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Portfolio Management Club

Investment Team 3

Waste Management

05.04.26

Spring 2025

First Glance

Waste Management Inc.

WM	**FI**	**OTC**
Ticker	*Asset Class*	*Exchange*
Industrials	**91.9bn**	**USD**
Sector	Market Cap	Currency
A-	**A3**	**A-**
Fitch Rating	Moody's Rating	S&P Rating

Recommendation:

BUY

AGENDA

- Elevator Pitch
- Company Overview
- Industry Overview
- Issuer Analysis
- Bond Analysis
- Investment Thesis
- Recommendation

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Elevator Pitch

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Elevator Pitch

We are pitching a company that….

Market Leader

Largest waste services company in North America, controlling **~35% of the US market** with a network of **262 owned landfills**

Portfolio Fit

Investment grade issuer (A-/A3) in a non-cyclical **Industrials sector**, adding exposure currently underrepresented in the portfolio

Consistent Cash Flows

Long-term contracts and ~89% of revenues from **Collection & Disposal** generate highly predictable FCF

Growing Margins

2021-2025: EBITDA margin expanded **from 28.0% to 30.1%**; Revenues grew at **~9% CAGR**

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Company Overview

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Company Overview

Leading integrated environmental services provider in a highly consolidated North American market

Info

Largest provider in North America

+25 years of market leadership

$25.2B Revenue (2025)

62 000 Employees

Corporate Overview

- Waste Management. Inc. was founded in 1968 in the U.S. and is headquartered in Houston, Texas.
- It is the largest provider **of integrated environmental services** in North America, operating across **collection, disposal, recycling and energy**.
- WM serves residential, commercial, industrial and healthcare customers across the U.S. and Canada, generating **highly recurring revenues through long-term contracts**.

CEO

James Fish is CEO of WM since 2016. Previously, he served as CFO and President of the company since joining in 2001.

Timeline

1968 – WM is founded

1961 – IPO

1998 – M&A - USA Waste Service with WM

2019 – Network Expansion – Built nationwide landfill infrastructure

2024 – Stericycle acquisition – Medical waste expansion

Sources: Press realese 2024

Mission, Values and Competencies

Leading waste management through operational excellence, pricing power, and sustainability

Mission

- Deliver environmental solutions through sustainable WM
- Protect the environment while serving communities and businesses

Core Values

- Safety
- Sustainability
- Integrity
- Customer Focus

Core Competencies

1 Scale & Infrastructure Leadership

- **Largest** landfill network in North America
- Significant regulatory barriers limit new landfill development
- Dense route networks enable **local market dominance**

2 Vertically Integrated Model

- **Full control** across each phase
- Captures margin at **each stage** of the value chain
- Less reliance on **third parties**

3 Pricing Power & Contract Structure

- **Long-term** municipal and commercial contracts
- Consistent price increases above inflation (CPI+)
- Low customer churn due to essential service nature

4 Sustainability & Energy Platform

- Leader in landfill gas-to-energy (**RNG**) projects
- Recycling infrastructure aligned w/**regulatory trends**
- **Monetisation** of waste streams beyond disposal

Source: Waste Management

Six Main Business Lines

Providing essential environmental services across collection, disposal, recycling and energy

Products & Services

Collection Services

- Residential. commercial and industrial waste collection
- Supported by long-term municipal contracts

Transfer

- Intermediate handling of waste between collection and disposal
- Key component of WM's integrated network

Landfills

- 262 owned landfills generate tipping fees with strong pricing power
- High regulatory barriers which make the market difficult to enter

Recycling

- Processing and sale of recyclable materials
- Supported by long-term municipal contracts

Renewable Energy

- Landfill gas converted into renewable natural gas and electricity
- Growth driven by decarbonisation policies

Healthcare Solution

- Regulated medical waste collection and disposal
- Expanded through Stericycle acquisition

Source: Waste Management

Business Model

Vertically integrated model converting waste into cash flows

Win Contracts

- **Municipal franchises** give exclusive rights to serve entire areas (3 - 10 yr) & commercial contracts
- **Charges service** fees based on volume. frequency & type
- **Automated** collection fleet lowers labor cost per route

Transfer & Consolidate

- 342 transfer stations aggregate local waste
- **Waste is compacted** to cut transport cost per ton-mile to landfill
- **Third parties** pay **tipping fees to use WM stations**
- Volume scale lowers cost & boosts margins

Dispose or Divert

- **Landfill (253 sites):** charges tipping fees to all haulers
- **Recycling (113 facilities):** processes & sells commodities
- **Organics (49 sites):** compost. mulch & biogas
- **Healthcare waste:** treated & disposed via Stericycle

Extract Energy

- Landfill gas captured naturally from **waste decomposition**
- **103 gas projects**: convert methane into RNG, electricity, heat & steam
- **RNG** sold to **natural gas** suppliers via pipeline; **Electricity** sold to public utilities & cooperatives
- **RINs & RECs** are sold to **federal/state** programs

Generate Revenue

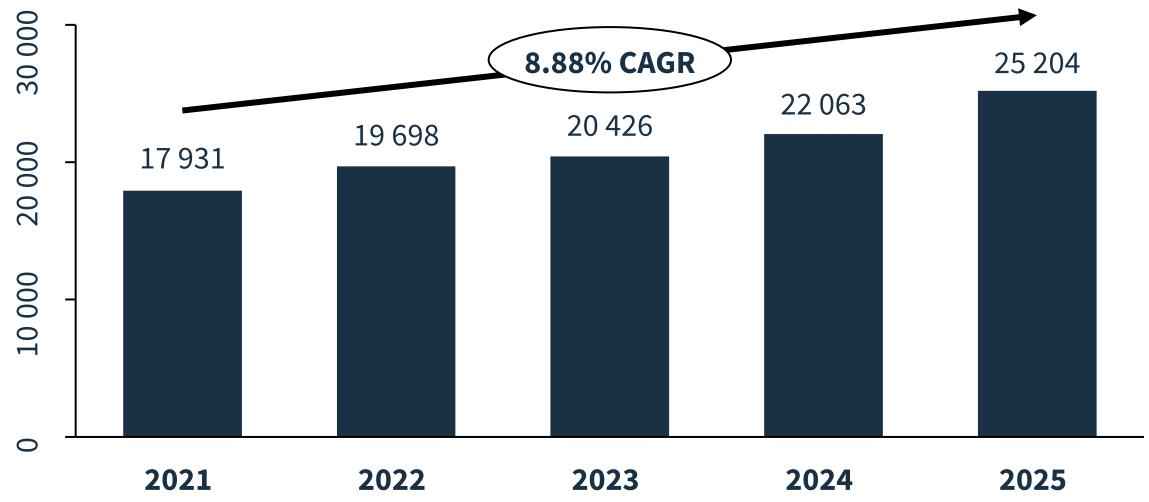
- \$25.2B revenue in 2025. up from \$22B in 2024
- **Multiple revenue streams:** service fees + tipping fees + commodity sales + energy credits
- **Long-term contracts** provide recurring. visible cash flows
- **Vertical integration** keeps fees in-house: collection → transfer → disposal

Sources: Waste Management

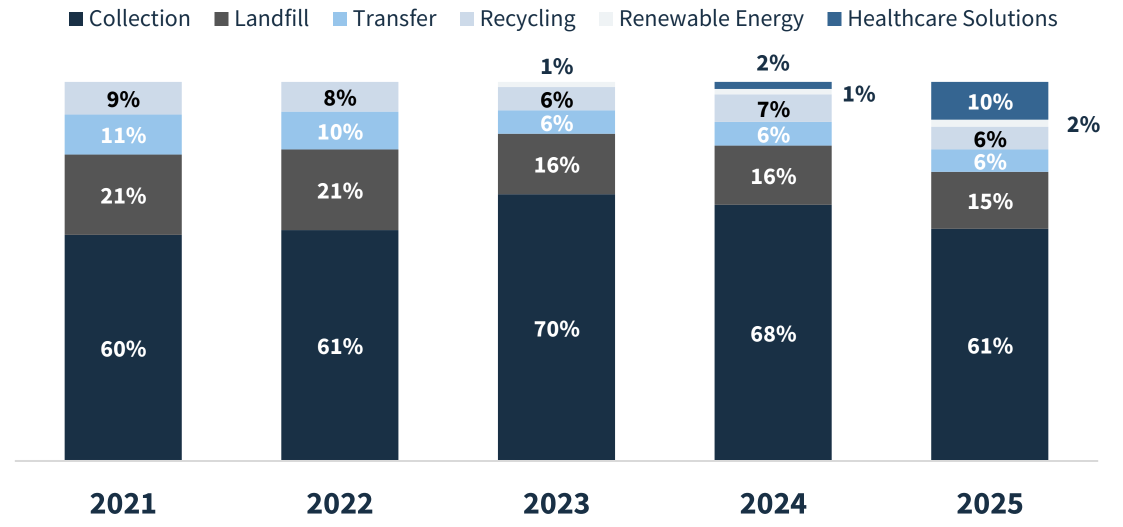
Revenue Breakdown

Strong and predictable revenue growth supported by core landfill operations and increasing diversification.

Revenues Evolution (in $ Millions)



Revenue Breakdown per Business Line



- Revenue increased steadily from ~$17.9B in 2021 to ~$25.2B in 2025, implying strong growth supported by pricing and **volume expansion**
- Revenue visibility remains **high given contract-based model** and **non-discretionary nature of waste services**

- Revenue remains **highly concentrated in Collection and Landfill (60 - 70%)**. supporting stability and low cyclicality
- Healthcare Solutions increased significantly to 10% of revenue in 2025 following the **Stericycle acquisition**. enhancing diversification

Source: FY2025 Report

Latest M&A Activity

Strategic Acquisitions Position WM as a Full-Service Environmental Leader

WM's Acquisitions

Advanced Disposal

- Acquired **100%** Advanced Disposal in October 2021 for $4.6B.
- Expanded WM's footprint to **~3 million new customers** across 16 states in the eastern U.S.
- Generated over $100M in annual **cost and capex synergies**

WinterBros

- Acquired **100%** WinterBros in July 2024 for for $550M.
- Strengthened route density and market presence in the **New York** metro area.
- Part of $800M invested in solid waste tuck-in acquisitions throughout 2024

Stericycle

- Acquired **100%** Stericycle in November 2024 for for **$7.2B.**
- Integrated regulated **medical waste** and secure information destruction into the new **WM Healthcare Solutions** division
- Expected synergies of ~$250M over a 3-year period

Source: Waste Management

Ownership Summary & Management Team

Strong institutional backing and experienced leadership

Ownership Structure

Shareholder	Stake
Vanguard group Inc	9.68%
BlackRock. Inc	7.38%
Bill & Melinda Gates Foundation Trust	7.18%
State Street Investment Management	4.32%
Geode Capital Management	2.23%
Morgan Stanley	1.66%
Ameriprise Financial. Inc.	1.66%
Parnassus Investments. LLC	1.31%
Total Institutional Ownership	**84.12%**

Management & Executives Team

John Morris

- *President & COO*
- *20+ years at WM; held senior leadership roles across operations and strategy*

David L. Reed

- *Executive Vice president and CFO*
- *Joined WM in 2017*

Chuck Boettcher

- *Executive Vice president and Corporate Development & CLO*
- *Joined WM from Oilfield Water Logistics*

Rafael Carrasco

- *Senior Vice President. Enterprise Strategy*
- *Prior experience at Sims Metal Management; also co-founded a U.S. defense contractor*

Sources: Waste Management, Yahoo Finance

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Industry Overview

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Industry Overview

An essential. non-discretionary service with structural pricing power above inflation

Industry Strcuture

- The waste management industry provides **collection. transfer. disposal** and **recycling** services for **municipal**, **commercial** and **industrial** clients across the full waste lifecycle
- Customers include **municipalities** (under long-term contracts). **commercial businesses**, and **industrial operators** across all major US geographies.
- Business model defined by **high customer retention, inelastic demand** and **recurring revenues** resilient across economic cycles.

Market at a Glance

$114.6B US Market Size 2024	***260Mt*** Annual US Waste generated	***~4.0% CAGR*** 2024-2029

Main Drivers

Long-term contracts

Municipal contracts run 3-7 years with automatic CPI escalators, locking in revenue without renegotiation.

High switching costs

Equipment dependencies and permit obligations make switching rare and operationally costly for clients.

Fragmented US market

Top 2 players hold ~47% of revenue, yet thousands of regional operators remain creating a structural M&A runway for scale consolidators.

High barrier to entry

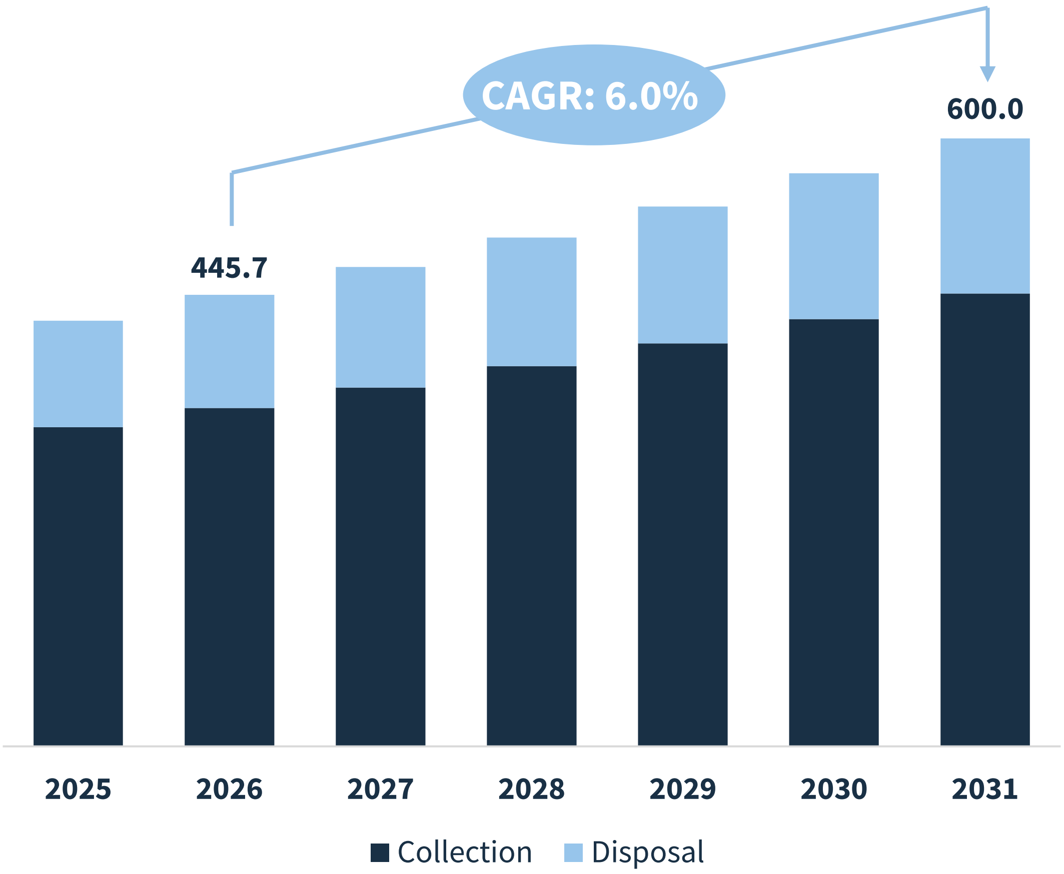
New entrants need heavy capital and landfill permits that take years to obtain.

Source: Grand View Research; WM Q4/FY2024 Earnings Release

Main Segments Outlook

Volume tied to population; pricing tied to contracts: industry growth structurally decoupled from the economic cycle

US Collection & Disposal Market Size (USD Billion)



Segments Key Tailwinds

Automation & Scale

Route optimization software and **IoT-enabled** smart bins are letting waste haulers cut truck rolls. **increase route density**. and serve more customers with the same asset base directly **expanding margins** and **FCF**

Non-Discretionary Demand

Waste collection is an essential service. Volume demand is tied to **household formation and urban density not GDP.**

CPI-Linked Pricing Power

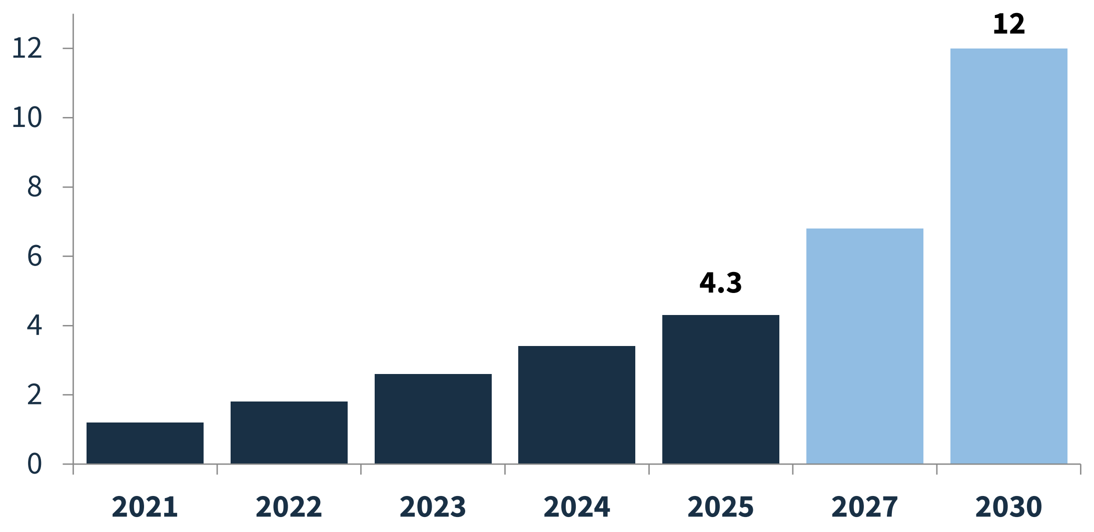
Contracts include automatic price escalators. WM delivered **6.7% core price growth** in FY2024. well above inflation.

Source: Grand View Research WM Q4/FY2024 Earnings Release

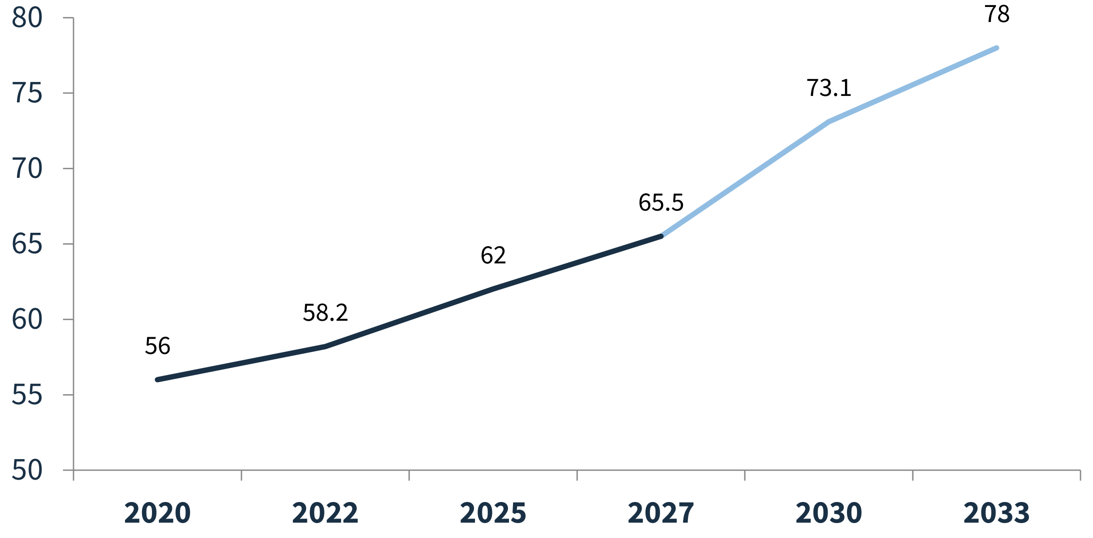
Growth Segments Outlook

RNG & Healthcare Waste as Structural Growth Drivers

US RNG Market Size (USD Billion)



Healthcare Solutions: US Population Aged 65+ (M)



- **US decarbonisation policies** are **accelerating demand** for RNG as a low-carbon fuel substitute
- Landfill gas is upgraded into **pipeline-quality RNG**, generating incremental revenue with **limited additional capital investment**
- Corporates are **increasingly adopting RNG** to meet emissions targets

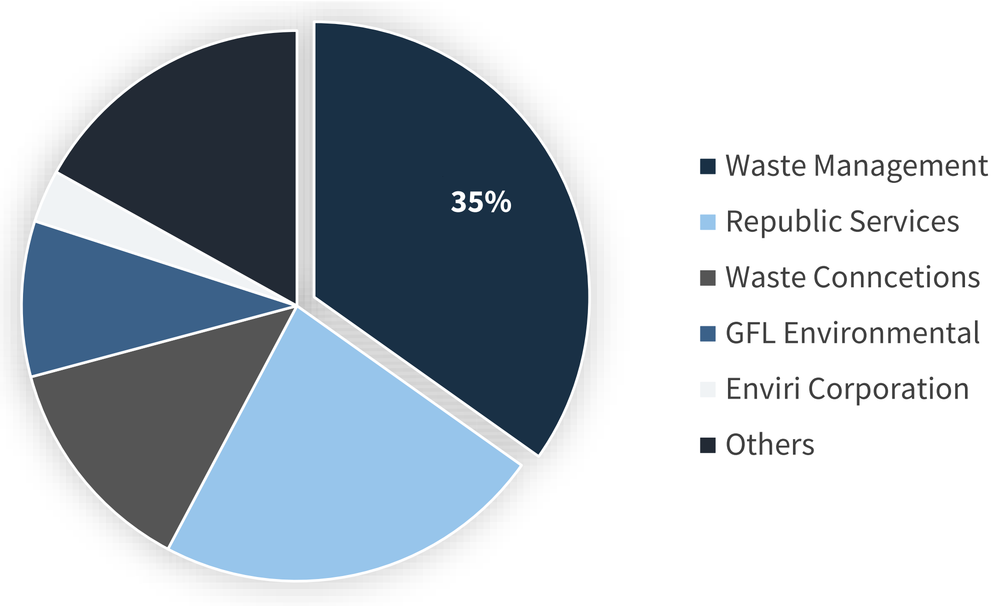
- The **growing 65+ population** structurally **increases healthcare utilisation** and waste generation
- **Higher volumes of treatments**, procedures, and outpatient services directly translate into more regulated medical waste

Source: Grand View Research WM Q4/FY2024 Earnings Release; WM FY2025 Guidance; Data Insights Market Research (2025)

Competitive Landscape

WM vs. key peers in a consolidating industry

US Solid Waste Revenue Share (2025)



- WM holds the **largest market share (~34%)** in the fragmented but consolidating US waste industry;
- **Dominant scale** supported by **262 landfills, 102 recycling facilities** and the broadest national collection network.

Main Peers

Republic Services

- Closest peer with strong route density and landfill network
- **No RNG / healthcare segment** to match WM’s growth profile

Waste Connections

- Integrated player providing same solid waste services
- **Lacking WM's national scale** and healthcare segment

GFL Environmental

- Based in Canada, it also operates in the US
- Growing via acquisitions; **smaller scale** and **higher leverage**

Clean Harbors

- Focused on **hazardous waste** and industrial services
- Complementary rather than competitive to WM’s Municipal Solid Waste focus.

Enviri Corporation

- Global leader specializing in **industrial products recovery**
- Currently divesting assets (portoflio restructuring)

Source: WM Q4/FY2024 Earnings Release; Republic Services FY2024 Annual Report; Bloomberg; Persistence Market Research (2025)

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Issuer Analysis

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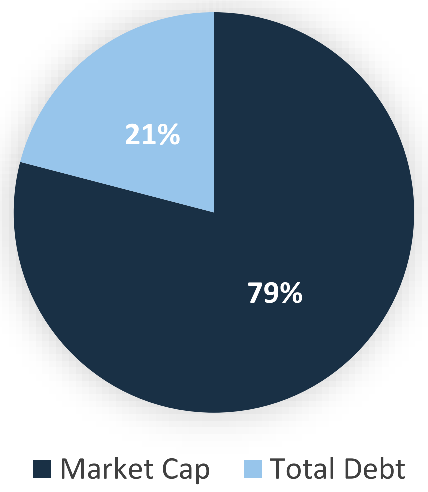
Capital Structure

Strong balance sheet foundation with manageable leverage and clear deleveraging path

Capital Structure



Metric (m $)	2021	2022	2023	2024	2025
Cash & Equivalents	118	351	458	414	**201**
Short-term Debt	772	478	453	1 594	**962**
Long-term Debt	13 156	15 030	16 347	23 419	**23 041**

Main Bonds & Notes Info

Bonds & Notes	Amount Outstanding	Maturity Date	Seniority	Security	Defaulted
4.50%	$1 000M	15/03/2028	Senior	Unsecured	No
4.95%	$1 500M	15/03/2035	Senior	Unsecured	No
5.35%	$1 250M	15/10/2054	Senior	Unsecured	No

- **Total Debt represents only ~21%** of WM's Total Capitalization. reflecting a **substantial equity cushion** that protects bondholders.
- **95%** of WM's Total Debt is **Long Term** (over 2030 maturities account for 50% of Total Debt), **reducing near-term financing pressure**.
- Long-Term Debt rose significantly due to **Stericycle acquisition** but **active deleveraging is underway**, with leverage returning to healthy levels as confirmed by Q1 2026 earnings report.

Sources: Bloomberg. 10-K

Liquidity Analysis

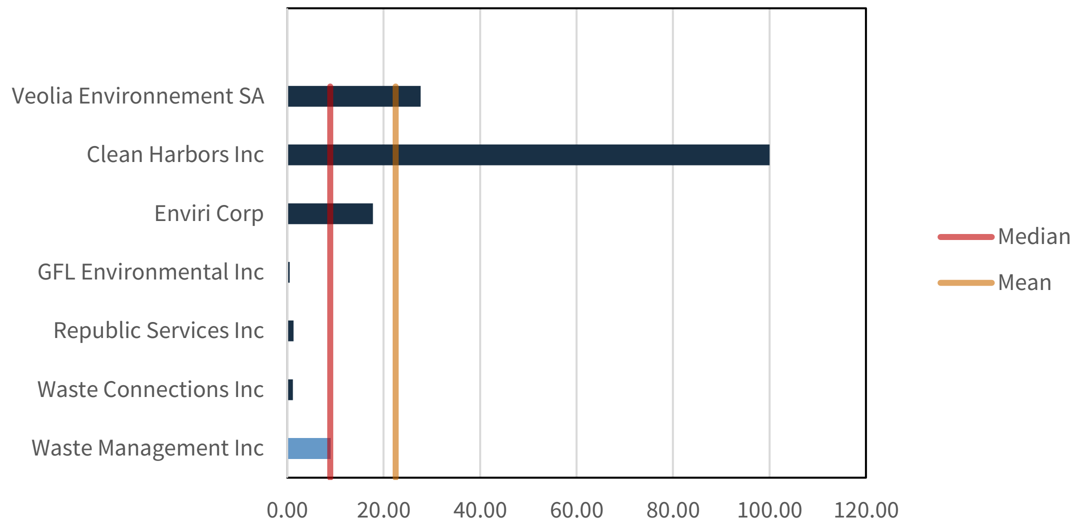
Below average liquidity ratios are offset by predictable operating cash flows and ample backup liquidity

Evolution

Metric	2021	2022	2023	2024	2025
Current Ratio	0.75	0.81	0.90	0.76	**0.89**
Quick Ratio	0.59	0.64	0.73	0.59	**0.66**
Cash Ratio	0.03	0.08	0.11	0.07	**0.04**

- Current and Quick Ratios remain **below 1.00** throughout the period, reflecting the industry **structural characteristics**
- **Post-2023 decline in liquidity ratios** is driven by capital allocation decisions, including the **Stericycle acquisition** and continued investment in infrastructure and landfill assets
- Despite lower ratios, the company maintains **sufficient liquidity to meet short-term obligations**, supported by stable cash generation and access to capital markets.

PMC Scoring Model



- **Model inputs**: Current Ratio, Quick Ratio and Cash Ratio
- Liquidity score is **below the peer average**, driven by lower current asset buffers. However, **relative positioning remains solid** within the sector, as these companies typically operate with **low working capital needs and high cash flow visibility.**

Sources: Bloomberg. PMC Scoring Model

Coverage Analysis

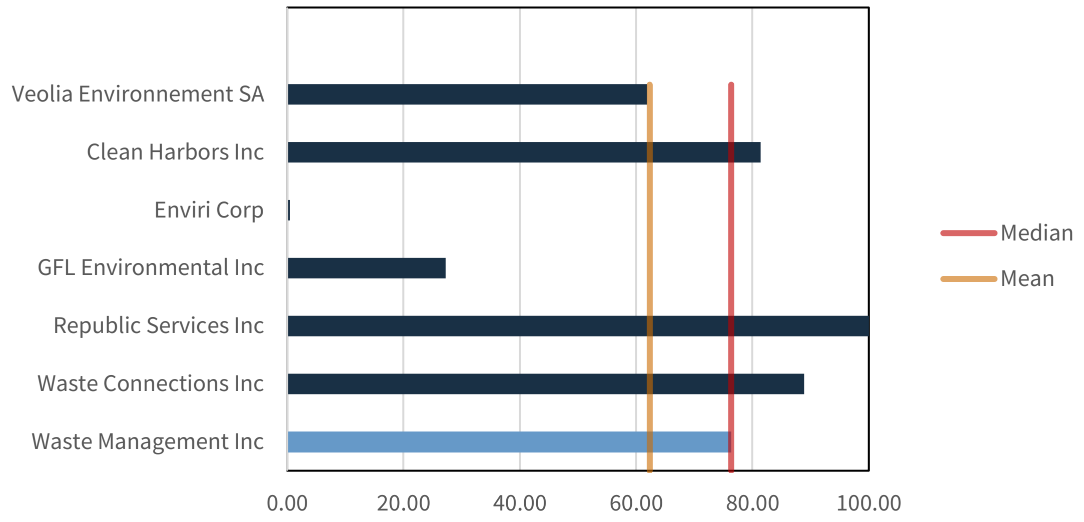
Consistent Coverage strength in line with PMC Scoring results

Evolution

Metric	2021	2022	2023	2024	2025
Interest Cov. Ratio	**8.3x**	**9.2x**	**7.7x**	**7.2x**	**5.2x**
OCF/Debt	**31%**	**29%**	**28%**	**22%**	**25%**
Asset Cov. Ratio	**1.1x**	**1.1x**	**1.1x**	**0.9x**	**1.0x**

- **ICR remains at healthy levels** (5.2x in 2025), supported by **consistent EBIT growth** from $3.0bn to $4.7bn, despite higher acquisition-related interest charges.
- OCF/Debt recovered to 25% in 2025 after the 2024 dip, **with OCF growing** from $4.3bn to $6.0bn providing **solid debt repayment capacity.**
- Asset Coverage Ratio consistently above 1.0x, underpinned by **$28bn of tangible asset base** providing downside protection to bondholders.

PMC Scoring Model



- **Model inputs**: Interest Coverage Ratio, CFO/Debt and Asset Coverage Ratio
- WM ranks **above both the peer mean** in the Scoring Model, reflecting solid and **consistent debt serviceability**.

Sources: Bloomberg. PMC Scoring Model

Profitability & Turnover Analysis

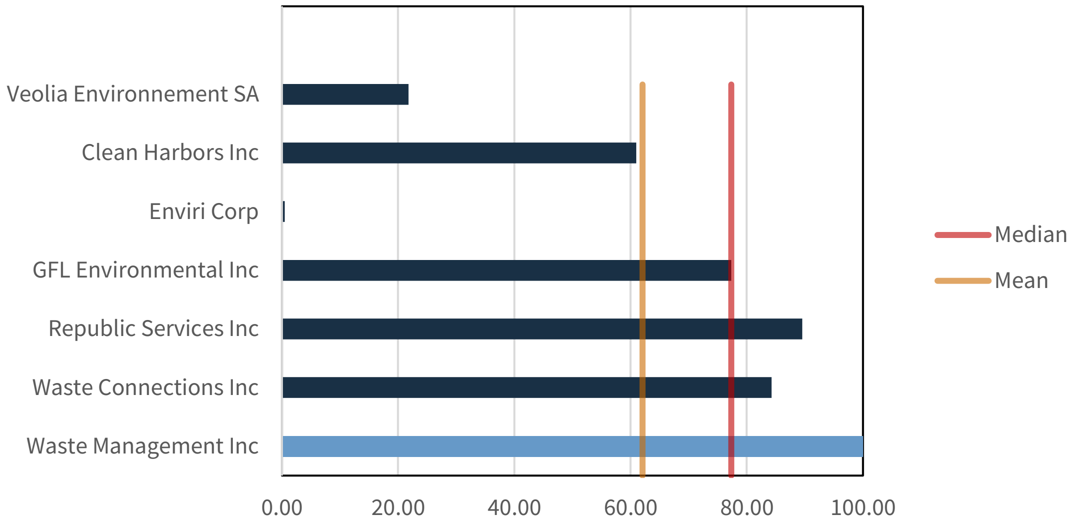
Sector-leading margins driven by disciplined pricing and cost efficiency through automation.

Evolution

	2021	2022	2023	2024	2025
Net Profit Margin %	10.13	11.36	11.28	12.45	**10.74**
Gross Profit Margin %	38.03	37.59	38.28	39.34	**40.44**
Op. Profit Margin %	16.54	17.08	17.50	18.42	**17.09**
Assets Turnover	0.61	0.65	0.64	0.57	**0.56**
Receivables Turnover	7.87	8.00	7.76	6.74	**7.34**
ROE %	24.9	32.0	33.5	36.2	**29.7**
ROA %	6.2	7.4	7.2	7.1	**6.0**
ROIC %	10.7	11.9	11.7	11.3	**10.1**

- **Constant gross margin expansion** driven by disciplined **pricing programs** and fleet automation investments.
- Despite the Stericycle acquisition, WM's **ROIC is still above the peers** median.
- ROE compression reflects equity base dilution from the Stericycle acquisition **rather than earnings deterioration**.

PMC Scoring Model



- **Model inputs**: Net Profit, Gross Profit & Operating Profit Margins | Asset Turnover, Receivables Turnover | ROE, ROA & ROIC
- **WM** leads the peer group in profitability, due to its **superior margin profile** and **consistent capital returns,** reinforcing its position as the **highest-quality operator** in the sector.

Sources: Bloomberg. PMC Scoring Model

Leverage Analysis

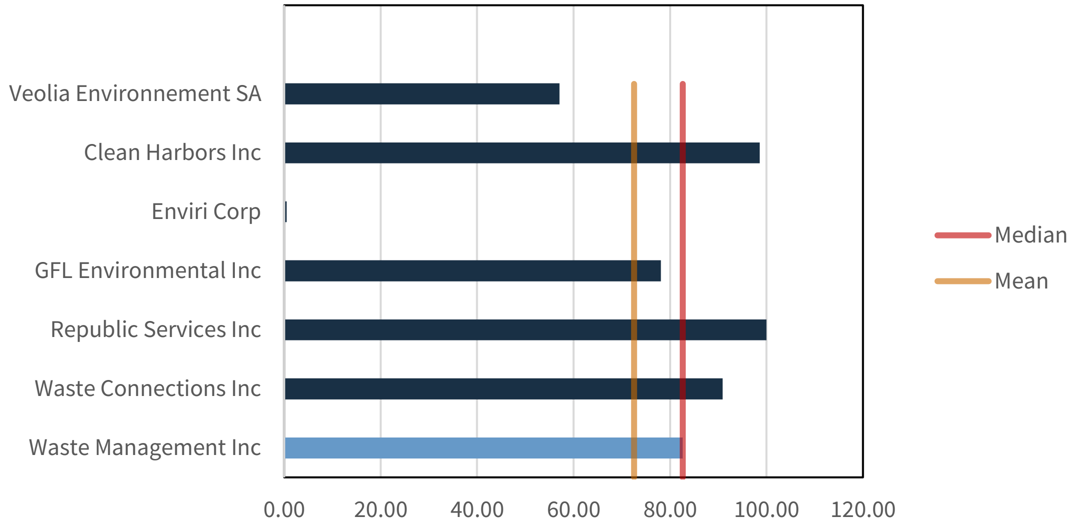
Management committed to deleveraging back to target range

Evolution

	2021	2022	2023	2024	2025
Debt/Equity	1.88	2.18	2.36	2.90	**2.30**
Debt/EBITDA	2.70	2.77	2.88	3.78	**3.20**
Assets/Equity	4.08	4.57	4.76	5.40	**4.59**
Net Debt/EBITDA	2.68	2.71	2.80	3.71	**3.17**

- Debt/Equity and Assets/Equity ratios reflect a typical balance-sheet of **a capital-intensive waste infrastructure business**.
- The Stericycle acquisition **pushed Net Debt up**, increasing all leverage ratios.
- WM has temporarily **suspended shares buybacks** in 2024 and its **prioritising debt repayment**, targeting a return to pre-acquisition leverage ratios.

PMC Scoring Model



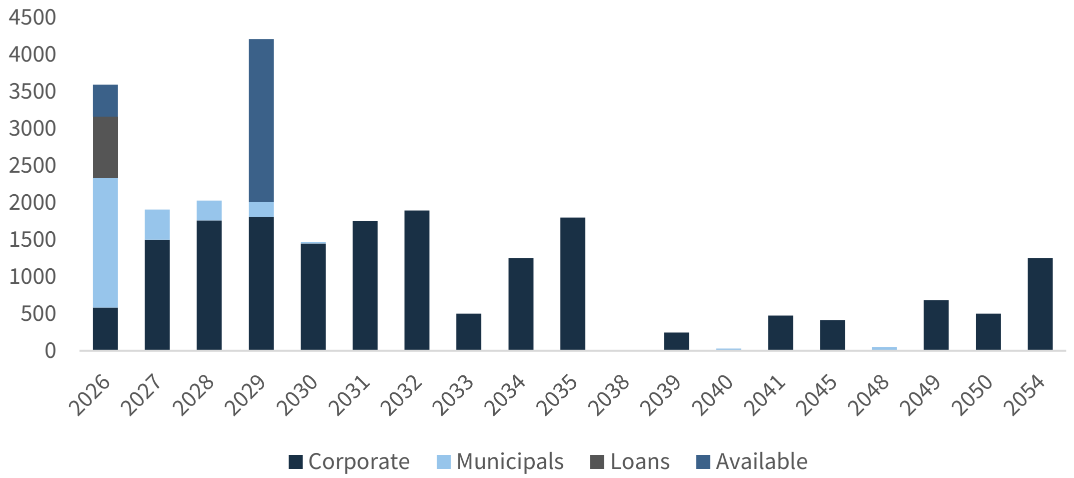
- **Model inputs**: Debt/Equity, Debt/EBITDA, Asset/Equity and Net Debt/EBITDA
- All **leverage ratios** already **declining from peak** in 2024 through a combination of **earnings growth** and **debt repayment.** targeting for further reduction**.**

Sources: Bloomberg. PMC Scoring Model

Debt Governance

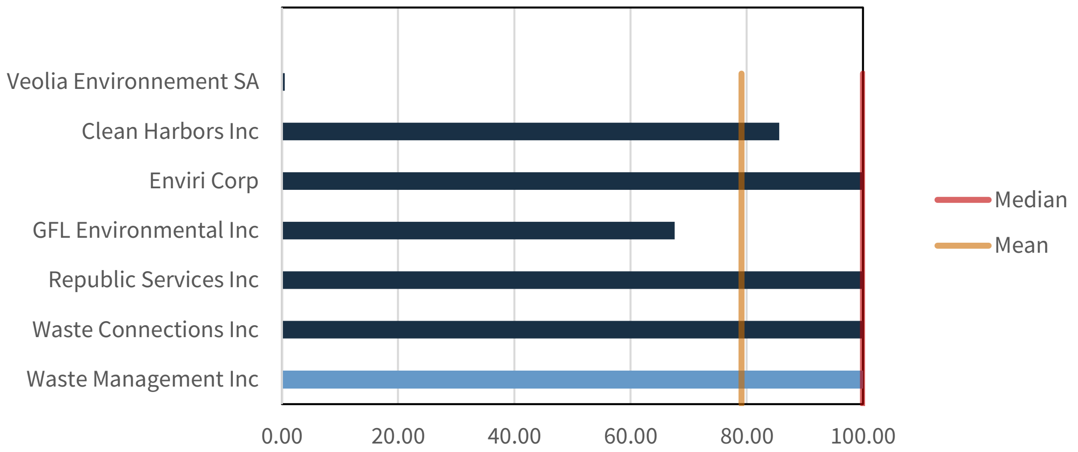
A- rated issuer with well-laddered maturities and no prior defaults — strong governance position in our peer set

Corporate Debt Maturities (in million $)



- WM's near-term annual debt maturities (2026–2034) range from **~$450M to ~$2.1B**. with no single year posing an unmanageable refinancing cliff
- Over **55% of total corporate debt** matures in 2035 or later. forming a long-dated maturity tail that substantially reduces refinancing pressure over the next decade

PMC Scoring Model



- **Model inputs**: Average Maturity, % of Fixed Rate Coupons, Previous Defaults and Credit Ratings
- **Strongest debt governance score** driven by: (i) A- rating from both Fitch and S&P (Feb 2026); (ii) **100% fixed-rate coupons** across all outstanding bonds; (iii) **zero prior defaults**; (iv) average maturity well beyond 10 years — outperforming all peers.

Sources: Bloomberg. PMC Scoring Model

Final Credit Output

Waste Management stands out as one with the best credit score overall in our model

Model Inputs

Metric Group	Weights	Waste Management Inc
Liquidity	**10%**	**8.9**
Coverage	**20%**	**76.4**
Profitability & Turnover	**25%**	**100.0**
Leverage	**20%**	**82.6**
Debt Governance	**15%**	**100.0**
Markets	**5%**	**64.6**
Country Risk	**5%**	**100.0**

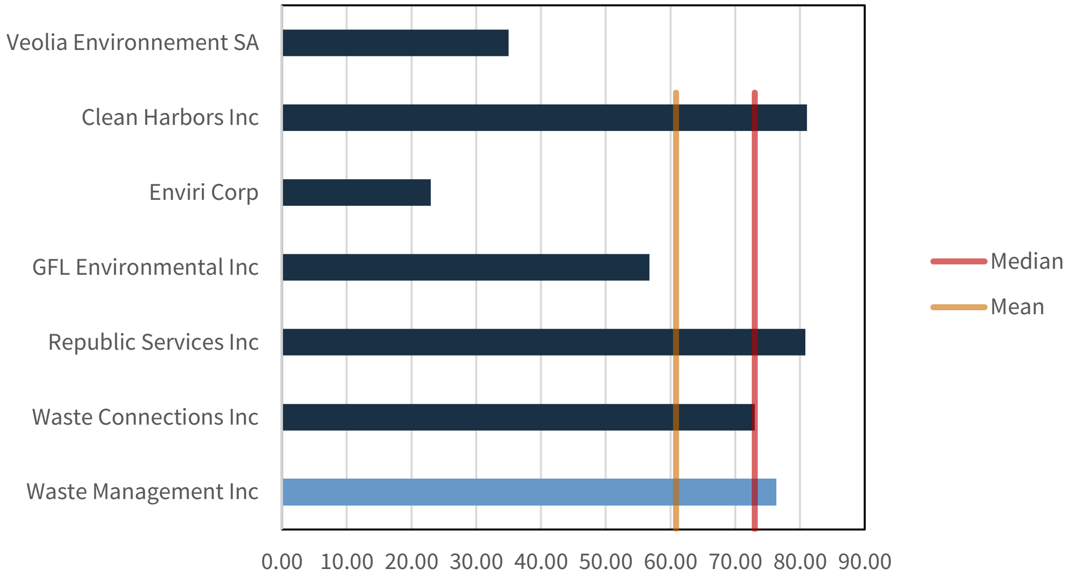
Strengths

- Exceptional **Profitability & Turnover** (adj. EBITDA margin of 30.1%)
- **Leverage** improving via active deleveraging post-Stericycle (targeting ≤2.75x by 2026)

Weaknesses

- **Liquidity**: Current Ratio below 1.0x; structural low cash reserves
- **Coverage** lower than pre-acquisition levels (TTM Q1 2026 ICR at 4.87x), down from FY2024

PMC Scoring Model



WM emerges as one of the **top overall performer**, supported by **outstanding profitability**, robust debt governance, and steady deleveraging progress post-Stericycle, ranking only behind Republic Services and Clean Harbors.

Sources: Bloomberg, PMC Scoring Model

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Bond Analysis

05.04.26

Spring 2025

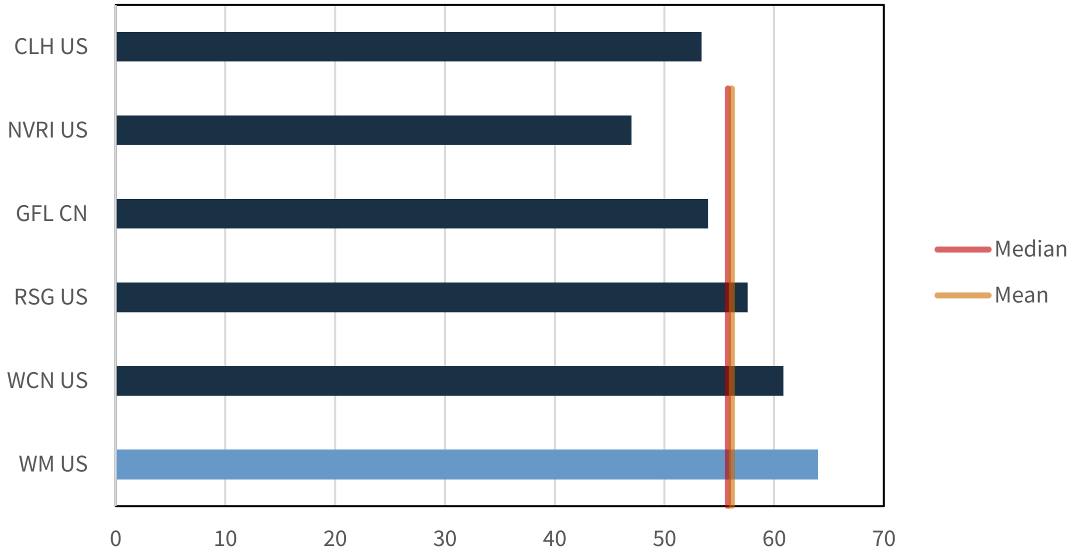
WM 1.50 15/03/2031

Discounted price and higher convexity offer asymmetric upside

General Info and Covenants Analysis

- Issuer: Waste Management. Inc.
- Rank: Sr Unsecured
- Coupon: 1.50% (semi-annual)
- Maturity: 15/03/2031
- Yield to Maturity: **4.48%**
- Price: **87.08%**
- Total Amount: **USD 1 billion**
- Guarantors: Waste Management Holdings. Inc.
- Beta: **0.41**
- (Macaulay) Duration: **4.698**
- Convexity: **0.239**

PMC Scoring Model



WM's bond scores highest among peers due to:

- **Attractive OAS** and risk-adjusted return compared to peers and their respective credit ratings
- **High liquidity score**, lowest Beta, positive Sharpe ratio, and **moderate 260-day volatility**, supporting a more predictable pull-to-par trajectory

Sources: Bloomberg. PMC Scoring Model

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Investment Thesis

05.04.26

Spring 2025

Investment Thesis

Defensive credit with structural cash flow visibility, active deleveraging, and two asymmetric growth options

CATALYSTS

- Fitch confirmed **A-** and revised outlook to **Stable**. citing $1B+ in debt paydown since Stericycle close and **Net Debt/EBITDA improved** from 3.72x to 3.18x in a **single year**
- **Pricing Power Above Inflation:** Core price growth of 6.7% in FY2024 outpaced CPI, supported by contractual lock-in and **high switching costs**.
- **Long-term contracts** provide a non-discretionary revenue floor immune to economic cycles. **Municipalities** cannot stop generating waste or self-handle collection at this scale.
- **Healthcare** and **RNG** are structurally growing segments, driven by (1) an ageing population increasing medical waste volumes and (2) by RNG mandates creating long-term demand for landfill gas.

RISKS

- **Capex intensity** ($3.2B in both 2024 and 2025) leaves $2.9B of FCF against $24B of debt and any revenue or margin disappointment narrows it quickly.
- **Interest Coverage declined** from 8.3x in 2021 to 5.2x in 2025 driven by Stericycle acquisition and higher interest rates on debt. While **still consistent with the A- rating**, the direction must be monitored
- **Healthcare Solutions** had been tracking **below expectations**, though Q1 2026 showed an 18.4% EBITDA growth in the segment (synergies and SG&A management), suggesting the **risk** is **progressively diminishing**
- **Recycling** operating income is exposed to **commodity price** movements outside management's control, creating unpredictable and **earnings volatility**

Sources: S&P Global. FY2025 Report. Q1 2026 Report

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Recommendation

05.04.26

Spring 2025

Recommendation

Buy WM 1.50% 2031 at a discount to par and capture price appreciation over 2 years

WM 1.50 15/03/2031

Current price: **87.16%**

Current yield to Maturity: **4.46%**

Entry Price: Market Price

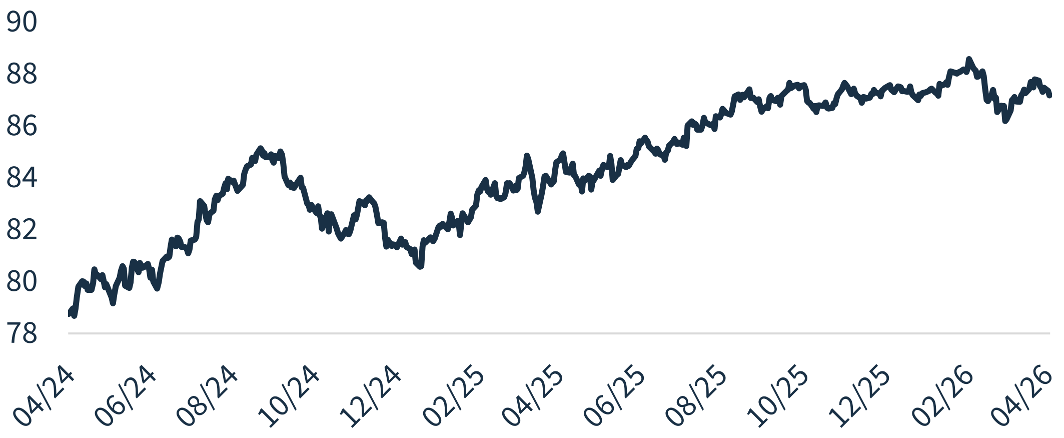
Time Horizon: **2 years**

Take Profit: Set dynamically by the model*

Stop Loss: Set dynamically by the model*

Allocation: **4%**

Security 2-years Historical Price



Pull-to-par Strategy

A 2-year window is chosen deliberately **rather than holding to maturity**:

- Exiting early **reduces interest rate risk** as the position becomes increasingly exposed to rate moves over time
- Realising the gain **frees up capital** for redeployment into equities or new fixed income positions **as portfolio needs evolve**.

*Note: respected if triggered before the horizon expires

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Appendix

05.04.26

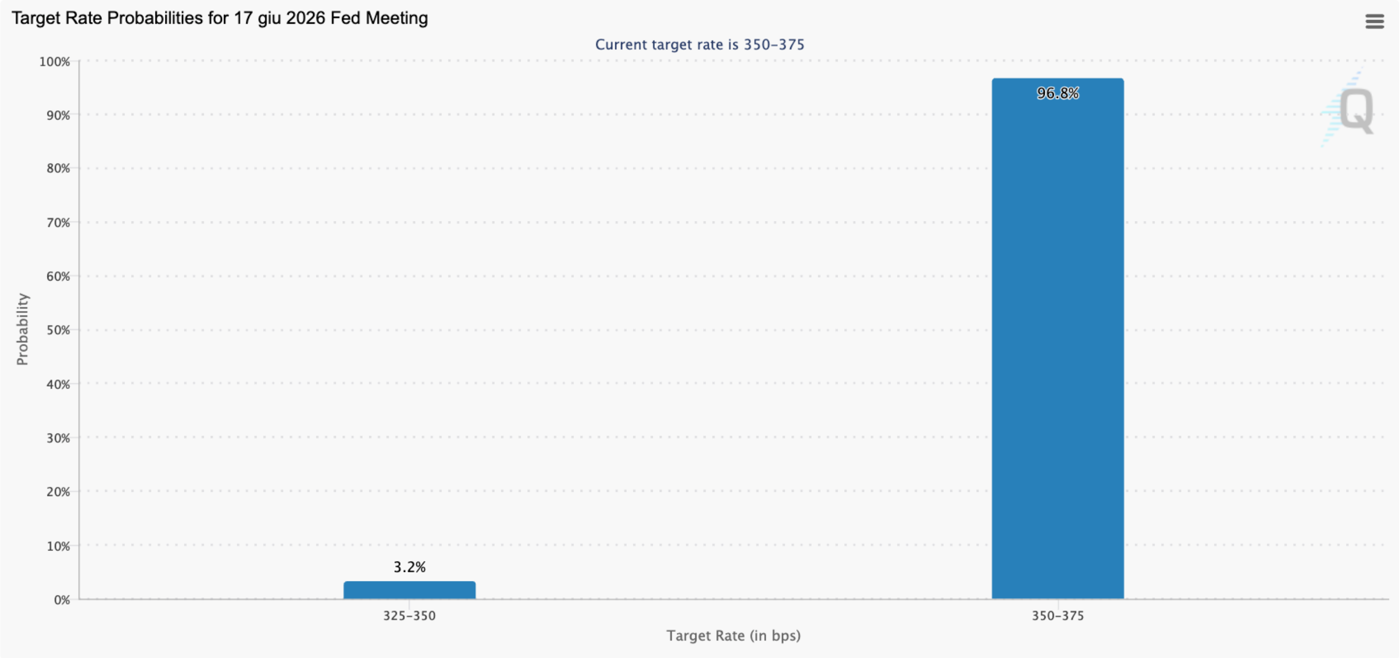
Spring 2025

Interest Rates Outlook

Likelihood that the Fed will change the Federal target rate at upcoming FOMC meetings. according to interest rate traders

29 apr26 | 17 giu26 | 29 lug26 | 16 set26 | 28 ott26 | 9 dic26 | 27 gen27 | 17 mar27 | 28 apr27 | 9 giu27 | 28 lug27 | 15 set27 | 27 ott27 | 8 dic27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
17 giu 2026	ZQM6	30 giu 2026	96,3625	3.201	210.388	3,2%	96,8%	0,0%



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 28 APR 2026	1 WEEK 22 APR 2026	1 MONTH 27 MAR 2026
325-350	3,2%	2,6%	1,7%	0,0%
350-375 (Current)	96,8%	97,4%	98,3%	92,2%
375-400	0,0%	0,0%	0,0%	7,7%
400-425	0,0%	0,0%	0,0%	0,2%

* Data as of 29 apr 2026 09:06:32 CT

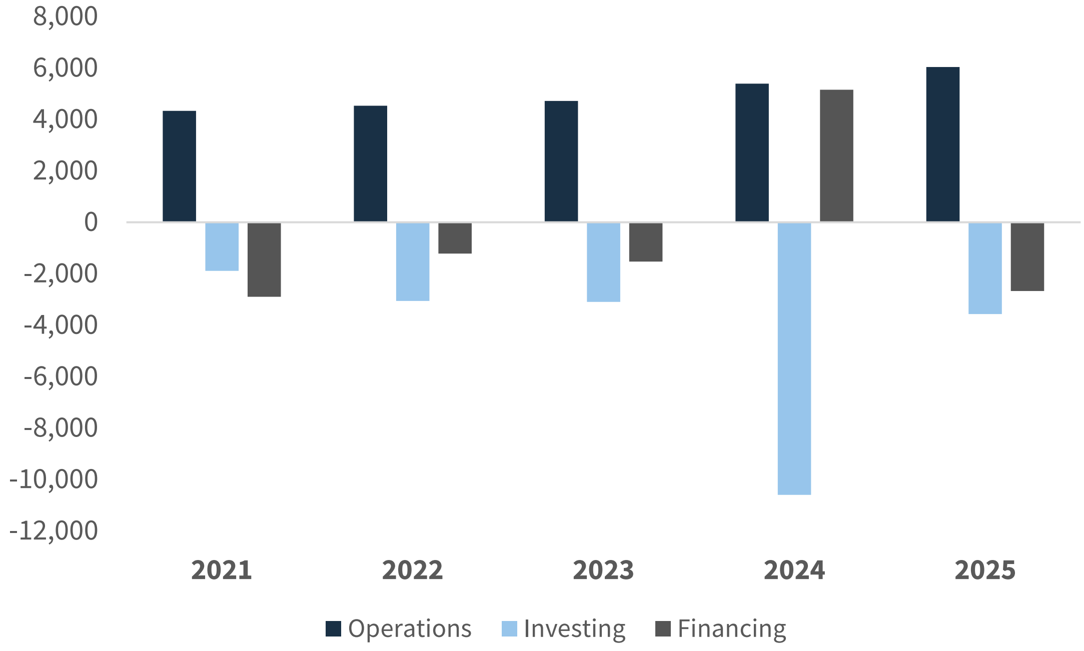
- The **FedWatch Tool** provided by the Chicago Mercantile Exchange Group. that measures market sentiment regarding the **probability of Federal Reserve interest rate changes** in upcoming FOMC meetings
- Fed leaves rates **unchanged** for the 3rd straight meeting. **Four Fed members dissented** on the Fed's interest rate pause for the first time **since 1992**
- Policymakers are struggling with the challenge of balancing the threats of **persistent inflation** and a **softening labor market**
- For our strategy. any possible FED rate cuts represent an **additional upside** rather than a dependency of the thesis

Sources: CME Group FedWatch

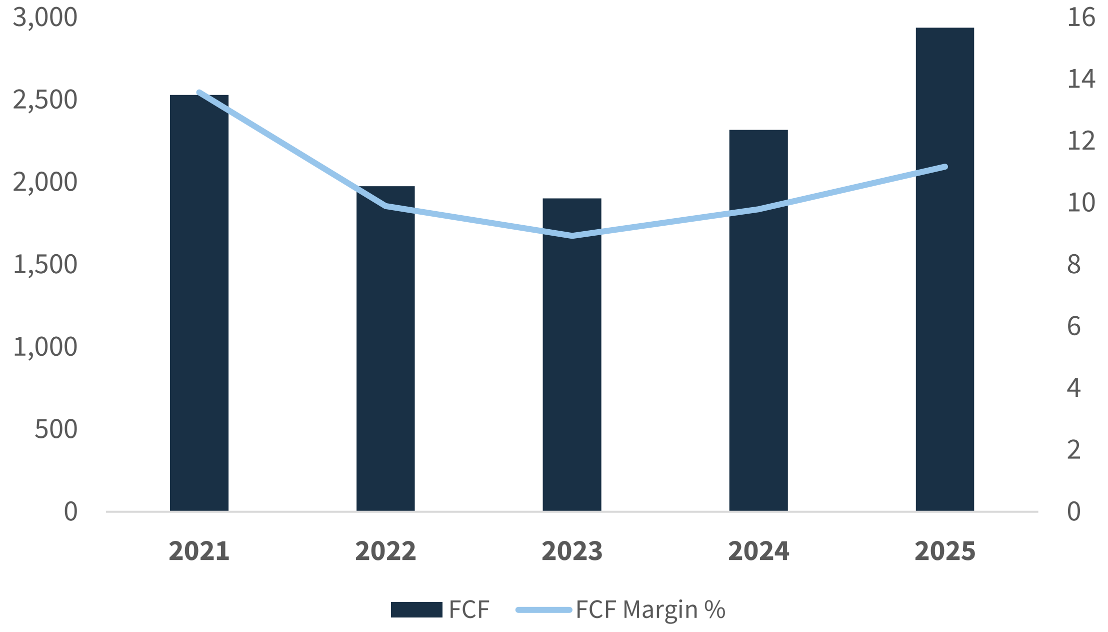
Cash Generation

Operating cash flows consistently fund capex and debt service, with FCF recovering strongly after the Stericycle acquisition

Condensed Cash Flow Statement



FCF and FCF Margin %



- The 2024 investing outflow reflects the **$7.2B Stericycle acquisition**, funded through debt and offset by strong operating cash generation.
- By 2025 the investing base normalised, with **operating cash flows of $6.0B** comfortably covering CapEx and financing obligations.

- FCF compressed from between 2021 and 2023 as CapEx stepped up, before **recovering sharply to $2.8B in 2025**
- **FCF margin** rebounding to **11.2%**, confirming the business generates sufficient cash to support active deleveraging over the investment horizon.

Sources: [CME Group FedWatch]

Regulatory Environment

Regulatory evolution adds compliance costs for smaller operators and reinforces WM's structural advantages

Key Regulatory Trends

- Stricter **landfill gas management** requirements directly benefit WM's RNG programme
- **Extended Producer Responsibility (EPR)** for packaging is now law in 7 US states, improving recycling economics
- Tighter **medical waste handling regulations** increase demand for WM Healthcare Solutions' disposal network.

Specific Developments

- **Landfill permitting constraints** act as a simultaneous risk and competitive moat. preventing new entrant disposal infrastructure
- **EPR enacted** in Maine. Oregon. Colorado. California. Minnesota. Maryland. and Washington (signed May 2025)
- WM's 66% **alternative-fuel fleet** and sustainability data infrastructure position it well for ESG-linked contract awards.

WM's Strategic Position

- WM's scale enables it to **absorb compliance costs** that smaller operators cannot sustain
- EPR and medical waste regulation **create demand** for services WM already operates at scale
- ESG disclosure requirements in **municipal contract awards** favour operators with verified sustainability data. further entrenching incumbents.

Source: EPA; NCSL; WM Sustainability Report 2024; WM Q4/FY2024 Earnings Release; NSWMA