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# Waste Management, Inc. (WM)

Q4 2025 Earnings Call

## CORPORATE PARTICIPANTS

### Ed Egl

*Vice President-Investor Relations & Financial Analysis, Waste Management, Inc.*

### James C. Fish, Jr.

*Chief Executive Officer & Director, Waste Management, Inc.*

### John J. Morris

*President & Chief Operating Officer, Waste Management, Inc.*

### David L. Reed

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

### Tara J. Hemmer

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

## OTHER PARTICIPANTS

### Sabahat Khan

*Analyst, RBC Dominion Securities, Inc.*

### Bryan Burgmeier

*Analyst, Citigroup Global Markets, Inc.*

### Trevor Romeo

*Analyst, William Blair & Co. LLC*

### Patrick Tyler Brown

*Analyst, Raymond James & Associates, Inc.*

### Toni Kaplan

*Analyst, Morgan Stanley & Co. LLC*

### Faiza Alwy

*Analyst, Deutsche Bank Securities, Inc.*

### Adam Bubes

*Analyst, Goldman Sachs & Co. LLC*

### Noah Kaye

*Analyst, Oppenheimer & Co., Inc.*

### James Schumm

*Analyst, TD Cowen and Company*

### Jerry Revich

*Analyst, Wells Fargo Securities LLC*

### Konark Gupta

*Analyst, Scotia Capital*

### Seth Weber

*Analyst, BNP Paribas Securities Corp.*

### Shlomo H. Rosenbaum

*Analyst, Stifel, Nicolaus & Co., Inc.*

### Tobey Sommer

*Analyst, Truist Securities, Inc.*

### William Grippin

*Analyst, Barclays Capital, Inc.*

### Tami Zakaria

*Analyst, JPMorgan Securities LLC*

### Alexander Augimeri

*Analyst, CIBC World Markets, Inc.*

### Stephanie Moore

*Analyst, Jefferies LLC*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, and thank you for standing by. Welcome to the WM Fourth Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please note that today's conference is being recorded.

I will now hand the conference over to your speaker host, Ed Egl, Vice President of Investor Relations. Please go ahead.

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### Ed Egl

*Vice President-Investor Relations & Financial Analysis, Waste Management, Inc.*

Thank you, Olivia. Good morning, everyone, and thank you for joining us for our fourth quarter and full year 2025 earnings conference call. With me this morning are, Jim Fish, Chief Executive Officer; John Morris, President and Chief Operating Officer, and David Reed, Executive Vice President and Chief Financial Officer. You'll hear prepared comments from each of them today. Jim will cover high level financials and provide a strategic update. John will cover our operating overview and David will cover the details of the financials.

Before we get started, please note that we have filed a Form 8-K that includes the earnings press release and is available on our website at [www.wm.com](http://www.wm.com). The Form 8-K, the press release, and the schedules in the press release include important information.

During the call, you will hear forward-looking statements, which are based on current expectations, projections or opinions about future periods. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties are discussed in today's press release and in our filings with the SEC, including the most recent Form 10-K and Form 10-Qs.

John will discuss our results in the area of volume, which, unless stated otherwise, are more specifically references to internal revenue growth or IRG from volume. During the call, Jim, John and David will discuss operating EBITDA, which is income from operations before depreciation, depletion and amortization. References to the Legacy Business are total WM results excluding the Healthcare Solutions segment.

Any comparisons, unless otherwise stated will be with the prior-year period. Net income, EPS, income from operations and margin, operating EBITDA and margin, operating expense and margin, and SG&A expense and margin have been adjusted to enhance comparability by excluding certain items that management believes do not reflect our fundamental business performance or results of operations.

These adjusted measures, in addition to free cash flow are non-GAAP measures. Please refer to the earnings press release and tables, which can be found on the company's website at [www.wm.com](http://www.wm.com), for reconciliations to the most comparable GAAP measures and additional information about our use of non-GAAP measures.

This call is being recorded and will be available 24 hours a day, beginning approximately 1:00 PM Eastern time today. To hear a replay of the call, access the WM website at [www.investors.wm.com](http://www.investors.wm.com).

Time-sensitive information provided during today's call, which is occurring on January 29, 2026 may no longer be accurate at the time of a replay. Any redistribution, retransmission or rebroadcast of this call in any form without the expressed written consent of WM is prohibited.

Now, I'll turn the call over to WM's CEO, Jim Fish.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

Okay. Thanks, Ed, and thank you all for joining us. We're pleased to report another year of outstanding results in 2025, including a record performance in operating expenses as a percent of revenue. This performance, combined with our disciplined approach to pricing, drove full year operating EBITDA margin 150 basis points higher in the Legacy Business.

Strong operational performance translated to double-digit growth in cash flow from operations, and nearly 27% growth in free cash flow. Our results highlight the strength and momentum we built in our business model through operational excellence, scaling sustainability businesses, and integration of Healthcare Solutions.

You've heard me talk about the strength of our Collection and Disposal business with our differentiated assets and the best people in the industry. All of these were on display in 2025, as we drove our best ever operating leverage in our Collection and Disposal business, reflecting the intentional investments we've made in our people, technology and fleet. Better front-line retention and a decreased average age of our trucks delivered improvements in labor and maintenance costs.

Meanwhile, we continue to drive organic revenue growth from both price and volume. By using data and analytics, we're offering pricing that reflects the premium value of our service, our leading commitment to environmental sustainability, and the strength of our asset network. It's our unmatched network, particularly our transfer and disposal assets that drove volume growth in 2025, more than offsetting the residential volume declines as we shed some low-margin business.

In our Healthcare Solutions business, 2025 was a year of teamwork, focus and execution to build momentum to our integration. Our service delivery metrics and customer service scores have improved to levels above our Legacy Business. Customer call volume has been trending down, and the standardization and enhancement of customer-facing processes and invoices are all leading to rising customer satisfaction.

Just last week, we received an acknowledgement from one of our largest Healthcare Solutions customers for the improvements we've made on invoicing, which is a great indicator of the significant progress we've made in the last year in our systems and back office processes.

At the same time, we continue to significantly reduce SG&A and operating costs, streamline our operations, and greatly improve asset efficiencies. While there's still work to do, progress we've made to-date puts us in a good position to grow the earnings and cash flow from this business with a lean and efficient cost structure, a healthy pricing environment, and new opportunities for volume growth through both cross-selling and market share expansion.

On the sustainability front, we drove notable strategic expansion in our sustainability businesses. We commissioned seven new renewable natural gas facilities, expanding our renewable energy network and further positioning WM as a leader in environmental sustainability.

We completed automation upgrades at five recycling facilities and added facilities in four new markets, which are enhancing the performance of our recycling network and creating new opportunities with customers.

The value of our recycling investments is clear, particularly when you consider our recycling segment delivered over 22% operating EBITDA growth, despite nearly 20% lower commodity prices in 2025. This combination of operational excellence and strategic investment across our business has produced record margin performance and accelerated cash generation. As we enter 2026, we're well-positioned to convert more of our earnings into long-term shareholder value.

Turning to our outlook, we expect continued strong growth in the year ahead. Our guidance is for operating EBITDA growth of 6.2% at the midpoint, or 7.4% when you normalize for wildfire clean up volumes in 2025. Free cash flow is expected to grow nearly 30% at the midpoint, reflecting structural earnings strength and the benefit of our investments.

As announced in December, our board approved a 14.5% increase in the planned quarterly dividend rate in 2026. Our 23rd consecutive year of dividend growth. We also authorized a new \$3 billion share repurchase program. We plan to return about \$3.5 billion to shareholders through dividends and share repurchases in 2026, representing more than 90% of free cash flow we expect to generate. We will continue to balance these returns with disciplined reinvestment, tuck-in M&A and a solid investment grade credit profile.

Looking ahead, our priorities are clear. First, growing the core business by leveraging our focus on customer lifetime value, operational excellence, and network advantages. Second, capturing and maximizing returns from our investments in our recycling and renewable energy businesses. And third, driving accretive growth in healthcare solutions as we take the business from integration to scalable growth. Finally, executing our disciplined capital allocation plan to deliver compelling long-term shareholder value.

Our results reflect the hard work of our entire team, who serve our customers with pride every day. Their commitment fuels our performance and sets the foundation for the opportunities ahead. In 2026, we will build this momentum, strengthening the core, scaling our growth platforms and creating meaningful value for all our stakeholders. I'm incredibly proud of what we've accomplished and excited for what's ahead.

And with that, I'll turn the call over to John to provide more detail on our operational performance.

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## John J. Morris

*President & Chief Operating Officer, Waste Management, Inc.*

Thanks, Jim, and good morning. WM delivered another fantastic quarter to close 2025, driven by disciplined pricing and continued cost efficiencies across the business. In the fourth quarter, operating EBITDA in our Collection and Disposal business grew more than 8% and operating EBITDA margin expanded by 160 basis points, supported by a strong execution and the ongoing benefits of automation and technology across our operations. The strength in Q4 was driven by operating expenses as a percentage of revenue, improving 180 basis points to 58.5%, marking our third consecutive quarter below 60%.

And for the full year, our cost management is just as impressive. We finished 2025 at 59.5%, which is the first time in company history that operating expenses have come in below 60% for a year, with each quarter of 2025 improving sequentially. As I said on Investor Day, we are fundamentally changing our cost structure through the investments we're making in our people, technology and processes. 2025 was the year we proved the change is real and durable, and we're well-positioned to continue capturing these benefits for years to come.

The improvement in operating costs was led by substantial improvement in repair and maintenance costs, on both a dollar basis and as a percentage of revenue, driven by operational and fleet strategies that are yielding tangible benefits.

Accelerated investments in new trucks over the last three years has improved our average fleet age, significantly reducing unplanned repairs and the need for third-party maintenance support. And at the same time, our disciplined focus on fleet optimization and a more streamlined maintenance model, increased technician productivity and reduced reliance on rental units and external services. These structural improvements were complemented by enhanced route automation and resource planning tools that lessen wear on the fleet and improve overall asset utilization.

Taken together, these initiatives reflect our strategic commitment to operational excellence and are driving sustained cost efficiencies that strengthen our performance. Our repair and maintenance costs were not the only cost category, reflecting the strength of our operating model, as we saw a similar story in labor.

In Q4, labor costs improved as we continue to see benefits from our people first culture across our frontline teams. Driver turnover reached its lowest level of the year at 15.7%, demonstrating our ability to sustain our meaningful improvements in frontline retention. We've implemented a people centric approach to onboarding, training and accountability, which is improving retention, safety and operating efficiency while also reducing overtime hours and training needs.

We also benefited from our connected truck platform, which gives leaders real time visibility into sequencing, downtime and efficiency to help reduce labor dependency while improving service reliability. It's also worth noting that our connected truck benefits are not limited to cost advantages, as the technology enables right sizing service levels, and other revenue opportunities. These people, process and technology-driven improvements extend beyond our legacy business.

And now that we've successfully integrated the healthcare solutions business into our existing field operations management structure, we expect to extend these improvements we've already seen in on time service delivery, driver turnover, asset rationalization, and network optimization. In both the legacy business and the healthcare solutions business, we are structurally lowering our labor cost base, strengthening day-to-day execution, enhancing service reliability, and delivering continued opportunities for long-term operating improvements.

Turning to the topline we delivered another quarter of strong balanced growth. Pricing continues to be a strength for us, with core price of 6.2% in the fourth quarter. Not just because of disciplined execution, but because of our strong customer focus and consistent value we provide to our customers. Our asset positioning and scale, service reliability, and the investments we've made in technology and automation differentiate our service offering, which all support our pricing. And on the volume front, we've seen notable growth in 2025, in special waste, renewable energy and recycling. In residential collection, intentional shedding moderated in the fourth quarter, and we continue to drive operating EBITDA and margin growth. We anticipate steady residential volume improvement as we move through 2026.

In closing, I'll close by thanking the entire WM team for their commitment and execution throughout 2025. We're entering 2026 with strong momentum, an optimized operating model, and clear opportunities to continue delivering value to our customers and shareholders.

And now I'll turn the call over to David to discuss our 2025 financial results and 2026 financial outlook in further detail.

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**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

Thanks, John, and good morning. Our 2025 performance demonstrates the meaningful progress we're making toward our long-term strategic goals. Operating EBITDA margin expanded 40 basis points to 30.1% for the full year, which is a result that overcame a 140 basis point margin headwind from the combined impact of the acquisition of the Healthcare Solutions business and the expiration of alternative fuel tax credits. This result significantly exceeded the margin outlook we provided at the beginning of 2025, as we outperformed our own high expectations for cost optimization in our Legacy business and synergy capture in the Healthcare Solutions Business during each quarter of the year.

Normalized for these known headwinds I just mentioned, our Legacy business delivered 180 basis points of margin expansion for the year. This was driven by 120 basis points of growth in the Collection and disposal business, from the benefits of price, cost optimization, and improved business mix, particularly growth in landfill volumes and the shedding of low margin residential business. Margin growth was also bolstered by a combined 60 basis points from lower commodity pricing in the recycling brokerage business, recycling automation benefits, the growth of our high margin renewable natural gas business, and the lower risk management cost. Cost optimization remained a central theme in 2025. SG&A expense for the Legacy business was 9.2% of revenue for the full year, a 10 basis point improvement compared to 2024, as we continued to rationalize discretionary spending.

Within Healthcare Solutions, we are making consistent progress in reducing SG&A expenses as we integrate and optimize the business. Fourth quarter 2025 Healthcare Solutions SG&A of 20.8% of revenue is a notable improvement of 350 basis points from the prior year period, and a significant step toward our long-term ambition to get the SG&A of this business in line with the rest of the company. At 10.4% for the full year, it is clear that we are on track to get total company SG&A as a percentage of revenue below 10% in short order.

Our strong execution translated into robust cash flow generation in 2025. Cash flow from operations grew more than 12% to \$6.04 billion, and free cash flow reached \$2.94 billion, an increase of nearly 27%. These results showcase our success in driving margin expansion and disciplined approach to capital investment. For the year, we spent just under \$2.6 billion on capital to support the business and \$633 million on sustainability growth investments.

In 2025, we allocated \$1.3 billion to dividends and paid down \$1 billion in debt, reaching a leverage ratio of 3.1 times. We expect to reach a leverage ratio within our targeted range of between 2.5 times and 3 times during 2026. We also invested more than \$400 million in tuck-in acquisitions to expand our traditional solid waste and recycling footprint.

Moving to the outlook. We expect operating EBITDA to be between \$8.15 billion and \$8.25 billion in 2026. This projection reflects an update to the classification of accretion expense, a change we are making to enhance the comparability with our industry peers and to better reflect operating performance. As a result, our 2026 operating EBITDA guidance excludes projected accretion expense of approximately \$150 million. Our plan calls for a typical quarterly cadence of operating EBITDA contributions across the year.

Additionally, we expect an effective tax rate of approximately 24% and a share count at the end of the year of about 402 million shares. We anticipate capital expenditures for 2026 to be between \$2.65 billion and \$2.75 billion, which is inclusive of about \$200 million directed towards high return sustainability projects.

Sustainability growth capital includes spending of about \$85 million on two recently approved renewable natural gas facilities and one new recycling growth project, each expected to be completed and to begin contributing

operating EBITDA by 2028. These projects are attractive opportunities to extend our network while bolstering WM's industry-leading return on invested capital.

In 2026, we expect free cash flow growth of nearly 30% to \$3.8 billion at the midpoint of the outlook, which drives our projected operating EBITDA to free cash flow conversion above 46%. Our guidance includes an anticipated benefit from investment tax credits of about \$110 million, which is about a \$75 million headwind from the prior year.

In closing, 2025 underscored the strength of our business model, the resilience of our operations, and the discipline with which our teams execute every day. We are proud of our progress toward our long-term strategic goals, driving margin expansion, strong cash flow generation, and continued optimization across the enterprise. I want to thank our dedicated team members whose commitment makes these results possible. As we look ahead to 2026, we are confident in our ability to sustain this momentum, to continue delivering operational excellence, and to generate long-term value for our shareholders.

With that, Livia, let's open up the lines for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Certainly, ladies and gentlemen, [Operator Instructions] And our first question coming from the line of Sabahat Khan with RBC Capital Markets. Your line is now open.

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**Sabahat Khan**

*Analyst, RBC Dominion Securities, Inc.*

Q

Great. Thanks, and good morning. Just maybe starting with sort of the topline guidance, can you maybe give us some perspective on, the industrial activity has been weak for some time. There's some views just broadly out there that the economy picks up this year. So maybe just what you've embedded in terms of the macro backdrop. Obviously, we see the sort of the directional volume and pricing commentary, but if you can just delve into what you're seeing in some of your local markets and is the industrial C&D type market picking up at all? Thanks.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah, good morning. Regarding kind of the macroeconomy, I would say that we've said for the last few quarters that we're cautiously optimistic, and I think that we stay with that. I might even remove the word cautiously. I think we're optimistic about the macroeconomy. When we look at our own internal figures, and you mentioned the industrial line of business, that's a line of business that has been pretty soft over the last couple of years. I think we've been down 3% or 4% in volume, each of the last probably seven or eight quarters. And that business actually has bounced back to almost flat.

So that's an encouraging sign for us. I think, similarly, as John mentioned in his remarks about the residential line of business, that's been negative for some time, that's been much more by design. But he also mentioned that, that is starting to come back to more of a normalized number. And we think by the time we get to kind of the back half, I think, John, of 2026, we should see that down maybe half [indiscernible] (00:22:03)...

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

Down. Yeah, half of where it is. Yeah.

A

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

So, all of those are encouraging signs. You look at the landfill line of business, that's been a source of strength for us for a number of reasons. Special waste, as John mentioned in his remarks as well, has been good. So, all of that would tell me that the economy is on pretty firm footing.

A

**Sabahat Khan**

*Analyst, RBC Dominion Securities, Inc.*

Great. And then just follow-up on the Healthcare side a little bit. Can you talk about – it sounds like the integration is largely there, but can you just talk about [ph] \$426 million (00:22:34), what you're sort of thinking on the pricing front, maybe some of the larger initiatives on the cost refinement, getting that percentage more to where you want it to be on the SG&A side? So maybe you can delve into some of the commentary you shared earlier on the initiatives for this year on the Healthcare side, and what could those margins look like sort of over the next 12, 24 months? Thanks.

Q

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

Okay. Yeah. So, a lot with Healthcare Solutions. We've made a ton of progress just in the last quarter. There's a lot going on between Q3 and Q4. Even, if you look at Q3 to Q4, there was, we talked about some lost accounts last quarter that, that would carry forward into this quarter and carry forward into 2026, and so that did in fact happen. But as I said in my remarks, we've made a ton of progress on our customer service, the customer service side of our business. In fact, the metrics that you use to measure those have actually jumped above our legacy business, which is very, very encouraging.

A

Similarly, from Q3 to Q4, we saw credit memos. We think they peaked in Q4. And as you know, those credit memos have been used to, in part, take care of some of these past due accounts that we've had. I think what I would say is we've really kind of built a wall now between all that is continuing to go on on the back office side of that business and the customer themselves, and that's a real positive. And the result of that, as we think about 2026, is going to be, I think, a better price realization. We've been getting price all along, but we just haven't realized as much of it, and a lot of that has been these credit memos that we've been giving that has offset some of that price. I think when you get into 2026, we're expecting 4.2% price in 2026. Topline is going to be 3%, and that is a reflection of those lost accounts that will anniversary, for the most part, in the back half of 2026. So that's the reason why it looks like all of our growth is coming from price. It is, in fact, coming from price, and it's due to those lost accounts.

And then when you think about the expense side of the business, John mentioned that we've rolled that in, and I think, [ph] Ralph (00:24:45), last quarter, talked about how we've rolled that business into our areas. And so, we're seeing the real benefits of that. We're seeing that what we've honed on the Legacy business over the last probably 10 years, some of it through technology, some of it through process, all of that gets brought to this routing and logistics business, which is WM Healthcare Solutions. So, we're really encouraged about what we're seeing as we roll the business into the areas.

I guess, the last thing I'll mention here is that cross-selling, which we put \$50 million in cross-selling in the EBITDA synergy number back in June of last year. And I would tell you that if I were a betting man, that I would take the over on that, because in talking to our area leaders last week, almost to a person, they were very encouraged by what they're seeing from their sales folks in terms of cross-selling. I think it's important to keep in mind that some of that cross-selling benefit, though, does show up in the Collection and Disposal line of business. Not all of it shows up necessarily in the Healthcare Solutions business.

**Sabahat Khan**

*Analyst, RBC Dominion Securities, Inc.*

Q

Great. Thanks very much. I'll pass the line.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

All right.

**Operator:** Thank you. Our next question coming from the line of Bryan Burgmeier with Citi. Your line is now open.

**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning. Thank you for taking the questions. I appreciate all the detail in the press release, really helpful. I thought that, footnote H seemed to say that, that maybe discussion on the 2027 financial targets would be put on hold for a little while. I'm not sure if I'm sort of interpreting that correctly. And if I am, maybe from a high level, can you help us understand sort of what went into that decision? I guess there have been sort of some accounting changes. It's a pretty dynamic macro environment, but just kind of hearing it in your own words would be really helpful?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

We did debate, [ph] Tony (00:26:43), whether we would get a question on footnote H, so Heather's the winner on this one. But here's what I would say about the 2027 number. On Investor Day, we gave some high-level estimates. I would – what I would say about those is that they weren't detailed guidance as we're giving today for 2026, and we will give detailed guidance on 2027 a year from now. So, I would tell you that those were estimates. They're kind of the best estimates we could make at the time. I mean, our business, typically, about as far out as we can look is 12 months. It's hard to look at things like commodity prices, 18 to 24 months out. So, those estimates, I wouldn't rely on those as guidance. I would rely on them as what they were intended, which is estimates. But I will say this about 2027, we don't see anything on the horizon that's concerning for us. And I would also say that, if there's one thing you know about us over the last number of years, the consistency of our performance has been one of our strong suits, and I think that continues going forward.

**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it, got it. Thanks for that. It's really helpful. And then, maybe just digging into the guidance for 2026 a little bit more. Maybe, John, can you give us an idea of maybe the level of margin expansion that you're looking for in Collection and Disposal this year on sort of an apples-to-apples basis? I guess it's kind of noisy with the landfill

accretion and the wildfire comps. But your thoughts on net price and maybe some key cost buckets could be quite helpful? Thank you. I'll turn it over.

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**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

**A**

Yeah. Bryan, you saw the guidance we gave in terms of yield and core price. And what we've really been focused on was really shown up well in Q4 and this year, as I mentioned in my prepared remarks, is sort of the – is the spread between price and cost, and we're continuing to expand margins, so we're really pleased.

Directly to your question, there is a little bit of noise in there. We talked about the wildfires being one of those things that really showed up in Q2, but 50 basis points on a same-store sales basis is kind of what we're targeting from a margin improvement standpoint across the portfolio.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

**A**

Don't grade me down by calling you the wrong name. I think I called you [ph] Tony (00:28:59).

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**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

**A**

Yeah.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

**A**

Thanks, Bryan, for your question.

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**Operator:** Thank you. And our next question coming from the line of Trevor Romeo with William Blair. Your line is now open.

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**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

**Q**

Good morning. Thank you for taking the questions. First one I had was maybe on the 2026 outlook for Healthcare Solutions, particularly on EBITDA, because I know you did give kind of a revenue outlook. You talked about kind of, continuing to optimize the business. I was hoping maybe you could level set how much cost synergy capture you realized in 2025, and then how much is baked in for incremental in 2026. And then along with that, how much sort of underlying growth and margin expansion you'd expect from the business, ex-synergies?

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

**A**

Yeah, there's probably a couple of us could take this one, but I'll start, and then maybe David and John can jump in. But first of all, as far as 2025 goes, we did say, at least on the SG&A synergies, we gave a range initially of 80 basis points to 100 basis points, and we finished above the top end of that. So we're encouraged by that, and that ends up being a benefit – a carryover benefits for us. Some of it is – well, it all carries over, but some of it's happened ratably throughout 2025. So, that ends up being carryover benefit for us as we come into 2026.

We – the original synergy goal of 300 basis points, and that, of course, mentioned the 50 basis points that's included in that for cross-selling, we feel very comfortable with that. I think there's a little bit of a scrambled egg

happening here with these businesses, because some of this, and I mentioned in cross-selling, some of that ends up showing up in Collection and Disposal. The same thing happens on the cost side, particularly operating cost, but also SG&A. I will say this about SG&A, which is kind of the long pole in the tent here, that David mentioned it in his remarks. But as you look at SG&A, pre-acquisition, and that's been something that Devina and I spent a ton of time on all of us. But Devina and I, in particular, were very focused on getting SG&A down. And that number, pre-acquisition, had gotten down to, I think, the third quarter of last year was – or of 2024, was 8.9%.

And as for a year, I believe 2024 was 9.4%. And then that jumped up after the acquisition to a high of 11% in Q1 of last year, of 2025. We have, through this synergy capture, have really kind of chopped away at that. It ended the year at, I believe, 10.3%. But as David said, there's a near-term pathway to getting that – continuing to get that thing down as a corporation that includes Healthcare Solutions down to below 10%. And as we've said many times, that business was running at a much higher SG&A. I think it was as high as 25% when we bought it. It has come down to 20%. I think the number that was in our synergy capture was 17%. And then, as Devina said a number of times, look, we think that there's no reason we couldn't expect that number to be down close to our own number, which is, kind of 9%. And as it gets down there, you could expect to see that SG&A number continue to come down. And then maybe, John, on the operating side?

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**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

**A**

Yeah, I would say, from a synergy perspective, cross-selling and internalization, those avenues are going very well. And as Jim mentioned, Trevor, we're seeing a good bit of the benefit right now showing up sort of in the core solid waste business. I commented on our roll-off volume last quarter being a portion of it, about 60 basis points being driven by simply taking that work and putting on WM trucks. That's not something that's going to show per se in the Healthcare segment. And like I said, in terms of internalization and other synergies we're getting out of the business, that's all going extremely well.

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**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

**Q**

Yeah. Makes sense. Okay. Thank you both for that. And then I did want to follow-up on the RNG business. I don't know if maybe Tara's on the call, but I appreciate the – I guess, the 60% of volumes contracted for 2026. That's encouraging. For the 40% of the uncontracted volumes, I think the comment in the press release was an expectation for \$24.50 per MMBtu on the pricing side. I think if you use today's spot prices, that would imply something, a decent amount higher than that, let's say. So, maybe you could just talk about that a bit. Is that kind of where you see the voluntary market right now, or is there some conservatism built in there or just thoughts on pricing?

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**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

**A**

Yeah. So, I'm here, and we're really pleased with the progress that we've made on selling a portion of our volume, a pretty significant portion, and it's a testament to how we've been managing the risk that's in this business. On the 40% that remains unsold, this is going to be the first year, if you look at it, our volume is doubling year-over-year from about [ph] 40 million MMBtu to now 21 million to 22 million-plus MMBtu (00:34:04). So, we're going to have a portion that is not allocated to our fleet that'll be sold in the voluntary market, and that's what you're seeing in there.

From RIN pricing perspective, we're anticipating RIN pricing to hold steady in that \$2.30 to \$2.40 range. So that's what it's all based on.

**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Okay. Very helpful Tara. Thank you.

Q

**Operator:** Thank you. And our next question coming from the line of Tyler Brown with Raymond James. Your line is now open.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Hey, Good morning.

Q

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

Good morning, Tyler.

A

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

Good morning.

A

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Hey, I'll reiterate, lots of good detail was in the release. But David or Tara, I just wanted to unpack the comments about the approaching \$1 billion in sustainability EBITDA by 2027. So, I think in the release, you provided a baseline now, so I think that baseline is \$300 million. And I just want to make sure that I have it right. But are you basically expecting the investments to yield, call it, slightly less than \$700 million of incremental EBITDA over the timeframe? And can we comp that to the \$760 million to \$800 million that you laid out at the Analyst Day? And if so, can we just talk about what's driving that delta?

Q

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

So, you absolutely have the parts right. And let me just take a step back on two key points. First, we're incredibly pleased with the progress on the recycling and the renewable energy investments. It bears repeating what was in Jim's script, with 18% lower commodity prices and delivering 22% higher EBITDA on the recycling business. That's a testament to what we're delivering in labor savings, in premium savings, and we've had strong volume growth, which has a halo effect with our customers.

A

And then likewise, really having a lot of momentum on the RNG business. I mentioned before that we're going to be doubling our output. What you can bridge from the \$700 million to the \$760 million is really just in two buckets. The first is a difference in recycled commodity prices. You know, what was in our Investor Day materials was \$125 a ton, and now what is in the number is \$70, which we do view as a low point. So, you can consider that there could be some upside if and when commodity prices come back. And that's over half of it.

The other piece is, if you go back to 2023, when we had come out with this broader platform, we've learned a lot. And one of the things that we've learned is that there have been some differences in operating costs primarily related to electricity costs, which is a bit of a headwind, but also in the medium- and long-term, a potential tailwind

for us because we do have a robust landfill gas to electricity platform, and that is something that we can lean into as we look at whether or not we expand those types of facilities on our landfills.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Tyler, this is kind of case in point to my earlier comment about, trying to predict things in our business way out. And that Investor Day, was the 2025 Investor Day, and you could go all the way back to the 2023 Investor Day about sustainability, just really difficult. So, we're kind of dealing with what we have at the time. And so, yes, commodity prices have dipped and hence the \$700 million. But I think it kind of makes the point for us that, as Tara said, I mean, these businesses are incredibly good investments, and the paybacks on them, particularly the renewable natural gas plants, well, I think, we originally said they were [ph] 2.5 times to 3 times, now they may be 3 times to 4 times (00:38:00), but still incredibly good paybacks. But, anything that's commodity related, as you can imagine, is just really hard to predict that far out.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Yeah. No, I just was trying to get the delta. That was extremely, extremely helpful. John Morris, question for you. So, if I look at the normal course CapEx, it looks like that CapEx number is running at less than 9.5% of sales. That just feels maybe a bit light. I realize that Stericycle is less capital intensive, so that's part of it. But is this a kind of a good, call it forward capital plan? Is there something unique in 2026 that keeps the budget down? I think you and Jim mentioned the lower fleet age, but I just want to just try to level set on where that CapEx will run longer-term? Thanks, guys.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

I think probably a little higher than that, Tyler, probably the 10-ish-percent off the cuff.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

There's a few things to mention. One, 1,500 trucks is what we said is probably normal run rate for the traditional solid waste business. And as Jim mentioned, we've been obviously catching up and advancing some of those investments, which, by the way, are clearly paying off, as I mentioned in my prepared remarks. We got – we do have some work to do on the fleet with the healthcare – on the healthcare side is because they leased virtually every one of their vehicles. So, we are systematically unwinding that where it makes sense and when it makes sense, right? So, there's a timing aspect to when we peel back some of those leases.

And then, lastly, obviously, the sustainability investments, as you saw in the release and the remarks here, is coming down by roughly \$400 million to \$200 million. So, there's some puts and takes. But back to where we started, I think that 10-ish-percent range is probably a good mile marker in terms of go forward capital.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Yeah, perfect. Okay. Thanks, guys.

**Operator:** Thank you. Our next question coming from the line of Toni Kaplan with Morgan Stanley. Your line is now open.

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks so much. I also wanted to ask about the Healthcare business. You talked about the 3% growth next year, the 4.2% pricing. It sounds like you're still having some of the issues with the Stericycle customers. You mentioned the credit memos. Do you expect all this to be resolved this year? And how are you thinking about growth in this segment for future years? And just maybe if you could talk about market conditions within the medical waste space, and if that's proceeding, how you sort of saw it when the deal was launched or when you announced the transaction, where you were talking about sort of a higher market growth for the health space?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Yes, so fair question here. And one thing I would maybe correct you on a little bit is the customer. That's why I wanted to make sure I mentioned that we're getting to and I would argue we're there, where the customer is getting a good invoice, they're getting a payable invoice. There's a lot going on behind the scenes for that, especially for the larger customers. By the way, there is a lot going on behind the scenes for our larger customers in the Legacy business, too, in our national accounts. There's a lot of manual effort that is ongoing there. But our intention was to really kind of build a wall between the back office work that is ongoing, and will be ongoing through 2026, and what the customer sees. And that's why in my remarks, I talked about the improvement in our customer service stats to levels above our Legacy business. That is all super encouraging and tells us and I think I – I mentioned that one of our customers recognized us for really improving our invoicing. That was a big customer. I didn't name the [ph] customer, the (00:41:55) big customer.

So, all of that tells me that we've done an effective job of putting that, kind of wall in place. So, the customers, they really don't care what goes on in the background as long as they're getting good service and a good invoice. And then we will take care of the system issues, we'll take care of the process issues, all of that. And that is all we're making big progress on that. It's all ongoing.

So all that's part of the ERP that we've talked about many times. It also gives us the ability to, as I mentioned, and you asked about kind of the growth of this business. Look, I would tell you this I think we said 5% to 6%, and really, as you think about what we gave for 2026, 4.2% price but only 3% top line and that negative volume piece as I mentioned, is largely related to these accounts that we've lost. And we knew we had lost them. We knew that it was going to have an impact on Q4. And we know it's going to have an impact on the first half of 2026. As we get to the back half of 2026, that actually turns into potentially a tailwind for us on a year-over-year basis.

And then the last thing I'll mention about this, so, I guess to finish that point, we do feel very good about the strategic business case for this. I know there's been some skepticism out there about, well, is this business not going to grow at the 5% to 6%? If you take out those lost accounts and you're almost there right now. So, when we get to the back half of next year and into 2027, when you look at that the pricing power that we have across the entire organization, and when you look at the fact that this business demographically – I mean, if I were to ask you, what business should you be in over the next 20 years, I would think that healthcare is one of those with this aging population in the US and in Canada and the UK. So, that has to be a beneficiary of it. So, I think my long answer is yes, we're very confident in the growth trajectory for the business, and we're also very pleased with the

progress we've made. Not done yet, but we've built this wall and the customer is now seeing a good invoice and, a good service level.

**Toni Kaplan***Analyst, Morgan Stanley & Co. LLC*

Q

Great. And just moving to, you mentioned some technology and automation improvements that you've made. When you think about 2026, which areas are you most focused on for efficiency or technology? Just anything that to highlight with level of automation that you're able to continue to do, and which areas have the most runway for that. Thanks.

**John J. Morris***President & Chief Operating Officer, Waste Management, Inc.*

A

Maybe I'll start with, and Tara can chime in on the recycling side. I think you've seen the benefits Tara commented in some of her answers about the progress we've made from the investments we've made in recycling. A lot of that has driven sort of the middle of the P&L, and that's where technology enablement and AI are paying off already. And we've made a lot of progress there. When you think about the 15,000 refuse vehicles we run, and now another, call it another 4,500 on the healthcare side, building out technology enablement as a logistics service is where you're – I think that's paying off too when you look at the margins and the OpEx in particular, and the momentum that we've built in 2024 into 2025 and into Q4, I think you're going to see that continue to carry forward into 2026.

And then lastly, on the post collection side, we've talked a lot about the value of our network and having strategically placed assets in the post collection side, whether it's transfer facilities, recycling facilities, landfill facilities, we're taking a kind of an IoT approach at our landfills to by embedding technology in those facilities. That's going to give us visibility to the operation in a much more efficient manner than we traditionally have done. And those are complex operations, as you know, so, we still see a lot of opportunity on the post collection side, particularly landfills to embed technology to really drive down operating costs there as well.

**Toni Kaplan***Analyst, Morgan Stanley & Co. LLC*

Q

Thanks.

**Operator:** Thank you. And our next question coming from the line of Faiza Alwy with Deutsche Bank. Your line is now open.

**Faiza Alwy***Analyst, Deutsche Bank Securities, Inc.*

Q

Yes. Hi. Thank you. I wanted to ask about, just volumes on the Collection and Disposal business in the fourth quarter. I thought they came in a little bit lighter relative to what we've seen. And I know we've had some, obviously special waste volumes. And I know earlier in the call, you talked about, sort of the industrial business and the macro environment there and that you're optimistic. So, I'm just curious, is there anything more to consider as it relates to Collection and Disposal volumes in the quarter relative to trend, other than just special waste?

**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah. Look, we don't talk much about weather just because we choose to make it up. I would tell you that weather impacted us in December, and likely is going to impact us this week when we get to first quarter results, but we make that up. I mean, we don't let our area folks say, well, weather impacts me. Therefore, I'm going to, be coming in under my budget. But it did impact volume a bit. As you see with the numbers, it didn't impact the overall numbers. So, we made it up on the EBITDA line. But when you think about volume, it did have a bit of an impact on volume. MSW was a bit soft, and much of that was a result of – the two lines of businesses that are most impacted negatively by weather are MSW and the industrial line of business. And so, those were clearly impacted by the weather in early December. I suspect that they'll be impacted this week, too. So that would be my answer that may have caused a little bit of softness there but it doesn't impact the EBITDA line.

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**Faiza Alwy***Analyst, Deutsche Bank Securities, Inc.*

[indiscernible] (48:01)

Q

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**John J. Morris***President & Chief Operating Officer, Waste Management, Inc.*

The only thing I'd add on there, Jim, is residential is the one that sticks out. It's been negative for a number of quarters. And I would tell you, while we see that's starting to turn into more of a growth engine in 2026, when you look at 2025, we finished the year at high-teens in EBITDA margin side and over [ph] 20 (48:16) for the quarter on residential, which has always been a high watermark for us. So, I kind of look at the volume attrition. They're a little bit different than I would the other pieces of volume. But again, I think it's important we see that. We see the teams pivoting from using that as shrinking the greatness to now growing to even better margins as we go forward in that particular line [ph] of business (48:35)

A

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**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

Well, I think it's been mentioned today, Faiza. But also, if it hasn't, we should reiterate the fact that on the volume line, when we look at 2026, we have a 50 basis points headwind on volume from that fire volume that we got last year on the West Coast. The tough part about that is that we don't look, unfortunately, natural disasters seem to be happening fairly regularly, but we don't forecast them for obvious reasons. So, right now we don't have anything built in. We have asked our field operations to figure out how to make up that. That's a tough make up because it was a pretty big headwind on volume, also a big headwind on EBITDA, \$82 million was the number from last year on the EBITDA line.

A

So, when you look at whether you look at volume, whether you look at EBITDA, you may say, well, gosh, a lot of the reports were saying a bit soft on guidance. Keep in mind that that's why I pointed out that 7.4% EBITDA growth, if you take out that one time impact from the fires unfortunately these things do happen. So something else may happen. It may not be as big. Hopefully it's not. Hopefully we don't have anything this year. But if we do, we have the assets, the geographic coverage, the people. We have all of that to take care of our customers.

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**Faiza Alwy***Analyst, Deutsche Bank Securities, Inc.*

Yeah. Understood. Makes sense. And then, I was going to ask about just the margin guide for next year and was hoping, there are a few moving pieces, in particular with the wildfires and also, I guess this is the [ph] roll end (50:06) of the sustainability projects. So, maybe you can help us a little bit around the quarterly cadence of margins at a high level and how to think about that.

Q

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Sure. I'll give you some of the components. This is David. I'd be remiss if I didn't talk just about the records that was mentioned previously, both in the quarter of 31.3% and for the full year of 30.1%, which I do think is a testament to how our team members focus and dedicate on this throughout the year. But as we look to 2026, we're calling for, our fourth consecutive year of EBITDA margin expansion of 30 basis points at the midpoint, but as Jim just alluded to, 50 basis points on an adjusted basis. The biggest contributor to that is going to be from our Collection and Disposal business.

So as we execute our pricing programs while continuing our strategies around operational excellence and leveraging our network, that's a big piece. We also have some business mix as we've alluded to, continued shedding of some lower margin residential business relative to our volume growth in the landfill line of business. And then on sustainability, there's about 30 basis points collectively of benefit in 2026 in terms of the bridge. As we bring new plants online, we've got four recycling facilities and six RNG facilities coming online in 2026. There is a modest decline in recycling commodity prices year-over-year that will have a minimal impact on margin.

And then health care solutions, as we've been discussing, will contribute to margin expansion overall for the year as we capitalize on our value capture opportunities, execute our pricing plan, continue our cross-sell effort even though that will show up most likely in the C&D business, and then continue our progress on lowering our cost structure.

And then in terms of cadence throughout the year, it's call it 47% in the first half, 53% on the back half in terms of mix but that's in line with our historical averages.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great, thank you.

**Operator:** Thank you. Our next question coming from the line of Adam Bubes with Goldman Sachs. Your line is now open.

**Adam Bubes**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Good morning.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

[ph] Hi Adam (52:24)

**Adam Bubes**

*Analyst, Goldman Sachs & Co. LLC*

Q

I just had one more follow up on margins, really impressive in the quarter. And I think if you just compare your 4Q margin, prior exit rates to where you typically ended the next year, it would sort of imply that this 4Q exit rate points to potential for better than 30 basis points of margin expansion in 2026. So just wondering, out of the 230 basis points of margin expansion in this fourth quarter, how much of that expansion was maybe more one off? I know you called out the outsized RIN sales that were going to happen this quarter.

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

I think for the most part, these are sustained initiatives that we've been executing on, and it just highlights our focus on disciplined cost management. And so we're just seeing it come to fruition. I think, as Jim alluded to with the volume, some of which we can't control, like just the ability of the business to flex accordingly in the environment that we're operating in. It allows us to maintain and sustain that margin going forward. So for most of it, I think we can carry that forward versus, a number of one offs that was idiosyncratic to the quarter.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

So I'm probably going to make his point from him here. But one thing we haven't really talked too much about is the fact that if you look at our core price for next year, 5.6%, it's a 250 basis point delta. And we typically have gotten this question. So we haven't gotten here today, but a 250 basis point delta to our forecasted cost inflation. I don't know how that measures up historically, but it's got to be one of the bigger ones for us. So I'm kind of making your point for you. But still we do think that 30 basis points is reasonable considering the 20 basis points of headwind from the fire volume. So, that's where we came out.

**Adam Bubes**

*Analyst, Goldman Sachs & Co. LLC*

Q

Terrific. And then on the landfill gas side, can you just update us on voluntary offtake discussions? I think eventually 50% of your production will go into voluntary market. So what's your confidence level that that 50% will be absorbed by those markets? And how are those discussions going?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

We're confident that we'll be able to absorb that in the voluntary market. While the US market right now is a bit softer than it had been, there are other markets that are strong, if you look at Canada, the UK and some other international markets, we're able to tap into those as well. And then still in dialogue with some larger utility companies across the US as their public utility commissions passed their rulemaking that should free up more of the voluntary market in the future.

**Adam Bubes**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks so much.

**Operator:** Thank you. Our next question coming from the line of Noah Kaye with Oppenheimer. Your line is now open.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Good morning. Thanks for taking the questions. I'm sorry to beat the margin math. Hopefully not to death here, but just I'm a little confused. So the walk here is 50 bps on an adjusted basis ex wildfires but I think you said that sustainability was maybe 30 bps benefit in the bridge. And then, I would think just with the synergies capture on healthcare and the pricing, there has to be another, 10 bps, 20 bps or so at least. So, what am I missing here? Because it seems like Collection and Disposal is going to be positive based off of what, Jim and David just said, just trying to understand what moving pieces there are that we're not accounting for.

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Yeah, there's some normalization of certain expenses in corporate and other that we've baked into the guide. Those may or may not materialize, but just we felt prudent just based on how we finish the year to adjust for that. There's also some technology costs that show up in there for the benefit of other parts of the organization. And so that's offsetting some of the points that you're highlighting.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Okay. That's helpful. Thanks. And then just a quick one on the recycling outlook. The basket was \$60 a ton in 4Q and, I think we're kind of maybe at or slightly below that. Maybe you can update us, but just the thought around the \$70 per ton outlook for 2026. Can you help us understand that?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

So 2026, the way to look at it is the first half second half story. And so exiting 2025 at \$62 a ton, what we're anticipating for the first half is in that \$60 to \$65 range. And then it ramp in the back half of the year. Why is that? Well, what we're starting to see is a little bit of green shoots on the fiber side. The headlines previously were that a lot of capacity had been taken out of the US market, which is true. That was more inefficient mill capacity. But the larger mills that remain are going to be looking for material. Some of the cloud around tariffs has been lifted. So we're anticipating that OCC prices should bounce back a bit in the back half of the year. We're not expecting any material movement on plastic pricing moving forward.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Got it. Thank you Tara. I'll leave it there.

**Operator:** Thank you. Our next question coming from the line of James Schumm with TD Cowen. Your line is now open.

**James Schumm**

*Analyst, TD Cowen and Company*

Q

Hey, good morning guys. For WM Healthcare can you give us the revenue split between document destruction and medical waste, and then maybe give some color on document destruction, profitability and whether you see this as a core business for you going forward.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

So, James, I think the answer to the question is about two thirds, one third between healthcare and the document destruction business and then, sorry, could you repeat the second part of the question?

**James Schumm**

*Analyst, TD Cowen and Company*

Q

Yeah, sure. Just in terms of like the profitability in document destruction. Any color there? I think you talked about in the past that, maybe you had an advantage here with your recycling business. Maybe you get better paper pricing, but do you see this as a core business going forward?

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yeah. I mean, first to start on the recycling side. I mean, it's interesting both of those businesses are Collection, Disposal and/or Processing Businesses. Right. And I think you heard some of that commentary from us earlier. So from that perspective, it lays nicely over whether it's on the [ph] CD (59:24) side or on the healthcare side to what we see as some of our core competencies. The commodity side of it, I mean, Tara spoke to what we're going to see from a commodity side and probably some more green shoots on the fiber side in the 2026 which certainly benefit that business.

And then when you look at the healthcare side, it is a Collection and Disposal and Processing business. And Jim gave a good bit of commentary on where we're at. I would tell you that the integration into the areas which has just occurred over the last call it, 120 days, I think is going to be a great platform for us to continue to drive some real expansion in margins now that our field leadership teams have sort of a full purview of the business at the local level, which not dissimilar to the WM core business, there's a lot of elements of this from an operating perspective that are local. So we're excited about what we're hearing from the teams. And Jim mentioned, we just had our quarterly business reviews last week and got a lot of good commentary and a lot of positive commentary on where that business is going.

**James Schumm**

*Analyst, TD Cowen and Company*

Q

Okay, great. Thanks, John. And then, Jim kind of touched on this, but Collection and Disposal core price in 2026 is expected to be like 5.6% at the midpoint, which seems very conservative off of 2025, 6.3% level. So just curious, like what was the customer churn number in Q4 and what do you see as the right number for churn? What do you do [indiscernible] (01:00:50)

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yeah, we see – we see that obviously bounce around a little bit quarter-to-quarter for a litany of different reasons but we've talked about churn being in and around that 10% range. And we're still bouncing around in that range, although it varies from quarter-to-quarter. And you've heard us comment at times it's been as low as 8% and change. It's been a little bit as high as 11%. But when you stretch the tape out, that 10%-ish churn number is kind of what we anchor on.

In terms of the price side, when [ph] you take that (01:01:17) core price and yield into the conversion, obviously that number is bounced around. It's been the high 50s to high 60s. But I think what I would point to is when we break it down by line of business and the margin profile of those businesses, what you're seeing is our operating expense under 59% in Q4, under 60% for the full year. So that's showing that we're making progress on the middle of the P&L. And then we look at that relative to, customer lifetime value, and what's the long-term perspective on pricing that we should take with each of those individual customer segments. And I think you're seeing it translates to all time high margins. I mean, Collection and Disposal business was 39%, which I think that's an all-time high as well.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Maybe one last point here on pricing, James, because you mentioned that you thought maybe 5.6% kind of conservative. Keep in mind that as CPI or some of these indexes come down, we've talked about this many times, but there is a lag in those index based price increases that we can take largely on the resi side of the business, but sometimes on other lines of business as well. And so that lag can be up to six months. And so we do expect that as CPI has come down throughout 2025, that we will see a bit of a lag there that will negatively impact 2026 pricing. So, hence the 5.6% as opposed to something in the 6's for 2025. But as John just said look, we're certainly making up for that on the margin line.

**James Schumm**

*Analyst, TD Cowen and Company*

Q

Right. Thanks a lot guys. I appreciate the answers.

**Operator:** Thank you. Our next question coming from the line of Jerry Revich with Wells Fargo Securities. Your line is now open.

**Jerry Revich**

*Analyst, Wells Fargo Securities LLC*

Q

Yes. Hi. Good morning everyone.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Hey, Jerry.

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Good morning.

**Jerry Revich**

*Analyst, Wells Fargo Securities LLC*

Q

John. I wonder if we could just go back to your prepared remarks. You mentioned some benefits from connected trucks and other tech. Can you just give us an update? Are you folks seeing an acceleration in terms of the savings that you're seeing from logistics management? And obviously, you had the session with Caterpillar at the Consumer Electronics Show. Is – are the returns from your tech investments accelerating as we head into this year?

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yeah, I think, Jerry, starting with connected truck, we've had that technology on all our commercial fleet for some time now, we've actually expanded that to the automated components of our residential business. So, we still see that there's runway there. So, we'll continue to build on that.

And I think to your point about the – I mentioned connected landfill, and in particular, the heavy equipment side, we see plenty of opportunity that we're starting to unpack with this connected landfill. There was a good bit of

detail laid out at Investor Day about what that pathway looked like going forward. So, if you think sort of late middle innings on some of the connected truck elements that you mentioned, I'd say we're in the early innings on the post-collection side and see a lot of opportunity to drive cost out of that part of the business as well.

**Jerry Revich***Analyst, Wells Fargo Securities LLC*

Q

Okay. Super. And then, from a margin standpoint, just really impressive performance over the course of 2025 even as recycling commodity prices got worse over the course of the year. David, I just want to make sure I'm not missing anything heading into the first quarter because normal seasonality and the accounting change implies that you're going to be at roughly, I don't know, 30.5% margins in the first quarter, which is typically your seasonally weakest margin quarter. So, I just want to make sure there are no moving pieces off of the really strong run rate that you folks have achieved as the year unfolded last year.

**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah, I'm kind of thinking, accretion aside, Jerry, to keep this kind of same store sales but you're right. Q1 is usually one of our softer quarters, and I don't know, off the top of my head whether that's the right number or not, feels a little bit high to me. I think it's a little lower than that but we could circle back with you to confirm.

**Jerry Revich***Analyst, Wells Fargo Securities LLC*

Q

Good. Well, nice performance with the margin revisions consistently this – in 2025. Thanks everyone.

**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

A

Thank you.

**Operator:** Thank you. Our next question coming from the line of Konark Gupta with Scotiabank. Your line is now open.

**Konark Gupta***Analyst, Scotia Capital*

Q

Thanks, everyone. Good morning, everyone. Just maybe one question on the top line. For the full year, I guess, you guys are expecting about 5% at the midpoint. And just looking at the puts and takes on the quarterly side, you have probably Stericycle, it's more like a second half story, Jim, I think you said. And then second quarter, you're expecting or seeing maybe tough comps from the wildfire last year. How should we think about the growth guidance for the year by quarter? I mean, especially in terms of how the volumes kind of shake out on the C&D side.

**David L. Reed***Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Yeah, I mean, it's pretty balanced over the year, but you do see more of a pick-up in the second half of the year. So, call it, kind of below – 5% or below in the first half and then above that in the second half in terms of the revenue bridge across the year. And the Q2, to your point, is the toughest comp with the wildfire volumes.

**Konark Gupta**

*Analyst, Scotia Capital*

Q

And the volumes, you expect that to be more evenly spread out throughout the year, or it's going to be more skewed to the second half, too?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

I think the one area that will stick out, as we mentioned, our residential volume has been negative 4-plus-percent print, and we see that ratably declining. And by the end of the year, we should be right around 2%, maybe a little bit south of that in Q4. So, that will be a clear tailwind to volume in the second half of the year.

**Konark Gupta**

*Analyst, Scotia Capital*

Q

Okay. Thank you.

**Operator:** Thank you. Now our next question coming from the line of Seth Weber with BNP Paribas. Your line is now open.

**Seth Weber**

*Analyst, BNP Paribas Securities Corp.*

Q

Hey, good morning, guys. Thanks for taking the question. Just wanted to go back to the Healthcare cross-selling opportunity. I think on the third quarter call, you guys mentioned that it's largely been focused on small and medium-sized customers. I wanted to see if that's still the case or if you're getting any better traction with the large hospital networks at this point. Thanks.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

I think this ultimately is going to end up being more of a large customer opportunity for us. What we've heard from our folks on the sales side is when they're going out and talking to the decision makers at these customers, typically these large customers, it ends up being the same decision maker on solid waste as it is on healthcare waste. So, that's a positive for us. And the fact that we feel very good about the services that we have now on both sides, that ends up being good for us.

I do think it's going to be more of our – we've stratified our customers, the As through Fs by size. And so, you can imagine the As, Bs and Cs are the bigger ones. I think this is going to be more of an A, B, C thing than it is a D, E, F thing.

**Seth Weber**

*Analyst, BNP Paribas Securities Corp.*

Q

Got it. Okay. And then kind of related question, just can you update us on your national accounts business just across the whole company? It's been sort of low-double-digit CAGR for the last few years. Is that still kind of running at that same – improving at that same level in 2025?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah, national accounts has been – I mean, look, I would tell you national accounts has been one of our real success stories and – both on the volume side, but also on the price side, I think we've done well with getting price increases based on really differentiated service and differentiated data and analytics that we provide our customers. So, we're real pleased with the results of national accounts. I mean, gosh, I would tell you that a decade ago, national accounts was kind of a mess for us and today it is one of our success stories.

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**Seth Weber***Analyst, BNP Paribas Securities Corp.*

Q

Okay. Thank you, guys. Appreciate it.

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**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah.

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**Operator:** Thank you. Our next question coming from the line of Shlomo Rosenbaum with Stifel. Your line is now open.

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**Shlomo H. Rosenbaum***Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Hi. Thank you very much for taking my questions. I want to jump back to what you started, kind of the questioning with on the call, just in terms of the healthy economy. And you said that it's – things are looking, you say, not cautiously optimistic, just optimistic. Can you give us – just delve in a little bit more into some of the – like the metrics on that, is the service interval trends? What are you seeing on scale report on some of the mature routes and then on residential also scale reports on the trucks that are coming through, how's the temp roll-off activity doing, and prices and pulls? If you can just go through some of that, then I have one follow-up.

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**James C. Fish, Jr.***Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah. So, as we look at what might be considered leading indicators because we are kind of at the back end of the cycle, so – of the business cycle, but we do have some business that tends to be leading indicators. I would argue that the special waste stream is kind of a leading indicator for us because while those jobs have to be done, companies have some discretion as to when they have to be done and the pipeline, as we talk to our sales team, is good on the special waste stream. So, that's a bit of a leading indicator for us that – and what we're hearing from them is that they're – that those jobs – and we heard it from our area folks last week that those jobs are starting to manifest themselves. So, that is one of the indicators that we do look at.

The roll-off line of business as well, although a portion of roll-off, the permanent roll-off is kind of more analogous to our commercial business. So, I'm not sure that's so much a leading as a lagging indicator. But you mentioned temp roll-off and temp roll-off has been pretty good for us. The C&D business, if I look at C&D and that's been one that has been – has really bounced around over the years. And C&D for the year was 3.4%. And if I looked at last year, for the year last year, it was a negative number last year, it was – bounced around in 2023 and 2022 as well for some reasons related to the pandemic.

But I think C&D is somewhat of a leading indicator as well if you think about the – about home building. So, it's a tough one because I'm trying to read some of the tea leaves that are kind of macro and as I look at GDP, it looks like it could be strengthening. I don't know. I guess what I would tell you is the business performs well whether the – whether – in good times or in bad and I'm feeling, I guess, a bit more optimistic than maybe I have in the past.

**Shlomo H. Rosenbaum**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay, great. And then just I want to follow up a little bit more just on a question that was – excuse me, a comment that was made last quarter in terms of suspending kind of the pricing initiatives in the Healthcare Solutions area, that would be expected to be done by the end of the first quarter of this year. Are you still on track for that? I mean, obviously, from your commentary, it looks like pricing is going to pick up this year based on your discussion of 4.2%, but is it a matter of like really hitting that end of the first quarter or we're done with those issues that we're having that was preventing the pricing, or is that going to extend a little bit further or have you already started it?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah. So, here's what I'll say about last quarter's comment. I mean, that was not a universal comment. I mean, some customers, yes, we had – some customers, we had suspended price increases, but the large majority of our customers were getting price increases but as I said earlier, it was really being diluted by these credit memos. And so, we believe that those credit memos, which are really just a tool to try and clean up some of these past due receivables, those credit memos, we believe peaked this quarter or last quarter, I should say, Q4. And those start on a nice, downward trend, which ends up being a tailwind for us as we think about the whole year of 2026 versus 2025. So, pricing, look, we have, I think, a fantastic price team, and they are definitely looking at the opportunities that are in front of us but a lot of those opportunities are not so much a price execution as it is just less dilution to the overall gross number.

**Shlomo H. Rosenbaum**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thank you.

**Operator:** Thank you. Our next question comes from the line of Tobey Sommer with Truist. Your line is now open.

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Q

Thank you. From a capital deployment perspective, are you shifting broadly to share repurchase or, as you look into 2027, 2028, sort of a longer period of time, you're supposed to take in about – produce about \$12 billion in free cash over that three year period. How do you see it shaking out between acquisitions in the core, acquisitions and investments outside the core and repurchase?

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Sure, sure. Yeah. I mean, as we alluded to in the last quarter and also with our December announcement on some of our shareholder returns, we do view 2026 as a year of harvest and a balanced capital allocation program. But to your point, the beauty of our business is that it does generate a lot of excess cash flow, and you could expect a pretty balanced approach going forward. We do want to continue to return capital to shareholders. So, you should expect that our share repurchase program is not a one-time event in 2026. We'll continue it going forward, but it's going to be governed by kind of what opportunities we have in terms of investment opportunities, both organically and also inorganically. But the key word here, I think, is balance from a shareholder perspective, and that's what you should expect.

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Q

I'm curious what you're hearing from Healthcare customers about their sort of tolerance for price increase, particularly this year, given various declines in federal funding ranging from the exchange subsidies to Medicaid cuts that may come in a year that could pressure hospital margins?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

I guess I would just say, I haven't heard anybody say there's an intolerance for price increases. So, if that's a good sign, then – that's what I've heard.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

I think what – the handful of customers I've visited with, I would tell you that I think what's encouraging is the fact when you combine what we're at WM, kind of core services with the ability to integrate those with the additional healthcare services, I think the value proposition is something that's really resonating with the customers, especially the ones that Jim was referring to earlier. These big hospital networks, we sit here in Houston, obviously one of the centers of the universe, if you will, on that front. And when you walk in the door with a comprehensive set of capabilities that these combined organizations have now, I think there's a value proposition that is not going to be matched out there.

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

Yeah. I think these As and Bs that we've talked about, As and even Cs, [ph] this is (01:16:21) going to end up looking like that – they're similar in so many respects to our big national accounts on the Legacy side. So, it's going to be a – it's a negotiation. Now, they have a contract. It's going to be a negotiation on price. What's the price increase going to be? And a lot of that ends up on how much they appreciate the differentiated service offerings. So, I think that's it – going forward, I don't think it'll look much different than what we see with other big national accounts.

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Q

I appreciate that. What are you seeing in the hazardous waste business? Is that industrial optimism that you kind of mentioned already palpable?

**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

I think probably our special waste line that we've all commented on is probably a good spot to look. And we've said our pipeline is strong. Our results would demonstrate that through 2025. And I think going into 2026, we haven't seen any indications that that's going to solve. And that's probably the one barometer that I would point to that's probably most closely aligned with your question.

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Q

Thank you.

**Operator:** Thank you. Our next question coming from the line of William Grippin with Barclays. Your line is now open.

**William Grippin**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks very much. I just wanted to come back to some of the incremental disclosure you gave on the sustainability business. So, you gave us the parts to kind of get to sort of your \$700 million implied sustainability growth EBITDA in 2027. Obviously a little below the target you gave at prior Analyst Days, but, if I adjust for this sort of lower recycled commodity price environment based on your sensitivity, it implies that was maybe \$150 million EBITDA headwind. And so, sort of X out the commodity headwind, it feels like maybe this business is actually performing well ahead of your initial expectations. Is that a fair characterization?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

We're really pleased with how the recycling business is performing, absolutely. I think the number that you rattled off was really more for the aggregate of our recycling business versus the \$700 million number relates to the growth projects of recycling and renewable energy but the comment still stands. We've been very pleased with the investments that we've made in automation and everything that we expected and then some is being delivered coming out of those automation investments, whether it's higher throughput at those facilities, whether it's higher price points on the commodities that we sell, whether it's labor, which was huge for us and has been over 30% improvement. So, really pleased with those investments.

**William Grippin**

*Analyst, Barclays Capital, Inc.*

Q

Appreciate that. And just the follow-up here, you gave the sustainability growth EBITDA breakout or contribution for the 2026 guide, I think, \$235 million to \$255 million. Have you broken that out between recycling and RNG?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

We have not but the way to think about it, including the royalty, it's about 60% renewable energy, 40% recycling.

**William Grippin**

*Analyst, Barclays Capital, Inc.*

Q

Perfect. Thanks very much.

**Operator:** Thank you. Our next question will come from the line of Tami Zakaria with JPMorgan. Your line is now open.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Q

Hey, good morning, and thank you so much. So, sustainability EBITDA growth of \$235 million to \$255 million, can you help us with the cadence of this as we think about 1Q versus the rest of the year?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

You're going to – similar story, the way to think about it first half second half. So, you're going to have more of a ramp in the second half than the first half when you have the carryover effect of what we brought online in the back half of 2025. And then, we're bringing new projects online, three in the first half of 2026. So, you'll see a bigger impact in the second half than the first half.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Q

So, for modeling purposes, is 40/60, first half versus back half is a good proxy?

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

I think Ed can get back to you on that on some of the modeling questions.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Q

Understood. Thank you. That's all I had for today.

**Operator:** Thank you. Our next question will come from the line of Kevin Chiang with CIBC. Your line is now open.

**Alexander Augimeri**

*Analyst, CIBC World Markets, Inc.*

Q

Hi. Thanks, this is Alexander on for Kevin here. So, I believe the EPA is set to finalize the renewable fuel blending rules in Q1. I was wondering if you could share any thoughts or insights into potential changes they could make to the volume obligations from their original proposal? Thanks.

**Tara J. Hemmer**

*Senior Vice President & Chief Sustainability Officer, Waste Management, Inc.*

A

Sure. Yeah, we had a – we're hoping that the [ph] issue (01:21:19) in Q1, we were hoping it would come out in late Q4, but the government shutdown delayed that a bit. What we've seen is pretty much the market has priced in the current RVO and if anything, we're cautiously optimistic. Maybe there might be some changes around the edges that could be constructive for pricing. But we're not anticipating anything dramatic coming out of the RVO. I think that's the most important point. And we've really seen stability in RIN pricing, which is the most important thing for our business. And our team has done a great job in navigating selling our RINs ratably over time.

**Alexander Augimeri**

*Analyst, CIBC World Markets, Inc.*

Q

Okay, perfect. Thanks. I can turn it back.

**Operator:** Thank you. Our last question in queue coming from the line of Stephanie Moore with Jefferies. Your line is now open.

**Stephanie Moore**

*Analyst, Jefferies LLC*

Q

Hi. Good morning. Thank you. I wanted to follow up on a prior question that was just asked on capital allocation priorities. I mean, I appreciate the commentary regarding keeping a balanced approach, but I also think as we think about 2027 and 2028, just the sheer cash flow that's going to be kind of spun off from this business, especially with the RNG investments coming through, you should be back to your targeted leverage this year. So, as you think about that balance and maybe looking specifically at the M&A component, you're going to have, again, a lot of optionality. So, as you think about that optionality, any areas that are particularly interesting as you think about the next couple of years? Thanks.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

I mean, I think as far as M&A goes – and then David can comment more on the capital allocation piece or the share purchase and dividend, but those are kind of – dividends kind of set. But M&A, look, I guess what I would say in John can reiterate here, there's still plenty of good strategic acquisition opportunities out there. I wouldn't expect to see us kind of stray outside of that. We have used typically \$100 million to \$200 million as our estimates for acquisitions throughout the year. And that's the number we have baked in for this year, that range. So, it could be at the high end of that range but I think for the next few years, that's the number I would – if I were modeling, that's the number I would use is kind of \$100 million to \$200 million in acquisitions.

And then, David, dividend...

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**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Yeah.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

A

...hard to say what the increase is going to be but the dividends [indiscernible] (01:23:50) and capital allocation are going to make up the rest, because really the balance sheet, I think, you would say is in good shape.

---

**David L. Reed**

*Chief Financial Officer & Executive Vice President, Waste Management, Inc.*

A

Yeah. The balance sheet's in great shape. I think the one thing, just to your point about now that we have the share repurchase program, it's going to start back up this quarter. Obviously, we look at acquiring our own shares versus if we're looking at larger opportunities. We have a very biased view on kind of what the value of our company is. And so, that's I think you're going to see us to continue our share repurchase program just from that point alone. But we're very disciplined in terms of our pricing approach to acquisitions.

**Operator:** Thank you. And I'm showing no further questions in the queue. I will now turn the call back over to Mr. Jim Fish, WM's CEO for any closing remarks.

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**James C. Fish, Jr.**

*Chief Executive Officer & Director, Waste Management, Inc.*

All right. Well, I had a 15-minute closing remark plan, but in light of the time, I'll just say thank you all for your great questions today and we will talk to you next quarter.

**Operator:** This concludes today's conference call. Thank you for your participation and you may now disconnect.

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