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<<Patrick Tyler Brown, Analyst, Raymond James & Associates, Inc>>

So this afternoon, I'm really excited to have Waste Management with us. Presenting today is the company's CEO, Jim Fish. With him is Ed Egl, the Director of Investor Relations, Treasurer. So I think most of us know the brand. Most of us know Waste Management, but this is the largest solid waste provider, I believe, in North America, so definitely in the U.S. and in North America, so one of the largest in the world. But the story that really is kind of coming together, the stocks have been acting great. I think a lot of it's really due to some of the best waste dynamics that we've seen in some time, including really, really strong free cash flow and free cash flow growth.

So with that, I'm going to turn it over to Jim.

<<James C. Fish, President and Chief Executive Officer>>

As long as I can figure out how to turn on my mic here. All right. Got it. Good afternoon. So I'm going to walk you through this. Actually, I'll not walk you through any of this. And honestly, Tyler, I – and I've talked about this a little bit on the plane out. So I'm going to kind of speed through and get to one slide, which is the strategy slide, and I'm going to talk about that strategy slide. I mean, I can spend time on some of these slides. I can tell you that we got 43,000 employees or 247,000 landfills, and you can read that.

I'd rather not walk you through that. I'd rather not talk about that's what we look like in terms of our geography and what our revenue mix is. So I'm going to go through – I mean, you can read our 10-K and figure some of the stuff out. So what I'd rather do is talk about – I mean, you can see some of these. I mean, maybe the one that I'll spend four seconds on is this one, which is – we do pay very close attention to return on invested capital, and you can see that from the slide here. So it's very important to us, and you can see that it's been an improving trend for us. And we've separated ourselves from our two biggest competitors.

So I'm not up here today, though, to talk to you about what our financials look like or what our income statement or balance sheet looks like. What I want to talk to you about is really this, and I'm going to put this thing down because I'm not really going to move off of this. But let me talk a little bit about what – Waste Management has gone from $30 to $100 a share over a fairly short period of time. And so some of the questions we've gotten is, "Okay. So how much is left? I mean, $100 a share is a big number. How much is left?"

And by the way, we've talked about some of the strategy on some of our calls. I mean, I've had Jim Cramer asked me, "So what do you – technology, what are you going to do with technology, Jim? I mean, it's a trash business. You're picking up a trash can. What are you going to do with technology?" So let me talk a little bit about this and why I think we're well positioned, incredibly well positioned.

First of all, I'll tell you we have a new Chief Operating Officer, John Morris, and a new team. We have a brand-new senior leadership team, honestly. There's nobody in the role – we have nine people on the team. Nobody has been in the role longer than 2.5 years. I am the most senior person on our senior leadership team, and I've been in my role almost 2.5 years.

So I talked to John Morris, who's been Chief Operating Officer for about two months, and I said – But John has been in the business for 25 years. And I said, "John, your job is to protect this golden goose that got us from $30 to $100." Because everybody, whenever I stand up here and talk about sustainability or we're going to do something with technology and all of our investors that have ridden with us from $30 to $100 say, "Oh, my gosh. Jim's changing the model. He's going to screw this thing up." Well, I told John Morris, "John, your job and Tara Hemmer's job and Steve Batchelor's job, your job is to protect the golden goose." That is the landfill network, which is unmatched.

In 16 of the top 20 MSAs in North America, we have the best or we're tied for the best located landfill, meaning closest to population center. And we have the best collection network. "So your job, John, is to improve efficiencies. Your job is to improve maintenance through the use of data analytics. Your job is to get better on customer experience. So instead of 12 million calls a year coming into our call centers, cut that in half through the use of technology, and that's your job. And protect this golden goose and turn it from $100 to $150. That's your job." What's the other side of that?

So the other side of that is, okay, so what's kind of the Blue Ocean Strategy for Waste Management? I mean, can there be a Blue Ocean Strategy in the trash business? Here's my answer to that. If you think about – if I ask everybody in the room, give me the company that is – give me the companies that are synonymous with technology. Everybody in the room is going to say Apple, Google and Amazon, right, or maybe a couple of others, but those companies are – when I ask you that. And if I say give me the companies that are synonymous with oil and gas production. You'll say ExxonMobil and Shell and Chevron and maybe BP or Total, whatever.

If I say give me the company that is synonymous with sustainability. You go, "There's not really a company that's synonymous with sustainability." And by the way, whenever I start talking about sustainability, everybody immediately goes, "Ah, he's going to the dark side. He's going to forget about what really got him to $100." So let me reiterate what I told John Morris: protect the hell out of that piece that got me to $100 and turn it into $150. That's his job.

My job now is to say, all right, we have a huge opportunity. We have the only brand that's recognizable in the space. And so last week, I got a call, and I started thinking about this well before last week, but last week really solidified in my mind what I just said about sustainability. Because by the way, I think in five years when somebody asks you that question, you answer – the tech question, the oil and gas question and the sustainability question, right, and the sustainability answer is Waste Management.

But, here’s the huge but in this, sustainability has to be both environmentally and economically sustainable, can’t just be environmental. We’re not in this for charity. We’re not in this because I feel good putting the thing in my recycle bin, and it’s better for the earth and blah – okay. That’s all great, but somebody has to process it. Somebody has to turn it into something. And if there is no economics behind it, then it flops. And that’s kind of where we are today with recycling. Recycling is more expensive today than landfilling, but there’s a massive, massive social pressure to recycle.

So last week I get a call, guy – from a guy I’ve never met before. Kevin Johnson calls me from Starbucks. And he said, "Jim, I’m told I need to talk to you." I said, " Okay. What do you want – nice to meet you. What do you want to talk about?" He goes, "We have a problem with sustainability at Starbucks." He said, "You know what our problem is?" I said, "I think I do. I don’t think it’s straws. I think it’s cups." He said, "That’s our problem." How many cups do you think Starbucks uses a year? You might know if you saw the article in a journal. 4 billion. 4 billion cups a year at Starbucks. How many of those are recyclable? Did you go to Starbucks down here in the hallway? Anybody buy a Starbucks down there today? Did you see a recycle bin in there? No recycle bin in there. Why not?

Because the cups are not recyclable, and the Frappuccino cups are not recyclable. And the straws are not recyclable. None of that stuff is recyclable, and he has a problem. He wants to be a sustainable company, and yet none of the stuff that he sells has a package that’s sustainable. So here’s where I come in. I mean, I got – again, I got John over here protecting the golden goose and driving that to $250, and we’re going to do it through technology. We’re going to do it through people. We’ve got a new CHRO that is from GE, and she’s fantastic. And she’s going to help – she’s helping us on the people side.

But on the sustainability side, nobody has come up with an answer to this, which is 65% of everything that goes through our plants, our recycle plants, 65% has zero or negative value. And so the answer for us today in the United States and Canada in terms of recycling is we just say, "All right. You want to recycle city of Orlando? Here’s your options.

You got two options: you can either landfill it at $70 a ton or you can recycle it at $100. Which one do you want?" And we’re charging fees because they contaminate everything, and they put garden hoses in their recycle bin and bowling balls in the recycle bin. So we charge them fees for all that stuff. And it costs them $100 a ton, so you got to feel $30 a ton good about recycling in order to do it.

So how do I take that 65% that’s coming into our plant today and turn it into something productive? If I can do that, then I win this game. I win this game. I make life 1,000% better for John Morris because if I can do that – I mean, here’s what Kevin Johnson said to me when called. He goes, " Jim, if you can solve this for me, we’ll give you all of our volume." And by the way, you know how much of Starbucks we’re getting today? Nothing. We’re getting nothing from Starbucks. They go to a broker today, and we don’t – we won’t take the broker into our landfill. So they’re getting – we’re getting none of their volume today.

And if I can solve this problem – and by the way, I have to solve it. That coffee cup is going through our recycle plant because my daughter puts her coffee cup in the recycle bin, and it goes through the plant. We spend $80 a ton to process it, and then it comes out the back end of the plant, and we put it on a truck and take it to the landfill. I mean, how stupid is that? I'd rather you just put it in the – "Nicole, don't put it in the recycle bin, put it in the trash bin." But that's not a great answer because socially we say "I don't want to do that. Come on. I mean, it's a coffee cup. It's got to be recyclable, right? I mean, the sleeve is made out of cardboard, and the outside is made out of cardboard. And that thing on top is plastic, right? Why can't you recycle that?"

I'm going to come up with a solution, and we've got a couple of really good options that I'm not going to tell you about, but I'm going to come up with a solution. So when we go to Seattle to meet with Kevin, we may not have the answer for him because we're going up there in early April. But I will tell you this: we're going to come up with that solution, and it's going to be a really good economic solution. I'm not just looking to come up with a solution where I can recycle all these coffee cups and I lose money on it. I mean, if that's the case, then you should fire me. I shouldn't be standing up here.

The real solution is how do I take the 65% that we're already collecting today. It's already coming in. There's no incremental cost to collecting it. You know that those of you who cover – who invest in manufacturers, you know that one of the biggest cost is raw materials transportation.

And if I produce something out of this stuff that's drawn in through the plant that basically goes to the landfill that could be turned into something productive, maybe I turn it into a bowling ball. I don't know. I turn it into a bowling ball, and so I'm competing with a bowling ball company, but the bowling ball company has to pay for their raw materials and the transportation of those raw materials. I don't have to pay for it because it's already coming to me.

So I have a built-in advantage. And by the way, I'm the biggest collector of bowling ball material in North America. So I have the material already. I have Kevin Johnson's coffee cups. And if I can do something to turn those into something that is profitable for me, strongly profitable for me and something that gives him the ability to say I'm sustainable, then that is a winning solution. And by the way, the guy calls me and says, "I don't know anybody else in your space because you're the only brand I know." So we already have that benefit going in is that our brand carries with it, part – in part, thanks to our golf tournament. That's the reason he called. He said, " Hey, my wife and I went to your golf tournament, and you guys have a great sustainability message there, but I got to figure out my problem.

Can you help me since you've got a sustainability message there?" So when I think about where Waste Management is going, and I give some of these little vignettes because I think it's important to understand our strategy, it's not to destroy the model that got us to $100 a share. It's actually to enhance that. Some of the boring stuff that I could talk about is data and analytics for maintenance. We don't use any today. I mean, we've maintained these trucks that's basically as they break. FedEx maintains their trucks on a predictive basis.

Sounds pretty smart, right? They're pretty smart people. I think we're pretty smart, too, but we're not doing anything smarter with our maintenance. We don't do any predictive maintenance. So we met with Volvo-Mack last week, and we said, "You guys can help us out with this. By the way, we have a huge amount of data, so let's do some predictive maintenance on our vehicles." We've got a test going on our hydraulics.

Those are our efficiencies. We manage really well the first 30 minutes of the day and the last 30 minutes of the day, and we suck when it comes to the middle 10 hours. So how do we figure that out? I mean, there's a lot that we can do on that piece that I talked about as the golden goose to improve that. When I talk about customer experience, not only are we working on providing a better experience, but we're also bringing technology to that. Here's another interesting stat. We have 22 million customers. We take 12 million calls a year into our call centers.

Amazon has 250 million customers. They take 1.5 million calls in their call center. Nobody calls Amazon. Have you ever called Amazon? I mean, you don't call Amazon. You order online. It's all self-service. And by the way, it costs pennies on the dollar compared to the call that we get. Our calls, 12 million a year, cost us $8 a call, all in. So another thing that I've told our team is let's figure out through technology how we take half of our calls out of our call centers. I mean, ultimately, if I'm doing it on a percentage basis, I should be able to take 90% of the calls out of the call center.

But let's just shoot for half, and let's take $8 a call times 6 million calls, and let's just – let's take that out. And by the way, at the same time, we make it a much better experience for the customer by giving them a self-service solution. I mean, I got a call yesterday from a residential customer who is mad because we normally pick him up at up at 10 a.m., and it was 2 p.m., and he was mad. He was pissed that we had got him by two. Well, first of all, that's a pretty answerable call via a self- service solution. Now that guy probably still calls the CEO, but most people don't call the CEO.

They go online and look to see when the truck's coming. That's self- service. So when I think about the golden goose over here, there is a number kind of things, some of them kind of boring, but that we're going to do to really improve that business, and we're doing them right now. It's why that – it's part of why we continue to be excited about the prospects, just for the core business. And then I think there's that other opportunity, and that is, in my mind, that's the Blue Ocean opportunity.

And I don't think Blue Ocean opportunities come along very often. But I would tell you there are lots of people out there trying to figure it out. Somebody asked me at one of our earlier meetings, "What do you lose sleep over, Jim?" I don't lose sleep over a disruptor. I lose sleep over the opportunity that I miss out on. Somebody figures it out, and it hasn't been me.

By the way, I don't know that it's us necessarily. It may be – we have a couple of small venture investments or the guy that runs our venturing fund is over in Europe right now, and we're looking for those. So it's kind of like the pharmaceutical. The pharmaceuticals, for the most part, I don't think they develop their own drugs anymore. They just go buy it. Somebody develops a cure for Alzheimer's and then Amgen buys them. Amgen doesn't develop it.

Not dissimilar from what we're looking to do. We're looking at some of these small venture investments, and they have a team of PhDs or a team of engineers. And so Chuck is over there meeting with them, and there are a couple of really, really promising ideas. By the way, they're not – we spend $1.5 billion, Tyler, over a period of 10 years looking for this kind of stuff. The problem is we spent money on a plant that turns this thing into oil. Okay, that's pretty cool. It turns a plastic bottle into oil at cost per barrel of $200. So in theory, sounds pretty neat. But then you put a $500 million plant in, and all of a sudden, the cost to convert that, and by the way, you got to collect a can of anything contaminated, and so there was a whole bunch of problems with that.

And we spend a lot of money, 10 years ago, trying to find these technologies that were super expensive that ultimately ended up not panning because they're not competitive with existing technology. I don't think the technology that solves that 65% of waste plastics and paper and all that stuff out of the back end of the plant, I don't think it's usually complicated.

I think it's just something that either we have overlooked today or the cost structure hasn't been there today. So kind of in short here, that is kind of a synopsis of what I think about when I think about what Waste Management's opportunities are, and I feel like I'm playing with a little bit of a stacked deck here because of the brand that I have that can't be replicated because of this golden goose that's impossible to replicate.

Nobody can replicate this landfill network that we have. Not competitors, not Jeff Bezos, nobody can go do it. I don't care whether Jeff Bezos is worth $6 trillion. He can't go buy a landfill that's sitting in the middle of a neighborhood 10 miles from downtown Houston. He can't. I mean, so – and he can't do it across North America. So we have an asset network that can't be replicated, and let's use that. I've given the analogy of a Ferrari. I feel like we're driving a Ferrari, but we think we're driving a Nova. We think this thing is hauling ass. It's going – it's running on six cylinders, and the thing's got 12.

So let's run – let's drive it like a Ferrari, and I think we have a real, huge opportunity to do just that. Look, it's not that I'm not happy with – it was kind of a benchmark. I guess $100 is – there's something unique about crossing into that territory, and so that was kind of cool for us last week. But what I told our team was, "Look, folks, okay, go home and have a glass of wine tonight and then come back to work tomorrow because we have a lot of work." I'm not satisfied with $100. $100 is fine.

I'd much rather have it at $150, but I'm not happy with $100. And as we think about how we get it from $100 to whatever the number is, it's not just hyperbole. I mean, this is – there is some real opportunity, and that's the only thing that causes me to lose sleep is that I miss out on that opportunity. So a bit of a short circuited – I mean, look, I didn't want to spend a lot of time walking through and saying, "Hey, our revenue is $15 billion, and here's what our EBITDA is, and here's what our margins are." If you want to ask questions how we get from $29 to $31 on margins, I'm happy to take those. If you want to ask strategy questions, I'm happy to take those, too. So that's all I have today, Tyler.

<<Patrick Tyler Brown, Analyst, Raymond James & Associates, Inc>>

So maybe I'll start. So this is really interesting. This is relatively new and very energized. I liked it. So this all goes back, though, to the

<<James C. Fish, President and Chief Executive Officer>>

All right, all right. It's good.

<<Patrick Tyler Brown, Analyst, Raymond James & Associates, Inc>>

You're good. But it does go back to the plastic bottle. It goes back to

<<James C. Fish, President and Chief Executive Officer>>

What?

<<Patrick Tyler Brown, Analyst, Raymond James & Associates, Inc>>

To this plastic bottle. It goes back to the palletization or to the fuel oils or whatever, the investments that you made there. So how do you – where are the guardrails ultimately going to be when you think about the investments, the capital that would be required to do some of these different – what sounds like some of these different ventures?

<<James C. Fish, President and Chief Executive Officer>>

Right. I mean, part of the guardrails – it's a great question. And part of the guardrails is I think we've learned how to look for these. So 10 years ago, what we did is we went out and bought a guy who said he could turn his refrigerator into a barrel of oil in his garage in Cheyenne, Wyoming. And we went and bought him, and we made out of then a lot of due diligence because we couldn't – we didn't have the expertise to do it, but we still went and bought him, and we made out of then a lot of due diligence because we couldn't – we didn't have the expertise to do it, but we still went and bought him. And we've bought a whole bunch of those folks. And by the way, we've written virtually everyone of them off, and they haven't produced $0.01.

So we've taken a bit of a different approach. First of all, we've invested – $500 million of those, we've invested about $15 million over the last four years in some of these venture funds. And I've mentioned that Chuck Boettcher, who's our General Counsel, he also runs our venturing group, is in Europe right now with one of those funds. Those funds, I mean, we put €5 million in it. I mean – and we probably get the €5 million back. By the way, of the $500 million, we got zero back. We might get the €5 million back. I'm not expecting it to produce big returns. I don't even care if I get the €5 million back, honestly.

I'm in it – it would be nice, but I'm not in it for that. I'm in it because they are looking at ideas across Asia and Europe that are – they're looking at landfill conversion ideas. They're looking ideas. They're looking at autonomous – at mapping autonomous vehicles. They're looking at a host of ideas that would be of interest to us. And so we, as an investor, have an opportunity if we want to buy one of those. But they have a team of scientists, PhDs, engineers in Zurich that actually are vetting all of those. That's what we didn't have.

Those are the guardrails that we didn't have. We go buy somebody, and we put $25 million or $20 million or $10 million or whatever the number was into somebody, and we really didn't have the expertise to know that the technology that we bought and owned a portion of that worked. I mean, look, we check to see whether it worked.

The problem was that it worked at a number that really wasn't sustainable. I mean, you can't – if it costs $200 a barrel, then as much as people want to get away from using oil out of the ground, they're not willing to do it at 4x the cost or 5x the cost. So I think those – hopefully, that answers your questions, Tyler. Those are the guardrails. We've taken a different approach to that. And so some of these ideas that maybe solve Kevin's problem are coming out of these ventures.

<<Patrick Tyler Brown, Analyst, Raymond James & Associates, Inc>>

But we're not talking about huge amount of capital here

<<James C. Fish, President and Chief Executive Officer>>

No, no, no. These are not huge investments. I mean, €5 million that we put in 4 years ago or 3 years ago, I mean, look, it's not a huge investment for us. But I've been over there. He's been over there, and we've seen a number of really interesting ideas come from these folks. I think that's a much better opportunity for us, and then the idea is much more fully baked when we decide, okay, it's something that we want to invest in or buy.

Q&A

<Q>: So can you talk about the [inaudible] (24:15) and one of the million ways something that the economics or Starbucks [inaudible] (24:18) you also mentioned the fact of possibly [inaudible] (24:26) character points. Are you – when you look at this, are you at the best part of the economic equation, though, where you don't necessarily have to derive an economically profitable product in the back end. The economics for you could be just [inaudible] (24:46) they make the economics in the product.

<A – James C. Fish>: So I don't know if you can hear in the back, but his question was really about Starbucks and do we – is the benefit to WM, the sale over this product that is made out of their cups or is the benefit that we get their business or some combination of the two, right. So – and it's a great question. I think, look, we don't have the product yet, so I don't know the answer. But I suspect that some of the benefit gets – given back to Starbucks.

Now they do get the benefit of being able to say they're sustainable, assuming – I mean, the whole idea is you come up with a sustainable solution versus a non-sustainable solution. So ideally, if it's kind of a zero cost difference for them and one is a sustainable solution and one is not, then I keep everything else.

We make it to a point where we – in order to attract to Starbucks that we have to give a little bit of that back to them, but I view it as somewhat of a combination. I mean, it's not, by the way, just Starbucks. It's these cities that have these – every city out there have some diversion goal typically, they're just aspirational. I mean, pick a city, Austin, Texas, whatever, I don't know.

But – okay. We have a 75% diversion goal. The problem with these cities is they have no idea how they're going to get there. So do we – and if we have a solution for them, going back and saying, "Okay. We've got a solution for you, but we're not getting your business today. And so we want your business tomorrow." Then today, at the same time, say, "Okay, but I want part of the juice from this," maybe. But at the end – no matter how it pencils out, I'm going to have a really strong return for this. If it's a combination of getting new business out of it, plus the sale of whatever the – I have the bowling balls on the back end. I don't know.

<A – Patrick Tyler Brown>: So really quickly, before – we only have a couple more minutes. But I do want to touch on something, the first pillar here. And you talked about it a little bit in the beginning, about the change in senior management. Can you talk about the cultural shift that's happened to Waste Management over the last few years? As an outsider looking in, in my seat, it seems palpable. It seems palpable to me, and maybe you could give us a little more color on that.

<A – James C. Fish>: I think – here's what I would say, Tyler. Somebody asked me a couple of months ago, "What do you want your legacy to be when you leave Waste Management?" And this was at an investor meeting. And so I think they actually thought I was going to say top decile, total shareholder returns for my entire tenure or raise margins by 300 basis points. And what I said was I want my legacy to be that people at Waste Management say Jim made this a great place to work.

That might sound a little bit strange as an investor. Even I go, "Well, what does it do for me?" The one CEO – I'd say there's a bunch of great CEOs in the history of American business. The one CEO that stands out to me is Herb Kelleher because I think he understood that before anybody else. It was – you have to put your constituents in a certain order. It has to be your employees then your customers, and then your shareholders go, "What the heck. Really?" Well, look, if it's not in that order, then your employees aren't going to be happy. And eventually, your customers aren't going to be happy. And eventually, your shareholders aren't going to be happy.

Herb understood it has to be in that order. And so part of what I've tried to communicate when we think about changing the culture is this: I want to make this a great place to work. Not only do I want to give them good equipment, and we have. We've bought more trucks last year than we ever had, but I want to give them the basic tools such as performance management and leadership development. I want to make – I would also tell you this.

I know I'm important to 43,000 people, and maybe I'm important to investors, but I also don't take myself too seriously. I mean, I get it that there are a whole lot of people in this world that are a lot more important than Jim Fish. And by the way, there's a lot of people in our company that are much more important and have done much greater things but I have because there working on an hourly job. So part of what I'm trying to convey to them is Jim's – they rely to me to make good decisions, but I don't want them to ever think for a second that I think I'm too important. And that's – maybe it's a little bit hard to put a dollar amount on that, but I do think that part of our cultural shift has to be that I've made this a great place to work, that people want to come work for the company, not just for Jim, but for the entire management team.

<A – Patrick Tyler Brown>: Well, I think we're out of time. This is fascinating. I really appreciate it. Thank you.

<A – James C. Fish>: Thank you.