of \$31 Million and Immunization Revenue of \$27 Million

## **FY 2022 Year to Date – July 2021 – March 2022:**

- Immunization Billings of \$9 Million and Immunization Revenue of \$13 Million

## **Total to Date - November 2020 – March 2022:**

- Immunization Billings of \$40 Million and Immunization Revenue of \$40 Million

# Well-Positioned In Attractive Markets

Market	Market Size	Market Growth Rate	Market Position (U.S.)	Market Penetration
Small-Medium Quantity Medical Waste	>\$1B	~5.5%	2nd	<4%
Unused Medication	>\$1B	~4.2% *	1st	<1%

*\*Source: Kaiser Family Foundation Analysis of National Health Expenditure from Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group (Accessed on December 13, 2017)*

# Growing End Market Opportunity

**\$2.0B\***

**Comprehensive  
Medical Waste:**

Mailback

+

Pick-Up Service  
(Company Owned)

+

**Unused  
Medication**

**Today**

**\$1.0B\***

**Comprehensive  
Medical Waste:**

Mailback

+

Pick-Up Service  
(Company Owned)

**~3 Years Ago**

**\$0.25B - \$0.5B\***

**Medical Waste:**

Mailback

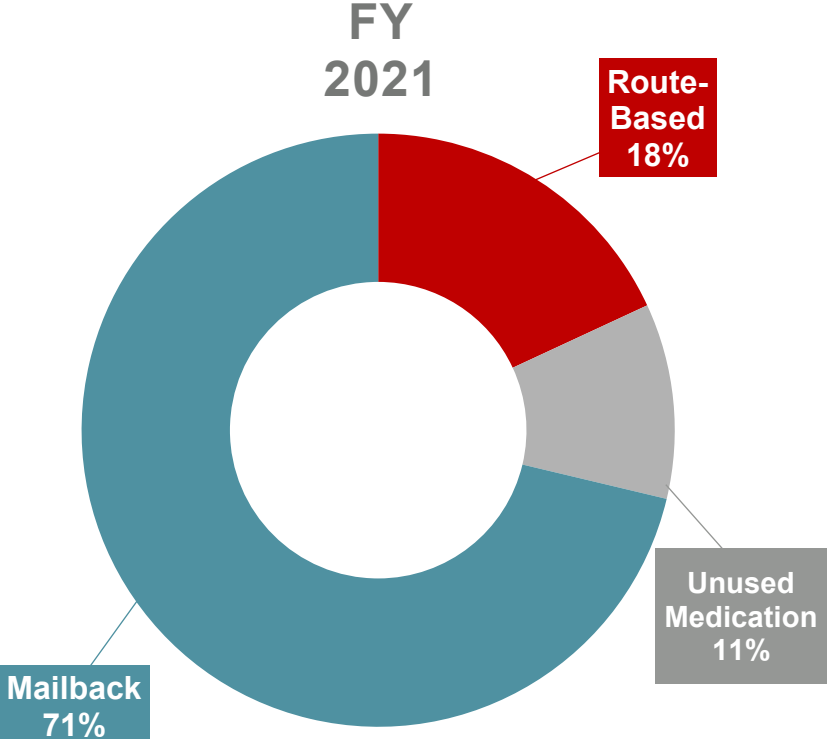
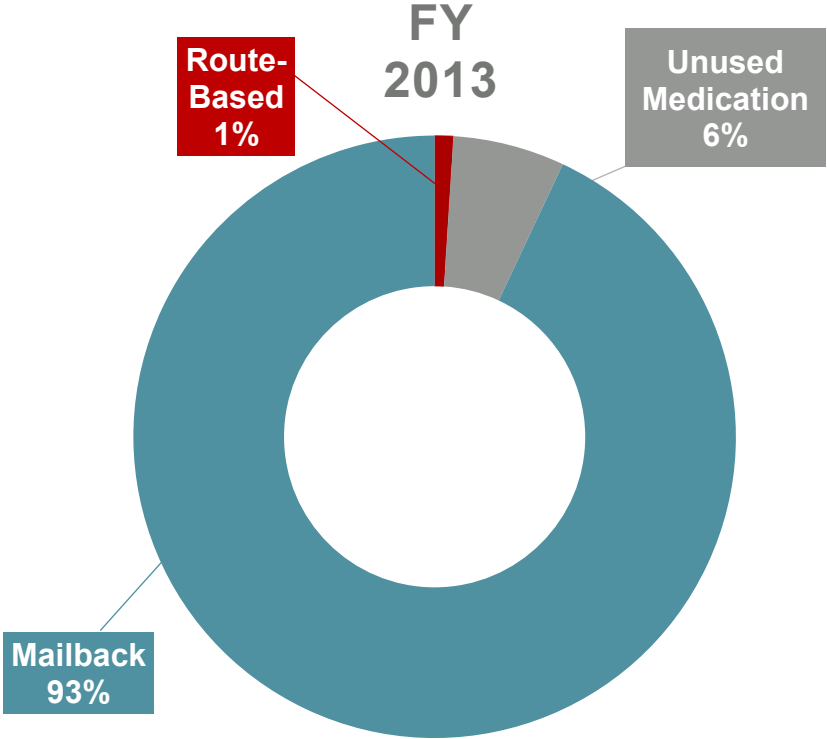
**Founding of  
Company**

\* Addressable Market Size

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# Diversifying Revenue Mix

## % of Total Revenue



Note: Mailback, in this slide, includes Third Party Treatment and Other Solutions.





# MEDICAL WASTE SOLUTIONS

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# Everything But The Hospital

## Point-of-Care Shifting Towards Sharps' Core Customers

### Traditional Healthcare Setting



**Cost Pressure**

**Aging Population**

### Small to Medium Setting

**Professional Market\***

**Retail Pharmacies**

**Home Health Care**

**Long-Term Care**

## Serving All Small to Medium Quantity Generator Markets

\* Professional includes dentists, veterinarians, clinics, physician groups, urgent care facilities, ambulatory surgical centers, labs, dialysis centers and other healthcare facilities.

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# Market Landscape: Small & Medium Quantity Generators

Revenues (in millions)



**Well Positioned to Grow Organically and Through Acquisition**

# Industry-Leading Mailback Offering

- Flagship solution available for all small to medium quantity generators throughout the United States.
- Dominant solution used in Retail Pharmacy supporting immunizations.
- Quickly scalable to meet market demands.
- Comprehensive solution for collecting sharps and other small quantities of medical waste.
- Available in a vast array of sizes and configurations to meet market needs.
- Provides flexibility and expands offering when blended with route-based service.



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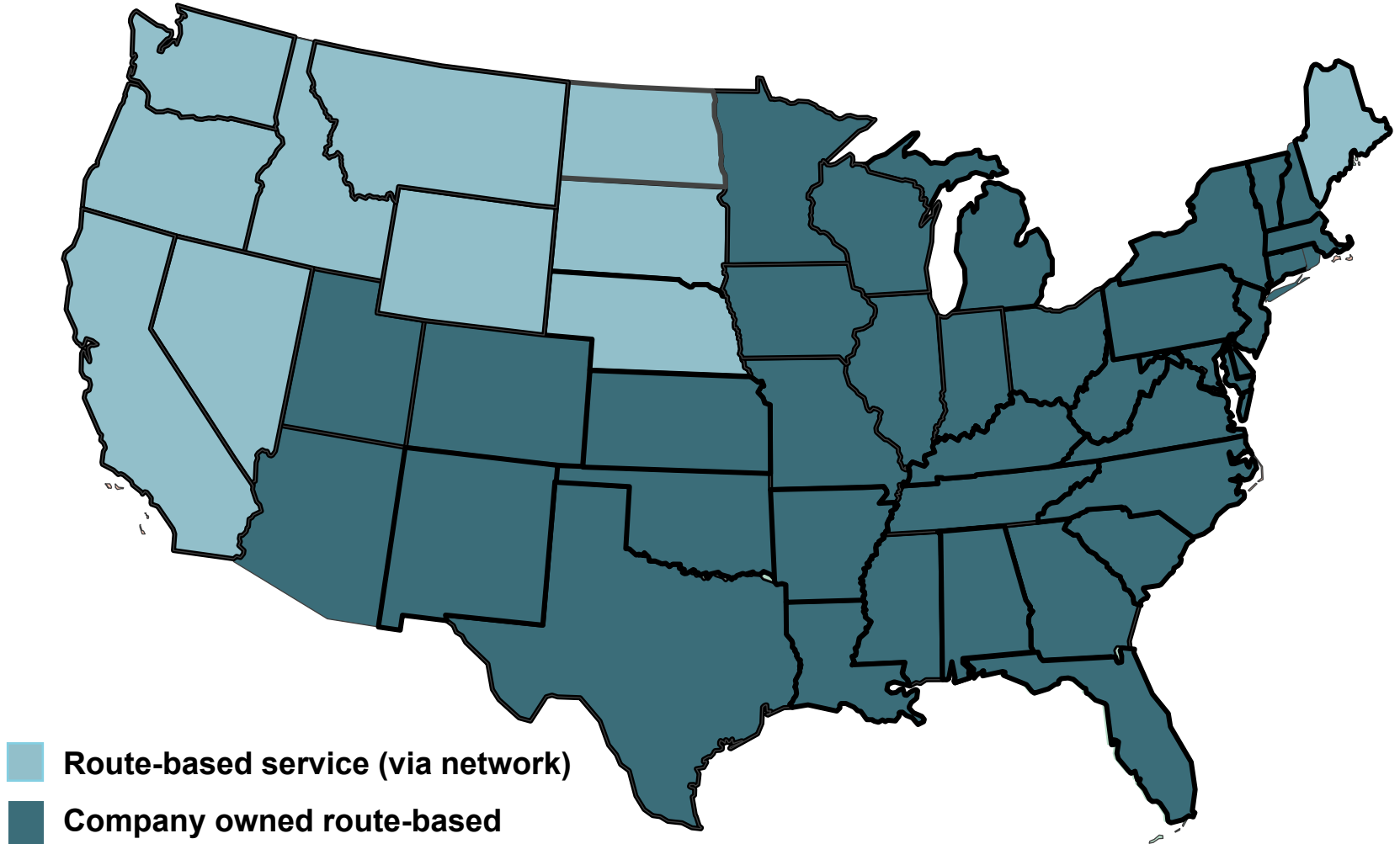
# Strategic Expansion Of Route-Based Offering

- Extending route-based reach through:
  - Organic growth
  - Acquisitions in new geographic areas & tuck-in opportunities in current service areas
    - Recently acquired Affordable Medical Waste (Indiana-based) and Midwest Medical Waste (Kansas-based)
- Serving 18,600 direct route-based customers at 3.31.22
- Expanded footprint complements mailback offering; provides versatile solution options enabling engagement of larger customers with extensive locations
- Provides more predictable revenue stream
- Focused on densely populated areas
- Direct service in 37 states; 80% of the population



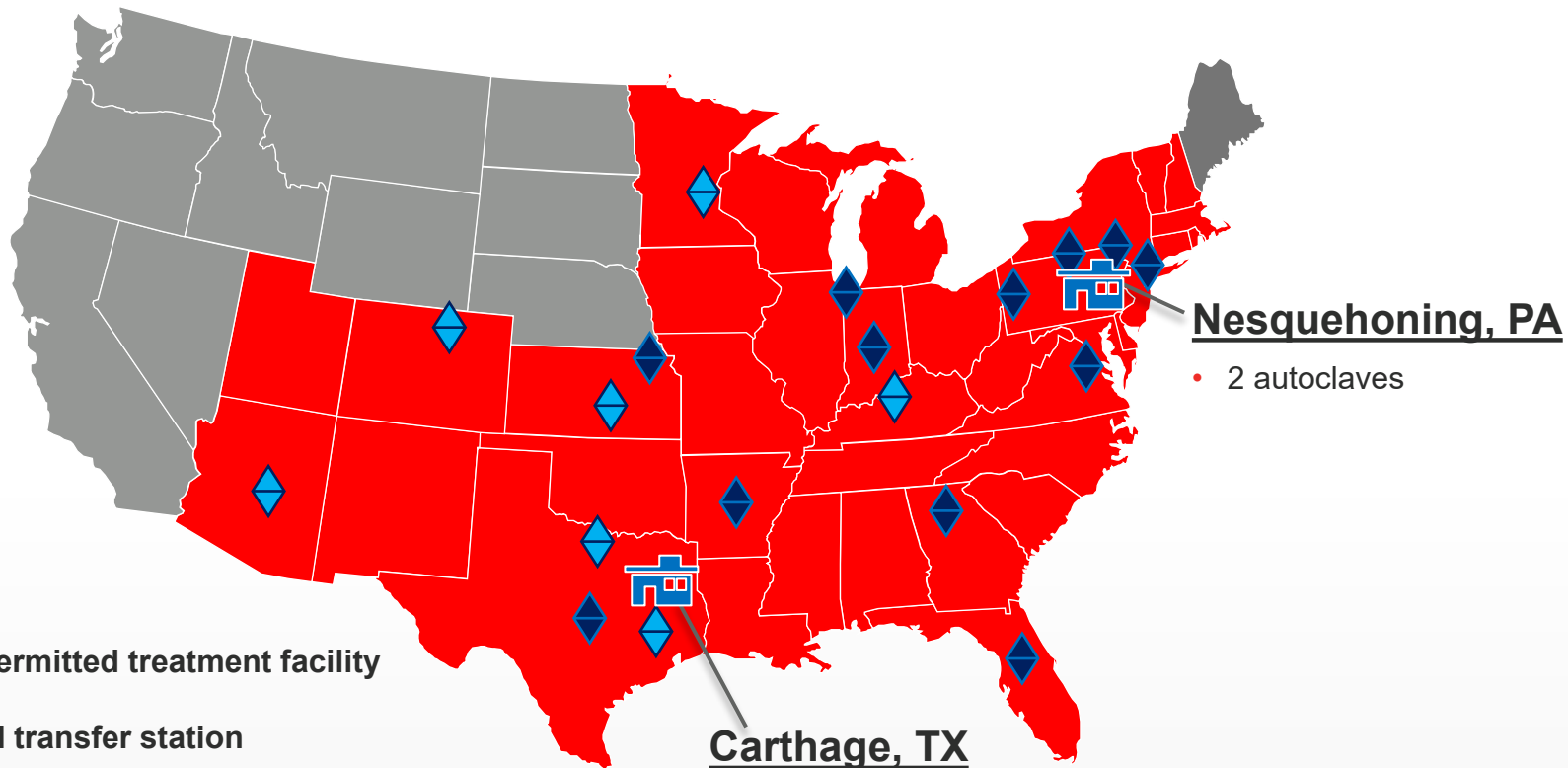
# Evolution Of National Footprint

Service to 37 States & 80% of U.S. Population



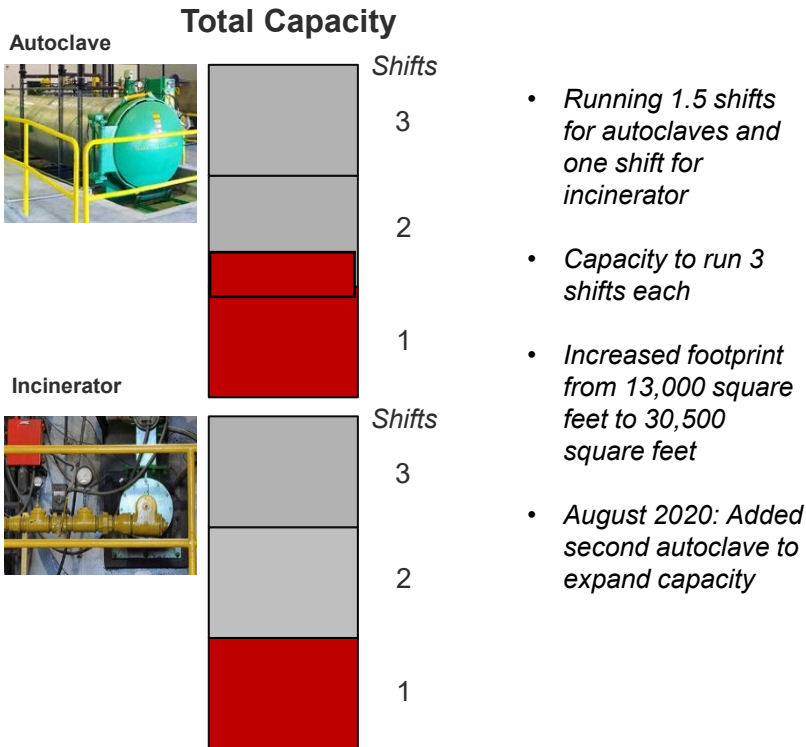
# Infrastructure, including permitted facilities

## Transporting and Treating Medical and Hazardous Waste

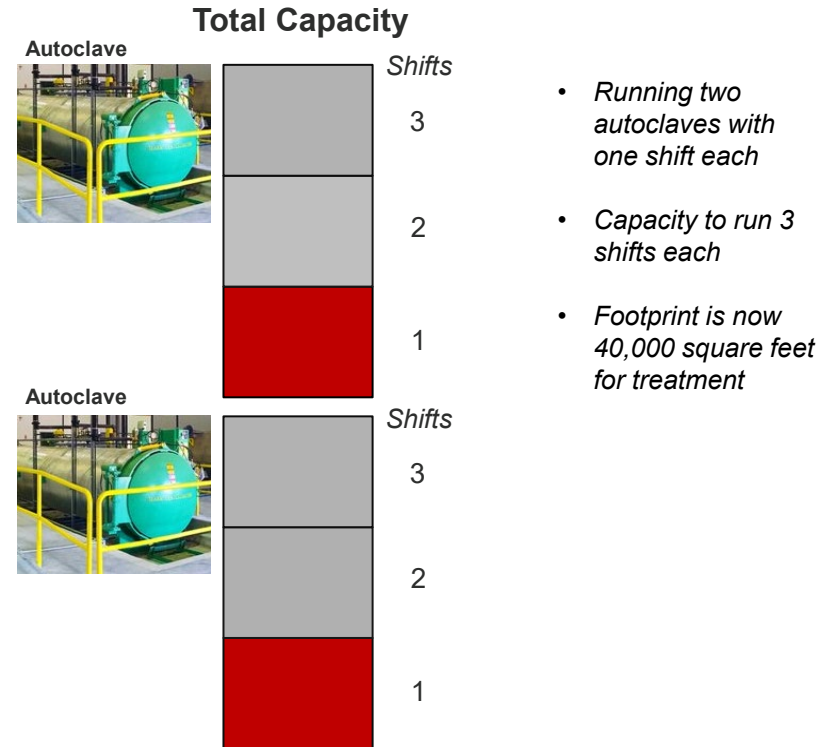


# Significant Capacity Available To Support Growth At Treatment Facilities

## Carthage, TX



## Nesquehoning, PA

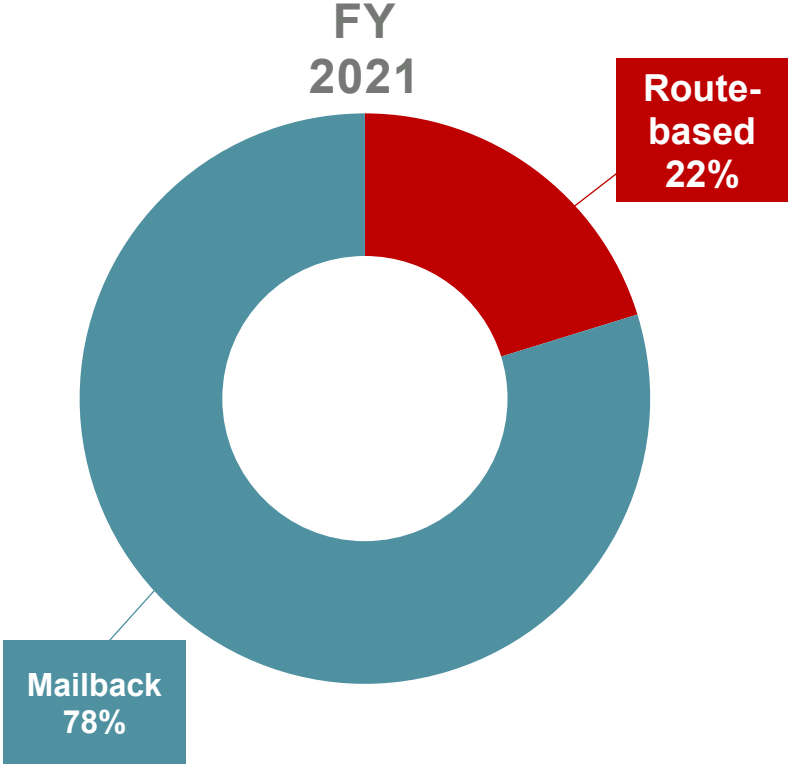
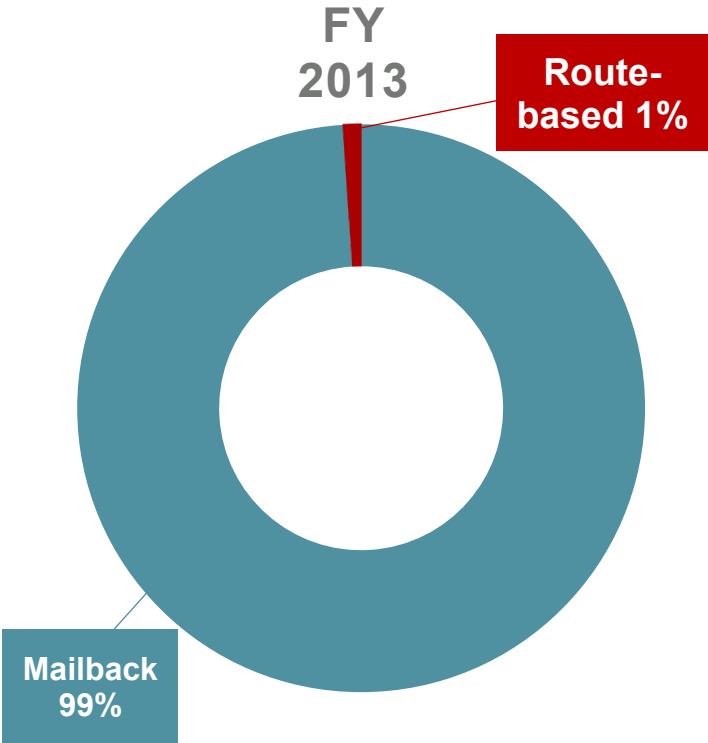


**Expanded Processing Capacity To 27 Million Pounds Per Year From 10 Million A Year Ago**







# Shift To Full-Service

Route-based as Percentage of Medical Waste Revenue



# Attractive Segments In Small To Medium Quantity Generator Markets; Addressing Medical Waste Only

	Market	Market Size	Market Growth Rate	Current Penetration (FY 2021) <sup>4</sup>
	Professional	\$727M	5% <sup>1</sup>	2%
	Long-Term Care	\$85M	6%	4%
	Home Health Care	\$100M	7%	10%
	Retail Pharmacy	\$48M <sup>2</sup>	200%+ <sup>3</sup>	71%

1. Average projected growth rates of physician, dental, and veterinary spending.

2. Assumes about 45% of adults received flu shots and about 40% of U.S. flu shots for adults administered in retail pharmacies, per industry sources. Includes estimate for COVID related immunizations going forward.

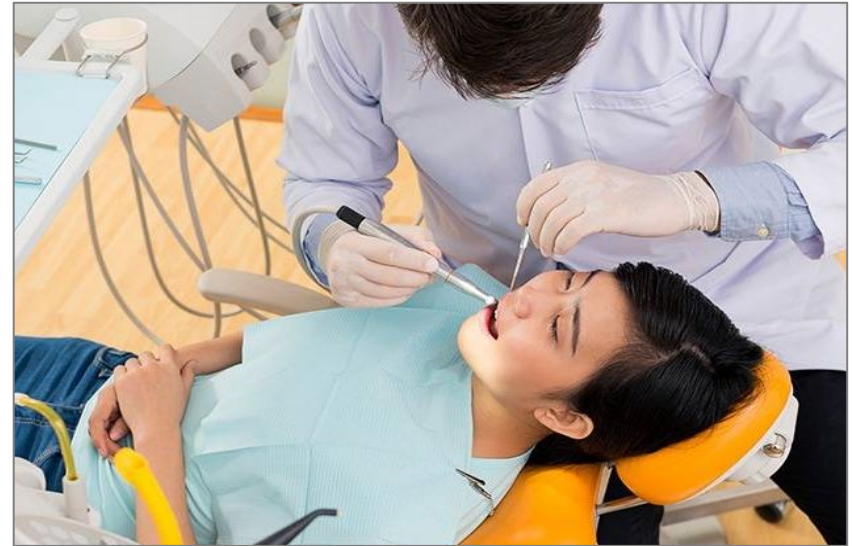
3. Represents the year over year increase in immunization business for Sharps in CY 2021. Over the flu seasons from calendar 2011-2021, Sharps saw growth in eight years of 10% to 223%, including a 235% increase in 2021 (significantly impacted by COVID related volume), and declines in three years of 13% to 17%.

4. Excludes revenues associated with unused medications solutions.

# Professional Market

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- **Dental**
- **Veterinarian**
- **Physicians**
- **Labs**
- **Urgent Care**
- **Surgery Centers**
- **Dialysis Centers**
- **Funeral Homes**



**800,000**  
Professional  
Offices (U.S.)



**\$727M**  
Market  
Opportunity

# Long-Term Care Market

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## Customers



Where Senior Living Thrives



## Market Opportunity

**\$85M**  
Total  
Addressable  
Market



**1 in 5**  
Americans  
Age 65+

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*\*National Institute on Aging*

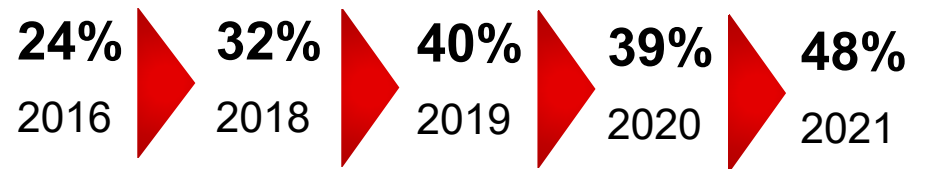
# Retail Pharmacy Market

We serve 69% of retail immunizing pharmacies



## Market Opportunity

Percentage of adults receiving flu shots in the retail setting:



\*2016, 2018 and 2020 per Centers for Disease Control and Prevention. 2019 per industry sources. 2021 estimated by CDC based on data through October 17, 2021.

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# UNUSED MEDICATIONS

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# Unused Medications Market Opportunity

Growing Concern Given Opioid Epidemic and Accidental Overdoses

**~250M lbs.**  
Unused Medication  
Waste Per Year



**\$1B**  
Market  
Opportunity

**Sharps Unused Medication Revenue increased from  
\$1.3 million in 2014 to \$8.2 million in 2021**

# Unused Medication & Controlled Substances: MedSafe

## Customers

Pharmacies (retail and hospital)



Long-term care facilities



Government & local law enforcement



Narcotic treatment programs



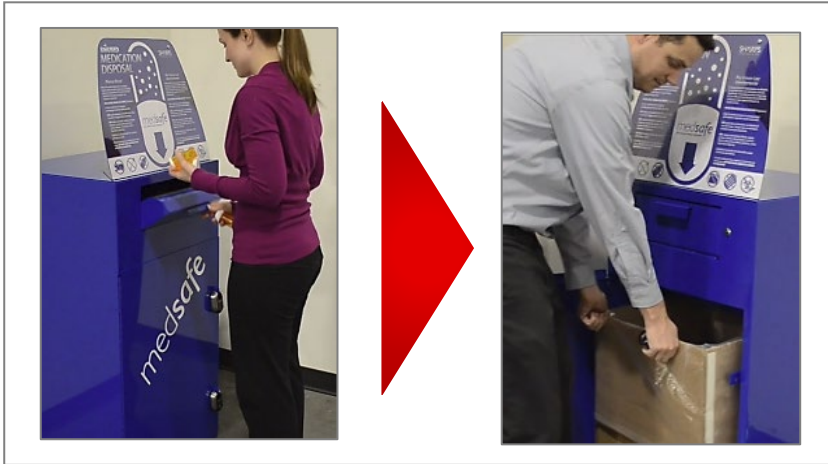
**Solution Designed to Meet or Exceed  
DEA Proper Disposal Guidelines:**

Helping Address the Opioid Abuse Crisis





# Growing Installed Base of MedSafe Creates Recurring Revenue Opportunity



**Installs: 876**  
**Returned Liners: 5,583**  
**(3/31/17)**

**Installs: 2,173**  
**Returned Liners: 13,182**  
**(3/31/18)**

**Installs: 3,200**  
**Returned Liners: 28,500**  
**(3/31/19)**

**Installs: 4,700**  
**Returned Liners: 50,000+**  
**(3/31/20)**

**Installs: 5,950**  
**Returned Liners: 75,700**  
**(3/31/21)**

**Installs: 6,736**  
**Returned Liners: 113,000+**  
**(3/31/22)**

# Leveraging Long-Term Care Opportunities for MedSafe

- Proper and compliant disposal of unused medications has been longstanding challenge for LTC communities
  - 2014: DEA's Secure & Responsible Drug Disposal; directed at LTC and assisted living communities mandating rules for proper disposal of unused meds
  - MedSafe designed and launched to assist customers compliance with new DEA requirements
- Partnered with Pharmerica to more aggressively market MedSafe to LTC market
  - Nationwide leader in LTC pharmacy services currently working with 6,000 locations
- Significant opportunity to become industry standard in LTC and Assisted Living markets
  - 900 MedSafes currently installed at LTC communities
  - 45,000 skilled nursing and assisted living communities in the U.S.



# Unused Medication & Controlled Substances: Takeaway Envelopes

## Customers

Retail pharmacies



Long-term care



VA & Military



**~4.5M TakeAway Medication Recovery System™ envelopes sold since 2009**

**Solution Designed to Meet or Exceed DEA Proper Disposal Guidelines:**

- TakeAway Medication Recovery System™ envelopes for proper mailback disposal of unused medication, including controlled substances, from ultimate users



*Note: Envelope image shown above is for marketing purposes only. The actual envelope is not branded as to meet the requirements of the Disposal Act (nondescript packaging).*

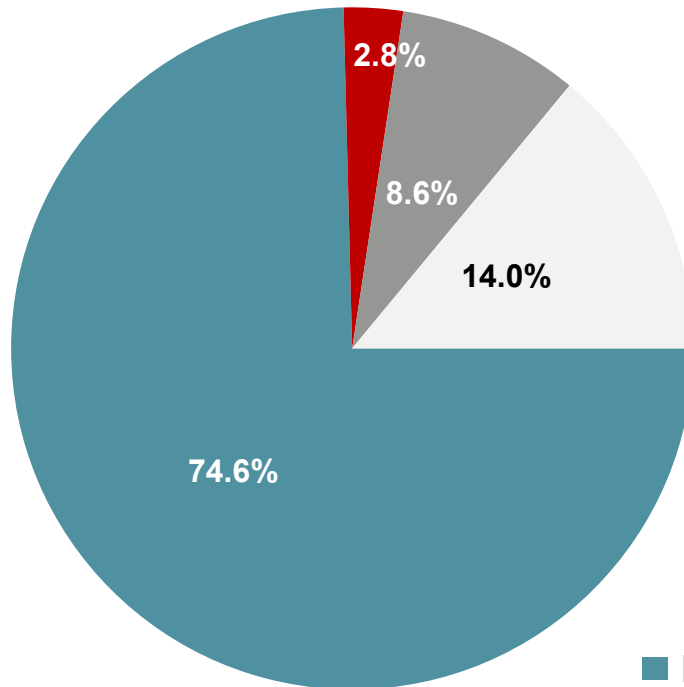


# FINANCIAL REVIEW

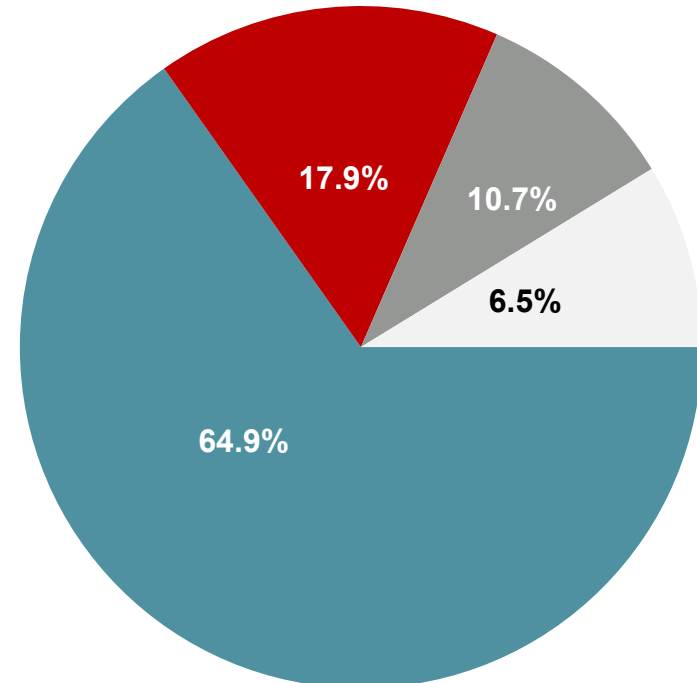
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# Breakdown By Solution

**FY 2015 Revenue**  
\$30.9 million



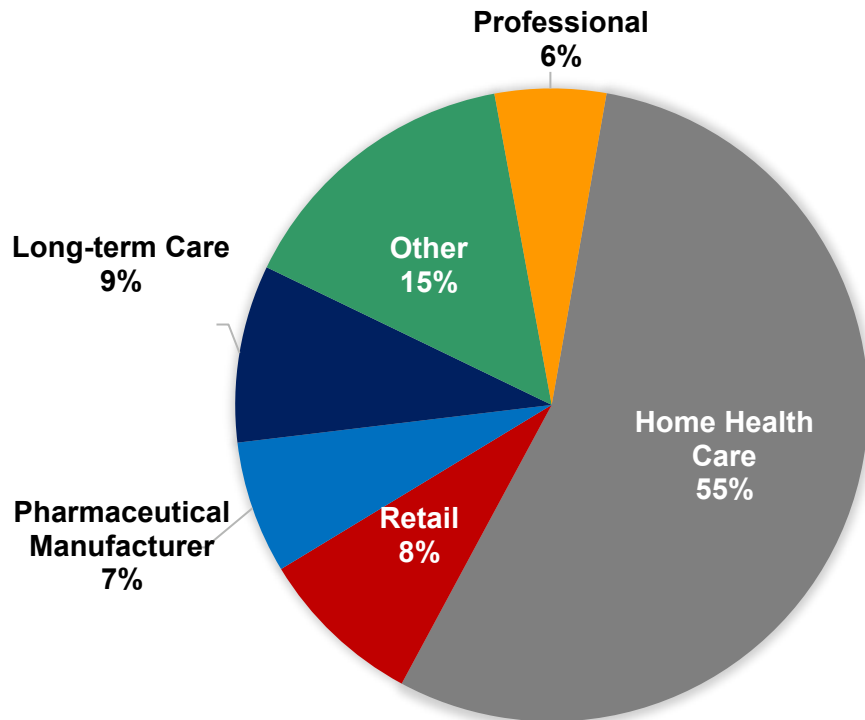
**FY 2021 Revenue**  
\$76.4 million



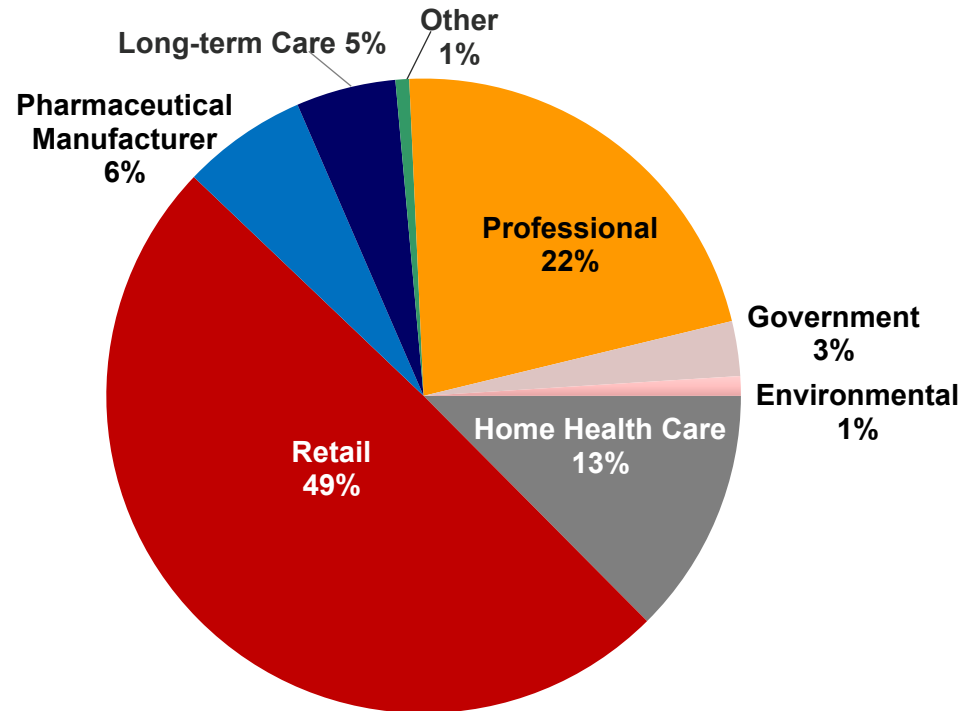
- Mailback
- Route-Based
- Unused Medications
- Other

# Increased Revenue Diversity By Market

**FY 2008 Billings**  
\$13.2 million



**FY 2021 Billings**  
\$81.6 million



# Billings By Market & Solution

Three-Months Ended March 31,						
	2022	% Total	2021	\$ Change	%	
<b>BILLINGS BY MARKET:</b>						
Professional	\$ 5,492	32.1%	\$ 4,606	\$ 886	19.2%	
Retail	4,575	26.8%	21,714	(17,139)	(78.9%)	
Home Health Care	2,786	16.3%	2,299	487	21.2%	
Pharmaceutical Manufacturer	2,503	14.6%	567	1,936	341.4%	
Long-Term Care	876	5.1%	973	(97)	(10.0%)	
Government	517	3.0%	642	(125)	(19.5%)	
Environmental	180	1.1%	76	104	136.8%	
Other	166	1.0%	131	35	26.7%	
Subtotal	<u>\$ 17,095</u>	<u>100%</u>	<u>\$ 31,008</u>	<u>\$ (13,913)</u>	<u>(44.9%)</u>	
GAAP Adjustment *	484		(3,480)	3,964		
Revenue Reported	<u>\$ 17,579</u>		<u>\$ 27,528</u>	<u>\$ (9,949)</u>	<u>(36.1%)</u>	

Three-Months Ended March 31,						
	2022	% Total	2021	\$ Change	%	
<b>BILLINGS BY Solution:</b>						
Mailbacks	\$ 8,992	52.5%	\$ 24,373	\$ (15,381)	(63.1%)	
Route-Based Pickup	4,044	23.7%	3,597	447	12.4%	
Unused Medications	2,098	12.3%	2,078	20	1.0%	
Third Party Treatment	180	1.1%	76	104	136.8%	
Other	1,781	10.4%	884	897	101.5%	
Total Billings By Solution	<u>\$ 17,095</u>	<u>100%</u>	<u>\$ 31,008</u>	<u>\$ (13,913)</u>	<u>(44.9%)</u>	

\*Represents the net impact of the revenue recognition adjustments to arrive at reported GAAP revenue. Customer billings include all invoiced amounts for products shipped or services rendered during the period reported. GAAP revenue includes customer billings as well as numerous adjustments necessary to reflect, (i) the deferral of a portion of current period sales, (ii) recognition of certain revenue associated with product returned for treatment and destruction and (iii) provisions for certain product returns and discounts to customers which are accounted for as reductions in sales in the same period the related sales are recorded.

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# Billings By Market & Solution

Nine-Months Ended March 31,

	2022	% Total	2021	\$ Change	%
<b>BILLINGS BY MARKET:</b>					
Professional	\$ 15,208	32.5%	\$ 13,277	\$ 1,931	14.5%
Retail	14,807	31.6%	31,500	(16,693)	(53.0%)
Home Health Care	6,753	14.4%	7,479	(726)	(9.7%)
Pharmaceutical Manufacturer	4,900	10.5%	4,808	92	1.9%
Long-Term Care	2,406	5.1%	3,342	(936)	(28.0%)
Government	1,788	3.8%	1,654	134	8.1%
Environmental	265	0.6%	390	(125)	(32.1%)
Other	692	1.5%	452	240	53.1%
Subtotal	<u>\$ 46,819</u>	<u>100%</u>	<u>\$ 62,902</u>	<u>\$ (16,083)</u>	<u>(25.6%)</u>
GAAP Adjustment *	3,553		(5,212)	8,765	
Revenue Reported	<u>\$ 50,372</u>		<u>\$ 57,690</u>	<u>\$ (7,318)</u>	<u>(12.7%)</u>

Nine-Months Ended March 31,

	2022	% Total	2021	\$ Change	%
<b>BILLINGS BY Solution:</b>					
Mailbacks	\$ 24,741	52.7%	\$ 42,719	\$ (17,978)	(42.1%)
Route-Based Pickup	10,794	23.1%	10,244	550	5.4%
Unused Medications	6,592	14.1%	6,152	440	7.2%
Third Party Treatment	265	0.6%	390	(125)	(32.1%)
Other	4,427	9.5%	3,397	1,030	30.3%
Total Billings By Solution	<u>\$ 46,819</u>	<u>100%</u>	<u>\$ 62,902</u>	<u>\$ (16,083)</u>	<u>(25.6%)</u>

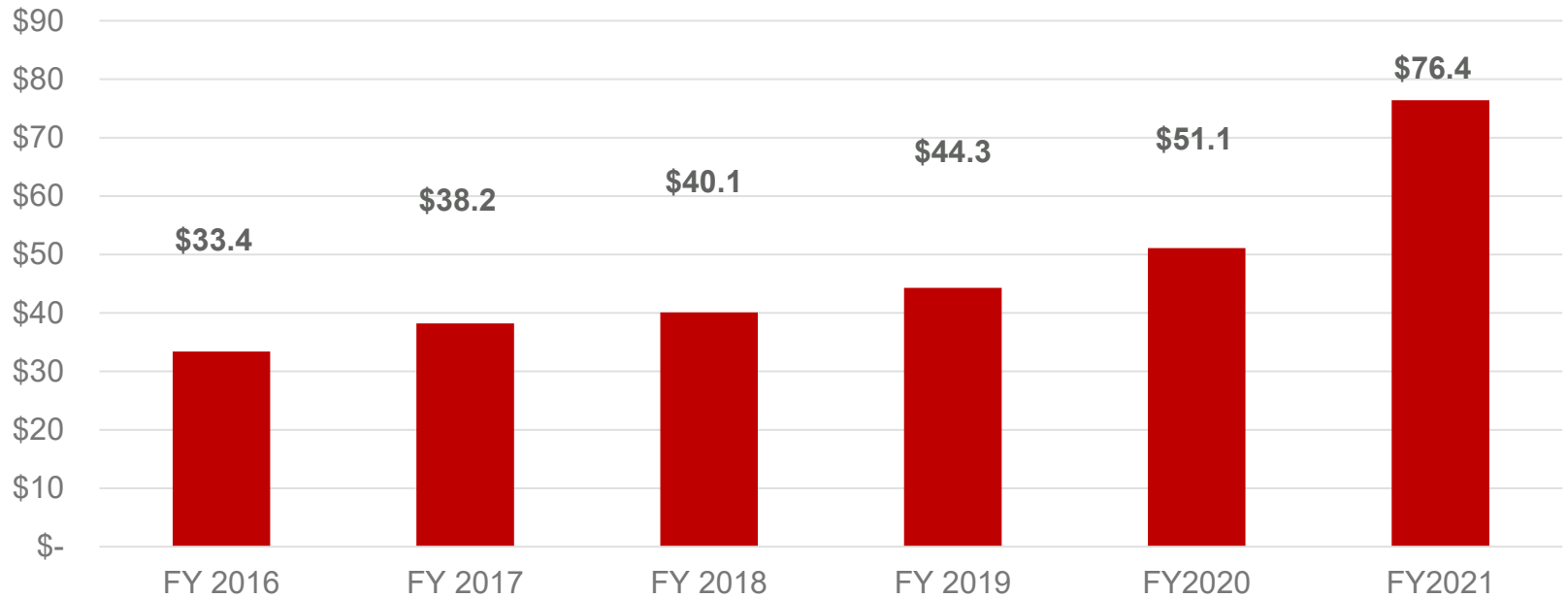
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# Steady Annual Revenue Growth: 18% 5-year CAGR

(\$ in millions)



# Select Financials

Strong Balance Sheet: \$37.1M in Working Capital<sup>+</sup>

(In thousands, excluding per share data)	Three-Months Ended March 31, 2022	Three-Months Ended March 31, 2021	Nine-Months Ended March 31, 2022	Nine-Months Ended March 31, 2021
<b>Revenue</b>	\$17,579	\$27,528	\$50,372	\$57,690
<b>Gross Margin</b>	28.3%	48.7%	26.0%	39.3%
<b>SG&amp;A Expense</b>	\$4,713	\$4,181	\$13,301	\$11,725
<b>Operating Margin</b>	0.0%	32.7%	(1.8%)	17.9%
<b>Net Income (Loss)</b>	(\$287)	\$6,850	(\$1,046)	\$7,785
<b>Net Income (Loss) Per Diluted Share</b>	(\$0.01)	\$0.40	(\$0.06)	\$0.46
<b>EBITDA*</b>	\$691	\$9,550	\$977	\$11,795

<sup>+</sup>Calculated as Current Assets less Current Liabilities as shown on the Consolidated Balance Sheets.

\*EBITDA reconciliation provided in appendix



# Attractive Business Model

## Significant Operating Leverage

- Costs are relatively fixed
  - Operating infrastructure in place to grow 2-3X
- 45% - 50% gross margins anticipated on incremental revenues
- 10%+ SG&A increase anticipated on incremental revenues

## Strong Balance Sheet

- Cash balance of \$26.7 million

## High Recurring Revenue

- Recurring revenue model; high customer retention rates
  - Expect strong immunizations including COVID-19 and flu

## Attractive Alternative For Marketplace

- Competitive contract pricing and terms
- Customizable solution
- Nationwide coverage
- Route-based footprint expansion to 37 states or 80% of population increases new prospect pipeline of larger small and medium quantity generators

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**Thank You**

# SHARPS<sup>®</sup>

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## Appendix

# EBITDA Reconciliation

**Sharps Compliance Corp. and Subsidiaries**  
**Supplemental Table to Reconcile Net Income (Loss) to EBITDA\***  
**(in thousands)**  
**(Unaudited)**

	Three-Months Ended		Nine-Months Ended	
	March 31,		March 31,	
	2022	2021	2022	2021
<b>Net Income (Loss)</b>	\$ (287)	\$ 6,850	\$ (1,046)	\$ 7,785
Income tax expense	287	2,123	66	2,431
Interest expense, net	37	55	137	134
Depreciation and amortization	654	522	1,820	1,445
<b>EBITDA</b>	<b>\$ 691</b>	<b>\$ 9,550</b>	<b>\$ 977</b>	<b>\$ 11,795</b>

\*The Company defines earnings before interest, taxes, depreciation and amortization (“EBITDA”) as net income (loss), plus income tax expense (benefit), net interest expense, and depreciation and amortization. Other companies may define EBITDA differently. EBITDA is presented because it is a financial measure that is frequently requested by third parties. However, EBITDA is not considered under generally accepted accounting principles as a primary measure of an entity’s financial results, and accordingly, EBITDA should not be considered an alternative to operating income, net income, or cash flows as determined under generally accepted accounting principles and as reported by the Company.