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# Waste Management, Inc. (WM)

Investor Day

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## MANAGEMENT DISCUSSION SECTION

### Ed Egl

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

Welcome to WM's 2025 Investor Day. Thank you for making the long train ride down to Lower Manhattan here. To those of you watching online, appreciate your attendance. And to those of you who are fast forwarding through this section on a replay, no, your video player is not stuck at 2 times speed. I just talk this fast. Appreciate everyone's attention and interest in WM.

So, as customary, I'd like to start with a quick safety briefing. As you can tell in the room here, we're pretty crowded, lots of tripping hazards, so please be careful when you get up and move about. In the unlikely event of an emergency that we have to evacuate, you go out both these doors here, on either side, there's a staircase, so leading down on both sides. We'll meet downstairs and wait further instructions. If there's a medical emergency, Eric Dixon and [ph] Dave Brennan (00:00:49) are both certified CPR, and [ph] Kim Moore (00:00:52) has volunteered to dial 911.

As someone who grew up in the Bronx, of course, I had to go to the Yankees game on Saturday. Sorry, [ph] Noah (00:01:02). And being in this room, I'm reminded of a great Yankee quote from Yogi Berra, feels like deja vu all over again. A little delay here in moving the slide. Sorry. Too fast. Sorry. Don't look at these slides. These are not the right size. Okay. One more. All right. We'll get there in a second. Hold on.

Okay. So, looking at this agenda, though, we have a really great day ahead of us, and I think Yogi was actually misquoted. I think his quote is, it feels like deja vu all over again, but only better. And looking at this Investor Day, it's exactly that. It was only six years ago we were in this exact same room with many of the same presenters, many of the same people listening in the audience here, talking about our strategy. And what you're going to hear today is excitement about the future of WM for the next several years.

We're going to start today off with an overview, talk about our operations, talk about our customers, talk about our people. Heather Miller will come up on stage and moderate a Q&A session, followed by a brief break. Now, the bathrooms will probably be busy during that break time, so I encourage everyone to go to our demonstration area over to the right to see some of the cool things that we're doing at WM.

So, as you listen to the presentations, I hope you reflect back on our 2019 Investor Day. We accomplished great things during that time period. We set high expectations and we exceeded all of those expectations. You'll see many people in the room today wearing WM badges that have green on it. It's thanks to those people's hard efforts that we were able to accomplish such great things. In about a month and a half's time, I'll be celebrating my 30th anniversary with WM, and I can honestly say there's been no better time to be with the company than there is today. And as you go through these presentations, you'll hear the excitement about the opportunities that lie in front of us.

So, I know you guys want me off the stage quickly so we can start the presentations, but I have to go through your favorite slide and my favorite slide, the cautionary statement. And we have many people from our legal team in the audience today, so if I don't read this correctly, this will be the last time you see me presenting. So, indulge me while I actually read a portion of the forward-looking statement or the cautionary statement slide. Please refer to the slide, slide 4 in the deck, for additional details.

Today, you'll hear us discuss certain non-GAAP measures, including our adjusted operating EBITDA and free cash flow. Please see the end of the presentation for reconciliations to the most comparable GAAP measures. Also, you will hear forward-looking statements which are based on current expectations, projections, or opinions about future periods. Those statements are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to the cautionary statement slide, slide 4, of today's deck and our filings with the SEC, including our most recent Form 10-K and 10-Q, for further discussion of these risks and uncertainties. We assume no obligation to provide updates to any forward-looking statements.

Now, let's get the show started with a short video titled Only WM followed by our CEO, Jim Fish. Thanks for your attention and enjoy the presentations.

[Video Presentation] (00:04:26-00:05:24).

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## James C. Fish, Jr.

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

Okay. I gave our video people a hard time. I said, could we not have put an Astro in there? We have to put Philly in there. But he is a good guy. [ph] Kyle Schwarber (00:05:31), he played in our tournament last year, so very good guy.

Well, welcome to our 2025 Investor Day. Hard to believe it's been six years since we were in this room. It is an amazing room, by the way. But a lot has happened with our company, a lot's happened with the world in the last six years. You're going to hear a lot of messages today. And my hope is that you take a couple of things away as you leave.

First of all, I want you to take away that this company has some traits that are unmatched by any other company in our space. I hope you take away from this that they have a sharp leadership team, a team that's focused on doing the right thing for all of its constituents. I hope you take away that we have a long-term strategy that makes a lot of sense that makes sense for you, and produces the way it's produced in the past. And lastly, I hope what you take away is that this is a company that is a forever stock. I call it a forever stock. You buy it and you hold it indefinitely because you know that it's going to perform year in and year out. I hope you take those messages away from today.

So here are my key messages for today, and I'm going to start off with one that's near and dear to my heart. When I took this job in 2016, I said, I want to be a people-first leader. It doesn't mean I want to be Santa Claus. People-first leader means I want people to feel like they're valued, their opinions matter, they're included. That's what people-first mean. So at the top of this list, fostering a people-first leadership approach, and building an experienced and dynamic leadership team fueled by a powerful long-term growth engine for sustained value creation. A unique, unreplicable asset network and materials management expertise. Building distinctive platforms for incremental growth supported by some secular trends that I'm going to walk through. And then, executing a clear and disciplined capital allocation strategy focused on long-term shareholder value creation.

This is a slide that I'm sure you're all familiar with. It has changed a lot since 2019, but this gives you an idea of who we are and where we are. You can see 62,000 now employees once we've rolled in our Stericycle folks, 2024 revenue of \$22.1 billion and \$6.6 billion in EBITDA. And the map on the right there shows the density of our network, and you can see pretty much a spot everywhere. I did notice there's a spot in Jackson, Wyoming, John, so I need to make sure I visit that in the next few weeks. But, obviously, we are where the population is.

Okay. So, this slide really demonstrates how we've performed, and I think it's important to understand how we've performed over the past few years. And you remember when we were here in 2019, we talked about 4% to 6% organic revenue growth, and we talked about 5% to 7% operating EBITDA and free cash flow. And so, through the pandemic, 3% revenue growth was pretty impressive right through the middle of the pandemic, and then 7% adjusted operating EBITDA growth, and 14% free cash flow growth, incredibly impressive performance right through the middle of the pandemic. And then from 2022 to 2024, similarly impressive, 6% top line, 9% EBITDA, 13% free cash flow.

So, here's what that resulted in, and you're all aware of this, but you can see the performance of this company over the last 10 years. And, obviously, the numbers on the left are impressive when compared to the Dow Jones and the XLI, but I think equally impressive is the fact that the volatility is not nearly what those two indexes are at 0.6 versus 0.98 and 0.93, and all of this, you know all of this. But all of this through administration changes, regulatory changes, COVID-19 obviously, labor shortages, and we'll talk a lot more about labor shortages today, and inflation. You will remember in 2022 the highest CPI in 40 years. And even with all that, you still see the performance there.

Here's the team. This is the team that I have really proudly assembled over my nine years. This is the team that is – has continued to perform year in and year out. And you'll hear from a number of these folks today, and they're all here so you'll have a chance to meet each of them.

Okay. So, let's talk a little bit about what is this engine. And this kind of puts it in a kind of pictorial form, but if you think about this unreplicable core business, I mentioned people-first, and so on the outside, you have people-first and customer centricity. And we'll talk a lot about the customer today and then operational excellence. And John Morris will spend a lot of time talking about operational excellence and what we've done to improve margins with operational excellence.

And then the gears inside of that, the strategic asset network, technology, and automation which we've talked a lot about on earnings calls, and logistics and materials management expertise. And then you have these new growth platforms, and each of those will be addressed. Sustainability will be addressed by Tara Hemmer today, and Rafa Carrasco will talk about WM Healthcare Solutions. And all of that equaling – what we've done over the last six – or the last 10 years, I guess, all of it equaling what we expect to do going forward, which is revenue growth, margin improvement, free cash flow generation.

Let's talk about the unreplicable core business. So, disciplined price growth, and I'm going to give a little bit of credit to my predecessor, Dave Steiner, our new Postmaster General. And when he started talking about pricing back in 2004, some of you may remember that a lot of you weren't you – weren't even old enough to remember that, but some of you were. And you might remember that Dave started talking about pricing when pricing was 1%. And I remember when I came to the company in 2001, it was kind of accepted that the best you could do on pricing was 1%, maybe. And there were quarters where we reported 0.7%.

And so, David, credit to him really started to focus us as a company on disciplined pricing, and we've continued to focus on that. And you can see the number here just in 2023 and 2024, 300 basis points over inflation. And at the same time, we've really focused on the customer to make sure that when we price them that way, that we're providing a true customer service product that is worthy of that 300 basis points.

And then targeted volume expansion, and I think of that as a net number because there's a positive and a negative here as we grow volume. The negative, which you've heard John Morris talk a lot about, is we've called out some of the bad business in the residential line of business. And as a result, residential margins have almost

doubled over a fairly short period of time, I think about four years or five years. I kind of use myself as an example. We are not – my house is not serviced by WM, but I pay \$60 a quarter for residential service, twice a week trash, once a week recycling, and they come pick it up in my backyard. I mean, it's backdoor service. I can't imagine they're making much money at that.

We used to have those, probably still have some of them, but we have called those out of the system. So volume is not just all growth. Some of it is actually taking volume away. But we are focused very much on volume growth as well and you can see 4.4% MSW volume. I'll show you a chart here in a second that that gives more detail, and then all of that while we are effectively managing our costs.

I'll never forget when I became CFO in 2012 meeting with a big investor, and I was very excited to tell this investor we're going to go from 13% to 11% SG&A as a percent of revenue. And I won't tell you exactly what this person said, because it's probably not appropriate, but they will say, I don't believe you. And so, credit to them they did call me a couple of years later and said, congratulations, I didn't believe you and you got to 11%.

Well, now we're approaching 9%. And I think we had a quarter last year. We were below 9%, 8.9%. And then on the operating cost side, and I just mentioned that we've gone from something in the neighborhood of 65% OpEx as a percent of revenue down to 60%. Really impressive performance on the OpEx side. A lot of that via technology and we'll talk more about that today.

Okay. So continuing on with this core business is unreplicable core business. Here's a couple of boxes that that I think probably demonstrate what we're really focused on. I mentioned customer focused, relentless customer focus. I get messages every day, I respond to, and you might say that's not a good use of your time, Jim. I mean, I don't get 1000, but I probably do get two or three. And we have quite a few customers. So two or three a day isn't too bad. And I respond to those. And the reason I do is because I want to demonstrate that we are relentlessly customer-focused. Best-in-class asset network, and that is not debatable. And environmental solutions and regulatory expertise that benefits us every each and every day. And then these last two are kind of tied together, asset management and logistics expertise with technology, and that provides this competitive moat. Businesses love to – it would love to be in the same position we're in, having a deep, wide moat around your business makes it really tough for somebody to kind of make their way in and disrupt you. And people talk about disrupting this industry and this company, but boy, we have a deep, wide, competitive moat.

So this is a slide you may not have seen before and I think it's an interesting slide. And it – and what it – what's intended to tell you is that we look – there are threats in the industry, whether it's labor and a shrinking labor pool, or in this case, landfills coming offline. But we look at those threats and say, how can we turn it into an opportunity? And with respect to this slide, we are better positioned than anybody else in the industry. You can see what MSW has done since 2000. If I were to ask you back in 2000, what's going to happen with MSW in the industry? I think everybody in the room would say, oh, it's going to drop off, might even drop off a cliff. I mean, we're all recycling more and – but in fact, it's actually continued to climb, which has been a positive for us.

But the chart on the bottom left shows you what happens with capacity over the next 20 years. You can see that landfills, and this is just – this is tons here, but you can see that landfills have closed, a few landfills have closed, a couple [indiscernible] (00:17:08) have closed over that kind of 15-year period since 2010. But look what happens in the next 20 years, and so you might say, well, why are you showing this slide, Jim? It didn't make me feel any better here. Here's why we're showing this slide, because on the right, we have an advantaged disposal network. Our life of our landfills is longer than the average by a pretty, wide margin. At the same time, and so we've talked about the second bullet, which is we have the best positioned landfills in 9 out of the 10 biggest MSAs in the United States. At the same time, we're working on expanding our transfer capacity, and we're making

capital decisions to help expand this shortage that's coming, some of them aren't cheap, to buy adjacent property next to landfills that helps us maintain that landfill in one of those 9 out of 10 MSAs. South Florida is a great example of that. I wish I was the guy that bought that swamp land that we just bought back in 1950. I'd be fat, dumb, and happy.

But – and then, adding to that is this recycling infrastructure, and you've heard us talk a lot about that, you've heard us talk about the fact that we've spent almost \$1.5 billion on that to enhance it over the last few years. And so, all of those things help us win in this situation, this scenario where landfill capacity is, in fact, shrinking.

After we announced the Stericycle deal, there was kind of a misnomer out there that, well, the reason they announced that is because they're out of tuck-in acquisitions. They don't have anymore. And there might have even been a report or two that said that. And then we've kind of dispelled that because we've done a couple of tuck-in acquisitions since then. But this, I think, shows it to you in graphic form. I mean, you can see this tan part of the donut; those are tuck-in acquisition opportunities for us and for others in the industry. You can see the big guys in the industry there, and then you can see the other competitors make up about half of that. So, there is a big chunk of consolidation potential within the space, and we participate in that. We look at where we have gray areas where we're not – where we don't have strong operations or we don't have any operations, and those are where we end up focusing. But there certainly is opportunity for us to consolidate, and we will continue to use inorganic growth as one of the levers that we can pull to grow the business over the future.

Okay. So let's talk about these new platforms. And you've heard us talk about these a lot. There's been a lot of questions about both sustainability and WM Healthcare Solutions, but first, on sustainability. \$3 billion is what we've said we're going to spend on this, a little bit less than half of it with the recycling, new recycling plants and the automated facilities. 29 facilities of the 39 facilities have been completed. And then a little bit more than half of that \$1.6 billion on these RNG plants enabled by this natural gas fleet that we have. Nobody else can do this because they don't have the natural gas fleet, so they can't generate the RIN credits. And 20 RNG plants of those have been announced. We currently have 8 RNG plants completed. We will have all but 2 RNG plants in some form of construction by the end of this year. Here's the number that I think is the craziest number on the page, and it's that \$600 million to \$630 million of incremental free cash flow. In 2012, our free cash flow for the entire corporation, including Wheelabrator, you remember we used Wheelabrator, was \$829 million for the entire corporation. It's going to be three quarters of that just from these incremental investments, has nothing to do with the rest of the corporation. Just from those incremental investments, \$600 million to \$630 million of free cash flow.

So Healthcare Solutions. Let me talk a little bit about the middle section here, because those – and I'll talk a bit more about the secular trend on the next slide as well. But you may or may not know that from 1980 until today, the average age of an American has gone from 29 years old to 39 years old. So what does that mean? Well, it means we're going to have increased chronic conditions. We're going to have rising hospital occupancy. We're all spending more on healthcare. I guarantee I spend more on healthcare at 62 years old than I did at 22 years old. And that's just a fact.

And so, if you had asked me in 2000, what – give me a couple businesses that really are going to grow, that are going to outpace the normal economy? I would have said something that's healthcare related and something that's technology related. Those two are going to outpace the growth of the economy.

So we've been interested in this business since way back in 2010, 2012. Murray Myers sent me a note last week, said I was interested in Stericycle in 2004, but it would have been about the company acquisition back in 2004. It was a large tuck-in when we bought it. And then when we apply what we do, well – here's what we do well – a couple of things we do well on the two sides of the trends. First of all, we're really good, as I said earlier, about

taking cost out. And you can see that we've already gone from \$125 million to \$250 million that we announced several months ago. Rafa will give more information on that. But a lot of that is cost.

If I talk about SG&A specifically, they were 24%. SG&A is 24% of revenue. I mean, you know where we are. I just said we're at 9%. And built in to that \$250 million is not 9%. It's about 17.5%, 17%. I said 15% here, but I think it's – actually we took it out. Earlier today, it's at 15%, but anyway, 17%. So think about the fact that there's a lot of opportunity beyond that. Let's just get this down to where we are at 9% or maybe as you've heard Devina say, we get this down to where our areas operate because they're not burdened with corporate cost, and they operate at 4% to 5%. So wherever you go with this, whether you go from 24% to 17%, 24% to 10% or 9%, 24% to 5%, there is tremendous opportunity with this acquisition, one of the reasons it was so attractive to us.

And then, if I go over to the right side of the page and think about the – our national accounts businesses have been a big driver of our success over the last few years. It was, kind of, a disaster when we bought it in – we bought a company called Oakleaf way back in, I think 2014, and it was a bit of a disaster with all kinds of systems issues, and it's turned into a hugely successful business. Kind of sounds a little bit like maybe Stericycle, had some systems issues, we buy it, and ends up being a huge success for us.

And one of the things about national accounts that's been so valuable is that when you see so many industries consolidating. I mean, when we were kids who used to have a – there was a hardware store on the corner, right. There aren't only hardware stores on the corner. They're all owned by Lowe's, and Home Depot now. And that's the same thing that's happening in this healthcare space. That corner ER, it's now owned by HCA or UnitedHealthcare. There's a big consolidation going on. And it leads perfectly into our national accounts footprint, and then when you combine that with the fact that we are bringing technology, data and analytics to the national accounts space, and we have coverage that nobody else in this industry has. There is not another company that has the same national footprint or anywhere close in the healthcare space. So, we are feeling really optimistic about WM Healthcare Solutions.

Here's those secular trends I talked about, and I won't go back through those, the one at the bottom, though, I haven't touched on, which is rising energy demand. And you know we're producing a lot of energy out of these renewable natural gas plants. We were already in this business producing high BTU methane or electricity, and now, we're producing renewable natural gas out of these 20 plants. But here's an interesting stat for you. I sit on the Caterpillar board, we went and met with a big data center operator in Dallas, Texas, and they're building four big monster data centers all together in Dallas. And his question for us was, how much energy does the city of Dallas use? And my answer was, I had no idea. And the answer was 3 gigawatts is what the city of Dallas uses. And then his follow-on question was, how much energy do you think these four big data centers are going to use? And the answer was 4 gigawatts. I mean, that tells you why we're going to go 3x on energy demand. So, it's another place where we've anticipated this and now we're perfectly positioned.

So, let's think about one of these trends which I've talked a lot about. We've talked about the fact that the labor market, especially in these trade-type positions, is shrinking. I've given the example of my daughter in high school and now she's graduated from college. But in high school, she came on one day and said, Dad, nobody is talking about driving a truck, nobody's talking about operating heavy equipment. And so it was a little bit scary for me when she said that.

So, what are we doing to address that? It doesn't mean we're doing a big riff. What it means is we're applying technology. You've heard us talk a lot about several of these, but converting those traditional rear loaders to side loaders. And by the way, a big part of that, the impetus for that was not labor. The impetus for that was safety. We had somebody that was unfortunately – very unfortunately killed behind one of our trucks. And after that – and it

wasn't the first time that's ever happened, but it was at the last time, I said, this – if we cannot have this ever happen again, it won't be too soon. So, we said we've got to move this area. And it was our Texoma area. We've got to move it to ASLs. And now we're moving the entire company to ASLs.

And so how does that help us from a labor standpoint? You know, there's a person on the back that's loading. That person comes off. By the way, hard-to-fill position. 50% turnover in that job. That person comes off. And then, by the way, 30% productivity improvement by moving to an ASL from a rear loader.

Automated facilities, you've heard Tara talk about this a lot, but we're taking 30% to 40% labor out when we automate those facilities. Another hard-to-replace job. Not many people want to stand on a – stand 8 hours a day on a conveyor belt and pick stuff off of it. And it lends itself perfectly to automation.

Dynamic routing optimization, we've talked about that a bit. And then testing on autonomous vehicles. I've challenged our team. We'll see whether I'm even close. But I've challenged our team to have an autonomous residential contract in two years. Not a huge city, but maybe an HOA. And there may be a driver upfront that's giving comfort to that HOA. But look, if you've been to Phoenix, you've been to Austin, you've been to California, you've seen these Waymo cars running around. I mean, the technology works. I've been in them. I mean, it's a little weird when you get in, but it works. There's nobody upfront. It's like The Jetsons or something. So that's something that I think is an opportunity for us, especially in that residential line of business.

So here's the investment thesis one more time, people-first leadership with a dynamic leadership team, fueling a powerful long-term growth engine. This unique, unreplicable asset network and materials management expertise building distinctive platforms for incremental growth supported by these secular trends that we've identified, and are taking advantage of, and then executing a clear and disciplined capital allocation strategy focused on long-term value creation.

So thank you for listening to me today. We've got a lot of great presentations today. And the next one is from John Morris, our newly announced President and Chief Operating Officer. Thank you.

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## John J. Morris

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

Thanks, Jim. Good morning, folks. As Jim mentioned, John Morris. I've been with the company since 1994, and I guess I started in the industry in high school by accident around 1987 or 1988, and been really fortunate to work with such wonderful people along the way. And as Ed said in the beginning, I think we're all excited to be here today. And after 30-plus years with WM, as much as I'm excited to be here today, I'm that much more excited about what we're going to talk about which is really why the future of WM is equally as bright as the last decade has been.

So on this slide, you see driving operational excellence through the WM Way. Think of the WM Way. I think it's something that separates us from the industry. It's really – it's a framework for us to drive operational excellence all the way from our front-line folks, all the way through the post-collection operations. And so with that, I'll get rolling here.

So a couple of key messages. One, the core competencies of the business will always be key for us, and we're going to continue to build upon those. Partnering with our customers. My colleague, Mike Watson, is going to come up to come up here and talk about everything that we're doing on the customer front, but that's always front of mind even when we talk about operational excellence.

And then this third bullet point, I would argue, is probably one of the most important ones, as you think about the presentation for the next handful of minutes. We talked about modernizing our business operations to structurally lower our cost. Well, that's it for a second. Jim talked about it. It wasn't that long ago we were at 65% operating expense as a percentage of revenue, and now we've been consistently under 61%. And it's not about asking folks to go faster and jump higher, but we are trying to take a lot of the process discipline we've instituted in the organization, and couple that with technology advancements that are going to enable us to structurally lower the cost of this business. I think you've seen some proof of that over the last handful of years. And you'll hear from myself and the rest of the colleagues some optimism on why we think we have more room to run there, and then obviously continue to drive operational excellence across the entire value chain. And I'll give you a view of that here in a moment.

So, to step back just a bit, we referenced when we were here last time in 2019 and how the company was performing then, two things we talked about then. Process discipline and technology enablement. You can see that on the left side of the screen here. And I won't read it to you, but you can see in the middle column there, there's a list of technology, some of which Jim has mentioned in his comments, that have helped us get to where we are. And if you look over to the right section there, we have improved safety, we have improved efficiency, we have reduced our cost to serve. And we've done it with the customer in mind. And if you look at a lot of the customer metrics, that would suggest that our customers are pleased with that. And then lastly, as much progress as we've made to date, and why I'm so optimistic is I think we're still in the early innings of what we can do in this space as we go forward.

Talking about differentiated core competencies, I think this is where all things start with people-first. We have 62,000 associates now across the portfolio and about 1,400 operating locations. And those are – that is where this symphony, as I call it, of WM happens every day. 52 weeks a year, those folks go out, service our customers, and do it safely and efficiently with you folks in mind as well.

From a logistics expertise standpoint, with the addition of the healthcare services business, we now put roughly 18,000 vehicles on the street every day. We are a logistics company on the front end. It is part of our DNA. It is something we are good at today and we're striving at to be better tomorrow. We've got a wonderful team of operational research folks, data scientists who are working to improve the way we go out and go about our business on the road every day.

From a technology and automation standpoint, listen, this isn't just about automating. This is really about integrating systems across the business to connect our full value chain that is the WM ecosystem. So, these are the four imperatives that always remain a staple in how we approach the business.

So, the value chain. If you think about this, we tried to give everybody a somewhat simplistic view, one page, we call it the placemat, that really shows everything that WM is. If you look across sort of the top half, you can see a representation of sort of the logistical capabilities and the customer piece that we do. We go out and service millions of customers every day across a lot of geographies and a lot of customer segments. And Mike's going to go a little bit deeper into that.

And then when you look at the bottom of the page, you'll see a representation here for recycling. I'm not going to touch on that because Tara's going to come up and talk about that and our Renewable Energy business. But if you think about the bottom of the page there, it's really about the post-collection asset network that we have, and I see post-collection asset network, landfills are certainly part of it, but you'll also see our transportation capabilities over there. We are moving material, including waste by road, by rail, and by water, and that is a unique set of

capabilities to WM, and I think we do it better than anybody else, and I think as we go forward, it's going to be a big differentiator for us as a business.

Talking about the collections operation value chain for a second, I mentioned we have 18,000 trucks that leave about 500 locations every day, and what we have done is worked on building differentiated capabilities that enable us to drive safety, service, and efficiency. It is really our digital backbone in integrating the connection points of our value chain. And so, why does this matter? I think it provides us a unique set of capabilities compared to the others and lets us serve the widest range of customers and do it in an optimized fashion.

So we talked about leading in safety and advancing our business, Jim touched on a few of these points, but I'll start. First and foremost, we think about safety as being paramount in everything we do every day.

We train folks, we give them all the tools and the space to operate their truck, or their piece of equipment as safely as possible. But the reality is, we also have the ability to leverage technology and some automation to provide a safer work environment. You'll see a demonstration video here in a moment. We have technology in the cabs to help simply with how our folks are performing it every day and using that information to coach them to be successful.

We've automated elements of our fleet across our whole portfolio that Jim spoke to. We've also got advanced fleet safety technology, and I'll talk about that in a slide or two. And then going down to the bottom half of the page here, you can see we've also done things around efficiency, service, customer satisfaction, and profitability with route optimization and data science team. We have real-time tracking systems. We're automating more and more of our vehicles and the componentry in those vehicles. And obviously, we want to do this again at the bottom to improve – increase safety, improve service and enhance customer experience. And before I leave this slide, I do want to stop and pause on the right side there. This has been an industry that historically has turnover in the high 20%, low 30%. And we really saw that peak after COVID. We went to work hard as a team to really unpack what was it going to take for us to be a best place to work to improve retention across all those trade like jobs that Jim spoke about. And I will tell you, I am proud of a lot of things in this organization. But the fact that we are at our lowest all-time turnover, we've improved almost 30% since 2022 is something that's really benefited the business. And maybe it's one of those softer metrics, but any of you who work in the business and have lived through some of the labor strife that we've seen over the last handful of years, this has been a big benefit to the organization.

Optimizing our fleet. One of the other areas that we've made tremendous progress in is not only on the process side, but really from a technology side when we think about our trucks are connected to our technicians and our repair facilities. Why is that important? We have real-time information through telematics as it's moving through from a big portion of our fleet to our technicians in our repair shops on real-time basis. That is a capability we didn't have that many years ago. Now, we don't have it across the whole fleet, but we're working as fast as we can to do that.

So you've got advanced driver systems in the trucks. Other safety technology, which is put on the trucks. We are focused on using this technology to more effectively plan and schedule the work. Why is that important? Because if we do have to bring a truck in, and we want to make sure we do it as efficiently as possible, and get it back on the road as quickly as we can, and be in a position to service our customers.

And then when you look over at the right side on technicians, another area we've made tremendous progress in terms of retention, and attraction, and a digital environment. A technology-enabled shop has proven to attract some of the younger talent that want to come work in this space. And before I leave the page here, you can see

as an investor, when you think about capital efficiency, a lot of it's driven right here on the right side of this slide in terms of decreased downtime and spare ratio improvement.

So this is the last slide before the video, this is the connected truck and I'm going to walk around this fairly quickly. You're going to see a representation of it here in a minute. The top-left corner, we have technology. We've had on board computers in our trucks for over a decade. That's not new, okay. But now we've been building on that technology. And now, what we can do is our drivers have ask this, how am I doing every day? How am I doing from a safety perspective, a service perspective, and an efficiency perspective?

We now have a daily report that the drivers [indiscernible] (00:38:51) a daily performance index where our drivers get a scorecard every day on how they did on that. And believe it or not, it's something they're curious about, they want to know about, and if they're in the middle of pack, they want to be at the top of the pack.

On the second one, you'll see the safety behavior support. That's the inward-facing technology we've had our trucks for a lot of years to not only see how our drivers are performing real time, but the capability that's getting built out there is really using artificial intelligence. Not only to help that driver from a coaching perspective, but to use that information as a predictive tool for what could happen to some of our drivers' counterparts. And that's what we're using to train our folks.

In-cab navigation, obviously, we have a weak – I call it Waze for garbage trucks. There really wasn't a product that we could take off the shelf. So, we partnered with a technology company and now have the ability. We engineer the routes on a regular basis with our data science group. We also now have the ability to give our drivers real time traffic information. So, we engineer the route. For anybody who's driven around New York City, you get in the car in the morning, you hit Waze, and it says, I got to go eight blocks and it's going to take me four hours. We have that same technology to help our operators of our vehicles get in the truck and navigate that as safely and as efficiently as they can with real time information.

Fleet health alerting, I touched on telematics that we have in our vehicles. Again, this has given us transparency between how a vehicle's operating on the road every day and what we can expect in terms of a maintenance profile for that business so we don't see customer interruptions and friction in our maintenance shop.

This point about integrated systems is pretty simple. All of this technology, it's ubiquitous. It's everywhere. One of the missions that we have, our entire team, is that we want the technology to be as passive as possible. We want our folks to get in – whether it's a truck, a piece of equipment in a recycling facility, any function that we're automating using technology, we want it to be passive. The best example I can give you, my phone's on that table over there, but you see people all day going down the road touching their phone, right? We don't want our folks interacting with the technology while they're doing their job. We want the technology to be passive and they can use the benefits of the technology to do their job safely and efficiently.

And lastly, I think this all ends up being a much better transparent – more transparent to our customers in terms of they can now see a lot more of the information about their service, and it's much more transparent and they can interact with us when and how they want.

So, I would tell you, most companies don't think of the waste industry is where you go for a new technology. But I'm going to roll this video in a second and think about three things. We're going to talk about safety in the first section and I'll give you a few words about that. Automation in the middle section, okay? And then lastly, we're going to talk about how this ends up, the smart truck technology is helping us from a customer perspective.

So we talk about our vehicles being rolling data centers. And what you see here is sort of our crew out process. In the morning. We launch our vehicles the same way, the same day, everywhere, every time. And what you're going to see here in just a second, you're seeing a few different lines of business here and how these trucks operate.

What you're going to see here in a second is you're going to see a driver operating a vehicle. This driver has done nothing wrong. In fact, he's doing everything right. And it's hard to see, because it's a little bit grainy up here, but you'll see the driver is driving his truck. He's – just so you know, he's doing the speed limit. He's approaching to turn the right way. He's making a left. And if he is not absolutely paying attention, that guy is dead. Why is that important? Because we train our folks to be alert all the time. They have to look for blind spots. He's doing nothing wrong. He's doing everything right. And if he doesn't – if he's not paying attention, this could have been a much more tragic outcome.

This is a new technology we're pioneering with the same folks. This is actually here in New York. It's not one of our trucks. But this is technology that's evolving around pedestrian notification. So if you've driven here in New York City or if you're in a refuse vehicle in New York City, having those capabilities would certainly help in terms of navigating around town safely.

Jim talked about, I'm talking about reducing labor dependency. Well, one of the ways that we're doing that, in addition to improving safety, is automating routes. We have about 5,000 residential routes. A lot of those were automated. But we, as Jim mentioned, we've had a concerted effort for the last handful of years to go out and automate as many of these routes as we can. And what you see here is a representation of one of those trucks running on the street. Nobody outside the cab. Nobody behind the cab. The material is containerized, it's safer. There's not anybody interacting with traffic. From a weather perspective, obviously, you're not exposed, the same way you would be on a traditional rear load truck, which is frankly where I started.

And lastly is smart truck. This is the outward-facing technology that we have across all our commercial fleet, which you see here. So think about the fact we probably pick up about 700 million yards, that's a rough math, of commercial material every year. And a four yards eclipsed on average, you can see how many containers we do a year. We're – this gives us the opportunity. Here you go. You can measure what's in the can, what's around the can, is the can in good shape, are there safety hazards, are there bulk material that we could otherwise go pick up for the customer? And then in a second here, this is going to go to another video capability, which I think is really interesting when you think about segregating material and sustainability. This right here is parsing out what's actually going in the can while it's happening.

And it's hard to see up there, but it's actually identifying what that is. Think about the power of that technology when you go to a customer and say, hey, we have the ability to tell you what's in your waste stream, and you have sustainability objectives, you have recycling objectives. We can now tell you what that looks like and what you have to do from a behavioral standpoint to be able to improve your business. So, in any event, that's a couple of minutes here on the connected fleet and how it ties into some of our other objectives.

So, we didn't stop at start of the page. Now we're on the bottom side of the page. This is our network. I'd say post-collection. I just don't say landfills, because as you heard from Jim, the network capabilities we have today and the network capabilities we're building are going to be vital from a competitive standpoint as we go forward here. We do this – we have 350 transfer stations and over 260 landfills in North America. And we aggregate about 140 million tons of material a year. And about 120 million of those tons end up in one of our landfills.

And one of the keys for us today, we internalize about 70% of our entire waste stream now. We view our ability to continue to do that, and frankly internalize more waste over the long term is going to be driven by the value of our post-collection network. How do we connect all the nodes on the post-collection network? Those 350 T stations with a transportation network, which is truck, rail and water, and get that and be able to access our sites for decades to come. And that's one of the things we're working on very diligently as we speak now.

So just a minute here on maximizing landfill asset value, this is a cross-section of the CONNECTED LANDFILL. I won't read the words. But you see on the left side of the page, there's a number of different technologies we've implemented inside our landfills, so you can see in the picture in the center there. What the benefits are, are clear, a life site capacity, increase in renewable energy production, total return on invested capital is certainly one of them. And then lastly, in terms of enabling landfill expansions, these are hard to get, they're not getting any easier. And part of the reason I put that [indiscernible] (00:46:29) on is because being a good community partner where you operate these facilities is as important as anything else you do, because if you're not, your license to operate is going to get challenged the next time you look to do an expansion.

Optimizing our network. We talked about the post-collection network, limited land availability, the regulatory climate, population migration, the stuff's moving around. We are doing things that you see in the middle of the page that I've already mentioned. But ideally optimizing landfill flows and moving volume more cost effectively is going to maximize asset value. And we've got a whole team of people. Our enterprise network team has been stood up, and this is what they work on every day of the week.

I'm going to give you two quick profiles here. One, you see some stats up there. About 45% of the waste is generated in what I'll call the Eastern Seaboard, Eastern Third, 25% of the country, about half of that disposal is going to need a new home in the next 10 years. Think about that.

When you look over at the right side, there is a great example we started – we partnered with New York City in 1997 as they started to close [indiscernible] (00:47:32) for any of the locals here. Why is that important? Because we built out a network to handle that waste in a way that was different than had ever been handled here in New York City. Maybe the most complex market that I've been associated with to move material. What's the result of us having that network capability? We move 6,500 tons a day, every day, six days a week. You can't turn it off, summer, spring, it doesn't matter. It keeps coming. So the redundancy that you have to have in that network has got to be second to none. It can't fail. That's one example. Now we have a terrific partnership with the city.

Similar in Pacific Northwest. We're moving about 2 million tons out of the [indiscernible] (00:48:16) why? Same sort of [audio gap] (00:48:19-00:48:47). This is also a shot of the Fairless Landfill just outside of Philadelphia. What you're going to see here is a couple of screenshots that are showing you some of the technology that now exists in the landfill, where our folks, our operators, the folks who run the landfill can see what's happening in that ecosystem, that is the landfill. Whether it's gas production, leachate management, landfill airspace maximization. What you're seeing here is one of these automated well heads we've been talking about. Those do a bunch of things. One, it reduces labor, but it's also proven to increase gas production as much as 15% on average in our landfills. That's not insignificant.

Landfill drones, we used to fly over landfills once or twice a year and take a picture with an aerial thing, and we'd see how we are progressing from a fill sequence standpoint. We've got drones and we can fly it daily if we want. We have people who are pilots – no, drone pilots, not airplane pilots, but they can go in and look at the whole ecosystem, that is the landfill. That's real time. That's somebody sitting in the landfill who's got the ability to dissect the landfill from a construction standpoint, from an operational standpoint, those are capabilities we have

that we didn't have before. And this is one of the reasons why we think that enablement of our operations through technology is key.

And then, lastly, just a few seconds here, we're going to show you, this is Pacific Northwest. We move these 45-foot containers from all over the Puget Sound area, and we move them by water and by rail. But it gets shipped out of the Puget Sound by rail down to our complex in Arlington, Oregon. And, again, this is 2 million tons a year. It happens every day. You don't shut it off. It doesn't matter what the weather is. You have to have the redundancy in your system to be able to do this day in and day out in order to be able to really satisfy your customers, and give them the confidence that you can do this for them over the long term. So, we're super proud of this.

And I'll wrap it up here. Listen, I think when you look at this, we talked about labor dependency, regulatory requirements, landfill constraints. I think we're investing in all the right places to enable our folks in our operations to draw down our structural operating cost over the long term, to be in a better position than anybody else to service our customers. But I think it's connecting innovations into a unified system. When you think about that first placement, think about the whole network, the whole ecosystem that is WM. And hopefully, I'm giving you a little bit of view of what that's going to look like and why we're going to drive so much value.

Lastly, ending where I started, we do this all with our customers in mind. We do – we are working to modernize our business to obviously elevate labor performance or operational performance, but really, to structurally lower the cost of this business over the long term and get even a bigger lead on everybody else. I don't think – listen, I think the business is changing, but I think we're the ones that are driving the change, and that's why I'm so excited for us, and our team to demonstrate that over the next decade.

I very much appreciate your time. I'm going to hand it over to my colleague, Mike Watson. Thank you.

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## Michael J. Watson

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

Yeah, John. Well, good morning, everybody. My name is Mike Watson. I'm the Chief [audio gap] (00:51:43-00:52:06) great enabler for growth now and well to the future. That is driven by our modernized customer experience, our go-to market strategy, our top tier analytics, and our purpose-driven brand, which stands head and shoulders above our competition. We feel we have defined the sustainability space.

So there's four things I really want you to take away from today. We are leading the industry with capabilities and we have a value proposition that is second to none. And we are a partner of choice for customers across the landscape. Number two, we have a executed, proven playbook that is founded in customer experience that can scale for growth, and you'll see that applied later on in the presentation and in WM Healthcare Services. Third, we are uniquely positioned with resources and capabilities in growth markets that will provide long-term growth for WM. Lastly, Jim mentioned a forever stock, we feel that we have a long-term sustainable growth platform that will propel growth well into the future.

So, I want to take you through really two things today. I want to talk about this proven business model that we feel can scale for growth and differentiate WM. It's founded in four key elements. Our modernized customer experience, how we're applying technology, focusing on the moments that matter, and really delivering for our customers. Two, our go-to market strategy. This is about process, technology and organization to make our sales team more effective and efficient to meet the needs of our customers. Three, I mentioned our data and analytics. We're the biggest in the business. We have the most access to data, and we're turning those data points into

insights for our customers to extend customer lifetime value. Our brand, as I mentioned, we have defined sustainability. It is an enabler for growth and drives real sales outcomes.

Let's talk about modernized customer experience. We've been spending a lot of time over the last five years modernizing our customer experience. Our customers want really three things: ease, reliability and transparency, and we have been delivering that. We have invested in digital capabilities. If you went back five years ago, we had one, and that was you could pay WM, not really very customer-centric, frankly. Now, we have 15. And really hats off to our talented customer experience group and digital partners have brought 15 capabilities, and that, for example, would be I need to order a bulk pick-up at my home or I want to find out when my trucks are going to be arriving at our business. So, great capabilities. In addition to that, we've invested in robust communication channels for our customers, and also proactive outreach to really make sure we could communicate with our customers more effectively. What I'm really proud about is the tools we provided our agents to be much more effective in serving our customers. So, our customers are winning with these capabilities, our employees have better tools, and our shareholders are winning as well, because we've increased our digital transactions by 25 million over the last five years. And not only that, we've reduced our cost to serve working on those digital capabilities by \$30 million over that time period. So, a win for our customers, win for our employees, win for the shareholders.

I think the most important point here is our customers are giving us great feedback about these tools. You can see our Google rating, which is 4.3 (sic) [4.2] (00:55:20). Five years ago, it was not there. So, these tools are really paying off. And I take a look at customers, as Jim mentioned, we get a lot of feedback from our customers. I received an e-mail from a customer who's 85 years old from California, who goes, if these tools are easy for me to use, they should be easy for anybody. So, definitely it's a testament of what we're doing for our customers that's really paying off.

So, we've done some great work. We are not done yet. We've got a lot of work to do to continue to improve our customer experience and remove the friction points that we have in our customer experience. You heard from John talk about the connected truck. That's focused on reliability, safety, and efficiency. That reliability, coupled with our further investments in more predictive and proactive communication, and also further investments with AI-assisted agents, we feel we can propel WM's customer experience to new heights. We feel that those investments will not only improve our customer satisfaction, but we have aspirational goals. We want to triple the amount of digital capabilities or transactions that we have with our customers. We want to raise our customer satisfaction. That, most importantly, will extend customer lifetime value. And if we focus in on those friction points and remove those elements that cause a little bit of churn, we can really extend that customer lifetime value over five years over \$100 million.

So, you don't have to take my word for it. I have a quick video here I'd like to show you that demonstrates the feedback we've gotten from our customers throughout the customer journey, but also a little bit of lean-forward where we want to go as a company around key moments that matter. Those moments that matter for our customers are onboarding smoothly, making sure that we can proactively communicate their service needs. And if we do have service interruptions, how transparent, how quickly can we give them the information so they can go on with their day. So, I'm going to show you a quick video. I'm going to narrate through it to demonstrate where we're heading as a company.

So, you can see here, these are really our focus on ease, reliability and transparency is paying off with our customers. This is just an example across our diverse customer set of where we are providing customers. Seamless onboarding. We spend a lot of time on our container delivery processes and making sure that's smooth. We're further making investments through the Smart Truck technology to provide exact picture of that container, is

it in the right spot, information about their service day, and also some recommendations on how they can get the most out of the recycling program, for example.

I talked about the Smart Truck, and I know John spent some time talking through, this is really the crown jewel for us is that moment that matter at the service location. We get visual information around the customer, our data insights, and we provide proactive service recommendations for our customers, and we feel that's really a benefit of value.

Lastly, weather happens, service gets interrupted. We want to shorten that time window between we are rescheduling that customer and they know exactly when and when we're going to be there and that time window through artificial intelligence is a key focus for us. So, as you can see, we spend a lot of time improving our customer experience, great benefits all the way through the P&L. Customers win, employees win, shareholders win.

I want to take you to the second point I have here is our go-to-market strategy. Really proud of what we've done here. Investing in tools, process and technology. Those investments are paying off with a more organized sales team. We have an e-commerce platform that keeps growing and growing, which is a function of our brand, and advanced brand and marketing analytics. We talked a lot about Smart Truck. This has been a huge driver of revenue growth for WM. We've had \$340 million worth of service upgrades in the last five years just by making sure we service our customers better. And lastly, we're investing to make our sales team much more efficient with AI and automation, how they are trained, how they're coached, but also how they can increase the velocity of our sales better and better, and we're seeing that pay off.

Data and analytics, this is where we really separate ourselves. Jim mentioned it. John mentioned it. Our ability to take data and turn it into real insights for customers is paramount. We are focusing on the moments that matter. These moments that matter, as I mentioned, onboarding, serving and solving our customers. We're making our team much more efficient, much more proactive, but we're optimizing our price increases as well. This is the name of the game. We provide great service, great value proposition. We get great price. And we've earned price above inflation of 300 basis points over the last couple of years. Not only that, we've improved retention. So, a perfect balance of how we move price and maintain volume.

Lastly, the fourth piece of the puzzle, our brand. It is synonymous with sustainability. We're purpose-driven. It sets us apart. Most importantly, we've grown our favorability and awareness through the roof. This favorability and awareness is driving real sales outcomes. Our open market residential skyrocketed. Our small and medium business has grown as well. And we feel this is truly an enabler for growth.

So, I've talked about our go-to market strategy, our modernized customer experience, our data and analytics, and our brand. We have three distinct growth markets that we feel we have the resources and capabilities to really compete and grow. First, national accounts. We've had great success there. It's been a big growth driver for us. WM Healthcare Solutions. Rafa is going to talk about that a little bit later. And environmental solutions.

National accounts. We have grown that 12% year-on-year-on-year, so the last five years. Let me take you through that. When I talk about our national accounts customers, I want you to focus on the upper-right hand part of the page. WM is the benchmark supplier – strategic supplier benchmark, excuse me. WM is the benchmark for all strategic supplier partnerships. That is why we've grown this 12%. That's why we've had a 99% retention rate. We've gotten price. It's really the great people and national accounts but also our seamless onboarding.

elements. elements is our crown jewel. This is why customers stay with us. This is why they join WM. It's an industry-leading data platform that focuses on sustainable goals, environmental compliance and service efficiencies, straight through processing here. This is amazing. All that self-service, all these multiple location customers really want ease of doing business. This self-service process really, really helps, and really differentiates WM. We have a \$5 billion TAM that we can attack with this service offering, and we're really excited about doing that.

Lastly or secondly, WM Healthcare Solutions. This addressable market is \$2.5 billion, and that's a combination of WM's core business, as well as the WM Healthcare Solutions business. We are uniquely positioned to attack this. We have the data insights. We got the assets. We have sustainability made simple. And we feel we can really grow this business. You're going to hear a lot from Rafa a little later on in the presentation to bring this to life in a cross-sell example. Most importantly, if you take one thing away from this slide, we've already converted \$30 million worth of business in this space in just a short period of time.

The environmental solutions business is also a key differentiator for WM. We have grown this business by over 44% in our post-collection. We have the assets. We actually have four hazardous waste facilities in our network. We have the environmental expertise and the ability to provide solutions. This is just one example of a petrochem customer where we've invested in our sustainable services, our environmental solutions, to divert 90% of their – one of their waste products.

Just one example how WM provides solutions for this customer base. We have the data insights, the customer-facing technology to capitalize on a very, very robust TAM. You see up there \$8 billion in hazardous waste and over \$23 billion in PFAs and also biosolids. You're going to hear from Tara a little bit later on today about that.

So, as I wrap things up, I hope it's clear that we have an industry-leading capability, we have a proven playbook, and we have the technology to really drive WM well into the future. If you talk about sustainable profitable growth and that forever stock, we feel that this growth plan will definitely achieve that.

So, thank you. And I'd like to turn it over to Kim Stith, who's going to take you through what people-first culture means at WM with leaders across our business. Thank you.

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## Kimberly G. Stith

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

So, thank you, and good morning. I'm Kim Stith, and I'm the company's Chief Human Resources Officer. I'm going to talk to you today through a panel about how waste management positions itself as an employer of choice. We attract, develop and retain top talent. But most importantly, we position our employees to make a daily impact and understand how they contribute to the company's long-term success. So, we have this panel today, who will help me illustrate what a people-first culture means. But before I get started, I'll talk a little bit about myself.

So, I joined WM 24 years ago from a national law firm where I was a partner. I came to WM, had a variety of roles and responsibilities in the legal department. And nine months ago, Jim asked me to be the company's CHRO. My journey isn't unique. You'll have a chance today to meet a lot of folks in the audience, and most of them have experiences like this, right. We take talent, we develop it, and we watch it grow. And so, I'm going to talk to this panel about that today.

So first, I want to just say that these three folks represent 62,000 employees across the company. First, we have Marcel Dalby. He is the Vice President of Business Optimization. We have Rebecca McMorris. She's a Senior

Director in our Enterprise Data Services Center in the Digital Department. And we have Ron Ward, who is a Vice President in one of our 16 operating areas.

You guys ready?

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**Marcel Dalby**

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

Yes.

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**Kimberly G. Stith**

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

All right. So why don't we first have you guys introduce yourselves and tell the audience a little bit about your careers. Marcel, why don't you start?

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**Marcel Dalby**

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

Certainly, Kim. Good morning, all. Thanks for having me.

So, I started my career at WM 20 years ago. I was recruited straight out of college into a brand-new operations management training program that was just started in its first year. By the way, we still operate that program today, and we train over 100 people every year to be new leaders in our organization through that program. But when I first started, I worked at the corporate office, but I quickly found that the magic of waste management happens out in our areas, and so I wanted to get into our operations. I had an opportunity to move to Central Texas, and ran our logistics and routing operations there for about three years. And then, I had the opportunity to be the District Manager of Austin, so working with our drivers and customers, helping them to drive and grow the business.

From there, I was the collection director for Texas and Oklahoma for eight years running the operations there of about 600 routes. And then, I had the opportunity to – I was afforded the opportunity to go into another management training program that we have, which we call our Area General Manager training program. It's really to get folks ready to be Vice President role. So, my family and I moved to Florida, where I oversaw not only the collection operations that I was familiar with, but also had exposure to operating our landfills, transfer stations, and our sales operations. So, from there, John came and found me a couple of years ago, and invited me to come back to corporate as the Vice President of Business Optimization and Collection Operations. So, many of the technologies that you heard John talk about earlier and that we actually have on display for you here on the side tables, my team designs and deploys those technologies across our organization.

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**Kimberly G. Stith**

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

So, Rebecca, I know you have a very different story than Marcel's. Why don't you share it?

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**Rebecca McMorris**

*Senior Director-Enterprise Digital Services, Waste Management, Inc.*

Thanks, Kim. Good morning, everyone. I'm Rebecca McMorris. I'm the Senior Director of Enterprise Digital Services here at WM.

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I have two primary responsibilities in our digital organization. The first is planning. And so, planning consists of budget and technology investment management, project management, and employee engagement. And the second is our data services organization, which you've heard a lot about already this morning. My team develops and supports many of the data and analytics solutions you've heard about today.

I didn't start here at WM though. So, I graduated in 2003 and was recruited by ExxonMobil. I spent the next 19 years there in a variety of positions in their IT department. It spanned everything from application development and support for their ERP systems to major global projects that covered infrastructure projects and digital transformation. And then, I spent the last 10 years or so focused predominantly on enterprise architecture and data and analytics strategy.

And then in 2022, I received a call from a WM recruiter, and we talked about the position. And quite frankly, I was a little bit surprised. I didn't know much about the environmental services or waste industry, but I really didn't understand why they were looking for a technology professional. And as I talked to more people, I did my research, what became abundantly clear is that the scale and complexity of this business requires sophisticated technology to do it efficiently and effectively.

And so, I went through the interview process. I actually interviewed with Tara. And the fact that a person in her role would take the time to interview a candidate like myself reinforced the idea that they truly do care about the people they bring into the company. And for me, that was critically important that I find a company that cares about its people. And the fact that the business was resilient and had a focus on sustainability really didn't hurt that much either. It really aligned with what I was looking for with a company. And so, I took the job. I've been here three years, literally this month. It's been fantastic, and excited to share my experience this morning.

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## Kimberly G. Stith

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

Well, happy anniversary. Ron, what about you?

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## Ronald S. Ward

*Area Vice President-Capitol Area, Waste Management, Inc.*

Thanks, Kim. So, I'm the Area Vice President for the Capitol Area, which ranges from Western Pennsylvania down to the tip of North Carolina. I'm one of 16 that's similarly situated. My story's a little bit different. I am a Air Force veteran, Operation Desert Storm. I went to undergraduate and graduate school at night while I was in the military. And then, upon exiting the military in 1993, I worked for various companies, first was Merck Pharmaceuticals. I was in sales and marketing there. And then, I got recruited to go to Mercedes-Benz in North America, which I was in the marketing department. I left there and went over to Nestlé, ran the sales team right here in New York City, and then two years in, I got promoted to run the business unit. And when I left, I was running the Northeast for their operation.

I got recruited to go into the second largest beer wholesaler in the United States called Origlio Beverage. It's a middle course wholesaler in Philadelphia, PA. I ran their operation there for roughly 10 years, and then I got the magic call to come to this wonderful company. And I've been here for five years, and very fortunate to be here.

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## Kimberly G. Stith

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

I'm glad you all are here. So, every speaker before me has talked about a people-first culture, and a lot of companies say they have that. But I always respond with, but, yeah, we really mean it. So, why don't, Marcel and Ron, you kind of tell us what that really means, and how it shows up.

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## Marcel Dalby

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

So, Kim, I'll talk about a couple of things there, on people-first. I think we have some of the best benefits not only in our industry, but really across any industry. And one thing I'd highlight for you is a few years ago, WM came forward with a program to offer fully paid college tuition not only for our employees, but for their dependents. So, it's really a great way for our employees to grow their careers and enhance their skill set, but also just a great benefit to their dependents to be able to go to college for free.

But I think where I saw people-first really come alive for us was during COVID, right. When COVID first started, everyone remembers – everyone was at home. Restaurants were shut down, sporting venues were shut down, airports were closed, nobody was going to malls. And so, it immediately changed our routes. We didn't need to run a bunch of commercial industrial routes, but our residential routes got heavier.

And while other companies were talking about layoffs, our senior leadership team within a matter of days came forth and said, for all of our employees, whether we need you right now to run the routes or not, we're going to guarantee you 40 hours of pay. And I think for our employees, that really said, wow, you take care of us and we put our money where our mouth is. So, I think our employees really saw that as a people-first organization.

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## Kimberly G. Stith

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

More than a slogan on a T-shirt, right. What about you, Ron? Where do you see it? I mean you're out there in our operating unit and with our frontline employees.

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## Ronald S. Ward

*Area Vice President-Capitol Area, Waste Management, Inc.*

Yeah. Thanks, Jim. So, as I mentioned earlier, I'm a military veteran. So, what resonates to me is how we have guardrails around our culture, and I will explain two things. First, we have a, what I would call an employee opinion survey that comes out once a year. It's very comprehensive, covers all aspects of our culture, and I'm held to those standards. It's in my performance review. So, every year, I'm expected to make some cultural advancements with my team in terms of how we conduct ourselves, how our employees feel fulfilled. So, that's one prong.

The second prong is, is that we have a speak-up culture, and that ensures that we follow values and commitments and we have standards in terms of how we do business. All those things that John Morris talked about, all those aspects of our business, we execute ethically, and we're held to that.

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## Kimberly G. Stith

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

Yeah. So, it's two things, right. It's people-first and success with integrity. They sort of go together. You can't have one without the other. So, why don't we turn a little bit to talent development, right. Marcel has talked about the programs he experienced through his career here at WM. But what do you guys see now? Rebecca, why don't you talk to me about how talent development is showing up?

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## Rebecca McMorris

*Senior Director-Enterprise Digital Services, Waste Management, Inc.*

Yeah, absolutely. So, as a leader, I think one of the most important responsibilities we have is to develop our employees and that next generation of leaders for the company. And I think that that happens in really two primary ways. One is through recruiting and the other is through internal talent development. And I'll just share and highlight a couple of examples I've had in both of those areas. About a year ago, I had the need to staff a fairly senior technical role within our organization. It was our enterprise architect. And the skill set needed for that role is actually quite challenging to recruit for. It needs obviously the deep technical expertise that you would expect, but the person also needed to be able to communicate at various levels within the company. They needed to be collaborative because they don't really necessarily have a lot of direct authority. And lastly, they needed to want to mentor that next generation of technical talent. And if you think about the combination of those skills, it's a little bit of a unicorn to try to find.

I luckily had worked with some great people in my past. So, I had a candidate in mind. I reached out to her. Her name is [ph] Becky (01:16:27). And through various conversations, through her going through the interview process, meeting tremendous people here, just like I did through my recruiting process, she joined the company about a year ago. And she has been truly phenomenal in coming into the organization. She's reached out, she's developed relationships, she's brought that next level of technical expertise that we needed in the organization. And she tells me every day how much she enjoys being here, because again, we truly care about the people. And she feels that. She's driven with the purpose. And not only is she excited to be here, she's again reaching out and mentoring that next group. And so, the excitement passes down. It's a bit of a force multiplier, if you will, to the technical resources that we have in our organization. And it's just a phenomenal example of recruiting external talent in.

And then, the other example I will give is around internal talent development. I had the recent opportunity to be an executive sponsor in our Emerging Leaders program. And that's a companywide program where we bring together, I think it was over 50 this year, high potential leaders that have been identified across the company. And we bring them into the six-month program, and they learn skills from a leadership standpoint, a communications standpoint. They get to interact and network with business leaders and themselves across the organization to build that network. And lastly, they get to put it into practice at the end of the program.

So, last week was their capstone proposals that they made to the leadership team. Some of them will likely move forward to be put into practice. And you think about the people when they walked in the door and then you think about them walking out, and I think they recognize the investment the company is making in them and that truly helps them feel rewarded and recognized.

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## Kimberly G. Stith

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

So, Ron, that development doesn't just happen in the corporate office. How have you seen some of that in the field?

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## Ronald S. Ward

*Area Vice President-Capitol Area, Waste Management, Inc.*

Just two quick examples. We have an annual performance evaluation process. We call the nine boxes. It's a shorthand name for it. And this year, my boss and I, Chris, we talked about one individual who has been with the company 30 years, and we believe he has some stretch to do other things. He's a high potential employee. He

started as a driver. And one question that Chris asked me, he says, hey, do you think [ph] Jeff, his name is Jeff (01:19:21), could benefit from having a formal education? Again, he started as a driver, straight out of high school. His father was a driver as well in another company. And we discussed it and I said, you know, I think it's good. And we talked to [ph] Jeff about it and Jeff (01:19:36) agreed. And we're sponsoring his education for his undergraduate degree, and he's pretty excited about it. He has one of the toughest jobs in the company's as operations director, but he's still getting it done at night, just like I did. The second example was [ph] Fred (01:19:52), who runs a business unit in Richmond, Virginia. He just finished his MBA. So, those are two quick examples of how we make investments in our employees.

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## Kimberly G. Stith

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

I love those examples. And after 34 years, it's never too late. I love it.

So, why don't we go back to talk about some of the technology that we're using, right. It's people and technology that's going to move us forward. And so, I don't know, Marcel, do you want to start with some things that we're doing on the technology front?

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## Marcel Dalby

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

Yeah. Certainly, Kim. I'll touch on two things that we've done recently. But you heard John say earlier that we've had onboard computing in our truck for over a decade with digitized route sheets and GPS confirmation of all of our services. But we continue to enhance that technology. And so, two things we've launched in recent years, I'll touch on, is one we call DPI, Driver Performance Index. So, forever in our organization, if a driver wanted to know how they did, they'd have to go to this wall chart that the manager prints out and hangs on the wall and kind of read their spreadsheet of how they performed yesterday.

We made all of that digital, and we made it custom for each driver uniquely for them every day in their hand on their tablet. And what we do is we provide their metrics around safety, service and savings. And in case they may be new or don't understand how those metrics are calculated, we try to make it really simple as bronze, silver or gold. So, drivers can really understand where they're performing well and maybe where there're some opportunities.

One of the unique things we did there is a bit of gamification, so we rank our drivers, so they know if they're number 1 for the day and they've got bragging rights across the district or if they're number 41. And what we find is those folks that are maybe in middle of the pack, they come find our managers, and they say, hey, how do I move this service metric up, how do I make this better? So, it's really driving performance, engaging our drivers by driving performance for the company.

One of the other technologies I'll touch on, I don't know if you all are like me, but getting a car today, the car doesn't move until you plug in GPS and you hit go, right. And it's not just because you may not know where you're going, but you want to know how to avoid traffic, right. Where are the delays? Where might there be accidents? And our drivers, especially the younger ones we hire today, they want that same experience. And so, we've given them that. John touched on it, but we've partnered with a company called HERE Maps to really create garbage truck-specific directions. So, it knows the height of every vehicle, unique to that vehicle. It knows what we can carry and what bridges we can and can't go across. And so, it'll customize the route for that driver. So, if they don't know where they're going, it'll get them right to the customer, but it'll help them avoid those traffic delays and just help their job be a little bit easier every day. But also, again, driving performance for the company.

## Kimberly G. Stith

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

What about you, Rebecca? Do you have examples of how we're sort of embedding technology to make our people's jobs easier and bit more beneficial at work? How do you do that?

## Rebecca McMorris

*Senior Director-Enterprise Digital Services, Waste Management, Inc.*

Yeah. As a technology leader, first, I must say it's fulfilling every day to walk in and know that the company you work for gets what you do. They get the value and the purpose behind it, and that makes me want to come to work every day. And I get the opportunity to work with folks like Marcel, and actually several members of the individuals at your tables to look at all of the technology projects that come to us for proposal and consideration each year. And we sit down as a group, we look through them, we assess the cost and the value, and we determine which ones we move forward with. And if I look across the portfolio of investments we have this year, it's a broad range. It includes everything from very foundational investments to make sure that the PCs, the tablets, the network infrastructure that we have is reliable and secure for our employees each and every day. It also covers the transformational opportunities that you've heard about this morning, whether that's Mike's self-service enablement for our customers online, the routing optimization that you heard John talk about.

And if you have a chance at the break, we have over at the demo area drone and the sensors that we use at our landfills to measure emissions, and make sure we're responsibly managing them each and every day. And I think as I look forward, what I'm excited about is the opportunity that generative AI and agentic AI has. We are progressing different opportunities there from more mainstream capabilities like Microsoft Copilot to more unique and targeted things to WM, which I hope to be able to share maybe at a future shareholder event.

## Kimberly G. Stith

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

So, Rebecca has taken over my job. I was supposed to ask, what would you most excited about, which you already answered. So, Marcel and Ron, lightning round, give me one thing you both are excited about. Marcel, you start.

## Marcel Dalby

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

Yeah, Kim. So, I would say, and Rebecca touched on it, but really AI becoming embedded into these tools that we have. So, the example I'll give you is our fleet planning and scheduling. And that's not new, right. It's how we plan our maintenance on our trucks with our technicians making sure we have the right parts. But now, with AI embedded in the tools, it really helps our managers understand which technicians are good at certain jobs and maybe which ones aren't.

And so, the example I'll give you with AI looking at the work orders, looking at the work history, what it'll learn is – I'll pick on Kim. I don't get to pick on our Chief HR Officer very often, so I'll pick on Kim here.

## Kimberly G. Stith

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

Yeah.

## Marcel Dalby

*Vice President-Collection Operations & Business Optimization, Waste Management, Inc.*

But it'll learn over time that if I give Kim an electrical repair on a truck, that truck will come back again tomorrow broke down with the same thing. But if I give that repair to Ron, it's fixed, and we don't see that truck again for that issue, right. So, that's just the power of AI understanding what's going on with the work orders, and then really helping us optimize the technicians that we assign to do which jobs.

## Kimberly G. Stith

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

All right, Ron, wrap it up.

## Ronald S. Ward

*Area Vice President-Capitol Area, Waste Management, Inc.*

Just real quick, we're really excited to see all the things that come out of Marcel's shop in the field. It makes us a lot more efficient. And secondly, I'm really excited about the people. And you see the development of the people and the second generation of leaders in the organization.

## Kimberly G. Stith

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

Well, thank you, all, for really helping to illustrate what we mean by a people-first organization. So, let's give our panelists a round of applause. So, I'm going to turn it over to, Heather who is going to lead a Q&A.

## Heather Miller

*Director-Investor Relations, Waste Management, Inc.*

Thanks, Kim. Good morning. I'm Heather Miller, WM's Director of Investor Relations, and I work alongside Ed and Khristopher to be a part of WM's IR team. I'm going to invite our first four speakers back up to the stage, and we're going to open the floor to Q&A, live questions from folks in the room. We have a couple of microphones on hand, and I ask that you just wait for a microphone to get to you, and then state your name and your firm, and we're going to keep the questions targeted to the presentations we've heard thus far.

## QUESTION AND ANSWER SECTION

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

So, we'll start with Jerry.

A

**Jerry Revich**

*Analyst, Goldman Sachs & Co. LLC*

Hi. Good morning. John, I'm wondering if you could just expand on the logistics opportunity for you folks. I know you're working hard on a set of different trials using AI and other opportunities. Can you talk about how much do you think you can increase stops per truck when we're having this conversation five years from now based on the most promising leading-edge scheduling software that you're implementing in pilots, et cetera?

Q

**John J. Morris**

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

No. Good question, Jerry. I mean, obviously, we've made a lot of progress. You've heard us talk about it in the last number of earnings calls over the last couple of years. I think aside from just using that from an efficiency and safety standpoint, you heard Marcel talk about some of the real-time navigation tools and traffic navigation that are helping us be more efficient and safer. I think the other thing that's important, when you talk about connecting all the nodes, if you will, sort of our logistical network, is also having a total cost of operation view, right. Efficiency is certainly one element of it, but we have the ability now to really look from a customer-specific standpoint, think about the technology of the smart connected truck all the way through that entire ecosystem, efficiency, certainly is something in a same-store sales environment we're looking to drive.

A

But I think what I'm really excited about is the transparency and the amount of data that we have between Mike's shop and our shop to be able to make really good total cost of operations decisions versus just efficiency. And that's where I think the lift is going to come from.

**Jerry Revich**

*Analyst, Goldman Sachs & Co. LLC*

Super. And my follow-up, Jim, I'm wondering if you could just talk about the opportunity from landfills closing in the Northeast that you spoke to. It sounds like unit profitability per ton disposed is triple when the industry handles it via rail. Can you just comment? Is that where the profit pool looks like? And how much more incremental volumes could flow to WM from a disposal standpoint based on the range of closure scenarios over the next 10 years that you laid out on the slide?

Q

**James C. Fish, Jr.**

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

So, John might be able to answer that better than me. But I would tell you that I don't have an exact number in terms of the tons, Jerry. But as both of us discussed, I do think there is a differentiation there. I mean, it's inevitable that these sites close. They all close. They have a finite life. And when you look at that chart, you see, wow, there's a lot closing over the next 20 years, and that's an important part of our business.

A

But the waste still comes. John said it several times. I mean, the waste still comes. It comes every day. It comes every season. And putting ourselves in a position to actually be the best positioned company is really an

opportunity for us. While that chart may appear to be a threat, as I said, it's a huge opportunity if we're the best positioned player. And I think what John talked about, what I talked about a bit tells you that we are the best positioned player. Not only do we have the best positioned assets, we are using technology to make them more efficient, and we have the capital to be able to add to those sites where others might not be able to add to them. So, I don't know the exact tons number, but it is definitely an opportunity for us over the next 20 years.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Come to the middle right here. Toni?

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**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks so much. Toni Kaplan from Morgan Stanley. I also wanted to ask about the constrained disposal slide. I was wondering if you saw or expect to see significant changes, behavioral changes, either gradually, over time or a step function at some point. What do you think happens in terms of how long this plays out? And have you seen any trends towards alternatives that you're considering or others are bringing up in the industry in terms of alternative disposal methods or trends that you're thinking about? Thanks.

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**James C. Fish, Jr.**

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

A

I'll give it a shot. Maybe you can jump in, John, but I'm not sure. I think for the most part, this is going to be transparent to those of us who move waste out of our houses and it gets picked up and goes somewhere and we don't see it ever again. So, I think for the most part, it's going to be transparent. Now, it may end up going on a rail line. I mean, today – in today's world, it may go to a landfill that's down the street. In tomorrow's world, it may go to a landfill or a recycle center. It may run through a transfer station, whether it's a rail transfer station or a marine transfer station or a traditional truck transfer station. But for the most part, I don't know that it really affects behavior because it's so transparent to us.

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**John J. Morris**

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

A

And one thing I might add, Toni, is I think former hockey player, I'd use the phrase, you've got to skate to where the puck is going to be. I think in terms of the transformation from, as Jim said, you used to take a truck to a landfill, now you take a truck to a transfer station. When you think about some of the examples I gave, like here in New York City and the Pacific Northwest, the planning part to be able to do that is much longer than it would be the traditional migration from a landfill to a transfer station, right. That's really not very disruptive. And to Jim's point, I don't think it's going to be disruptive from a collection standpoint. But the reason why we stood up a team of enterprise network planning experts is to make sure that we're backing up from these milestones when these facilities are going to close, and make sure that we're best positioned with not only the asset on the far-end, but the network that the connected network in between that and where the waste is generated, and certainly I can tell we're excited about that capability.

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**Michael J. Watson**

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

A

I will add...

**James C. Fish, Jr.**

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

I think completely – sorry, Mike. I was just going to say, completely separate from that, we're always trying to encourage people to do the right with recycling. So, I don't know, Tara knows the number, but how much PET actually truly gets recycled. A lot of it ends up in our landfills, and we would much prefer, both environmentally and economically, they go to a recycle center. We get paid more money to forward it to a recycle center. And it's better for the environment. So, separate from just the fact that landfills are going to close over the next 20 years, we will continue to encourage people to recycle the right way.

A

**Michael J. Watson**

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

And the only thing I was going to add to that, Jim, is I think the capacity that we've brought on with the investments we made in sustainability, the throughput of that volume, and providing more opportunities for customers to recycle will extend that life to that post-collection asset as well. So, I think that whole circularity, we focus that on trying to differentiate ourselves with our customers to encourage more recycling. But I think the extension of the capacity online that Tara will talk about later on this morning will extend that for sure.

A

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

Go ahead, Tyler.

A

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Hey. Good morning. Tyler Brown, Raymond James. John, quick question. So, last the Analyst Day, you talked about M100, which I think was about engineering the metal part of the day. I think you committed to 3% improvement in efficiency. Did you get that? One. Two, can you commit to more today? If so, what would that be? And how important will that be to expand margins in collection and disposal over the next, call it, three to five years?

Q

**John J. Morris**

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

I knew [indiscernible] (01:33:58) last time. What I would say – Tyler, yeah, I'm sure I did. What I would tell you is, is ultimately, I mean, we talk about efficiency in a same-store sales environment being something we pursue every day. I talked about total cost of operation. M100 is really part of that process discipline that I talked about early on in my presentation. We've augmented that with a lot of tools I mentioned and Marcel mentioned. What I would tell you was when you look at the margin expansion and the return expansion, that's really the endgame there. So, we continue to work on efficiency. We have had efficiency gains, but as I tell everybody, we're in the game of being profitable and safe, and efficiency is one of the metrics we look at.

A

**James C. Fish, Jr.**

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

I would also say, Tyler, that not all lines of business are created equal when it comes to efficiency. So, I talked about the – and John talked about this transition from rear load to side load. I mean with that comes a really big pop in efficiency. You can pick up a lot more houses with that automated side loader than you can with the rear loader. So, you – and then, mostly on the roll-off line of business, you're getting the benefit of what Marcel talked about. I think the one that has still a pretty significant opportunity is the commercial line of business.

A

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

We'll go to this side of the room to Trevor.

A

**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Hi. Thanks so much. Trevor Romeo with William Blair. Really appreciate the presentations today. Had a question about the labor and the turnover stats you mentioned earlier, John. I think, towards record-lows. It's great to hear. First, maybe, could you talk about wage inflation, what you've seen more recently, have you started seeing any moderation from the last few years? And then, in terms of turnover being at record-lows, when you talk to our survey, your drivers and mechanics, what are some of the biggest factors that they talk about that would influence their decision to stay or leave, and how you're performing on those metrics?

Q

**John J. Morris**

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

Do you want to try that, Kim, and I'll...?

A

**Kimberly G. Stith**

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

In reverse order. How about that? I'm going to...

A

**John J. Morris**

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

Go ahead.

A

**Kimberly G. Stith**

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

...shake it up. So, I will say that what we hear from our employees and specifically our technicians and drivers about turnover is we do now the annual survey that Ron Ward talked about, but we also do 30-, 60-, 90- and 180-day surveys. And what we hear is what matters most is the person who's in front of them on a daily basis, that manager. And so, the programs that we talked about, the leadership development programs, are designed to make sure that that experience is what Jim talked about, that people feel like they belong. And it's the soft skills. I mean, that's what's going to matter most in getting our employees to stay.

A

**John J. Morris**

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

I would also tell you that the environment everybody works in is important, whether it's the physical environment, a facility, we've invested a lot of money in making sure, not that our facilities aren't always – haven't been nice, but we've been very deliberate about making investments to upgrade a lot of these facilities to make sure that there are facilities that we take any one of our family through. And I think that's absolutely part of that equation.

A

I think when you talk about the fleet, which is the biggest part of our population, we've bought almost 6,000 trucks, 5,700-change in the last handful of years. And so, we're running a very modernized fleet. And if you think about that, as someone who drove a truck 1 million years ago, that's an important environment for those folks. And then, you enable a lot of these roles with technology. Tara is going to talk about what we're doing with these recycling facilities, what we've done with landfills in our collection business. The fact that we're modernizing our business

model is also drawing a younger demographic into the business, right. So, I think it's a combination of a lot of things. But to Kim's point, first and foremost, you could do all that right, but leadership's has got to be number one – is number one on that list.

**James C. Fish, Jr.**

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

I guess...

A

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

Noah?

A

**James C. Fish, Jr.**

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

...it makes me 1.5 million years old if you drove a truck 1 million years ago.

A

**John J. Morris**

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

Probably right [indiscernible] (01:37:45).

A

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Good morning. Noah Kaye from Oppenheimer. You showed us, John, some really compelling AI-enabled image recognition technology on the front line. First, can you level set for us how widely adopted is that technology today across the collection fleet? Where do you expect it to be in a couple of years in terms of implementation? And then just simply, what's the biggest profitable growth opportunity related to that technology as you see it?

Q

**John J. Morris**

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

So, I'm going to start but I'll start backwards. And I'm going to let Mike answer the last part of that question. So, I would tell you, when you look at on screen, there's an industrial last part of that question. So, I would tell you, when you look at it onscreen, there's an industrial container on the screen there. That's really not as applicable there because that's more transaction-based, and we have plenty of transparency when that happens.

A

On the commercial fleet, it's 100% deployed. With a few exceptions, every transaction that we make, we have the ability to capture the still image or a video. What's more impressive, and Mike will correct me if I'm wrong, but when we first started this, oh God, I'm sure it was probably about 10 years ago, we used to have to process roughly half of those pictures, give or take. Somebody had to lay eyes on half of those pictures. Now, I want to say it's a small few percentage points. So, you talk about the benefits of AI. We're getting those transactions and we're filtering them automatically, and in very few cases does a person have to stop what they're doing to make a decision. They get delivered the information in it through an automated basis. We get this action – we basically get to take action on a very – we only have to get involved in a very few of those. But to answer your question, it's 100% deployed on our commercial vehicles, and we are deploying it across our automated residential business. And that is not 100%, but pretty darn close.

**Michael J. Watson**

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

A

Yeah, we're close on residential. But we've had a lot of maturity on our artificial intelligence around our Smart Truck technology. That's really been a growth driver, as I mentioned in my prepared remarks, about understanding and meeting our customer needs. That information at the moment of truth when a customer is being serviced is how we're evaluating and rightsizing our customers. We're also making further investments in AI, as I mentioned, around our customer experience and trying to aid in their tools. It's not fully automated by any stretch.

In addition to that, we're investing in artificial intelligence around coaching our reps when they talk to customers how they can improve connectivity and be more effective. And then lastly, prioritizing and using AI around our prospects, through some technology, how do we get the prospects warmed up and qualified at a more rapid pace. So, we're just scratching the surface on the customer experience and sales side. We see continued upside in our ability to meet our customers' needs but also grow the business as well.

**James C. Fish, Jr.**

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

A

And when we first started this, we actually had a – the drivers had cameras in their trucks, and we tasked them with taking a picture. And you can imagine, some took 20 and some took 1 a year, so.

**Michael J. Watson**

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

A

There were actually floppy disks when we started it.

**James C. Fish, Jr.**

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

A

Yeah. Polaroids [indiscernible] (01:40:38).

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Other questions? Go ahead.

**Michael Feniger**

*Analyst, Bank of America Merrill Lynch*

Q

Hi. Michael Feniger from Bank of America. Jim, I just want to ask you a question. You were talking about the different customers. And when we were talking about the healthcare side, you laid out the secular thesis there, then you talked about the customers are more consolidated.

**James C. Fish, Jr.**

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

A

Right.

**Michael Feniger**

*Analyst, Bank of America Merrill Lynch*

Q

I'm just curious how you guys think about that economics for those customers compared to maybe the collection disposal side where you've gotten very strong pricing. Does that shift a little bit, Jim, in terms of pricing versus

long-term value because the consolidated customers appreciate your digital offerings and technology but maybe doesn't have the same pricing characteristics that we've seen on the collection disposal side? Just love that you comment on it. And just if I could squeeze in a second one, if that's okay. I'd love to understand, Jim, you gave a great pie chart, and you said, you can't dispel the notion that you can't do acquisitions, that there's still a lot to go after. I am kind of curious, with the presentations you guys laid out, would we think incremental dollars maybe going to these other areas outside of collection disposal because it's kind of more of a bigger pie now to go after?

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**James C. Fish, Jr.**

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

A

Yeah. I'll kind of answer the second one first. I think, possibly, but, really, that chart is primarily comprised of solid waste acquisition. So, that \$64.5 billion, those are solid waste acquisitions. I think the one thing that I didn't mention, Michael, when I talked about it, is that the old model was, you'd have somebody that was going to sell our business, and so, they'd sell it to you, and then they'd sign a non-compete, and then the day after the non-compete expired, they're back in the business. And they do it two or three times, and pretty good business for them. We're not seeing that as much anymore. I think you truly are seeing consolidation.

And the reasons are these. One is they don't have successions. They're typically private businesses, most of them, the smaller ones are privately owned family businesses. Their kids don't want – Millennials and Gen Zs don't want to run a trash business. They're happy to take the money, and move to Lake Como, but they don't want to run the trash business. Secondly, they're having – if you think we're having challenges with labor and the shrinking pool, there's our 2x that. And then thirdly, they continue to be exposed to inflation that's really is harder for them to defray. So, I think there's an opportunity truly for the market to consolidate.

And then, your second question about pricing. Look, I think we've kind of slow played pricing a little bit. We're getting the ERP rolled out. We want to make sure that because some of the – really when we hear complaints, and we do hear complaints, from the stericycle customers, it's not about service, it's about the billing system, and okay, I haven't gotten the bill for three months or whatever. And so, Devina and Guillaume and that team are really working on that to iron that out. And I think we'll have that ironed out. And then, I feel like we can – we've got some customers out there that haven't had a price increase in three years. And – but now's not the right time to price increase them. I want to get the ERP really kind of fully fixed, and then we can price them at market.

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**Michael J. Watson**

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

A

I would add to that though, Jim, and you'll hear more from Rafa about the opportunities to grow volume and price. I mentioned in my prepared remarks around the addressable market, and that's just share of wallet is \$2.5 billion of revenue. It's split close to 50/50 between the legacy WM CORE and WM Healthcare Solutions. So, that volume opportunity is out there. I do think we want to make sure we have an appropriate customer experience, and we have a go-to-market strategy that I talked about. But we have very sophisticated pricing team, and ultimately we're going to work on customer lifetime value metrics once we get a little more familiar with the data. And eventually, we'll have a growth platform that will be both price and volume. But right now, we've seen some growth. And if I think about the cross-sell that I mentioned, the \$30 million, it's about 70% core WM growth and 30% of WM Healthcare. So, that share of wallet and connecting the brands together is quite powerful. I think we want to take our time and make sure we use the data and analytics that we're proud of and put that to work.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

We have time for one more question before we go to the break. Right over here.

Q

Hi. [indiscernible] (01:45:13). I'll also attempt two questions. The first one is regarding your renewable natural gas business. Just wanted to ask, from the 80% that you capture and redirect to a beneficial use, how much of that actually is pipeline quality gas? Just to get a little bit of an idea that both opportunity, how big a part of the whole it is? And the second one, just real quick on the recycling part of your business, if you could tell us a bit about how the payback periods and the returns profile compares to your core business. That would also be really helpful. Thank you.

**John J. Morris**

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

A

Tara, do you want to go offline and answer those? Because...

**Tara J. Hemmer**

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

A

[indiscernible] (01:46:01)

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Yeah. So, what we'll do...

**John J. Morris**

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

A

Okay.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

...we have a presentation later in the program that's going to cover more of those topics, and a Q&A that follows that. So, we'll make sure to get you the microphone early in that next session.

Q

Okay.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

Okay. So, I think to stay on time, we're going to go ahead and take a 10-minute break here. So, we're going to come back about 10:25 AM to resume. So, thank you to our first presenters.

[Break] (01:46:35-01:55:45)

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

If everyone can start making their way back to their tables, we're going to get started here in another minute. So, if you can, please, make your way back to your tables so we can continue.

So, we're about to get started. If everyone can, please, take your seats. All right. Welcome back. We've had a great start to the program, and we're looking forward to continuing into the back half of the presentation.

So, I'm going to welcome to the stage Tara Hemmer, our Chief Sustainability Officer.

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## Tara J. Hemmer

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

Thank you so much. It's always hard to wrangle people after a break. So, appreciate you getting back in your seats.

I'm Tara Hemmer, our Chief Sustainability Officer. I started my career with WM in Brooklyn about 27 years ago, and have been in a variety of operations roles, and then four years ago had the great privilege to become the company's first Chief Sustainability Officer.

And I want to start with that, because six years ago, Jim Fish stood in this very room and said that there was no clear leader in the sustainability space, but we were going to claim that space. And I think you've heard a bit already from Jim, John, Mike, and Kim how sustainability is embedded in what we do, and we're proud that we have clearly claimed the sustainability space for the industry and beyond.

So, I want to walk you through some of the key themes that we're going to cover today. First and foremost, we are growing our company through sustainability, and at the same time, we're operating the company with sustainability in mind. We also have a really strong commitment to sustainability and innovation. They go hand in hand, and they're going to help us with broader secular trends and how we're able to respond to them and turn those into opportunities for us. We have a rich history of investing in sustainability, and we have this platform of renewable natural gas investments and recycling investments. We're making great progress on those. So, I'll touch on that today.

And then finally, we've learned an awful lot about how we can take those investments that we made, and apply some of that to future materials that are incredibly important to our customers and are great growth opportunities for WM. At the end of the day, all of this focus is going to help us fuel growth in our core business, also help us fuel growth in WM Healthcare Solutions, and ultimately unlock new business lines for growth.

So, by now, I hope you get the picture. Sustainability really is embedded in our DNA. It's who we are. And we have bold ambitions for the future. Material is repurposed, energy is renewable, and communities are thriving. These aren't just [indiscernible] (02:00:16) words, they are how we operate and grow the company.

You heard from Mike Watson about our broader brand promise and how it's synonymous with sustainability, also how we go to market with our customers. You heard from John about some of our operational imperatives. Six years ago, or really over the past six years, we've delivered over 4,000 compressed natural gas trucks to our fleet. And we operate the largest low-emission fleet in North America. No one touches us in this space. And we can use that fleet to help with our renewable energy business. This is really what we do and how we do it, and we're also driving broader shareholder value through all of it.

So, what does it look like when we bring this to life for our customers? Well, our customers are asking us for solutions, not just for today, but for tomorrow. And Mike touched on some of this earlier. They're asking us to

really look at new material streams, whether it's food waste or biosolids or increasingly hazardous and industrial materials. And we're certainly expecting more of that with reshoring that might be happening over the next several years.

At the same time, we also have a large national accounts platform, and a lot of customers who are coming to us and knocking on our door to manage more materials. A great example, we had a large national retailer that several years ago we handled two material streams for them; trash and cardboard. And we did about \$20 million in revenue with them. Fast forward, we now manage 10 different material streams with them that goes to pharmaceutical waste, it's film, it's construction and demolition debris, and we're now generating over \$200 million in revenue. This is really taking our deep competencies in materials management and figuring out ways to unlock opportunities with our customers.

At the end of the day, though, what really all started for WM is with recycling. So, on the recycling side, we have been innovators for decades. We started single-stream recycling over 20 years ago, and we're not stopping there. We know we have long-term drivers on our side. So, I want to talk to you about two key trends and themes that are really driving and propelling the industry forward. The first is, there are regulatory requirements across the US and Canada that are really generating more inbound materials, not just today but in the future for WM, and we also need to help our customers with that.

We have seven states that have passed extended producer responsibility legislation, and the interesting thing in Canada, where we operate, over 95% of the population is covered by extended producer responsibility. That means more material is going to be captured, and needs to go through recycling facilities. Well, our recycling investments, over half of them are in states or provinces and territories that have extended producer responsibility in play. And so, we're really well-positioned for that. And our automation investments, all of that technology that we're putting in place and have put in place can handle more materials and different material types.

The other thing that's going on is so many of our customers really are looking for circularity solutions. And what does that look like? Well, they want materials to go out their back door and end up on their front shelves. And we're doing that with our broader national account platform, how can we get them materials so they can meet minimum content legislation in certain states where they operate. Again, our WM recycling facilities are the front door for circularity solutions, and we're making great progress.

I want to walk you through what some of our automation investments are unlocking, not just for WM, but for our customers. The first thing that we did is we worked on automating our existing facilities. And when we do that, there's a couple of key things that happen. First and foremost, these are really hard to source facilities for labor. And so, we're using technology to upgrade that, and we're able to reduce our labor cost by 30% to 35%. We also are able to generate much cleaner material and more of it. And when we do that, we command a higher price for the commodities that we sell. And then, the last thing we do, not just in our automated facilities, but also in facilities that we're building in new markets like in Fort Walton Beach, Florida, or Portland, Oregon, or now in Canada, is we're generating a heck of a lot more capacity.

And I know someone asked a question earlier about behavioral trends and what might be happening with material streams. Well, if we get more people to recycle and legislation is on our side, we're going to be really well-positioned to capture that and grow our broader core customer base. And then, as Devina always likes to say, when you put all this together, what does it mean for margins and our shareholders? Well, we've demonstrated that we've been able to double our margins at our automated recycling facilities when we put all these pieces together. This is fantastic for our customers, but also fantastic for our shareholders.

It's one thing to talk about it. And now, I want to show you a little bit about it and to tee up a video I'm about to show. We have a facility in Elkridge, Maryland, which serves the Baltimore and D.C. regions. We built this facility 20 years ago, has handled over its history over 3.5 million tons of material, the largest in our network. And if you can queue up the video, as you can imagine, our old facility, we had a heck of a lot of people, over 100 in the facility sorting material. Fast forward, once we've automated our facility, we have over a mile of conveyor belts. You're seeing an optical sorter here, over 22 of those. And this is a bit of a visual of what an optical sorter does. It looks for material, and blows that material into bunkers. We create much cleaner material when we do this, and you can see the quality right here, and we're able to sell that at a higher price point.

If I leave you with one thing, this is innovation in action. But we're not done yet. We have more room to run in the recycling space, and it really comes from four key areas. The first is, just like we have white space in the core solid waste business, we also have white space in the recycling business, and there are new geographies where we can enter. You heard me say earlier, we built a new facility in Portland, Oregon, and we had core solid waste there. There're other locations like that.

We also have the opportunity to expand into new materials. So, no secret, if you go in your home today, you have a lot more film and flexibles. And all of those CPG companies are looking for solutions for those materials. Our technology can work on any material type and we can use AI in the future to do that.

Policy changes are a huge driver for us and we are hand-in-hand with regulators at every state level working with them, not just on extended producer responsibility, but also advocating for minimum content legislation, which is going to drive and fuel stronger demand.

And then finally, with the largest national accounts customer base in the network, all of them are prime for new materials and we're doing this today, I hope all of you use trash bags in your homes and maybe some of you use Glad. We're actively working with them where we're taking film from [indiscernible] (02:10:13), pelletizing it and giving it to them so they can have a certain portion of material in the trash bags that you use at home. This is really WM being positioned for growth in our core business through our leadership in recycling.

So, if recycling for us was the first frontier, we have some new frontiers ahead. And one of them is food waste. And food waste is really going to be driven by where you are located in the country or also in Canada and I want to give you two examples of how this is coming to life.

The first in California, California passed legislation couple years ago, which was really designed to fight methane pollution and required municipalities to divert food waste from landfills. WM has really strong public sector contracts throughout the State of California and we knew we needed to help find solutions so that we could be a true partner with our customers there.

And one of the things that we did is we built out a broad landscape of composting facilities across the state. Some of those are co-located at our landfills and some of them are standalone. The one on the page was a purpose-built facility in Pala and we now have over 50,000 tons of capacity that we can use to help those broader public sector customers. Canada on other hand, they have had taxes on landfills for quite some time, but they also passed legislation requiring residential and commercial customers to recycle food waste. And one of the things that we were able to do in Quebec, in that region was build and we're under construction today, a brand new anaerobic digester that's collocated at our Sainte-Sophie landfill and also our Sainte-Sophie renewable natural gas facility. I think you get the sense that here's how we're helping our customers, but we're also able to pull together our unique assets in a way that differentiates WM in the marketplace. So, if you can't recycle it and you can't compost it or turn food waste into new things, our material does go to landfills.

And we have the largest network in North America, but we know that we can extract value from the material that goes into those facilities and create renewable energy. So, I want to take a moment to just remind everyone in the room, there is no other company like WM that is vertically integrated in this space. We have three key ingredients that no one else has. The first is we have decades of experience building renewable energy facilities. We've been doing it for over 30 years. It's started taking landfill gas and converting it to renewable electricity. And then we were on the forefront of taking that landfill gas and converting it to renewable natural gas.

The second, and it's been touched on before, with the largest fleet of compressed natural gas vehicles in North America, we are uniquely positioned to take that fleet and allocate it to the renewable natural gas that we generate, to generate RINs and not give up the value. And then finally, the largest network of landfills is not just about how many landfills we have, but you've seen some of the technology at play, where we're able to capture more landfill gas and put it to use in our renewable energy plants.

The other thing that we've done is we have been very intentional about preserving optionality. You can use our gas to drive electricity and we did that for decades. But the better option today, the better economic option is to generate renewable natural gas and that's what we're doing. And then when we put all this together, we're able to drive unparalleled shareholder value. This is the highest return on invested capital business in WM's network, the highest. Recycling, by the way, is the third highest. So, two of our highest return on invested capital businesses are in the sustainability space. And we're also able to drive environmental value. So, yeah, your trash yesterday could fuel your recycling truck or as Devina and I talk about, yesterday's trash is tomorrow's cash.

We're making great progress on our renewable natural gas journey. And the important thing that I want you to take away is we are delivering on what we said we would, having our 20 facilities online and generating close to \$500 million in EBITDA by 2027 and at the same time, they're driving very strong free cash flow that can be returned either to shareholders or to generate new investments inside the core business. This really is the flywheel that reconnects to what we're doing across the network.

And then we're also driving strong environmental value. This business helps save over 180 million gallons of diesel fuel every year. And from the sell-side analysts in the room, I mean, we want you to come visit us, but not 20,000 roundtrips' worth between JFK and Houston, but a huge, huge visual of the environmental value that we're driving.

So, want to take you through a quick case study on our Fairless RNG facility, if you can cue the video. Fairless is our largest landfill in our network and is within 30 miles of Philadelphia and also within 100 miles of this facility is over 30 million people, crown jewel of our [indiscernible] (02:17:11). And building an RNG plant has really helped us deliver on landfill expansions and also being viewed as a community energy partner. This is something that we're looking to do in future plans and projects moving forward.

So, probably the question I get asked the most when I meet with people is really around the fact that we're building this renewable energy business inside a waste company and that looks a little bit different from a risk perspective. I want you to know we have experience doing this with our recycling business and we're going to continue to take a disciplined approach when you look at our renewable energy business.

First and foremost, we have the ability to access both the transportation market through our fleet and that will represent roughly 45% of our offtake and then the balance in the voluntary market. And when we do that, we're going to do it with credible counterparties that have strong balance sheets and we know that we can access them.

We also are going to make sure that we take a dollar-cost averaging approach and make the best decision for WM and our shareholders. And in the middle, what you're seeing here is we've demonstrated that we can do offtake in different tranches. So, 2025, we have over 80% of our offtake locked up at over \$31 per MMBtu. And if you roll forward a couple years, very close to our investment thesis on the voluntary market numbers that we had put out there at \$26, but we also knew that the transportation market should be higher. So, we're feeling very confident.

Finally, we have more room to go when you think about future investments, about 65% of our landfill gas will be beneficially used, leaving 35% as opportunity moving forward. And not all of that will be developable, but we are actively looking at what comes next in this space. We did our richest projects first and we have more that we can do. But we're going to look at five key things. What does the regulatory environment look like? We got some positive news about two weeks ago with the renewable volume obligation that EPA came out with. And so, it does look constructive for more renewable natural gas moving forward. We have the ability to do other things with our gas if there's policy changes related to electricity.

We're also looking at the capital cost. We saw a run-up of capital costs coming out of COVID and how can we reduce our overall capital intensity when we build these plants. There's future pathways related to carbon sequestration. We're actively looking at that. And then we don't have to do these ourselves. We could collaborate with others. The one thing I want you to take away from this, though, is the discipline that we put in place when we made investment decisions on the first 20 will be applied to anything we do in the future.

And so, wrapping it up, I hope you have taken away that sustainability truly is a growth lever for WM. We have the best team, we have the best assets in the network and we are well positioned to build sustainable solutions for our customers and shareholders today and in the future.

With that, I'm going to turn it over to my colleague, Rafa Carrasco, and thank you.

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## Rafael Carrasco

*Senior Vice President, Enterprise Strategy & President, WM Healthcare Solutions, Waste Management, Inc.*

Thank you. Okay. Thank you, Tara. Good morning, everybody. My name is Rafa Carrasco. I am Senior Vice President for Strategy at WM. I'm also the President of WM Healthcare Solutions. Just celebrated my ninth anniversary with the company last week, so still makes me the rookie by far amongst all the presenters. You heard all the numbers, 20, 30, all that. But I've had a number of roles with the company. I've led our Canadian businesses, the greater mid-Atlantic business, including the operations here in New York, and then I led the Eastern half of North America as well before taking on this new role. Really excited to be here with you today to share with you that after eight months of owning the Stericycle business, what we call now WMHS or WM Healthcare Solutions, we have a really good understanding of what the business is going to do and where we want to take it. We're excited about it and we think you're going to share our enthusiasm moving forward.

So, let's dive right into it. Why are we so excited? Well, we can first start with the secular trends. I know it's not an exciting topic to talk about, but we're all getting older on the average. We're going to need more medical care. In addition to that, medical procedures are on the rise. They're now back to pre-pandemic levels. There's a huge backlog of them to kind of work through as well. So, if you couple that with our network of assets, we have a unique platform from which to pursue growth there. But it's not just about the trends and the assets, right? You need the right combination of capabilities and competencies in order to really extract value and WM has those, right? We have the right processes, the right technology, we have the right culture from which to build a really good business here.

In fact, for over the last 10 years, we've been actually leveraging those same attributes in service of our solid waste and our sustainability businesses to fuel growth. And those are transferable to this business segment. We're very confident of that, in fact, so confident that that's what led us to double the synergy estimates on the cost side to \$250 million.

And then last but not least, we are incredibly excited. We love the cross-sell opportunities here. We've already validated cross-sell synergies that are going to aggregate meaningfully beyond that \$250 million number I just gave you. But in order to really build your excitement for you to understand where we're coming from, I think you need to understand our network. And one of the key reasons why WM has become the leading provider or the leading service provider in the solid waste space is really our unparalleled network of assets. And in particular, that moat that you heard Jim talk about that is provided by our landfills and our transfer stations. So in keeping with that advantage, what should stand out from an admittedly busy slide there is that impressive footprint and that comprehensive coverage that the Health Care Solutions Network provides. That type of scale and what that can do to provide ease of doing business for our customers is really an undisputable competitive advantage.

If you were to overlay that with our own WM network of assets, you get a really impressive visual of that type of scale and which in fact I think one of Jim's slides had it tucked away somewhere. It was really dense. There was a lot of dots all over the place. That's why I didn't want to do it in this slide. Instead what I chose to do is kind of showcase for you that we now also have a pretty robust network of assets in the UK and Ireland from which to – and we also have some business in Western Europe, by the way, from which we can grow this business. And also it gives, as I said it before, a little bit of a perch from which to evaluate kind of what the solid and industrial waste businesses are doing in that part of the world. No plans yet, but, it's a good perch to have.

So, look, the key message here is, once again, that size, that scale, what we can provide in terms of ease of doing business. That's what allows us to boast the most extensive portfolio of customers in the industry. So, I think it makes sense to look at that network from the perspective of the customer and a quick reminder, right. While WMHS is a specialty waste solutions provider, we do have a pretty diverse array of customers. They range everywhere from regional and national hospital networks, acute healthcare centers, pharma companies, labs, you name it, all the way through to nursing and funeral homes, schools, offices. But this doesn't strike me as a body art fan kind of audience. But tattoo parlors, for example, as well, irrespective of that, that waste generation, that journey of waste generation from collection all the way to responsible disposal is really made seamless by that integrated network.

Those customers produce a wide variety of waste streams. All of them take different pathways throughout our network. Trace chemotherapy, for example, will require incineration. I'll take one pathway. Sharps and standard medical waste will require autoclaving and then eventually make its way to our WM network of landfills, different pathway. And then in turn sensitive documents that require destruction, they'll go to our plants, they'll get shredded, and then eventually through our facilities they get recycled.

One of the things to keep in mind, I didn't call it out in the slide, but I think it's an important element is that for those customers that have more complex regulatory compliance requirements, we do bring to bear the largest cohort of in-hospital service technicians in the industry, 1,200 strong. And these folks are folks that are inside the four walls of our customers, day in and day out, problem solving with them and in many cases understand the needs and wants of a customer even before they do. So we plan on leveraging those folks a lot more in the future.

Ultimately, our customers tell us that it is that integration all the way from collection, all the way to disposal and the visibility that we can provide in the midst of that, that makes us the preferred choice. That is why we enjoy by far the most market share in the industry and we have the most customers.

So, with that in mind and that extensive network of customers, we are really in prime position to take advantage of the secular trends that Jim talked about that I introed with. What you see behind you in the slide is really three data sets of many that you can find out there that are suggesting economically and demographically that there's growth in this industry moving forward. The one that stands out the most to me is that change in US occupancy – hospital occupancy rate, right? And think about that in terms of hospital beds and in particular hospital bed days. Every hospital bed day means more volume generated into our waste network, right? And I've now been to hospitals a lot this year and thankfully, not as a patient, as a vendor.

But I'm always impressed when I go in at the amount of construction that's taking place. And when I ask the question, what's happening here? The answer is always the same. We're building wings so we can add beds, so we can get more patients through the door. Perhaps nowhere is that more pointed than in the UK, where there is a staggering 7 million medical procedures on backlog since the pandemic. And as much as they're gaining on beds, they just can't keep up.

So the growth is real, it's undeniable and it's here to stay for a long, long time. I'm purposely moving kind of quickly through the secular trends supporting the growth of the industry because frankly, they're not new, right? It's clear there's tailwinds for the industry. We have the largest network. We have the largest portfolio of customers. So, we're in prime position to really gain more than our fair share of growth from the industry.

So, why didn't it happen, right? Why has the legacy Stericycle business not been able to grow in the last few years? Well, I'm going to submit to you that some business opportunities are too big or they may come along too soon in the development of a company. It's not enough to have the largest and most comprehensive disposal network if you don't have the right logistics service delivery model to actually optimize the work and you can have the largest pool of customers. But if you don't have the right sales coverage and customer experience platform, how do you capture and retain those customers? And if you're lucky enough to actually have both of them and you have – you enjoy that premier market position that that provides, well, you need the right pricing discipline in order to be able to ensure the quality of the revenue into the future.

And then, of course, you need the right leadership. You need a leadership of accountability, a people-first leadership that's going to drive results. So, WM is the right owner for the business. We have all those strengths, disciplines and processes I just talked about being required to grow the business. And any results that you have seen in the past are really not indicative of the potential of this business.

I'm really excited about the synergies. I'm going to talk about them here in a second. But what I'm really excited about is that combination of the strengths of WM with the strengths of the Stericycle business to really unlock the full potential of the business moving forward.

So, I'm going to spend a little time kind of illustrating for you what I mean by unlocking the full potential. And I'm going to ask you to kind of bear with me here. I'm going to take you a little bit into the weeds by offering you four specific examples of how one overlays strength over strength here in this situation.

So, we start with the Healthcare Solutions business having a pretty robust and full suite of medical compliance and document destruction services that are pretty well ingrained into our customer base. Well, now, we're going to be able to grab those tools and analytics that Mike talked about that have propelled our national accounts

business to double-digit CAGR and lay them over that, providing a new suite of services for those same customers. Turns out that those large hospital networks and those sophisticated national customers in the Healthcare Solutions business does exactly what they want as well.

And so, I've actually already told you, I've been to hospitals quite a few times. When I sit across the table from hospital administrators and hospital operators and I talk to them about this suite of tools, they're all very excited. They're wondering when they can get them. And they want them because they want to understand their waste generation and they want to pursue their sustainability goals. In fact, interesting point that kind of levers or pulls on what Tara was talking about, about the horizons for recycling, the healthcare space enjoys very low penetration on recycling. And I'm not talking about recycling IV bags. I'm talking about just plain old recycling.

So, on the operations front, those same disciplines that John talked about that have enabled the adoption of technology that yielded 220 basis points in margin increase for the base business, they're already paying dividends in the WMHS business. We've seen the on-time delivery of performance improve month after month this year, even as we have reduced the size of the fleet by more than 300 units, plenty of opportunity to continue to do that in that business.

On the sales side, we've begun to optimize the sales coverage for the business. We've already done that, by the way. We have experience doing it on the core business. And we started with the shredded business, where we now have a reduced sales workforce that has better tools and is generating more leads and enjoying a closure of better closing rates for them.

And then lastly, something you've heard us refer to in the past, which is that notion of a digital contract data mart and that is an enabler for customer lifetime value. Well now, we're going to be able to overlay those processes and that technology to our WM Healthcare Solutions businesses. We estimate at this point that there's about \$2 million a year in pricing opportunities that have been missed or miscalculated in the past. It's going to take us a little bit of time to get our customer base used to the cadence of price increases, but the early results are very encouraging.

And so we have the right foundation of competencies and capabilities, we know that, to build the business into the future. But I'm also really excited to talk to you about our cross-sell synergies. We've validated those now. Mike talked about the \$2.5 billion total addressable market. I won't spend too much time there.

What I really want you to take away from this slide, though, is that those very disciplines and processes that I talked about is building blocks in the future, those are the elements that we're going to build our cross-sell strategy on. And excited to share with you that using that disciplined growth, leveraging that brand, those data and analytics tools and their sales coverage, we now estimate that we're going to be producing \$50 million in incremental EBITDA from cross-sell during that three-year horizon. That's in addition to the \$250 million in cost synergies for a total of \$300 million. Most exciting, though, is that we see that cross-sell opportunity in year four and beyond extending well into the future. So, this isn't a question of a business that's cutting its way to profitability, it is a long runway ahead of us.

I want it to bring to life real quick the cross-sell opportunity with an example of a large hospital network in the Carolinas. It was entirely a customer pool, which I think is indicative of the power of the combined value propositions of the two companies without having a concerted strategy to go to market yet fully developed. We were able to put together elements of both platforms, so that alludes to that one solution that is – was in Mike's presentation that removes the friction from doing business with the customer and leveraging that disciplined growth and that analytics reporting, the brand and then providing efficient service through one single provider.

That was the winning formula for this particular network and it's going to be the foundation of us moving forward. We were able to add significant revenue on the solid waste front, while securing the Healthcare Solutions revenue and enhancing the quality of that revenue as well.

So look, all that revenue from synergies is exciting in and of itself, right, but we're also really happy with the progress we're making on delivering on cost synergies, those \$250 million. I say it a lot because it's important that we're committed to – we're executing really well in internalizing the waste flow using our network optimization tools. We've added the [indiscernible] (02:36:08) incinerator to the network. We are taking costs out of the business through fleet rationalization, through route densification. We're putting technology in the hands of our in-hospital service technicians.

But importantly, and this is something that will, I hope, resonate with this group in particular, it is that SG&A discipline that is helping us provide the early results as well. So when you combine all those four, we are now tracking to the upper limits of that 2025 target synergy capture of \$80 million to \$100 million. That's driving better operating margins for the business. And importantly, it's lowering our SG&A as a percent of revenue to the lowest levels that that legacy business has seen in 10 years. So, we are now approaching 20. We will soon be under that and headed down towards those long-term goals that Jim has talked about.

Importantly, though, we're integrating methodically, right. And so, that ever-important cultural assimilation in these large integrations is going well. We have the Stericycle personnel continuing to welcome our People-First Leadership. There's a legitimate excitement about welcoming the transition and integration of the Healthcare Solutions business into our existing framework of 16 areas. That's going to allow us to embed and drive accountability of the business lower into the organization and it's going to fuel disciplined growth.

So, it's a great start with a lot of work yet to be done, but a lot to be excited about, which brings us to the conclusion. And so, beyond the \$250 million in cost synergies that we're tracking so well to deliver and a \$50 million in sales synergies that have runway to become much more, that total \$300 million. Beyond that, what I hope comes through is that excitement that we have as a unit here about the long-term future of this business.

To put it very simply, I would say that to make of this business a resounding success, all we have to do is what we already do very well. So, what my colleagues talked about we've been doing for the last five years, we're going to do it for the next 10 and we're going to be the leader in this segment of the business for many years to come.

With that, thank you. I'm going to hand it over to Devina, who will bring us home like only she can.

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## Devina A. Rankin

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

Thank you, Rafa. Thank you, all. So, for those of you who I don't know, I'm Devina Rankin, the Chief Financial Officer of the organization. I have the privilege to be part of this great company for over 22 years and in this role for almost 9, which is hard for me to believe.

I can tell you that when we stood on this stage in this room with many of you talking about the great story WM had to share in 2019, our stock was trading at about \$110. Today, we're at over \$230. And what I'm here today to tell you is there's plenty of room to grow from here. And we're excited to take what you've heard this morning about the strategy and taking that strategy, moving it into execution and then taking the execution and driving results. So, the things that I hope to share with you are, one, the multiyear track record. The multiyear track record will represent to you why you can trust that when we say we will do something, we will execute, we will display to you that in 2019, when we set out targets, we thought that those targets were stretch targets. And what we're going to

show you is we didn't just deliver, we exceeded expectations. Beyond that track record, we're going to show you our commitment to creating ongoing long-term shareholder value. You've heard things like People First, results are oriented, disciplined, capital allocation, focus on sustainability as a platform for growth.

All of those things are going to come together to drive shareholder value. And what underpins this is a commitment to disciplined capital allocation. We are an organization today that understands capital allocation in a way that we didn't when I was the treasurer. And I am – I recall very specifically that year end 2012, the \$829 million of free cash flow, we've meaningfully eclipsed what we even thought was possible, but it's not just about generating the cash. It's about how we spend it and so I hope to tell you that we have the same commitment today to spend it with discipline as we did six years ago and we're going to continue to generate outsized returns in the years ahead.

So, that track record I mentioned, the page really does speak for itself, but I want to pause here because when we look at really two figures on this page that stand out. It is that compounded annual growth rate for both EBITDA and free cash flow, 9% EBITDA growth in the three-year period, 13% free cash flow growth in that same period. Our focus at WM is taking every dollar we earn from our customers by working hard every day. Those 60,000 team members on the frontline are serving our customers relentlessly, with a focus on doing what's right for them and doing what's right for the environment. We take very seriously our responsibility to convert more and more of those revenue dollars to the bottom line through efficiency.

And then ensuring that we convert more of that to free cash flow is equally important. We do that through capital discipline, having the best balance sheet that we can possibly have and ensuring that we're intentional about tax strategy. I'll get into some of the impacts of taxes in a moment, but I think it's important to point out that in this three-year period, we did, in fact, convert more of our EBITDA dollars to free cash flow. So, the growth rate of the two is quite impressive.

So, as I move on to what's next and how do we look to the future using the past as an indication of what we can achieve, I thought it was worth repeating the part of the slide that Jim showed you earlier that showcased our total shareholder return in the last decade. It really is quite remarkable. So, you look at this page and see 476% growth in a 10-year period. We're not done. And what I want to ask you to do is focus on the bottom half of this page because what the bottom half of this page does is it tells us how we got there. We got there through hard work, determination, focus and execution and delivering 6% revenue growth, 320 basis points in margin expansion and 7.6% growth in operating EBITDA. Impressive numbers, right, guys? Guess what? They're going to get better.

So, when I turn to the next page, what's really important for me is to focus on our balance sheet. And I appreciate the fact that there's – we've got some of our rating agency partners in the room, some of our banking partners and I can tell you that my team and I really think about the balance sheet as the foundation off of which all else is possible. And WM has a great foundation.

We have the best credit ratings in the industry. They're hard earned. And part of that is certainly our scale, but it's also our discipline. We also have tremendous liquidity and a maturity profile that provides strategic flexibility. Those things are important because when you look at the bottom part of the page, you certainly see that our leverage is currently elevated. That leverage is elevated because we funded the Stericycle acquisition, which you just heard Rafa speak to in terms of how important this is as an investment and the value that we will create out of this investment for the long term.

I want to remind everyone when we announced this transaction that we mentioned that we expect a return on investment from the Stericycle acquisition to exceed the return on investment from the ADS acquisition by 150

basis points. So, this elevated leverage that we took in order to fund the transaction was for good reason and good purpose and we're going to quickly work our way down to targeted leverage. And this time next year, I expect that you'll see us in our targeted range of 2.5 to 3 times.

So, how do we use our capital? If our balance sheet is the foundation, capital allocation is kind of the house where we live every day and how we navigate as a family because at WM, we truly are a family. I couldn't love more that you guys are surrounded by the best and brightest that this organization has to offer. You're seeing how great our talent is. Well, our talent has a lot of things that they want to invest capital in because they're really excited about what we can do for our customers and our communities. And what we do with purpose is we think about how that capital should be deployed on behalf of our shareholders.

What's important, as you see the four items on the page, number one and two, are not in order of importance, they are equally important to us. It is equally important to WM that we provide a long-term, sustainable increase in the dividend. It's also important for us that we grow organically and reinvest in the future. You heard Tara talk about the fact that our sustainability growth investments are the number one and number three return on invested capital in our entire portfolio. So, taking the shareholders' dollars and investing them in those high-return capital investment opportunities was absolutely the right thing to do and we will continue to look for places to grow, expand and develop our business through innovation.

Then beyond that, once we've taken care of the dividend and we've taken care of that strong organic reinvestment, we focus on M&A and we've talked a lot about the Stericycle acquisition today. And I'm going to give you kind of a one-pager that outlines how we think about M&A strategy here in a moment. But we will be focused and disciplined. Those are the two words that you hear over and over from us.

Share repurchases is really what gets – where the money goes once we've done everything else. So, every other thing that we have covered is, that was important to us in allocating our capital is covered. And we think that WM is a buy, which we do. That's when we will start repurchasing our shares and I'll get to share buyback in a moment.

But what I want to ask you to focus on for a minute is the right-hand part of this page and it is about driving industry-leading returns because everything I just mentioned comes to that. We have the best cost of capital in the business, but we also have the very best return on investment. And it's not even close when you look at the competition. And we will continue to prioritize making investments to have a return on invested capital spread above and beyond our cost of capital that shows the discipline of this business, but also emphasizes growth.

So, the strategic criteria for M&A, this page looks virtually identical to what it did when I presented it in 2019. And when you read through this criteria, what you'll see is it very clearly says why we've done the deals that we've done for the WM shareholder. We look to extend our core competencies. We're a logistics company that focuses on collections and disposal. We evaluate our core competencies in order to determine whether or not those core competencies can extend the effectiveness, the value creation of the targets that we look to acquire. And I got to tell you, what you heard from Rafa is check, check. There's a lot that we can do to emphasize the value of the Stericycle acquisition, so that the whole will clearly be greater than the sum of its parts.

The dividend track record is one that I'm particularly proud of. When I was the Assistant Treasurer, we very intentionally move from a dividend yield focus to a dividend payout ratio focus. It's one of the things that I remember having a good conversation with David Steiner about at the time. And what I can tell you is that what that did for us is create something that was repeatable and sustainable and the 8% CAGR over the past 10 years and the dividend growth is remarkable and there's more room to go.

From a share buyback perspective, we are currently on hold with respect to share repurchases as we delever. We're allocating cash to sustainability growth investments, to tuck-in acquisitions and somewhat to reducing our leverage and getting the balance sheet back to targeted levels. Again, we'll be back at that target by this time next year.

So, this is the money slide and what you've probably all been waiting for. I can tell you, it's really exciting. And as I mentioned earlier, it goes above and beyond what we created in the last three years. So, establishing these new targets, not for the current year, but really establishing long-term targets that speak to the confidence that we have in terms of creating growth for this business in the three-year period ahead and that growth will be remarkable.

We're talking about approaching almost \$29 billion at the midpoint in revenue, \$9 billion in EBITDA and over \$4 billion in free cash flow by 2027. So, what's that growth rate on revenue look like? It really is very exciting and what you can see here, it's more than 9% in the three-year period. Certainly some of this, while it will feel like there's an organic piece and an inorganic piece, it's really important to know that so much of this is organic. And certainly the Healthcare Solutions piece will have an inorganic piece when you move from 2024 to 2025. But the rest of this, we are focused on organic growth and the sustainability growth investments are really the exclamation point that you see on the page.

In the 2019 process, when we were coming together and saying, this is the first time in over a decade that the company has put forth long-term growth targets. We talked about how to come up with or establish the right revenue growth outlook for the business and we talked about the magic math at the time being 2% plus 2% or 3% plus 3%, 2% yield, 2% volume and 3% yield or 3% volume. And we executed well on those dynamics. But what you've heard from us today is more disciplined growth and more focused growth that is balanced between price and volume, the right volume and the right price gives us license to get the right price.

The Healthcare Solutions business I know we'll talk more about likely in Q&A, but what you see here is an expectation that that revenue will grow at or above the core solid waste top line growth in this three-year period. And that goes to the cross-sell opportunities that have been mentioned. But it also goes to our discipline and our ability to use our discipline in price and disciplined volume for the foreseeable future.

So, operating EBITDA, we always say, is our long pole in a tent. And what you see here is 11% compounded annual growth over this three-year period in that figure. It is a tremendous pathway, but we know it is something that we are set to accomplish. It's going to take margin expansion. We've talked about margin expansion coming from a combination of price growth and core execution and efficiency in the middle of the P&L.

You've heard in particular from John about how we're going to drive efficiency through technology, how we're going to ensure that we take the technology and drive the safety of our employees, but also make them even more productive as a workforce tomorrow than they are today. And that is one of the things that will continue to unlock continued expansion in those EBITDA margins for this three-year period.

And then free cash flow, 8% was the CAGR I mentioned on dividend growth. And so what you see here is that we expect in the next three years to again have about 8% free cash flow growth on an annual basis. Another great outcome, I want to emphasize for folks because you may have a natural question. Okay, tell me how that 11% and the 12% – and the 8% relate to one another. It's the same question that we had when we did the math. It's really easy to say it's taxes guys, and I'm going to let Ed and Heather answer those questions for you in more specificity, but it has to do with the impacts of the investment tax credits that we got on the sustainability

businesses. We're removing the sustainability capital from these figures, but we're not removing the sustainability EBITDA and tax impacts and so that's what you're seeing here. But 8% is a fantastic result and that will translate into continued investment in the business, continued growth in the dividend and strategic M&A.

So wrapping things up, I have to tell you as a proud member of this team for the last 22-plus years, I have been at WM all these years because I love our people and I love our mission. I love our focus on serving our communities and keeping our communities clean and safe so that everyone can live and work and enjoy what they do while our superheroes on the frontline take care of everything so flawlessly on behalf of all of our customers and communities.

But I cannot tell you how proud I am as the CFO to say that we are also a company that will continue to generate strong and consistent growth in the years ahead. We do that with our people and by putting our people first, but we put our people first knowing that they will care for our customer, care for the community, care for the environment and all of those things result in value for the shareholder.

So, with that, I'm going to turn things back over to our CEO, Jim Fish, to close things out.

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### **James C. Fish, Jr.**

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

Thank you, Devina. It's always kind of a drop the mic with Devina. I don't know that I have much to say beyond that. I will tell you this. So I started with the company in 2001 and I had no expectation that – first of all, I'd no expectation I'd ever become CEO, but I also had no expectation that this company would do what it's done. I'd worked for several different companies in several different industries and it was always kind of this, maybe a little of this. Pretty flat. I think I got bonuses, a couple of bonuses when I was working in other industries. And it pretty much appeared to be the same thing from 2001 until 2012. This, I got 5,000 options somewhere along the way. And I – boy, when the stock hit \$35 and I was out, I bought a car, a Malibu, by the way, Chevy Malibu. So good car.

So – but in 2012, things really started to change. And obviously, the stock's gone from \$30 to \$242 last week. And those of you who have been along for the ride, then congratulations. I mean, it's been a great ride for you and some of these slides are meaningful to you. But the big takeaway from today is it's not about what we've done over the last 10 years or the last 12 years or whatever the timeframe is. The big takeaway is that we're not here to claim victory. We're here to say there is a lot more to come with this. And that's why we wanted to demonstrate what the strategy looks like and what it turns into in terms of the financials.

But this is a great company and I just want to reiterate. This is a company that has some things that nobody else has in our industry. And you've heard a lot of those today. You've heard us talk about this unreplicable asset network you've heard Rafa talk about Healthcare Solutions and why we're so excited about that. You heard Devina talk about the numbers that ultimately result from this. Tara talked about the fact that we've kind of claimed a space here and in 2019, we said there isn't anybody that's claimed the space, but it's not just sustainability so we can feel good about ourselves, it's sustainability so that we can drive results for you. That's what I think the takeaway should really be from today. Here's those long-term investments, kind of compelling points about people first leadership, the powerful long-term engine, that unique unreplicable and I stress that, unreplicable asset network, distinct platform for growth that really focuses on those secular trends and we are very, very diligent about looking at those and then turning them into opportunities and executing a clear disciplined capital allocation strategy for long-term, hold it forever, buy it and hold it forever company.

So you see the numbers there on the left. Thank you very much for your attendance today. We do have a Q&A right after this. We're going to have a few chairs up here on stage, but thank you for your participation with us in this ride and thank you for coming today.

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## QUESTION AND ANSWER SECTION

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

So, we're going to take just a minute to get situated up here and then turn back to the Q&A. We're going to invite all seven of our presenters to come up and participate in this final Q&A session.

Okay. So to kick things off, I want to revisit Michaela's question from the end of the last session for Tara. So the questions about the portion of WM's landfill gas that we're able to convert to renewable natural gas, pipeline quality gas. So, we'll start with that one.

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**Tara J. Hemmer**

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

A

So, we'll frame this in 2027 terms. And what you really have to do is look at the plants that we're building ourselves, but we also have some plants that were built by third parties and those are in our platform. So, the best way to think about it is about a third will be renewable natural gas, a third will be electricity and the remainder is landfill gas that we could continue to monetize.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Great. And I think the second part of the question was on the recycling side, which we've gotten to talk a bit about now, but just comparing the economics in that part of the business to the core collection and disposal.

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**Tara J. Hemmer**

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

A

So, Brent Bell, who's here today, we spend a lot of time myth busting with recycling. And so, the myth busting we do, number one, recycling is real, we want more people to recycle. But we get questions, really questioning like, is recycling profitable? And you heard me talk about it, return on invested capital, third highest in the company. And the margins are in the same range as our core business. And that's a testament to all the work that the team has done to really reshape the recycling business model.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Great. So, we'll open up to questions in the room. So, we'll come to Bryan here in the front. So just a reminder, wait till you get the microphone and state your name and firm and proceed with your question. Right over here, [ph] Christopher (03:03:04). Yeah.

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**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Good morning. Bryan Burgmeier from Citi Research. Maybe sometimes people think 2026 is sort of the end of your sustainability CapEx program, but how much CapEx do you think you'll be spending maybe in 2027 or 2027

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and beyond? It seems like that there's lot of room for incremental growth. So, just trying to get a handle on, you called out the kind of 9.5%, 10.5% CapEx for the base business. But what are kind of investments for sustainability?

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**Devina A. Rankin**

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

A

So, I'll take this in two pieces. On the renewable natural gas side, we built our largest plants first and the ones that had the most favorable economics. So, we do have other plants that we can build. We're just not yet in a position to say how many of them and how quickly will go. But what I can tell you is it's not going to be the same number. If you think about the \$1.6 billion number and the \$500 million EBITDA, it will be substantially less than that. We're going to think about this more as incremental investments that we can make over time.

On the recycling side of the house, we do have more room in other geographies. We're actively looking at what extended producer responsibility means in other areas. But we have automated, I would say, close to 90% of our tons across the network. So, anything else that we build would just be targeted in key geographies and we'll deliver the same level of transparency that we did on our previous investment platform going forward in the future.

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**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Thank you for that. And maybe just one follow-up. Maybe from high level, I guess can you kind of explain or help us understand how – if tons are maybe moving from landfills, very high margin to composting, recycling, does that impede margin growth? Does that accelerate margin growth? How do we think about WM growing margins as people maybe become more sustainable?

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**Tara J. Hemmer**

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

A

I can take a stab at this. And then John, you can...

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**John J. Morris**

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

A

Sure.

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**Tara J. Hemmer**

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

A

...layer on. But I think a great example is our business in California. And California really has been on the frontline of this and we're not seeing our margins impeded at all. We're able to continue to drive margin growth and expansion in that marketplace. Really what it comes down to is how we think about the entire network holistically and what the customer relationship is because we recognize when we're building these new capabilities, customers have to be willing to pay and we've demonstrated that we've been able to do that.

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**John J. Morris**

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

A

I think the only thing – great answer, Tara. The only thing I would add is when you think about margins, you also think about capital intensity. And as Tara mentioned, a lot of these sustainability investments compete at the highest level from a return standpoint. Margins are certainly high at landfills, but there's a capital dependency there that's a lot different from a profile standpoint. That's part of what we evaluate from a network perspective.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

Saba, right over here.

A

**Sabahat Khan**

*Analyst, RBC Capital Markets*

Okay, great. Thanks. Saba Khan from RBC. Maybe just following up on the margin discussion, you outlined, call it, 150 bps of margin improvement. And maybe across some of the buckets you outlined, Technology, Healthcare Solutions, maybe if you can just force-rank where are some of the margin improvements coming from over the next three years.

Q

**Devina A. Rankin**

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

So I'll start and then certainly if anyone wants to add in, I think what's really important to emphasize in terms of accomplishing that 150 basis points of margin expansion in a three-year period, we're doing that with a large segment of our business being historically low margin. So, it speaks to our ability to scale that business for margin growth and overcome the dilution that would have naturally happened with the addition of that business. Historically, we've targeted 50 basis points to 100 basis points of margin expansion in the core solid waste business. And what I would tell you is that the target that we've set out of 150 basis points represents maintaining that targeted growth in core solid waste and at the same time expanding margin from the two additions, being the sustainability businesses, which Tara mentioned the recycling business being on par with the rest of traditional solid waste. But then when you think about the renewable natural gas business in particular, that's very high margin business for us. So, that is something that's accretive to margin. The Healthcare Solution business is something that will have near-term margin detractor, but we are working very hard to get that on par as well.

A

**Sabahat Khan**

*Analyst, RBC Capital Markets*

Great. And then maybe just a follow-up on maybe the Healthcare side. And you talk about 24% SG&A today, WM obviously far lower. Maybe if you can just talk about the cultural change or some of the impediments. Maybe when you get in there convincing that team to operate in a completely different way, what's been easier? What might take a little bit more time?

Q

**Rafael Carrasco**

*Senior Vice President, Enterprise Strategy & President, WM Healthcare Solutions, Waste Management, Inc.*

Maybe I'll start and somebody else can chime in. Somebody actually asked me that question actually during the break about have I had any negative or positive surprises about the business and absorbing it. And maybe the most positive surprise has been how welcoming the Legacy Stericycle team has been to becoming part of a winning organization. I think they had been mired for so long in this sort of stasis and just murky – kind of what Jim described might have been that 2001 to 2010 state for us. So, they're not only embracing the People-First Culture, they're embracing what we're doing in order to optimize the work, sales coverage optimization, Mike's team has done a great job already doing that and the type of results we're seeing there are second to none.

A

So, I think what you're going to see is that while we drive to lower SG&A as a percent of revenue, the drive that those teams are going to continue to have is going to boost us and enable us to meet those goals.

**Tara J. Hemmer**

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

A

I think there's two really important things that are worth mentioning on that note. One is it really is as simple sometimes as saying that we're going to work smarter, not harder. And so there are some places where, because of some of the system disadvantages or process disadvantages that the legacy Stericycle team members were encountering on a day-to-day basis, we're bringing the scale of an enterprise that they now have the luxury of being part of. So, working smarter, not harder, I think is a big takeaway there.

The second really for me is about how you think about the role of technology in transforming the way business happens today. And while those legacy Stericycle team had been on that road for many years, they really hadn't crossed the finish line that was unlocking the potential that was available there. So, I think that the track record that WM has shown in terms of not just implementing technology, it's not about the implementation. It's about the adoption. And so, it's moving from a period of doing all of the hard work to actually build the technology suite to the change management that will unlock the value of that technology from the customer to the employee for years to come.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Let's go in the back to Dave.

**David John Manthey**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Thank you. Dave Manthey with Baird. I'd like to refer back to slide 14, the landfill closure chart, which I found really interesting. Jim, you said that WM is positioned better than the industry in general. And I'm wondering as the industry digests the higher costs from inflated disposal cost, is it possible that the floor for yield is actually higher on a secular basis over the next, say, 10 years as those landfill closures start coming in in 2025, 2030, and beyond?

**James C. Fish, Jr.**

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

A

I think there's no question about that, actually. I think we clearly will be passing some of that on as we realize a higher cost. But the reason we're looking at that slide as an opportunity is because that higher cost comes slower to us than it does to others because we have longer life landfills than the average because we have the capital to buy adjacent properties that aren't cheap in places like Pennsylvania or Florida because we have the ability to not only purchase, but also permit some of these transfer operations. There's a number of reasons that we went through today as to why that slide is an opportunity for us. But I do agree with you that a lot of this does get passed through in the form of price increase and really it's just cost recovery and then the idea would be to add some margin points on top of it.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

We'll come right here to this table.

**Konark Gupta**

*Analyst, Scotia Capital, Inc.*

Q

Thank you. It's Konark Gupta from Scotiabank. Thanks for the presentations. I just had one major question on the Healthcare side of the business for Rafa. I guess if you look at holistically like the cost synergies and the SG&A savings you're talking about, is there anything structural in the Healthcare business that prohibits the SG&A to fall down below a certain level? Like I think you're assuming, as Jim said, 17% SG&A in your numbers at this point. But...

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**Rafael Carrasco**

*Senior Vice President, Enterprise Strategy & President, WM Healthcare Solutions, Waste Management, Inc.*

A

Yeah.

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**Konark Gupta**

*Analyst, Scotia Capital, Inc.*

Q

...the 9% you have across the board, is that realistically achievable, first of all? And why are you not there yet and setting those strategic targets?

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**Rafael Carrasco**

*Senior Vice President, Enterprise Strategy & President, WM Healthcare Solutions, Waste Management, Inc.*

A

Now I can establish eye contact. Apologize, I was kind of trying to find you. No, not really. We haven't seen anything that structurally prevents us from that. It's all kind of time and progress. We need to continue to fix the ERP and Devina talked a little bit about that, streamlining leadership. A lot of what we've done so far, particularly on the customer side of the business, is we had a lot of managers and not a lot of doers. And now we're moving to – we're flipping that model where we have – we're leveraging what we can do with our existing leadership at WM, whether it's pricing, whether it's corporate operations and logistics support, you name it, and we're driving sort of more action into the business.

So, nothing really stands out as an impediment. It's just time to optimize the work. And I do want to say this because I like to remind the legacy Stericycle team of this all the time because whenever you're talking about lowering SG&A as a percent of revenue, there's always this sort of inherent anxiety about, well, that means that just I'm going to be just whacked out of that. And it's really – there's another way to do that by the way and that is to increase your revenue, right, your top line. And there's a great runway for us to do that. As we lay the groundwork to go on a concerted effort to cross-sell, we're going to start doing that as well.

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**Tara J. Hemmer**

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

A

I want to put one small caveat on the structural difference because it's an important one for us and different than normal large-scale acquisition would be in the traditional solid waste business. And that's the fact that the Stericycle business ran on its own SAP, ERP historically and we are not going to fully integrate them onto our Oracle platform. So, they will run part of their business on a separate platform from a technology perspective. And as you can appreciate, technology comes with a cost. So that is one thing that is structurally different between this transaction and, say, the ADS acquisition.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

So, we'll go to this side of the room over here at our print table.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Q

Hi. Good morning. This is Tami Zakaria from JPMorgan. One of the slides that showed the cross-sell opportunity you had for with the large hospital system in North Carolina and South Carolina was quite interesting to me. I think you won \$1.5 million – in that case study, \$1.5 million of solid waste contract with a steady cycle customer. So I'm curious, is there any obvious cost synergies in that sort of a cross-sell opportunity where you can maybe combine trips, for example, to pick up the waste or bundle other services like secure information destruction that could lead to the margin on that incremental revenue to be much higher than the traditional solid waste margin.

**Rafael Carrasco**

*Senior Vice President, Enterprise Strategy & President, WM Healthcare Solutions, Waste Management, Inc.*

A

I would say that, not synergies, I think in the sense that you're referring to in terms of cost and reducing the number of trips because, frankly, the service is going to be different, whether it is solid waste, or medical waste, or secure information destruction. I think where the benefit of integrating the business is much more in understanding your customer a lot better, seeing the needs and wants of the customer a little sooner, being able to anticipate that. And where we do – where we will find some help is when I talk about leveraging our corporate operations support, and the logistics efforts there. Understanding what makes the most sense, what time makes the most sense to go pick up what, that is actually an inherent conflict that a lot of these large customers have, which is at times they have very limited dock space, for example, right.

And so, when are you going to show up to pick up the solid waste versus when are you going to show up to pick up the medical waste or whatnot, right. And so having one service provider that understands that entire criteria is important.

**Michael J. Watson**

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

A

I would add, though, the cost of sale that I mentioned in my prepared remarks are part of the equation is we have the same customer having a shredded rep, a regulated medical waste rep, and a WM rep. Our goal is to have a one-solution approach that will reduce that cost of sale, be much more efficient and less confusing for the customer. In addition to all the things we're doing to structurally change it, I think our go-to-market cost of sale will increase that margin as well.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Q

Perfect. Thank you. And probably one quick question for Devina. You said you expect to be between 2.5 times to 3 times leverage in the next 12 months around this time next year. Is there debt paydown and EBITDA growth that's leading to it or purely EBITDA growth? Any comments there?

**Devina A. Rankin**

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

A

Yes, it's a combination of the two. So EBITDA growth outlook is certainly strong and the thing that will propel us there the fastest. But there is some prudent debt reduction in the equation, too.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Right here. Christopher to Kevin.

**Kevin Chiang**

*Analyst, CIBC World Markets, Inc.*

Q

Thank you. Just one question for me. I guess when I think about the national accounts strategy, it's Kevin from CIBC, when I think about the national accounts strategy slides you put up there, it seems like you're getting good pricing momentum along with kind of volume consolidation. And I guess when I typically think of a customer who consolidates vendors, they typically look for pricing discount to get a bigger part of the wallet. I'm just wondering how you're bucking that trend, and how should we think about that moving forward both from a national account strategy growth perspective as well as from cross-selling, as Rafa had pointed out.

**Michael J. Watson**

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

A

Yeah, that's a great question. I think we've been spending a lot of time on that value proposition. I think with the seamless onboarding we talked about, the industry-leading analytics, that's really the crown jewel of the value proposition, whether we talk about efficiencies in their business, environmental compliance as well as that straight through processing, that's allowed us to earn a higher price even from the start. The attrition, I think it's a bulked national account, it's a lower price. We have the opportunity with this value prop to continue to move price consistent and you saw that in the document. So and as far as cross-sell is concerned, we have a sizable share, but there's an addressable market here as industry start to consolidate, let alone the opportunities that we have in the healthcare space for these multiple locations. I think that's where we're really different and separate from the pack is our asset network and environmental expertise transcends North America, and that's where we feel we could earn that price for the long term.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

We'll come back over here to Tyler.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Yeah. Hey, Tyler Brown, Raymond James. I'm going to go for a three-for-one, then I have a follow-up. So, first, Devina, are you – by chance, are you reiterating your guidance for 2025? I don't know if you can make any comments there. Number two, to be clear, the free cash guide doesn't include any bonus depreciation. Maybe you could tell us how much that could potentially boost those numbers. And then third, and this is really the crux of my question is around free cash conversion.

**Devina A. Rankin**

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

A

Yeah.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

So, I appreciate the 45%.

**Devina A. Rankin**

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

A

Yes.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

But why wouldn't that number creep more towards 50%?

Q

**Devina A. Rankin**

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

Okay.

A

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

And is that something that maybe – and I don't want to do the preview for the next Analyst Day, but is that something longer term that should be achievable?

Q

**Devina A. Rankin**

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

Sure. So, I'm going to try and remember all three. First, with regard to...

A

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

[indiscernible] (03:21:36).

Q

**Devina A. Rankin**

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

Yeah, I know you will, Tyler. So, with regard to 2025 guidance and the outlook, what I can tell you is that we've been off to a great start to the year. We will give more details about 2025 specifically on the analyst call in a few weeks' time. The one thing that we have our eye on that hasn't proceeded over the course of the first five months of the year as we expected is the revenue line. We talked a lot about that on the first quarter earnings call with regard to weather in particular. And then if you think about what's happened late in the second quarter, it's recycling commodity prices have come down from the levels that we anticipated. And that has an outsized impact for us on the brokerage business on the top line, but doesn't significantly impact our outlook for EBITDA or free cash flow, which is why we continue to have confidence in the remaining aspects of the 2025 outlook. So, we will certainly add more color to that when we're all together on the analyst call in late July.

A

With regard to bonus depreciation, the outlook did not include any changes in tax policy for what is currently being contemplated, but not currently a law. So, bonus depreciation upside for 2025 would be about \$120 million. And we do think that there's a high likelihood that we could see that come through, and that certainly would provide upside to the 2027 outlook.

With regard to conversion, I will tell you, it really is that, kind of, focused from taking more revenue dollars to EBITDA, and more EBITDA dollars to free cash flow that is like a relentless pursuit for this business. And while 45% may not seem like the right endgame for us, I would tell you, if we came down and did another Investor Day a few years from now, I expect that that conversion rate will be higher. You think about the conversion and the recycling part of the business, the sustainability growth investments in RNG. Those are going to be the highest conversion businesses that we have in the portfolio.

And to Tara's earlier point, if we're not making another leg of the incremental capital investments there, then you will see tremendous flow through. Where you have a different equation right now is it's too early for us to tell on the Healthcare Solutions business, what their free cash flow conversion should look like in an optimized state. We think with synergy capture and cross-sell opportunities, those are great flow-through opportunities. But fleet strategy is something that we're continuing to work our way through. They lease their vehicles, and we buy our vehicles.

And while we were really optimistic that we'd be able to convert a lot of those leases pretty quickly into owned vehicles, because it's just a better cost of capital and a better way of doing business, it's not economical to do so.

So, we're going to wait to do those things until the time is right. But landfill and the infrastructure that I think Jim and John did such a good job of bringing to life today, landfills are expensive from a capital perspective. And so, that's the part of the equation that continues to be a little elevated in the core solid waste business. But really, I think focus on the fact that tax policy is a question mark for us right now. You could have better conversion in the out years, if we have clarity in tax policy, especially with upside from bonus depreciation.

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**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Perfect. That was excellent, all three of them. Okay. Follow-up question, Jim, John. So you guys actually made quite a few comments about hazardous waste throughout the presentation. I know you have what I would consider maybe even an underappreciated fleet of hazardous waste disposal assets. Would there ever be – as a part of the M&A strategy, would it make sense to look more on the front end of hazardous waste field services, industrial emergency response, etcetera to effectively feed those landfills? Thanks.

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**James C. Fish, Jr.**

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

A

First of all, I have to say, doesn't that make it a four for one, Tyler, not just a three for one. I – probably Tara you or Mike can answer that question, but I'm not sure we would – I'm not sure what's included in that bucket that you talked about there. I think we do like the – and we're in a strong position in that hazardous waste space, and have been in that space for quite a long time. We've looked at assets there as acquisition targets. A lot of them haven't been priced right, and so we haven't ended up on the acquisition, kind of, the win or the acquisition. But I think we'll continue to look at that. We'll also continue to grow it organically. And then maybe, Tara, if you want to kind of tack on.

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**Tara J. Hemmer**

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

A

Sure. And, Tyler, I'm glad that you view this as underappreciated because we have been in the business for quite some time since the 1980s. And it's a business that we don't really talk about as much. But if you go back to the slide that was in Devina's deck, that really outlines the qualities of what good M&A looks like for WM. It is a space that could be attractive to us, but we're going to take the same disciplined approach that we would for any of the businesses that we look at. And now, we have a portfolio between core solid waste, sustainability, environmental solutions, which is what this is, and also healthcare solutions that we are the most well-rounded company in the space and our customers recognize that.

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**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

A

Great. Thanks for all the great questions. We have time for one more. So we'll wrap up with Jerry up front.

**Jerry Revich**

*Analyst, Goldman Sachs & Co. LLC*



Thank you. Thank you. Jerry Revich, Goldman Sachs. Tara, so for 2026, you laid out 30% have offload agreements for landfill gas sales. With additional 45% that you can consume internally, is it fair to think you're 75% through the book? And then can you comment on post the EPA's announcement whether you've seen the voluntary market thaw and open back up?

**Tara J. Hemmer**

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



I was waiting for this question from somebody, Jerry, about EPA's announcement. So, I'll start with that first. We do view EPA's announcement as constructive. Of course, there's always room for opportunity. But the good news is the fact that they had a three-year RBO is incredibly stabilizing to the broader program. And we have been having very active discussions with a whole host of counterparties in the voluntary market, and many of those were waiting and seeing. And now, we're getting phone calls on broader sales. So, we think a whole lot of industry was waiting to see what EPA did and now broader stability, we're seeing RIN prices today for 2025 at about \$2.20.

On your question about the 45%, in 2026, our fleet will be 100% allocated to WM's RNG, and so we will be tapping into the voluntary market more heavily. We do have some voluntary market deals today, and we are in the process of negotiating more of them.

**Jerry Revich**

*Analyst, Goldman Sachs & Co. LLC*



[indiscernible] (03:29:47-03:29:52) if you look at the CAGR that you laid out in 2027 versus 2025 and backing out the high margin sustainability investments, it looks like EBITDA is growing pretty similar to revenue. And so, I just want to make sure there are no headwinds that we should be keeping in mind versus just, hey, look for a business with all of these pieces really attractive growth rate, and let's leave some upside. I just want to make sure there are no headwinds.

**Devina A. Rankin**

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



No headwinds. What I would say is revenue growing at about 9.5%, EBITDA growing at about 11%. So, the spread represents the synergy capture from the Healthcare Solutions business, combined with our focus on core solid waste growth, and the strength of sustainability margin. So those are the things that led to EBITDA growth beyond the revenue growth.

**Jerry Revich**

*Analyst, Goldman Sachs & Co. LLC*



Sustainability margins are bad. Thank you.

**Heather Miller**

*Director-Investor Relations, Waste Management, Inc.*

Great. So thanks for your questions. We're going to go ahead and conclude the webcast portion and thank all of our speakers. So at this stage, we're going to move to lunch, which you can probably smell is in the room at this point. So it's a buffet lunch over here, and you're welcome to come back to your tables to mingle with the team.

We'll also have our side tables open for the next 20 minutes or 30 minutes for anyone to stop by who hasn't had a chance yet. So thank you, again, for coming.

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