

# Q3 2022 Earnings Results

November 2, 2022



# Forward Looking Statements and Non-GAAP Financial Measures

Unless expressly indicated or the context requires otherwise, the terms “Sotera Health,” “Company,” “we,” “us,” and “our” in this document refer to Sotera Health Company, a Delaware corporation, and, where appropriate, its subsidiaries on a consolidated basis. This presentation contains forward-looking statements that reflect management’s expectations about future events and the Company’s operating plans and performance and speak only as of the date hereof. You can identify these forward-looking statements by the use of forward-looking words such as “will,” “may,” “plan,” “estimate,” “project,” “believe,” “anticipate,” “expect,” “intend,” “should,” “would,” “could,” “target,” “goal,” “continue to,” “positioned to,” “are confident” or the negative version of those words or other comparable words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, are forward-looking statements. Any forward-looking statements contained in this presentation are based upon our historical performance and on our current plans, estimates and expectations of the Company’s future performance and the future performance of the markets in which the Company operates in light of information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be achieved. These forward-looking statements are subject to various risks, uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. These risks and uncertainties include, without limitation, any disruption in the availability or supply of, or increases in the price of, ethylene oxide (“EO”) or cobalt-60 (“Co-60”), including geopolitical risks related to the supply of Co-60 from Russia; foreign currency exchange rates and changes in those rates; changes in industry trends, environmental, health and safety regulations or preferences; the impact of current and future legal proceedings and liability claims, including litigation related to purported exposure to emissions of EO from our facilities in Illinois, Georgia and New Mexico and the possibility that other claims will be made in the future relating to these or other facilities; adverse judgments against two of our subsidiaries in the EO tort litigation that may require an appellate bond or alternative form of security to appeal, and plaintiff efforts to enforce judgments against us, any one of which may have an adverse impact on our liquidity; our ability to increase capacity at existing facilities, renew leases for our leased facilities and build new facilities in a timely and cost-effective manner; competition for qualified employees in the industries in which we operate; the risks of doing business internationally; and any inability to pursue strategic transactions or find suitable acquisition targets. For additional discussion of these risks and uncertainties, please refer to those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, and the Company’s other filings with the SEC, including its Quarterly Reports on Form 10-Q, including under the headings “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements”.

This presentation includes Adjusted EBITDA, Adjusted Net Income, Net Debt and Net Leverage Ratio, which are unaudited financial measures not based on any standardized methodology prescribed by GAAP. Adjusted EBITDA, Adjusted Net Income, Net Debt and Net Leverage Ratio may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Adjusted EBITDA, Adjusted Net Income, Net Debt and Net Leverage Ratio should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. See the Appendix for a reconciliation of net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, to Adjusted Net Income and Adjusted EBITDA, and a reconciliation of total debt, the most directly comparable financial measure calculated and presented in accordance with GAAP, to Net Debt and Net Leverage.

This presentation refers to, and in other communications with investors the Company may refer to, net sales or revenues or other historical financial information on a “constant currency” basis, which is a non-GAAP financial measure we use to assess performance excluding the impact of foreign currency exchange rate changes. We calculate constant currency net revenues by translating prior year net revenues in local currency at the average exchange rates applicable for the current period. The translated results are then used to determine year-over-year percentage increases or decreases. We generally refer to such amounts calculated on a constant currency basis as excluding the impact of foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with U.S. GAAP.

This presentation also contains estimates and other statistical data made by independent parties and by the Company relating to market size and growth and other data about the Company’s industry and estimated total and serviceable addressable markets. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified this market data. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those described under the headings of “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in the Company’s Form 10-K for the year ended December 31, 2021, and in the Company’s other SEC filings. In addition, projections, assumptions and estimates of the Company’s future performance and the future performance of the markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk.

The Sotera Health name, our logo and other trademarks mentioned in this presentation are the property of their respective owners. All Company data and financial information included in this presentation is as of September 30, 2022, unless otherwise stated.



# Speakers

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**Michael B. Petras, Jr.**  
*Chairman and Chief Executive Officer*



**Michael F. Biehl**  
*Interim Chief Financial Officer*

# Safeguarding Global Health® through our sterilization services, lab testing and advisory services

## What we do...

Leader in sterilization services



Leader in lab testing and advisory services



## ...and how we do it...

- Provide mission-critical services to **blue chip customers with multi-year contracts**
- Unmatched **network of local facilities** to support customer requirements and growth
- In an increasingly regulated industry, we are a **global leader in technical and regulatory expertise**
- **Organic and inorganic growth**
- Our culture – **Safety, quality, accountability and excellence**

## ...leads to strong results

- **Revenue growth every year** since 2005
- **TTM Q3 2022 Adjusted EBITDA margins<sup>(1)</sup> of >50%**
- **~\$33 billion TAM<sup>(2)</sup> and growing**
- Consistent track record of **cash flow generation**
- **Well-positioned for growth in global healthcare market** without payor reimbursement risk

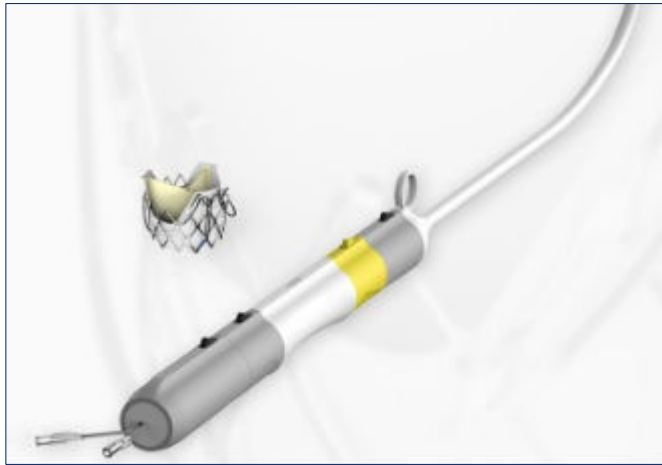
***Our capabilities, scale and know-how are not easily replicated...  
Our customers depend on our mission-critical services in any economic environment***

(1) For a reconciliation of GAAP to non-GAAP results, please refer to Non-GAAP Financial Measures provided in the Appendix.

(2) 2019 Management estimated total addressable markets for in-house and outsourced terminal sterilization and outsourced medical device and pharmaceutical lab testing.

# Our Mission: Safeguarding Global Health®

Safeguarding Global Health® is at the heart of our work across Sotera Health. Our mission-critical services help to ensure the safety of healthcare and protects the lives of millions around the world.



**Sterigenics EO** sterilizes the only approved interventional cardiac replacement system for patients with aortic stenosis and aortic regurgitation

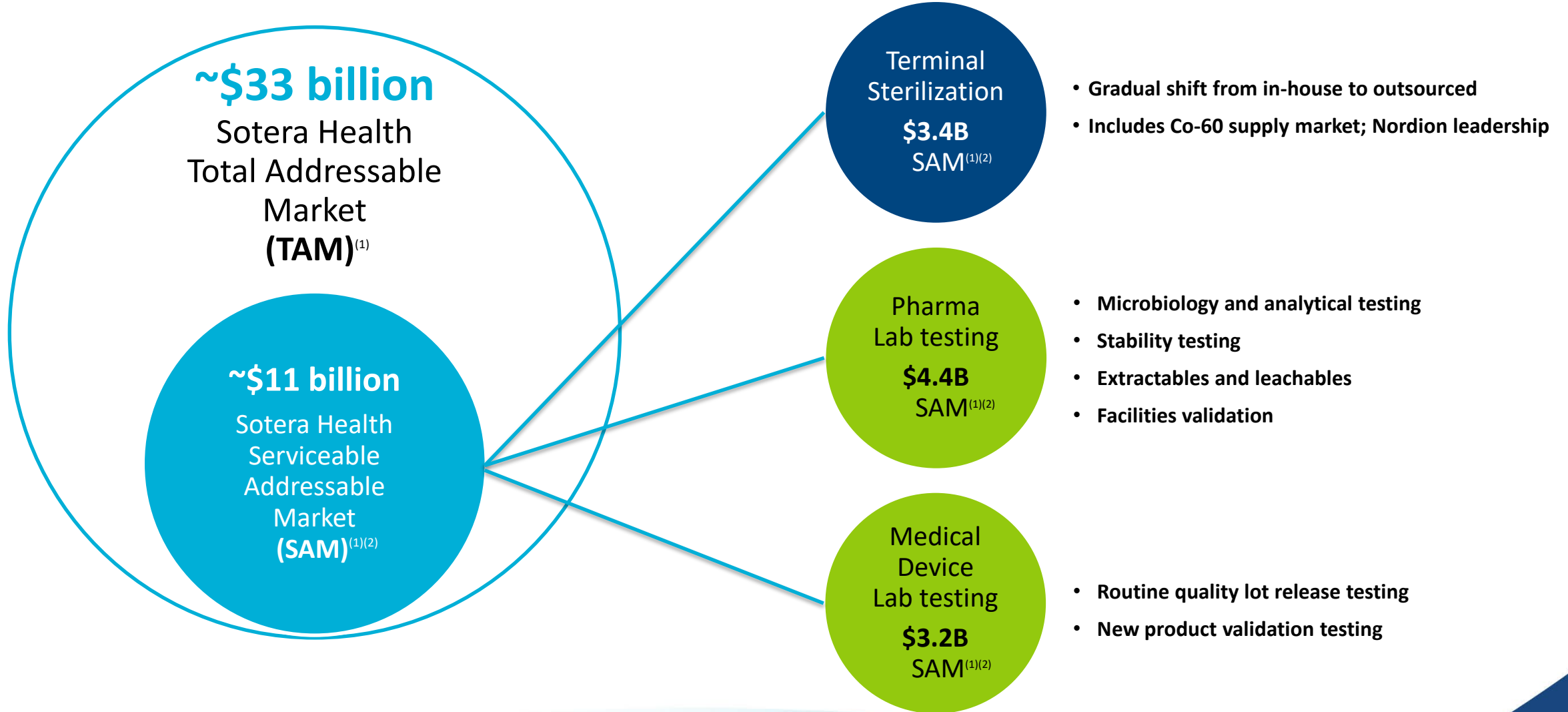


**Nelson Labs** conducted critical E&L and toxicological evaluations of feeding tubes for neonatal patients and identified compounds at unsafe levels for babies and worked with customer to remediate



**Sterigenics** sterilizes artificial knee implants using Cobalt-60 supplied by **Nordion**

# Total and Serviceable Addressable Markets (TAM & SAM)



(1) 2019 Management estimated total and serviceable addressable markets for in-house and outsourced terminal sterilization and outsourced medical device and pharmaceutical lab testing.

(2) We define SAM as markets in which we have core or adjacent service capabilities.

# Q3 2022 and Recent Highlights

## Business & Market Update

- Sterigenics and Nordion continue to experience sustained demand for sterilization services
- Nelson Labs experiencing a slower recovery for testing services than anticipated, combined with customer driven delays
- Continued FX and other macro-economic pressures; offsetting inflation with pricing and other actions
- Continued top- and bottom-line growth

## Financial Performance

Compared to Q3 2021:

- Net revenues: increased 10% to \$249M; 13.2% increase on a constant currency<sup>(1)</sup> basis
- Adjusted EBITDA<sup>(2)</sup>: increased 7% to \$125M
- Adjusted EPS<sup>(2)</sup>: increased from \$0.21 to \$0.23

## Capital Deployment

- Capital expenditures, as planned, increased by over 80% vs YTD Q3 2021
- Sterigenics capacity expansions are progressing, with 3 completed in 2022 and 7 active
- Net leverage<sup>(2)</sup> decrease from 3.4x to 3.3x

## Other Activities

- Appointment of Alex Dimitrief as new General Counsel
- Two Sterigenics facility expansions went live during the quarter
- Second Sterigenics Illinois EO trial ongoing; 3<sup>rd</sup> trial pushed back to January 2023

(1) We calculate constant currency net revenues (a non-GAAP financial measure) by translating prior year net revenues in local currency at the average exchange rates applicable for the current period. The translated results are then used to determine year-over-year percentage increases or decreases.

(2) For a reconciliation of GAAP to non-GAAP results, please refer to Non-GAAP Financial Measures provided in the Appendix.

# FINANCIAL OVERVIEW



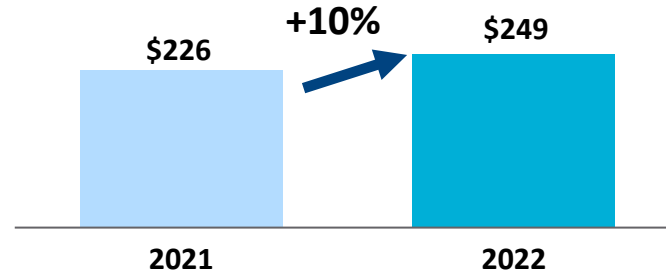


# Q3 & YTD 2022 Financial Performance - Consolidated

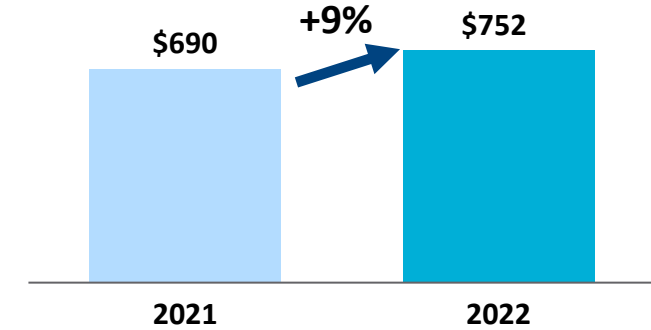
In millions, except Adjusted EPS

## Revenue

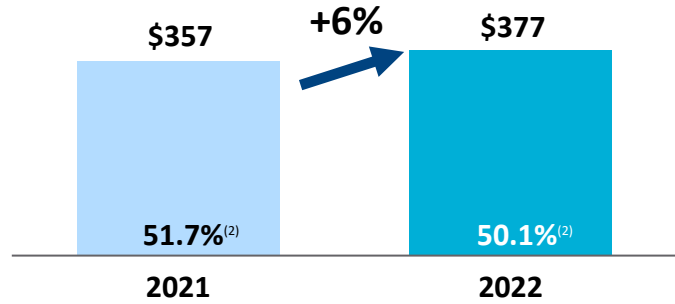
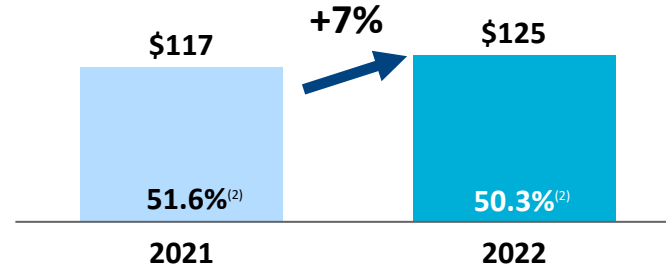
### Third Quarter



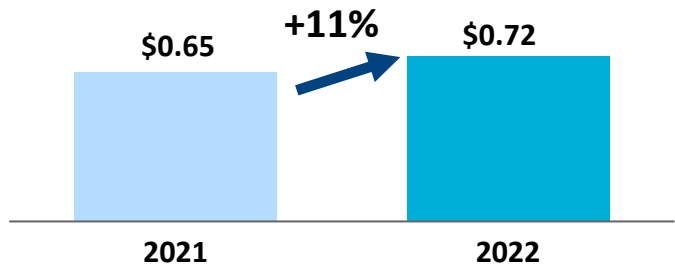
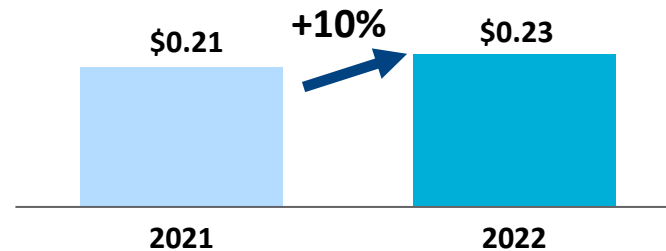
### Year-to-Date



## Adjusted EBITDA<sup>(1)</sup>



## Adjusted EPS<sup>(1)(3)</sup>



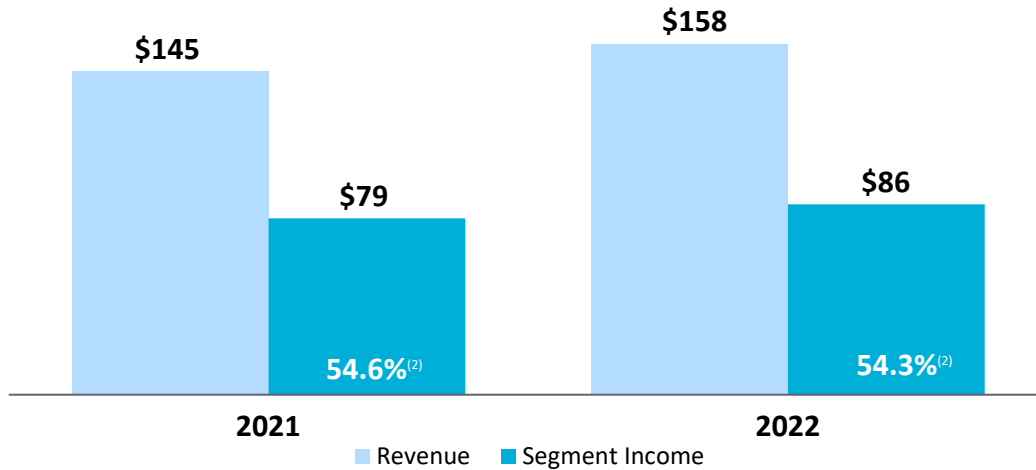
- (1) We define Adjusted EBITDA as Adjusted Net Income before interest expense, net, and mark-to-market of derivatives not accounted for as hedges, depreciation (including depreciation of Co-60 used in our operations) and income tax provision applicable to Adjusted Net Income. Please refer to Non-GAAP Financial Measures provided in the Appendix.
- (2) Adjusted EBITDA margin is equal to Adjusted EBITDA divided by net revenues. Please refer to Non-GAAP Financial Measures provided in the Appendix.
- (3) Adjusted EPS is defined as Adjusted Net Income divided by the weighted average number of diluted shares outstanding. Please refer to Non-GAAP Financial Measures provided in the Appendix.

# Q3 & YTD 2022 Financial Performance - Sterigenics

In millions

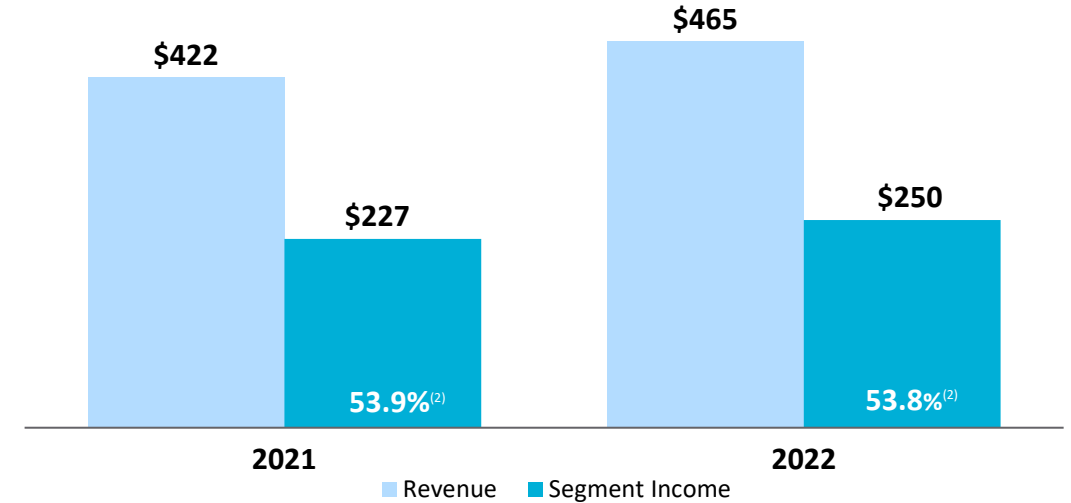
## Third Quarter

Revenue **+9%**  
 Segment income<sup>(1)</sup> **+8%**



## Year-to-Date

Revenue **+10%**  
 Segment income<sup>(1)</sup> **+10%**



- Q3 2022 revenue and segment income growth driven by pricing and volume/mix growth, partially offset by unfavorable impact from foreign currency exchange rates
- The slight decline in segment income margin as compared to Q3 2021 was due to timing of pricing actions versus realized inflation

(1) Segment income is defined to exclude, among other things, depreciation and amortization. Please refer to our consolidated financial statements for more information.

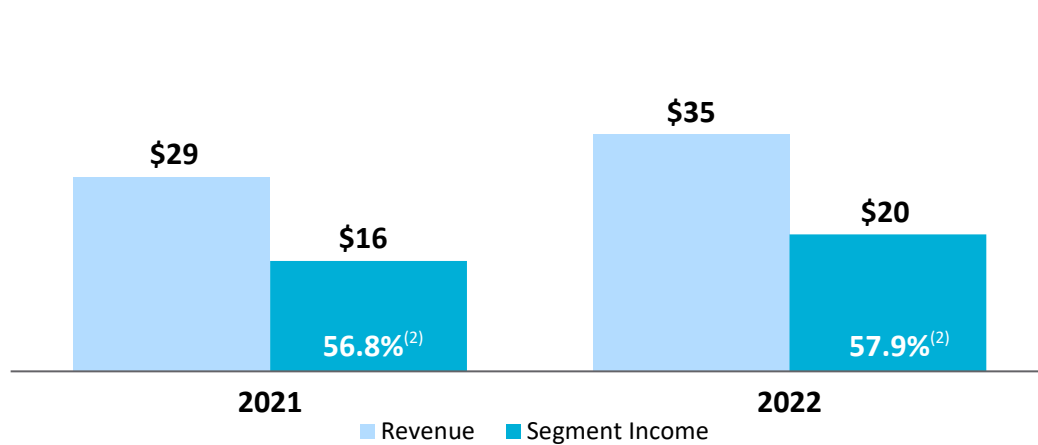
(2) Segment income margin is equal to segment income divided by net revenues.

# Q3 & YTD 2022 Financial Performance – Nordion

In millions

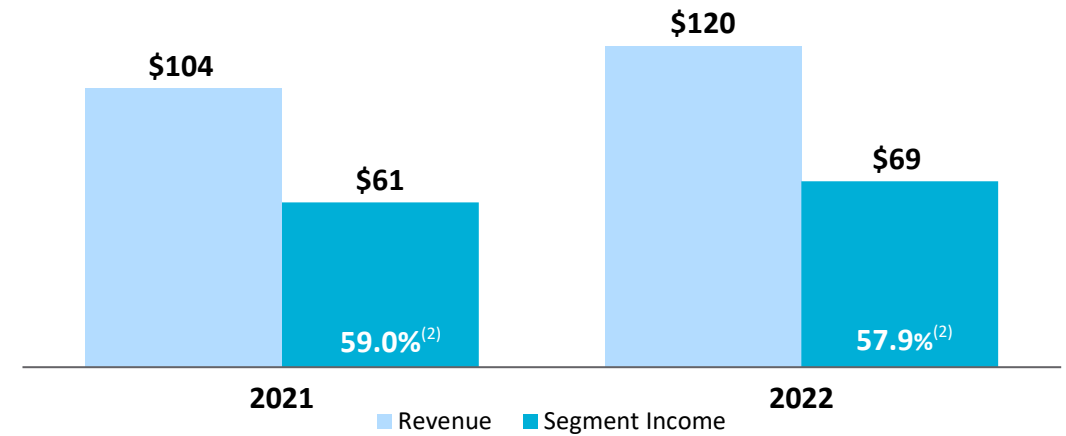
## Third Quarter

Revenue **+22%**  
 Segment income<sup>(1)</sup> **+24%**



## Year-to-Date

Revenue **+15%**  
 Segment income<sup>(1)</sup> **+13%**



- Q3 2022 revenue and segment income growth driven by volume/mix and pricing, partially offset by an unfavorable impact from foreign currency exchange rates
- Q3 segment income margin increase driven by favorable volume/mix and price as referenced above

(1) Segment income is defined to exclude, among other things, depreciation and amortization. Please refer to our consolidated financial statements for more information.

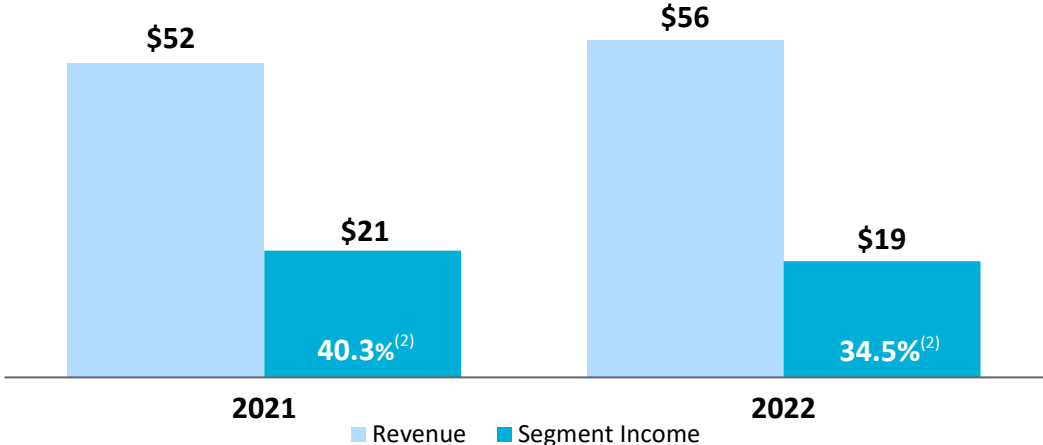
(2) Segment income margin is equal to segment income divided by net revenues.

# Q3 & YTD 2022 Financial Performance – Nelson Labs

In millions

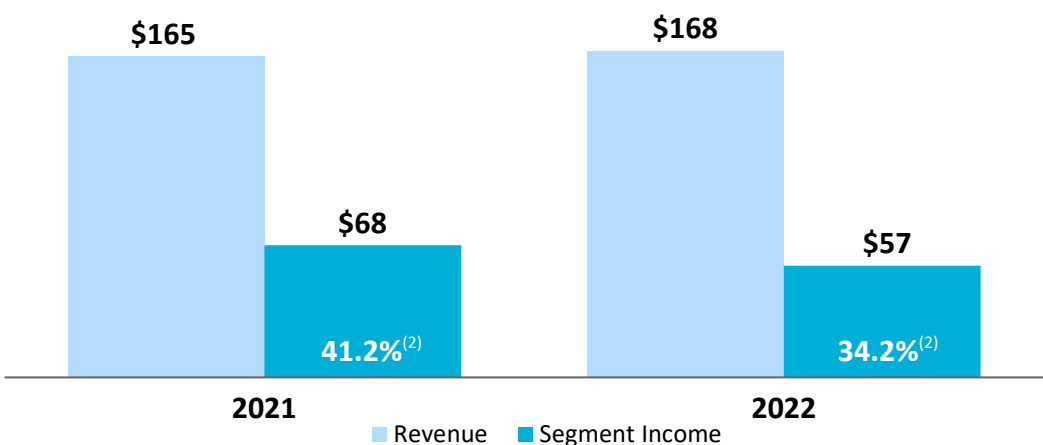
## Third Quarter

Revenue **+7%**  
 Segment income<sup>(1)</sup> **-8%**



## Year-to-Date

Revenue **+2%**  
 Segment income<sup>(1)</sup> **-16%**



- Q3 revenue growth driven by favorable pricing and our recent acquisition, offset by unfavorable impact from foreign currency exchange rates
- Q3 segment income decline driven by increased staffing in anticipation of incremental volume, unfavorable revenue mix, and unfavorable impact from foreign currency exchange rates, partially offset by favorable pricing
- Q3 segment income margin decline driven by the factors referenced above coupled with dilution from certain recent acquisitions

(1) Segment income is defined to exclude, among other things, depreciation and amortization. Please refer to our consolidated financial statements for more information.  
 (2) Segment income margin is equal to segment income divided by net revenues.



# 2022 Increase in Investments to Meet Long-Term Customer Demand

## Facility investments across all modalities

- 3 completed capacity expansions during 2022
- 7 additional expansions projected to go live by end of 2024
- Continued progress on EO emission control enhancements

**Sterigenics**

## Cobalt-60 supply development

- Accelerating investment to increase and further diversify supply
- Establishing industry's only U.S. supply network

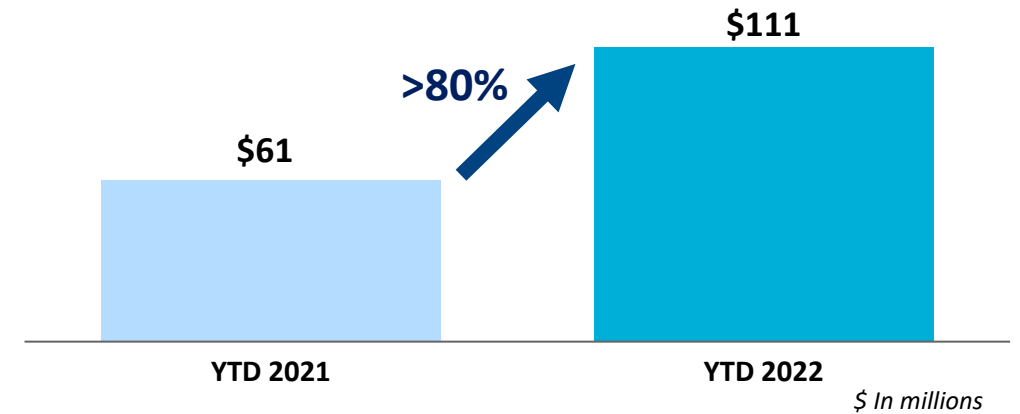
**Nordion**

## Investments in testing capacity

- Med device and pharma extractables and leachables lab expansions underway
- Implementing global Lab Information Management System

**Nelson Labs**

## Capital Expenditures



*Investments focused on growth initiatives, facility enhancements and supply diversification*

# 2022 Outlook

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*On the following slide, Sotera Health presents an overview of its full-year 2022 outlook, including certain non-GAAP measures. As outlined in the Company's November 2, 2022 press release, Sotera Health does not provide a reconciliation of the forward-looking Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Net Leverage Ratio outlook to the most directly comparable GAAP measure, as this cannot be done without unreasonable effort due to the variability and low visibility with respect to certain costs.*

# Full-year 2022 Outlook<sup>(1)</sup>

	Prior Guidance	November 2 <sup>nd</sup> Guidance	YoY Change
Net Revenues	\$1,000M to \$1,022M	\$995M to \$1,005M	+7% to +8%
Adj EBITDA	\$515M to \$525M	\$500M to \$510M	+4% to +6%
Adj NI Tax Rate	29% to 30%	~28%	~30bps
Adj EPS	\$0.93 to \$0.97	\$0.91 to \$0.95	+3% to +8%
Weighted Avg. Diluted Shares	280M to 282M	280M to 282M	+0% to +1%
Capital Expenditures	\$140M to \$170M	\$150M to \$170M	+47% to +66%
Net Leverage	Approximately ½ turn <sup>(2)</sup> of deleveraging	3.2x <sup>(3)</sup> to 3.3x <sup>(3)</sup>	-0.2x to -0.3x

(1) The outlook provided above contains a number of assumptions, including, among others, the Company's current expectations regarding supply chain continuity, particularly for the supply of EO and Co-60, the impact of inflationary trends including their impact on energy prices and the supply of labor, the impact of the COVID-19 pandemic including the rate of recoveries of elective procedures and new product development testing and the expectation that exchange rates as of Q3 2022 remain constant for the remainder of 2022. The information presented here is forward-looking and reflects expectations as of November 2, 2022. Sotera Health assumes no obligation to update this statement. Results may be materially different and are affected by many factors detailed in Sotera Health's SEC filings, including Sotera Health's current Form 10-K.

(2) One turn is equivalent to trailing 12-months of Adjusted EBITDA.

(3) Subject to the risk associated with adverse judgments against two of our subsidiaries in the EO tort litigation that may require an appellate bond or alternative form of security to appeal, and plaintiff efforts to enforce judgments against us, any one of which may have an adverse impact on our liquidity.

# Appendix



# Non-GAAP Financial Measures

	<i>(unaudited)</i> <i>(in thousands, except per share amounts)</i>		Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021	2022	2021
<b>Net income</b>	\$ 25,090	\$ 27,444	\$ 86,149	\$ 81,124		
Amortization of intangibles	20,219	21,239	61,596	65,299		
Share-based compensation <sup>(a)</sup>	4,616	3,547	14,955	10,489		
Gain (loss) on foreign currency and derivatives not designated as hedging instruments, net <sup>(b)</sup>	3,194	1,881	(4,788)	885		
Acquisition and divestiture related charges, net <sup>(c)</sup>	447	(2,662)	978	(2,003)		
Business optimization project expenses <sup>(d)</sup>	1,035	244	1,609	780		
Plant closure expenses <sup>(e)</sup>	2,627	266	3,776	1,564		
Impairment of investment in unconsolidated affiliate <sup>(f)</sup>	—	—	9,613	—		
Loss on extinguishment of debt <sup>(g)</sup>	—	6,365	—	20,677		
Professional services relating to EO sterilization facilities <sup>(h)</sup>	14,501	9,449	50,238	33,492		
Accretion of asset retirement obligation <sup>(i)</sup>	526	598	1,644	1,751		
COVID-19 expenses <sup>(j)</sup>	6	109	154	596		
Income tax benefit associated with pre-tax adjustments <sup>(k)</sup>	(7,753)	(9,776)	(25,337)	(32,772)		
<b>Adjusted Net Income</b>	<b>64,508</b>	<b>58,704</b>	<b>200,587</b>	<b>181,882</b>		
Interest expense, net <sup>(l)</sup>	20,080	18,140	53,974	58,585		
Depreciation <sup>(m)</sup>	15,885	16,395	47,496	47,457		
Income tax provision applicable to Adjusted Net Income <sup>(n)</sup>	24,679	23,435	74,579	68,630		
<b>Adjusted EBITDA<sup>(o)</sup></b>	<b>\$ 125,152</b>	<b>\$ 116,674</b>	<b>\$ 376,636</b>	<b>\$ 356,554</b>		
<b>Net Revenues</b>	<b>\$ 248,704</b>	<b>\$ 226,164</b>	<b>\$ 752,097</b>	<b>\$ 690,229</b>		
<b>Adjusted EBITDA Margin</b>	<b>50.3 %</b>	<b>51.6 %</b>	<b>50.1 %</b>	<b>51.7 %</b>		
<b>Weighted average number of shares outstanding:</b>						
Basic	280,142	279,381	279,988	279,097		
Diluted	280,172	279,560	280,093	279,253		
<b>Earnings per share:</b>						
Basic	\$ 0.09	\$ 0.10	\$ 0.31	\$ 0.29		
Diluted	0.09	0.10	0.31	0.29		
<b>Adjusted earnings per share:</b>						
Basic	\$ 0.23	\$ 0.21	\$ 0.72	\$ 0.65		
Diluted	0.23	0.21	0.72	0.65		

\*See accompanying footnotes on the following slide

## Non-GAAP Financial Measures (continued)

- (a) Represents non-cash share-based compensation expense.
- (b) Represents the effects of (i) fluctuations in foreign currency exchange rates, (ii) non-cash mark-to-fair value of embedded derivatives relating to certain customer and supply contracts at Nordion and (iii) unrealized gains and losses on interest rate caps not designated as hedging instruments.
- (c) Represents (i) certain direct and incremental costs related to the acquisitions of RCA, the noncontrolling interests in our China subsidiaries, BioScience Labs in 2021, the first quarter 2021 gain on the mandatorily redeemable noncontrolling interest in Nelson Labs Fairfield, and certain related integration efforts as a result of those acquisitions, (ii) the earnings impact of fair value adjustments (excluding those recognized within amortization expense) resulting from the businesses acquired, and (iii) transition services income and non-cash deferred lease income associated with the terms of the divestiture of the Medical Isotopes business in 2018, and (iv) a \$3.4 million gain recognized in the third quarter of 2021 related to the settlement of an insurance claim for Nordion that existed at the time of our acquisition of the business in 2014.
- (d) Represents professional fees, contract termination and exit costs, severance and other payroll costs, and other costs associated with business optimization and cost savings projects relating to the integration of recent acquisitions, operating structure realignment and other process enhancement projects.
- (e) Represents decommissioning costs, professional fees, severance and other payroll costs, and other costs including ongoing lease and utility expenses associated with the closure of the Willowbrook, Illinois facility.
- (f) Represents an impairment charge on our equity method investment in a joint venture.
- (g) Represents expenses incurred in connection with the repricing of our Term Loan in January 2021 and full redemption of the First Lien Notes in August 2021, including a prepayment premium and accelerated amortization of prior debt issuance and discount costs.
- (h) Represents litigation and other professional fees associated with our EO sterilization facilities.
- (i) Represents non-cash accretion of asset retirement obligations related to gamma and EO processing facilities, which are based on estimated site remediation costs for any future decommissioning of these facilities (without regard for whether the decommissioning services would be performed by employees of Nordion, instead of by a third party) and are accreted over the life of the asset.
- (j) Represents non-recurring costs associated with the COVID-19 pandemic, including incremental costs to implement workplace health and safety measures.
- (k) Represents the income tax impact of adjustments calculated based on the tax rate applicable to each item. We eliminate the effect of tax rate changes as applied to tax assets and liabilities and unusual items from our presentation of adjusted net income.
- (l) The three and nine months ended September 30, 2022 excludes \$3.3 million of unrealized loss and \$6.1 million of unrealized gain, respectively, on interest rate derivatives not designated as hedging instruments.
- (m) Includes depreciation of Co-60 held at gamma irradiation sites.
- (n) Represents the difference between the income tax provision as determined under U.S. GAAP and the income tax benefit associated with pre-tax adjustments described in footnote (k).
- (o) \$22.1 million and \$20.8 million of the adjustments for the three months ended September 30, 2022 and 2021, respectively, and \$62.8 million and \$63.3 million of the adjustments for the nine months ended September 30, 2022 and 2021, respectively, are included in cost of revenues, primarily consisting of amortization of intangible assets, depreciation, and accretion of asset retirement obligations.

## Non-GAAP Financial Measures (continued)

(unaudited)  
(in thousands)

	Twelve Months Ended September 30,	Twelve Months Ended December 31,
	2022	2021
<b>Net income</b>	\$ 122,146	\$ 117,121
Amortization of intangible assets	83,039	86,742
Share-based compensation <sup>(a)</sup>	18,336	13,870
Gain on foreign currency and derivatives not designated as hedging instruments <sup>(b)</sup>	(5,731)	(58)
Acquisition and divestiture related charges, net <sup>(c)</sup>	(3,037)	(6,018)
Business optimization project expenses <sup>(d)</sup>	1,777	948
Plant closure expenses <sup>(e)</sup>	4,539	2,327
Impairment of investment in unconsolidated affiliate <sup>(f)</sup>	9,613	—
Loss on extinguishment of debt <sup>(g)</sup>	4	20,681
Professional services relating to EO sterilization facilities <sup>(h)</sup>	62,402	45,656
Accretion of asset retirement obligation <sup>(i)</sup>	2,145	2,252
COVID-19 expenses <sup>(j)</sup>	319	761
Income tax benefit associated with pre-tax adjustments <sup>(k)</sup>	(31,065)	(38,500)
<b>Adjusted Net Income</b>	<b>264,487</b>	<b>245,782</b>
Interest expense, net <sup>(l)</sup>	69,581	74,192
Depreciation <sup>(m)</sup>	64,199	64,160
Income tax provision applicable to Adjusted Net Income <sup>(n)</sup>	103,044	97,095
<b>Adjusted EBITDA<sup>(o)</sup></b>	<b>\$ 501,311</b>	<b>\$ 481,229</b>

\*See accompanying footnotes on the following slide

## Non-GAAP Financial Measures (continued)

- (a) Represents non-cash share-based compensation expense.
- (b) Represents the effects of (i) fluctuations in foreign currency exchange rates, (ii) non-cash mark-to-fair value of embedded derivatives relating to certain customer and supply contracts at Nordion and (iii) unrealized gains and losses on interest rate caps not designated as hedging instruments.
- (c) Represents (i) certain direct and incremental costs related to the acquisitions of RCA, the noncontrolling interests in our China subsidiaries, BioScience Labs in 2021, the first quarter 2021 gain on the mandatorily redeemable noncontrolling interest in Nelson Labs Fairfield, and certain related integration efforts as a result of those acquisitions, (ii) the earnings impact of fair value adjustments (excluding those recognized within amortization expense) resulting from the businesses acquired, and (iii) transition services income and non-cash deferred lease income associated with the terms of the divestiture of the Medical Isotopes business in 2018, (iv) a \$3.4 million gain recognized in the third quarter of 2021 related to the settlement of an insurance claim for Nordion, and (v) a \$5.1 million non-cash gain in the fourth quarter of 2021 arising from the derecognition of an ARO liability no longer attributable to Nordion pursuant to the terms of the sale of the Medical Isotopes business in 2018.
- (d) Represents professional fees, contract termination and exit costs, severance and other payroll costs, and other costs associated with business optimization and cost savings projects relating to the integration of recent acquisitions, operating structure realignment and other process enhancement projects.
- (e) Represents decommissioning costs, professional fees, severance and other payroll costs, and other costs including ongoing lease and utility expenses associated with the closure of the Willowbrook, Illinois facility.
- (f) Represents an impairment charge on our equity method investment in a joint venture.
- (g) Represents expenses incurred in connection with the repricing of our Term Loan in January 2021 and full redemption of the First Lien Notes in August 2021, including a prepayment premium and accelerated amortization of prior debt issuance and discount costs.
- (h) Represents litigation and other professional fees associated with our EO sterilization facilities.
- (i) Represents non-cash accretion of asset retirement obligations related to gamma and EO processing facilities, which are based on estimated site remediation costs for any future decommissioning of these facilities (without regard for whether the decommissioning services would be performed by employees of Nordion, instead of by a third party) and are accreted over the life of the asset.
- (j) Represents non-recurring costs associated with the COVID-19 pandemic, including incremental costs to implement workplace health and safety measures.
- (k) Represents the income tax impact of adjustments calculated based on the tax rate applicable to each item. We eliminate the effect of tax rate changes as applied to tax assets and liabilities and unusual items from our presentation of adjusted net income.
- (l) The twelve months ended September 30, 2022 excludes \$6.1 million of unrealized gains on interest rate derivatives not designated as hedging instruments.
- (m) Includes depreciation of Co-60 held at gamma irradiation sites.
- (n) Represents the difference between the income tax provision as determined under U.S. GAAP and the income tax benefit associated with pre-tax adjustments described in footnote (k).
- (o) \$84.7 million and \$85.3 million of the adjustments for the twelve months ended September 30, 2022 and December 31, 2021, respectively, are included in cost of revenues, primarily consisting of amortization of intangible assets, depreciation, and accretion of asset retirement obligations.

## Non-GAAP Financial Measures (continued)

(unaudited)  
(\$'s in thousands)

	As of September 30, 2022	As of December 31, 2021
Long-term debt	\$ 1,746,555	\$ 1,743,534
Current portion of finance leases	1,591	1,160
Finance leases less current portion	54,935	40,877
<b>Total Debt</b>	<b>1,803,081</b>	1,785,571
Add: unamortized debt issuance costs and debt discounts	16,995	20,016
Less: cash and cash equivalents, including restricted cash	(164,961)	(106,924)
<b>Total Net Debt</b>	<b>\$ 1,655,115</b>	<b>\$ 1,698,663</b>
<b>Adjusted EBITDA</b>	<b>\$ 501,311</b>	<b>\$ 481,229</b>
<b>Net Leverage</b>	<b>3.3x</b>	<b>3.5x</b>

(1) Represents Adjusted EBITDA for the twelve months ended September 30, 2022 and December 31, 2021, respectively. Refer to the reconciliations of Adjusted EBITDA to net income for additional detail..