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# Waste Management, Inc. (WM)

Q2 2025 Earnings Call

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### Rafael Carrasco

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

### Tara J. Hemmer

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## OTHER PARTICIPANTS

### Bryan Burgmeier

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### Toni Kaplan

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### Sabahat Khan

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## MANAGEMENT DISCUSSION SECTION

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

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

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### Ed Egl

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

Thank you, Olivia. Good morning, everyone, and thank you for joining us for our second quarter 2025 earnings conference call. With me this morning are Jim Fish, Chief Executive Officer; John Morris, President and Chief Operating Officer; and Devina Rankin, Executive Vice President and Chief Financial Officer. You will hear prepared comments from each of them today. Jim will cover high-level financials and provide a strategic update. John will cover an operating overview, and Devina will come the details of the financials.

Before we get started, please note that we have filed a Form 8-K that includes the earnings press release and is available on our website at [www.wm.com](http://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. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties are discussed in today's press release and in our filings with the SEC, including our most recent Form 10-K and Form 10-Qs.

John will discuss our results in the areas of yield and volume, which unless stated otherwise, are more specifically references to internal revenue growth or IRG from yield or volume. During the call, Jim, John and Devina will discuss operating EBITDA, which is income from operations before depreciation and amortization. References to the WM legacy business are total WM results, excluding the WM Healthcare Solutions segment.

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

This call is being recorded and will be available 24 hours a day beginning approximately 1:00 pm Eastern Time today. To hear a replay of the call, access the WM website at [www.investors.wm.com](http://www.investors.wm.com). Time-sensitive information provided during today's call, which is occurring on April 29, 2025, may no longer be accurate at the time of a replay. Any redistribution, retransmission or rebroadcast of this call in any form without the expressed written consent of WM is prohibited.

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

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**James C. Fish, Jr.**

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

Thanks, Ed, and thank you all for joining us. Coming out of last month's Investor Day, we're energized by WM's strategy, which combines our unreplicable core business with new platforms for growth, generating consistent long-term value for years to come. It's our sustained strong results across all market cycles that we believe makes us a forever stock, the type of stock you buy and hold indefinitely.

We continue to deliver strong results quarter in and quarter out, year in and year out, driven by a disciplined strategy aligned with secular trends, a proven ability to further execute and implementation of technology to both significantly lower our cost structure and differentiate us from our competition.

There's no better evidence of our power of our growth engine than our 19% operating EBITDA growth in the second quarter. Yet again, our collection and disposal business drove the growth, contributing more than half of the year-over-year increase in operating EBITDA.

Within our collection and disposal business, our focus remains on growing customer lifetime value, utilizing technology to optimize our cost structure and leveraging our unreplicable asset network. Landfill volumes were particularly strong in the quarter, demonstrating the value of our advantaged disposal network. This is best reflected in our MSW volume growth as we continue to capture solid waste volume in key markets across our network.

We also saw growth in special waste volumes, which is largely related to wildfire cleanup in California, as we're uniquely positioned to be a dependable community partner during times of recovery and rebuilding. Additionally, we continue to identify opportunities to scale the core business through acquisitions. In the quarter, we completed the acquisition of a regional solid waste player in the Washington, D.C. area, adding complementary operations in a key geography and adding a great team to our existing WM operations.

We have a very robust pipeline of tuck-in opportunities to continue to expect acquisition spending to total more than \$500 million for the year. The strength of our sustainability platform continues to distinguish the WM brand in the industry in ways that are difficult for others to replicate.

For decades, we've been investing in recycling and renewable energy growth, and we accelerated that investment four years ago, aligning ourselves with key secular drivers of circularity and energy demand. The results we're generating clearly support our investment thesis as both our recycling and renewable energy segments delivered margin enhanced growth in the quarter.

Even as recycled commodity prices declined by nearly 15% compared to last year, our recycling segment's operating EBITDA grew by 17%. We believe in these high-return investments, and we continue to execute on the remaining projects in our portfolio, having commenced operations on three new projects during the quarter, a renewable natural gas facility in Illinois, a recycling automation project in Pennsylvania, and a new market recycling facility in Oregon.

Additionally, we're making significant progress in integrating WM Healthcare Solutions into WM. We've positioned ourselves to capitalize on the ongoing growth trends in healthcare and are utilizing our advanced reporting and analytics platform, along with our extensive asset network to deliver enhanced value for our customers. We've known this is going to be a needle mover for us, and you're starting to see it in our results. We're successfully

identifying and capturing synergies and on track to achieve the upper end of targeted synergies of \$80 million to \$100 million in 2025. There's no doubt that our results to date support the strategic rationale of this acquisition, and we see significant opportunities ahead.

In closing, WM is exceptionally well positioned for future success. We've deployed a long-term strategy that's delivering, and we're executing with discipline to extend our advantages. We're also investing in growth platforms that provide incremental growth, complement our scale and widen our moat. That's what makes WM a forever stock, and that's what you see in our second quarter results.

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

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## John J. Morris

*President & Chief Operating Officer, Waste Management, Inc.*

Thanks, Jim, and good morning, everyone. The second quarter 2025 marked another period of strong consistent performance for our business, continuing a multiyear trend of steady execution and standout results. The performance we're delivering is the direct result of long-term investments we've made in technology, in infrastructure, and most importantly, in our people.

As we discussed at Investor Day last month, we are using the WM Way, which is our framework to drive operational excellence to build a more modern, more connected WM, and the results we've delivered in Q2 continue to reflect that strategy.

We saw solid margin expansion and revenue growth across nearly all lines of business, with particular strength in landfill, commercial collection, and transfer operations. Our second quarter collection and disposal operating EBITDA improved 60 basis points to 37.9%.

These results were driven by our strong landfill volumes, the team's focus on customer lifetime value, and the investments we've made in new trucks that help reduce downtime and maintenance costs.

We continue to see strong pricing discipline across the board. Core price remained healthy in the second quarter at 6.4% with collection and disposal yield improving sequentially to 4.1%.

Regarding volume, second quarter collection and disposal volume increased by 1.6%, influenced by two notable events. Landfill volume benefited from peak contribution of wildfire cleanup, while the loss of a relatively large franchise contract had a negative effect on residential and commercial volumes. But overall, our full year volume expectations remain between 0.25% and 0.75%.

Turning to operating expenses. One of the clearest indicators of the progress we're making is our ability to consistently reduce operating costs as a percentage of revenue.

As we shared at Investor Day, structurally lowering our cost base isn't about temporary cuts, it's about using technology and process discipline to build a more efficient, scalable model for the long-term, and our team delivered that in Q2.

The second quarter marks a record period in which we achieved operating expenses below 60% of revenue. This reflects the significant progress we've made in connecting the full value chain of WM from routing and fleet management to customer communication and maintenance.

Our connected fleet continues to serve as a key differentiator. We achieved a 70-basis point improvement in repair and maintenance cost, as a percentage of revenue in the second quarter as real-time telematics are helping us anticipate and resolve vehicle issues faster, reduce downtime, and streamline maintenance scheduling. This allows us to provide great service to our customers by helping to make sure each route is run as safely, efficiently, and predictably as possible.

Looking ahead, we believe we're still in the early innings of what this integrated technology can do for our operations, and we're excited about what's to come. As always, none of this happens without our people.

Turnover improved 370 basis points this quarter to 18.8% for drivers and technicians combined, and it's no coincidence that we're seeing parallel improvements in safety, service, and operational consistency.

We focused on modernizing the work environment, whether it's upgrading maintenance shops to be digitally enabled, refining coaching programs for our drivers, or building pathways for new talent to grow in their careers with us and it's making a difference. We're attracting the next generation of skilled workers by showing them that WM is a place where innovation and impact meet.

To wrap up, our Q2 results reinforce the effectiveness of our long-term strategy. WM is not just operating from a position of strength. We're actively expanding our lead through focused execution and long-term thinking.

I want to thank our team members for their dedication, their innovation, and their commitment to doing the job right every day. Their efforts are creating lasting value for customers, communities, and shareholders.

And with that, I'll turn the call over to Devina to walk through our financial results in more detail.

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## Devina A. Rankin

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

Thanks John and good morning. In the second quarter, we drove profitable growth in each segment of our business and delivered total company operating EBITDA margin of almost 30%, quickly approaching historical best levels despite the known headwinds from the acquisition of the Healthcare Solutions business. This result was achieved because our legacy business continued to deliver margin expansion and because we are quickly improving the cost structure of Healthcare Solutions.

WM's legacy business delivered 130 basis points of margin expansion in the quarter, resulting in operating EBITDA margin of 31.3%. The improvement was driven by strong landfill volumes, the growth of our sustainability business and our continued focus on improving the cost – price to cost spread in the collection and disposal business. These positives were slightly offset by the expiration of alternative fuel tax credits, which had a negative 30-basis point impact for the quarter. The key takeaway from the margin bridge is that strong contributions from our core solid waste business and the results of our sustainability growth investments provided meaningful margin uplift.

Turning to WM Healthcare Solutions. Our focus on optimizing this business, including through synergy capture has led to a 190-basis point improvement in operating EBITDA margin since the acquisition. This progress has been particularly swift in reducing SG&A costs as we work to optimize the sales and back office functions of the combined organization. We're pleased with our progress. And as Jim noted, we're on track to achieve the high end of our full year synergy expectations of between \$80 million and \$100 million in 2025.

Moving to our cash flow results. Operating cash flow was \$2.75 billion in the first half of 2025, an increase of 9% compared to the same period in 2024. The increase was driven by our strong earnings growth partially offset by higher cash interest, primarily due to the additional debt issued last year to fund the acquisition of Stericycle. Through the first six months of the year, capital expenditures totaled \$1.56 billion. Capital spending to support the business and our sustainability growth investments are both tracking in line with our expectations. Our capital expenditures are typically more heavily weighted toward the back half of the year.

But in 2025, we successfully pulled forward some of our truck delivery, which has provided benefits to the business and our operating expense margin. Putting this together, free cash flow in the first half of the year was \$1.29 billion, and we're on track to achieve our upwardly revised free cash flow guidance for the year.

Through the first two quarters of 2025, we returned \$669 million to shareholders in dividends and allocated \$378 million to solid waste acquisitions. Our leverage ratio at the end of the quarter was 3.5 times. We remain focused on quickly getting back to targeted leverage levels through a combination of earnings growth and debt reduction, and we currently project we will achieve our target in the first half of 2026.

With half of 2025 complete and confidence in our continued ability to deliver on strategic priorities, we're confirming and updating our 2025 guidance. We've always said that operating EBITDA and free cash flow are the two best measures of performance, and we're positioned to deliver results that need, meet, or exceed our initial guidance for each of these measures in 2025.

We're affirming the midpoint of operating EBITDA guidance of \$7.55 billion and increasing our expectations for 2025 free cash flow to between \$2.8 billion and \$2.9 billion.

Revenue for the year will be about 1% below our initial expectations due to a couple of factors outside of our control, recycled commodity prices and the harsh winter weather of the first quarter. Our team's focus on optimizing what we control, delivering on our top strategic priorities and reducing our cost to serve, position us to overcome this small revenue headwind and deliver more than 15% EBITDA growth in the year.

Our strong collection and disposal operating expense margin, SG&A synergy capture in the Healthcare Solutions business at the high end of our initial outlook and lower recycled commodity prices are expected us to position – are expected to position us to generate even stronger operating EBITDA margins in 2025 than we initially expected. And so we are also increasing our full year expectations for operating EBITDA margin by 40 basis points at the midpoint. We're pleased with our performance in the first half of the year, which positions us to achieve another year of strong earnings, margin and cash flow growth.

In closing, I want to extend my appreciation to the entire WM team. The strength of our results is a direct reflection of their commitment to our customers and our communities, and it's their continued focus that positions us for success throughout the rest of the year.

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] And our first question coming from the line of Bryan Burgmeier with Citi. Your line is now open.

**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Good morning. Thank you for taking the questions. One for you Devina, just kind of thinking about the cadence in the back half of the year. Last year, we talked about WM maybe striving for like a 31% peak margin in 3Q. Is that sort of back on the table for this year? Or should we think about margins being maybe closer to flattish year-on-year, similar to 2Q? I know the Stericycle synergies are going to continue to ramp. So just trying to think about that cadence in 3Q and 4Q.

**Devina A. Rankin**

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

A

Yeah, it's a great question. What I would say is that when you normalize for the alternative fuel tax credit, margin expansion was a 120 basis points in the first half in the legacy business. And that exceeds what we were expecting. We've always talked about 50 basis points to 100 basis points of margin expansion in collection and disposal being the target and to have exceeded that in the first half of the year really makes us bullish about margins for the back half of the year in their collection and disposal business. We're projecting that, that will be about 110 basis points for the full year, and some of that has to do with the landfill volume impact in 2Q that doesn't repeat in the second half.

In terms of the specific margins, it's really important to focus in on the fact that the Healthcare Solutions business had a 140 basis points headwind to consolidated margins in the quarter. We think that, that normalizes and starts to reduce as we ramp the synergy contributions to the business as well as just the base business performance, which we are still optimistic about. So all-in-all, I would say we're going to have less of – less pressure from the Healthcare Solutions business in the second half of the year than in the first half of the year by probably 10 basis points to 20 basis points. And then the collection and disposal business will be about 10 basis points less in the back half of the year than it was in the first half of the year.

**Bryan Burgmeier**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Got it. Appreciate that detail. And then maybe just a follow-up on your volume expectations for the year, are we still kind of maybe looking in the range of 50 basis points of growth year-on-year?

I know 1Q was kind of weak, but then 2Q had kind of a benefit from the wildfire cleanup, but you also shed a contract, and underlying construction activity probably isn't great. So just curious what your updated expectations are there. Thank you. I'll turn it over.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yeah, Bryan, I think you're right. I mentioned that in my prepared remarks, there was a little bit of a headwind in Q1 and then, obviously, the – some of the landfill volumes in Q2 and then the one franchise agreement I

mentioned in my prepared remarks. So, netting that all out, we said between 0.25 and 0.75, so your number of 0.5 is right in the middle of where we expect to be.

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

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks so much. I wanted to ask about volume as well, really strong performance in the quarter. I know you called out wildfires, but outside of that, maybe could you just give some incremental color on the strength in volume that you're seeing? And I know you mentioned the – on the flip side, the large resi loss maybe sounded perhaps like a planned strategic exit. Just any more color on that loss as well?

**James C. Fish, Jr.**

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

A

Yeah. I'll let John touch on the resi piece. But I will tell you that volume was encouraging for us. And when you look at June, being the last month of the quarter, June was the strongest month of the quarter from a volume standpoint – really, kind of across the board, June was the strongest month for the quarter.

Volume for the quarter was particularly strong in the MSW waste stream and C&D. And so when we talk about fire volume, that really was limited to our special waste stream, not MSW or C&D. And so when we look at MSW and C&D being strong, that's encouraging.

And then when you look at the collection lines of business, we did have a bit of an impact in commercial from that contract that John will talk about. But our roll-off industrial line of business has been weak on the volume front for quite some time, for probably a couple of years now, and it's improved pretty significantly.

It still was negative for the quarter, but quite a bit less negative for the quarter than previous quarters. So we're encouraged by that. All of that would start to tell us that 2025 – I mean, first of all, we don't see a downturn in 2025.

We see that the economy seems to be reasonable at this point. I wouldn't say it's a space shuttle, but it seems to be pretty reasonable. And those waste streams that are predictive of that are performing pretty well.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

I think, Toni, specific on the franchise loss in Florida, which was fairly significant. To put it in context, it's about 185 basis points of the volume loss in residential and about 35 basis points, so you net those two out and then you think about our commentary about us still being confident in our volume projection for the full year.

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

And was that planned? Or, I guess, what was the situation there?

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

What I would tell you is this particular franchise was not performing at a level we thought acceptable. So we positioned ourselves, if we were going to retain it to do it at the right margins and returns, and that did not work out. So, it's – I would – it's sort of addition by subtraction, if you will.

**Toni Kaplan***Analyst, Morgan Stanley & Co. LLC*

Q

Yep, understood. Just lastly, just hoping to get a little more color on the delta between core price and yield, it seem like it widened again, anything to call out on the yield side and how we should think about that going forward? Thanks.

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

A

Well, when you look at core price, I mean, core price is right on track for us pretty much across the board, whether you look at collection or landfill. Core price was right on track. Yield was a little bit under the middle of that range, and we expect it to finish under the middle of the range. The range, I think we gave is 4% to 4.2%, and we'll probably end up in that 4% range. But what that does tell you is that this is really a mix issue between core price and yield. And John's gone through a few of those kind of mixed components. So we're pleased with how price performs, particularly as you look at the core price.

**Toni Kaplan***Analyst, Morgan Stanley & Co. LLC*

Q

Thank you.

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

**Sabahat Khan***Analyst, RBC Capital Markets*

Q

Great. Thanks and good morning. Maybe if I could just follow up on the conversation about the residential, kind of the volume that was lost there. I think you've been on this journey to optimize our resi business for a few years now, whether it's through optimization, trucks, getting the business at the right margin. Can you just maybe update us on where you are on the resi improvement journey and maybe how much might be left there? Thanks.

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

A

Yes, sure. Good question. So I think Jim commented a few quarters ago, we look at this business in a few different buckets, sort of what's performing at an acceptable level and then all the tranches done. And we've made really good progress. About 70% of that business now is up at a margin that we see that's certainly one that we're pleased with. So we've got a little bit of work to do, but the ratio of revenue that's really below that threshold now has improved a good bit.

What I would tell you is we've talked about moderation in the residential losses, and I took a look at it in advance of the call. And you look at about 3.7% this quarter. We think by the end of the year in 2025, that number will be somewhere south of three, it's somewhere around the 2.7% range. So we are starting to hit the peak of that, and we're going to see some moderation in the back half of the year, which aligns with my earlier commentary about the margin and return improvement we're seeing in that line of business.

**Sabahat Khan**

*Analyst, RBC Capital Markets*

Q

Great. And then just maybe one on the EBITDA margin side with the revenue guide update and the EBITDA margin maintained, can you just give us some of the puts and takes to get the EBITDA margin still back into that midpoint of the initial range? I'm assuming mix might have helped a little bit, and maybe if you could just get all the puts and takes on the EBITDA margin. Thank you.

**Devina A. Rankin**

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

A

Sure. And just to clarify there, we actually had an update to reduce revenue and increase margin by 40 basis points at the midpoint, and that increase of 40 basis points is about 30 basis points from collection and disposal and 10 basis points from recycling. That 10 basis points from recycling really is the commodity price impacts that we've talked about because of lower recycling commodity prices helped the margin, particularly on the brokerage side.

In terms of thinking about collection and disposal, as you mentioned, mix is a big contributor there with the landfill volume contribution exceeding our expectations slightly. But our sustainability businesses are also performing well, and that's helped. And then price/cost spread contributed about 25 basis points in the second quarter, which is a little above our initial expectations.

**Sabahat Khan**

*Analyst, RBC Capital Markets*

Q

Great. If I could just maybe squeeze in a quick one. Obviously, the industrial kind of the backdrop hasn't been good. And I think you mentioned earlier, it's been a drag for a few years. Maybe you can just look a little bit closely. Q2 is obviously a bit of a step down there just from a macro perspective. What are you seeing into Q3 and maybe your expectations for the back half of the year understanding you're reiterating the guide? But just curious to what's [ph] doing (00:27:45) on the ground level. Thanks.

**James C. Fish, Jr.**

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

A

So talking about roll-off here, the industrial line of business. Yeah, I mentioned June was the strongest volume month of the quarter roll-off was still negative for the month of June, but 310 basis points improved versus the second quarter and 300 basis points improved year-to-date. So we are seeing a rebound in roll-off, kind of similar to what you just heard from John about resi, I think you do get to a point where your year-over-year comparisons become easier. And I think we're starting to see that, but at the same time, I think you actually are seeing a little bit of strength in the economy that we haven't had. We've talked about kind of an industrial recession over the last probably five or six quarters.

And I think that's largely kind of dissipated and we're seeing it in roll-off and in C&D, by the way, our C&D was a positive 9.4%. And as I mentioned, that has nothing to do with any of that fire volume. It was just 9.4% and that's been building incrementally 4.9% last quarter, 2.6% the quarter before. So we've seen C&D start to build incrementally and that's a positive for us and positive for the economy.

**Sabahat Khan**

*Analyst, RBC Capital Markets*

Q

Thanks very much.

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

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you for taking the question. So WM HS confident in the upper end of the \$80 million to \$100 million synergies captured for the year, maybe talk a little bit about what you got in the first half of the year, the exit rate as we look at 4Q in terms of the run rate on synergies there. And then kind of how you square that up with the \$250 million targeted over a longer period of time?

**Rafael Carrasco**

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

A

Yeah, Noah, this is Rafa. I'll take a crack at that. So you correctly addressed it right. We're still targeting that upper range of \$100 million. That seems to be coming in kind of pro rata evenly, maybe a little bit weighed heavily to the SG&A portion in the first half of the year. That'll continue to be the bigger contributor.

If you remember, when we first kind of laid out our expectations for synergies, we were going to have equal parts contributions from SG&A, from OpEx, and from internalization. Internalization is just going to start hitting in the back half of the year. SG&A has been hitting throughout the first half of the year and then OpEx could sort of scattered throughout.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks, Rafa. Just a follow-up. So you said this kind of coming in pro rata meaning sort of we're getting kind of growth in the run rate synergies each quarter of the year, right? And so the implication is that you're entering 2026 with a higher level of run rate synergies versus a \$100 million.

**Rafael Carrasco**

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

A

That is correct.

[indiscernible] (00:30:49)

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*

Q

Should we just plus that up by 50%?

**Devina A. Rankin**

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

A

That's a good estimate, Noah. We'll spend some more time giving you specific exit rate when we get to Q3 earnings. But what I would tell you is, as Rafa mentioned, in terms of the internalization benefits really becoming more of a second half of 2025 impact. That's one of the things that will really amplify synergy capture going into 2026 from day one.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*



Great. I want to ask a question on the sustainability side. It's great to see the – really the strong increase in margins in the renewable energy line of business. Maybe you can talk a little bit about expectations for margins there, moving throughout the year. And in particular, kind of where you sit with contracting for perhaps even next year on the RNG off-take?

**Tara J. Hemmer**

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



Noah, it's Tara Hemmer. We are really pleased with the performance of our sustainability related businesses, and you can see that ramp very clearly in our Q2 results. So I want to unpack your RNG question first. For 2025, we have 90% of our off-take locked up and our team has done a fantastic job of selling forward. You can see our RIN price for this quarter was about [ph] 2.55 (00:32:23), which is above market, and that's a direct result of us selling forward some of our RINs. So our team really does know how to contract in the marketplace. We expect margins to be similar throughout the balance of 2025 in the renewable energy business, primarily because we have 90% of our off-take locked up for this year.

And then as we look forward to 2026, we still are at about 30%, which is what we had outlined in Investor Day at roughly \$26 for that contracted off-take. But you have to remember, we have most of our RINs yet to sell, and we're able to tap into our fleet that we have, which is an incredible advantage for WM compared to anybody else in the marketplace.

On the recycling side, despite the fact that commodity prices were down substantially year-over-year, you saw us drive EBITDA growth of 17% and a lot of that has to do with our automation investments coming online. We're seeing volume growth related to those automation investments, and that clearly is us differentiating in the marketplace, where we're able to add more customers in those key geographies.

**Noah Kaye**

*Analyst, Oppenheimer & Co., Inc.*



Good. Thanks, Tara. I'll pass it on.

**Operator:** Thank you. Our next question coming from the line of Jim Schumm with TD Cowen. Your line is now open.

**James Schumm**

*Analyst, TD Cowen*



Hey. Thanks, and good morning. I was wondering if you would be willing to provide the revenue split between medical waste and secure information destruction. And how should we think about the longer-term EBITDA growth for WM Healthcare?

**Rafael Carrasco**

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



Yeah. Jim, this is Rafa. So that revenue split continues to hover right around two-thirds on the Healthcare Solutions side and a third on the information destruction side. In terms of kind of revenue growth, we continue to look at that 5% to 6% as sort of the long-term aspirational growth on top line for both businesses. We think that

right now though, we're focused on the customer relationships. We're improving the quality of the revenue as we agree – as we renew agreements and we're ensuring that we prioritize the customer lifetime value right now.

As I mentioned during the Investor Day, it's going to take a little bit of time to acclimate the customers to a more rigorous cadence of pricing, and they've not been seen or have seen implemented even though their contracts actually permitted it. So I think the takeaway here is that we're very conscious about our customer relationships right now. The initial phase, we're really focused on kind of building out our reporting suite also to adopt sort of the new WM revenue KPIs that we can then use to plan and execute long term.

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**Devina A. Rankin**

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

A

And then in terms of the EBITDA growth over the years, I think it's really important to note that we're still in a period where we're focused on a combination of optimizing the business and running the business and then realizing the tremendous value of synergies between the two organizations. And so splitting those two becomes art versus science in some ways because they really do blend into one another.

So specifically giving you a growth rate of the business right now becomes murky. And so what I would say is give us some time in terms of owning this business and optimizing this business to specifically give you what we think that long-term growth rate of the business is beyond 2027. I think looking to the information that we provided at Investor Day, for 2025, 2026 and 2027 is a good benchmark for what we'll realize in the near term.

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**James C. Fish, Jr.**

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

A

Jim, I think it's also...

---

**James Schumm**

*Analyst, TD Cowen*

Q

Okay.

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**James C. Fish, Jr.**

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

A

...and I'll mention one thing here. When we bought this business, there were some real problems with the interconnectivity of the systems and not surprised anybody on this call, but whether it's Salesforce and SAP or whatever. But that resulted in some issues with customer onboarding with reporting and billing and routing for instance.

And so what we've done is put the right people on this and dedicated the amount of – the right amount of resources to – and we're making significant progress here on this front. And that's why we're comfortable with this top line growth that Rafa mentioned for the long-term, but we do have to get that ERP fixed, and we're – we feel like we're in a good place as we make progress on that with the right people.

And once we do that, then I think you'll start to see us focus more on that top line and then talk more about that top line on this call. Right now we're talking about more of the bottom line for Stericycle because of the synergy capture.

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**James Schumm**

*Analyst, TD Cowen*

Q

Right. Okay. Great. Thank you. And then just as a follow-up. With the top line growth of 5% to 6%, like how do I – how do we think about the price volume mix within that?

**Rafael Carrasco**

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

A

Yes. Jim, long term, as I said, I mean, the aspiration is to get a really balanced top line growth of 50% price, 50% volume. Is that what you were asking?

**James Schumm**

*Analyst, TD Cowen*

Q

Got it. Okay. Yes, yes, that's what I was asking. Okay. Great. Thank you very much.

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

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Hey, good morning. Can you all hear me?

**Devina A. Rankin**

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

A

We can. Good morning.

**James C. Fish, Jr.**

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

A

Yes, sir.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Yes. Hey, Jim, John, so you guys mentioned lifetime customer value a couple of times in the script. And I just want to understand what you're messaging there. So are you messaging that you're being a little more aggressive on price to hold churn? Are you saying that you're being a little more aggressive on price to improve lifetime economics? Am I just I just completely crazy and there's just really no change. I just want to be clear on the messaging.

**James C. Fish, Jr.**

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

A

Well, I can't speak to the crazy thing. But here's what I would tell you, Tyler, about lifetime value. I mean our focus is not related to price, specifically price is kind of the end result of that. I mean, our focus is on how do we differentiate ourselves versus our competition.

I mentioned it kind of in the first paragraph of my prepared remarks that that using technology, for example, to differentiate ourselves really helps set these customers up to be longer lifetime customers. And then price ends up being kind of a byproduct of that. I mean, you're able to – if you have a differentiated service offering, then you're able to charge more for it on the price line.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. Crazy seems like the right outcome. Okay. So – and then this one, again, for Jim or Rafa, and I kind of want to go back to Noah's question, and maybe I misread it, but didn't you raise the 2027 Stericycle synergies to \$300 million. And it sounds like some of that might be revenue cross-sell, which I surmise will be a gift kind of keeps giving. But it also seems that there's maybe more cost opportunity. Is that correct?

And then two, has there been any change in the CapEx profile of that business now that it's under your control? Are there proving to be some synergies there?

**Rafael Carrasco**

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

A

Yes, Tyler, maybe – this is Rafa. I'll take the first part and then maybe hand it to Devina for the second part of the question. So yeah, you're correct. The \$50 million on cross-sell side that's additive to \$250 million in cost synergies primarily, and that is across – through the three-year horizon that we have for the synergies. I did say during Investor Day that those \$50 million are heavily weighted towards year two and three of the horizon.

**Devina A. Rankin**

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

A

On the capital side, I do think, Tyler, it's a good thought in terms of there being optimization opportunities between the two businesses for us to optimize our capital.

But I think it's important to point out that pre-acquisition, the business funded its capital largely through the P&L, and that at least its fleet. And in WM, we've got the best cost of capital in the industry. And we are going to ensure that we acquire the fleet and that we have a really strong lifetime utilization approach to optimizing the fleet over the long-term.

But those are less complex assets, and therefore, less expensive, and they also have a different disposal cost to the business, which we all know – the landfill capital intensity that is collection and disposal.

So what I would say is that, long-term, we expect their capital probably to be in the 8.5% range versus our 10-ish plus range. And so that will be a return on invested capital benefit to the business that we anticipate over the long-term.

**Rafael Carrasco**

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

A

Yeah.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay.

**Rafael Carrasco**

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

A

And Tyler, maybe one last thing, because I think it speaks to the symbiosis between the capital deployment to the business and the synergies, is when we own that fleet, we're going to be able to maintain and repair the fleet much more efficiently and effectively. And we do anticipate synergies there on maintenance and repair.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. Okay. So 8.5% longer term, maybe it's actually hotter first and then cools off – we'll see about that. Okay. That's helpful. And then, my last one here, so Devina, I don't want to rehash the whole Analyst Day, but I do want to talk about the long-term free cash guidance, because I want to just kind of make sure that I have it.

So I know that that free cash guide did not include bonus depreciation. But did that guidance also assume that the statutory tax rate would go back up? I'm just really trying to understand how tax policy has changed that number, basically.

**Devina A. Rankin**

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

A

Yeah, it's a great question, Tyler. What I would tell you is that we were retaining the statutory rate in our guide, but we were not assuming the upside of bonus depreciation. And the ballpark of the upside of bonus depreciation in 2027 is \$200 million.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay.

**Devina A. Rankin**

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

A

So we have about a \$120 million in 2025 and that, ramps to \$200 million by 2027.

**Patrick Tyler Brown**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. So the delta is the \$200 million. Okay. All right, very good. Thank you.

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

**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Q

Good morning everyone. Thanks for taking my questions.

**James C. Fish, Jr.**

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

A

Good morning.

**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Q

I just wanted to go back to – I guess, the landfill volume strength, even outside of the wildfire cleanup. Specifically, I wanted to ask about, I guess, internalization, just because it was up, I think, another 120 basis points sequentially, just trying to dig in a bit more.

I don't know if you had temporary volume benefits that boosted that, but it doesn't sound like you've done much on the medical waste side yet. So I guess, what would you say about the drivers of that continuing to increase now – nicely above 70? And then how much can you continue to increase it moving forward?

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**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

I think it's a great observation, Trevor. I think, as Rafa mentioned, the internalization benefits are just starting to hit now. So you're not really seeing any meaningful amount in our landfill volumes.

I think Jim made the comment in his prepared remarks I mean, the MSW volume at 4.5% for the quarter and 4.1% year-to-date does not include any of the event work, right? And I think that's worth highlighting.

And the internalization rate of 71 and change, which historically we were talking about that before the call was like 65%, 66%. I think that really speaks to the value of the network that we've all been talking about for the last handful of years, quarter-in and quarter-out, because there is a level of complexity of movement this material that continues to increase.

And I think the investments I mentioned in infrastructure in my prepared remarks, part of that's related to exactly what you picked up on. So that's – I think its great momentum. I think we're going to continue to build on it. And as Jim used the word differentiated, we see our post-collection network, including our T stations and our recycling assets, et cetera, is all being something that's going to differentiate us over the long-term.

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**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Q

Thanks John. That's really helpful. And then maybe a follow-up for Rafa, trying to keep you busy here. Just one from a human capital perspective on the Healthcare Solutions business, how much voluntary workforce turnover have you seen in Healthcare Solutions since the acquisition? And is that kind of more or less in line with what you would have expected at this point?

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**Rafael Carrasco**

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

A

Well, if you're talking about sort of the hourly workforce, actually, we've seen an improvement in turnover since the acquisition. I think that has a lot to do with sort of the human-centered approach to leadership that we're driving down throughout the organization. Obviously, sort of in the managerial corporate support ranks and all that, that's somewhat impacted by the attainment of some of our SG&A targets, et cetera.

But overall, it's a good story. I think during Investor Day, I talked about the continued receptivity to – for the qualitative approach and the accountability we're driving in the business. A lot of them are really eager for that integration into the areas that I spoke about as well where we're going to then have a culture of ownership of the business much more at the site level.

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**Trevor Romeo**

*Analyst, William Blair & Co. LLC*

Q

Got it. All right. Thank you very much.

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

**Konark Gupta**

*Analyst, Scotiabank*

Q

Thanks and good morning. I just wanted to follow-up on the volume side of things. The residential contract loss you talked about, I mean, I'm just wondering if there is a domino effect you would expect from these things in that market considering, obviously, the customer could be price sensitive perhaps. So do you expect any more follow-ons with this?

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

No, actually, I mentioned earlier what I've looked at, we're going to lap a handful of contracts in July and then later of the year in October, which is one of the reasons why I think we feel confident about the volume loss to moderate by the end of the year Q4, the exit rate will be sub 3%.

And the other comment I mentioned is worth repeating is when you look at the quality of the business we have, we've got about 70% of that revenue addressed at an EBITDA margin that's acceptable today. So we've certainly shrunk the opportunity here while we're improving the overall business. And I think over the next handful of quarters, as I mentioned, you're going to see moderation in the volume losses.

**Konark Gupta**

*Analyst, Scotiabank*

Q

Okay. Thanks for that.

**James C. Fish, Jr.**

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

A

[indiscernible] (00:46:59) a domino effect necessarily.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

No.

**Konark Gupta**

*Analyst, Scotiabank*

Q

Yes.

**James C. Fish, Jr.**

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

A

I don't see that as – I think these are all...

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

They're one-by-one.

**James C. Fish, Jr.**

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

...standalone contracts that's – and this one, as John said earlier, this is one that we bid it at a certain price. It was not a positive for us. And so when it came out for RFP, we bid it at a certain price. And to the extent that it doesn't hit that price and we lose the contract, okay, as you said, John, it's kind of addition by subtraction.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

We really don't mention these individually, except for this one was fairly significant, and it really was what drove the difference between the historic revenue – excuse me, volume loss in residential and where we were. But again, we'll see that return to normal improve through the balance of the year.

**Konark Gupta**

*Analyst, Scotiabank*

Again, I appreciate the color on that. And then just to follow-up on the tariff cycle. The SG&A seems like it's tracked down further to about like 20% and change. How do you see the bridge to the full \$250 million synergy you expect over the next three years or two years, maybe now from 20% to the guidance you had?

**Rafael Carrasco**

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

Yes. So again, Rafa here, Konark. So you're right. We hit, I think 20.9% is the number that on an adjusted basis for the quarter. We're driving that number to continue lower rate and finish hopefully below 20% at the end of this year. The aspiration is to be at 17% at the end of the three-year horizon. And if you think about that, just to kind of give you some perspective, the average in 2023 and 2024 for the legacy business was approaching 25%. So what we're talking about here is a nearly 800 basis points reduction over that three-year horizon.

But we continue to think and be positive about the aspiration long-term beyond that three years to lower it closer to the legacy business, that 10% or lower. And that's because by then once we get past the ERP issues, we're going to be able to leverage some of the platforms and self-service capabilities that we've leveraged for the WM business as a whole. And so a lot more runway there.

**Konark Gupta**

*Analyst, Scotiabank*

Appreciate the time. Thank you.

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

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Thank you very much. I wanted to ask sort of a follow-up on your Investor Day themes. One of them was related to the landfill advantage because of the useful life. When do you think that starts to manifest and how do you see the initial years impacting the company in terms of pricing and other financial impacts?

**James C. Fish, Jr.**

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

Well, I think it's kind of manifesting itself already, which was part of my point earlier. And I think that only continues. The chart we showed does show that as you get into 2025 and beyond, that landfill capacity for the industry really does start to get constrained, we're in a better position both geographically and also length of life than the rest of the industry. So that's why we feel that, that is a separator for us. But I do think you're starting to see that already.

A

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

And is there a year in which you think that, that sort of impact becomes most acute or most visible externally?

Q

**James C. Fish, Jr.**

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

I think the – well, sorry, John, one – I forgot what the one year was on the slide that showed the biggest reduction in capacity, it might have been 2030 or 2032, something like that. So that may be – if I were to point to a year, and I'm not sure that it's easy to point to a year, but certainly, the biggest year on the chart was kind of early 2030s.

A

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

I think that we...

A

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Excellent.

Q

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

...what I would point to is I mentioned the internalization rate kind of ticking up the last couple of years. There's a handful of markets on the West Coast in Florida, in the Mid-Atlantic and Northeast where we're actually moving volumes differently than we did a couple of years ago, and it's because of the value of our network in our – in a lot of cases, our intermodal capabilities. And to Jim's point, while the peak might be 2033, we're investing in it now because it doesn't happen overnight. It's an incremental shift, and that's why I think you're seeing us benefit on the volume and on the price side.

A

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Understood. And then last question for me. On the WHS side, what's your current thinking about internalizing the fleet and other incremental things you can do for the business that aren't part of your synergy target presently?

Q

**Rafael Carrasco**

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

Well, Devina kind of referenced kind of the internalization of the fleet, right? I mean, there's really no benefit in accelerating the payment of those leases. We would have had to basically pay full price anyway. So what we've done is kind of create a similar fleet strategy to what we have at WM legacy business, which is to smooth out the capital kind of intensity of that year-over-year.

A

And then in the meantime, we're laying down the groundwork to be able to actually support the maintenance and repair at the local level of that fleet. That's going to start showing itself in the OpEx synergies sometimes towards the beginning of 2026.

**James C. Fish, Jr.**

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

A

Maybe the other place, Rafa, and I don't know how much we have built in on this front. But if you think about real estate, I mean, all of these trucks sit on property. And so as I look at Houston, for example, where we're opening a new hauling company, a large facility that's replacing an old one here in town. And so that's got – that has a fair amount of open space to it. It's possible. I don't know that we baked this in necessarily, but it's possible that you can relocate fleet from and save on real estate cost. That's not something I think we've spent a lot of time and effort on quantifying. But I do think there's – that's a second or third benefit that we could see.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yes, that's fair, Jim. And I think maybe just overarchingly, you can think about us beginning to put the WM Way across every facility that we do consolidate. And as we bring fleet forward, we're going to have that WM Way approach also in maintenance and repairs.

**Tobey Sommer**

*Analyst, Truist Securities, Inc.*

Q

Thank you.

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

**Stephanie Moore**

*Analyst, Jefferies LLC*

Q

Hi. Good morning. Thank you. Maybe just a follow-up to a question that was asked earlier. But as you think about the – maybe the puts and takes to normal seasonality in terms of the margin cadence in the second half of the year, I think there's a couple of things that we need to work through in terms of just ramping of synergies, the volume environment and the like. So to the best that you can, maybe Devina, just talk through how you kind of expect the second half cadence to look in light of normal seasonality and the events this year. Thanks.

**Devina A. Rankin**

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

A

Sure. So the way that I think you can think about it is usually we have a 70 basis points to 100 basis points benefit going from first half into second half. And I expect that to be slightly muted in the collection and disposal business because of landfill volumes that we've discussed, but then it should increase, as I mentioned earlier, on the WM Healthcare Solutions side, the drag associated with the acquisition of the business on the consolidated results should lessen.

In the first half of the year, it's been about a 145 basis points, and we think that, that could improve to, call it, 125 basis points, 135 basis points in the second half of the year. And then the recycling business, which I mentioned,

you should have a 10-basis point help in the second half of the year from lower commodity prices. So I think that will help you understand first half versus second half.

**James C. Fish, Jr.**

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

A

Well, and then, Devina, also the eight plants, the renewable energy plants, and those are definitely margin accretive and those – I mean we knew going in that these plants that we're building are pretty much back-end loaded. So we have – we still have eight plants, I think one of those might bleed into the first half, but it...

**Devina A. Rankin**

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

A

That's right.

**James C. Fish, Jr.**

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

A

...doesn't affect the EBITDA really. But eight plants that Tara is opening at the end of the year between third quarter and fourth quarter. And those will have more so in 2026...

**Devina A. Rankin**

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

A

Right.

**James C. Fish, Jr.**

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

A

...but have a margin accretive impact.

**Stephanie Moore**

*Analyst, Jefferies LLC*

Q

Got it. No, that's helpful. And then just lastly, again, clarification. If you could talk a little bit about the M&A environment in particular, anything that you can speak to in terms of pipeline? And then just give us an update of what's embedded in the new – in the updated full year guidance based on M&A year-to-date. Thank you.

**John J. Morris**

*President & Chief Operating Officer, Waste Management, Inc.*

A

Yeah, Stephanie, I'll address the pipeline. Jim talked in his prepared remarks, we've got about \$500 million in for this year. We did a fairly significant sized regional acquisition in D.C. last quarter. We've done some other normal tuck-in acquisitions. And we have one fairly sizable one that we're hopeful we're going to get closed probably between Q3 and Q4. But as usual, we remain disciplined. But to your question on pipeline, the pipeline remains strong. We've talked about last year being probably one of our strongest years, and a lot of that's carried over into this year. So we feel good about where we're at this point in the year. And then in terms of what's embedded, Devina, I'll let you maybe on the revenue.

**Devina A. Rankin**

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

A

I don't have that number specifically. So – and Heather will get back to you.

**Stephanie Moore**

*Analyst, Jefferies LLC*



Thank you, guys. Appreciate it.

**Operator:** Thank you. Our next question coming from the line of Faiza Alwy with Deutsche Bank. Your line is now open.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*



Yes, hi. Thank you. I wanted to follow-up on the collection and disposal margins. I think you mentioned 110 basis points improvement year-over-year in those margins. So I want to make sure I'm getting that right. And that sort of suggests stronger margin growth in the back half than I would have thought considering you're saying that landfill – this was sort of the peak quarter for landfill volumes. So could you talk about some of the – maybe if there's other drivers around better margin performance in the collection and disposal business.

**Devina A. Rankin**

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



Sure. So the collection and disposal business margin improvement was a 110 basis points in the quarter and about 40 basis points of that is efficiency and price cost spread and the remaining portion really is mix and landfill volumes in particular. When – and that's before the impact of the alternative fuel tax credit. So the alternative fuel tax credit was a headwind to that of 30 basis points. So you put all of that together and you're at 80 basis points margin expansion for collection and disposal.

I actually expect that to moderate in the second half because of the mix and landfill volume impact that I just mentioned, being about 70 basis points in Q2. So you'll have some moderation of that into the second half. However, going from first half to second half, you normally have a 70 basis points to a 100 basis points improvement in collection and disposal volume just because of seasonality.

So hopefully, that helps clarify what the bits and pieces are, but we're really happy because all of this pulled together to say that the traditional solid waste business is going to have 30 basis points better margin in 2025 than we expected coming into the year.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*



Understood. And then when you initially gave the guide for 2025, you've given us a lot of color around your expectations for EBITDA for the various pieces of the business? So I'm curious with the update today and just given the change in commodity prices, if you could perhaps update us on what you're expecting for EBITDA – from EBITDA contribution from Stericycle specifically this year and maybe the sustainability projects? I think you said \$270 million to \$290 million previously. So just any update on the other pieces would be really helpful.

**Devina A. Rankin**

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



Sure. So what I would tell you is that with us confirming \$7.55 billion in EBITDA for the total company for the year. Really, the only take that we've had in the entire mix has been from the recycling part of our business. And there's about a \$15 million decrease expected in the EBITDA associated with commodity prices and another \$10 million associated with some cost increases that we've had in that part of our business. And that's really the only part of

the business where there was any sort decrease in the expectations and the increase is coming from strength of collection and disposal and a little bit of benefit from higher-than-expected synergy realization.

So, going from the midpoint of \$90 million to the high end of that of a \$100 million indicates incremental value that we're retaining. Some of that shows up in the Healthcare Solutions business, but some of it also shows up in collection and disposal. So, I would say all of the pieces that come to the total are really in hand with the exception of the recycling business, which I mentioned at \$25 million.

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**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*



All right. Thank you very much.

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

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**James C. Fish, Jr.**

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

Okay. Well, thank you so much for your questions this morning. Very good questions and we certainly look forward to next quarter and talking to you again after Q3.

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

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