



Heritage-Crystal Clean, Inc. Announces 2008 Fourth Quarter and Fiscal Year Financial Results

ELGIN, Ill., March 25, 2009 -- Heritage-Crystal Clean, Inc. (Nasdaq: HCCI), a leading provider of parts cleaning, hazardous and non-hazardous waste services to small and mid-sized customers, today announced results for the fourth quarter and fiscal year 2008, which ended January 3, 2009.

Fourth quarter highlights include:

- Sales increased 19%, to \$34.7 million, compared to \$29.2 million in the fourth quarter of fiscal 2007. The fourth quarter 2008 had an extra week of operations (as fiscal 2008 is a 53 week year) and this accounted for 4.7% of the growth.
- Same-branch sales growth was 17%, measured for the 47 branches that were in operation throughout both the fourth fiscal quarters of 2008 and 2007. At the end of the quarter we operated 54 branches, compared to 48 at the end of the fourth quarter of 2007.
- Average sales per working day increased to approximately \$430,000 compared to \$380,000 in the fourth quarter of fiscal 2007.
- Pro forma EPS (basic and diluted) decreased to \$(0.10) compared to \$0.02¹ in the fourth quarter of fiscal 2007.

The decrease in basic and diluted pro forma EPS in the fourth quarter of fiscal 2008 compared to the fourth quarter of fiscal 2007 was due to an 88% increase in total cost of sales, from \$7.6 million in the fourth quarter of fiscal 2007 to \$14.3 million in the fourth quarter of fiscal 2008. This increase was primarily due to the sharp decrease in the cost of crude oil and related commodities during the fourth quarter which caused a decline in our solvent and oil inventory values. The total cost of sales includes a \$2.8 million non-cash inventory impairment charge on that portion of the Company's solvent and oil inventory that is held for sale, reflecting the lower market value of such inventory. Total cost of sales also includes \$1.7 million of expense to reflect the lower value of the solvent inventory held for use in the Company's service programs. Had we not incurred the above two expenses, our fourth quarter 2008 pro forma net income would have been \$1.6 million and fourth quarter basic and diluted pro forma EPS would have been \$0.15.

Fiscal year 2008 highlights include:

- Sales for fiscal 2008 increased 21%, to \$108.1 million, compared to \$89.7 million in fiscal 2007. The 53rd week of sales in 2008 represented 1.5% of the growth for the year.
- Same-branch sales growth was 18%, measured for the 47 branches that were in operation throughout both fiscal 2008 and fiscal 2007. At the end of the quarter we operated 54 branches, compared to 48 at the end of the fourth quarter of 2007.

¹ Pro forma EPS is calculated as if we had been a 'C' corporation and reflects a retroactive adjustment as of the beginning of 2007 of weighted average shares outstanding to reflect the reorganization of the company that occurred in connection with our initial public offering.

- Average sales per working day increased to approximately \$420,000, compared to \$360,000 in fiscal 2007.
- Pro forma EPS (basic and diluted) for fiscal 2008 decreased to \$(0.17) compared to \$0.34² in fiscal 2007.
 - The decrease in basic and diluted pro forma EPS in fiscal 2008 compared to fiscal 2007 was in part due to higher energy costs incurred during 2008, as rising crude oil prices led to higher costs for energy-related materials such as solvent and vehicle fuel. During the first three quarters of 2008, these higher energy-related costs were somewhat offset by higher margins on our sales of reuse solvent, as we sold this product at prices that significantly exceeded the carried value of our inventory. The sharp decline in crude oil prices towards the end of 2008 led us to book significant charges to revalue our solvent and oil inventory at the lower of cost or market. One other factor in our reduced pro forma EPS was the cost of stock options issued at the time of our IPO.

Mr. Joseph Chalhoub, President and Chief Executive Officer of Heritage-Crystal Clean, Inc. commented, "We were satisfied with the 19% year-over-year sales growth delivered in the latest quarter. Even after eliminating the positive impact of the 53rd week, revenue was still up 14% compared to the same quarter in 2007. However, because some of our services (such as containerized waste disposal) may lag trends in the general economy, we don't believe that these results yet reflect the complete impact of the U.S. recession on our business, and our sales growth will likely fall to the single digits in coming quarters. We are pleased that we were essentially debt free at the end of the year, and in the current economic environment this provides HCCI with substantial flexibility for our business."

Mr. Greg Ray, CFO and VP of Business Management, stated, "For the fourth quarter of 2008, the sharp decline in crude oil and commodity prices accounted for the decrease in profits compared to the same quarter of 2007. During the latest quarter, our pre-tax loss was \$1.7 million, and this included \$4.5 million of inventory impairment and reduced solvent value; excluding these charges we would have recorded a pre-tax profit for the quarter of \$2.8 million. This may be compared to the fourth quarter of 2007, when we had pre-tax income of \$1.2 million after recording an expense of \$0.9 million for an independent investigation. Due to time lags inherent in our supply chain, we may need to record further non-cash charges to adjust solvent inventory values in the first half of 2009. We expect that if crude oil prices remain at current levels, the reduced costs we are experiencing for solvent and fuel should eventually enable us to regain profit margins in our business."

Safe Harbor Statement

All references to the "Company," "we," "our," and "us" refer to Heritage-Crystal Clean, Inc., and its subsidiaries.

This release contains forward-looking statements that are based upon current management expectations. Generally, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," "will be," "will continue," "will likely result," "would" and similar expressions identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others: our ability to comply with the extensive environmental, health and safety and employment laws and regulations that our Company is subject to; changes in environmental laws that affect our business model; competition; claims relating to our handling of hazardous substances; the limited demand for our used solvent; our dependency on key employees; our ability to effectively manage our extended network of branch locations; warranty expense and liability claims; personal injury litigation; dependency of suppliers; economic conditions including the current recession and financial crisis, and downturns in the business cycles of automotive repair shops, industrial manufacturing business and small businesses in general; increased solvent, fuel and energy costs and volatility in the price of crude oil; the control of The Heritage Group over our Company; and the risks identified in our filings with the Securities and Exchange Commission, including our Registration Statement on Form S-1 and our other SEC filings. Given these uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. We assume no

² Pro forma EPS is calculated as if we had been a 'C' corporation and reflects a retroactive adjustment as of the beginning of 2007 of weighted average shares outstanding to reflect the reorganization of the company that occurred in connection with our initial public offering.

obligation to update or revise them or provide reasons why actual results may differ. The information in this release should be read in light of such risks and in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this release.

About Heritage-Crystal Clean, Inc.

Heritage-Crystal Clean, Inc. provides parts cleaning, hazardous and non-hazardous waste services to small and mid-sized customers in both the manufacturing and automotive service sectors. Our service programs include parts cleaning, containerized waste management, used oil collection, and vacuum truck services. These services help our customers manage their used chemicals and liquid and solid wastes, while also helping to minimize their regulatory burdens. Our customers include businesses involved in vehicle maintenance operations, such as car dealerships, automotive repair shops, and trucking firms, as well as small manufacturers, such as metal product fabricators and printers. Heritage-Crystal Clean, Inc. is headquartered in Elgin, Illinois, and operates through more than 50 branches serving over 36,000 customer locations.

Conference Call

The Company will host a conference call on March 26, 2009 at 9:30 AM Central Time, during which management will make a brief presentation focusing on the Company's operations and financial results.

Interested parties can listen to the audio webcast available through our company website, www.crystal-clean.com/investor/, and can participate in the call by dialing (719) 325-4841.

CONTACT

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Financial Statements

Heritage-Crystal Clean, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share and Par Value Amounts)
(Unaudited)

	January 3, 2009	December 29, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 327	\$ 479
Receivables:		
Trade, net of allowance for doubtful accounts of \$616 and \$1,130 at January 3, 2009 and December 29, 2007, respectively	14,040	12,959
Trade - affiliates	331	200
Other	245	287
Total receivables	14,616	13,446
Income tax refund	1,381	-
Inventory, net	10,609	10,447
Deferred tax assets	942	-
Prepaid and other current assets	1,386	1,208
Total Current Assets	29,261	25,580
Property, plant and equipment:		
Leasehold improvements	758	692
In-service equipment	24,634	21,218
Machinery, vehicles, and equipment	11,492	10,613
Construction in progress	427	66
	37,311	32,589
Less: accumulated depreciation	(16,433)	(13,169)
Net property, plant and equipment	20,878	19,420
Deferred offering costs	-	1,276
Software and intangible assets, net of accumulated amortization of \$1,524 and \$1,071 at January 3, 2009 and December 29, 2007, respectively	1,877	1,708
Total Assets	\$ 52,016	\$ 47,984

Heritage-Crystal Clean, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share and Par Value Amounts)
(Unaudited)

	<u>January 3, 2009</u>	<u>December 29, 2007</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,227	\$ 7,126
Accounts payable - affiliates	534	132
Accrued salaries, wages, and benefits	1,920	1,560
Taxes payable	978	983
Accrued workers compensation	526	416
Other accrued expenses	876	753
Total Current Liabilities	10,061	10,970
Note payable - bank	20	22,045
Deferred tax liabilities	379	-
Total Liabilities	10,460	33,015
Commitments and contingencies		
Redeemable capital units	-	2,261
STOCKHOLDERS' EQUITY:		
Preferred members' capital	-	14,704
Common members' capital	-	368
Common stock - 15,000,000 shares authorized at \$0.01 par value, 10,680,609 shares issued and outstanding at January 3, 2009	107	-
Additional paid-in capital	42,643	-
Accumulated deficit	(1,194)	(2,364)
Total Stockholders' Equity	\$ 41,556	\$ 12,708
Total Liabilities and Stockholders' Equity	\$ 52,016	\$ 47,984

Heritage-Crystal Clean, Inc.
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Fourth Quarter Ended,		For the Fiscal Years Ended,	
	January 3, 2009	December 29, 2007	January 3, 2009	December 29, 2007
Sales	\$ 34,661	\$ 29,193	\$ 108,143	\$ 89,734
Cost of sales	11,494	7,559	29,430	22,920
Cost of sales - inventory impairment	2,778	-	2,778	2,182
Gross profit	<u>20,389</u>	<u>21,634</u>	<u>75,935</u>	<u>64,632</u>
Operating costs	16,857	14,303	53,497	43,573
Selling, general, and administrative expenses	5,179	5,702	20,220	15,583
Proceeds from contract termination	-	-	-	(3,000)
Operating income (loss)	(1,647)	1,629	2,218	8,476
Interest expense - net	13	452	408	1,408
Income (loss) before income taxes	(1,660)	1,177	1,810	7,068
Provision (benefit) for income taxes	(588)	-	2,618	-
Net income (loss)	(1,072)	1,177	(808)	7,068
Preferred return	-	520	339	1,691
Net income (loss) available to common stockholders	<u>\$ (1,072)</u>	<u>\$ 657</u>	<u>\$ (1,147)</u>	<u>\$ 5,377</u>
Net income (loss) per share available to common stockholders: basic	\$ (0.10)	\$ 0.09	\$ (0.11)	\$ 0.75
Net income (loss) per share available to common stockholders: diluted	<u>\$ (0.10)</u>	<u>\$ 0.09</u>	<u>\$ (0.11)</u>	<u>\$ 0.74</u>
Number of weighted average common shares outstanding: basic	10,679	7,182	9,985	7,178
Number of weighted average common shares outstanding: diluted	<u>10,679</u>	<u>7,242</u>	<u>9,985</u>	<u>7,229</u>
Pro forma data:				
Net income (loss)	\$ (1,072)	\$ 1,177	\$ (808)	\$ 7,068
Pro forma provision for income taxes	-	483	497	2,898
Return on preferred and mandatorily redeemable capital units	-	523	372	1,730
Pro forma net income (loss) available to common stockholders	<u>\$ (1,072)</u>	<u>\$ 171</u>	<u>\$ (1,677)</u>	<u>\$ 2,440</u>
Pro forma net income (loss) per share: basic	\$ (0.10)	\$ 0.02	\$ (0.17)	\$ 0.34
Pro forma net income (loss) per share: diluted	<u>\$ (0.10)</u>	<u>\$ 0.02</u>	<u>\$ (0.17)</u>	<u>\$ 0.34</u>

Heritage-Crystal Clean, Inc.

Reconciliation of our Net Income (Loss) Determined in Accordance to GAAP to Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) (Unaudited)

	Fourth Quarter Ended, (Dollars in thousands)		For the Fiscal Years Ended, (Dollars in thousands)	
	January 3, 2009	December 29, 2007	January 3, 2009	December 29, 2007
Net income (loss)	\$ (1,072)	\$ 1,177 ^(a)	\$ (808)	\$ 7,068 ^(a)
Interest expense - net	13	452	408	1,408
Provision (benefit) for income taxes	(588)	-	2,618	-
Depreciation and amortization	1,189	956	3,630	2,874
EBITDA(b)	<u>\$ (458)</u>	<u>\$ 2,585</u>	<u>\$ 5,848</u>	<u>\$ 11,350</u>

(a) During fiscal year 2007, as a limited liability company, we were not subject to federal or state corporate income taxes. Therefore, net income has not given effect to taxes.

(b) EBITDA represents net income before income tax expense, interest income, interest expense, depreciation and amortization. We have presented EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by analysts, investors, our lenders and other interested parties in the evaluation of companies in our industry. Management uses EBITDA as a measurement tool for evaluating our actual operating performance compared to budget and prior periods. Other companies in our industry may calculate EBITDA differently than we do. EBITDA is not a measure of performance under GAAP and should not be considered as a substitute for net income prepared in accordance with GAAP. EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA does not reflect interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- EBITDA does not reflect tax expense or the cash requirements necessary to pay for tax obligations; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.
- We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only as a supplement.

Heritage-Crystal Clean, Inc.
Reconciliation of our Net Income (Loss) Determined in Accordance to GAAP to Adjusted Net Income
(In Thousands, Except Per Share Amounts)
(Unaudited)

	<u>January 3, 2009</u>	<u>Fourth Quarter Ended, Non-GAAP Adjustments</u>	<u>Non-GAAP Adjusted - January 3, 2009</u>
Sales	\$ 34,661	\$ -	\$ 34,661
Cost of sales	11,494	(1,678)	9,816
Cost of sales - inventory impairment	<u>2,778</u>	<u>(2,778)</u>	<u>-</u>
Gross profit	<u>20,389</u>	<u>4,456</u>	<u>24,845</u>
Operating costs	16,857	-	16,857
Selling, general, and administrative expenses	5,179	-	5,179
Proceeds from contract termination	-	-	-
Operating income (loss)	<u>(1,647)</u>	<u>4,456</u>	<u>2,809</u>
Interest expense - net	<u>13</u>	<u>0</u>	<u>13</u>
Income (loss) before income taxes	(1,660)	4,456	2,796
Provision (benefit) for income taxes	<u>(588)</u>	<u>1,776</u>	<u>1,188</u>
Net income (loss)	<u>(1,072)</u>	<u>2,680</u>	<u>1,608</u>
Preferred return	-	-	-
Net income (loss) available to common stockholders	<u>\$ (1,072)</u>	<u>\$ 2,680</u>	<u>\$ 1,608</u>
Net income (loss) per share available to common stockholders: basic & diluted	<u>\$ (0.10)</u>	<u>\$ 0.25</u>	<u>\$ 0.15</u>
Number of weighted average common shares outstanding: basic	10,679	10,679	10,679
Number of weighted average common shares outstanding: diluted	<u>10,679</u>	<u>10,820</u>	<u>10,820</u>
Pro forma data:			
Net income (loss)	\$ (1,072)	\$ 2,680	\$ 1,608
Pro forma provision for income taxes	-	-	-
Return on preferred and mandatorily redeemable capital units	-	-	-
Pro forma net income (loss) available to common stockholders	<u>\$ (1,072)</u>	<u>\$ 2,680</u>	<u>\$ 1,608</u>
Pro forma net income (loss) per share: basic & diluted	<u>\$ (0.10)</u>	<u>\$ 0.25</u>	<u>\$ 0.15</u>