Sotera Health

First-Quarter 2023 Earnings Results

MAY 3, 2023

Cautionary Note Regarding 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, EO or 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; satisfaction of conditions to completing the Illinois EO Settlement, including the participation by substantially all Illinois plaintiffs in the settlement; 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 Illinois EO tort litigation, which, if the settlement is not successful, may require an appellate bond or alternative form of security to appeal, and plaintiff efforts to enforce judgments against us, any of which may have an adverse impact on our liquidity in the near and long terms, or may cause the need for us to increase our borrowings and, consequently, increase our interest expense; uncertainty in the capital markets and other risks to our ability to raise additional debt financing on reasonable terms or at all, including availability of capital and the impact of future litigation developments on our ability to access capital markets; 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 the Company’s filings with the SEC, such as its annual and quarterly reports. We do not undertake any obligation to publicly update or revise these forward-looking statements, except as otherwise required by law.

This presentation includes Adjusted EBITDA, Adjusted EBTIDA margin, Adjusted Net Income, Segment Income Margin, Adjusted EPS, Net Debt and Net Leverage Ratio, which are unaudited financial measures not based on any standardized methodology prescribed by GAAP. Adjusted EBITDA, Adjusted EBTIDA margin, Adjusted Net Income, Segment Income Margin, Adjusted EPS, 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 EBTIDA margin, Adjusted Net Income, Segment Income Margin, Adjusted EPS, 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 Adjusted EPS 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 defined in the Appendix to this presentation.

We use these non-GAAP financial measures as the principal measures of our operating performance. Management believes these are useful because they allow management to more effectively evaluate our operating performance and compare the results of our operations from period to period without the impact of certain non-cash items and non-routine items that we do not expect to continue at the same level in the future and other items that are not core to our operations. We believe that these measures are useful to our investors because they provide a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure. In addition, we believe these measures will assist investors in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented. Our management also uses these measurements in their financial analysis and operational decision-making and Adjusted EBITDA serves as the key metric for attainment of our primary annual incentive program. These measures may be calculated differently from, and therefore may not be comparable to, a similarly titled measure used by other companies.

The Company does not provide a reconciliation for non-GAAP financial measures on a forward-looking basis where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items without unreasonable effort. The Company cannot reconcile its expected Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and net leverage ratio without unreasonable effort because certain items that impact net income, earnings per share and other reconciling metrics are out of the Company’s control and/or cannot be reasonably predicted at this time, including uncertainties caused by changes to the regulatory landscape, restructuring items and certain fair value measurements, all of which are potential adjustments for future earnings.

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, 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 March 31, 2023, unless otherwise stated.

Speakers

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

Sterigenics® A Sotera Health company

Nordion® A Sotera Health company

Leader in lab testing and advisory services

Nelson Labs® A Sotera Health company

…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

- **Annual revenue growth every year** since 2005
- **TTM Q1 2023 Adjusted EBITDA margins[1] of 50%**
- **~$33 billion TAM[2]** 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) This is a non-GAAP financial measure. 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 Customers Trust and Value Our Expertise

Global scale with integrated facility network	**Expertise and strong track record in highly regulated markets**	**Ability to meet customers' regulatory needs**
Comprehensive end-to-end services offered	**Provide customer peace-of-mind**	**Experienced management team with established track record**

(1) Based on revenue for the year ended December 31, 2022.

Safeguarding Global Health®

- Our Mission 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.
- Safeguarding Global Health® embodies the essence of Corporate Responsibility.
- Click here to watch our *Safeguarding Global Health® Moments* video to see our mission in action.

Q1 2023 Highlights

Business & Market Update

- Some macro-economic pressures persist, such as inflation, FX and customer supply-chain
- Substantial revenue decrease for Nordion due to Co-60 harvest schedule timing, as expected
- Typical Q1 lighter volumes for Nelson and Sterigenics
- Sterigenics revenue growth of 8.1% on a constant currency[1] basis

Financial Performance

	Q1 2023 vs Q1 2022
Net Revenues	-6.8% to $221M
Constant currency[1]	-5.3%
Adjusted EBITDA[1]	-14.6% to $98M
Adjusted EPS[1]	-$0.09 to $0.13

Capital Deployment

- Q1 2023 Capital expenditures increased by over 25% compared to Q1 2022, driven by capacity expansions at Sterigenics and Nelson Labs, EO facility enhancements and cobalt development projects
- Closed on $500M Term Loan B and $76M upsize to revolving credit facility during Q1 2023
- Ending Q1 2023 Net Leverage[1] of 3.4x

Other Activities

- Entered into definitive Master Settlement Agreements with the Plaintiffs' Executive Committee in the Illinois EO Litigation in March
- EPA issued proposed NESHAP regulations and FIFRA Proposed Interim Decision (PID) for EO commercial sterilizers in April; 60-day industry public comment period underway

(1) This is a non-GAAP financial measure. Please refer to Non-GAAP Financial Measures provided in the Appendix.

FINANCIAL OVERVIEW

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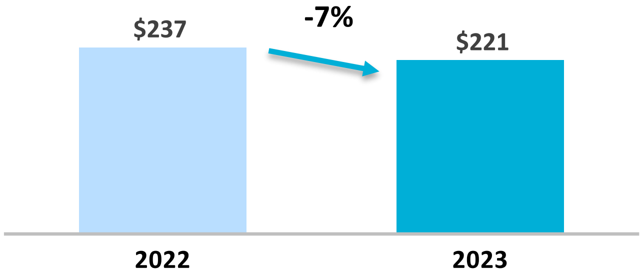
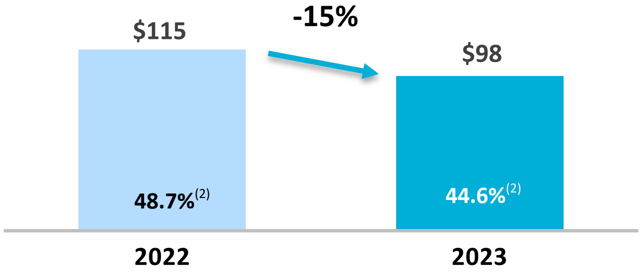
Consolidated Q1 2023 Financial Performance

(In millions, except Adjusted EPS)

Revenue



Adjusted EBITDA[1]



Adjusted EPS[1]

(1) This is a non-GAAP financial measure. 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.

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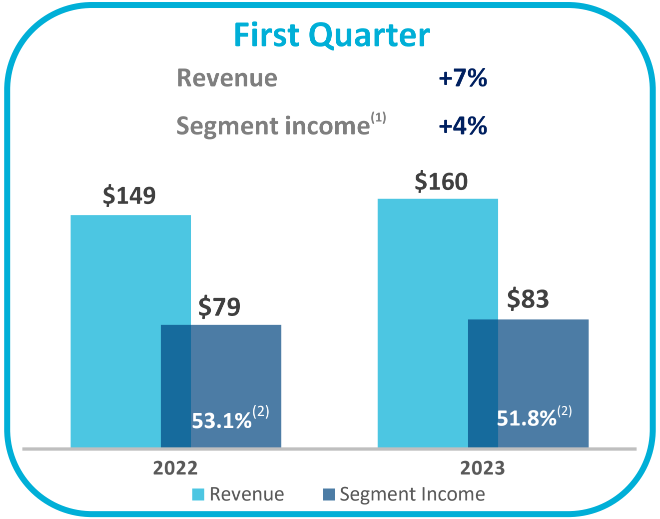
Sterigenics Q1 2023 Financial Performance

(In millions)



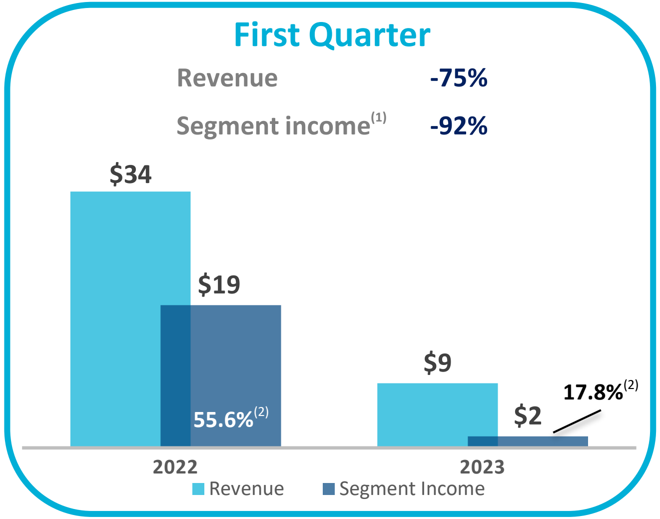
First Quarter Commentary

- **Revenue and segment income increase driven by favorable pricing as well as volume and mix, partially offset by an unfavorable impact from changes in foreign currency exchange rates**
- **Segment income margin decline driven by impacts referenced above, offset by the impact of current staffing levels versus the typical lighter first-quarter volume relative to the remainder of the year, as well as 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. Please refer to Non-GAAP Financial Measures provided in the Appendix.

Nordion Q1 2023 Financial Performance

(In millions)



First Quarter Commentary

Q1 '23 revenue, segment income and segment income margin decline driven by anticipated volume decline and mix due to timing of Co-60 supply harvest schedules and an unfavorable impact from changes in foreign currency exchange rates

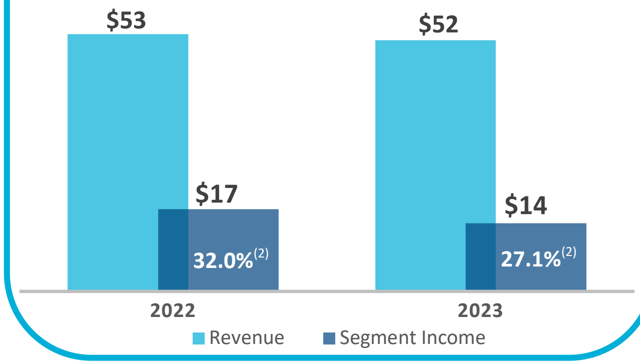
(1) Segment income is defined to exclude, among other things, depreciation and amortization. Please refer to our consolidated financial statements for more information.
(2) Segment income margin is equal to segment income divided by net revenues. Please refer to Non-GAAP Financial Measures provided in the Appendix.

Nelson Labs Q1 2023 Financial Performance

(In millions)

First Quarter

Revenue	-2%
Segment income[1]	-17%



First Quarter Commentary

- Revenue decline driven by volume and mix and an unfavorable impact from changes in foreign currency exchange rates, partially offset by favorable pricing
- Segment income and segment income margin declines driven by the factors referenced above, as well as the impact of current staffing levels versus the typical lighter first-quarter volume relative to the remainder of the year

(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. Please refer to Non-GAAP Financial Measures provided in the Appendix.

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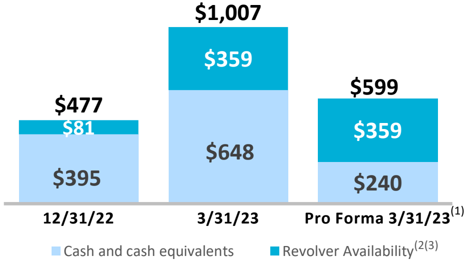
Capital Structure and Investments

(In millions)

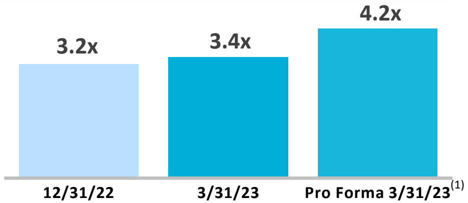
Liquidity

- $76.3M revolver upsize and $500M Term Loan closed in Q1 23
- No borrowings outstanding on revolver as of Q1 23
- $408M settlement funded into escrow on May 1, 2023; will be held on the balance sheet as restricted cash in Q2 23[4]



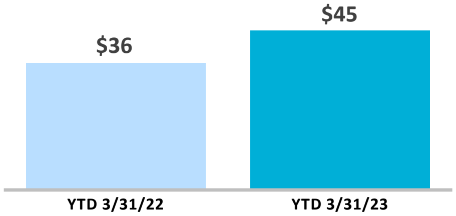
Net Leverage[5]

- New $500M Term Loan B and $408M cash funding will result in net leverage temporarily above the 2.0x - 4.0x long-term target range; finishing within the range by year-end[4]



Capital Expenditures[6]

- **Sterigenics:** 6 active expansions & continued EO facility investments
- **Nordion:** Co-60 supply development projects
- **Nelson Labs:** Pharma expansion and lab information management system



(1) Pro Forma adjustment removes $408M associated with Illinois EO Settlement from cash and cash equivalents.
(2) Revolving availability is calculated as maximum facility size less letters of credit.
(3) Maximum facility size was $347.5M as of 12/31/22 and $423.8M as of 3/31/23.
(4) Subject to the satisfaction or waiver by the Company of the various conditions for the settlement.
(5) This is a non-GAAP financial measure. Please refer to Non-GAAP Financial Measures provided in the Appendix.
(6) Excludes any Capital Expenditures included in accounts payable or accruals at the end of the period.

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2023 Outlook

On the following slide, Sotera Health presents an overview of its full-year 2023 outlook, including certain non-GAAP financial measures. As outlined in the Company's May 3, 2023 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, including, among others, uncertainties caused by changes to the regulatory landscape, restructuring items and certain fair value measurements, all of which are potential adjustments for future earnings. The variability of these items could have a potentially unpredictable, and a potentially significant, impact on our future GAAP results.

Full-year 2023 Outlook[1]

	FY 2023 Outlook	YoY%
Revenue	$1.055B to $1.090B	+5% to +9%
Adj EBITDA[2]	$530M to $550M	+5% to +9%
Adj NI Tax Rate[2][3]	30% to 33%	~+400bps to ~+700bps
Adj EPS[2]	$0.78 to $0.86	-10% to -19%
Weighted Avg. Diluted Shares	283M to 285M	+1% to +2%
Capital Expenditures	$185M - $215M	+1% to +18%
Net Leverage[2]	2023 year-end net leverage ratio within long-term range of 2.0x – 4.0x	

(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 and the expectation that exchange rates as of March 31, 2023 remain constant for the remainder of 2023. Our outlook is based on current plans and expectations and is subject to several known and unknown risks and uncertainties, including those set forth above in "Cautionary Note Regarding Forward-Looking Statements."

(2) This is a non-GAAP financial measure. Please refer to Non-GAAP Financial Measures provided in the Appendix.

(3) Higher estimated Adj NI Tax Rate as compared to the prior year is due to an increase in non-deductible interest expense as a direct result of increasing interest rates, along with the large carryforwards of non-deductible interest from prior years, resulting in a larger valuation allowance and a higher effective tax rate for 2023.

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Appendix

Non-GAAP Financial Measures

(unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2023	**2022**
Net income	**$ 2,842**	$ 30,641
Amortization of intangible assets	**20,607**	20,182
Share-based compensation[(a)]	**7,348**	4,538
Gain on foreign currency and derivatives not designated as hedging instruments, net[(b)]	**535**	(6,552)
Acquisition and divestiture related charges, net[(c)]	**592**	(160)
Business optimization project expenses[(d)]	**2,534**	104
Plant closure expenses[(e)]	**(895)**	671
Professional services and other expenses relating to EO sterilization facilities[(f)]	**16,302**	18,059
Accretion of asset retirement obligation[(g)]	**572**	520
COVID-19 expenses[(h)]	**—**	103
Income tax benefit associated with pre-tax adjustments[(i)]	**(12,392)**	(7,852)
Adjusted Net Income	**38,045**	60,254
Interest expense, net[(j)]	**26,540**	16,750
Depreciation[(k)]	**18,931**	15,867
Income tax provision applicable to Adjusted Net Income[(l)]	**14,952**	22,478
Adjusted EBITDA[(m)]	**$ 98,468**	$ 115,349
Net Revenues	**$ 220,590**	$ 236,754
Adjusted EBITDA Margin	**44.6%**	48.7%
Weighted average number of shares outstanding		
Basic	**280,691**	279,829
Diluted	**282,977**	279,908
Earnings per share:		
Basic	**$ 0.01**	$ 0.11
Diluted	**0.01**	0.11
Adjusted earnings per share:		
Basic	**$ 0.14**	$ 0.22
Diluted	**0.13**	0.22

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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 on interest rate caps not designated as hedging instruments.

(c) Represents (i) certain direct and incremental costs related to the acquisitions of RCA and BioScience Labs 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.

(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 acquisitions, operating structure realignment and other process enhancement projects.

(e) Represents 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. The three months ended March 31, 2023 includes a $1.0 million cancellation fee received from a tenant in connection with the termination of an office space lease at the Nordion facility.

(f) Represents litigation and other professional fees associated with our EO sterilization facilities. This amount also includes $2.3 million of interest expense, net associated with Term Loan B that was issued to finance the $408.0 million cost to settle 880+ pending and threatened EO claims against the Defendant Subsidiaries in Illinois under Settlement Agreements entered into on March 28, 2023, subject to substantially all of the plaintiffs providing opt-in consents to their individual settlement allocations and dismissing their claims with prejudice.

(g) Represents non-cash accretion of asset retirement obligations related to Co-60 and gamma 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.

(h) Represents non-recurring costs associated with the COVID-19 pandemic, including incremental costs to implement workplace health and safety measures.

(i) 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.

(j) The three months ended March 31, 2023 excludes $2.3 million of interest expense, net on Term Loan B attributable to the loan proceeds that will be used to fund the $408.0 million Illinois EO litigation settlement. The three months ended March 31, 2022 excludes a $6.3 million net increase in the fair value of interest rate derivatives not designated as hedging instruments recorded to interest expense.

(k) Includes depreciation of Co-60 held at gamma irradiation sites.

(l) Represents the difference between income tax provision or benefit as determined under U.S. GAAP and the income tax provision or benefit associated with pre-tax adjustments described in footnote (i).

(m) $22.9 million and $19.8 million of the adjustments for the three months ended March 31, 2023 and 2022, 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)

	Twelve Months Ended March 31, 2023	Twelve Months Ended December 31, 2022
Net income	**$ (261,369)**	$ (233,570)
Amortization of intangible assets	**81,979**	81,554
Share-based compensation[(a)]	**24,021**	21,211
Gain on foreign currency and derivatives not designated as hedging instruments, net[(b)]	**10,237**	3,150
Acquisition and divestiture related charges, net[(c)]	**2,150**	1,398
Business optimization project expenses[(d)]	**4,656**	2,226
Plant closure expenses[(e)]	**3,164**	4,730
Impairment of investment in unconsolidated affiliate[(f)]	**9,613**	9,613
Professional services and other expenses relating to EO sterilization facilities[(g)]	**70,882**	72,639
Illinois EO litigation settlement[(h)]	**408,000**	408,000
Accretion of asset retirement obligation[(i)]	**2,246**	2,194
COVID-19 expenses[(j)]	**52**	155
Income tax benefit associated with pre-tax adjustments[(k)]	**(107,621)**	(103,081)
Adjusted Net Income	**248,010**	270,219
Interest expense, net[(l)]	**88,280**	78,490
Depreciation[(m)]	**67,064**	64,000
Income tax provision applicable to Adjusted Net Income[(n)]	**86,014**	93,540
Adjusted EBITDA[(o)]	**$ 489,368**	$ 506,249
Net Revenues	**$ 987,523**	$ 1,003,687
Adjusted EBITDA Margin	**49.6%**	50.4%

Non-GAAP Financial Measures (continued)

(a) Represents share-based compensation expense to employees and Non-Employee Directors.

(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 on interest rate caps not designated as hedging instruments.

(c) Represents (i) certain direct and incremental costs related to the acquisitions of RCA and BioScience Labs 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.

(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 acquisitions, operating structure realignment and other process enhancement projects.

(e) Represents 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. The three months ended March 31, 2023 includes a $1.0 million cancellation fee received from a tenant in connection with the termination of an office space lease at the Nordion facility.

(f) Represents an impairment charge on our equity method investment in a joint venture.

(g) Represents litigation and other professional fees associated with our EO sterilization facilities. The twelve months ended March 31, 2023 also includes $2.3 million of interest expense, net associated with Term Loan B that was issued to finance the $408.0 million cost to settle 880+ pending and threatened EO claims against the Defendant Subsidiaries in Illinois under Settlement Agreements entered into on March 28, 2023, subject to substantially all of the plaintiffs providing opt-in consents to their individual settlement allocations and dismissing their claims with prejudice.

(h) Represents the cost to settle 880+ pending and threatened EO claims against the Defendant Subsidiaries in Illinois under Settlement Agreements entered into on March 28, 2023, subject to substantially all of the plaintiffs providing opt-in consents to their individual settlement allocations and dismissing their claims with prejudice.

(i) Represents non-cash accretion of asset retirement obligations related to Co-60 and gamma 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 March 31, 2023 excludes $2.3 million of interest expense, net on Term Loan B attributable to the loan proceeds that will be used to fund the $408.0 million Illinois EO litigation settlement. The twelve months ended March 31, 2023 also excludes an $8.0 million net decrease in the fair value of interest rate derivatives not designated as hedging instruments recorded to interest expense. The twelve months ended December 31, 2022 excludes a $1.7 million net decrease in the fair value of interest rate derivatives not designated as hedging instruments recorded to interest expense.

(m) Includes depreciation of Co-60 held at gamma irradiation sites.

(n) Represents the difference between income tax provision or benefit as determined under U.S. GAAP and the income tax provision or benefit associated with pre-tax adjustments described in footnote (k).

(o) $86.7 million and $83.6 million of the adjustments for the twelve months ended March 31, 2023 and December 31, 2022, 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, except Net Leverage)

	Pro Forma as of March 31,[1] 2023	As of March 31, 2023	As of December 31, 2022
Current portion of long-term debt	$ 4,031	$ 4,031	$ 197,119
Long-term debt	$ 2,222,333	$ 2,222,333	$ 1,747,115
Current portion of finance leases	8,588	8,588	1,722
Finance leases less current portion	61,735	61,735	56,955
Total Debt	2,296,687	2,296,687	2,002,911
Less: cash and cash equivalents	(239,948)	(647,948)	(395,214)
Total Net Debt	$ 2,056,739	$ 1,648,739	$ 1,607,697
Adjusted EBITDA[2]	$ 489,368	$ 489,368	$ 506,249
Net Leverage	4.2x	3.4x	3.2x

(1) Pro Forma adjustment removes $408M associated with Illinois EO Settlement from cash and cash equivalents.
(2) This is a non-GAAP financial measure. Please refer to Non-GAAP Financial Measures provided in the Appendix.

Sotera Health

Non-GAAP Financial Measures Definitions

- We define Adjusted Net Income as net income (loss) before amortization and certain other adjustments that we do not consider in our evaluation of our ongoing operating performance from period to period.
- We define Adjusted EBITDA as Adjusted Net Income before interest expense, depreciation (including depreciation of Co-60 used in our operations) and income tax provision applicable to Adjusted Net Income.
- Adjusted EBITDA Margin is equal to Adjusted EBITDA divided by net revenues.
- We define Adjusted EPS as Adjusted Net Income divided by the weighted average number of diluted shares outstanding.
- Net Debt is equal to our total debt, plus unamortized debt issuance costs and debt discounts, less cash and cash equivalents.
- Net Leverage Ratio is equal to Net Debt divided by Adjusted EBITDA.
- 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.

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