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PRESENTATION

Operator

Thank you for standing by, and welcome to WM's First Quarter 2023 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to Ed Egl, Senior Director of Investor Relations. You may begin.

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

Thank you, Towanda. Good morning, everyone, and thank you for joining us for our first quarter 2023 earnings conference call. With me this morning are Jim Fish, President and Executive Officer; John Morris, Executive Vice 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 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 release 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. 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.

John will discuss our results in the areas of yield and volume, which, unless stated otherwise, 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.

Any comparisons, unless otherwise stated, will be with the first quarter of 2022. Net income, EPS, operating EBITDA and margin and operating margin results have been adjusted to enhance comparability by excluding certain items that management believe do not reflect the 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 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. To hear a replay of the call, access the WM website at www.investors.wm.com. Time-sensitive information provided during today's call, which is occurring on April 27, 2023, may no longer be accurate at the time of a replay. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of WM is prohibited.

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

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

Thanks, Ed, and thank you all for joining us. We're off to a solid start in 2023 with first quarter results delivering on our expectations and keeping us on track to achieve our full year guidance. First quarter revenue grew 5%, with continued strong organic growth in the collection and disposal business of 7%. We're pleased with these results, particularly when you consider the impact of West Coast weather disruptions on our operations.

With that said, our first quarter performance was basically on our budget, and our strategic priorities of maintaining strong price discipline, permanently reducing our operating and SG&A cost structure through business optimization, technology and automation and leveraging our sustainability platform for growth are right on track. Executing on these priorities will produce the robust short-term and long-term financial performance that we've projected.

As you heard at our Sustainability Investor Day at the beginning of the month, we're very enthusiastic about how the growth in our renewable energy and recycling businesses strengthens WM's compelling investment thesis. We expect the investments that we're making over the next several years to provide meaningful operating EBITDA and free cash flow growth with impressive returns. We remain on track to bring online 2 new renewable natural gas facilities and 7 newly automated material recovery facilities by the end of the year. We're also opening one new MRF in 2023 in the Greater Toronto area, which positions us strongly in the largest growth market in Canada.

Even as these important parts of our operations grow, our solid waste business will continue to make up the lion's share of our earnings, projected to generate roughly 85% of operating EBITDA in 2026. As a result, our focus on optimizing performance and reducing costs in the solid waste business through technology and automation is critically important and will serve to further separate us from our competition.

One excellent example of this is the expansion of our customer self-service capabilities, where we've reduced our call center department costs in the first quarter by more than 20% compared to last year while, at the same time, maintaining or improving our Net Promoter Scores in the commercial and industrial lines of business.

So far in 2023, the WM team continues to deliver strong performance. The investments we're making set us up to further differentiate our industry-leading asset network and capabilities. When you combine this strategic with the essential nature of our service, our diverse customer base and our recurring revenue streams, it provides confidence in our ability to continue to reach our strong financial projections over the long term.

For the remainder of '23, our outlook remains consistent with the full year guidance provided at the beginning of the year, including adjusted operating EBITDA growth of 7% at the midpoint and between 40 and 80 basis points of adjusted operating EBITDA margin expansion, driven by our collection and disposal business.

In closing, I want to thank the 49,000 people behind WM's success this quarter and every quarter. Without this team, none of this would be possible. And I'll now turn the call over to John to discuss our operational results for the quarter.

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

Thanks, Jim, and good morning. 2023 has started off as planned, and we're pleased to have achieved our first quarter targets. Overall, adjusted operating EBITDA grew nearly 4% and operating EBITDA in the collection and disposal business grew 7% in the quarter. One area that exceeded our expectations was pricing as we continue to execute on our revenue management programs to recover cost increases and improve margins.

As Jim mentioned, our first quarter organic revenue growth in the collection and disposal business was 7%. This growth was led by core price of 7.4%, which exceeded both last year and our plan for the first quarter. This strong core price translated into collection and disposal yield of 6.2%, a 70 basis point improvement compared with Q1 of 2022. We saw strong yield performance across all lines of business and are particularly proud of our post-collection yield. We have consistently emphasized the importance of post-collection pricing. And in Q1, we delivered a yield of 8.9% at our transfer stations and 5.4% for landfill MSW, both increases from last year. In fact, the transfer station yield is a new high for that line of business, which is helping to offset increasing cost of labor and transportation. Our collective focus continues to be striking the right balance between maximizing customer lifetime value and increasing price to recover higher costs. We remain confident that we can achieve our full year pricing expectations for core price of 6.5% to 7% and yield approaching 5.5%.

Turning to volumes. First quarter collection and disposal volume grew 0.8%. Landfill volumes led the way, with C&D volumes up almost 37% in the quarter driven by the hurricane cleanup in Florida, and MSW volumes increased by almost 3%. Special waste volumes moderated in the quarter due to the timing of event-driven work, but our pipeline remains robust, and we believe that those volumes will provide incremental revenue growth as we progress through Q2 and the balance of the year.

Our collection volumes were down modestly in the quarter, driven by intentional steps we continue to take to price every contract to achieve acceptable returns. This has led to some non-regrettable volume losses in our residential and commercial business. With profitability improving in each line of business and contract wins with healthy price increases, we're pleased to see our differentiated service and disciplined approach to yield benefits. For the full year, we continue to expect flat overall volumes at the midpoint of our guidance.

Turning to operating expenses, which increased 70 basis points as a percentage of revenue to 63%. I want to frame these results and then talk about the efforts in place to optimize our cost to serve in 2023 and over the long term. There were 2 primary contributors to our first quarter results: the dilutive impact of recent acquisitions and continued inflationary cost pressure. As a reminder, we closed on about $365 million of acquisitions of solid waste and recycling businesses in the second half of the year. Integration costs and upfront dilutive margins of these acquisitions had about a 35 basis point impact in the quarter.

While this impact was a little more than expected, overall, we're very pleased with the progress being made on creating value from these businesses. The remaining impact was due to persistent cost inflation, which was most significant in wages, repair and maintenance and subcontractor costs. The good news is we see signs of easing cost pressures, and the steps we are taking to combat higher costs are also showing benefits. Frontline wage increases are now in the mid-single-digit range as compared to the high single to low double-digit increases that we saw in late 2021 and 2022. And we're starting to see truck orders fulfilled, which benefits every aspect of our cost structure because employee engagement is better, downtime on route is minimized, repair costs to reduce and expensive rentals can be eliminated.

Getting trucks delivered will also be key to residential automation. As we move from traditional rear load to automated side loaders, we're taking a helper off the back and getting about a 30% productivity pickup, which equates to lower driver technician and truck capital needs.

We talked a lot about the work we're doing to optimize our cost to serve. Investments we are making in our people and processes are also important. We're always working to make WM a great safe place to work and delivering our team members a best-in-class compensation and benefits package. One of the benefits we know that comes from these efforts is improved retention, which then translates into even better customer service and optimized cost structure because our tenured drivers are the safest and most efficient.

In the first quarter of 2023, we saw the best driver retention we've seen in 2 years. This positions us to drive down our training and overtime hours, improve overall efficiency, and most important, see continued improvement in our safety performance.

In closing, I want to thank the entire WM team for the fantastic job they do safely and reliably serving our customers day in and day out. We've had a solid start to 2023 and look forward to building on our success. I'll now turn the call over to Devina to discuss our financial results in further detail.

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

Thanks, John, and good morning. We're pleased to see our robust revenue growth and disciplined focus on cost control translate into solid operating and free cash flow. First quarter cash flow from operations of $1.04 billion is in line with our plan and a strong result, particularly when you consider higher cash interest and incentive compensation payments. Capital spending in the quarter totaled $660 million, with $504 million related to normal course capital to support our business and $156 million of spending on sustainability growth projects.

On the capital front, there are 2 key takeaways. The first is that we're pleased with the continued progress on our sustainability growth projects relative to plan. The second is that truck deliveries are improving. At this time last year, we have received less than 50 trucks. This year, we received about 470. While this is certainly better and shows some easing of the significant supply chain constraints from a year ago, we're still waiting for truck deliveries we planned for 2022. These delays impact our team's ability to deliver on residential collection optimization objectives and targeted improvements in our maintenance cost per driver hour.

So while we're encouraged the worst of the recent uncertainty is behind us, we still need to see a more reliable delivery schedule from manufacturers.

Our business generated free cash flow of $395 million in the first quarter and free cash flow before sustainability growth investments of $551 million, which puts us on track to deliver our full year guidance on this measure of between $2.6 billion and $2.7 billion. Even as we invest in high-return sustainability growth projects within our business, we continue to demonstrate our commitment to all of our capital allocation priorities. We returned $639 million to shareholders during the quarter, paying $289 million in dividends and repurchasing $350 million of our stock. We expect dividends to total about $1.1 billion this year. And with our outlook for strong earnings growth over the remainder of the year in a healthy balance sheet, we expect to continue to repurchase our shares fairly ratably over the remainder of the year.

Our leverage ratio at the end of the first quarter was 2.8x, which is well within our target ratio of between 2.5 and 3x. About 18% of our total debt portfolio is at variable rates, and our pretax weighted average cost of debt for the quarter was about 3.7%. Our balance sheet is strong, and we remain well positioned to fund growth investments.

Turning to SG&A. We're pleased with the progress we're making to drive leverage from a more efficient cost structure. In the first quarter, SG&A costs were essentially flat with the same period in the prior year, and spending as a percentage of revenue improved by 40 basis points to 9.7%. These results demonstrate our success in rationalizing costs and optimizing our sales and customer experience functions. We expect our investments to continue to drive improvement in SG&A costs and put us on a path toward a permanently reduced SG&A cost structure.

Our operating EBITDA margin performance for the quarter was generally in line with our expectations. The 40 basis point margin decline year-over-year is due to 3 things: one, commodity price impacts on our renewable energy and recycling businesses, which created a 50 basis point margin headwind; two, the dilutive impact of acquisitions completed in late 2022, which had about a 40 basis point impact; and three, cost pressure in our collection and disposal business from wage inflation and delayed truck deliveries, which we estimate had about a 20 basis point impact.

These margin impacts were offset in part by a 40 basis point improvement in SG&A and a 30 basis point benefit from the timing of alternative fuel tax credit. Our disciplined organic revenue growth and focus on optimization and cost control are expected to drive year-over-year margin expansion for the remainder of the year, particularly in the third and fourth quarters.

In closing, the WM team has delivered a solid start to the year, which sets us up for another year of strong financial growth in 2023. I can't thank our hard-working team members enough for all of their contributions to our success.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Bryan Burgmeier with Citi.

Bryan Nicholas Burgmeier - *Citigroup Inc., Research Division - Associate*

EBITDA margins were (inaudible) in 1Q, at least relative to the sell side, I appreciate all the detail you provided there. You reiterated guidance for the 80 basis points improvement for '23. So do you think we see EBITDA margins inflect in 2Q or at least maybe approach flat and they inflect in 3Q? Just a little bit of timing about how -- a little bit detail about how much about the timing of improvement on margins.

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

Yes. It's a great question. We definitely see the lion's share of that contribution of EBITDA margin coming in the third and fourth quarters. We do expect some improvement from what we saw in the first quarter. I want to point out a couple of things that happened in Q1 that we don't see as indicative of the margins that we'll expect for the remainder of the year.

As I mentioned on the commodity businesses, that was 50 basis points of the impact in the quarter. We expected our first quarter to be the hardest comp on a year-over-year basis from commodity prices, and so we think most of that impact starts to abate beginning in Q2. But as I said, most of that really comes in Q3 and Q4 when the year-over-year comparisons on commodity prices improve.

On the dilutive impact of M&A at 40 basis points, that was about half solid waste and half recycling. And like I said, we're pleased with the traction that we're seeing in each of those businesses on the recycling side because that business is in a development phase. We knew that there would be some upfront costs associated with integrating that business. They just happen to be higher than our expectations. We don't expect that to continue over the remainder of the year. So that's another thing that gives us confidence.

On the solid waste side, we took a really important step that's team member-focused and an investment in our frontline by making the MLK holiday a holiday across the entire organization. That emphasizes our focus on people first, but that is a Q1-only event, and that's something else that will abate for the rest of the year. So those are the things that give us confidence that the Q1 results of 40 basis points will exceed what you see for the remainder of the year. And in fact, we do see some of that coming out in Q2, but Q3 and Q4 is really where you start to see some strong results.

Bryan Nicholas Burgmeier - *Citigroup Inc., Research Division - Associate*

Great. Then last question for me. Maybe just how did the value of the recycled commodities in 1Q compare to your expectations? Can you share what you might be expecting for 2Q? And apologies if I missed this, but are you still looking for a [$70 a ton] commodity basket for 2023?

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

Yes. Bryan, we are still looking to see $70 for 2023. The trend has been good and it's what we anticipated. So at the end of Q4, we were at $47. Q1 was at $54, but it got better as you went through the quarter. So $57 was our average in the month of March. And then as we're getting into April, we're seeing that continue to improve. Couple of things are helping us. The mill capacity that's coming online is helping with demand on the back end. We're also seeing a pretty significant uptick in pricing for plastics, for aluminums and a little bit for OCC. So we are still sticking with our $70 and feel pretty confident in that.

Operator

Our next question comes from the line of Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan - *Morgan Stanley, Research Division - Senior Analyst*

You mentioned in the prepared remarks, getting the additional truck orders fulfilled and that getting more back to normal. How quickly can we see that productivity impact into your results? And could that be upside to the guidance for this year? Or is that already embedded in the guide that it returns to more of a normal trend?

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

No, Toni, I think -- listen, we're thrilled that the supply chain and truck deliveries are starting to abate. As Devina mentioned, we almost -- we delivered almost 500 trucks year-to-date versus 50 last year. It takes 30 to 45 days to get those vehicles sort of on the road and get the older vehicles off. So there's a little bit of a lag. That was considered when we put together our plan for EBITDA and EBITDA margin this year.

We went back and took a look before the call. We probably -- if you go back to kind of post-COVID, we're probably lagging 2,000-plus vehicles from what our fleet plan would have been. So we're going to get a full complement of trucks this year, probably 1,500 to 1,600 is what we think. So we're going to continue to get those assets in play as quick as we can and drive the benefit. But keep in mind, part of the M&R pressure is that -- it's not just the trucks we didn't get in '22, it's we caught up in '21 from '22, '22 to '23, et cetera.

Toni Michele Kaplan - *Morgan Stanley, Research Division - Senior Analyst*

Great. I wanted to just ask my follow-up on the sort of more recent, like April, late March trends. Have you seen those improving? Or has there been any change? Obviously, the banking crisis sort of doesn't impact your business as much as some of the other business services companies. But any heightened recession concerns with your customers? Like any change in conversations that you're having with customers?

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

So John can address the cost side and what we're seeing so far. I would tell you that as far as the overall macro economy, we've been looking at it closely because it seems as if every day, somebody comes out with a different projection. Maybe the best indicators for us are things like churn and price rollbacks. Those have been at the historic low end of our ranges and continue to be there. Also looking at some of our volume numbers, especially MSW, MSW was 2.7%. It's around 3% still. So those are pretty good signs for the overall economy. Now we tend to be kind of at the back end. So sometimes we don't see the early signs. But everything we're looking at still seems to be okay. It doesn't look like a blowout for sure, but it doesn't look like the bottom is falling out. So that's encouraging.

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

I think on the cost side, Toni, I addressed the M&R and some of the challenges we have seen here. The good news is we're -- that's starting to open up. On the labor front, I said in my prepared comments, we were close to high single, low double digits, and that's moderated back down to mid-single digits. So that certainly is a benefit going forward throughout the year.

Subcontractors, we're still seeing a little bit of lag there, and it's really more of third-party transporters. But as you saw within our post-collection pricing and more specifically our transfer stations, we continue to address that through the revenue quality of the remote gates at or the transfer station. I think -- when it all comes down to it, I think we talk about automation and optimization. It's really about permanently lowering our operating expense exposure. And that's really, as Jim mentioned, what we're really focused on for the balance of the year.

Operator

Our next question comes from the line of Jerry Revich with Goldman Sachs.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

Devina, I'm wondering if you can talk about second quarter. So normal seasonality is your margins are up about 200 basis points second quarter versus first quarter. And you mentioned a number of one-offs in the first quarter. So I'm wondering, as you're thinking about the cadence, is there a potential for margins to be up stronger sequentially than the typical 2 points that we've seen in the past?

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

Yes, it's a great question, Jerry. And that's some of the analysis we've been particularly honed in and on and looking at. And that is our expectation, is that the first quarter of 2023 had some margin pressures that we see as more related to 2023 specifically, such that the normal seasonal uptick that we see from a revenue perspective will provide the typical expansion. And then on top of that, we'll have some added benefits from lapping some of the commodity price impacts I've talked about.

We're also expecting to see some strong accretive revenue come back in the collection line of business, in particular, as our differentiated service model really pays some dividends in terms of our national accounts business where we are going to lap some of the contract expirations and we're going to see some contracts return. So those are the things that give us so much confidence that Q2 really will be outsized relative to a typical year.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

That's great. So really you have high visibility on essentially getting to your margin run rate as early as 2Q. Okay. And can I ask on post-collection pricing momentum that, John, you mentioned in the prepared remarks. How much more momentum is there? I would have presumed a chunk of that is CPI pricing rolling. But can you just expand? And really nice to see the strong numbers, both in transfer stations and landfills.

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

Yes, Jerry. I would tell you that's something we've been working on, and that's been a tougher hill to climb, obviously, because those are bigger chunks of a volume and big customers when you're making those decisions. I think as I mentioned, the transportation piece, and a lot of that is labor and fuel, if you will, has continued to persist, which is why one of the reasons why you continue to see us be as aggressive as we are on the transfer station side. And on the landfill side, again, the cost of constructing and operating these landfills is not getting cheaper. So part of our pricing strategy, obviously, a minimum to recover our investment there, but also look for margin improvement where that opportunity exists.

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

I think, Jerry, it's also worth mentioning that our team is, over the years, the last couple of years has really come to appreciate the fact that landfill airspace is a precious commodity. And if you think about particularly the East Coast, that space doesn't come cheaply and it's -- there's a finite life to all of those. So we need to price it that way. And that's, in large part, what you're seeing out of transportation but also largely landfill pricing.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

And Jim, just one last one, if I could. SG&A has obviously been a big focus for you, and really strong cost control this quarter. Can you talk about, did we get a full quarter run rate out of the initiatives that you mentioned on the call center side this quarter? Or is that momentum building over the course of the year?

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

So on the call center side, we did not refill about 580 positions last year and there are another 300 that we will choose not to refill this year. So I would say we're probably -- we were probably 60% of the way there on that piece. But some of those other positions that we've talked about, John mentioned it, which is replacing reloaders with ASLs. And he talked about 30% productivity pickup there. We're not -- because we haven't been receiving the trucks, I mean, you can't make that swap obviously without the truck.

There's some work that's involved with our public sector team. They have to talk to our customers and make sure that they're comfortable with going to trash just being in one of those toters as opposed to everything sitting on the curve. But -- and they've made nice progress there. But as we do that, we think there's another probably up to 2,000 positions that are helpful positions that we just will choose not to refill. And as you can imagine, those have very high turnover, somewhere in the neighborhood of 50% for those.

So once those trucks come in, once we've talked to the customer base, we will transition those. And maybe the most important piece that John mentioned is it helps us from a safety standpoint. 70% our injuries happen in the residential line of business. And I would guess that 90% of that 70% are on rear loaders.

Operator

Our next question comes from the line of Tyler Brown with Raymond James.

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

Jim, John, just I was looking back through the Q4 transcript, and I'm not really sure I saw it. But can you just kind of remind us what is embedded -- or the level of unit cost inflation that's kind of embedded in the '23 guide and maybe where are you today?

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

Sure. In terms of unit cost inflation, we expected in 2023 about 4% to 5% unit cost inflation for the year. And when we look at Q1, it was certainly higher than that. But our expectation is that, that moderates. And as John has talked about, in particular, labor and repair and maintenance are expected to benefit from the actions that we saw early signs of as we looked at February, March, but we expect to continue to gain momentum over the remainder of the year.

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

Right. Okay. So that kind of naturally slopes down. So look, Jim, I don't want to get into the comparison game, but one of your competitors showed core pricing accelerated in Q1. It looks like your pricing may be peaked in Q4. I get that there are a variety of factors at play. But I've just got a lot of questions this morning. But just any thoughts on the pricing environment, your go-to-market strategy, and do you just feel comfortable that you can maintain a nice positive spread to unit cost inflation both over the short and long term?

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

Yes. Look, I didn't see what their numbers were at. But I would tell you this, first of all, I looked back. Historically, we anticipated the question. And historically, Q1 has been the lowest yield for us over a period of probably a decade. It's almost always been the lowest yield number on a quarter-by-quarter basis. But when I look at how we're doing with things like rollback of price and churn, those are, as I said, near the bottom end of our historic ranges.

And I also was very encouraged to see pricing in 2 particular places that we're encouraging: residential, which John talked about, and landfill and transfer. Those are -- we just talked about it with Jerry, but those were really important areas for us to kind of -- all 3 of those. When we talk about it probably 4 years ago, we're talking about something less than 1%. And now we're talking about much higher numbers, albeit in a higher inflation environment. But still, I think you're seeing the discipline there around pricing very strong.

So I don't know really what the other folks reported, but I would tell you, there's no loss of discipline whatsoever. There's really, I think, Tyler, 3 areas that we're all focused on for '23, and those are top of line -- at the very top of the list has got to be price, and then a close second to that is what John has been talking about, which is cost control, both SG&A and OpEx, and using technology to facilitate that. And then, of course, the third one is when we talked about 3 weeks ago, which are those sustainability investments. So those 3 are really kind of our near-term focus that will help us out in the long term.

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

Okay. Perfect. And then my last one, I got to kind of go back over this margin walk, there's a ton in there. So make sure I've got it. So commodities and RINs were a 50 basis point headwind. M&A was about a 40 basis point headwind. You mentioned something -- I think you said 30 basis points from a fuel tax credit. I was unclear, is that a hurt or a help? And then you mentioned higher incentive compensation, I wasn't sure if you were talking cash flow or EBITDA. And then is the holiday addition about a 50 basis point headwind as well as I would assume it's kind of like one less workday?

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

Yes. So let me take that in pieces. The alternative fuel tax credit was a help of 30 basis points, and that's a help because of timing. So you might recall that last year, we got -- there was a delay in the approval of those tax credits by government. And so there was a delay in our recognition of those tax credit benefits until the third quarter of 2022. So what you're seeing this year is that those are going to be recognized quarter-by-quarter. So we got the benefit in Q1. We'll have another benefit in Q2. And then that moderates in Q3, reverses itself and then normalizes beginning in Q4.

On the dilutive impact from commodity businesses of 50 basis points, you had that right. Incentive compensation was cash flow. So yes, that was a cash flow impact. When we gave our guidance for 2023, we talked about working capital being a headwind in the year. And a lot of that headwind, really all of that headwind was in the first quarter as anticipated because higher incentive compensation payments happened in Q1 because of the 2022 outperformance relative to our plan. So that moderates and really starts to become a tailwind over the remainder of the year.

On the solid waste side, when I was mentioning the MLK holiday, that was part of the 20 basis point margin headwind that we saw from the solid waste part of the business. What's really important there, I think, in terms of thinking about what it means for the rest of the year is that, that impact isn't something that repeats itself. It actually doesn't become a help necessarily, but it's not something that we see repeating over the remainder of the year because it was a onetime event.

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

And it wasn't one less workday. We still had to work those days. It's just we paid everybody 1.5x.

Operator

Our next question comes from the line of Michael Hoffman with Stifel.

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

So John, what is the trend on service intervals, new business formation, temporary roll-off asset utilization?

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

So the service interval piece, Michael, is still positive. That's the headline. In addition to the service intervals, though, as Jim mentioned in the commentary a few minutes ago, the other parts of that, that we're really paying close attention to is what the churn rate is doing and what the rollbacks are doing, even as we continue to be aggressive on the pricing side. And those have all continued to stay static and in a good spot and service intervals are still positive. So we feel good about that.

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

From an asset utilization perspective, Michael, I think it's important that, as John mentioned, it takes 35 to 40 days to get those new trucks in service and on the road. That means that we've been holding on to some of our older vehicles longer. And so asset utilization, not necessarily where we like it to be. But that's because we've needed to be intentional about keeping our vehicles and maintaining them so that we meet all of our service needs for our customers.

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

So this is anecdotal, Michael, but we did our business refuse with all our areas last week. And one of our areas actually was scheduled to return some rental trucks which, as you can imagine, are done at a premium. And we were told, hey, your trucks are going to be in. It wasn't a large amount of trucks, less than a dozen trucks. But this area turned their trucks back in and then we got delayed another 30 or 45 days on some of the delivery.

So to Devina's point, there's a little pensiveness by the field, and we understand it's to send those trucks back, whether it's rentals or surplus assets. The good news is, like we said, there's almost 500 trucks that are on the ground, not in service yet. So when we think about rentals and surplus assets, we have a clear path for the rest of the year and more confidence in the delivery schedule that we're going to be able to take those out.

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

Okay. And then just to settle on the temporal losses. I mean that's sort of a good canary in a coal mine about business activity. What's the temporal loss utilization look like?

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

I don't know, Michael, we've seen a meaningful movement there. I would tell you, we don't talk about weather, but there was a handful of areas on the West Coast where we were shut down for a few days and some kind of really odd weather. But other than that, it's been -- I think the temp story has been a consistent one.

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

Okay. And then, Devina, can you share something? I know historically you don't, but I think it helps put in perspective Tyler's question. Your [6 2] is a good number. But what's the mix of index versus open market? Because I think there's some waiting issue there that people should appreciate given that 70% of your index is happening now and it's a number from last summer, not the end of the calendar year.

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

So we've said, Michael, about 40% of our revenue is indexed. It's not all CPI as we've talked about. The majority of that, though, really, as we all know, runs through that residential line of business. And that's when you look at the pricing and the yield results in residential, I think for the quarter, we were up $53 million in revenue. We're down about [2 9] in volume. So we continued down that path until we get to some acceptable spot there. And it's noteworthy that the residential line of business, as you can imagine, is one that eats a little more of the inflation, some of the other ones due to the labor intensity and whatnot. But if you look at where CPI was last quarter or this quarter, you look at core price and yield, we're still pricing above that. So we're getting traction even above that CPI number.

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

But just to be clear, the part of the drag on the [6 2], if -- when people are looking sequentially is the number that's in the first half isn't the immediate -- just immediate CPI. It's actually -- well, one from last summer, which would be lower than the CPI that was at the end of the year. That's the subtlety of your model because so much of your business resets in the first half. It's not a negative. It's just everybody needs to understand it.

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

Yes, you're right, Michael. About 70% of our resets are in the first half of the year, and those are all indexed to a year ago activity. And so we'll see some of that benefit as we go through the rest of the year in terms of where inflation headline numbers continue to be high.

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

Right. Okay. And then on the commodity side, the other pieces of your model are RINs in nat gas and electricity. Overall, you have an assumption all this would improve. I have a suspicion maybe you will end up with 2 lefts and a right versus 2 rights and a left to get to the same outcome. But do you feel comfortable about the whole mix, not just recycling, that all of those things are going to collectively get to the right place relative to the guide?

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

I like the way you said that, Michael. I was trying to figure out a good way to say that. You said it better than I would. But you're right. I mean, it's -- in any big business, there's going to be a few things that work in our favor, a few things that work against us. RIN pricing is probably a little bit against us right now. We budgeted $2.30, and it's $2. So that one may end up being a little bit of a headwind.

But we've also gone through some of the tailwinds, too. I mean SG&A is -- I'm not sure we've ever had an SG&A number as a percent of revenue below 10% for the first quarter because the revenue base is always low for Q1. So we're doing a better job on SG&A than we actually anticipated.

I could say the same thing about MSW volume or a couple of the other things. So you're right. There's a few things that are coming in a little lower than our expectation. RIN pricing would be one of those.

On the other side, recycle pricing, as we talked about a little bit earlier, is right on our expectations. So we're pleased with that because I know there were a few that had questioned our $70 number, and that looks like it's probably going to hold. So I think you're right about the fact that there's a whole bunch of pieces in play here.

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

Okay. And then last one for me. One of the things I've noticed that you have all been doing, and maybe it was [perpetual], first of all, maybe it was just an outcome, is the gap between what you're getting in yield in collection versus the yield in post collection has been closing. How much more can that close? It's a good thing. Well, how much more can that close?

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

I think it will continue to close. And I said it a little bit earlier, but there's a real appreciation for the fact that especially landfill airspace is a precious commodity. Particularly when you think about it on the East Coast and on the West Coast, I mean, maybe not quite as much in the middle of the country, but definitely on the East Coast, I mean, you see it. Anybody who lives in New York sees it, anybody who lives in Boston sees it. And I'm not sure we've priced it that way over the years. You're seeing us price it that way. We recognize that these have a finite life to them. And so why fill them up with kind of low-priced tons when we can fill them up at a slower rate, maybe at higher price tons, preserve some of that airspace. Give us time to figure out our solution once those do ultimately go away.

Operator

Our next question comes from the line of Kevin Chiang with CIBC.

Kevin Chiang - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Analyst*

Maybe just on -- in your prepared remarks, you talked about the MRF you opened in Toronto here. Just wondering how that positions you given the province -- if Ontario is looking to put in a producer responsibility legislation or has producer responsibility legislation? Does this MRF make you more competitive as you think of the opportunities stemming from that legislation?

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

I think it does, Kevin, I think it puts us in a great position there. It's the highest growth province in Canada, and Toronto is the biggest city in Canada. So it puts us in a really, really good position. Add to that, that this MRF will be one of the new style MRFs, so with a lot of automation in it. So it comes to us, as any of our new MRFs will, with lower labor cost, 30% is what we're seeing in terms of labor cost per unit with the automation that we're adding. So we're excited about the MRF coming in to Toronto. It's, in our mind, it's a perfect place to put a new MRF.

Kevin Chiang - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Analyst*

Perfect. No, that makes a ton of sense. And maybe just the EPA did come out with, I guess, a Phase 3 proposal on heavy-duty vehicles, looking to continue to drive to some sort of net zero target over time. And I'm just wondering how you view that. I know you obviously had the curves here versus some of your peers on investing in CNG and RNG suites. But just given some of the stuff you've seen, not sure if you think that impacts your fleet strategy or maybe the need to accelerate some of the investments in electrification or other -- or some other type of propulsion system that gets you to some sort of GHG emission target based on the EPA's proposal here.

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

Yes, Kevin, I mean, listen, we've talked a lot about our CNG, RNG strategy and obviously really pleased with the way that's gone and with the outlook of that is, especially as we continue to bring on these R&D plans. But at the same time, we are continuing to look at other propulsion techniques, if you will. Electrification always comes to mind. People are talking about hydrogen.

I think the good news is 2 things. One, we have our toe in all those ponds in terms of watching all the technology advancement and see how it's not only going to progress to commercialization, but commercialization through a heavy-duty fleet like ours, which are 2 distinctions. So I think we're in a good spot there regardless what the technologies. Our fleet strategy is evidenced by what we've done from diesel -- gen 1 diesel, gen 2 to CNG/RNG that we have the flexibility within our fleet plan to be able to pivot without really impacting the business.

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

I think, Kevin, one important point here about electrification is that it's not a surprise to anybody on this call. The infrastructure is simply not there yet to handle this. I mean when California is telling people with electric vehicles to not charge their vehicles last summer, and I don't know what the percentage of electric vehicles is in California, it's probably 5%, if that. You can -- we all know that the infrastructure is not prepared to handle electric vehicles. So we've chosen to make that -- it's an incrementally positive step to go to CNG. We'll be at 75% probably by the end of the year. And our goal is to ultimately get to 90%.

If the technology -- the price point, by the way, is important to us. I'm not going to pay 3x for an electric vehicle what I pay for a CNG vehicle. If all of those things are worked out, look, we're all in for moving to EV. But we need to see some progress on -- particularly on the infrastructure. And right now, I don't know that we're seeing any progress on infrastructure.

Kevin Chiang - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Analyst*

Can I ask just a follow-up on that? Are your RNG or CNG trucks considered essentially net zero? Because effectively, you're in a unique position in that you also produce RNG in your landfill. But would a state like California look at your RNG fleet differently than, say, a typical owner-operator running a Class A truck just because you're producing on the front end as well when you're creating a circular economy? Or is that still kind of an unknown now in terms of how they might treat that?

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

I think from a progression standpoint going from diesel to CNG, CNG/RNG is certainly going in the right direction. But I don't think that California, if it's a combustion engine, I'm not sure they would define it any other way, at least at this point in time.

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

It's a good point, though, because RNG is a renewable fuel. So if you're using a renewable fuel to fuel a CNG truck, I don't think you have to be a mathematician to figure that out. It should be a net zero. But I don't think -- to John's point, I don't think they look at it that way today.

Operator

Our next question comes from the line of Sean Eastman with KeyBanc.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst*

I just wanted to confirm that all the guidance is intact, and in particular, including the collection and disposal yield, I think you guys have given us approaching 5.5% number. Just wanted to get that confirmation.

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

So yes, at this point, we're good with each element of the guidance. So as Jim was saying earlier, specific to the commodity-based businesses, we have some caution around those. But when we look at the yield component, we actually see the revenue results including yield for Q1 being a little ahead of our plan. So we're certainly confident in that aspect of the guidance that we provided.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst*

Okay. Excellent. That's helpful. And then is there sort of a logical approach we can take to this combined recycling and renewable energy line that's now in the revenue build? I mean I'm just kind of scratching my head a little bit on how to apply some science to the model there.

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

Sure. What we intend to do there, at one point, we had moved our renewable energy business into the fuel line, and with some of the noise it was creating in the fuel line, we saw value in pulling that out. What we do is try and work ourselves towards providing better clarity about the key drivers of our business. And because renewable energy and recycling both have commodity-based impacts, we thought looking at those on a combined basis made some sense. And if you need additional color on that, Ed and Heather are sure to get you the details that you need.

Operator

Our next question comes from the line of Stephanie Moore with Jefferies.

Stephanie Lynn Benjamin Moore - *Jefferies LLC, Research Division - Equity Analyst*

I wanted to touch on -- clearly, you have made pretty meaningful progress in SG&A reduction and just your focus on cost cutting. But maybe you could touch a little bit about if there's any change in your approach to acquisitions as you continue to kind of balance SG&A reduction as well as acquisitions. And has there been any change in terms of how you look at deals, the integration opportunity, level of automation or other savings that you can get and if that's kind of changed your M&A philosophy a bit as you take a bit more of a cost-focused approach here.

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

Yes. It's a good question because I wouldn't say that our approach has changed. We always are looking at what makes best sense for the shareholders. But I do think your point about being kind of an added synergy here is an important one. And we are factoring that in as we look at some of these companies. This is truly going to be a differentiator for us as we -- I talked about in my prepared remarks, I talked about the fact that we are taking cost out of our customer experience centers because we're using a self-service model now. And that was not insignificant. That is something that differentiates us from others who simply don't have that technology in place. So it becomes a synergy for us as we acquire businesses.

Stephanie Lynn Benjamin Moore - *Jefferies LLC, Research Division - Equity Analyst*

No, that's helpful. And maybe taking that a step further. As you continue to look to do M&A as well as you move forward with cost-cutting investments. Is the opportunity for that maybe near-term dilutive impact from M&A in a given period of time to maybe diminish over time because of this? Or how are you thinking about that opportunity?

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

So I think what's important in giving color to the dilutive impact from the M&A that we saw in Q1, it really was twofold. One, in the solid waste business, we make investments in our facilities, the fleet and our people right up front. And that's the cost impact that you saw in the first quarter for the solid waste acquisitions. And then on the recycling part of the business, the Natura business is in early stages and we're making some investments there, too. And that cost about $6 million to the quarter just in terms of incremental spending that we did on the business.

So neither of those really were seeing the full benefit of leverage on the SG&A front -- or I'm sorry, it wasn't that they weren't seeing the benefit of the leverage on the SG&A front. We were capturing and realizing that. It was more about investment in the operations and the long-term viability of each of those businesses. And we're making the progress that we expect to make so that they have incremental value creation for both the market in the solid waste business that we acquired, and then also thinking about the differentiated service model that we will now have in the recycling part of the business because this is a new line of business for us.

Operator

Our next question comes from the line of Tobey Sommer with Truist.

Tobey O'Brien Sommer - *Truist Securities, Inc., Research Division - MD*

With respect to driver retention and overall compensation in that area of your labor force, how do you expect that to trend, and particularly in the macroeconomic headwinds? And how much room for improvement could there be based on the historical ranges of those metrics in prior downturns?

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

So it's a good question. So I think if you look kind of pre-pandemic through the pandemic, we went from obviously historic averages to historic lows, right, in terms of driver retention and turnover for obvious reasons. As we exited those numbers, went up past historic averages. And we've been working really earnestly in the last 2 years not just on the wage front, but from an employee experience front to get those numbers down. And I would tell you, we've made 400 to 500 basis points of improvement in a lot of those key frontline roles.

And you heard me in my prepared remarks talk about some of the peak wage inflation where it's moderated to now. So that's clearly going in the right direction. But the biggest benefit really is when you can stabilize the workforce, those frontline folks. And we talked a lot about drivers, it's our biggest population. Your service gets better, your safety gets better. And overtime ratios, training hours and all those things start to go the right way. And we started to see signs of that in Q1.

Tobey O'Brien Sommer - *Truist Securities, Inc., Research Division - MD*

When you entertain conversations with smaller players in your M&A outreach, what are you hearing from them about the impact of higher rates and the kind of persistent required tech investments to stay competitive with the market?

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

I don't know that we're hearing a lot about tech because I'm just not -- I think they're more focused on how do they keep drivers on the road. We are hearing that, and some of the companies that we've acquired are showing double the turnover that we're showing. It's why we think there's an opportunity for us to take share -- continue to take share, first, because I think the customer service product that we are providing is superior.

When you are able to hold a lot of your drivers, it makes a big difference in that customer lifetime value proposition. So we are hearing that, that turnover has become a consistent and recurring problem for a lot of those companies.

I think the other thing that I would like to mention too is as we think about drivers, is why it's imperative that we bring technology to this labor pool. It's a shrinking labor pool. We've talked about it a lot. The Gen Z doesn't want to drive trucks the way a Baby Boomer or Gen X did. So how do we take advantage of that? And the way we take advantage of it is by bringing technology to squeeze 5%, 10%, maybe even 15% optimization out. And that's exactly what we're doing in building an optimization tool that understands absolutely the best route to take. It understands things like location of carts. We finally now know where all of our assets are. It understands the expertise of drivers. I mean there's a whole bunch of factors that go into a full optimization.

And I guarantee there's not anybody else out there that's able to do that. It is not inexpensive to optimize that. But once we optimize it, then we become less reliant on labor. And it's a labor-intensive business, and we have 25% turnover in those driver ranks. How do I take advantage of that? And it's got to be through technology.

Operator

Our next question comes from the line of Tony Bancroft with Gabelli.

George Anthony Bancroft - *Gabelli Funds, LLC - Member of Investment Research Advisory Committee*

Actually a quick one. Would you review -- just quickly review sort of the impact that -- the potential impact from PFAS may or may not have on how the cost of landfills and sort of how -- I know there's going to be some rulings or some hearings coming out here over the next few months about it. But how do you see that playing out? And how do you see that impacting your business?

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

Yes. So we've said that we think PFAS is more of an opportunity than a risk for us. It is kind of ubiquitous in these landfills and in the material that comes into them. It has been, at this point, EPA has designated PFAS as a hazardous material. And so I think they're going to have to understand the fact that hazardous sites are -- there are far fewer of them than there are non-haz sites. So I think EPA is still trying to kind of work their way through PFAS. But it is worth saying that we view this as a big opportunity for us and for all landfill companies once they've kind of finally decided exactly how this is going to be handled.

Operator

Our next question comes from the line of Noah Kaye with Oppenheimer.

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

First question, I guess, is how to think about the fuel rolling over in terms of impact to EBITDA and margins over the rest of the year. You have such a high percentage of the fleet on natural gas versus peers. So maybe it doesn't impact the cost line as much, but perhaps the surcharge line. If you can just give us some guidepost on how to be modeling that or how to be thinking about that, that would be helpful.

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

Yes. It's a great question, Noah. So in terms of the impact, I think when you look at 2022, and the IRG table that we do I think is the best data point for that, fuel was a really significant contributor. And we've already seen in Q1, our fuel surcharge revenue in Q1 versus Q4 of last year was less than half on a year over -- or on a sequential basis. And so what we are seeing is that, that revenue decline should actually benefit the margin side of the business.

We didn't really see any meaningful margin impact in the first quarter, but we do expect that we will see some margin impact over the remainder of the year. We're also taking some important steps that we think are beneficial in terms of looking at the overall cost structure of the organization that is dependent upon the fact that we are at 75% CNG for fleet and delivery. But when we look at our consumption, we don't just look at the collection line of business. We look at the heavy equipment at our landfills and all of that.

So we're looking at making sure that we're not just doing a diesel-based fuel surcharge, we're doing a blended surcharge. And some of those changes, our customers are going to begin to see in the second quarter. So we're confident that we're going to maintain that true pass-through model that we've had over the last many, many years. It just will look a little bit different in future quarters, both because of the lapping of the really significant increases in diesel that we saw a year ago, but also because we're taking some structural changes with how we bill that to our customers.

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

That's really interesting. And I mean there's benefits here potentially to the customers as well because historically, I mean, I forget the last few years. But historically, CNG fuel prices have been more stable relatively. So would that change just be received positively by customers as maybe a way to help reduce volatility to them on the cost side?

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

We absolutely see that as something that our customers will receive well. And our customers already like the fact that, that CNG truck that's rolling down the street is quieter than the diesel vehicle. We see this as something else that the customers will receive as a positive from WM investing economically and environmentally beneficially in a differentiated fleet to service.

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

Great. And then just on recycling, just trying to get some better gauges or indicators of demand. Maybe you can talk to your sense of the mills inventory position on recycled fiber. Maybe characterize the flow of impounds -- inbounds. I'm guessing kind of late 3Q, you probably didn't hear a lot of phones ringing in terms of requests for product. How is it trending now?

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

Yes. I think we benefited from -- we've talked a lot about our brokerage business being part of the recycling portfolio, and what that's always -- what that's added to us as a benefit is our ability to move the material. So we don't have any issue moving the material we're bringing in. And even where we're growing volumes, we're still able to move that material. I think the interesting thing, Jim, I think, touched on this, is that there is some domestic capacity that's opening up here this year. And we've seen a little bit of positive movement here just late in the last handful of weeks on some of the fiber pricing. And Jim mentioned that overall, the whole basket of goods has moved up here a little bit as we exited Q4 into Q1 and then even exiting Q1 into Q2.

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

No, it also helps that China has opened back up. And while we don't send a lot of stuff straight to China anymore, they do affect worldwide demand. And when China has closed down with their COVID policy, that hurt worldwide demand. Now that they've chosen to reopen their economy, that is helping and that will help us out as well.

Operator

Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to Jim Fish, President and CEO, for closing remarks.

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

All right. Thank you, Towanda. I guess just to conclude here, you've heard that we're on track for another solid year. We were right on plan for the first quarter. Looking forward to seeing a lot of you next week in New Orleans. It should be enjoyable. So thanks for joining us this morning, and we'll see you next week.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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