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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Waste Management First Quarter 2019 Earnings Release Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Ed Egl, Senior Director of Investor Relations. Sir, you may begin.

Edward A. Egl - *Waste Management, Inc. - Director of IR*

Thank you, Lauren. Good morning, everyone, and thank you for joining us for our first quarter 2019 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, Senior Vice President and Chief Financial Officer. You'll hear prepared comments from each of them today. Jim Fish will cover high-level financials and provide a strategic update. John Morris will cover an operating overview, and Devina will cover the details of the financials.

Before we get started, please note that we have filed a Form 8-K this morning that includes the earnings press releases and is available on our website at www.wm.com. The Form 8-K, the press release and the schedules to the press release include important information. During the call, you will hear forward-looking statements which are based on current expectations, projections or opinions about future periods. Such 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.

Jim and John will discuss our results in the areas of yield and volume, which, unless otherwise stated, are more specifically references to internal revenue growth or IRG from yield or volume. All first quarter volume results discussed are on a workday-adjusted basis. During the call, Jim and Devina will discuss our earnings per diluted share, which they may refer to as EPS or earnings per share, and they will also address operating EBITDA, which is income from operations before depreciation and amortization; and operating EBITDA margin. Jim, John and Devina will also be discussing the planned acquisition of Advanced Disposal Services, Inc., which they may refer to as Advanced or ADS.

Any comparisons, unless otherwise stated, will be with the first quarter of 2018. Net income, effective tax rate and EPS for the first quarter of 2019 have been adjusted, and projected 2019 results are anticipated to be adjusted to enhance comparability by excluding certain items that management believes do not reflect our fundamental business performance or results of operations. These adjusted measures in addition to free cash flow are non-GAAP measures. Please refer to the earnings press release and tables which can be found on the company's website at www.wm.com for reconciliations to the most comparable GAAP measures and additional information about our use of non-GAAP measures and non-GAAP projections.

This call is being recorded and will be available 24 hours a day beginning approximately 1:00 p.m. Eastern Time today until 5:00 p.m. Eastern Time on May 9. To hear a replay of the call over the Internet, access the Waste Management website at www.wm.com. To hear a telephonic replay of the call, dial (855) 859-2056 and enter reservation code of 4295916. Time-sensitive information provided during today's call, which is occurring on April 25, 2019, may no longer be accurate at the time of the replay. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of Waste Management is prohibited.

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

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Thanks, Ed, and thank you all for joining us this morning. We're excited to share 2 good new stories this morning: our excellent first quarter results that demonstrate continued strength in our business; as well as the agreement we announced last week to acquire Advanced Disposal Services. The year is off to a great start with organic revenue growth of more than 6% in our collection and disposal business, translating into about a 7% increase in operating EBITDA in that business.

But before diving further into the quarter results, let me spend some time discussing the compelling strategic and financial benefits we expect from the acquisition of ADS early next year. On April 15, we announced a definitive agreement to acquire all outstanding shares of ADS for $33.15 per share. The acquisition advances our growth strategy and aligns with our financial goals, including growth in earnings per share, margins and free cash flow.

It will bring to Waste Management a high-quality complementary asset network and customer base in both new and existing areas across the eastern half of the United States. We are joining 2 teams of dedicated employees who are passionate about helping to manage the environmental needs of customers and communities with outstanding service and a commitment to safety. We expect to achieve more than $100 million in annual cost and capital expenditure synergies. We anticipate closing by the first quarter of 2020, subject to the satisfaction of customary closing conditions, including regulatory approvals.

We're enthusiastic about this catalyst for long-term value creation for our shareholders in 2020 and beyond. We believe we can leverage benefits of the investments we're making in technology and people to achieve enhanced efficiency across the ADS network in the coming years. ADS has talented and dedicated employees, and we look forward to capitalizing on the strengths of both organizations.

Moving on to our strong company performance. We remain keenly focused on the execution of our 2019 plan and delivering the strong results we expect for this year. In the first quarter, operating EBITDA was $987 million. We continue to believe that this is the best measure of the health and performance of the business and are pleased with this solid result.

The growth in operating EBITDA is underpinned by impressive organic growth with core price of 5.8%, yield of 2.7% and volume of 4.1% in the collection and disposal business. Our operating EBITDA growth translated into excellent free cash flow of $431 million, demonstrating the strength of the cash-generating ability of the business. To enhance our performance, we're investing in the same areas that helped make us successful in 2018: our people, technology, asset network and the customer.

As we've mentioned in the past, we're opening our second state-of-the-art driver and technician training center, extending our commitment to providing centralized training for our drivers and technicians across the organization. Participating in this training not only helps improve retention, it helps make our employees safer. In the first quarter, we saw a meaningful reduction in safety incidents of drivers with less than a year of experience.

Focusing on our onboarding process for new drivers is clearly paying off. We also made strides with respect to technologies. We launched a new online buying experience for U.S. commercial and industrial customers. This followed the rollout of a similar online tool for open market residential customers last fall. Engaging with our customers in their channel of choice helps to differentiate our customer experiences and is driving measurable volume increases.

In closing, our base business is delivering strong, reliable growth that puts us on track for another banner year. And we're very excited about the new platform for growth with the addition or with the acquisition of ADS by early next year and the recent addition of Petro Waste in the Permian Basin.

With that, I'll turn the call over to John to discuss our operational results for the quarter as well as initial integration planning for the ADS acquisition.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Thanks, Jim, and good morning, everybody. We're pleased with our first quarter results as we continue to execute extremely well on our organic growth strategy. Our disciplined pricing programs have been driving consistently strong core price and yield results the last several years. In addition, we continue to execute on targeted growth at profitable volumes. This strategy has produced both industry-leading volumes, demonstrating that we can profitably grow by driving both price and volume.

Our volumes grew 4.1% in the collection and disposal business during the first quarter, and much of that growth can be attributed to our focus on increasing service to existing customers and reducing churn by improving customer satisfaction. For the quarter, churn was 8.1%, 150 basis point improvement from the prior year and the lowest churn we've seen in the last 3 years. Additionally, service increases outpaced service decreases again for the 21st consecutive quarter. Our customer focus has also helped us to selectively grow profitable volumes, including our strategic national account business. As you've heard us all say, improving our customers' experience is generating results.

In the landfill line of business, our well-positioned assets continue to attract volumes and enable us to increase yield. Previously, we have discussed the importance of pushing pricing to cover post-collection cost increases and maintain returns. And we're pleased with our progress on that front. In fact, in the first quarter, we achieved the highest MSW yield in more than a decade at 3.4%, and we did this while growing volumes 5.8% versus 2.2% last year.

A large portion of the volume increase relates to new customers in the Northeast as our well-positioned assets continue to attract incremental volumes. We've also talked in previous quarters about our strong special waste pipeline, and many of these projects are coming to fruition as we saw special waste volumes up more than 18% for the quarter.

As mentioned last quarter, we're well positioned to accept volumes from the wildfire cleanups in California. In the first quarter, volumes associated with the cleanup provided about $8 million of operating EBITDA. Overall, there was a negligible year-over-year impact to our first quarter volumes in our financials from natural disasters since we had hurricane and wildfire impacts in the first quarter last year as well.

The cleanup activity is still ramping up in California, and we expect to continue to receive landfill volumes from the cleanups throughout the year. But it's still too early to estimate the impact to 2019 volumes, operating EBITDA and capital spending because of the uncertainty around timing. So we expect to have additional information next quarter.

During the first quarter, total operating cost as a percentage of revenue were in line with prior year at 62.2%. We did do a good job of managing our cost as we had to overcome an 80 basis point headwind from the federal natural gas fuel credits not repeating. We still have opportunities for further improvement, particularly around maintenance and leachate management cost, and our team is focused on identifying and making these improvements as well as adjusting our price for rising third-party subcontractor costs.

On the maintenance side, we continue to expand our maintenance initiative, MSDO, to reduce downtime and improve costs. The results continue to be positive as we have seen our certified sites improve maintenance costs per unit by about 6% on a year-over-year basis. Looking to labor, our M100 program provides our frontline supervisors a view of each of their routes throughout the day. As a result, they can work to remove elements of a driver's day that are costing them efficiency. We're focusing on the commercial line of business first, and we are in the early stages of expanding the program to roll off in eventually residential.

Turning to recycling. We performed well in the first quarter as a direct result of our ongoing fees for contamination, improving operating costs and restructuring municipal contracts. We have taken these intentional steps to improve our recycling business by passing through the increasing cost of processing and the cost of higher contamination rates to our customers, and our results demonstrate that.

Although our blended average recycling commodity price fell 28% year-over-year, we increased our recycling operating EBITDA by $11 million from breakeven in the first quarter of 2018. We're still well below a typical operating EBITDA level in a normalized recycling commodity price environment. And as such, we remain focused on changing the business model for recycling with improved work technology and relationships with our customers that recoup processing costs and protect us from commodity price downside.

We're pleased with our recycling teams' efforts to improve the recycling line of business and continue to find the most sustainable markets for our customers' materials. We see in the remainder of 2019 pricing to be soft with some additional domestic mill capacity coming online later in the year. Despite these factors, we expect our overall business to continue to overcome any issues from recycling, putting us solidly on target to achieve our full year guidance.

Lastly, I want to briefly cover integration planning for the ADS acquisition. While the agreement was certainly exciting news, it's just the first step in bringing the 2 companies together. Over the coming months, we expect to assemble an integration planning team to determine how best to join our operations. Like our operations, the 2 companies' cultures are very complementary. We have a shared commitment to outstanding customer service, safety and operational excellence. Waste Management has a strong record of successfully integrating the assets we acquire, and we expect a smooth integration, transition process for this acquisition as well. We will be ready to execute as soon as the deal closes to capture the targeted synergies.

I'll now turn the call over to Devina to further discuss our first quarter financial results and capital allocation priorities in light of the ADS acquisition announcement.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

Thanks, John, and good morning, everyone. As both Jim and John has discussed, our first quarter results were strong, and they have been driven by organic revenue growth in our traditional solid waste business and our focus on controlling costs through operating efficiencies.

In the first quarter of 2019, the conversion of earnings growth into incremental cash from operations was particularly strong. Our cash flow from operations was $890 million in the quarter, and that's a 10% increase from the first quarter of 2018, which puts us well on our way to achieving our full-year target. During the first quarter, we spent $471 million on capital expenditures, an increase of $71 million from 2018. The increase in capital spending is related to the strong volume growth that our business continues to generate, particularly in the landfill line of business and then also some year-over-year differences in the timing of some of our spending.

In the quarter, our business generated $431 million of free cash flow versus $423 million in the first quarter of 2018. Timing differences in capital expenditures muted our free cash flow growth for the quarter on a year-over-year basis, but we're confident that with our strong operating cash flow growth and disciplined approach to capital spending we will deliver on our full-year free cash flow guidance.

In the first quarter of 2019, we used our free cash flow to pay $223 million in dividends and repurchase $68 million of our stocks. Share repurchases in the first quarter were less than our plan, due in part to the nearly $400 million in acquisition spending in the quarter. That was primarily related to our previously announced acquisition of Petro Waste that closed in March. Our 2019 guidance considered $200 million to $400 million in acquisitions for the year, and so we have already achieved the high end of that targeted range.

Turning to SG&A. For the first quarter, our SG&A costs as a percentage of revenue were 11.1% compared to 10.6% in the first quarter of 2018. Our planned investments in technology accounted for 30 basis points of this year-over-year increase. The remaining increase was due to a litigation reserve. In spite of the impact from this litigation reserve, we continue to target adjusted SG&A as a percentage of revenue of about 10% for the year.

We're confident in the strength of our business. And as we announced last week, we fully expect to achieve the full year guidance we laid out in February before considering the impact of the ADS acquisition. As Jim and John have discussed, we are all very excited about the value that we will create for our stakeholders from this pending acquisition.

I would like to review our 2019 capital allocation plans in light of the ADS acquisition and give you some insight to how we expect these plans to impact our 2019 outlook. In 2019, our free cash flow will be directed to dividend payments, tuck-in acquisitions and share repurchases sufficient to offset dilution from stock-based compensation plans.

As I mentioned earlier, we've already completed the high end of our acquisition guidance for the year. Our tuck-in acquisition pipeline continues to be strong, and we remain focused on pursuing valuable businesses in markets other than those where ADS operates. As a result, we will see free cash flow allocated towards tuck-in acquisitions exceed our initial range of $200 million to $400 million. We are, however, scaling back on our share repurchases from our planned levels, and that will have about a $0.06 per share impact for the year.

At the end of the first quarter, our debt-to-EBITDA ratio, measured based on our bank covenants, was 2.4x. We have a strong balance sheet today, and we expect to maintain a strong balance sheet and solid investment-grade credit profile with a pro forma leverage ratio within our targeted range of 2.75 to 3x after the acquisition. We're still in the early stages of determining our financing strategy for the acquisition, which makes it difficult to estimate the 2019 earnings and cash flow impact of the incremental debt needed to position us for closing. As we finalize those financing plans, we will provide additional detail.

The ADS acquisition will immediately enhance Waste Management's cash flow growth and support our commitment to grow total shareholder returns. Long term, our capital allocation strategy will not change. We will continue our commitment to our shareholders of allocating 40% to 50% of free cash flow to dividends. We will prioritize well-priced acquisitions and investments that bolster our long-term organic growth, and we will opportunistically repurchase shares.

Our Waste Management team has worked hard to deliver a fantastic start to 2019. We have a lot of exciting things going on at Waste Management, and our team remains focused on delivering superior results. We're confident in the performance of our business and our ability to achieve our 2019 goals.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Tyler Brown with Raymond James.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Congrats on the strong start to the year. I appreciate the core business is very solid. But Jim, Devina, I would like to start with the proposed ADS deal. We obviously haven't had a forum really to talk about it. But I was hoping you could talk about some of the mechanics of the deal, including, one, what is the termination fee if you do decide to walk away? And two, how does this $200 million, what I'm going to call divestiture cap, work that's built into the agreement? Because, frankly, the agreement isn't exactly the easiest thing to read.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

We can appreciate and understand that the agreement's a lot to get through, but we really do think that, that's the best source of information for those specific terms and conditions, and we point you back to that. What I would say is all of those terms and conditions were well negotiated and thought through in the process, and we've done a really good job of making sure that we're positioned well to move forward.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

But specifically on the divestiture -- again, I'm going to call it divestiture cap -- if it's required to be over that, what would then happen? What would you be able to do or not do?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Tyler, this is John Morris. I mean certainly, we're comfortable with the range that's been published and is in the merger agreement. And I think the details of what the options are for both sides are best learned by reading the merger agreement.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Okay. And then on the $100 million of proposed synergies, is there any breakdown of how that would break down between G&A, OpEx and capital?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Tyler, this is John again. Yes. I mean it's early innings, for sure. But roughly, we estimate about 80% is going to come from the operational SG&A and interest buckets and about 20% will come out of the capital efficiency bucket.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Great. And then maybe some mile markers that we should be looking for as this deal progresses. I would assume shareholder vote is next. Then it would go onto DOJ review. And then assuming passage, maybe we'd move off to close. Is that kind of how the process will work?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

I think you've got the timing down. There's really 3 elements. Obviously, ADS is proxy filing, and, obviously, the HSR process that's going to have to occur here in the coming months.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Okay. My last one here is so I want to switch over to recycling really quickly. You mentioned that it's up $11 million from breakeven despite commodity prices. I'm assuming the processing fee is driving that. Is that correct?

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

You broke up just for a second there, but yes, the processing fee is included in that, for sure. We talked about, Tyler, the fact that this would be -- back in February talked about the fact that this would be a tailwind for us this year. That didn't -- we still think it's going to be a slight tailwind for us, but we didn't contemplate this significant drop off in commodity prices. With that said, I think we've done a great job of really passing this through. I mean we can't bear all of this. As John said in his script, this is a breakeven for us last year. It's now an $11 million better than breakeven, which still is not anything to write home about, but we're in the process of passing that through in the form of these fees. And that's what's caused us to mitigate some of this in the first quarter.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

We've also done a good job of managing the cost side of the equation, and we'll remain focused on ensuring that we're working through the contamination headwinds that we see on the inbound materials to manage those more efficiently in our processes. And as John mentioned earlier, the focus on technology and the MRF line of business will be important to us, and we're continuing to advance those efforts.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Okay. And under -- yes. Well, I was just going to say -- yes, go ahead. I'm sorry.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Well, just back on the ADS for just a second. Look, what I will say about this is we are very, very excited about this. This is really something that we haven't done in a period of 20 years, a deal of this size. We can't say a whole lot about some of the details of it, for obvious reasons. That, as John said, will end up showing up in the background of the merger and will become public when they file their proxy. But we just can't say a whole lot about it. We'll give details where we can, but we're -- suffice it to say, this is being looked at as being transformational. And the 2 companies are so complementary from a cultural standpoint that it really makes a ton of sense for us.

Patrick Tyler Brown - *Raymond James & Associates, Inc., Research Division - MD*

Right. Okay. And then just real quickly, but would you expect -- going back to recycling, would you expect recycling to be a positive EBITDA contributor this year under the current circumstances?

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

So yes. Year-over-year -- I mean certainly, it's going to be positive in total. Year-over-year, that's why I said we think it can still be a slight tailwind for us on a year-over-year basis from an EBITDA standpoint. But it's awful hard to tell because these commodity prices have become pretty difficult to predict. And with that 30% headwind on commodity prices, we are exclusively reliant on our ability to reduce cost and pass this through in the form of fees.

Operator

Our next question comes from Hamzah Mazari with Macquarie.

Hamzah Mazari - *Macquarie Research - Senior Analyst*

I realize you can't give a lot of details on ADSW, but maybe, Jim, you could talk about why you're doing this deal now? I mean as we look back, ADSW IPO-ed at $18. There was no real buyer when Highstar was looking to sell this or exit. Your balance sheet was still very underlevered at that point. So maybe talk about what has changed. Why now versus when the stock was at $18 or pre-IPO?

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Well, here's what I would say, Hamzah. First of all, the transaction represents a really nice multiple for us at -- it's 11.6x ADS's 2018 EBITDA of $427 million. And after you take the $100 million in synergies into account, you're talking about something that's 9.4x their 2018 numbers. So it is compelling for us when we look at -- when we started looking at this several months back. It was very compelling for us. The other thing I would say about it is, strategically, it's such a nice fit for us. It really -- I'd say, we're looking at this as 3 million customers that we bring in, that we can add our focus on the customer, that we can add our focus on digital technology. All of that fits very nicely into our strategy, and it's 3 million customers who, honestly, whether it was organic customers -- a lot more difficult to get 3 million organic customers than it is to pick them up through a great acquisition like this. But it is, in effect, the same end result, which is we bring our processes, we bring our technology, we bring our focus on the customer to a big batch of new customers.

Hamzah Mazari - *Macquarie Research - Senior Analyst*

That's very helpful. And then maybe, I guess, you're having an Analyst Day on the 30th. I think the last time you did one was a decade plus ago. Maybe if you could preview sort of what we should expect there? What investors should expect?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

Hamzah, this is Devina. We're excited about the Investor Day and, certainly, something that was in the works before the announcement of the ADS acquisition. Our focus at Investor Day will be on the great things happening at Waste Management, the leadership team being sure that the investors have an opportunity to meet all of the members of Jim's senior leadership team, hear about the operating efficiency work that we're doing, our focus on people first from a culture perspective and what that's doing to drive our customer focus and the customer-centric culture that we want this organization to continue to push forward. And then the financial results that are coming out of all of that great work that we've proven in the last several years, but we really expect and are excited to see continue in the years to come.

Hamzah Mazari - *Macquarie Research - Senior Analyst*

Okay. And then just, lastly, just a clarification question. On the volume side, the 3.6% volume, how much of that was sort of wildfires?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

The wildfire impacts were actually very small. On a year-over-year basis, if you recall, Hamzah, we had fire and hurricane volumes in Q1 of 2018 as well. So we were virtually flat from a volume perspective as a result of natural disasters on a year-over-year basis.

Operator

Our next question comes from Noah Kaye with Oppenheimer.

Noah Duke Kaye - *Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst*

First, just to make sure I understood this right. You're backing full year guidance, but you're pausing share repurchases that hits you about $0.06. So should I read that as effectively you're not formally raising guidance. You're effectively raising net income guidance by a 1% or 2%. Am I missing something?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

No. Let me clarify. Thanks for asking the question though. I didn't intend for that to be interpreted that way. What we're saying is we're confirming guidance without the impact of the ADS transaction. And we view that $0.06 reduction in EPS specifically as ADS-specific because of the change in our capital allocation plans that we guided for the year. So we are sticking with core solid waste to EBITDA performance driving the EPS expectations aside from that $0.06 impact.

Noah Duke Kaye - *Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst*

Okay. That's very helpful. And then I guess just a question looking at large mergers in the past in solid waste industry. This seems like a little bit of an elongated timetable for closing compared to some. Can you just talk about what's giving you reason to kind of give that timetable? Is it something, the regulatory environment or anything we should be thinking about?

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes, no, I mean, it's recently been reported that DOJ is -- the DOJ approval process has been taking about 10 to 11 months to complete. With that said, each merger is different. And as waste mergers go, they're evaluated on a local basis, so they present different issues for resolution. But the process seems to be taking 10 to 11 months based on what we've heard, and that's why we said we think it's going to be somewhere in that time frame. And with all of that said, I think, what I would finish with is we will be working cooperatively with the DOJ to assist in this review of the transaction, and we'll do our best to expedite the process wherever we can.

Noah Duke Kaye - *Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst*

Okay. That's very helpful. And then maybe just one last clarification question. You pointed to the $100 million of synergies, and that really looks like a cash flow number, I guess, because it's cost some CapEx. So just to understand, is that $100 million net of the interest that you're going to take -- the extra interest expense to finance this transaction because you're going to have to take on some debt? Or is that kind of independent?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

No, not -- that is independent. You're right, Noah. And as I mentioned earlier, we're still working through those financing plans. We're thinking about that $100 million more as an indication of our run rate synergies over the long term and not providing information about capital structure specifically because those costs of the incremental debt is too early for us to specifically quantify.

Operator

Our next question comes from Brian Maguire with Goldman Sachs.

Derrick Laton - *Goldman Sachs Group Inc., Research Division - Associate*

This is Derrick Laton sitting in for Brian. While we're on the topic of the synergy capture there for the deal, just wondering if you guys could highlight if you have any sort of time line that you might expect for that synergy capture, assuming that the deal closes as you expected?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

This is John Morris. I think it's safe to assume that there is going to be some early dollars we'll get, but we're also early in the process here. And I think it's going to take some time. We've got kind of a lot of wood to chop here between now and closing in order to kind of refine the timing on when the synergies are going to occur.

Derrick Laton - *Goldman Sachs Group Inc., Research Division - Associate*

Okay. And then just to kind of circle back on recycling for a second. I think you said you're still expecting overall a tailwind for you year-over-year. I wonder if you could just maybe clarify what you have assumed in the reaffirmed guidance there for recycling prices and your expectations there.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

I think we said in February -- I think I said $30 million to $50 million was what we thought...

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

$20 million to $30 million.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

$20 million to $30 million. Okay. Sorry. So $20 million to $30 million is what I thought the tailwind would be in February. And as I mentioned earlier, we didn't -- that did not contemplate this heavy downturn. So it's hard to say exactly what that would be for the remainder of the year. We do know that the fees are somewhat front loaded because of the fact that last year we started the implementation process for those fees, kind of, mid second quarter, April-ish, right around now. And so the comps, at least from a fee standpoint, become more difficult in third quarter and then particularly in fourth quarter. What happens with respect to comps in terms of the commodity prices is TBD. So it's a bit hard to pin down a number, but I think we're willing to say we think that there's certainly still a possibility of a tailwind. It's not going to be in that $20 million to $30 million range.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

I would add to that, Jim. I mean I think, the comments both Devina and I made is that we continue to make progress on the operating expense side. And we've referenced on the last call that we're looking at these contamination and other fees through kind of 3 phases. And we've done a nice job in Phase 1 and Phase 2. Phase 3 is still developing, which is really where about 60% of our volume comes from. That's a single stream volume that we're address -- still continuing to address through Phase 3 through the municipal recycling contract.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes. And I would add 2 kind of other comments on recycling. First of all, we said it for a number of quarters, and that is that it demonstrates how strongly our core operations are exclusive of recycling that we can continue quarter-after-quarter to have these really good results. In the face of -- look, we're talking about 10-year lows from a commodity standpoint. So our -- the rest of our business is really operating well. A lot of you have reported on that, and that is absolutely the case. The second thing I'll say is we're not just sitting back -- here's what's going on in recycling. There's this real extreme supply and demand imbalance, and we talked about China a lot, so I won't go into details on that. But there is a real extreme supply and demand imbalance. So for us, we feel, strategically, it doesn't make sense for us to sit back and rely on the rest of the world literally to try and figure this out.

So that's why we talked about it last quarter, maybe the quarter before, that we're building what we call the recycle plant of the future to address some of this downturn in the market on our own. So that recycle plant of the future that's going up in Chicago and will be starting to take materials sometime in Q3 or Q4, we believe, will significantly reduce operating cost at that plant because of the technology that we're putting in, a lot of optical technology in that plant. So we think it will be a very different plant in terms of operating cost. And that's part of our answer to trying to address this downturn in the business that really we don't have much control over and don't have much view of when it will resolve itself. So we're going to try and fix some things that we control on our own.

Derrick Laton - *Goldman Sachs Group Inc., Research Division - Associate*

Great. That's helpful. And just one more really quick one from me. You have strong volume number in the quarter. I think you guys said the impact of natural disasters was effectively a net neutral with first quarter of '18. But some peers have called out some wetter weather and weather impacts being a headwind in the quarter. Just wondering if you could quantify what headwinds you might have had there to your volume number in 1Q.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes. No, we looked at that. I think when we look at weather kind of year-over-year, it was negligible between what had happened last year in different regions versus this year. So we didn't see a big impact on a year-over-year basis from weather. What I would tell you on the volume side, though, is, and we commented that in the prepared remarks, is we continue to see obviously MSW volumes in our landfill be really strong. We had a really, really strong special waste quarter. And when we dug into that, we're seeing that across not 1 or 2 areas, but really 7 or 8 of our regions, which suggests a couple things to us. One is the general overall economy is -- that's usually a bellwether for that. And then the pipelines we've talked about in the back half of last year and last quarter continue to produce this year. And I think, overall, I think when we look at our volume for Q1 and the trends, I think, we're on pretty solid footing.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

The one place that I do think that we saw some weather impacts is actually on the operating cost line where we saw whether it be efficiency impacts or in the leachate cost for the northern part of our business as we had a wetter winter season this year. And so we do expect some moderation in some of those costs as we move throughout the year.

Operator

Our next question comes from Sean Eastman with KeyBanc Capital Markets.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Associate*

I just wanted to start on ADS. I know it's early days, but you guys are highlighting a very complementary asset base there. But I was hoping you could maybe comment on the -- or compare and contrast the operating structure. It's my impression that Advanced operates considerably more decentralized relative to Waste Management. I'm just wondering kind of what challenges or opportunities that means from an integration perspective.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Well I think, I'm not going to comment on their structure, but I would tell you that when we look at their portfolio of business and the work we've done thus far, I think, what we find is a business and a set of assets that are very complementary to ours. As I mentioned in my prepared remarks, I mean, this is certainly a business in an industry that's been very acquisitive. And we feel very confident in our ability to tuck-in kind of this core business that is kind of down the middle of the fairway, as Jim referred to it before.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

One thing I will say just to tack on to John there is that we can't say about their structure, not so much their operating structure, but that is the makeup of their lines of business is a little different than ours. They are kind of 80% collection, 20% landfill. And we're more like 65% collection, 35%. It's another factor that gives us confidence that we will certainly make it through this process and complete this by kind of that 10- to 12-month period.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay. That's helpful. And then just as it relates to the guidance being intact, I just want to understand some of the moving pieces. So obviously, the commodity -- recycled commodity price is kind of an incremental headwind relative to that $20 million to $30 million guidance earlier. So I'm just wondering exactly where the positive offset is. Is it kind of that strength in the special waste volume? Or is it a mixture of a lot of things? Some color there would be great.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

Yes. And I would say it's entirely the performance of our solid waste business being led by the strong landfill volumes, whether it be the 5.8% MSW volume that we spoke about or in the special waste pipeline, both the strength that we saw in Q1 and then our expectations for that strength to continue over the remainder of the year. The outperformance of solid waste in the quarter far exceeded the impact of the negative commodity price drag in the recycling line of business. And so we're optimistic that, that pattern will continue over the remainder of the year.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

I would add, Devina. I mean we called out a few headwinds we had on the post-collection side and M&R within the collection side. But I think, outside of those, we're making progress. And I commented about what our OpEx was as a percentage of revenue in my prepared comments and some of the headwinds we overcame. So we're clearly making progress on the operating expense control side as well.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Super helpful. And then just last quick one from me. So obviously, really outsized volumes in the first quarter, and I believe you guys guided to a 2% volume growth outlook for the full year. So I'm wondering from this base here like what this big swing factors are to watch. Is it really just that wildfire opportunity? Or is there some other volume growth elements we should be thinking about as we move through the year relative to that 2%?

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes. I mean I think you're seeing a couple of things. John's touched on a few of them -- John and Devina both with respect to special waste and landfill volumes being strong. We didn't touch on it, but, by the way, when you look at 3.4% yield at the MSW line, that also is impressive in and of itself. But on volume, in addition to those items that they mentioned, I mean, look, I think what you're seeing is that technology -- our focus on technology and our major emphasis on the customer, all of that is coming to roost in the form of strong volumes. The key is here things like our data reporting tool that we put into national accounts that's driving strong growth in our national accounts business at good margins. The focus on the customer has driven the lowest churn number that we've seen in years at 8.1%.

And again, John mentioned the strong special waste pipeline that's the highest number we've seen in quite some time. And all of that has been discussed in the past as being part of a good pipeline. But now it's actually showing up. By the way, I think that's actually a good sign. And I think you mentioned this, but that is somewhat of a barometer for the economy. These big companies look at those -- that event type work as being somewhat discretionary. And in a strong economy, they are more willing to spend those discretionary dollars. In a very slow and weak economy, you oftentimes see them trim back on those projects. So I think that -- to the extent that, that says anything about the economy in 2019 for the rest of the year and possibly into early 2020, I think it's a good sign.

Operator

Our next question is from Jeff Silber with BMO Capital Markets.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Sorry to go back to the recycling issue. But I guess the industry has been dealing with this for about 1.5 years. Are you finding it easier to go back to your customers and asking them to focus or shift more to this fee-for-services model? Has it gotten easier over that time frame?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Well, I think a couple things. The fact that this has been a sustained situation. I think customers are understanding that there are real pressures that the service providers are facing in order to continue to provide them not only recycling but sustainability services that they're looking for. I don't think it's ever easy to go back to a customer. And this is a good example to tell them that they're going to have to -- they're going to have to share more of the risk and pay more for their services.

But I think it's evidenced by what we referred to as these 3 phases that we've been working through for the better part of a year. We're finding that with good messaging and communication with our customers and giving them real feedback, real-time feedback. Jim mentioned some of the technology. We're using some of the technology advances we have to give our customers real feedback and give them an opportunity to address some of the behaviors of their employees or their constituent base to try and improve recycling.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Okay, appreciate that. And then if I could switch back to the ADS potential merger. You mentioned the potential synergies on the cost side and the capital structure -- capital expense side, excuse me, and the complementary nature of the deal. I'm just wondering, are there any natural areas of overlap either geographically or end market focus.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Well, look, here's what I would say about that. I mean when you look at the 2 companies east of the Mississippi, there's a lot of dots on the map. But I think it's important to recognize that many of those dots are in these large markets where there is no shortage of competition whatsoever. So certainly, there will be -- there is some overlap there just looking at a map. But there are a lot of -- we're in a lot of large markets there and a lot of large markets, and there's a lot of competition in those markets.

Operator

Our next question comes from Michael Hoffman with Stifel.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

So I actually want to talk about trash. So in solid waste, when you give us the price compare on collection and disposal, what's actually that base of revenue on a net basis in 2018 coming into 2019?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

The collection and disposal revenue in the first quarter of 2018 was a total of $3.07 billion. And that grew $200 million on a year-over-year basis to $3.27 billion in Q1 of 2019.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Perfect. And then could you give us what the Petro Waste annual revenues are, so we can figure out how to layer that into our model?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

So not necessarily Petro Waste specifically, I'll point you to total acquisition spend in the first quarter. And total acquisition spend in Q1, which to your point, Michael, is largely Petro Waste driven, on an annualized basis, that revenue is a little over $100 million. And when you think about what that revenue number is based on, it's the landfill line of business and, therefore, relatively high margin when you compare it to a traditional solid waste tuck-in that can usually be more collection business and, therefore, a little narrower on the margin side.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. And then, John, so on recycling, if I take the $11 million as the profit, you did $291 million, that's kind of 3.8% margins. What should a good margin be? And it kind of gets to a bigger question about cash flow. I'll circle back to that, but what should we think about that margin? Because when you get it, it should all be cash, right?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Well, yes. It's certainly, Michael, where we're at. I mean we're very happy with what our recycling team has done. And really, keep in mind that we're talking about recycling in a vacuum. It does penetrate other elements of the business. So not only our recycling team but our entire operating team has done a really nice job of taking what is a headwind and increasingly a headwind as evidenced by the recent price decline and turn that into a positive. But you're right. I mean going from breakeven to $11 million, while we consider that a victory, it's clearly not where we're satisfied.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

And a good margin on the -- based on the capital that's deployed mid-teens? I mean if I thought -- just like what part of this is understanding that this $1.2 billion business. If I pick up 10 percentage points incrementally, that's another $100 million of cash.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Yes. Mid-teens would certainly be better than where we are now, Michael. I'd like mid- to high-teens. I think the other thing that we obviously take into consideration is what kind of returns on those assets as they also require capital.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. That helps a lot. Go ahead, sorry. Devina, you were saying something.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

I was just going to say at normalized commodity prices, we were accustomed to being able to say that the recycling line of business was our second-highest return on invested capital business. And so everything we are working on today is about returning this business to that model because it can be a very successful business and sustainable over the long term from an economic perspective. It's about making sure that we're achieving that in spite of this volatility in commodity prices that we're seeing.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Michael, I would follow that. Just Jim made a comment before. I mean we're not -- are trying to change this recycling model, and that we're certainly not relying on benefit from commodity prices. A lot of things that have gone the wrong way there. I think what we're doing to try and lower our operating costs through some of the investments we're making in technology, trying to reduce the labor component, which by the way is a very hard positions to staff anyway. I think that's really where our focus is in balancing the capital deployed to do that versus the returns we're going to get back.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Michael, Jim here. I mean you know this, but when the single biggest customer for recycling -- for recycled commodity materials comes out basically -- I mean China was -- 2 years ago was 27% of all of our recyclables were going to China. They're now 3% in a period of 18 months. When that customer comes out, you're going to have a real oversupply condition. And we've tried to move that around. So a lot of it has gone to the United States actually. We were -- 63% of all of our commodities stayed domestic 2 years ago. It's now 77%. Some of it's been replaced in Southeast Asia, which has gone from like 1% to 7%. So we've done a good job of finding other homes. But there is going to be this big supply and then demand imbalance, too.

I mean part of the issue is demand related, and that means that the companies will have to use a higher percentage of recycled material in their products. And today, that has not been the case. So there is -- and then finding other uses for low-value recyclables is also more on the demand side. We think over time, this does -- we're optimistic that over time, this really balances out. But as I said earlier, we're not willing to just sit back and let it balance itself out and see this as a kind of a low-margin, low-return business over a period of years. So that's why we're investing in things like this recycle plant of the future that takes a considerable amount of cost out, operates it at as much as 30% or 40% lower unit cost than our current single streams.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. That's great. And to that speed question, does this incremental pressure allow you to accelerate the pace of the Phase 3? Or are we just stuck in contract cycles?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Michael, I wish I could answer. If we could have accelerate it, we would've done it already. I think as you know, a lot of the life on these contracts is generally 3 to 5 years. So we're being as aggressive as we can to work through and as quickly as we can. But I don't know that the additional headwind -- it might help the conversation with some of our customers, but I wouldn't say aside from that, that it's going to accelerate just based on the further commodity price decline.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. So now I have to switch gears to ADSW for just a second. If I can read all the legalese and I'm in the document, you've got this -- you've talked about breakup fees in 2 places. You talked about the $200 million of asset sale potential. Just to be clear, do I understand the writing correctly that even if you decided to walk away because it was more than $200 million, you'd still have to pay $150 million breakup fee?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

That's right.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. I just -- the lawyers ought to get paid extra for how confusing they wrote all that.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

No comment.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

And then I think an important comment would be one way to think of this is all right, so you're around $15 billion, they are about $1.6 billion. Let's say it's $200 million, so it's $1.4 billion. So that's kind of a 9% growth rate. But more importantly, you're telling you add 3 million customers. If I remember correctly, you have 22 million. So that's a 14% increase in the customer growth all in one fell swoop.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Well, that's why I talked about the fact that this isn't really -- you could try and go do this organically. It just would take you forever to do it. So it gives us the ability to pick up a company that is very similar to us culturally at what I mentioned earlier a multiple that's very attractive, particularly when we factor in the synergies. And it gives us the ability to bring those efficient processes and new technology, data and analytics, differentiated customer focus, all that stuff to these 3 million customers very quickly.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

But I'm right, it's about a 14% -- you're about 22 million, right?

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Yes. 20 million, probably 20 million.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. All right. Well, so now it's 15%. So that's a huge customer growth fast, which is really the essence of this.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

That actually goes back to Jim's comment earlier on the difference in the mix of business because customer count is higher in the collection line of business than on the landfill side of the business. And so -- but your point is exactly right, and that's one of the reasons that this deal is so exciting for us because it's about extending our customer focus and our use of technology to a broader customer base.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Well -- and because of the collection layer of them higher, the density play of -- I mean it's just now hundreds of little tuck-ins in a sense at the local level for you. And it's the classic rationalization in customer. That's what we get to look for, eventually.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

We're certainly optimistic about all of the opportunities that we have in front of us with the transaction. And I think we discussed it well, and those synergies that we talked about include how we're thinking about the operating efficiency opportunities that are in front of us.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes. I mean to the extent that it doesn't affect every single market, then yes, it is somewhat similar, I mean much bigger, but somewhat similar to tuck-in. I mean really, John, I think there's 9 markets that it even touches that of 17. And...

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

It's got a piece of footprint in 9 markets, but it doesn't mean there's overall in all [platform].

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

I think the main point I made earlier, which is that there are a lot of dots on the map east of the Mississippi between the 2 companies. But the preponderance of them are in these heavily competitive markets, so there's no shortage of competition where these 2 companies operate.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Yes. I'm -- you'll pay the $500-an-hour lawyers to figure out how to talk to the Justice Department into what the size of the market is, and that will all work itself out. At the end of the day, it's a 14%, 15% increase in the customer growth all in one fell swoop. That's huge.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

I think they're more than $500.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

Yes.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Okay. Last question from me is whatever the leverage is increased or debt is going to be for this, basically, I can look at the interest expense approximately being offset by the $100 million in savings, so that kind of washes itself out. I start with your $2.05 billion midpoint of '19 cash flow, add $140 million is what Advanced is, pick up $100 million on recycling potentially, not all at once, but I get it eventually. So we're really talking about a company that should be sitting here looking at about a $2.3 billion free cash flow number and then some sustainable organic growth.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

It's too early for us to give any baseline free cash flow number, but we appreciate the effort that you've taken to help us bridge from where we are today.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

That will help us in the planning process.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

But I would tell you that our cost of capital, I think, is better than what you just outlined. We're optimistic that we're going to pull in a nice return on the ADS business immediately. And now our cost of capital is actually one of the things that makes this deal so attractive.

Michael Edward Hoffman - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research*

Yes, but you are going to add more debt, so it's just going to end up increasing your interest expense about the amount of $100 million.

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

It's certainly going to add more debt, but that incremental debt cost is nothing compared to the incremental cash flow and synergy value that we're looking at bringing on.

Operator

Our next question comes from Scott Levine with Bloomberg Intelligence.

Scott Justin Levine - *Bloomberg Intelligence - Analyst*

So I actually wanted to ask about Petro Waste a little bit. I was hoping you might be able to elaborate a little bit and remind us about the size of your energy waste footprint right now and what attracted you to that opportunity at this point in time. And maybe elaborate a little bit more on your strategy and any plans to grow that business maybe outside of Texas, which I think is the primary focus for the acquisition you just made there.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Yes. So at its peak, and I'm talking kind of 2014, 2015, at Energy Services business, which was largely just growing organically, was in the $200 million to $250 million in revenue range. And of course, that trailed off considerably with the drop in oil prices. It has returned, maybe not to that peak just -- and, of course, oil prices haven't gone back to where they were there either. But the business has grown nicely over the last 2 years. So 2017 to 2018 and then again 2018 and so far in 2019. The Petro Waste acquisition really for us is very strategic, particularly as it relates to geography. I mean if you're going to be in this -- if you're going to make a commitment to be in this energy services space, you have to be in the big eye, which is the Permian Basin. And we had a very small presence in the Permian Basin. This gives us a much more important presence in Permian.

It's largely landfills as we talked about I think last quarter. It's largely a landfill acquisition, so we look at it as being core to us. It's core to what we do every day. And so we're very good at it, and so we're feeling confident that this business will immediately be accretive for us. But when we bought it, we recognized that because it's an area that we really didn't have landfills at all, that it would have to survive based on -- or it have to be purchased based on the fact that it was a reasonable multiple, not one that is supplemented by synergies. There really weren't any synergies with it. So it's a -- we're very confident that we got it at a good price, that it's right down the middle of the fairway for us in terms of landfilling, and it's in the best location if you're going to be in this space in the United States.

John J. Morris - *Waste Management, Inc. - Executive VP & COO*

I think Jim, I would add too. I mean we've been in the energy space for a handful of number of years now. And I think even outside, we've got the resources within the organization already to really go after and address a lot of the customer needs out there that we service a lot of those same customers in other geographies

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Scott Justin Levine - *Bloomberg Intelligence - Analyst*

Got it. And just to make sure I understand correctly. I think you said for the balance of this year, the focus on acquisitions was strictly tuck-ins in solid waste outside of the Advanced Disposal regions. Did I hear that correctly? Or would that -- would you still be interested in other opportunities, call it, outside of solid waste whether it be energy waste or otherwise as you await approval and completion of the ADSW merger?

Devina A. Rankin - *Waste Management, Inc. - Senior VP & CFO*

So I actually think you've summarized it well from the perspective of tuck-in acquisitions outside of the market that ADS covers. But we are certainly continuing to be interested in deals similar to the Petro Waste acquisition that we did in the energy and environmental services space. We view that as core business for us. So we're not limiting our pursuit of acquisitions to just traditional solid waste. We're looking holistically on the traditional solid waste side, though, we are specifically looking at markets outside of the ADS market.

Operator

And I'm not showing any further questions at this time. I would now like to turn the call back over to management for any closing remarks.

James C. Fish - *Waste Management, Inc. - President, CEO & Director*

Great. Thank you very much. In closing, I just want to say that we're really pleased with the efforts of this entire Waste Management team. For quarter-after-quarter, they do a fantastic job of focusing heavily on the customers, standing behind our commitment to our digital technology now and executing on the overall strategy of continuous improvement and differentiation. This is truly a team effort, and I think it really shows. And with that, I think we're very excited to add the Advanced folks to our team in the near future. Thank you all for joining us today, and we'll talk soon.

Operator

Ladies and gentlemen, again, this conference will be available for replay today, April 25, 2019, at 1:00 p.m. Eastern Standard Time through May 9, 2019, 11:59 p.m. Eastern Standard Time. You may access the replay system at any time by dialing (855) 859-2056 and entering the access code 4295916. International participants dial (404) 537-3406. Thank you for participating in today's conference. This concludes today's program, and you may all disconnect. Everyone, have a wonderful day.
