

28-Oct-2025

Waste Management, Inc. (WM)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Ed Egl

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

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

Devina A. Rankin

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

Tara J. Hemmer

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

Rafael Carrasco

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

OTHER PARTICIPANTS

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Trevor Romeo

Analyst, William Blair & Co. LLC

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

James Schumm

Analyst, TD Cowen and Company

Rob Wertheimer

Analyst, Melius Research LLC

Faiza Alwy

Analyst, Deutsche Bank Securities, Inc.

Tami Zakaria

Analyst, JPMorgan Securities LLC

Konark Gupta

Analyst, Scotia Capital, Inc.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

Shlomo H. Rosenbaum

Analyst, Stifel, Nicolaus & Co., Inc.

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Stephanie Moore

Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

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

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

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 third 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 cover 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. The Form 8-K, the press release and the schedules in 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, 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. Time-sensitive information provided during today's call, which is occurring on October 28, 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.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Okay. Thanks, Ed, and thank you all for joining us. Our team delivered another strong quarter of operational and financial performance. This led to third quarter operating EBITDA growth of more than 15% and free cash flow growth of nearly 33%. These strong results reflect the hard work of our teams, the resilience of our business model and the value of the intentional investments we've made across our business.

Our Collection and Disposal business continues to be the engine behind our growth, contributing more than half of the year-over-year increase in operating EBITDA. The business drove strong organic revenue growth and we're particularly pleased with our ability to attract robust disposal volumes to our network.

MSW grew 5% in the quarter and special waste volumes grew 5.5%, driven by new event work. We also remain focused on maximizing customer lifetime value through our pricing strategies and leveraging technology to optimize our cost structure and we continue to pursue tuck-in acquisition opportunities to extend our network and drive further internalization.

Turning to WM Healthcare Solutions. The strategic value of the medical waste platform within WM's portfolio is more evident than ever. We've successfully integrated the people and operations of healthcare solutions into the existing management and operating structure of our 16 areas. This not only streamlines our operating model, but also allows us to apply our playbook, the WM way, across the acquired business, fostering a culture of customer focus, continuous improvement and accountability.

This aligned structure accelerates collaboration and unlocks new opportunities for growth. As an example, one of our top hospital customers has increased their annual spend with us by over \$5 million after choosing us as their single provider solution across their multistate network. This is precisely the type of cross-selling opportunity that gives us confidence in the long-term value of our combined offering.

In our sustainability businesses, our solid performance is the direct result of success in managing contract structures and leveraging innovative technologies. Even as recycled commodity prices declined nearly 35% compared to last year, our Recycling segment operating EBITDA grew by 18%, which is a phenomenal result. Our new renewable natural gas facilities drove higher year-over-year contributions from the Renewable Energy segment. The growth was lower sequentially due to the timing of RIN sales, our full-year growth expectations remain consistent with our initial outlook.

I'm proud of the momentum we're building in this final stretch of 2025 and even more excited about the opportunities ahead. These last several years, including this one, have been years of deliberate and disciplined investment in technology and automation in our fleet, in new recycling and renewable energy, renewable natural gas facilities and in a premier medical waste platform. Each of these investments was made with intention and with a long-term view, positioning us to serve our customers better, while structurally lowering our cost to serve.

We're pleased to share that 2026 is setting up to be a year of harvesting the benefits of our investments, which will be partially evident in our free cash flow as our early view for next year suggests free cash flow approaching

\$3.8 billion. We remain thoughtful and disciplined in our capital allocation and we fully expect to translate this performance into commensurate returns for our shareholders.

In closing, WM is exceptionally well positioned for future success. Our long-term strategy is delivering and the investments we've made are paying off. As always, our results are a testament to the hard work and dedication of our people and I sincerely appreciate the contributions of each and every team member.

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

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

Thanks, Jim, and good morning, everyone. In the third quarter, our team expanded margins by maintaining discipline on price-to-cost spread, leveraging advanced fleet and maintenance technology to reduce operating costs and realizing returns from our sustainability investments and strategic acquisitions. Our results affirm that our strategy is working and our disciplined organic and inorganic investments deliver long-term value.

In the third quarter, we saw continued growth in our core Collection and Disposal business, increased contributions from our sustainability businesses and sequential margin growth and synergy capture from our Healthcare Solutions segment.

In our Collection and Disposal business, we delivered strong performance in the third quarter with operating EBITDA margins expanding 100 basis points to a record 38.4% and operating EBITDA growing more than 7%, with every line of business contributing to that growth. Both results are consistent with our operating EBITDA growth and margin expansion objectives and reflect the strength of our post-collection assets, increased landfill volumes and our disciplined focus on optimizing price-to-cost spread through customer lifetime value. We're also realizing the returns on strategic investments we've made to enhance efficiency and structurally drive costs lower.

Looking at our top line, we delivered solid organic revenue growth in Q3, driven by disciplined pricing and improving volume trends in several lines of business. Core price was 6%, exceeding our plan, with residential and disposal pricing leading the way.

Collection and Disposal yield came in at 3.8%, which was in line with expectations. Volume increased in the quarter with industrial up 1.2%, our first positive quarter since 2022. We remain focused on differentiating our services and maximizing customer lifetime value and our customers see the value of our service as churn remain right in the 9% range and service increases outpace service decreases.

Additionally, landfill volumes rose 5.2% with broad strength across MSW, special waste and construction and demolition, mostly all unrelated to wildfire cleanup. As we mentioned at Investor Day, our strategic post-collection network continues to drive value both now and over the long term, as we have seen both strong price and volume contributions. And our results keep us on track to meet our organic growth expectations for the full year.

Turning to operating expenses, Q3 marked our second consecutive quarter with operating expenses below 60% of revenue. This improvement was driven primarily by our Collection and Disposal business, which contributed 90 basis points of margin expansion through lower maintenance and risk management costs.

On the fleet side, investments in trucks and technology improved our maintenance processes, reduced repair and maintenance costs by 60 basis points. Additionally, our focus on retention and training and development

contributed to a 7% year-to-date improvement in the total recordable incident rate, lowering our risk management costs as a percentage of revenue.

The strategic investments we've made in our team, our fleet, cutting-edge technology and comprehensive training are showing meaningful results. Turnover improved by an impressive 300 basis points, bringing the combined rate for drivers and technicians down to a record low of 16.8%. These results underscore that when we invest in our people, we invest in the future of our business.

These same investments in people, process and technology are showing up in the WM Healthcare Solutions business as well. Since the beginning of 2025, the team has improved turnover by 21%, while also improving on-time service delivery to the highest level in over four years.

As we close the third quarter, our results reflect not only strong execution, but also the innovative mindset that continues to set WM apart. From advancing operational efficiency to strengthening our customer relationships, our progress is driven by the ingenuity and commitment of our team. Thank you to all of our employees for the work you do every day to move us forward.

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

Devina A. Rankin

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

Thanks, John, and good morning. Total company operating EBITDA margin was 30.6% in the third quarter, which is the best quarterly results in our history. And that is despite the expected margin headwind from the acquisition of the Healthcare Solutions business. WM's legacy business achieved operating EBITDA margin of 32% in the quarter, meaningfully surpassing our long-standing ambition of sustained operating EBITDA margins above 30%. We achieved these results while overcoming a known 30 basis point headwind from the expiration of the Alternative Fuel Tax Credit. Our legacy business achieved 120 basis points of margin expansion in the quarter from four primary things. One, continued optimization of business mix with strong municipal solid waste volumes taking the place of low-margin residential volumes; two, our focus on operational efficiencies in our collection and disposal business; three, the scaling of our sustainability businesses; and four, our dedicated focus on reducing costs. The remaining 60 basis points of margin expansion was driven by lower recycled commodity prices in our brokerage business and a reduction in incentive compensation costs.

As I mentioned, the Healthcare Solutions business created an expected headwind for our consolidated margins. Our focus on optimizing this business will lessen this pressure over time, and we can already see the benefits of the team's integration and optimization efforts on the margins of this segment, which have improved each quarter since we acquired the business and are now at 17.5%. The key takeaway from all of this is that WM's disciplined focus on driving efficiency and investing in high-return opportunities is benefiting our financial results.

Our strong performance continues to translate into robust operating and free cash flow growth. Through the first nine months of 2025, we generated \$4.35 billion in cash from operations, an increase of 12% compared to the same period in 2024. This increase reflects our significant earnings growth, partially offset by higher cash interest due to the debt issued last year to fund the acquisition of Stericycle.

Capital spending to support the business and our sustainability growth investments are both tracking according to plan, totaling \$2.34 billion for the year-to-date period. Putting these pieces together, free cash flow has grown 13.5% to \$2.11 billion. Notably, our operating EBITDA to free cash flow conversion approached 42% in the third

quarter, reflecting that we have moved from peak investment levels in sustainability growth projects, landfill infrastructure and our fleet into a period where we will harvest strong returns on these investments.

Through the first three quarters of 2025, we've returned \$1 billion to our shareholders in dividends and allocated more than \$400 million to solid waste acquisitions. Our leverage ratio at the end of quarter was 3.3 times, and we continue to track toward our target ratio of between 2.5 times and 3 times, which we expect to achieve by the middle of 2026.

Turning to WM Healthcare Solutions. As Jim mentioned, we're as confident as ever in the strategic value of the acquisition, and we are committed to fully capturing its long-term potential. Revenue trends for this business reflect a more measured pace than our initial projections. This is because we are using a disciplined approach to customer engagement, which means we have offered credits and deferred planned price increases for some of our customers. All of this reflects our focus on maximizing customer lifetime value and building a strong foundation for sustainable long-term growth.

Despite the moderation and the anticipated pace of revenue growth in the second half of 2025, we're on track to achieve the targeted operating EBITDA contributions from the acquisition across our total company results, because synergy capture has exceeded our initial expectations, internalization of waste into our landfill network has been effective, and cross-selling opportunities are proving to be strong.

Turning to our total company outlook for the remainder of the year, we remain confident in our ability to deliver the operating EBITDA and free cash flow guidance we provided last quarter. Full year revenue is projected to be at the low end of our prior guidance range, reflecting incremental weakness in recycled commodity prices and our revised expectations for Healthcare Solutions.

With our outstanding year-to-date operating EBITDA margin results and confidence in our continued execution as we close out the year, margin expectations have increased to between 29.6% and 30.2%. In short, we are well positioned to achieve another year of strong earnings, margin and cash flow growth in 2025, and to build on our success as we go into 2026.

Finally, as many of you know, this is my final earnings call as CFO before my upcoming retirement from WM. Over the past 23 years, I've had the privilege of being part of this extraordinary team. Together, we work hard each day to care for each other and our communities and to deliver value to all of our stakeholders.

In closing, I must say that my favorite thing about our business has always been the people. I want to thank the entire team for leading the way in service to our customers, the environment and to our shareholders.

To our shareholders, thank you for your trust and support. I have complete confidence in the WM team and in David Reed, our incoming CFO, who knows this business deeply and has been instrumental in shaping our financial strategy. I know the future is bright, and I look forward to watching WM's continued success.

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 Tyler Brown with Raymond James. Your line is now open.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Hey, good morning.

Q

Devina A. Rankin

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

Good morning.

A

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Hello, Tyler.

A

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Hey, Devina, I've got a couple of housekeeping items. But just year-to-date, how much have you guys benefited from the one-time cleanup work at the landfill? I just want to make sure I have that right for next year?

Q

And then secondly, can you go through a couple of the charges this quarter? Has that plastics film plant just been idled based on commodities? Or was that a technology issue? And then what was the genesis of the landfill closure and the charge in renewables? I'm sorry, I know that's a lot, but I appreciate it.

Devina A. Rankin

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

Yeah. Let me take them in pieces. So first, with respect to the wildfire volumes, I think it's important to first highlight what John mentioned in his prepared remarks, that there was virtually no impact of that in the third quarter. That really was mostly a Q2 item. There was some in Q1. Total revenues for that were around \$115 million for the year. And as we've talked about, the flow-through on that revenue is higher than our portfolio flow-through on incremental volume, which tends to be in the 45-ish percent range.

A

As you can imagine, landfill volumes and special event volume tends to be at the higher end. So you have to extrapolate that in order to think about total EBITDA impacts. But I want to reiterate that the strength of Q3 solid waste results really indicates that we accomplished about \$145 million in EBITDA growth in that segment without any meaningful impacts from the wildfires.

With regard to the charges, I'm going to let Tara address the Natura activities, because she'll do that better than I could. But with regard to the landfill impairment that we took in the quarter, that was a really long-term pursuit of expansion at hazardous waste landfill in the Northeast. And we had some news this quarter that indicated that our pursuit would no longer be worth moving forward with and both recorded an impairment of the existing net book value of that and then also recorded the impact of an acceleration from former estimates in the expected closure and post closure costs for the site.

Tara J. Hemmer

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

A

So on Natura, it is absolutely market conditions. We built this plan and demonstrated that we can produce a high-quality pellet that customers would buy. But with virgin prices being at all-time lows and some of the minimum content legislation being a bit delayed, the buyers were just not there for the product that we were producing. So we made the decision to temporarily close the operations. We could start it back up, but we're going to monitor what happens with those market conditions going forward.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay. Okay. Very, very helpful. Appreciate that. And then, Jim, I very much appreciate the early look on the 2026 free cash. But can you give us any help on some of the pieces to get there? I mean, what a mid- to call it mid-high single-digit improvement in EBITDA, which I think is pretty consistent with the Analyst Day, makes sense. And then will part of the improvement in free cash be a sizable drop in green CapEx? Just any broad strokes there?

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

Yeah. So it's coming from a number of different places, Tyler. I mean, if you think about the wind down of the sustainability investments and then a ramp-up in the related EBITDA, that's a big piece of it. You'll see the normal strong performance of our legacy business, which tends to perform year in and year out. And so you'll see that as well, and we'll give you kind of the exact number when we get to next quarter.

In addition, we've bought – I think, John, correct me if I'm wrong here, about 6,000 trucks over the last three years...

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

That's right.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

...and that's above our normal spend on fleet. So we'll ratchet back to more of a normal looking year with about 1,500 trucks. So you'll see maintenance capital be a piece of that. You'll also see, and I can talk about this too, Healthcare Solutions. There's a number of reasons why Healthcare Solutions is going to be a nice contributor to free cash flow next year, not the least of which is reducing the cost of integration, which has been substantial this year.

You'll see some carry – a fair amount of carryover from synergies that we were collecting throughout the year this year that we'll get the full year of next year. You'll see some additional synergies in that business next year. So there's a number of reasons why Healthcare Solutions will be a nice contributor to free cash flow.

So there's quite a bit going into that. I don't know that, that helped you kind of fill out the models. But I think you'll be able to – when you hear us in January, be able to recognize that this is not just one thing that's causing us to be bullish on free cash flow.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Yeah. No, I totally get there's a lot of pieces. And just if I can squeeze one last one. So I think at the beginning of the year, you guys said that sustainability EBITDA would be up, call it, [ph] 280 (00:23:35) at the midpoint this year. It does appear year-to-date on my math. Again, this is my math, but it is tracking pretty well below that. I assume there's going to be a step-up in Q4. And then I thought, Jim, I heard you say that you are expecting to hit that target for 2025. Is that right? And then two, and Tara, this is my bigger picture question, but with where commodity prices are, where RINs are. Do you still have that full confidence in achieving that near \$800 million of total incremental by 2027? Or should we start thinking about maybe haircutting that a little bit or pushing it out a little bit further? Appreciate it.

Tara J. Hemmer

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

A

Well, let me take this in pieces. And first, I'll start with the Renewable Energy business. So we're making great progress on our projects, as Jim mentioned. You might have noticed that our earnings might have looked a little muted in the quarter. But that really is because we made the decision to defer really selling some of our RINs in Q4 because we saw pricing uptick – upticking a bit. And on the volume side in 2025, just to give you a little bit of color, we're on track through the first nine months of the year where we doubled the amount of RNG production. So we're seeing the benefits flow through from those plans.

As far as what we guided in 2025, we're expecting our renewable energy business to be on track. What's lagging is the recycling business, which is primarily commodity price driven. We've made a lot of great strides on our automation investments. And if you look at what Jim mentioned, that commodity prices were down nearly 35% and EBITDA was up 18%. That is a testament to the benefit that we're driving out of these investments, in labor costs and operating expenses, and our EBITDA margins are more than doubling at those automation plans.

So what you might see going forward into 2026 and 2027, on the recycling side, you'll recall we gave you a range of between \$75 a ton and \$150 a ton for what we might expect out of the recycling business. And so for the automation investments, we expect roughly a \$10 change to equate to about \$8 million. And then you would have to add to that for our base business, a \$10 change is about \$20 million. So all in, somewhere between...

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay.

Tara J. Hemmer

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

A

...\$25 million and \$30 million would be our new \$10 change. But we're – we remain very confident on where we're headed. We're looking at renewable energy pricing and what's happening in the RINs market, and we're seeing prices for 2026 in that [ph] \$2.20 to \$2.30 (00:26:33) range, so still within our investment thesis.

Patrick Tyler Brown

Analyst, Raymond James & Associates, Inc.

Q

Okay. Perfect. Great color as usual. Appreciate it. And, Devina, again congrats.

Devina A. Rankin

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

Thanks, Tyler.

A

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.

I'll add the congratulations Devina for a long career at WM. Thanks for all the dialogue over the years, and we wish you well on retirement.

Q

Devina A. Rankin

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

Thanks, Noah.

A

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

So now that we know that landfill volumes didn't benefit from wildfire in 3Q, can we double-click on the strength in MSW as well as what drove the positive inflection in industrial volumes?

Q

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Yeah. So volume was a good picture for us this quarter. When you think about industrial, it's been negative for several years now. And so the fact that it ticked up was encouraging. It was pretty evenly spread geographically. Part of that industrial pickup was the conversion of WM Healthcare Solutions hospital customers that moved from other companies to us. So that was a piece of it. I guess you could call that cross-selling, I don't know. But it certainly is a benefit of acquiring the business. Temp roll-off was slightly stronger across a couple of geographies as well. So that contributed.

A

And you didn't ask about resi, but resi is – has been negative for a number of years. And I think, John, we've talked about it kind of starting to flatten out at the back half of next year. But the volume – the margins have certainly been strong there.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

Yeah. I mean, if you look at quarter-to-date, year-to-date, the revenue despite the volume headwinds is up in the quarter and the date. And I think for the quarter, we're still up \$10 million in revenue and about 155 basis points. So that math is still working, but to your point, Jim, about the outsized volume impact.

A

If you remember last quarter, we talked about one big franchise. It's affecting about 250 basis points of that negative landfill – excuse me, residential print. And it's about 50 basis points to 60 basis points on the commercial side because that'll be another question. It's that franchise business. So we should lap that at the end of Q4. To your point, we've said we think we'll see continued improvement in trends in residential and probably get sub-3 by the first quarter of next year and continue to improve from there.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

And then, Noah, on landfill volumes, not only was MSW positive, really all waste streams showed nice positive movements. And MSW in particular, I think, is reflecting the strength of our network, really, more than anything else. It wasn't kind of similar to the industrial line of business. It wasn't something you could point to specifically in one place. It was pretty universal.

And so we're pleased with it, but it certainly wasn't a case of us trading price for volume, because if you look at the price numbers, they were very strong as well, particularly MSW, I think, was at 6.7% yield. So we're pleased with it. I wish I could give you a better answer on, other than just the network is very strong, on why it's coming to us. The pipeline on special waste, we just heard from our area leaders last week is, it continues to look good. So, overall, we're pleased with volume numbers.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Q

Okay. Thanks. Nice to see the margin guide raised for the year. There's still, I think, a fairly sizable range there for one quarter implied. So, just broad thoughts on what would take you to the low end versus the high end of that margin guide.

Devina A. Rankin

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

A

Yeah. It's a good question. And what I could tell you is we're optimistic about the margin outcomes. I think that what you're left with is recognizing that, with softness on the revenue line, there had to be outperformance in our execution, particularly in the Collection and Disposal business on margin and that's what lifts our confidence in the top end of that range.

I don't anticipate much that would drive us to underperform on that range. So, I do think you're looking at midpoint to the upper and being the most likely outcome for the fourth quarter.

With respect to what gives us that confidence, I really think it's important to reiterate that when you look at the 32% Collection and Disposal margin in the quarter, it's the result of the retention benefits that we've talked about driving efficiency and safety, it's the fleet investment, it's improved price-cost spread and it's improved mix, which Jim just gave you color on, particularly with those landfill volumes being so strong.

So, that's what gives us confidence, combined with the fact that, as Tara mentioned, Q4 will be a strong quarter of RIN sales. And those are effectively 100% accretive to margins. So, really expect the fourth quarter to be another strong quarter of margin performance.

Noah Kaye

Analyst, Oppenheimer & Co., Inc.

Q

Great. Lots more, but I'll leave the questions to others. Thank you.

Devina A. Rankin

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

A

Thanks, Noah.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Thanks, Noah.

A

Operator: Thank you. 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

Hey. Good morning. Thanks for taking the questions. First one I had was just on the Healthcare Solutions business. If you could maybe just touch a little more on the deferral of the pricing increases. Just maybe like what kind of customers are pushing back and why? And then, just in terms of maybe the long-term pricing power of that business, what's your confidence in the ability to eventually get those price increases and achieve the kind of mid-single-digit revenue growth you expect for that business?

Q

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Yeah. Trevor, apologies for kind of a long answer coming here, but I'll touch on the price increase piece. But let me give a little bit of perspective for everybody here on Stericycle after 12 months of owning the business. First of all – and we talked about this in our prepared remarks, but, strategically, we view this as being even better than the original business case. It's hard to – the secular trends absolutely support this.

A

It's hard to read an article these days about the next 10 years of – kind of 10-plus years of economic growth in the US without reading something about lower birth rates or an aging population here. And all of that supports this business. We know that what happens as we get older is that there's demand for – higher demand for healthcare services. And the market position of this business, too, is incredible. I'm not sure we realize that coming in, how strong their market position is geographically.

I think regarding pricing and then it's really related to the ERP implementation itself, Devina can comment on this as well, but, overall, as a comment about the ERP, I mean, it's moving along well. I think it's worth mentioning, every single company that's ever implemented an ERP, including ourselves, by the way, has measured this in years, not in months. And there are always some challenges with it. And this one, in particular, our ERP rolled out a few years ago off of a well-run system. This was not a well-run system. And so, we had some challenges, I think, coming in.

What we saw with the top line really was that it was affected by a couple things. You mentioned one of them, which is deferred price increases. The other was credits given to customers as we're trying to clear up this AR. By the way, we've cleared up a-third of the past due accounts receivable just over the last three months, some of that's coming in the form of cash collection, some it's coming in the form of credits.

The good news there is that those credits, for the most part, are going to be one-timers. It's not as if we'll never give another credit, but a lot of those are onetime credits that we're giving to customers.

And then, we're seeing a bit of churn as well. It's not excessive churn, but we are seeing some churn. So, it's really those three things. It's deferred price increases. It's some credits we're giving to customers to clear up old AR. And it's some churn with the business and a bit of volume as well there.

But overall, look, we think that – we talked about the synergies outperforming. Devina mentioned that in her script. Those are outperforming for us. And by the way, this ERP, I mean, we absolutely have the right team on it right now. We have a super strong team on it. They are focusing on a whole bunch of different work streams. We're doing things like rolling out a new invoice to customers shortly. The systems are now finally talking to each other.

So, SAP and Salesforce are talking to each other. I'm not sure that was the case before. And so, this becomes not an if anymore, this is a when. And I think the when is still well into 2026, but what we can say is that this quickly becomes transparent to our customers. It's all internal work that's being done, things like the new invoice, those aren't transparent to the customer. They'll see that and they like it.

But again, long answer to your short question there, but we do feel really good about this. I know a lot of you wrote about it in your early remarks, but, strategically, it's a great business and we're making a ton of progress on all fronts.

Devina A. Rankin

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

A

And, Trevor, I'd just like to underscore one thing, I think, to address your question very directly. And that's that this was not a step that we took as a reaction to push back from customers, quite the opposite. It was a step that we took, because WM does the right thing for our customers.

And so, whether it's the credit or the customer-centric evaluation of service and contract that was necessary for us to ensure that we're taking the right steps with price increase, those were things that we did because we do think is the right way. And you'll just see effectively a re-stabilization of revenue as we get into 2026 outlook. But I think this housekeeping that you're seeing in the third quarter was necessary for us to focus on customer lifetime value and a long-term growth portfolio that we know exists because this is the best platform in the business for regulated waste service, particularly in North America.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

And maybe, Trevor, one – again, to add to Jim's long answer, I'll extend it just a minute. I mean, listen, at the end of the day, the strategic value of the healthcare business, Jim and Devina have spoke to in their comments.

The other thing I would tell you is when you look at it, it's about 10% of our business when the dust settles and if you look at the legacy business or the core solid waste business with margins over 38%, SG&A and kind of a soft revenue quarter at 9%, there's a lot of strength in the legacy and core business and we think that that's going to continue to perform well through the balance of the year and next year. And again, we're going get the tailwind, if you will, of all the improvements that the team is working on with regard to this healthcare business. So, that's another reason why we feel so good about in particular what our free cash flow is going to look like for next year.

Trevor Romeo

Analyst, William Blair & Co. LLC

Q

All right. Thanks so much, all three of you, for that. That was really helpful. And then, John, I guess that's a good segue into a follow-up question I had, which is maybe the – looking at your price-cost spread into next year, it sounds like things are kind of tracking well. Now, if you look at your pricing, maybe the yield is tracking maybe toward the low end of what you expected this year, but still pretty solid on costs and sounds like your turnover and incident rates are improving. So, you see potential maybe for wage inflation to go down further next year. Just kind of how are you thinking about both pieces of that spread beyond this year?

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

No. It's a good point there, Trevor. I spent a good bit of time looking – I looked at a few different ways. If you look at sort of the yield for the traditional solid waste business for the quarter, it's 4.1%. If you look at core price at 6% and you compare that to sort of CPI, CPI for, at least our math, is right around 2.93%.

So, I think we continue to see a good spread between core price yield and operating expense pressure. And I think as I mentioned in my prepared remarks, another quarter under 60% with a little momentum on a year-to-date perspective. So, we feel good about the cost price spread.

And I think the other thing we've talked about for the last number of quarters is that our commercial and industrial pricing has always been solid and consistent, but you're seeing continued improvement and consistent levels of pricing across our landfills, across our entire post collection network and still in our residential business.

So, I think the fact that we've syndicated sort of our pricing strategy in a more effective way gives us a lot of confidence going into next year on that spread you mentioned.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

You might mention, John, driver turnover, because that's an incredibly good story for us.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

Yeah. That's worth noting. I mean if you look at our risk cost, our safety metrics, there's a number of metrics. Our labor ratios are all benefiting from the fact that we, as a team, have worked really hard over the last couple years, really post-pandemic, to get that number, A, under control and, B, to make it – to improve it quarter in and quarter out. As I mentioned, the driver and technician turnover is at an all-time company low and that shows up in a bunch of different metrics, as I mentioned in my prepared remarks.

Trevor Romeo

Analyst, William Blair & Co. LLC

Q

All right. Really appreciate it. And, Devina, my congratulations to you as well. Thanks.

Devina A. Rankin

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

A

Thanks so much.

Operator: Thank you. 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 was hoping you could talk a little bit more on what's going on with yield and also just in the quarter, but also looking into 2026, how your conversations with customers have been going at the end of the year here. Thanks.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Well, I would say yield is – what – we talked about with yield and I mentioned a couple of them earlier, MSW was very strong at 6.7%, commercial at 4.7%, resi 6.5%. So, we're happy with yield and core price. We tend to focus on both. And I think the primary focus with respect to pricing is to cover our costs and then tack on some margin over and above that. And I think that what we're showing, whether you look at – when you look at our margin results, even with some of the headwinds that we faced, I believe that's really kind of showing up there.

So, I don't know that, that answers your question. But, right now, we don't just focus on kind of the absolute number. As our cost comes down, we've said all along that our yield will tick down slightly. But we just want to make sure we maintain that delta between cost and price.

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

Got it. Yeah. I was sort of curious on the industrial yield. I think it was like the lowest since COVID and I think you've talked about mix and temporary roll-off being a little bit weak in past quarters. I know you said it was a little bit better this quarter, but were those still similar drivers or is – like, I guess, on the industrial one, was there a reason why [ph] 2.3% was – we saw (00:42:15) lower.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

I think you picked it off, Toni. I think a few things are affecting that. One, in terms of – we mentioned that some of the volume increases coming from the healthcare side as we internalize some of that, but to your point, the temporary business has actually rebounded a little bit is less negative. And historically, that's lower priced than permanent work, but that doesn't mean it's not as profitable.

So, that's one I would certainly point to. And I think the other thing we saw is a little uptick in our permanent hauls, too, from some of our permanent customers, not meaningfully, but it was an uptick. But that is what's affecting the yield. But I think, as Jim mentioned, when you look at our core price at 5.7% for industrial and the overall margin in our Collection and Disposal business at 38.4%, I think that the math [ph] flips out (00:42:57) pretty well.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

May also be a bit of a mix issue with respect to national accounts when you look at yields. And that's why core price is an important metric for us to look at also.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

Yeah.

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

Okay. Great. And then, just as a follow-up, when you think about the M&A pipeline, how is that looking? How are valuations looking? And should we expect 2026 to be sort of a bigger year or still digesting the healthcare business? Just where are we on sort of M&A strategy?

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

Well, I think you heard a good bit of color from Jim and Devina on what we're doing in healthcare and where we are sort of in the integration there. We made a big step. The business is now fully integrated into our 16 areas. So, we feel good about the momentum there.

Separately, on the traditional solid waste side, I think we've closed about \$450 million year-to-date and we said that that number could be as big as \$500 million by the end of the year. And it could still be – we've got a handful of transactions that are out there that could close in Q4 or could roll into next year.

But I think with regard to 2026, sitting here today, I think probably somewhere in the normal \$100 million to \$200 million is what we're looking at now. But as we've demonstrated over the last couple years, when the right strategic solid waste asset pops up, we've certainly got the capacity to do that. We're going to take the same approach into next year.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

And I think, John, maybe one last add there, when you think about M&A for next year, it really kind of brings into the conversation capital allocation and what does capital allocation look like next year? We'll give you some specifics on it when we get to January.

But at \$3.8 billion in free cash flow, as we really harvest the cash from these sustainability businesses in the Healthcare Solutions and then continue to drive good strong cash from our legacy business, it probably indicates that you're going to see – obviously, the dividend will be – that's come out of that first, but there could be some M&A and very likely will be a substantial share repurchase next year. We'll figure out exactly what that number is going to be when we get to June – to July – [ph] Jan – J months (00:45:06).

Toni Kaplan

Analyst, Morgan Stanley & Co. LLC

Q

Super. Thank you.

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

James Schumm

Analyst, TD Cowen and Company

Q

Hey. Thanks and good morning, guys. I was wondering, on the WM Healthcare, would you be able to give us a sense of how the medical waste is performing and how the document destruction businesses are performing?

Rafael Carrasco

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

A

Well, two things there. First of all, addressing a little bit of the remarks that Devina made earlier regarding some the credits we've issued to the customers, those credits have been primarily on the regulated medical waste side of the business. A lot of that is acknowledging frustration over the years with the ERP implementation. It has been sort of maintaining our customer-first focus there and making sure that we establish a firm foundation from which to grow.

We have experienced a little bit of churn there on the hospital side of the business. However, additional customers continues to be pretty strong. I will say, I think it's worth noting that we've renewed nearly \$200 million worth of business on our large customers there and that average PI has been in the low-double digits.

So, I think we have a good runway there. And as we stabilize that side of the business and we have a firm foundation to grow, you'll see those PIs begin to realize towards the back half of 2026.

On the auto shred side, the purge business gave us a little bit of challenge at the beginning of the year. That was mostly having to do with disconnects between commercial and operations. We fixed those and we've seen us bringing that high-margin business back in line. And the auto shred, actually this is the place where we've implemented our sales coverage optimization the soonest, the fastest. And we're seeing a lot of productivity in terms of pipeline, rate of closure and we like what we're seeing there. Quite frankly, the whole melting ice cube concern is not that much of a concern for us anymore.

James Schumm

Analyst, TD Cowen and Company

Q

Okay. Thanks a lot, Rafa. And on the positive side, you noted like basically legacy Stericycle volumes going into your landfills. Is there any way you could quantify that benefit for us?

Devina A. Rankin

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

A

So, basically, when we think about how we outlined synergy value, we talked about \$80 million to \$100 million in 2025 of synergy value. You can think of it being about a-fifth of the synergy realization to the year.

James Schumm

Analyst, TD Cowen and Company

Q

Okay. Okay. And then, just last one for me. On the hazardous waste landfill, like I just want to make sure I understand correctly, you were pursuing an incremental hazardous waste landfill, is that right, that didn't come to fruition? Or are you closing an existing hazardous waste landfill?

And then, can you just – I forget, how many – you guys have four, five hazardous landfills, where do you stand there? Thanks.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

So, the answer to the question is that the site that we're referencing that was shuttered has actually not been operational. We've kept it on life support, if you will. As Devina mentioned, we were pursuing a permit expansion. So, it's not a loss from our existing portfolio. It hasn't been operating in a meaningful way in a number of years.

Devina A. Rankin

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

A

But it is in the count. We've always disclosed that we have five hazardous waste landfills. We will now disclose that we have four.

James Schumm

Analyst, TD Cowen and Company

Okay. Great. Thank you and good luck to you, Devina. Thanks for everything.

Q

Devina A. Rankin

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

Yeah.

A

James Schumm

Analyst, TD Cowen and Company

Bye.

Q

Operator: Thank you. Our next question coming from the line of Rob Wertheimer with Melius Research. Your line is now open.

Rob Wertheimer

Analyst, Melius Research LLC

Yeah. Hi. Thank you and good morning. I just had a quick clarification on an earlier comment with respect to Healthcare Solutions doing more traditional waste. I think you said, I guess you could call it cross-selling. Sound a whole lot like cross-selling. So, I was wondering if I missed subtlety there.

Q

And then, just more generally, how does your cross-selling kind of sales effort ramp up over time? Thank you.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

Yeah. You're probably referring to the comment I made about our industrial volumes and how we were taking volumes from what would have been under the old company going to a competitor and then internalizing them into us. So, that's really what that is, our solid waste volumes coming to us in the industrial line of business through internalization of that volume.

A

Rob Wertheimer

Analyst, Melius Research LLC

Okay. Perfect. And then, just in general, your progress along cross-selling on healthcare?

Q

Devina A. Rankin

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

It's been very strong. There are some great examples where we've had exactly what we've talked about, where the national accounts business platform for WM has been a long success story for us. But the healthcare sector was one of those where we were underrepresented relative to our share in other important segments of our customer base. And we've seen great success in leveraging, I would say, the WMHS customer base in order to extend traditional solid waste performance across that national accounts platform.

A

And then, we've also seen success the other way, where we've taken legacy WM customers and thought about shred opportunities or even using the healthcare solutions platform in order to deepen the customer relationship. I think what's really important there is that when you become that single source provider for a customer, that

customer relationship will be longer and provide incremental value. So, that's another leg of that focus on customer lifetime value that we've been talking about.

Rafael Carrasco

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

A

Maybe, Rob, one more final point there. Jim referenced in his script one particular customer that has increased their annual spend by about \$5 million across their multi-state network. But that's certainly an evidence of cross-sell there. By the way, there are several customers that have increased their spend in the seven-figure annual revenue range with us. But maybe what's even more exciting is that we're also seeing cross-sell in our independent RMWM shredded small and medium-sized customers.

We've actually completed cross-sales for over 7,000 customers. Now, those are small customers, but those end up becoming the backbone. And what we've seen is that customer split is basically 50-50 between WM and Stericycle original books of business.

Rob Wertheimer

Analyst, Melius Research LLC

Q

Got it. Thank you.

Operator: Thank you. And 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.

Q

Yes. Hi. Thank you. Good morning. I wanted to follow up on the same topic. It seems like you're talking about success around cross-selling. But at the same time, you're also talking about higher churn on the healthcare side. So, I'm just curious if you could give us a bit more color on what type of – is there a specific type of customer, maybe a region or like where are you seeing better strength with cross-selling versus where you're seeing higher churn?

Rafael Carrasco

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

A

Well, the success – Faiza, if I understood your question correctly, the success that we're seeing on cross-sell is across all of the channels. I just mentioned 7,000 customers that we've cross-sold. Those are small and medium-sized customers. We've also had some success with some of the larger, more complex hospital networks.

The churn that we've seen in the hospital side really relates to those customers that have experienced the most frustration over the last couple of years. They were the ones that maybe weren't getting their bills correctly earlier in the [ph] Monarch (00:53:19), which is what they used to call their project implementation back in late 2023 and early 2024. And so, we've seen some uptick there, but we've also seen our addition of customers on the hospital side remain pretty healthy.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

I think too, Rafa, it's worth mentioning that – okay, so, yeah, we've seen some churn here. But I mentioned kind of in my long answer there that this network that Stericycle has is unsurpassed. Nobody is close to this network. So, while we may have seen a bit of churn, it's not extraordinary churn by any stretch.

And so, once we get this ERP kind of ironed out once we really kind of bring this entire business under us, which we've done now, John mentioned bringing it into our operational structure in our 16 areas, I think you can expect to see all those numbers that you've been focused on, that we've been focusing on as well, which is 5% to 6% revenue growth and the synergy is really showing up as opposed to being a little bit obscured by the top line, all of that will begin to show.

And then, I guess, John's point is an important one, too, which is again this is 10% of our business. The 90% is killing it. So, we're overall pleased with the way things have progressed.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

I think the only thing I'd add to that, Jim, and I mentioned earlier it's worth highlighting here is the service is good.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

Yeah. True.

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

I mean when we look at the healthcare portfolio of services, Rafa and the entire team have done a nice job, as I mentioned, on improving one KPI, which is on-time delivery. So, service, if it were a challenge, is the harder one, is hard to fix. In this case, we have the benefit of providing solid service.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

I think their numbers end up being better than our own numbers on the legacy side.

Rafael Carrasco

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

A

And by the way, that churn number is also better on that segment than on the legacy side anyway.

[indiscernible] (00:55:17)

Rafael Carrasco

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

A

Yeah. So...

Faiza Alwy

Analyst, Deutsche Bank Securities, Inc.

Q

Understood. Very helpful. Thank you. And then, just maybe pivoting to the core business, you mentioned lower maintenance, lower risk management costs. So, how much more runway do you think you have in this as we look ahead to 2026 and beyond?

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

A

So, I would tell you, there wasn't that many. Handful of years ago, we were at the 63%-plus range and gradually and systematically we've worked our way down under 62%, 61% and now under 60%. And we think that's, obviously, a pretty big accomplishment for us.

To answer your question, is there room to run there? Absolutely. I think you've seen the momentum from above 60% to below 60%. We have some numbers aspirationally over the next handful years that we'd like to achieve that are better than the 59.4% that we printed this quarter.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

I think it's going to require – so, John, to your point, it's going to require a different way of doing business. And so, John has a team that's working on this. So, it's not just run fast or jump higher. It's doing things differently than we've done them. So, if all we're doing is just doing this – the – kind of trying to squeeze dollars out of the existing business the same way, then I would argue, yeah, we've probably squeezed a lot of those SG&A dollars out and the OpEx dollars out.

But in order to get to those aspirational figures that John has referred to, I think you'll see us doing things a bit differently. That means using technology to supplement our operations and using AI, which every company is talking about these days, to replace labor that leaves us.

Faiza Alwy

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you very much.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

You bet.

Operator: Thank you. And our next question coming from the line of Tami Zakaria with JPMorgan. Your line is now open.

Tami Zakaria

Analyst, JPMorgan Securities LLC

Q

Hi. Good morning, team Waste Management. One follow-up question on the topic of churn. I found your comments quite interesting. Could you comment on where these customers that are churning are going to? The reason I asked that question and like you mentioned earlier, Stericycle had very strong market share, hence, I'm curious, are they churning for price, network, something else? And related to that, would you expect to win some of these customers back once the ERP is in a good spot? Or are these customers not profitable enough to go after?

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

Well, there's a lot in that question. I'm going to try to give you some nuggets that you can take away here. But, first and foremost, we're having exit interviews with those customers. And by the way, a lot of times, what we're

losing is not the entire customer, but a piece of the customer. And the reason for that is that there is no other competitor out there that that can actually handle the entire network of hospitals that is associated with the customer.

And so, when you ask the question, do we have the ability to go back and gain that customer? The answer is absolutely yes, because they're going to want to gravitate back to a single provider.

Tami Zakaria

Analyst, JPMorgan Securities LLC

Q

Understood. Okay. That's all I have for today. Thank you.

Operator: Thank you. And our next question coming from the Line of Konark Gupta with Scotia Capital. Your line is now open.

Konark Gupta

Analyst, Scotia Capital, Inc.

Q

Thanks and good morning. Just want to kind of address the same 10% business. Jim, you talk about. It's kind of like important in the grand scheme of things, but SG&A intensity at healthcare, if I look at the [ph] GAAP (00:58:52) versus the Legacy Business, I think it stood at 10 points. In Q3, you were 12% -- or 12 points in Q2, 14 points in Q1. I mean, it's been coming down sequentially, the [ph] GAAP (00:59:04) versus Legacy. And I think at this clip, I mean you might hit your target, underlying target, for synergy in the next few quarters, perhaps.

So, just wanted to get the sense of, are we thinking it correctly that the SG&A intensity is coming down quite nicely here and it's kind of going to hit your targets soon enough? Or is there something else in the mix that has [ph] held into (00:59:24) SG&A intensity much faster in the first three quarters?

Rafael Carrasco

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

A

Yeah. Well, I would say to that, I mean, just to frame it maybe in more pointed fashion, I think what you've seen is -- since Q3 of last year, you've seen that SG&A go down by essentially 700 basis points, which is a pretty dramatic shift down. Now, there were some parts of that business that were clearly low-hanging fruit. We are now taking a much more surgical approach to how we do that.

So particularly so we can do two things, one, maintain the improvement and the fixes that we are doing on the ERP, [ph] one (01:00:00), change a little bit of the customer care level approach that we're using with that larger complex customer base and then facilitate more collaboration across the sales and operations side of the business.

So, we saw a really good improvement in 2025. We're going to see that improve in 2026 and then taper down. But I think what we've said is over -- let me see, over the three-year horizon, we are intended to take that down to 17%. We think we're going to end up there and there's opportunities for more.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

By the way, I want to add there is that, that SG&A performance is even more impressive, then Rafa gives his credit there, because the softness on the top line. And we're measuring it as a percent of revenue there.

So, Rafa and his team have made huge progress on the cost side of this. And as we have discussed with the top line, there has been some things that – some of them are one-timers, some of them are recoverable. But as we see top line really start to tick back up, that improves SG&A as a percent of revenue as well.

Konark Gupta*Analyst, Scotia Capital, Inc.*

Q

I appreciate the color on that. Thanks. And if I can follow up on the recycled commodities, I think you guys noted 35% decline in Q3. What are you seeing now based on the book that you are left with? What kind of basket of commodity prices you're looking at heading into Q4 or early 2026?

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

A

Well, as you all saw, commodity prices have dipped and a couple reasons for that, if you're looking at OCC prices, we've seen some mills closed down domestically, about 10% of capacity has been taken out and we're seeing weaker box demand. So, certainly, if the economy picks back up and we see more consumer spending, we would see an uptick in OCC prices. And you heard my previous comments related to plastics. Plastics are at all-time lows.

But when you look at commodity price trends, typically from peak to trough, roughly 12 to 24 months, so we would expect a bit of a bounce back sometime in 2026. We're not expecting that in Q4 2025. We're expecting commodity prices to remain around that \$65 to \$68 a ton basket and that's what has been included in our recent update.

But overall, still feel very optimistic about the investments we've made. We've been taking out labor out of our facilities, which is good in any commodity price environment and certainly creating cleaner material, which we can sell at a higher price point.

Konark Gupta*Analyst, Scotia Capital, Inc.*

Q

Okay. That's great color. Thanks for the color and time and all the best to you, Devina and David. Thanks.

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

A

Thank you.

Operator: Thank you. Our next question coming from the line of Kevin Chiang with CIBC. Your line is now open.

Kevin Chiang*Analyst, CIBC World Markets, Inc.*

Q

Thanks. Thanks for taking my question here and echoing the congratulations, Devina, best of luck in your future endeavors. Maybe just on RNG, I think at the Investor Day, you had mentioned, I guess, in 2026, you had secured about 30% of the volume at a fixed price, RIN prices have moved up a little bit here in Q4. Just wondering if that ratio has changed as we think about the fixed versus variable into next year.

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

A

So, for 2026, we've pre-sold about 45% of our off-take. So, it's up from our last update. And just to give you a balance, what we're anticipating is a little less than half of that will be sold in the transportation market and a little more than 50% will be sold in the voluntary market. 2026 will be a year where we will fully allocate our fleet to WM's RNG production. We're seeing RIN prices for 2026 in that, again, [ph] \$2.20 to \$2.30 (01:04:13) range and still seeing some buyers on the voluntary market and we're making some headway there.

Kevin Chiang*Analyst, CIBC World Markets, Inc.*

Q

Okay. That's super helpful in the update. And just – I know you've had a lot of questions on healthcare here. Maybe if I just ask a bigger picture question. When you look at the price elasticity of this business, as you try to put through price increases and pursue your revenue strategy, is it in line with what we would have thought a year ago? And maybe how does it compare to solid waste as you've kind of had this under your belt, just interested from a higher level perspective, just how you view kind of the pricing and demand dynamics just having on this almost a year now?

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

A

Well, lots has happened in that year. I think what I would say is we start maybe with our long-term vision and then move backwards. We've talked about that maybe aspiration of 5% to 6% growth overall being realizable, long term.

What we found is that, as Devina mentioned, we're taking a slower, more deliberate approach with that, particularly in the price increase, because the last thing you want to do is put a PI through to a customer, particularly a large complex customer that has been going through a tremendous amount of frustration with their billing with our reporting over the last couple of years.

That said, once we have offered that credit and baseline that customer better, we don't see any reason to doubt that we're going to be able to put in the particular PIs increase that we are entitled to. And I would just point you once again to the example I gave earlier about some of the renewals we've had about \$200 million worth of that business that we've been able to renew with an average low double-digit PI.

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

A

I would just double down on that and say there are some really important fundamentals there. One is the secular trends that we've discussed. So, from a supply and demand perspective, the demand for our business is just going to continue to grow.

Two is the quality of the customer service – the quality of the customer service, our on-time delivery, all of that is strong. That's really supported by a best-in-class Net Promoter Score for that part of the business.

And then, three, I just think of it in terms of the strong execution, data-driven approach that WM has established and that we show quarter in and quarter out for the Collection and Disposal business, we're going to be able to leverage that know-how for this business segment. We're just going through this period of housekeeping, I would call it, that is appropriate and doing the right thing for our customers.

So, I think those things bolster our confidence in that long-term price outlook for the business. And I think we're more confident in that today than we were a year ago.

Kevin Chiang

Analyst, CIBC World Markets, Inc.

That's great color. Thank you very much and good day. And congrats, Devina.

Q

Devina A. Rankin

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

Thank you.

A

Operator: Thank you. And our next question coming from the line of Shlomo Rosenbaum with Stifel. Your line is now open.

Shlomo H. Rosenbaum

Analyst, Stifel, Nicolaus & Co., Inc.

Hi. Thank you very much for taking my questions. I want to talk a little bit about the industrial volumes turning up. And if you kind of exclude the internalization of the Healthcare Solutions, are we starting to see an uptick just in general? Do you feel like we're just kind of bouncing around a little bit off the bottom? It's certainly notable, that's the first positive number in three years. I want to see what you think that is indicative of, just in general, in your customer base?

Q

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

So, I think if you look at that industrial, I think you hit on the key point, which is the first quarter in many that we've seen a positive uptick. And if you discount out the healthcare service volume, it's about 50 basis points of the increase. So, net of that, we've still seen an increase in our volume. And I mentioned it's a little bit of a less of a drag from the temporary business.

A

And Jim mentioned we're seeing some of that flow through to our landfills on the construction side. And we've also seen an uptick in some of the business our permanent customers are doing. So, think about the same customers falling a little bit more per week, per month than they were before. Those are the two contributing factors, net of the healthcare. And like I said, that's about half of the improvement.

Shlomo H. Rosenbaum

Analyst, Stifel, Nicolaus & Co., Inc.

So, it feels like the underlying business, just to make clear, the underlying business is getting better. It's just – not just kind of a bouncing around off of finally hitting the bottom. I'm just trying to put a little finer point on that.

Q

John J. Morris

President & Chief Operating Officer, Waste Management, Inc.

I think you got it. Like I said, half of it's healthcare and half of it's unrelated to that. And as I mentioned, part of the yield push was the fact that the [ph] temp (01:08:40) business is profitable, but it doesn't bring the same top line revenue. So, it does put a little pressure on yield. But as you think about our margins in the Collection business – or Collection and Disposal business, I think they'll speak for themselves.

A

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

I think it'll interesting to see how the housing market does. I mean, every homebuilder you talk to would tell you that we're short houses, unlike 12 years ago during the Great Recession, where we had too many and so hence, the big crash. Now, we've kind of gone 180 degrees. And then – so, it will be interesting to see how – what the homebuilders do, how that affects our business, because it is a piece of our business for sure and it will affect our roll-off volumes too.

Shlomo H. Rosenbaum*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Great. I just want to follow up just a little bit more on the ERP impacts on the healthcare business. Where do you feel you are in terms of stabilizing that whole system so that we're kind of clean, the customers are seeing what they would expect to see and we can kind of baseline off of there? I mean is there another few quarters that we need to go? I'm just trying to understand kind of timing wise, how long we should think about this interim period before you get back to being able to implement the normal kind of pricing you would expect?

And then, just a housekeeping thing for Devina. Is there a difference between issuing credits for past dues and write-offs? Or is it just semantics there?

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

A

Yeah. That's a great question. So, I'm going to take that easy one first. So, a customer credit has to be recognized as a reduction to the revenue rather than a write-off, which is recognized as incremental SG&A cost. And so, our write-off actually were pretty well on hand in the quarter for the healthcare business. It was more direct steps that we took to credit for the top line with our customers in the quarter where we saw an outsized impact.

With respect to where we are in the ERP journey, I think Jim's comments about the fact that these implementations and journeys are measured in years, not months, is the right way to think about it. But I think to put a finer point on that, what's really exciting about where we are and kudos to the team that's working diligently on this each and every day in order for us to get there. But we're calling the current environment and you actually used the word in asking the question, our stabilization period, and we expect to be through our stabilization period by the end of the first quarter.

We're then going to move into a scalable and growth period and we think that scalable and growth period starts with Q2. So, we're really optimistic that we've got the right people working on this, we've got the right plan and we are seeing really good traction on the work streams that are in place. And while there may be a quarter bump or – bump in the road with regard to the revenue that we provided, we know that the bump in the road is temporary and we're going to be on a stronger foundation going forward for the growth of business, long term.

Shlomo H. Rosenbaum*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Great. If you don't mind me sneaking in one more. Just if you renewed \$200 million at low-double-digit PIs, how do I think about that in terms of kind of the flow through for the business? Is that kind of you take that divided by revenue and assume that the rest of it is flat and then you're in kind of the 3% to 4% range or so you're already kind of narrowing in on your 5% to 6%? Or how should I take that in the context of what's going on?

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

A

Yeah. I think it's early to kind of think about that in the context of the 4% to 6%. I think those numbers are the aggregation of annualized revenue renewals and terms of contract that might extend well into two and three years. So, it's just – take it for what it is an indication that there is price to go get out there in this large complex network of customers.

Shlomo H. Rosenbaum*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Thank you.

Operator: Thank you. And our next question coming from the line Bryan Burgmeier with Citi. Your line is now open.

Bryan Burgmeier*Analyst, Citigroup Global Markets, Inc.*

Q

Good morning. Thank you for squeezing me in. I just had one question maybe for Tara. I appreciate the details on Natura PCR earlier in the call. Maybe just kind of zooming out, it seems like nobody has really cracked the code on flexible plastic recycling yet. What do you think maybe it takes to make flexible plastic recycling work at scale?

Do you think we need [ph] EPR (01:13:25) legislation? Is it kind of about the consumer packaged goods companies? And maybe what is the best way for WM to try to take advantage of that as Natura PCR is kind of on the sidelines right now? Thank you.

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

A

So, I just want to clarify, we did crack the code on making a quality product. What we were not able to crack the code on is getting customers to divorce their expectations for the price of that product from virgin. And that is absolutely what has to happen in order for this to be a broader sustainable business model.

So, there's a couple ways that, that could happen. It could happen through minimum content legislation. That is one and that exists in certain markets, but not across the whole country. And there needs to be broader enforcement and penalties and teeth to that.

And then, two, the companies that would buy PCR, if their customers are expecting products that are put on shelves to be made from PCR, they're going to have to buy it at a higher price. If you think about our recycling business, our traditional recycling business is a fee-for-service model. And we're manufacturing a product in the Natura PCR plant and we have to get an appropriate margin on that product and that's independent of virgin pricing. That's just the reality of where we are in that space.

Bryan Burgmeier*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Thank you. I'll turn it over.

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

Great. Thank you. Maybe just circling back on the M&A piece, I appreciate the commentary in terms of just all the work and integration behind the healthcare deal and also your commentary about the traditional solid waste deals completed or planned to be completed this year. Wanted to get a gauge of your appetite as you think about 2026, even 2027 about looking at deals or opportunities outside of the traditional solid waste space. Thank you.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

I think we've always stayed pretty close to home on M&A, probably the farthest we ventured out would have been Stericycle and we did, I think, make a pretty good case that that's very similar to our existing core business. So, we don't expect us to buy a semiconductor company in a couple of years.

I think we'll continue to do what we do best, which is operated within our core. Our core includes – it includes solid waste, it includes hazardous waste. And for now, I think medical waste, I think we have enough on our plate to try and not do anything else in the near-term.

Stephanie Moore

Analyst, Jefferies LLC

Q

Great. Thank you.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

A

Yeah.

Operator: Thank you. And there are no further questions in the queue at this time. I will now turn the call back over to Mr. Jim Fish, CEO, for any closing remarks.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

All right. Well, thank you very much. Before I sign off, just I want to express my gratitude to my friend, Devina Rankin here. Devina is 23 years with a company that's amazing. She's got me by a couple – nine years. Shen and I have worked together more than nine years. She and I worked together since 2012 directly. And she has been an incredible not only friend to [ph] Diana, Devina to Tracy (01:17:16) and me, but also a confidante for these, I guess, it'd be 13 years since 2012.

Everybody at this company thinks so highly of her and we're all going to miss her, but we know she'll do incredibly well in whatever she choose to do following her retirement. But thank you, Devina, for all you've done for this company.

Devina A. Rankin

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

Thank you, Jim. Thank you so much.

James C. Fish, Jr.

Chief Executive Officer & Director, Waste Management, Inc.

With that, I'll just say we'll see you next quarter. Thank you very much.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.