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Waste Management, Inc. (WM)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to WM second quarter 2024 Earnings Conference Call. At this time, all participants are in a listen only mode. After the speakers' presentation, there will be a question and answer session. [Operator Instructions] Please note that today's conference is being recorded.

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

Ed Egl

Vice President, Investor Relations and Financial Analysis, Waste Management, Inc.

Thank you, Olivia. Good morning everyone and thank you for joining us for our second quarter 2024 earnings conference call. With me this morning are Jim Fish, President and Chief Executive Officer; John Morris, Executive Vice President and Chief Operating Officer; and Devina Rankin, Executive Vice President and Chief Financial Officer.

You will hear prepared comments from each of them today. Jim will cover high level financials and provide a strategic update. John will cover an operating overview and Devina will cover the details of the financials.

Before we get started, please note that we have filed a Form 8-K that includes the earnings press release and is available on our website at www.wm.com. In addition, we have published a supplemental presentation with additional information elaborating on the strategic rationale for the company's planned acquisition of Stericycle.

The supplemental presentation is available on our website at investors.wm.com and as an exhibit to the Form 8-K. The Form 8-K, the press release, and the schedules to the press release include important information.

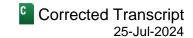
During the call, you will hear forward looking statements, which are based on current expectations, projections or opinions about future periods. All forward looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties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

John will discuss our results in the areas of yield and volume, which unless stated otherwise, are more specifically references to internal revenue growth or IRG, from yield or volume. During the call Jim, John and Devina will discuss operating EBITDA, which is income from operations before depreciation and amortization. Any comparisons unless otherwise stated, will be with the prior year.

Net income, EPS, income from operations and margin, operating EBITDA and margin and SG&A expense and margin results have been adjusted to enhance comparability by excluding certain items that management believes do not reflect our fundamental business performance or results of operations. These adjusted measures, in addition to free cash flow are non-GAAP measures, please refer to the earnings press release and tables, which can be found on the company's website at www.wm.com, for reconciliations to the most comparable GAAP measures and additional information about our use of non-GAAP measures and non-GAAP projections.

This call is being recorded and will be available 24 hours a day beginning approximately 1:00 PM. Eastern Time today. To hear a replay of the call, access the WM website at www.investors.wm.com. Time-sensitive information provided during today's call, which is occurring on July 25, 2024, may no longer be accurate at the time of a

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

James C. Fish, Jr.

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

Okay. Thanks, Ed, and thanks for joining us. Our results for the quarter were fueled by strong operating performance in the collection and disposal business. We once again achieved double-digit operating EBITDA growth in the second quarter, keeping us on pace to achieve the full year outlook that we provided last quarter.

Quarterly operating EBITDA margin reached 30% for the first time in the company's history, driven by operating efficiencies from technology investments and the sustained effectiveness of our pricing strategy. We're pleased with our performance in the first half of 2024 and are well-positioned to deliver another year of strong financial results.

Our team is executing very well on our strategic priorities, as evidenced by the expected growth in operating EBITDA approaching 10% for the full year. A big part of our strategic approach to growth is to find future opportunities where we can leverage our own expertise. Whether it's using technology to improve our routing efficiencies, turning landfill gas into renewable natural gas or automating recycling plants to drive greater throughput and lower operating costs. Each of these recognizes a future need and capitalizes on it.

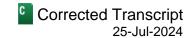
And now our recently announced agreement to acquire Stericycle presents another opportunity to leverage our expertise to drive higher growth. Stericycle has a leading position in the growing medical waste industry. The planned acquisition adds complementary business platforms to further our leading suite of comprehensive waste and environmental solutions. And these strategic benefits are accompanied by attractive financial benefits.

Our team is progressing through the regulatory approval process and integration planning and we're excited to welcome Stericycle's team members to WM. Even as we add medical waste as a new vertical within our business to complement our existing collection and disposal business, we continue to position our solid waste network for future growth. As we've said, the pipeline for solid waste tuck-in acquisition opportunities was strong coming into 2024. Our teams worked hard to move, tuck-in acquisitions to completion and we've now closed more than \$750 million of solid waste acquisitions through July. These transactions strengthen our core collection and disposal operations in North America in new geographies like Long Island, New York and complement existing operations through tuck-in acquisitions in growth markets in Florida, North Carolina and Arizona.

We also continue to execute well on sustainability, our sustainability growth investments. We expect to bring five new renewable natural gas projects online in 2024, adding to the two new facilities completed in 2022 and 2023. We have another nine projects in active construction, with construction beginning or expected to begin on the remaining four facilities later this year. Momentum is building and we're excited about the progress we're making. Investing directly in building our renewable natural gas platform meets all of our investment criteria. We're driving strong returns with expected payback periods of 3 years to 4 years at better multiples than traditional M&A plus we're expanding environmental benefits by collecting and beneficially using more landfill gas. And we're strengthening our core business by positioning our landfill assets as community energy partners.

Looking forward, we're exploring the scale of opportunity in future project development and growth from our renewable energy business across our landfill network. At the same time, we continue to maximize the value of the renewable energy we produce through a balanced marketing strategy that leverages the transportation and

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voluntary markets to secure returns, reduce risk and manage volatility. These efforts demonstrate our commitment to scaling this unique growth opportunity to create long-term value for the environment and shareholders alike.

Turning to recycling, our investments in automating our existing facilities and building capacity in new markets is helping differentiate WM with customers, unlocking new opportunities to further expand our network, such as recent successes in Ontario. At the same time, our automation investments are providing consistent financial results, improving labor cost per ton by 30% to 35% and increasing the blended value on commodity sales by 15% to 20%. We completed our Pittsburgh and Atlanta automation projects during the second quarter and both facilities ramped up quickly.

We're on track to complete another seven automation projects and add new facilities in New York, Florida and Portland by year-end. Our progress to-date increases our capacity from our recycling investments by more than a million tons. The WM story is one of delivering on our commitments. We achieved strong results in the first half of 2024 and are positioned to continue that trajectory during the balance of the year as we kick off our planning process for next year. We have some early enthusiasm about 2025 based on all the opportunities we discussed today. We're particularly bullish on the long-term. It's our dedicated team that makes all of this possible and I want to thank them for all of their contributions.

And I'll now turn the call over to John to discuss our operational results.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

Thanks, Jim. And good morning. We're pleased with our second quarter results, particularly our ongoing optimization of operating costs. Our teams remain intently focused on delivering safe and reliable service to our customers. And I want to thank them for their dedication, especially those in areas impacted by Hurricane Beryl in early July.

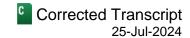
Second quarter operating expenses as a percentage of revenue improved by 130 basis points year-over-year to 60.9%. This improvement is a testament to our disciplined management of operating costs in our collection lines of business. Combining our strong operating expense performance with disciplined pricing, we significantly enhanced overall operating EBITDA margins.

In the second quarter, operating EBITDA in our collection and disposal business grew by \$203 million with margin expanding to 37.3%. Our continued adoption of technology and automation was a key driver of these significant operating cost improvements. Specifically, in labor, the use of scheduling and planning tools, advanced mapping technology, expansion of our dynamic routing capabilities, and automation of our residential fleet resulted in improved efficiency across all three of our collection lines of business for the second consecutive quarter.

In residential, efficiency improved by nearly 6% in Q2 largely due to fleet automation. Our automated routes achieved over 30% efficiency improvement, contributing to a significant increase in residential operating EBITDA margin when compared to last year. Additionally, our people-first focus led to reduced driver turnover, which improved 300 basis points from a year ago.

Company-wide, the integration of technology and improved driver retention contributed to a 90 basis point reduction in labor costs as a percentage of revenue. We remain confident in the value of our technology and optimization efforts, and we expect to continue driving labor cost improvements throughout the year.

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Turning to other operating costs. Repair and maintenance spending as a percentage of revenue improved by 20 basis points, reflecting our continued adoption of technology-enabled processes and an improving truck delivery schedule. Lower fuel costs also contributed a 20 basis point improvement to operating expenses as a percentage of revenue. We remain committed to optimizing our cost structure to meet both operational and financial objectives. And we're proud of the results we have achieved so far.

And finally, turning to revenue growth, our customer lifetime value model continued to drive organic revenue growth from price in line with our full-year expectations. Our pricing results relative to plan remain on track, reflecting our team's focus on using customer-specific data and insights to deliver price increases that keep pace with inflation and margin expansion objectives. Churn remains at 9% and service increases continue to outpace decreases, further reinforcing our execution.

On the volume front, trends in commercial collection, MSW and special waste remained strong in the quarter and are generally in line with expectations as our C&D landfill volumes when adjusted for the lapping of volumes related to the Hurricane lan cleanup last year. However, volume in our roll-off line of business is one area where we continue to see a bit of softness. Similar to last quarter, we continue to see moderation in both a temporary business driven by homebuilding as well as a portion of our permanent roll-off business in the industrial segment.

While a few segments of our collection volume are trending a bit behind our full-year expectations, our disciplined revenue management combined with our strong execution on cost optimization continues to give us ample confidence that we are positioned to deliver strong financial performance throughout the rest of the year.

In closing, I want to thank the entire WM team again for their contributions. Their performance so far in 2024 sets us up for continued success.

I'll now turn the call over to Devina, to discuss our second quarter financial results in further detail.

Devina A. Rankin

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

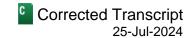
Thanks, John, and good morning. We're pleased with the strong start to 2024, particularly when we focus on the three most important financial measures we track. Operating EBITDA, operating EBITDA margin, and free cash flow.

Starting with operating EBITDA, through the first six months, we have seen this metric grow more than 12% with all of this growth being organic. This puts us on track to deliver our full-year outlook of nearly 10% operating EBITDA growth, well above our long-range annual target of 5% to 7%. As a reminder, in setting our operating EBITDA target for 2024 and then quickly increasing it by \$100 million in April, we projected that achieving this year's outsized growth would be driven by two things.

The first, is the benefits of price and cost optimization in the collection and disposal business, which we expected to be weighted toward the first half of the year. And the second is incremental earnings contributions from our investments in growing our recycling and renewable energy businesses, which would be weighted toward back half of the year. This is exactly how 2024 is tracking, giving us confidence in meeting or exceeding the midpoint of our guidance range for operating EBITDA with our current projection being \$6.475 billion. This includes about \$20 million to \$30 million of incremental growth from tuck-in solid waste acquisitions in 2024.

Turning now to operating EBITDA margin, it's worth highlighting again that at 30%, Q2 was the best quarterly operating EBITDA margin results in our company's history. In the second quarter, total company operating

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EBITDA margin expanded 130 basis points. And this was driven by about 200 basis points of margin expansion from price and cost optimization efforts in the collection and disposal business, and then a benefit from the sale of non-strategic assets of about 50 basis points.

These strong margin results were partially offset by higher risk management costs, an increase in incentive compensation costs, and a modest drag from the net impact of recycled commodity prices and fuel. The key takeaway from looking at these puts and takes is that we saw a 200 basis point lift in our core business versus last year. And we see the benefits of employee retention, truck deliveries, and the use of technology and process to optimize the business that started in the second half of 2023 holding.

The significant margin expansion and operating EBITDA growth in 2024 is delivering robust operating and free cash flow growth. Through the first six months of 2024, we've generated cash flow from operations of \$2.52 billion, and that's an increase of nearly \$450 million or 22% compared to the same period in 2023. Our double-digit operating EBITDA growth, favorable working capital trends, and lower cash incentive compensation payments are driving this strong performance.

For the first half of the year, capital expenditures to support the business totaled \$947 million. Sustainability growth investments were about \$388 million. Both are tracking at plan that we anticipate spending at or slightly above the high end of our prior guidance of between \$850 million and \$900 million for sustainability growth investments in 2024.

Pulling this all together, we've generated \$1.24 billion of free cash flow in the first six months of the year, and we're confident that we will achieve our guidance range of between \$2 billion and \$2.15 billion of free cash flow in 2024.

As Jim mentioned, we've closed more than \$750 million in tuck-in acquisitions through July, and we look forward to closing the acquisition of Stericycle as early as the fourth quarter of this year.

Given our elevated M&A activity, we want to reiterate our capital allocation priorities and emphasize our commitment to a strong balance sheet. WM has a disciplined approach to allocating capital to strategic growth opportunities, including the capital needed to sustain and grow our core solid waste businesses and investments that we're making to grow our recycling and renewable energy assets.

We prioritize return on invested capital in making these decisions, and we expect all of our investments to provide healthy returns above our cost of capital. We also remain committed to growing shareholder returns, which includes increasing the dividend as free cash flow grows.

We intend to finance the Stericycle transaction using a combination of bank debt and senior notes. When combining the impact of the \$750 million of solid waste tuck-in acquisitions with the funding of Stericycle, we now expect our leverage to be about 3.6 times post-close.

In light of this elevated leverage, we're temporarily suspending our share repurchase program so that we can work our way back to our targeted leverage range of 2.75 times to 3 times about 24 months after the close of Stericycle. The slight revisions in our projected leverage figures since our announcement of the planned acquisition of Stericycle are updates that reflect the impact of layering on the additional tuck-in acquisition activity this year. We're steadfast in our commitment to debt investors and rating agencies, because we know the value of our strong investment-grade credit profile.

To wrap -up, we're very pleased with our strong results, and I know the WM team remains hard at work to deliver on all of our goals for 2024.

With that, Olivia, let's open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] And our first question coming from the line of Tyler Brown from Raymond James.

Patrick Tyler Brown Analyst, Raymond James & Associates, Inc.	Q
Hey. Good morning.	
John J. Morris Chief Operating Officer & Executive Vice President, Waste Management, Inc.	A
Good morning.	
Devina A. Rankin Chief Financial Officer & Executive Vice President, Waste Management, Inc.	A
Good morning.	
Patrick Tyler Brown	Q

Hey, Devina. So, obviously, solid quarter, great start to the year. I think last call, you mentioned north of 30% margins in Q2, possibly north of 31% in Q3. Looks like Q2 came in more around 30%. So I just wanted to see if that that north of 31% is still a good placeholder, or should we maybe think about moving that down a smidge?

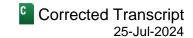
Devina A. Rankin
Chief Financial Officer & Executive Vice President, Waste Management, Inc.

So, I'll start by highlighting that the one item was different than our expectations at the end of April when we spoke about that little north of 30% for Q2 is the risk management impact of 50 basis points in the quarter. So, if we had not had that item which we couldn't have predicted, we would have come in at or above the target that I provided on the call last time.

What I would say about when we look forward to Q3, what's changed a little bit, there's a couple of things. One is recycled commodity prices. And you guys know that we have a different geography than our competitors do with regard to the impact of recycled commodity prices. And that was a 40 basis point headwind in the quarter, and we expect elevated commodity prices to continue into the back half of the year. So, there is a little bit of a headwind that we weren't projecting from recycling brokerage in particular that would carry over.

And then in addition to that, with lower industrial volumes that John mentioned, the flow-through on industrial volumes is generally strong 40% levels. And so that again, is one of the things that created a headwind in the quarter and that would impact Q3.

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The third item relates to the tuck-in acquisition contributions, as you know, based on where we are in integration processes, integrated M&A revenue and activity tends to come in, in early innings at a lower contribution margin than our base business. So what I would say is that right now, our Q3 outlook is in the range of 30.5% to 31% with all those...

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Okay.

Devina A. Rankin

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

...things taken into account.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Yeah, quite a few things. Okay, perfect. And then as we think about EBITDA dollars, so I just want to make sure I understand some of the moving pieces to the guidance. So, because I believe at the end of Q1, you had only spent like maybe \$10 million on acquisitions. You mentioned \$750 million through July. I would have thought that, that would have obviously including Winters Bros. So would have thought that helped maybe the guidance. I assume there's some EBITDA associated with that.

So I guess, one, can you talk about what the end of year revenue contribution from M&A should be in 2024? And then can you just talk about maybe some of the puts and takes? Because again, I would have thought there would have been some EBITDA contribution there. Maybe there's something – and you mentioned a few things breaking against you.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

Yeah. Tyler, it's John. Good question. I mean, if you look at what we did in Q2, it was about \$77 million of revenue that was acquired. The \$750 million that we put – that we've all talked about, represents about \$300 million of acquired revenue by the end of the year. So, hopefully, that clarifies a little bit. And then to what Devina and I talked about is there is some benefit that we've talked about in the back half of the year, that \$25 million-ish that will be a contribution from some of the M&A we've referenced.

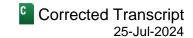
Devina A. Rankin

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

So, in terms of overall EBITDA growth for the year, what I would say is when we look at the first half of the year, right, the first half of the year solid waste EBITDA has grown \$415 million, quite remarkable. The headwinds that I talked about in risk management, it shows up in the corporate and other category. And so, what you see is there was more of an offset to that solid waste growth in the first – in the second quarter than what we experienced in the first quarter.

But the sustainability businesses, we still expect to be on track to generate that \$115 million of EBITDA contribution to the year. And when we think about what happened over the second quarter that may not be showing up as a direct increase in that amount. It really is a put and take story. One is the value – the incremental value we expect from higher commodity prices in the recycling business, partially offset by the impact of a slowdown in some of the construction projects on the renewable energy business. Now, we're talking weeks, not

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months here, right? This is contributions that we now expect to start to ramp more in the fourth quarter than what we were expecting earlier in the second half of the year.

So, all in all, what I would tell you is the EBITDA growth story for us is approaching 10% in the year and still most of that coming from the solid waste business, with the contributions coming from the sustainability business in total tracking according to plan, though there was a put and take.

James C. Fish, Jr.

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

Α

So, Tyler, Jim here. Let me just give you a little bit of extra color here. The \$25 million that Devina referenced in kind of our forecast over the revised guidance number of \$6.450 billion that we gave last quarter, that \$25 million has some of what John talked about, which is the Winters Bros. acquisition, we'll get five months-ish of that. We already had baked into our original guidance some M&A EBITDA and revenue. But I can't say we baked in Winters Bros. So you're going to get part of that. You're going to get, as Devina said, you're going to get some of the sustainability stuff, which by the way, is working both ways for us. I mean, we get some commodity pickup. We also are seeing some – a few minor delays in a couple of the RNG plants. We're still building that five RNG plants for the year as we said we would, but 30 days or so of delay is impacting us. So, all of that adds up to the \$25 million.

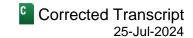
I think Devina's point, though, is really worth really reiterating here. I mean, you're talking about almost 10% EBITDA growth. And to some degree, I feel like we have a great story to tell, and sometimes we aren't great storytellers, because I feel like we've got 10%, which is the strongest EBITDA growth probably back to the 1990s. I'm sure the company grew by more than 10% in 1982. But since the 1990s, that's the strongest EBITDA growth we've ever seen. And yet, we're doing it. Remember, in 2019, when we said we would grow EBITDA between 5% and 7%, we said at the top end of the range, that's going to be in a really robust economy where we're seeing 2%-plus volume growth. We're flat on volume.

And, yes, in an economy that's kind of stumbling along, honestly, and yet we're growing EBITDA by 10%, almost all of that except for that \$25 million-ish or whatever that number is for us, almost all that's coming from organic growth. Same with last year. We grew by 7% last year, and it was almost all organic growth. It's coming from those things that we've talked about in the past.

You remember a couple of years ago we started talking about technology probably five years ago. We're going to bring technology to bear. And we're going to really make a commitment to sustainability, and we're going to put operating processes in place, improve efficiencies. We're going to get smarter with pricing through data and analytics, all of that stuff. And I remember on the earnings call getting questions like, "Okay, that's great, Jim. When are we going to see the impact on the bottom-line?" You are seeing the impact on the bottom-line. When you see 10% EBITDA growth, 160 basis points of margin growth and still 5%-ish revenue growth, it's all coming from price. You are absolutely seeing that kind of strategic growth.

And then at the same time, we're doing some acquisitions. I mentioned it in my script, where we're filling holes either where we weren't before or adding to really strong strategic positions like Texas, like Florida, like North Carolina, Tennessee, could go down the list, Arizona. And then you've all seen the deck on Stericycle. I mean, Stericycle is basically a fourth line of business for us. We've got resi, we've got commercial we've got industrial. now we've got medical. And with Stericycle comes significant opportunities for synergy and comes with a higher growth trajectory in medical waste than in the solid waste space.

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So we're very excited about that, which basically gets me to a 2025 million number. And 2025, we'll give you guidance in February. But my gosh, I could not be more bullish when I think about 2025 when you add all those things up. I mean, think about these sustainability investments. Tara will tell you, we've spent probably three-quarters of the capital or we will have by the end of the year, and we will have only realized 15% of EBITDA.

So, 2025, I don't care who gets elected in November. Well, I do, but it doesn't matter who gets elected in November. And it doesn't matter whether we have geopolitical problems. It doesn't matter whether the economy is up or down. We're going to have a blockbuster year in 2025. We'll talk about it in February. But that's on top of what we consider to be a blockbuster year this year. So, a bit longer answer than I think you were bargaining for when you got on – when you were first in the queue, but I just wanted to make sure everybody understands all that.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

No, Jim, that's – this is great. I really appreciate it. I don't mean split hairs too much, but we're kind of in that business, but I appreciate the color. Thank you.

James C. Fish, Jr.

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

You bet.

Operator: Thank you. And our next question coming from the line of Toni Kaplan from Morgan Stanley. Your line is open.

Hilary Lee

Analyst, Morgan Stanley & Co. LLC

Hi. This is Hilary Lee on for Toni Kaplan. Good morning, guys. Great quarter. So, speaking of the election, sorry to bring it up, but we've had a couple of number of inquiries surrounding the potential implications of it. Depending on who's elected or who's in the House, how would you expect RNG and RINs to be affected or if at all? And what sort of increase/decrease do you see potentially in your RNG projects?

Tara J. Hemmer

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

Sure, I'll answer that one. We've been obviously tracking this very closely. And I think what's important to note related to our RNG business is we're in a very different time than we were in the previous Trump administration. You've really seen a lot more development on plants. We've seen the voluntary market really shore up. And we also have the RVO that is in place through 2025. So, if you look at analysts that really cover the RNG industry, by any measure, most are saying that they don't expect a significant decrease in RIN pricing, really more solidly in that \$2.50 range in a potential Trump presidency. And as you know, that is well above our investment thesis of \$26 per MMBtu.

James C. Fish, Jr.

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

So, Toni, real quickly, Tara did a great job of answering that and she's absolutely right. I would just tell you, we've always said no matter who's in office, we're pretty agnostic about that. I mean, we all have our own personal preferences, but the business itself does really well in just about any regulatory environment. Short of somebody

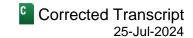
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coming in and saying, landfills are closed all tomorrow morning. But short of that, we are pretty agnostic with respect to regulation, whether it's the Chevron doctrine or whatever it is we do well in just about any environment.

Hilary Lee Analyst, Morgan Stanley & Co. LLC Got it. Great. Appreciate the color. And just a minor question, so with Hurricane Beryl happening recently, do you expect any sort of volume impact or top line growth impact or is that not really significant? Devina A. Rankin Chief Financial Officer & Executive Vice President, Waste Management, Inc. It's insignificant. We had our quarterly business reviews with the Texas market who was hit the hardest and they've made projections. But at this point, it's not expected to be material. James C. Fish, Jr. President, Chief Executive Officer & Director, Waste Management, Inc. Wasn't insignificant [ph] to my herd (00:31:35). Devina A. Rankin Chief Financial Officer & Executive Vice President, Waste Management, Inc. Yeah. We all felt more significant than the business [ph] owners (00:31:40). James C. Fish, Jr. President, Chief Executive Officer & Director, Waste Management, Inc. More significant at my house, but as far as the business, it's not going to be material. Hilary Lee Analyst, Morgan Stanley & Co. LLC Got it. All right. That's it for me. Thanks, guys. Great quarter. Devina A. Rankin Chief Financial Officer & Executive Vice President, Waste Management, Inc. Thank you. James C. Fish, Jr. President, Chief Executive Officer & Director, Waste Management, Inc. Thank you. Operator: Thank you. And our next question coming from the line of Jerry Revich from Goldman Sachs. Your line is open. Jerry Revich Analyst, Goldman Sachs & Co. LLC Yes. Hi. Thank you. Good morning, everyone.

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Devina A. Rankin

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

Α

Good morning, Jerry.

James C. Fish, Jr.

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

Д

Good morning, Jerry.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Jim, on Stericycle, I wonder if you could just weigh in because historically, the company has really struggled to push pricing. I think that's been because of the autoclave business. And you folks and your businesses are obviously leaders in driving pricing and returns. So, I'm wondering if you could just maybe peel back the onion on your strategy for that business and how you folks can have an impact on pricing discipline in the market through your ownership.

James C. Fish, Jr.

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



Yeah, Jerry, it's a little hard to tell at this point. One thing I can tell you is that Stericycle has talked a lot about the fact that they're – as they roll out new systems, those systems will give them better visibility. And boy, we absolutely concur with that. I mean, we like the fact that our systems give us a lot of visibility all the way down at the customer level. So, we don't really know what that means in terms of pricing at this point because we haven't had a chance to kind of stick our head under the covers. But we do know that the better the visibility, the smarter you can be with data and analytics and with pricing.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC



And in terms of the volume outlook, I think historically, the industry has had a much tougher volume result than what the forecast is going forward. Can you just talk about what's driving the inflection in your view – sorry, this is still on medical waste?

James C. Fish, Jr.

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



Yeah. I mean, I think this is really kind of an outsider looking in because again, we're not — we don't own the business yet. And we really, for the most part, are looking at public documents. We're starting to go through an integration process where we had to look at some things. But I would tell you that if we look at kind of the medical industry, not just medical waste but medical services, and as you look at the United States or you look at Canada or you look at just about any country, the UK, France, Germany, I mean, all those countries are getting older. And so, that would seem to be a positive for the volume of services in that industry.

And commensurate with that, you would expect to see medical waste increase at a similar pace. So, why their volumes have been a bit slower than expected, it's hard for me to say. But I sure do look at the future of this and say, this is a business that should have a very strong volume trajectory to it. I do think it will be helpful as we look at – start to look at their customer base. They have a lot of customers that are moving towards kind of larger national account type customers.

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And we're very good at national accounts. Our national accounts business has really been a driver of our growth over the last kind of five to 10 years. So as you look at their business that's going in large part from these small quantity generators to more large quantity generators, the UNHs and the HCAs and companies like that, I think that's right in our wheelhouse.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Super. And can I ask one more? Devina, in terms of the risk management costs in the quarter, can you just expand on those? Or how much of that is non-recurring out-of-period versus what might linger with us? It looks like based on the sequential outlook for margins in 3Q, it feels like you're applying normal seasonality to this lower base in 2Q that includes the headwind from the risk costs. So I'm wondering if you could just expand on that, if you don't mind.

Devina A. Rankin

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

Sure. So, in terms what we experienced in the second quarter, this is a business where we say safety is priority one and getting our team members home safe every day is the most important job that we all do. And I would tell you that, unfortunately, there were some incidents in the second quarter that resulted in reserves associated with some of the more significant incidences that we can, from time to time, incur in our business. It is not representative of long-term trends. It is not representative of something that we expect to repeat. So, I would say non-recurring, not out of period.

What I would say with regard to the seasonal trends, and I mentioned this one to Tyler and I were talking about margins as well is what's difficult about typical seasonal trend for us is that roll-off is really a big piece of what can drive seasonal trends upward. And we did not see the roll-off volume pick up that we would have expected to see, and we are cautious about that going into the third quarter.

Aside from that, we do expect the traditional benefits that you get from higher MSW levels and the commercial collection line of business, in particular, continues to be really, really strong in terms of both volume growth, price execution, and really strong flow-through from those efficiency gains that we've had. So, overall, seasonality expectations are very strong, and we expect that to continue with the exception of the muted roll-off impact.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

I appreciate it. Thank you.

Devina A. Rankin

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

Thank you.

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

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

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Hey. Good morning. Thanks for taking the questions and not trying to turn this into Stericycle deal call, of course, but I just want to ask you one or two quick questions there. And thanks for the deck. The \$125 million or greater cost synergies you're, again, referencing, just hoping to understand what the expected time line is for realizing those. You talked about run rate. So, is this basically something that you get to a run rate on at some point in 2025? Is it earlier in the year? Is it later in the year? How are you thinking about it currently?

James C. Fish, Jr.

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

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Yeah, so it's a good question, Noah. Rafa Carrasco is our officer here who's going to be running this for us. And Rafa is kind of right into the process of looking at what do the synergies look like for this deal. We said \$125 million at the start. We didn't really give kind of a breakdown of when we realize those. Some of those, obviously, you know you get upfront, whether it is some internalization benefits on the disposal side. It's also some of the SG&A piece.

But we do think that, as we said kind of early on, that the \$125 million is – you can do some math just to get to a point where you say, that's pretty conservative even if you're just looking at the SG&A line. We've built in 300 basis points on the SG&A line, and their guidance for the year was 22% SG&A as a percent of revenue. And you know where ours is. I mean, we're at 9%. And by the way, as I think Devina said a couple of times, you probably should compare them not to the 9%, but to what our areas run at. Our areas run at like 5%. So, you can do some math and get to a much bigger number than \$125 million. But that's what Rafa and his team are doing right now is determining, all right, what do the synergies look like? What comprises the \$125 million? Is the \$125 million twice as big as that? I mean, what is that number? And then to your point, when do we get it? We've kind of said three years to get there, but you may have most of it coming in year one. You may have most of it coming in year two. We don't quite know yet. That's where he's digging in. We will give quite a bit more color on this. First of all, once we own the business, we'll give a lot more color on it. And secondly, we'll give more color on it when we give quidance in February.

Devina A. Rankin

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

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The one data point, Noah, that I think is really helpful in terms of thinking about timing and why it would differ from the time line that we saw in ADS as an example is that you think about Stericycle and where they are in their journey, they are just completing their ERP implementation. And we think that there is reason to be cautious with respect to the pace at which we could capture synergies with this business.

And Jim did a great job of articulating some of the work that's going on right now in order for us to be able to fortify our expectations and outlook. But I think that the ERP implementation journey that the Stericycle team has been on is one of the reasons that we're not at a position that we can speak to how quickly we can get there. Although you know us well enough to know that we're going to move as fast as we can.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

C

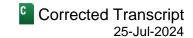
Yeah. I think those are both very fair points and well noted on the SG&A gap. That's something we look forward to hearing more about. A minor housekeeping question, it looked like in the investing line, there was an outflow of roughly \$800 million in other. What was that?

Devina A. Rankin

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

A

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Yeah. So, it was about \$775 million of unusual activity and it will be disclosed specifically in the 10-Q. But basically, because of – with the lead-up to the announcement of the Stericycle acquisition, we were in a period where we had material nonpublic information, and we could not remarket our tax-exempt bonds to the marketplace. So we had to repurchase our own tax-exempt bonds for a short period of time. That's what that relates to. We've since already successfully remarketed the ones that have been in place or that could have gone back to the market through July. And then we have additional remarketing activity that will happen in the third and fourth quarters where we expect to fully place those back into the marketplace by the end of the year.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Okay. Thank you for that. And I guess just one high-level overarching question on the business, right? And I think it speaks to, Jim, what you got into before around the outlook. Organically, you're still continuing to deliver growth. You're seeing this kind of price cost spread continue. The market seems to be somewhat soft volume-wise around parts of the economy, industrial. How is the strength of the consumer? And what's your view into being able to continue to get a healthy level of price and an outsized spread to your cost as we get into 2025?

James C. Fish, Jr.

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

Yeah. It's a great question. And I think the consumer has been pretty resilient through all of this, through COVID, kind of the rebound and through a bit of a – look, it's not been a bad economy, but it just hasn't been a – it certainly hasn't been a blockbuster economy. The consumer has been very resilient and that's been the encouraging part. I think it shows up when you look at our kind of more small and medium businesses, which are reflected in our commercial.

The commercial line of business has been fairly strong for us on the volume side. Resi has been soft, but resi not really driven by consumer behavior. Resi has really been driven by John Morris. And John's been really working on improving margins in that line of business.

The real softness has been in that temp roll-off, more industrial space. If you look at our numbers, C&D has been soft, but a lot of that is just difficult comps because of the big Florida hurricane last year. Special waste has been pretty good. MSW has been quite good. So we're actually not that disappointed with flat volume, but it's just not the 2% to 3% that we've kind of talked about in 2019 at the last Investor Day. I would tell you that the consumer seems to be resilient, seems to be fairly strong. So, all of that's good for us.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

All right. Thank you very much.

James C. Fish, Jr.

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

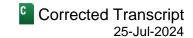
Yes, one last quick point here when you talk about Stericycle. We really haven't talked that much about the operating side of this. But, look, I think there's a real opportunity on the operating side. John's talked a lot about the efficiencies that we're bringing in the solid waste space, the technology that we're bringing to bear. All of that has application in the medical waste space too, because they really run trucks the same way we run trucks.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.



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Yeah. Well taken, thank you.

James C. Fish, Jr.

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

Yeah.

Operator: Thank you. And our next question coming from the line of Bryan Burgmeier with Citi. Your line is open.

Bryan Burgmeier

Analyst, Citi

Good morning. Thank you for taking the question. Just a couple of housekeeping items. So maybe just following up on Jerry's question, it sounds like the risk management margin headwind is going to roll-off at the end of 3Q, if that's correct. And then can you provide any clarity on the tax rate for 2024? The 1Q, I think was in the high-teens and it kind of moved into the low 20s in 2Q. Where do you think we shake out for the remainder of the year?

Devina A. Rankin

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

Yeah. So what I would say is, I would describe the risk management item as a Q2-only item, in terms of the magnitude of the 50 basis points headwind because it was activity based, it's not something that will be recurring in nature.

With regard to tax rate, this is actually a little more complicated question to answer than you might anticipate. But what I would tell you is when we exited Q2, our projection for that is 22%, I'd clarify for you two important things. One is that it includes the \$145 million of investment tax credit benefits that we expect for the year. And if there is any change in the timing or place and service dates of our renewable natural gas facilities, you could see that change, but that's our best estimate as of right now.

And then the second item is there was a change in accounting in 2024 related to our low-income housing tax credit investment. And that actually has a slight impact on the effective tax rate because of a change in geography on the income statement. Ed and [ph] Heather (00:47:09) are happy to talk through that with you in more detail if you would like.

Bryan Burgmeier

Analyst, Citi

Got it, got it. Thanks for that detail. And just one more kind of housekeeping item is there's a comment in the press release on a small write-down from waste diversion technology. I know it's not exactly material. But just for our own knowledge, what are those investments? I think there was a similar write-down last year. And how many these type of maybe venture capital style investments does WM have out there at the moment? Thank you. And I'll turn it over.

Devina A. Rankin

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

Sure. So I would tell you, in terms of the portfolio, this was the largest investment of its kind that was remaining in our, what you call venture capital-type suite of investments. And so there's not anything significant that I would tell you is looming here for similar investments. For this one, in particular, it relates to the continuous investment that

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we had made. And you'll recall that this was all about looking for opportunities to divert MSW and see what we could do to create sustainable solutions for MSW. We continue to be focused on ensuring that we are thoughtful about what opportunities exist in the marketplace and we were optimistic about this one, but the viability of it proved to be different than our initial expectations.

Operator: Thank you. And our next question coming from the line of Kevin Chiang from CIBC. Your line is open.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Hi. Good morning, everyone. Maybe just a few questions on the Winters Bros. acquisition. Just wondering, strategically, if you could just walk me through, it looks like they have some waste-to-rail assets. Just wondering if that creates a platform for other opportunities for you, I think they were also a carter for an operator in New York City as part of these commercial zones. Does that do something? And then I know it's a multipart question here, but I guess the third part would be, it looks like they also have some shredding services. I'm just wondering how that plays into your proposed acquisition of Stericycle and its shredded assets? Thank you.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

I'll start backwards, Kevin.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Yeah.

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

I think with respect to New York City, we've been a long-term licensed operator in New York City since the mid-1990s. So that's not the reason why Winters Bros. was attracted to us. They're certainly the premier environmental service provider on Long Island, I think you hit on a couple of key things.

One, it's a white space for us, right? It was sort of new real estate, it's not a secret that the Long Island market has got some disposal constraints that are growing at the end of this year with the planned closure of Brookhaven landfill. They've got intermodal assets and capabilities that play very well into our network capabilities. And on top of that, the business runs really well standalone. So for us, we're really fortunate to have those folks join the WM team. They run about 150 routes out there, it's about 500 employees. So we're excited about that.

In terms of the commercial waste zone thing, we've obviously followed it like a lot of other folks, but that was not any...

Kevin Chiang

Analyst, CIBC World Markets, Inc.

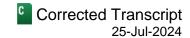
... okay.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

That was not a reason for our interest in Winters Bros.

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Kevin Chiang

Analyst, CIBC World Markets, Inc.

Okay. And just maybe a clarification, just those intermodal assets, does that create a platform for future M&A? I know you have a lot on your plate now. Just kind of thinking further out or is that primarily is something you'd use for kind of internalizing waste as a diversion. I am sorry go ahead.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

Certainly, their ability to move waste off of Long Island in modes other than truck transportation was certainly something that was appealing to us. And we view that that as, like I said, as some of the disposal constraints continue to grow on Long Island, their capabilities on Long Island in addition to the network of assets, we have that can receive intermodal waste was a key contributor, in terms of the strategic outlook for us acquiring that business.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Perfect. That's it for me. Best of luck in the back half of this year.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

Thank you.

Devina A. Rankin

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

Thank you.

Operator: Thank you. And our next question coming from the line of James Schumm from TD Cowen. Your line is open.

James Schumm

Analyst, TD Cowen

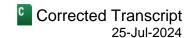
Hey. Thanks for taking my questions. Just curious on curious on the landfill revenues, sort of just up modestly, looked like the tons were mostly flattish. Just curious what you're seeing in pricing trends for landfills.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

I think we talked earlier about C&D is actually positive net of the lapping of – MSW volumes continue to be strong. If you're talking about the yield spread, clearly, there's a little difference in our yield outlook for landfill volume this quarter versus last quarter, but that was really distinctive and showed up in one of our areas that took on a good chunk of volume. Great business, but an average lower rate and it has more to do with the geography of where the volume came in from. So, we – in terms of our overall landfill volume, they're still positive. We still see decent trends on the landfill volume side. And if you look at it from a core price standpoint, which is really what we're focused on, if you look at both the landfill and the transfer station core price, you don't see any deviation there. So, we're continuing to drive value in terms of the quality of revenue we're bringing in to our post-collection facilities.

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James C. Fish, Jr.

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

Yeah, James. Just to add a little bit to that what John said there. I mean, sometimes it gets lost, but these different geographies have different rates and this happened to be a pretty big pickup, about 20% pickup in MSW. And as John said, it was good, very good for this area, but that area happens to have an average rate well below the average rate for the company. And that's driven by market conditions. That's driven by capacity, competition, all of those things. This area, which picked up this nice bump in MSW is well below that market rate.

So when you look at yield, which includes mix, the yield calculation reflects that. That's why John talks about core price because core price takes out the mix effect. Core price was essentially flat. If you look at Q2 of 2023 versus Q2 of 2024, essentially flat, while yield was down a bit and the yield was really mix-related.

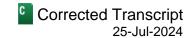
John J. Morris Chief Operating Officer & Executive Vice President, Waste Management, Inc.	А
And last thing I would add is	
James Schumm Analyst, TD Cowen	Q
got it.	
John J. Morris Chief Operating Officer & Executive Vice President, Waste Management, Inc.	A
When you look at our special waste volume that continued to be strong through Q2 as we	ell.
James C. Fish, Jr. President, Chief Executive Officer & Director, Waste Management, Inc.	A
Right.	
James Schumm Analyst, TD Cowen	Q

Okay, great. Thank you for that. With respect to RNG. There were some news reports out there that I think misled some investors a couple of months ago, saying that you'd potentially sell your RNG portfolio for \$3 billion. You later said, you were offended by that price, which made sense to us because the price would seem way too low. But is there any color you can provide about the strategy going forward with the RNG assets, given the large purchase of Stericycle now?

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

I'm still offended by that number. Look, I think the way we look at that is, as we've said all along, this business is really a natural byproduct of our landfills, it's one that provides significant margin accretion for us, strong EBITDA to free cash flow conversion, all of those good things that we like, that we talk about it. And last but certainly not least, it adds to our sustainability focus that we really made kind of a tenet of our strategy a few years back. So all of those things are really good, we've said kind of all along, everything is for sale at a price.

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But I would tell you \$3 billion is not that price. In fact, it's a long way from that price. So right now, our focus has been those 20 plants, I talked about kind of where we are on those and we've got two that are out there, three, I guess that are out there. And we'll have another four coming online this year.

We're in process of construction on all of those. As I said in kind of my extra comments to Tyler's question, almost three-quarters of that CapEx is going to be spent by the end of the year and only 15% of the EBITDA [ph] will have been (00:55:23) realized. So that's why 2025 and 2026 really look like there's going to be a big step-up there, not just from RNG but also the recycling investments. So again, I know the Reuters article was out there of \$3 billion. Anything that we own is for sale at the right price. And if somebody threw a gigantic number at us, we would look it. But for now, we're focused on building out the remainder of those 20 plants. Tara has talked about the fact that we've got potential for kind of phase 2, some of these other landfills that are not in that 20. We're evaluating those as well, we're super excited about the RNG business and the recycling rebuilds that we're doing.

James Schumm

Analyst, TD Cowen

Yup. That make sense. That's clear. Thank you, guys. Appreciate it.

Devina A. Rankin

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

Thank you.

Operator: Thank you. And our next question coming from the line of Stephanie Moore from Jefferies. Your line is open.

Stephanie Moore

Analyst, Jefferies LLC

Hi. Good morning. Thank you. I do want to follow-up on maybe Tyler's question at the beginning and I don't mean to beat a dead horse here, but I think it's important. And I agree, I think, Jim, you're exactly right. Certainly a blockbuster year with 10% growth, it's really strong. I think, where we're coming from and this is probably part of all of our problem is that we're always kind of looking for more or where you could see that kind of incremental EBITDA growth.

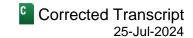
And I think as you alluded to and Tyler alluded to M&A seems to be a little bit better. Commodity dollars are a little bit better. The underlying business is performing well. So, I think what would be helpful is maybe if you could talk through areas, where it's been a little bit maybe worse than expected or slightly negative. Obviously, we called out on the volume front. But anything else that suggests potentially maybe not as strong as everything else, which clearly, quite frankly, firing kind of on all cylinders. So, helpful there sorry [ph] if it's (00:57:19) long winded. Thank you.

James C. Fish, Jr.

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

No, no, no. It's a good question. Look, there's always ups and downs, puts and takes in the business. There's hardly ever and in fact, there may never be a year where every single thing we look at goes up. And you touched on the one, which we've talked about a bit this morning, which is volume. Volume is softer than we expected coming into the year. We thought it would be approaching 1%. Now it's more flat.

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Well, we've offset that and that's the encouraging part for us is not only have we offset it but expecting 1% volume growth and I think 7.6% was our original guidance on the EBITDA line. And now we're saying, okay, oops, volume is not going to be approaching 1%, it's going to be flat. Oh, but by the way, EBITDA is going to be approaching 10%. So, while not everything is going in the right direction, I mean, there's a couple of other things. We did mention the fact that some minor delays in some of these plants. They're minor delays but they're not opening exactly when we said they would open.

There's still, the five that we committed to opening in 2024 are still going to open in 2024 but slightly minor delays. I think the impact of that is about \$11 million negative. So that's been a negative for us. But in no way, shape or form does that indicate that we're experiencing long-term delays in these projects. We feel like we're on a really good track for construction of those plants. So yeah, there's been a couple things.

One thing that we don't talk about, for example, is the fact that when you rebuild these recycled plants, there's a shutdown cost for that. And by the way, you're shutting down in a really good commodity price environment. So that ends up in kind of a strange way being a pickup for us. As we get into 2025, there won't be as much of a shutdown cost as there was in 2024. But 2024, it's why I've kind of tried to pound the table a little bit on how impressive 10% is. We've got some delays that have amounted to, call it, \$11 million. We've got some shutdown costs that are – you're going to have a shutdown cost because you have to shut the plant down in order to retool it.

So there are a few negatives out there. Could we have a higher tax rate depending on who gets in office in November? Yes. But really, the only thing that – to us that looks kind of negative and doesn't seem to have prospects for improvement is that kind of industrial temp roll-off business. I'm not sure, I see that bouncing back in 2025. But I am – that doesn't mean I'm not incredibly bullish about 2025, I just think we have to offset it just the way we've done this year.

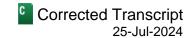
Stephanie Moore Analyst, Jefferies LLC	Q
Got it. I'll leave at that. Thank you so much.	
James C. Fish, Jr. President, Chief Executive Officer & Director, Waste Management, Inc.	Д
Yeah.	
Operator : Thank you. And our next question coming from the line of Tobey Sommer from Truis line is open.	t Securities. Your
Tobey Sommer	

Thanks. On the acquisition front, I'm wondering, if you could kind of look through the lens of other people that you're speaking with in terms of prospects. And what are the pressures they're feeling on the business over the last couple years? Fleet supply chain, technology investments and some others have been pressuring them, perhaps driving them to the table to have dialogues with yourselves and others. How do you see that currently and into next year?

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

Analyst, Truist Securities, Inc.

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I think, Tobey, you hit on one of them. On the supply chain and we go back to that for a second. But first, let's start with labor. I mean, we still see pressure on a lot of those frontline contributing jobs and I'm sure that they're enduring some of the same pressure there. We've been fortunate and have had the capacity to really make some big changes, in terms of wages and overall comp packages etcetera and you're seeing it show up, in our turnover which reduces training, improves safety, reduces our labor, etcetera, etcetera.

I'm sure that's one area where they're seeing pressure. I think there's still a little bit of overhang, you talked to some of these folks on the supply chain side, where they've got to recapitalize their fleet or their business. That cost is certainly not getting any cheaper. So, those are a few areas we think about when we're seeing some of this activity. But I think Jim really hit on something that was important. I mean, the pipeline is strong. We're on track probably to finish around \$1 billion-plus of tuck-in acquisitions. We've got obviously three quarters of that done already, but we've continued to be disciplined and make sure that we're filling in white space or buying assets and companies in areas where we see real growth opportunities. And that's why you hear about Arizona, Texas, the Carolinas, Florida, etcetera.

Tobey Sommer

Analyst, Truist Securities, Inc.

Q

I want to dig into something you said. Can the labor expense trend and that decelerating growth related to retention and less training expense, et cetera? Can that momentum continue into next year?

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.



Well, I think what I would tell you is, if you look at our labor trend over the last handful of quarters, it certainly trended through Q2. And it's a handful of things, it's lower turnover that leads to some of that labor pressure easing, right? You're hiring less people, you're training less people, your efficiency is naturally better with someone who's experienced behind the wheel of a vehicle as is your safety performance. And that's why you continue to hear us talk about it. And the fact that we're hovering in the high-teens for turnover, not only is that low considering what we were dealing with post-COVID, but those are historical lows. So, we're going to continue to stay intently focused on that because that is driving the labor benefit.

[indiscernible] (01:02:54)

James C. Fish, Jr.

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



I was just going to say, in addition to what John said there, we still have, call it, 50% of the way to go on our conversion from [ph] rear load (01:03:07) to ASL. And in just about every one of those cases, you have a labor benefit – well in every case, you have a labor benefit. In most cases, you have a labor benefit, because you don't have a helper on the back of that truck. So that helper comes off. But at the same time, you're picking up 30% more homes with an automated side loader versus a rear loader. So, in addition to the technology that John and team have brought on-board that is producing efficiency growth in these lines of business and a technology driven pickup, you also get this pickup when you're shifting from manual collection to automated collection.

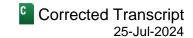
John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.



Tobey, the last point I would make and as we've talked over the last two-plus years about reducing some of the labor intensity from those frontline individual contributor roles that are getting harder to fill and more expensive. We're closing in on 2,000 of those positions that we don't need to fill anymore. We'll be over 2,000, call it, 2,200 to

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2,300 by the end of the year. And we're approaching sort of the halfway point of what we projected that we could remove the need for as many as 5,000 of those roles and those are really frontline contributor roles.

And again, it's important. It's not like we're walking a single person out the door. Those are folks who are not necessarily lined up any more to come in the front door and we're finding ways to use technology and automation to replace that.

Tobey Sommer

Analyst, Truist Securities, Inc.

Thank you very much.

Operator: Thank you. And our next question coming from the line of David Manthey from Baird. Your line is open.

David John Manthey

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

Hi, good morning. Thank you for the time. Relative to your strategic intent for Stericycle, about a third of what you're planning to acquire is document destruction. Could you provide some thoughts on how Shred-it fits in the WM portfolio?

James C. Fish, Jr.

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

Yeah. Look, I think the Shred-it business, we look at that as being complementary to our own recycling business, it wasn't a reason to buy Stericycle, but it certainly wasn't a reason to not buy Stericycle either. I think they're – the automation that Tara has talked about coming into those plants can really be a benefit to the Stericycle business.

And by the way, the fact that we're the biggest recycler out there is it matters too. Size matters in this respect. So we're able to potentially command a better price that we get paid for our material than might a smaller customer of those companies like a Stericycle. We process a lot of paper in addition to other commodities. So I think there's a couple of places where we really feel like this is going to – where we can bring expertise, but we also bring size, which makes a difference on – potentially on price.

John J. Morris

Chief Operating Officer & Executive Vice President, Waste Management, Inc.

And you made the point earlier, Jim, it's routes and customers. It's the fourth line of business, got a lot of similarities to what we already do in our three collection lines of business. And that's an opportunity for us to get under the covers here once we get to that point.

David John Manthey

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

Yeah. Thank you. Best of luck.

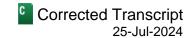
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Chief Operating Officer & Executive Vice President, Waste Management, Inc.

Thank you.

John J. Morris

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

Thank you.

Operator: Thank you. And our next question is coming from the line of Brian Butler from Stifel. Your line is open.

Brian Joseph Butler

Analyst, Stifel, Nicolaus & Co., Inc.

Hey. Thanks for squeezing me in. I'll try and just make it quick. Most of my questions have been answered. Just on that thought about kind of document destruction in Stericycle as well as the document destruction, there's also a handful of assets internationally. What are your thoughts on the international assets? Is it just going to keep those and run them or is that an opportunity for growth that you're looking at or maybe is that really more of a divestiture scenario?

Devina A. Rankin

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

So as Jim said, on the document destruction side, it certainly wasn't the reason to buy Stericycle, but it's also not something that we're looking at from a divestiture perspective. I would tell you that, when we think about the role that their international footprint can play for WM, we've always been intentional about keeping our eye on the UK in particular with respect to traction that they get from a sustainability and recycling perspective. And we've done that more from afar, and this gives us a more active position in an important market to be sure that we're keeping pace with sustainability objectives more broadly.

James C. Fish, Jr.

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

Excellent question, Michael. I mean, Brian, sorry.

Brian Joseph Butler

Analyst, Stifel, Nicolaus & Co., Inc.

That's quite a - that's a compliment. I'll take it. I'll leave it there though. Thank you very much.

James C. Fish, Jr.

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

You bet.

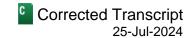
Operator: Thank you. And our next question coming from the line of Sabahat Khan from RBC. Your line is open.

Sabahat Khan

Analyst, RBC Capital Markets

Great. Thanks. And just one on my part, [ph] you provided (01:08:00) a lot of color on just your optimism on 2025. As you think about next year, are you able to share maybe some color on are there – maybe is the cyclical side of the volume market that might be picking up some areas of improvement? Is it the pricing that you have some visibility? If you can maybe just hash out to the extent possible on what's driving the optimism on 2025 as you head into the back end of this year? Thanks.

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James C. Fish, Jr.

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

Yeah. I mean, it's – we're just end of July here, so it's a little bit hard to say. I did say that I don't – I can't tell you I'm super optimistic about the industrial side of the business, the roll-off side. But by the way, I mean, there's kind of no room to – the only direction is up on that business. At this point, it's been pretty soft. But everything else seems to be, I think, pretty good, pricing is something we're pretty good at and we use data and analytics, I think quite well as we implement kind of our pricing changes. So, I don't see any reason to be concerned about pricing for next year.

Volume itself, we'll know a bit more as we get closer to 2025 and how the overall kind of economy is – what the economy is going to look like. But look I think roll-off is – I don't think it's going to be worse. Commercial, as one of the earlier questions was about the consumer, I think the consumer looks pretty strong and I don't see any reason why the consumer won't continue to be strong next year.

And then look, we're adding a business in Stericycle that we do think has a stronger growth trajectory even in the solid waste business, just by nature of where they are. So, I'm fairly encouraged by the volume outlook. But I'll be able to tell you more as we get closer.

Tara J. Hemmer

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

The only other thing I would add is 2025 really should be a big year for us on the sustainability-related investments, seeing them roll through. Jim mentioned the 7 of the 20 plants that will be online by the end of 2024 will represent roughly 30% of our EBITDA of the \$510 million that we had told you about. And we have a similar story on the recycling plants and we should get a bit of a tailwind from the shutdown costs that we've been incurring in 2024. So a lot of momentum, I would say, on the sustainability investment side.

Sabahat Khan

Analyst, RBC Capital Markets

Great. Thanks very much for the color.

James C. Fish, Jr.

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

You bet.

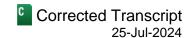
Operator: Thank you. And I'm showing no further questions in the queue at this time. I will now turn the call back over to Mr. Jim Fish, President and CEO, for any closing remarks.

James C. Fish, Jr.

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

Okay. Well, thank you all for your questions this morning. I hope we gave a sufficient amount of color. And we're able to demonstrate our reasons for our optimism, both for this year and for the coming years beyond 2024. So thanks again for joining us. And we look forward to talking to you next quarter.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. You may now disconnect.



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