

29-Apr-2025

Waste Management, Inc. (WM)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Ed Egl

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

James C. Fish, Jr.

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

John J. Morris

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

Devina A. Rankin

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

Rafael Carrasco

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

Tara J. Hemmer

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

OTHER PARTICIPANTS

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Trevor Romeo

Analyst, William Blair & Co. LLC

Sabahat Khan

Analyst, RBC Capital Markets

Toni Michele Kaplan

Analyst, Morgan Stanley

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Konark Gupta

Analyst, Scotiabank

Tobey Sommer

Analyst, Truist Securities, Inc.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

David John Manthey

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

James Schumm

Analyst, TD Cowen

Stephanie Moore

Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

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

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

Ed Egl

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

Thank you, Olivia. Good morning, everyone, and thank you for joining us for our first quarter 2025 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. We 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 come 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. The Form 8-K, the press release and the schedules of the press release include important information.

During 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. References to WM legacy business are total WM results, excluding the WM Healthcare Solutions segment.

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

This call is being recorded and will be available 24 hours a day beginning approximately 1:00 p.m. 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 April 29, 2025, may no longer be accurate at the time of a replay. Any redistribution, retransmission or rebroadcast of this call in any form without the expressed written consent of WM is prohibited.

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

James C. Fish, Jr.

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

Okay. Thanks, Ed, and thank you all for joining us. The WM team again delivered quarterly results that exceeded our expectations. The one thing I'm most proud of over the past few years is that we've truly become a predictably strong performer on a quarter-in and quarter-out basis. So once again, I'm pleased to report that we had a strong start to the year with first quarter results exceeding our expectations on several fronts.

Total company operating EBITDA grew by more than 12% in the in the first quarter compared to the first quarter of 2024, driven by solid operational performance in the collection and disposal business, meaningful contributions from WM Healthcare Solutions and increases in our sustainability businesses largely related to our growth investments.

Our momentum so far, as well as our demonstrated operational execution and the strength and resiliency of our business model gives us confidence in our ability to achieve all of our financial guidance we outlined last quarter.

Our focus remains on growing customer lifetime value, while leveraging technology to optimize our cost structure, delivering on our strategic investments in sustainability and extracting increased value from our acquisition investments. At a time when the US workforce is aging and shrinking, moving quickly to deploy technology to supplement our workforce could prove to be a significant differentiator for WM.

At the same time, the leadership position we've taken with our very profitable sustainability investments is positioning the WM brand to be synonymous with sustainability and is not easily matched by our competitors. Of course, we continue to identify opportunities to scale the core business through acquisitions. We have a very robust pipeline of tuck-in opportunities and anticipate another outsized year of solid waste M&A.

Turning to our sustainability businesses in Q1, combined operating EBITDA from recycling and renewable energy grew by over 20% year-over-year, keeping us on track to meet full year targets. Automated recycling facilities delivered nearly double the operating EBITDA margin compared to our non-automated facilities. We added two new facilities in California and Texas with seven more next-gen recycling plants scheduled to come in 2025.

In renewable energy, growth was fueled by new RNG plants we brought online in late 2024 and strong pricing for natural gas and renewable electricity. We're currently advancing construction on eight additional RNG facilities that are all on track for completion this year. The strategy is working as our investments in sustainability are delivering strong, high-return growth. During the first quarter, we also made significant progress in our integration of WM Healthcare Solutions into the broader WM organization.

Our new customers are excited by the expanded level of environmental expertise that WM brings to their organizations, including an industry-leading reporting and analytics platform and an unmatched asset network that will help healthcare industry customers manage and track their waste streams more efficiently.

We continue to focus on identifying and capturing synergies and are on track to achieve \$250 million of annual run rate synergies in 2027. We're very pleased with the progress we've made in a short period of time and are excited about the long-term value we're creating.

In closing, I want to thank our employees for their dedication and hard work. Your efforts drive our success, and we're grateful for your commitment. Looking ahead, I'm excited about the opportunity to share more about our strategic priorities and long-term vision at our upcoming Investor Day in June. We hope you'll join us in New York or tune in to the event via the webcast.

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

John J. Morris

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

Thanks, Jim, and good morning. The first quarter further demonstrates the consistent progress we made in our core collection and disposal business. Through our focus on customer lifetime value and optimization of our cost to serve, we again grew both operating EBITDA and margins in the quarter.

First quarter operating EBITDA for the collection and disposal business was up almost 5% and margin expanded 10 basis points. We achieved this growth in what we knew would be the most challenging quarter from a comparison standpoint. The success is particularly impressive when you consider the impacts of tough winter weather in our Southeast and Gulf Coast regions during the quarter and the expiration of the alternative fuel tax credits.

Revenue has once again grown across all lines of business, driven by collection and disposal yield of 4% and core price of 6.5%, with churn remaining stable at around 9%. We continue to achieve solid pricing across all of our revenue streams. Commercial collection, transfer stations and landfill core price were particularly strong in the quarter, as we continue to leverage data-driven decision-making to offer pricing that reflects the value of our service, the strength of our asset network and our commitment to providing differentiated customer solutions.

Regarding volumes, our first quarter collection and disposal results were flat on a workday-adjusted basis. Positive landfill and commercial collection volumes were offset by our strategic exit from low-margin residential business, as well as continued economic pressure on the temporary segment of our industrial business. While the California wildfire cleanup positively impacted our special waste volumes in Q1, these gains were largely offset by impacts of winter weather events I mentioned earlier.

Overall, we remain confident in our volume outlook for 2025 because our special waste pipelines remain strong, service intervals remain positive, and we expect fire volumes in Southern California to continue through at least the end of the third quarter.

Turning to operating costs and margin. Q1 marked our sixth consecutive quarter with operating expenses as a percentage of revenue below 61%. We delivered operating expenses at 60.5% of revenue, which is a 40-basis point improvement from Q1 of 2024.

Our commitment to the operating fundamentals of the WM Way continues to drive margin improvement. The first quarter's performance was driven by focusing on frontline retention and the use of automation and technology to drive efficiency and operating improvements. The investments we have made in our people, including human center and leadership, coaching, and facility upgrades continue to deliver improved driver retention, with Q1 seeing an 80 basis point improvement compared to the prior-year period.

When retention improves, it benefits safety, customer service and efficiency. We also continue to create an optimized cost to serve with the ongoing adoption of automation and technology, including routing and resource planning tools.

Cost optimization focuses, combined with targeted contract renegotiations and the intentional shedding of low-margin customers in the residential line of business continued to deliver strong results. This is evident in our first quarter operating EBITDA margin in the residential line of business, which grew more than 130 basis points,

achieving 20% for the first time in 6 years. We remain confident in our ability to execute our plans and achieve our full year targets, including operating EBITDA of between \$7.45 billion and \$7.65 billion.

In closing, I would like to extend my sincere gratitude to our employees for their unwavering dedication over the last quarter. Their hard work and commitment to excellence have been instrumental in our success.

I'll now turn the call over to Devina to discuss our 2025 financial results in further detail.

Devina A. Rankin

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

Thanks, John, and good morning. We're pleased with our strong start to 2025, which is particularly evident when looking at the drivers of our first quarter operating EBITDA margin results. WM's legacy business achieved 30% margin for the fourth consecutive quarter. This is an increase of 40 basis points compared to the first quarter of 2024, and the improvement was driven by a 50-basis point contribution from favorable price-to-cost spread in the collection and disposal business, which is due to our success in optimizing and flexing in our cost structure.

We also saw a positive 20-basis point contribution from our recycling automation projects. These margin expansion contributions were partially offset by a 30-basis point headwind from the expiration of alternative fuel tax credit that benefited the prior-year period. Total company margin was 28.5% in the quarter due to the 150-basis point impact of the addition of the WM Healthcare Solutions business.

With our focus on optimizing this business, including through synergy capture, we've expanded the margin of WM Healthcare Solutions by 20 basis points in only one quarter's time. There is a clear path to additional cost optimization, and we are on track to achieve our full year expectations.

As Jim mentioned, we're pleased with the progress we have already made as we begin to integrate and optimize the medical waste and secure information destruction businesses within WM's comprehensive set of offerings.

As in other parts of our business, we're committed to using technology to make processes and people more efficient. We've got a cross-functional team engaged to optimize the ERP system as a tool to improve all elements of the customer journey, from onboarding to service delivery, and then from billing to cash collections. The team is off to a great start, and we're encouraged by their early progress.

Turning to cash flow results. Operating cash flow was \$1.21 billion in the first quarter. This is a decrease compared to the first quarter of 2024, but it is in line with expectations as we had a planned increase in cash interest payments due to additional debt issued last year to fund the acquisition of Stericycle. We also had a headwind from working capital, due in part to particularly strong customer receipts at the end of 2024. We remain confident in our outlook for cash flow from operations for the full year.

Capital expenditures totaled \$831 million in the quarter, with both capital spending to support the base business and our investments in sustainability growth in line with expectations.

Given tariff and trade negotiations, it's worth mentioning that we are particularly well-positioned to complete our sustainability growth investments at targeted capital investment levels because we've been deliberate in procuring the equipment needed for these projects ahead of time.

We're also well-positioned for fleet replacement with first quarter of 2025 being a particularly strong quarter for truck deliveries. First quarter free cash flow of \$475 million is also on plan, and we're on track to achieve our full year free cash flow outlook of between \$2.675 billion and \$2.775 billion.

In the first quarter, we returned \$336 million to our shareholders through dividends. Share buyback's currently paused as we focus on getting back to targeted level of leverage through a combination of earnings growth and debt reduction. That said, we continue to focus on identifying tuck-in acquisitions in our core business, and we currently expect to close on more than \$500 million of solid waste acquisitions in 2025.

This is a nice step change relative to our typical \$100 million to \$200 million of tuck-in acquisitions each year, showing our continued confidence in identifying attractive transactions at the right price.

Our leverage ratio at the end of the quarter was 3.58 times. When considering our earnings outlook, disciplined approach to allocating capital and the healthy acquisition pipeline I mentioned, we expect leverage will be approximately 3.15 times at the end of 2025.

In closing, I want to extend my sincere thanks to the entire WM team for all of their hard work thus far in 2025. Our continued ability to deliver strong operational and financial performance puts us on track to achieve all of our financial guidance, and this is a testament to the team's dedication, focus and talent.

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 Bryan Burgmeier with Citi. Your line is now open.

James C. Fish, Jr.

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

A

Good morning, Bryan.

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Q

Good morning. Thank you for taking my questions. And maybe to start, a question for Devina. I was wondering if you could shed maybe a little bit more light on your outlook for 2Q. I know you don't normally give kind of quarterly guidance, but just trying to think through, I suppose, the normal seasonality for healthcare, considering that's a new business?

And then, if you have any detail on maybe the quarter-over-quarter kind of margin improvement for solid waste relative to normal seasonality that would be helpful.

Devina A. Rankin

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

A

Sure. And great question. So what I would tell you is there is not anything that we're seeing from a seasonality perspective that is really unusual with the exception of the impacts of the California wildfires. In terms of what will drive margin expansion, what I mentioned is that the solid waste business contributed 50 basis points of EBITDA

margin expansion in the quarter. And when you consider that that's overcoming 30 basis points from the alternative fuel tax credit, you're looking at an 80-basis point year-over-year expansion in margins for traditional solid waste businesses.

You combine that with the strong execution on recycling automation of another 20 basis points, and that shows you 100 basis points of margin expansion from the base business. So when we look forward to Q2, we're really optimistic that we'll see another step change in margin on a year-over-year basis and normal seasonal uptick in the operating margins of the business.

When I think about the Healthcare Solutions business, particularly, it's not so much seasonality in the revenue outlook that we're looking at; it really is continued momentum in synergy capture and the realization of incremental value from optimizing the cost structure of that business that will start to accelerate as we approach the second quarter.

We think that Q3 will be our strongest quarter from a margin perspective, and that really will show momentum behind the traditional business, combined with value capture, running at more peak levels for full realization over the course of the year of that \$85 million to \$90 million in total synergies for the Stericycle business in 2025.

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Q

Got it. Got it. Thank you for that detail. And then, maybe a question for John. Just curious how kind of yield in the solid waste business in 1Q compared to your expectations. It just seems like the spread maybe between core price and yield is widening a little bit. So if you can shed any light on kind of what's taking place there, maybe it's kind of just a function of like mix or a region. But any detail you had would be great. Thank you. I'll turn it over.

John J. Morris

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

A

Yes, Brian, I think it dropped about 400 basis points in the quarter. But what I would tell you, what I would point to is that if you look at our core price performance, it was really strong across all lines of business, and it translated to margin expansion. There were some anomalies in there on the yield conversion. I mentioned some of the California wildfire volume, which is hitting special waste, which runs all through volume. And there was a little bit of pressure from some of the industrial business that was a little softer in the quarter.

But what I will tell you is even though that trend was negative, it was better quarter-over-quarter, so we're seeing some sequential improvement. That's part of why we feel confident, to me to make some comments about how we feel going into Q2. So the yield conversion, it's 1 data point, but I think margin and core price performance is really where we're focused.

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

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Q

Hi, good morning. Thanks for taking my question. Maybe, I'll ask a yield question as well. I did notice, I guess the year-over-year increase in your commercial yield was effectively flat from the growth rate you saw in the fourth quarter. Resi and industrial were down a little bit maybe 100, 150 basis points sequentially from the Q4. Just

wondering, if you could call out anything specific in the commercial pricing strategy that yielded relatively better performance on a sequential basis?

Devina A. Rankin

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

A

So what I'd point out, I would say that our pricing strategy is strong across all three of those lines of business. It really is a mix difference that John was mentioning that has led to some of the variability. And that's about unit differences, particularly in the industrial business as we've seen some variability in temporary roll-off. And we see that as being largely weather related.

When we think about 2024 and the trends we were seeing, we were seeing some softness in industrial hauls in 2024. But had some enthusiasm about the fact that we had cycled through the worst of those trends, and we're looking for some moderation in those levels in the current year.

When we look at March and April, in particular, we're happy to say that those trends are proving to be more consistent with our expectations coming into the year and the extreme winter weather that we saw in February, in particular, really is something that had more of an outsized impact on Q1, but we're moving past that.

And then the other thing that I would mention on commercial conversion of core price to yield that was particularly interesting for us, and it did have some impact on industrial as well as some unexpected losses from large national accounts customers that experienced bankruptcies and therefore some store closures that we hadn't anticipated in our guidance.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Q

Okay. That's super helpful. And maybe just my second question. It looks like healthcare or Stericycle revenue was down year-over-year. And I know you don't adjust everything the same way Stericycle did. But maybe you can just speak to the volume and pricing trends you saw in the quarter versus last year, appreciating that you didn't own the business there?

And was there any purposeful shedding as you look to improve the revenue quality within Stericycle or improve the overall margin performance within the healthcare business?

Rafael Carrasco

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

A

Certainly. This is Rafa. I'll take that one. And I just want to remind the group that over the course of the quarter, we did shed our Spain and Portugal businesses, and that actually accounts for the majority of the draw on the revenue basis.

Actually, the revenue story is not a bad one for us. Actually, the regulated medical waste business is actually slightly up. We're actually ahead about 1% in regulated medical waste stops. For example, the churn in the national and hospital channels is actually right at 3%, consistent with what it's been despite. Some of the ERP challenges that Devina actually referenced, we're making good headway in putting forward the plan to resolve. We haven't seen an uptick there. So we feel pretty confident on the revenue side.

On the secure information destruction side, we did see a little bit of a dip there. But again, confidence on the fact that it's not structural, it really had to do with a little weakness on the event work, what we call the purges there.

And we've got a good plan to kind of connect our sales and operating folks a little bit better there to perform better on time on that and recapture those volumes.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Q

That's great color. I appreciate it. I'll get back into the queue. Thank you very much.

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

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning.

Devina A. Rankin

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

A

Good morning, Tyler.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Hey, Rafa. Just on that, how much synergy capture was in the \$95 million of reported EBITDA in Q1? And I know this is splitting hairs, but I think you guys said the updated synergies are 80 to 100 from up to 100. Are you messaging anything with that?

Rafael Carrasco

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

A

Not really. Look, we really are feeling very comfortable with achieving that midpoint of the range right now. We produced about \$16 million in value capture in Q1, dropping straight into the P&L. That's going to, of course, continue to generate benefits. And I'll tell you, a lot of that came from our first execution on rationalization of SG&A for us, particularly, on the sales coverage side.

I can tell you that the reason for the confidence on delivering is that if we just execute on a little bit more of the planned sales coverage optimization there and we execute on our internalization goals, which by the way, contributed very little in Q1, that's probably – or not probably, that's definitely because we are waiting for contracts to expire. We have to put in line equipment and so forth. That's going to start paying dividends towards the latter part of Q2 and on through the back half of the year. We feel very comfortable with achieving the guidance.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay.

Devina A. Rankin

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

A

And then, Tyler, just really quickly, what I would tell you is we wanted to be clear with the investor community that our targeted execution on value capture for the year is \$90 million. And so our midpoint of a range is always our best estimate of the outcome. And so approaching \$100 million, we felt like was a little more vague than what

would be beneficial. So we wanted to give you clarity that the range is \$80 million to \$100 million. We think \$90 million is the most likely outcome.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay. Perfect. We love clarity. So Devina, and I don't know if Tara's in there as well. But think you guys were expecting, call it, \$190 million of incremental EBITDA from RNG and recycling. This is my view. Does it feel like maybe that's a little bit behind schedule in Q1. So I guess a couple of questions. One, are you still confident in that number? Maybe my read is wrong. And two, I think you addressed this upfront, but at this point, you don't expect any RNG CapEx-related delays or increased spend due to tariffs. Would that be correct?

Tara J. Hemmer

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

A

Yes. So I am in the room, Tyler. I'll take the back half first. We are very confident because we had both of our equipment delivered well in advance of even any of these tariff discussions happening. So no impacts related to project schedules related to tariffs or related to capital costs.

Related to your question about the performance of the business, we are performing according to plan. If you look at the recycling line of business, it contributed about \$11 million in EBITDA performance from those growth projects, and that was the majority of the benefits that we saw in recycling.

And we're delivering on what we said we would deliver, 30% improvement in labor, 20-plus percent improvement on operating costs. And just having visited our Baltimore recycling plant, I mean, these are transformative assets that are delivering volume improvement to communities that need it.

On the RNG side, we brought a lot of plants on at the back half of 2024. So what you're seeing in our results is some improved performance related to pricing, also a lot of volume coming online. And some of that was offset by some operating costs in start-up that was planned.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay. Okay. So it sounds like it's largely tracking.

Devina A. Rankin

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

A

Yes.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Real quick. Yes. Okay. Perfect. And then, Devina, just real quick, the 30-basis point drag in CNG, that's going to be every quarter of the year based on what we know today. Is that right?

Devina A. Rankin

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

A

That's correct. And 30 basis points for the full year was included in our guidance for EBITDA margin for 2025.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Yes. Okay. All right. Thank you for the clarification. Thank you, guys.

Devina A. Rankin

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

A

Thank you.

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

Trevor Romeo

Analyst, William Blair & Co. LLC

Q

Hi, good morning. Appreciate you taking the questions. The one I had it's on M&A, I guess. If I heard you right, Devina, it sounds like you're now expecting \$500 million or so of solid waste acquisitions, which is up from last quarter. So one, I guess, is the full \$500 million included in your guidance now. And then two, would just love kind of a qualitative update on what kind of opportunities you're seeing? Are you finding in this type of environment with some additional economic uncertainties, is there more willingness to sell from some of these smaller companies?

Devina A. Rankin

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

A

Sure. So I'll take the first part of the question, then turn it over to John in order address the second part. What I would tell you is, when we came into 2025, a lot of this pipeline had developed, but we were in DOJ review processes. We were in contract negotiation processes. And so the pipeline was available to us, but we didn't have it fully, path to close wasn't as clear to us as it is today. And so we're really happy with the progression of the transactions that we have in our pipeline and with the benefit of where those things stand, able to say that those transactions are in the upside of our guidance relative to midpoint and we had contemplated those and based in today.

So what I would say is incremental tuck-in acquisition revenue, dependent on the timing of close, could now be in the ballpark of \$80 million to \$125 million. And that's up from about \$35 million to \$80 million in our original guidance in midpoint.

John J. Morris

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

A

Trevor, I would just add to what Devina said. I think a few things. One, there is certainly some uncertainty out there. And I think the other challenges you see is labor, right? The cost of labor and scarcity, I think is certainly something that's pressuring some of the organizations we're looking at.

And then lastly, I would say, in some of the markets, the value of our network, we talk about that a lot. Our ability to move material in and out of markets is becoming more and more prevalent and more challenging. And I think in some cases, the long-term outlook for disposal options is probably pushing some folks to the forefront in terms of now being ready to sell. So as Devina said, the pipeline is strong. We did about \$800 million last year. And as we said, we've got a good runway between here and the end of the year to close some more of these deals.

Trevor Romeo*Analyst, William Blair & Co. LLC*

Great. That's super helpful. Thank you, both. And then for my follow-up, maybe one for – another one for Rafa, I guess on the Healthcare Solutions business. It's still early, but just wondering if you could share any anecdotes you've had from conversations with customers about sort of the combined value proposition, any early wins or new opportunities? Just would kind of love to hear what customers are saying and how that's tracking.

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

Yes. Absolutely, Trevor. I actually participated in an entire West Coast swing recently and talked to several of the very large hospital networks there. I think Jim referenced it in his script, but a lot of folks excited about the increased ability to help them in their sustainability journey about being able to provide sort of that best-in-class reporting and analytics tool that platform that's going to help them manage their waste a lot better.

Frankly, I've been pleasantly surprised how patient the customer base is. And that has a lot to do with the fact that it is WM stepping into the shoes as the owner and having the ability to provide that increased level of confidence.

I can tell you that a lot of the conversation has also centered around the fixes to the ERP. We've communicated very transparently that this was about analyzing the entire customer journey and having work streams that would facilitate not only the collections on the billing side, but also the delivery of the service. So, lot of excitement there. We've not framed at the moment what the cross-sell opportunity looks completely. We're still working on the playbooks and we're waiting to have the right fixes on the ERP.

But again, I'll remind the group, if you look at sort of the shared wallet customers that we have right now, where we have solid waste that WM had and regulated medical waste or SID services that Stericycle had, that's only about 17% of the total customer book. That doesn't even include customers that neither of us have.

Trevor Romeo*Analyst, William Blair & Co. LLC*

All right. That's great. Thank you very much.

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

Sabahat Khan*Analyst, RBC Capital Markets*

Great. Thanks and good morning. I just wanted to get a bit more color on the residential margins and the journey there. It sounds like it's something you've been working on for a while. If you can just maybe talk about how those discussions are going, if there's more volume to shed? Or is it more from a pricing perspective that you want to maybe drive those margins higher? Maybe where we are in that journey with the margins there now in and around 20%? Thanks.

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

A

Well, I think it's a good question. I think us getting back over 20% for the first time in six years has been a good milestone. I give the team a lot of credit. There's been a lot of work done to do that, both on the revenue quality side and the operating expense side.

So I would tell you, I think for 2025, we're going to see probably the same level, give or take, 50 basis points of volume that will be negative. And we've always said, we want the residential line of business to compete with the others in terms of margin and return. And while we've made a lot of progress, we still have some work to do there.

So I think for 2025 and probably into early 2026, we're going to see some additional negative volumes. But again, when you're shedding 3-plus percent volume, revenue and EBITDA are both up, it's still the right path for us to continue down.

Sabahat Khan*Analyst, RBC Capital Markets*

Q

Great. And then, just one quick one. I think Devina, you mentioned earlier that some of the larger lifting on the synergies related to the Stericycle side is going to be in and around Q2 and Q3. And if we think about the EBITDA flow-through of that business, should we expect that to be the – Q2 or Q3 to be the biggest quarter?

And then, just associated, if you can just talk about some of the initiatives you are planning on undertaking midyear that are going to drive that? Thanks.

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

A

Sure. So when we think about value capture, it really is a second half of 2025 ramp for us. Some of the actions will start in the second quarter that will bring a lot of that to bear really beginning in the third quarter. And what I would tell you is it's the things that you have heard Rafa talk about whether it's sales coverage optimization efforts or back-office streamlining. As an example, some of what we're doing in the back office includes migration of systems so that we have one platform for our human capital and all of those processes, and that will unlock some incremental value for us that starts late in the third quarter.

So a lot of it has to do with streamlining our back-office processes. And we think that some of the technology steps that we're taking that come in Q3 will really start to create some momentum and long-term value capture in the SG&A part.

And I'll remind everyone that we started with this business above 24% SG&A in the fourth quarter of 2024. We got 70 basis points of expansion in that margin sequentially in a single quarter, which is a great result. And we know that there is more to come on our pathway to getting them to 15% at the end of that three-year period that we've got targeted for the \$250 million of that value capture.

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

A

Maybe I will add. This is Rafa, Sabahat. I'll add one more point. It's not just about value capture in the back end of the year; it's also about process discipline, operational discipline. We also just – but we are able to put online our McCarran incinerator as of the end of Q1. We are now taking in about 70% of our total incinerator waste generation in the West Coast.

As you can imagine, that's saving us an enormous amount of transportation for disposal costs. We expect that by the end of the year we'll be internalizing 100% of that waste. The other aspect of that is the process discipline around fleet management, the reduction of spare ratios. Those were not optimal in Q1, but that's because we were framing and laying down the groundwork to be able to start doing that in Q2 and beyond.

Sabahat Khan

Analyst, RBC Capital Markets

Q

Great. Thanks very much for the color.

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

Toni Michele Kaplan

Analyst, Morgan Stanley

Q

Thank you so much. I want to start out with a broad question, basically, looking at the company and how resilient it is versus prior downturns. And so, wanted to get your updated thoughts on that overall and also maybe specifically how you would expect the sustainability business, as well as the new healthcare business to perform in a potentially slower macro environment? Thanks.

James C. Fish, Jr.

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

A

Great question, Toni. This is Jim. I would tell you, part of the reason we're so happy with the sustainability investments and the healthcare investments is that they do provide a level of diversification that we may not have had as much of with just a solid waste company. And we like the growth trajectory of both. It tends to be viewed as a bit higher than solid waste. At the same time, this business, whether it's this company or whether it's this industry is very resilient to economic downturn.

We don't see an economic downturn, and maybe I'll re-emphasize a couple of Devina and John's comments about volume for the quarter. We weren't sure how much we were really impacted in January and February by weather versus are we seeing an economic downturn. And I think the answer to that question came in our volumes for March and April, which turned back up nicely. That led us to believe that January and February truly were just two very bad weather months. I know the other guys have talked about it on their calls as well.

When you get six inches of snow in Houston, Texas, and I've lived in Houston for 18 years, I've never seen that kind of weather here. And it stayed on the ground. I mean, it's not snowing at 32 degrees; it's snowing at 21 degrees. It feels like more like Denver, Colorado than Houston. And then, it spread all the way over to Louisiana. So those areas in the south that don't normally anticipate weather shutdowns saw quite a bit of that. So the encouraging part about that for the quarter was that we saw our volumes turn back up in March and then through the first three weeks of April.

To your question, though, I think we're insulated from – we're not recession proof as an industry, but we're certainly recession-resistant. And again, not that we see a recession on the horizon, but to the extent that something does turn down, I mentioned in my kind of first statement, we seem to meet the expectations that we provide quarter in and quarter out, regardless of what the economic climate is, or the political climate, or what have you. So it's part of why this business, this company and this industry have done as well as they have. And there's my sales pitch for the industry.

Toni Michele Kaplan

Analyst, Morgan Stanley

Q

Great. And then, as a follow-up, I wanted to ask, Devina, you mentioned you're in good shape on the fleet for this year. But maybe how should we think about potential impacts assuming that tariffs are implemented, just maybe it's more of a 2026 CapEx kind of question, but any stats or anything you can provide on cost of fleet and how an impact of higher tariffs might be on your business? Thank you.

John J. Morris

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

A

Yeah. Toni, this is John. I think Devina made the comment early on. We're in really good shape from a truck delivery standpoint. We front-loaded the schedule and we've got about a third of our trucks already delivered and on the ground. And for the balance of 2025, we don't see very little cost pressure there. Heavy equipment, same story. We're in pretty good shape through 2025. We worked with the supply chain group to really put a ring around what we thought that tariff impact could be and its low, low-single digits in a few buckets just because we got out in front of it.

And as Tara mentioned, most of our recycling and RNG assets are already committed to for 2025. So we're in really good shape for 2025. To Jim's point earlier and with Devina's, if it rolls into 2026, we might have to revisit it. But right now, as we sit here in 2025, we feel good about our position.

Toni Michele Kaplan

Analyst, Morgan Stanley

Q

Thank you.

James C. Fish, Jr.

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

A

Single digits, you mean like in the millions, not \$7.

John J. Morris

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

A

Yes, no, no, no, no. Yes, yes.

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

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Q

Thanks for taking the question, folks. Hopefully, you had a chance to look at the EPA release from yesterday around PFAS. It seemed like the language was pretty conciliatory or even constructive around trying to protect passive receivers and really adhering to polluter pays. I wonder if you had a chance to review that, your thoughts on that and what it may mean for the industry in solid waste landfills?

Devina A. Rankin

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

A

Our team is still looking at it, Noah. We've been very clear all along that passive receiver exemption would be positive for the industry and is warranted for a number of different reasons. So we still believe that PFAS is more broadly an opportunity for WM when you think about special waste and other industrial waste that could come in, and we still believe that.

Noah Kaye*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks. A bit of housekeeping. I just want to make sure I guided on that 1Q synergies number for WMHS. Rafa, you said \$60 million of value capture, is that annualized? Are we talking \$15 million of synergies captured in the quarter? Or can you give me the real number?

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

A

Those are \$16 million of synergy value that's actually dropped into the bottom line in Q1. Does that help?

Noah Kaye*Analyst, Oppenheimer & Co., Inc.*

Q

Yes. \$16 million 1-6, right?

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

A

1-6.

Noah Kaye*Analyst, Oppenheimer & Co., Inc.*

Q

Okay. Great. And then I assume sorted office paper prices being down modestly impacted the secure information destruction line. Maybe you can confirm or qualify that, but then just talk to us about the game plan for reducing commodity exposure or really raising the baseline for profitability on that side. Obviously, it's something this company has a lot of experience with.

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

A

Yes, absolutely, Noah. So what I can tell you is, yes, there was an impact on the commodity side. A little bit of an impact, as I referred to earlier, also on the volume side, primarily from the event work being down a little bit. We've discovered that, that was mostly a bit of breakdown between the sales and operational channel for delivery of on-time service. We've now corrected that. And actually, we are expecting to be at or slightly above budget on that front in the month of April and beyond.

In terms of what Stericycle had done previously on trying to limit exposure that they had begun to move to a fee-for-service kind of model, but it had some constraints, some limits depending on the fluctuation of the commodity. We, of course, as you pointed out, have experienced driving a full fee-for-service model. And it's early days, but we're beginning to explore on how we're going to be able to do that. Obviously, as we begin to offer services that are part of a broader suite, it will enable us to do that more readily.

Noah Kaye*Analyst, Oppenheimer & Co., Inc.*

Q

All right. Thank you very much.

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

Konark Gupta

Analyst, Scotiabank

Q

Thanks and good morning. Just a quick question on revenue cadence for the full year. The first quarter seasonality was pretty much in line with what you had last year, despite some of the headwinds you talked about from weather, et cetera. As we look forward from like 360-degree perspective, how should we think about pricing and volume? This should be kind of roughly offsetting each other into decelerating pricing and accelerating volume and some of the other initiatives you have like recycling, ramping up and Stericycle as well, like should we follow the seasonal pattern we saw last year in revenue? Or we should see some sort of abnormal seasonality in some of the quarters?

Devina A. Rankin

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

A

Yes. So what I would say is the only item that would cause any unusual seasonality is the impact of the LA wildfires, which I mentioned earlier. And we do think that the second quarter is a peak quarter for that. So when you step back and think about normal seasonality, we tend to see more Q3 being peak levels for volumes, so that's the only outlier.

When we look at overall revenue guidance for 2025, really, we always start with the discipline that we have in executing our core price programs and we talked about those being in the range of 5.8% to 6.2% for 2025, and we remain confident in achieving that guidance.

On the volume front, we had flat volumes in the collection and disposal business in the first quarter, but we remain confident in our ability to approach the midpoint of our volume guidance of 0.25% to 0.75% for the year. And when you add to that rollover acquisition contributions, combined with the incremental tuck-in spending that I mentioned earlier, we really are optimistic that our revenue guidance in total remains intact.

There is some small noise associated with our recycling brokerage revenue, and that is down relative to expectations, but I'll remind everyone that, that has very low margin and flow-through to EBITDA. It's something that we do to bolster the strength of our recycling business overall.

And as Tara has mentioned, we're on track for recycling and renewable energy, both in terms of getting our new facilities online and seeing the profitability and flow-through of those facilities provide the returns that we anticipated.

So all-in-all, nothing significant in the recycling business, either from a seasonal perspective other than year-over-year comparisons on commodity prices, which we expected to be more pronounced in the first half of the year than the second half of the year.

James C. Fish, Jr.

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

A

So just one add there and it's on the price side. And we've said this since way back in 2022, which was the peak of CPI, but we've been expecting price to come down as CPI was coming down.

Of course, 9.1% was the peak back in 2022 and now we're down around 2.5%. So exactly what we said would happen has happened. And what we also said was that we anticipated that price would come down slower than cost has come down and hence, margin growth. And that's exactly what you've seen over the last two years with this company as we've grown margin. Some of it has just been what John Morris has talked about, which is a lot of technology being brought to bear on the OpEx side. But some of it is the fact that we're maintaining price at a slightly higher level than cost in terms of increases, and therefore, you get some margin accretion.

Konark Gupta*Analyst, Scotiabank*

Q

That's great color. Thanks. And kind of quickly follow up on Stericycle. So congrats on achieving some of the synergies early on here, but it seems like SG&A improved by 70 bps sequentially, but the Stericycle margin itself was up only 20 bps from Q4. Is there any puts and takes behind the gap and why the margin did not expand to the full 70 bps?

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

A

Sure. So really, that had to do with two things, and it was disposal costs and fleet costs. And really, this is about our strategic steps that Rafael mentioned earlier in order to optimize this business and some of the realization of the long-term value creation that we know that we'll get as we internalize the fleet, use our practices with the WM Way. Think about internalizing disposal volumes. Those things are going to really start to pay dividends as we get more into the second half of the year and to 2026. But that's one of the things that muted the overall expansion of margin for the business from Q4 to Q1.

Konark Gupta*Analyst, Scotiabank*

Q

That's great. Appreciate the time. Thank you.

Operator: Thank you. And our next question coming from the line of Tobey Sommer with Truist. Your line is now open.

Tobey Sommer*Analyst, Truist Securities, Inc.*

Q

Thanks. Many of my questions have been answered already. I wanted to ask you from a high level. What are the learnings that you have Stericycle? You've given us an awful lot of details, but sort of what's the biggest sort of couple of surprises from when you started looking at the transaction a while ago to where you sit today?

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

A

Well, maybe I'll start and maybe Jim can put a button on it or whatnot. This is Rafa, Tobey. I don't know that there's been a huge surprise that that we've encountered. We anticipated that there was going to be a significant amount of opportunity on the SG&A side. We just didn't know how much. We've been very pleased with how quickly we've been able to optimize, for example, the sales coverage on the secure information destruction side of the business. And how readily our workforce there has moved to use our tools and our processes to actually deliver on that. That's been really good.

Also the resiliency of the network of Stericycle is really, really strong. And frankly, the customer base, while they had experienced some issues with the ERP continue to do so, although we'll be much more transparent about the way forward. They just find that having that kind of comprehensive ability to cover all of their waste streams on the regular medical waste side, including the Rx Pro (sic) [SharpsRx Pro], their hazardous waste, incinerator waste all of that just provides a tremendous amount of resiliency. So those are things that we expected, but we've been able to confirm.

The other aspect I would highlight is that as we move forward with McCarran into the network, providing some capacity there is we're going to be able to expand our Rx Pro (sic) [SharpsRx Pro] initiatives, which is that sort of co-mingle service where it facilitates for nurses and practitioners co-mingling regulated medical waste with biohazardous waste for incineration. That waste actually provides better margin. And as we increase capacity in our incinerator network, that's going to be dropping to the bottom line. Jim, anything from you?

James C. Fish, Jr.

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

A

Well, I think you said it all. The only thing I would say is that you're always coming into an acquisition like this, looking for what are the negatives that we didn't foresee. And to Rafa's point, we haven't found any of those, which is good. But we are seeing that – Rafa gave me a figure earlier in the week that I think, Rafa, you're talking about – you've talked to some hospitals and what they've talked about is they're all talking about adding capacity, the ones that he's spoken to.

So I think what we're seeing is that this is even a bigger affirmation of our kind of our strategic approach to the business when we came into it, which is this has a stronger growth trajectory than does solid waste. Not to take anything away from solid waste, but we were looking for something that had an even stronger growth trajectory.

And while you may not see it in the first quarter that we own the business because we're in the process of cleanup, we'll definitely see this over time. And that affirmation is very important to us.

Tobey Sommer

Analyst, Truist Securities, Inc.

Q

Appreciate that. As my follow-up, could you comment on whether or not we should anticipate ongoing and incremental international divestitures as you look at your portfolio?

James C. Fish, Jr.

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

A

Yes. Look, I think I've been asked that question a number of times already. We are actually very happy to observe and see the trajectory of our UK and Ireland business there. There's plenty of opportunity to improve the performance of that business. And it's actually already performing better than it did last year. It gives us a very interesting perch from which to observe what is happening in the solid waste business as well. We have a much smaller piece of business in Western Europe, in France and Germany that, frankly, we're looking at what's the best way to optimize the performance of that business, and we'll consider how that fits within the overall portfolio later on.

Tobey Sommer

Analyst, Truist Securities, Inc.

Q

Thank you.

Operator: Thank you. And our next question coming from the line of Jerry Revich with Goldman Sachs. Your line is now open.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Yes. Hi. Good morning, everyone.

Q

James C. Fish, Jr.

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

Good morning.

A

Devina A. Rankin

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

Good morning.

A

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Hi. I just want to ask on the legacy business, the costs were really impressive in the quarter. Backing out the alternative fuel tax headwind, inflation was in the low 3s on what looks like your toughest cost comp of the year. And so, is it fair to think about inflation, as the comps get easier, actually slowing considering the comments you made about having your costs locked in as it relates to tariff and other moving pieces, Devina?

Q

Devina A. Rankin

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

Yes. Everything we're seeing – Jerry, I actually think you framed it really well. We were very pleased with our first quarter operating expense margin. And we knew that Q1 was going to be a particularly tough quarter for us on a year-over-year basis. And when you have a headwind like we did from the winter weather volumes, taking margin accretive volume out of the equation, we're even that much more impressed, which gives us confidence going into the second quarter.

A

So I agree with you. I think that when we look forward to achieving our overall margin objectives for 2025, which are to be at the upper end of our long-term range of 50 to 100 basis points in margin expansion in traditional solid waste, we feel good about the traction that we made in the first quarter, and we think we're well-positioned to continue to build on that for the remainder of the year.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Super. And can I ask, Tara, in terms of what we're seeing on voluntary market pricing for landfill gas, looks like that's steady in the low-20s even as D3 RIN prices have come down. Is that consistent with what you're seeing in your business? And any views on the biofuel task force and what that could mean?

Q

Tara J. Hemmer

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

Sure. We're tracking very closely what's happening with the renewable fuel standard, and we do still believe that there's broad bipartisan support for that continuing when we have conversations with Congress.

A

On the voluntary market, as you can imagine, there's a lot of uncertainty in many different markets, not just this market. So the pricing that we've seen has been in the low-20s. A little bit of a holding pattern on buyers right now, but we expect that to pop back once the administration comes out with their new RVO as they're somewhat interrelated. And just a little bit of color...

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Thank you. Yeah.

Q

Tara J. Hemmer

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

...one other piece of color, Jerry, that I think would be helpful for the group. We have, for 2025, locked in about 75% of our volume, which is up from what we had described in our last call. And so, our \$0.25 change in RIN pricing now only represents about \$5 million. So I think that should give you some confidence on our ability to take care of offtakes.

A

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Super. And Tara, sorry, can I just ask a clarification? So based on the royalty disclosures that you folks made and the pricing updates, it looks like your volumes were up about 50% in the quarter year-over-year. Is that about right, just as we think about relative to the full year targets?

Q

Tara J. Hemmer

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

Yes, yes. When you look at volume that was monetized. It's an even better number when you look at how much RNG we actually generated and produced, which should give you some confidence in the trajectory for the year.

A

We generated a 75% increase in volume from our RNG plan. So you'll start to see that carry through. It's one of the reasons why we expect more performance really back loaded to the back half of the year as we get more momentum on those plants coming online.

Jerry Revich

Analyst, Goldman Sachs & Co. LLC

Well done. Thank you.

Q

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

David John Manthey

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

Yeah. Thank you. Good morning and thanks for clarifying on the spot versus forward RINs. That was the question I was going to ask. My other question, is there anything relative to tariffs that could impact OCC or other materials in your commodity basket, we should be thinking about pricing as we go forward?

Q

Tara J. Hemmer

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

A

Sure. This is something that we're obviously tracking closely. And we think that depending upon what happens with tariffs, it could have a positive impact on some of our non-fiber, if you think about aluminum and steel, as more of that is domestic.

On the OCC and fiber side, the thing that we're really tracking more closely is what could happen with retaliatory tariffs because we do ship materials to other markets in Southeast Asia and India. But again, our team, our brokerage team, does a fantastic job really making sure that we have a wide variety of markets that we can tap into. That includes domestic and it includes a whole host of markets across the entire world. So we're in a good spot.

James C. Fish, Jr.

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

A

I'm not sure, Tara, whether it was precocious or just luck, but the fact that that's not that long ago, five years ago, all of our OCC was going to China. And now, virtually, none of it is going to China. Whether it was luck or whether it was intentional, we'll take it.

Tara J. Hemmer

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

A

Yes. And our brokerage team, I can't say enough positive things about them. It's a true differentiator for WM.

David John Manthey

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

Q

We'll chalk it up to good foresight. Thank you.

James C. Fish, Jr.

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

A

Appreciate it.

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

James Schumm

Analyst, TD Cowen

Q

Hey. Thanks and good morning, everyone.

James C. Fish, Jr.

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

A

Good morning, Jim.

James Schumm

Analyst, TD Cowen

Q

Devina, so it's clear on the SG&A opportunity getting down to 15% after three years. But just is there anything structurally different about Stericycle such that you would not be able to get SG&A down to more of your corporate level of 9% or 10% over maybe several years? So what's the ultimate destination here and the timing there?

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

A

Yes, it's a great question. And the 9.5%, call it, for WM total company that we've talked about would definitely be the ultimate goal. So we've also talked about if you think about Stericycle and the WM Healthcare Solutions business is more like one of our geographic areas where, ultimately, we should have a corporate back office for WM Healthcare Solutions just the same way that we have a back office that serves our Florida area. That means that the roadway should be to an even lower SG&A as a percentage of revenue. And for context, those businesses operate in sub-5% territory.

Structurally, the one thing that is fundamentally going to be different for those two businesses is that they run on their own ERP system, and they won't be integrated for some time for the foreseeable future into the WM ERP system. There will be two distinct systems.

So that is the one structural difference that I think is important as we've evaluated all other elements. We really do think that total path to realizing an optimized cost structure should exist, and we're working hard to get there.

James Schumm*Analyst, TD Cowen*

Q

Got it. Thank you. And then, so just on the longer-term outlook for the Stericycle or healthcare, really Stericycle businesses, I mean their outlook was longer-term revenue growth of 3% to 5% on the top line and EBITDA growth of 13% to 17% annually. I know those were their targets, but they were in your slides. Like, are those something that we should look at, or how are you guys thinking about that?

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

A

We don't think that there's anything wrong or different with those targets. Obviously, the first opportunity is that we are taking on is the reduction of the operating expenses and the SG&A. So on the cost side, you're beginning to see that show up a lot sooner. We've talked about the fact that we're still framing the cross-selling opportunities. We think those are going to be vast. I kind of framed for you a little bit of what the shared wallet looks like today. I think to look at it a little bit differently. If you look at the percentage of revenue from our collection and disposal business that comes from the same customer base, it's about 5%, low single-digits, so a lot of opportunity there.

I think it's important also to remember that some of what has inhibited sort of the top line growth here has to do with the ERP implementation. While it should be facilitating better delivery of the service, it actually took them backwards. And so now we're kind of unraveling and solving foundationally for that. That's going to unlock a lot of opportunity.

I'll give you one interesting example, as we kind of develop the contract data mart, for the WM Healthcare Solutions business, we've now added every single customer with over \$50,000 in annual revenue. And we're seeing a vast opportunity over 1,000 contracts, almost \$200 million in revenue that has lagging PIs or overlooked PIs, for example.

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

A

Jim, one thing that I just want to clarify really quickly is, in terms of confirming or clarifying what our long-range outlook, both for top line and EBITDA growth of the business in the next 3 to 5 years, we plan to really outline that at the Investor Day. So at this point in time, we don't want to confirm or adopt the previous Stericycle EBITDA

growth. We will instead give you specifics about what we see that being in the next 3 to 5 years when we're together in June.

James Schumm

Analyst, TD Cowen

Q

Okay. Great. Understood. Thank you very much.

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

Stephanie Moore

Analyst, Jefferies LLC

Q

Hi, thank you. Just one for me. I wanted to touch on just maybe the progress you're making on the labor force. I know it's been a multiyear initiative, all in the backdrop of what's been a pretty challenging labor force or labor environment. So, if you could talk a little bit about where labor turnover stands today, an update on your journey of kind of optimizing labor, I believe, through attrition and the implementation of technology? So kind of give us an update on the labor journey and then maybe at the same token, what technology or any other technology is rolled out to help you achieve your targets? Thanks.

John J. Morris

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

A

Yes, Stephanie, this is John. A couple of questions there. One, specifically, to date, we've reduced about 2,600 roles or the need to refill 2,600 roles. And that's important because what we've done is done this, as Jim has said, I've said, Devina said at different points. We've done this through natural attrition. And for 2025, we look to have the same repeat to the tune of about 940 roles that we won't replace as we go through 2025. And the majority of that's going to come through the efforts of Tara's team in automating some of the recycling facilities and another large contingent will come from the continued automation of our residential business. So those are two of the big buckets.

But I think when you look further out about what we're doing with technology, I won't bore you with all the details, but there's a lot going on, for instance, in fleet planning and scheduling, we're bringing some technology to bear that's going to allow us to more efficiently move our assets in and out of the repair facilities to improve efficiency, reduce labor dependency. We're using technology to help augment some of the skill gaps as we upskill some of these employees and using technology, for instance, to be able to help our technical folks work collectively across the network to be able to make some of the repairs. So I would tell you, we're very excited about what's going on, on the technology front that's going to further augment this effort around reducing labor dependency.

Stephanie Moore

Analyst, Jefferies LLC

Q

Great. Thank you so much.

Operator: Thank you. And I'm showing no further questions on the Q&A 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. Thank you all for your questions this morning. The themes we really wanted to convey today, I think we did a good job of getting them across. We wanted to convey that we were consistent with our performance and have been for quite a long time, and that didn't change this quarter, and we're certainly on track for our guidance for the year.

We're encouraged by what we saw in terms of volume in March and April after a couple of pretty tough months in January, February, relatively little impact in 2025, single digits, John, right on tariffs. And then definitely on track for our sustainability investments and our WM Healthcare Solutions.

So hopefully, that all came across. Thank you all for joining us this morning. We look forward to seeing you in June, hopefully, at our New York City Investor Day.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.