

**SHARPS**  
Compliance Corp.  
NASDAQ: SMED

## Investor Presentation

May 2012

**David P. Tusa**

*Chief Executive Officer  
and President*

**Diana P. Diaz**

*Vice President and  
Chief Financial Officer*



# Safe Harbor Statement



*These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe”, “estimate”, “anticipate”, “project” and “expect” and similar expressions are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company, conditions affecting the Company’s customers and suppliers, competitor responses to the Company’s products and services, the overall market acceptance of such products and services, the effectiveness of the Company’s strategy and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission. Consequently, such forward looking statements should be regarded as the Company’s current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.*

# Sharps Compliance

***Sharps Compliance is the country's leading environmental services provider of innovative, cost-effective mail-back solutions for medical waste and unused medications.***

NASDAQ: SMED

Market capitalization \$60.0 million

Recent price \$3.95

52-week range \$4.98 - \$2.66

Avg. daily trading volume 36,968  
(3 mos.)

Fiscal Year-End

Total shares outstanding

Ownership:

• Institutional

• Insider

June 30

15.2 million

17%

16%

Market data as of May 11, 2012, ownership as of most recent filing

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Compliance, Inc.

# Capitalizing on Major National Challenges

- Three health care system challenges arising from aging and growing population:



- increase in medical waste generated outside of the hospital setting



- increase in dispensed pharmaceuticals going unused



- rising health care costs combined with increased regulatory requirements

# Growing Volume of Medical Waste...

## ...Requires an Innovative Solution

- Estimated 7.8 billion used syringes annually disposed of outside of the hospital setting<sup>(1)</sup> requires over 80 million mail-backs per year
- Tripled since 2001<sup>(1)</sup>
- 13.5 million self-injectors<sup>(1)</sup>
- Creates danger for self-injectors, families, and communities



***\$2 Billion Unregulated Market Opportunity***

(1) Source: Human Capital Management Services Group

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# Water Supply Contamination...

## ...Requires an Innovative Solution

- 40% of dispensed medications from 4 billion prescriptions go unused annually; creates an estimated 200 million pounds of medications that go unused each year <sup>(1)</sup>
- Improperly disposed medications infiltrate water supply in a way that is untreatable

***\$1 Billion Unregulated Market Opportunity***



(1) Source: Associated Press Investigative Report

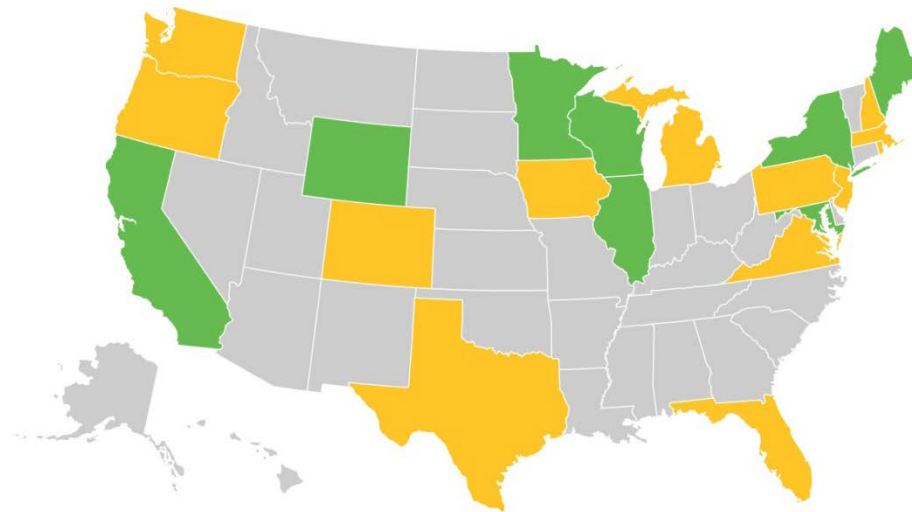
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# Legislative Mandates

## Unused Medication Disposal Legislation

- Proposed or enacted legislation covers 65% of the U.S. population (29 states plus D.C.)



■ States which introduced legislation

■ States with legislation in place

Sources: [www.statescape.com](http://www.statescape.com); individual state websites 08.26.11

# Rising Costs for Health Care Providers

## Addressing the Professional Market and the Changing Health Care Delivery System

- Health care providers looking for ways to reduce costs
- Decentralization of health care delivery
- Aging population requires more services, such as home health care, assisted living, and medications for chronic conditions



***\$800 Million Regulated Market Opportunity***



(1) Source: Centers for Disease Control and Prevention


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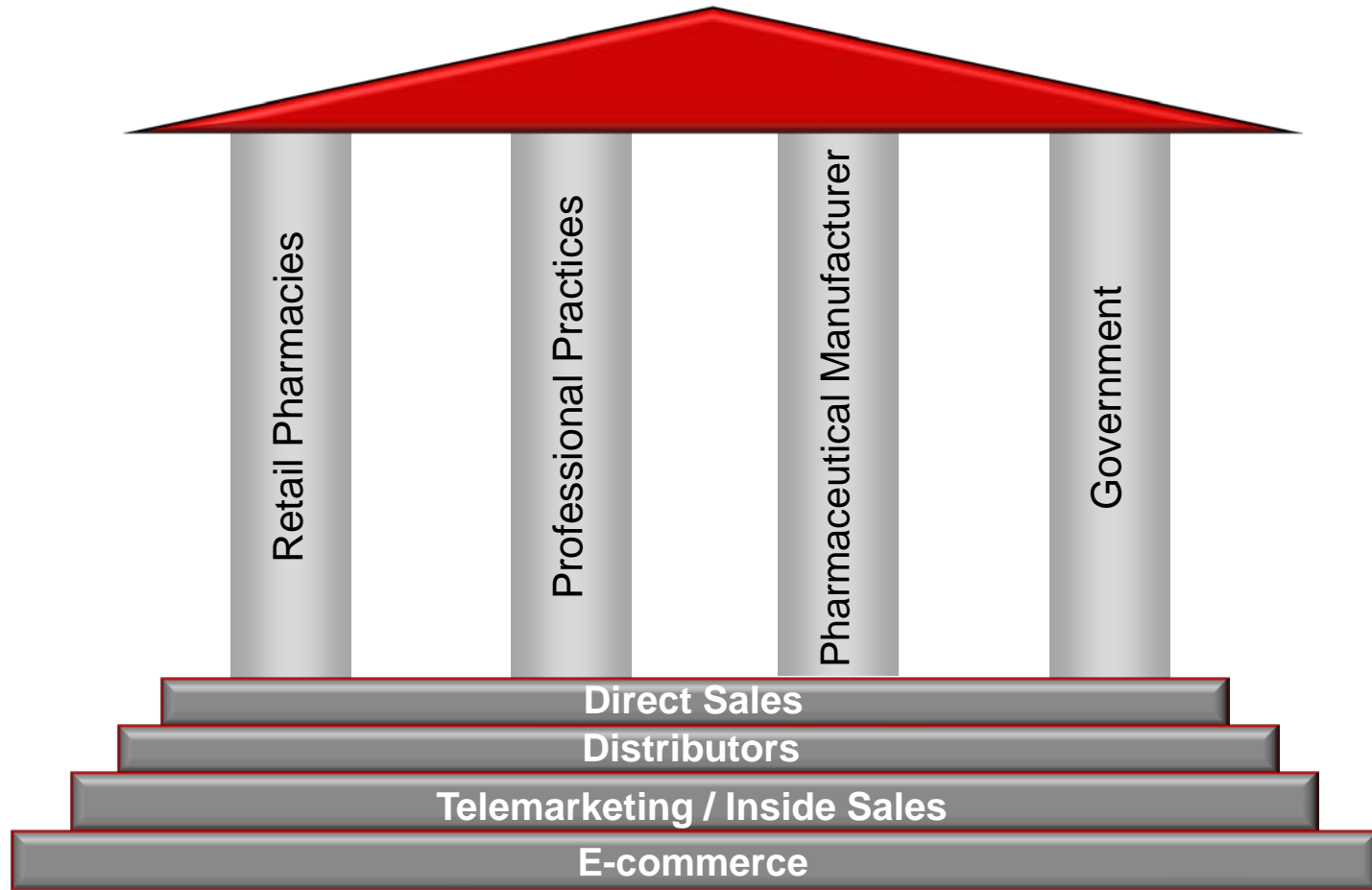
# Growth Strategy



*to penetrate the \$3.8 billion market opportunity*

- 
- **Leverage our leadership position**
  - **Develop innovative solutions to address national challenges**
  - **Target four key markets**

# Targeted Market Approach

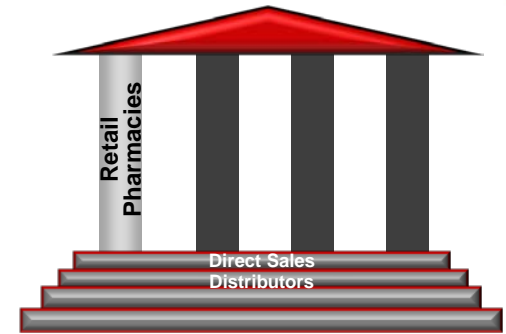


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# Major Customer Relationships

Walgreens

RediClinic

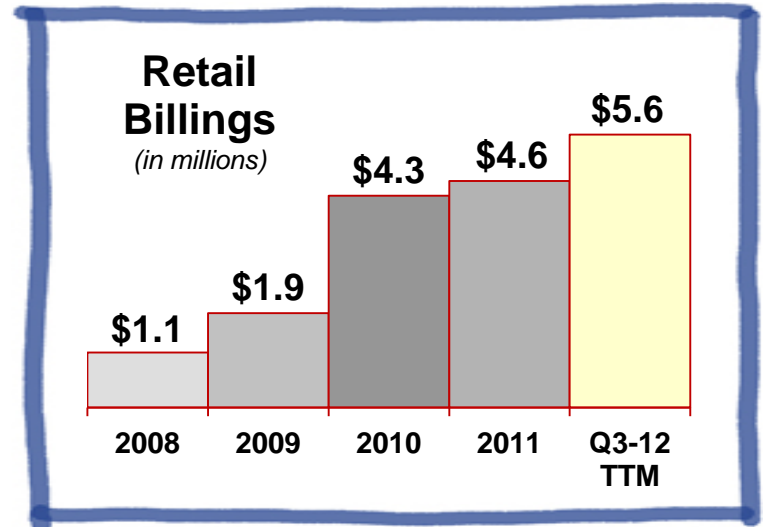


**Sharps Recovery System™**  
needles and syringes

***\$50 Million Flu Shot Market Opportunity***

**TakeAway Environmental Return System™**  
unused disposed medication

***\$40 Million Market Opportunity  
for TakeAway envelopes***



Expanding from business-to-business  business-to-consumer  
via relationships with retailers and innovative programs

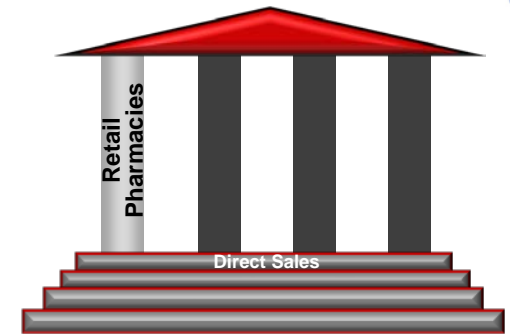
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# Unique Promotional Program

*Walgreens*

- Consumer focused
- Subsidized by sponsors
- Pull through drivers: Consumer Behavior  
– self injector awareness



***\$25 to \$40 Million Market Opportunity for Complete Needle™***

With 10% to 15% of self-injectors using Complete Needle™



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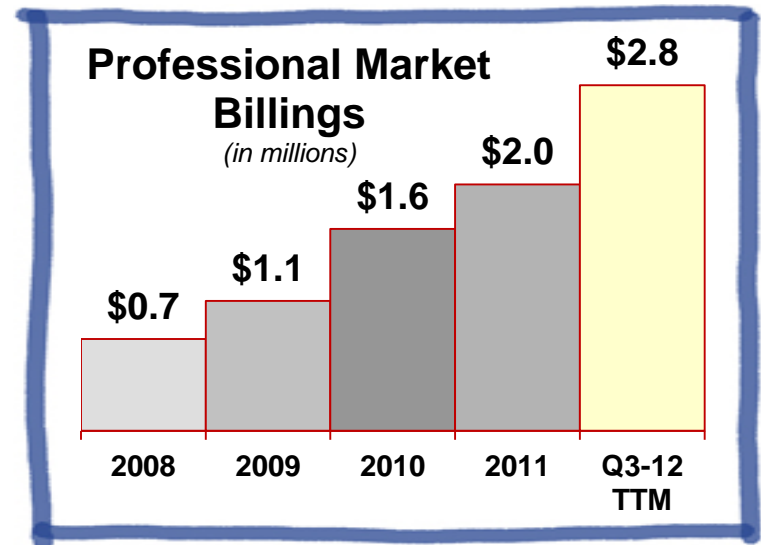
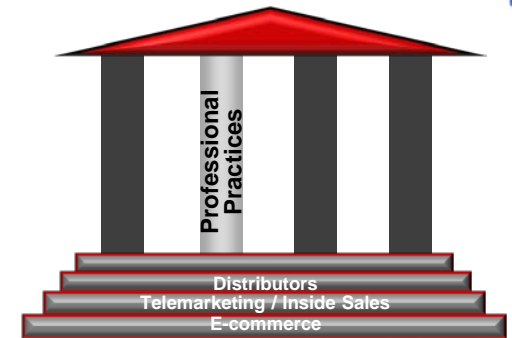
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# Market With the Lowest Cost Solution

## Sharps Recovery System™

- Support the proper disposal of medical waste generated in physician, dental, veterinarian and other service-related practices
- Regulated industry: requires proper disposal
- Estimated 800,000 professional offices across the U.S.

***\$600 Million Market Opportunity***



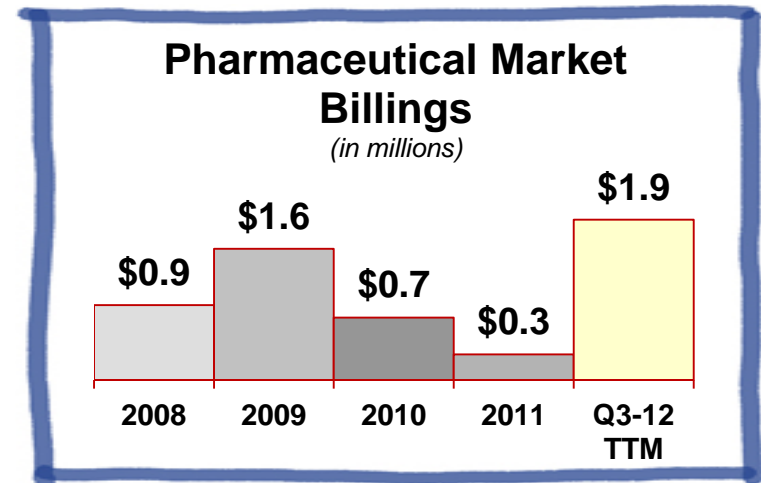
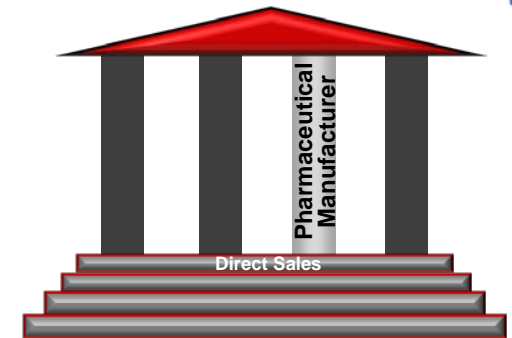
# Creating Solutions

## What they need

- Product differentiation
- Improved interaction with patients
- Touch points with patients
- Improved therapy outcomes

## What we offer

- Our solutions provide the tools to satisfy the needs of the pharmaceutical manufacturers



- Launched three new programs from Sept 2011 thru December 2012
- Combined value of more than \$3 million annually

# Driving New Behaviors

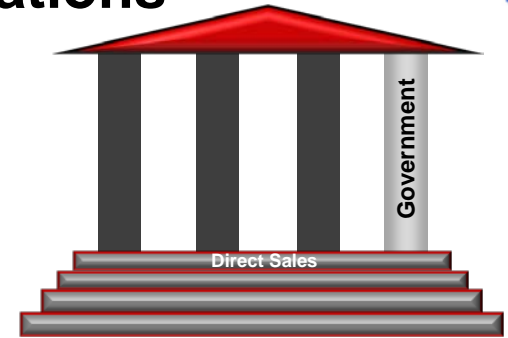
## Around Medical Waste and Unused Medications

### Sharps Recovery System™ & TakeAway Environmental Return System™

*U.S. Department of Veterans Affairs*

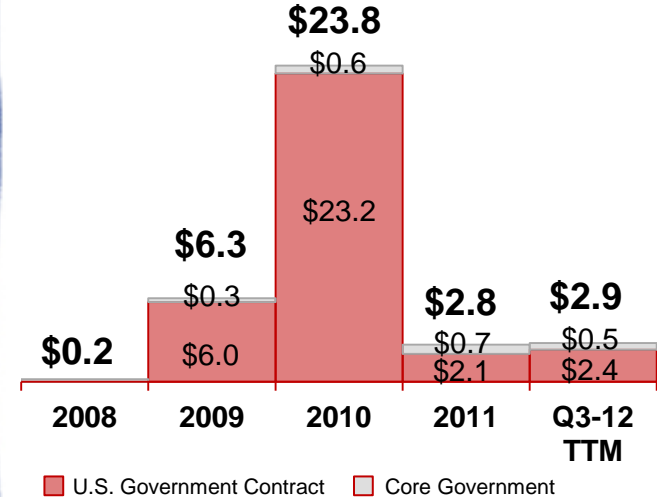
- Innovative pilot program
- VA evaluating broad roll-out program to make solutions available across all regions and 5.5 million veterans

***\$20 to 30 Million Estimated Market Opportunity***



### Core Government Billings

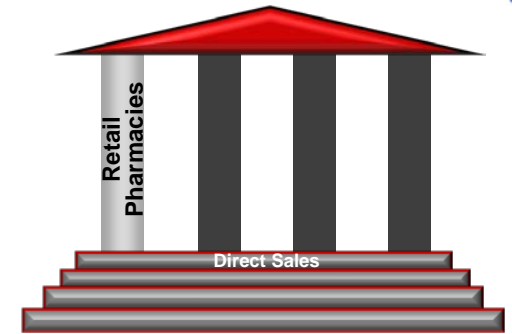
(in millions)



# Unique Promotional Program

*Walgreens*

- Consumer focused
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- Pull through drivers: Consumer Behavior  
– self injector awareness



***\$25 to \$40 Million Market Opportunity for Complete Needle™***

With 10% to 15% of self-injectors using Complete Needle™



Expanding from business-to-business  business-to-consumer  
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# Innovative Solutions...

... for the Retail Pharmacy Market



... for the Professional Market



... for the Pharmaceutical Market



... for regulatory compliant tracking and proof of receipt and treatment



See supplemental slides for descriptions of solution offerings

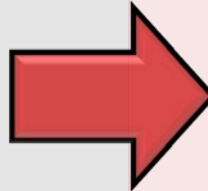
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# Fully-Integrated Solutions Provider



## Vertical Integration:

**manufacturing**  
**assembly**  
**distribution**  
**treatment**  
**online tracking**  
**customer reporting**  
**regulatory expertise**



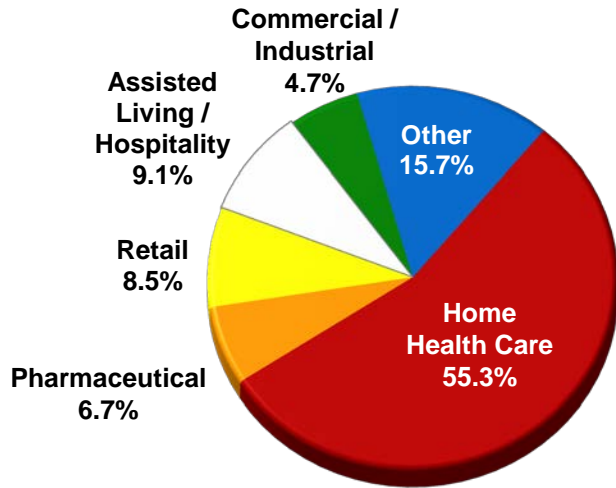
**Barriers to Entry**  
**Unique solutions**  
**Large addressable market**



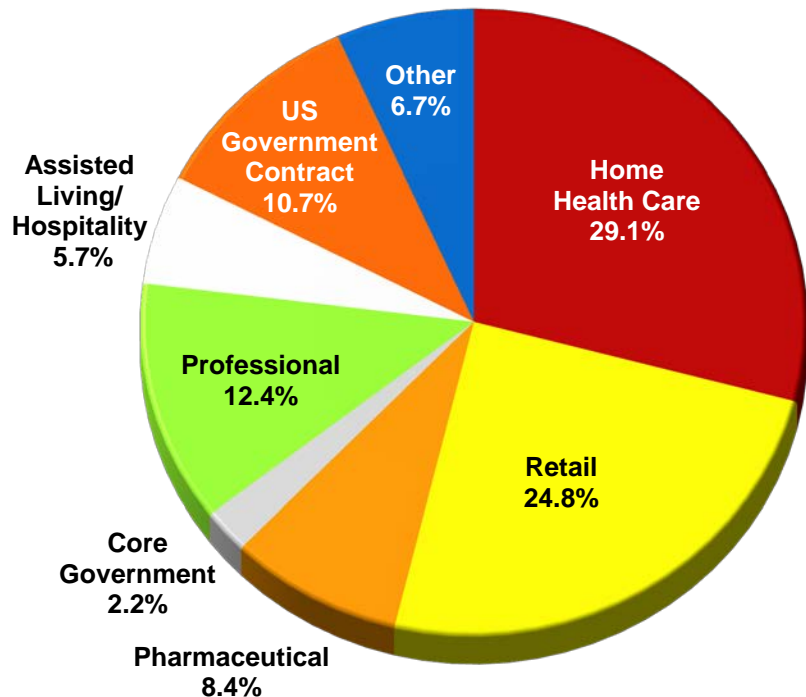
## Financial Highlights

# Growth and Diversity

**FY 2008 Billings**  
**\$13.2 million**



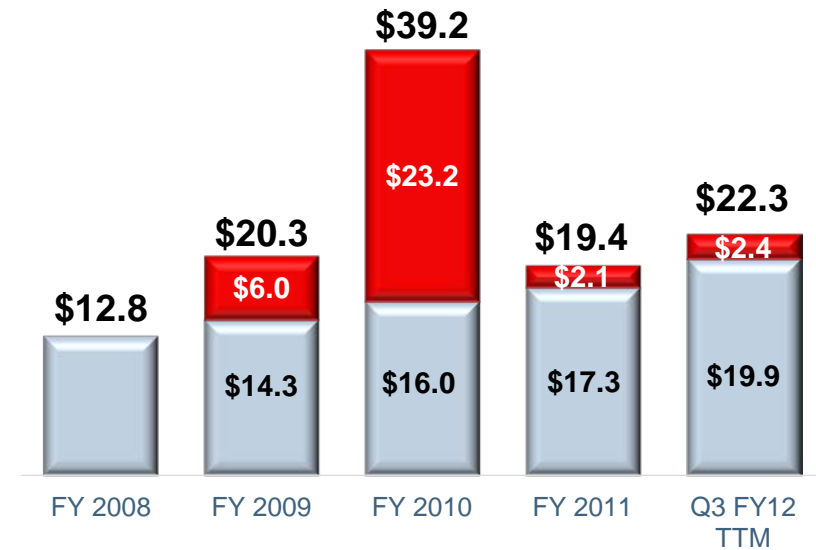
**Q3 FY 2012 TTM Billings**  
**\$22.6 million**



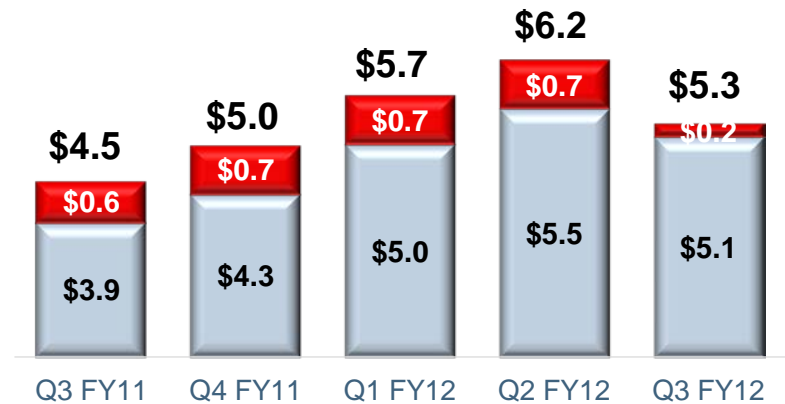
# Building Core Revenue

(\$ in millions)

## Fiscal Years



## Quarterly Trends



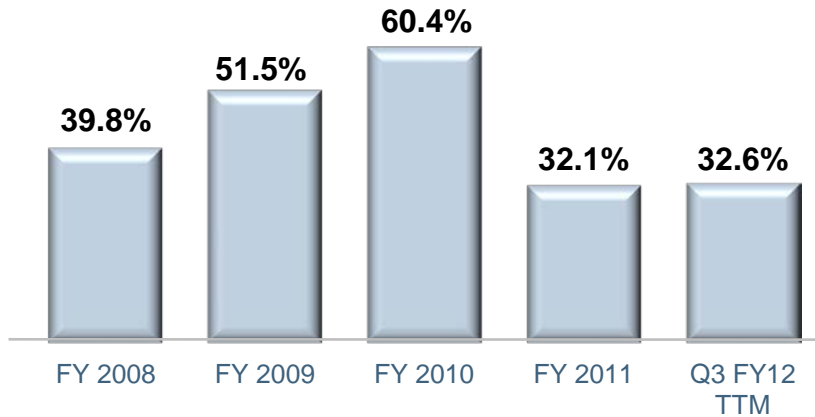
Core Business (recurring revenue markets)
  U.S. Government Contract

# Strong Operating Leverage

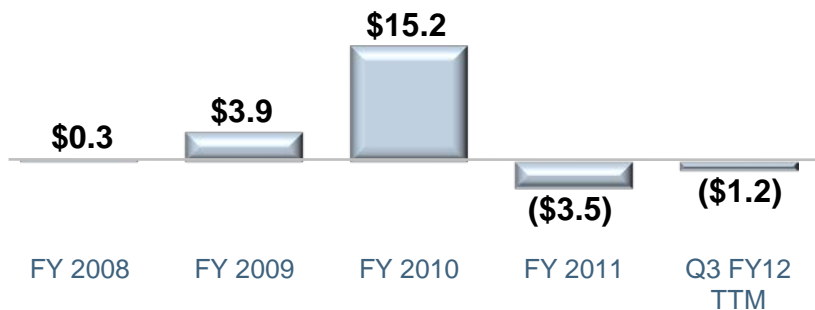
(\$ in millions)

## Fiscal Years

### Gross Margin

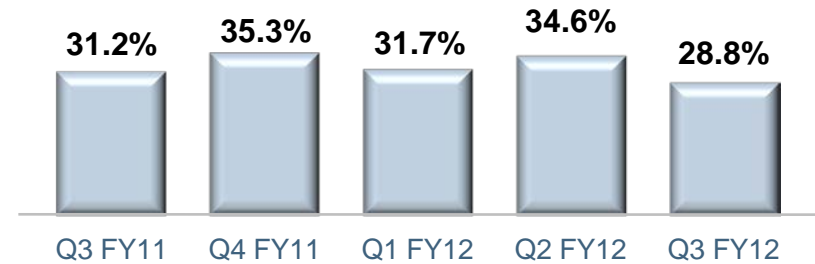


### EBITDA <sup>1</sup>

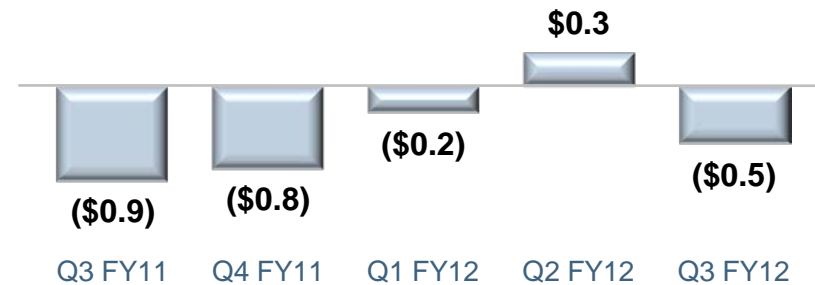


## Quarterly Trends

### Gross Margin



### EBITDA <sup>1</sup>



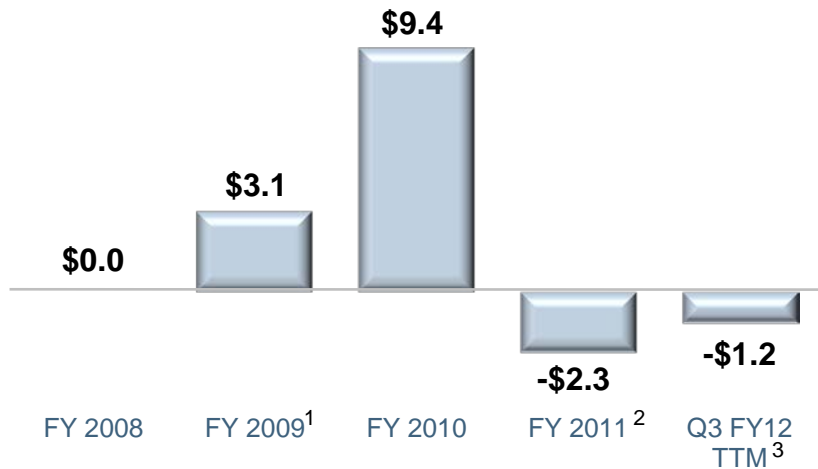
<sup>1</sup> See supplemental slides for EBITDA reconciliation and other important disclaimers regarding EBITDA.

# Investing in Growth

(\$ in millions)

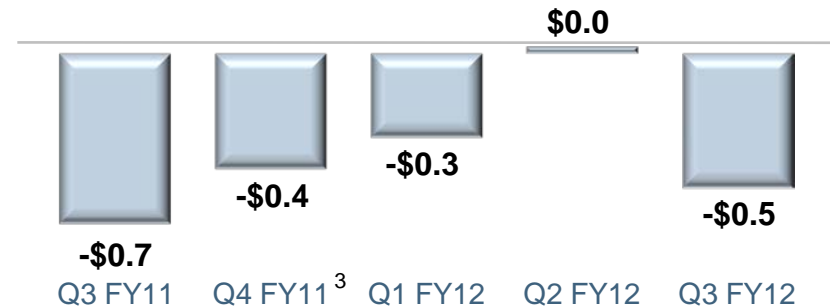
## Fiscal Years

### *Net Income*



## Quarterly Trends

### *Net Income*



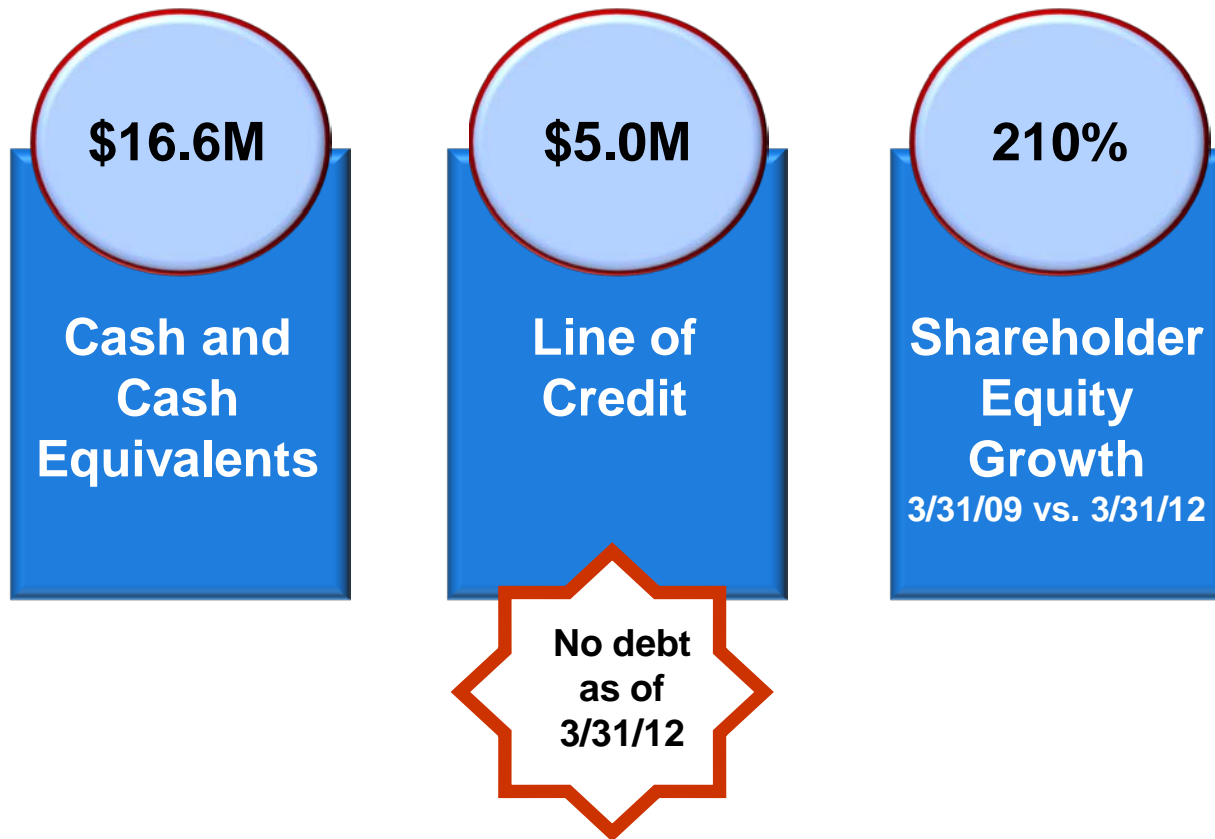
<sup>1</sup> Excludes special charge of \$512 thousand and an unusual tax benefit of \$1.8 million.

<sup>2</sup> Excludes Q1 FY 2011 special charge of \$570 thousand and Q4 FY 2011 unusual expenses of \$398 thousand.

<sup>3</sup> Excludes Q4 FY 2011 unusual expenses of \$398 thousand.

# Strong Balance Sheet: Financial Flexibility

*(As of and for the period ending March 31, 2012)*



# Capturing Opportunities - Creating Growth

- \$3.8 billion market opportunity
- First mover advantage
- Winning major customers in key markets
- Increasing state and federal regulatory drivers
- Vertically integrated full-service operations
- Highly scalable business model with operating leverage

***Sharps is on track to deliver.***

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**Diana P. Diaz**

*Vice President and  
Chief Financial Officer*





## Supplemental Information

# EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended				
	3/31/2012	12/31/2011	9/30/2011	6/30/2011	3/31/2011
<b>Net Income (loss)</b>	\$ (520)	\$ 28	\$ (325)	\$ (712)	\$ (659)
Income tax (benefit) expense	(280)	15	(176)	(281)	(445)
Interest (income) expense	(8)	(10)	(10)	(13)	(14)
Depreciation and amortization	281	278	270	252	252
<b>EBITDA</b>	<u>\$ (527)</u>	<u>\$ 311</u>	<u>\$ (241)</u>	<u>\$ (754)</u>	<u>\$ (866)</u>

	Year Ended			
	6/30/2011	6/30/2010	6/30/2009	6/30/2008
<b>Net Income (loss)</b>	\$ (2,975)	\$ 9,356	\$ 4,197	\$ 82
Income tax (benefit) expense	(1,516)	5,079	(700)	3
Interest (income) expense	(55)	(37)	(27)	(85)
Depreciation and amortization	1,003	796	418	266
<b>EBITDA</b>	<u>\$ (3,543)</u>	<u>\$ 15,194</u>	<u>\$ 3,888</u>	<u>\$ 266</u>

The Company defines earnings before interest, taxes, depreciation and amortization ("EBITDA") as net income (loss), plus income tax (benefit) expense, interest (income) 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 (loss), net income (loss), or cash flows as determined under generally accepted accounting principles and as reported by the Company.

# Descriptions

## ➤ **Sharps Recovery System™ (formerly Sharps Disposal by Mail System®)**

A cost-effective and comprehensive solution for the containment, transportation, treatment and tracking of medical waste and used health care materials such as hypodermic needles, lancets, and other used health care materials. The solution offering is ideal for individuals who self-inject or medical facilities generating small quantities of medical waste.



## ➤ **TakeAway Environmental Return System™**

Designed for individual consumers, communities and facilities, such as pharmacies, assisted living facilities, long-term care facilities, mail-order pharmacies and correctional operations, to manage their unused dispensed medications (other than controlled substances). This solution consists of customized containment, transportation, destruction or conversion and tracking services. The Company's proprietary tracking system, MedsTracer™, is designed for tracking unused dispensed medications.



## ➤ **30-Gallon TakeAway Recovery System™**

This versatile and cost-effective method for the proper management of used health care materials, including sharps containers, eliminates the need for costly, inconvenient pick up service. Pre-loaded with six Covidien 5-Quart SharpStar™ In-Room™ Sharps Containers, the unit can accommodate up to nine containers when returning it for disposal via pre-paid UPS freight to our fully-permitted treatment facility.



# Descriptions

## ➤ Complete Needle™ Collection & Disposal System

A comprehensive solution focused on the traditional under-served home self-injector required to regularly use needles or syringes for their health and well-being, such as people with diabetes. The Complete Needle™ Collection and Disposal System is actually two offerings in one. First, the product provides the individual self-injector with a reasonably priced containment solution designed to protect self-injectors and their family members. Second, the product includes an optional disposal feature utilizing the USPS designed to protect the individual's community, solid waste workers and the environment. Our solution offers significant convenience as it utilizes the same delivery channel, the retail pharmacy, that the self-injector typically uses to obtain medications, for example insulin, and needles or syringes. Our solution is also designed to enhance the interactions between the pharmacist and the individual thereby creating counseling opportunities and possibly better treatment outcomes.



## ➤ Sharps® MWMS™ - Sharps Medical Waste Management System™

A comprehensive solution which includes an array of services and products necessary to effectively collect, store, transport, treat, document and audit medical waste and dispensed unused medications generated in a large scale or catastrophic situation. The system, which is designed for rapid deployment in emergency situations, features the Sharps Recovery System™ and TakeAway Environmental Return System™ products combined with warehousing, inventory management, training, data and other services necessary to provide a comprehensive portable solution. Sharps® MWMS™ is designed to be an integral part of governmental and commercial emergency preparedness programs for large scale or catastrophic situations such as natural disasters, pandemics, terrorist events or other national emergencies.

