



Waste Management (NYSE: WM)
Industry: Waste Management Services
Sector: Industrials
Buy: US\$283.8 (+26.0%)

From Trash to Cash: Monetizing the Future of Waste

BUY Recommendation

We initiate coverage on Waste Management Inc. (NYSE: WM) with a **BUY** recommendation and a target price of **USD 283.83**, representing a **+26.0%** upside based of its current price of USD 225.20. Our target price was derived using a discounted cash flow valuation method and performing a relative valuation as a sanity check.

Investment Summary

From Trash to Cash – WM's Fully Integrated Advantage:

Waste Management Inc (WM) stands as the industry's most structurally self-reliant player, underpinned by its vertically integrated model and strategic acquisitions. Its vast infrastructure of landfills and transfer stations allows WM to monetize disposal capacity by servicing competitors, reinforcing pricing power and contract wins. Recent acquisitions, including Advanced Disposal and Stericycle, further cement both vertical and horizontal integration—expanding WM's geographic footprint and entering high-growth markets like medical waste and document destruction. Coupled with best-in-class recycling efficiency driven by automation, WM's fully integrated model delivers unmatched asset utilization, long-term cost control, and multi-sector growth resilience.

Commanding Growth Through Technology and Sustainability:

Facing rising labour and regulatory costs, WM leverages automation, route optimization, and single-operator fleets to enhance productivity and reduce wage pressures—sustaining its cost leadership in municipal bids. Simultaneously, WM is transforming landfill gas into a strategic asset by investing USD 1.4bn in renewable natural gas (RNG) infrastructure, set to generate USD 600mn annually through RIN credits and power its own fleet and facilities. This closed-loop system not only boosts margins and energy independence but also meaningfully lowers Scope 1 and 2 emissions, advancing WM's climate commitments while turning sustainability into a high-margin growth engine.

Investment Risks

Vulnerability to U.S. Climate Policy Shifts:

A U.S. withdrawal from the Paris Agreement could weaken federal climate policies, jeopardizing USD 300mn–USD 400mn in tax incentives supporting WM's USD 1.4bn RNG investments, increase compliance costs across 262 landfills, and dampen demand for sustainability services, threatening USD 600mn in RNG earnings and WM's 42% GHG reduction goal by 2031.

Exposure to Climate Regulation and Physical Environmental Risks:

Stringent GHG regulations, failure to meet sustainability targets, and physical climate threats expose WM to high-impact risks. Non-compliance could incur heavy costs and erode investor confidence amid heightened ESG scrutiny, while climate events like storms and sea-level rise could damage key infrastructure across its 257 landfills and 337 transfer stations, disrupting operations and profitability.

Margin Pressure from Rising Labour Costs and Unionization:

WM faces rising labour costs from skilled worker shortages, high turnover, unionization pressures, and minimum wage hikes, which threaten margins and service reliability. With 16% of its workforce under collective bargaining agreements, labour disruptions or wage escalations could materially impact operational efficiency and financial outcomes, particularly following its labour-intensive Stericycle acquisition.

Financial Summary:

Units: USD mn	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	15,218	17,931	19,698	20,426	22,063	24,206	25,221	26,212	27,100	28,030
OpEx	(12,784)	(14,966)	(16,333)	(16,851)	(18,000)	(18,928)	(19,842)	(20,723)	(21,455)	(22,143)
EBIT	2,434	2,965	3,365	3,575	4,063	5,278	5,378	5,490	5,645	5,887
Net Income	1,496	1,818	2,242	2,248	2,744	3,406	3,549	3,657	3,812	4,021
FCF						3,894	6,239	6,125	6,421	6,796

Analysts

Kan Yi Yong	Lead Analyst
Tan Xin Yi Nicole	Analyst
Aloysius Han Ming Xi	Analyst
Ng Yan Jie Maximus	Analyst
Henry Wong Jian Li	Analyst

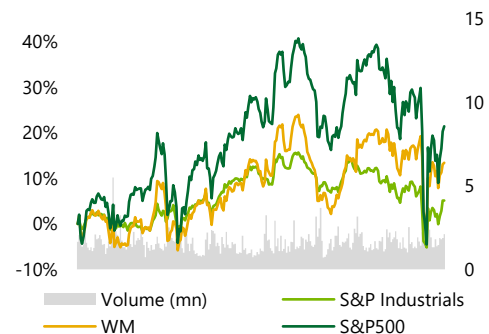
Basic Information

Ticker	WM
Exchange	NYSE
Sector	Industrials
Current Price (USD)	225.20
Target Price (USD)	283.83
52-Week Trading (USD)	196.59-239.32
Market Capitalisation (USD mn)	90,605mn
Shares Outstanding (mn)	202.20

Key Management

James C. Fish Jr.	President, CEO
Devina Rankin	Chief Financial Officer, VP
John Morris	Chief Operating Officer, VP

1Y Price vs S&P500 and S&P Industrials (Rebased)



Major Shareholders

Ownership

Institutions	83.42
Corporations (Private)	0.00
Individuals/Insiders	0.18
State Owned Shares	0.10
Public and Other	16.30
Total	100.00

Business Overview

Background

Headquartered in Houston, Texas, Waste Management, Inc. ("WM") is the largest provider of waste management and environmental services in North America. With a workforce of over 61,000 employees, WM serves millions of customers across residential, commercial, industrial, and municipal sectors. The company operates through four main segments: (1) Collection and Disposal; (2) Recycling; (3) WM Renewable Energy; (4) WM Healthcare Solutions.

(1) WM Collection and Disposal

WM generates 89% of its revenue primarily from Waste Collection and Disposal (Fig 1.2), which is primarily due to sale to municipals, commercial and residential customers, with contracts spanning between 3 to 10 years.

(2) WM Recycling Processes and Sales

This segment focuses on recovering, sorting, and reselling recyclable materials such as paper, plastics, and metals. In 2024, WM's Recycling and Processing segment generated approximately 7% of total revenue, this segment's performance is influenced by global commodity prices, with WM investing in advanced sorting technologies to improve efficiency and reduce contamination.

(3) WM Renewable Energy

This segment focuses on converting landfill gas into RNG and electricity. In 2024, WM's Renewable Energy segment contributed around 1% of total revenue. The company operates one of the largest landfill gas-to-energy platforms in North America, with output sold to energy providers.

(3) WM Healthcare Solutions

This segment was established following WM's recent acquisition of Stericycle's environmental solutions business. It provides medical and hazardous waste disposal for healthcare facilities. While it contributed to only 2% of revenue in 2024, this segment is growing as Stericycle is recognized as a market leader in regulated medical waste services.

Revenue & Cost Drivers

Revenue: WM earns most of its revenue from waste collection services across various client types, with growth driven by municipal and commercial contracts typically ranging from 3-10 years. It also generates income from recycling materials and selling them as commodities, though this depends on market prices. Additionally, WM is expanding into renewable energy by converting landfill gas into renewable natural gas, which it sells to energy providers.

Costs: WM's largest cost comes from labour, with over 61,000 employees across various roles and typically taking up 18% of revenue. Wage inflation and labour shortages can significantly increase operational expenses. Fuel and transportation are also major costs, as WM operates one of the largest truck fleets in North America. Additional expenses come from environmental compliance and landfill management, which require investments to meet strict regulations.

Value Chain

Figure 1.4: WM's Value Chain

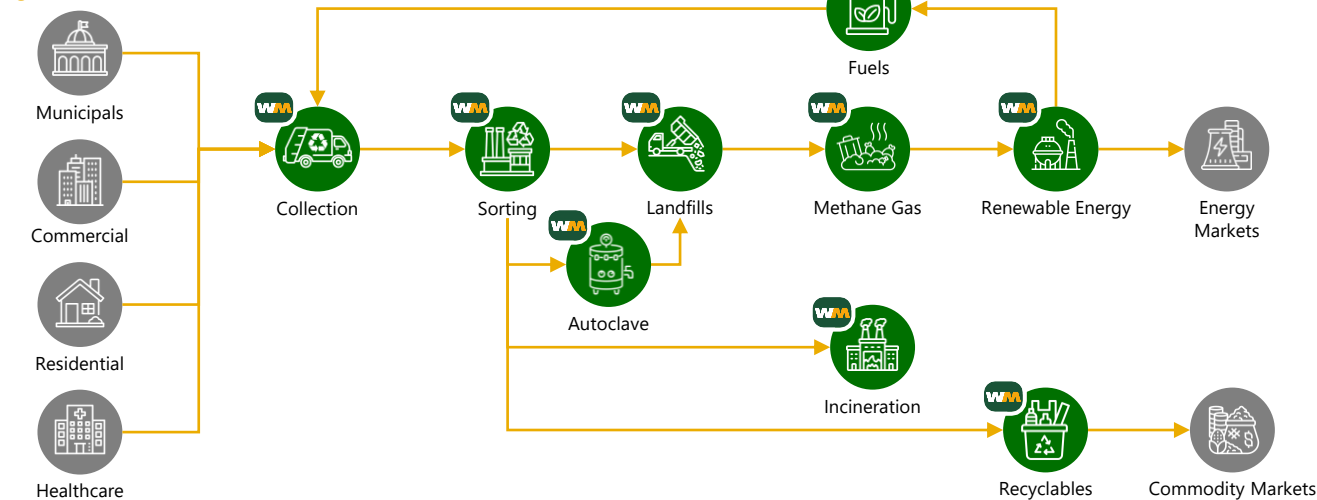
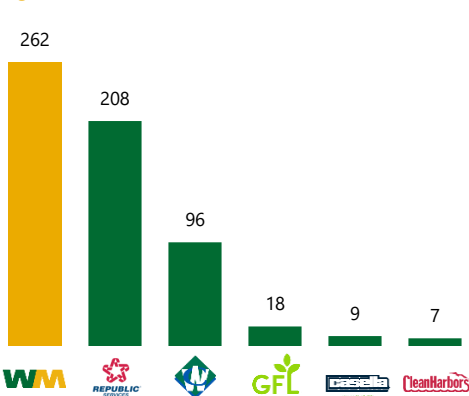
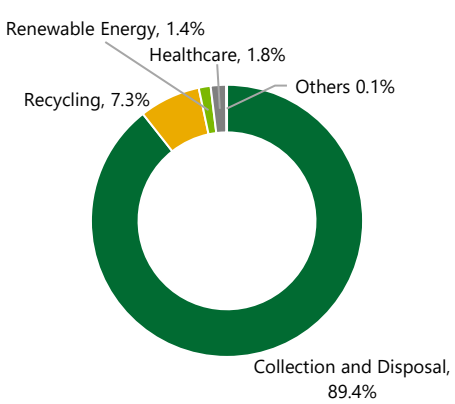


Figure 1.1: Total Landfills Owned



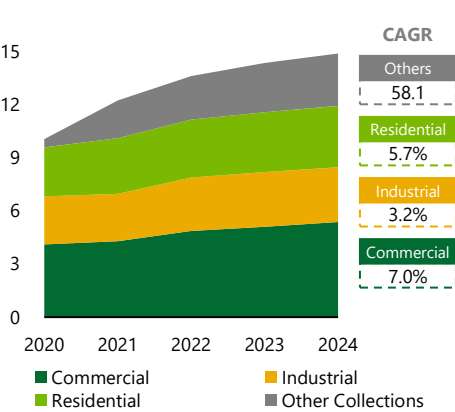
Source: Company Filings

Figure 1.2: WM's Revenue Segments 2024



Source: Company Filings

Figure 1.3: Collection & Disposal Rev Breakdown (%)



Source: Company Filings

Source	Market Consensus	Our Views
J.P.Morgan	WM is expanding through recycling, RNG, and Stericycle, but faces integration and regulatory risks	We agree that WM is growing via its recyclables, RNG projects, and Stericycle, though they may face regulatory challenges
Deutsche Bank	Deutsche Bank recognizes WM's cost initiatives to drive higher margins	WM's fleet and automation has resulted in cost savings and higher margins overall
Ameriprise Financial	WM is leveraging strong pricing power and cash flow to fund growth and shareholder returns	WM has strong pricing power in its fleets and services for expansions and shareholder returns, supporting our buy recommendation
Scotiabank	Scotiabank sees further likely cost upside as integration progresses of Stericycle	Management seems optimistic about acquisition synergies, enforcing our positive outlook

Industry Overview

Global Shift to Waste to Energy (WtE) Solutions

WtE Solutions are rapidly gaining traction as a sustainable and efficient method for addressing the twin challenges of waste management and energy generation. This approach not only reduced the volume of waste requiring disposal but also contributes to the diversification of energy sources, promoting a more circular economy. The Global WtE market is expected to register a CAGR of 8.68% while North America a CAGR of greater than 7.5% till 2030, with the United States expecting to dominate the market during the forecast period, and the growing demand for renewable-based electricity generation.

Regulatory and Public Awareness driving Circular Economy

The synergistic effect of regulatory measures and public engagement is fostering a robust environment for the expansion of the recyclable materials market. Market drivers include rising commodities prices which increases recycling facilities due to energy and cost savings, rising prices for virgin plastic and paper are boosting demand for recycled materials and customer's preference for recycling facilities offering a wide range of services. The US waste management and recycling market size was valued at USD 76.3bn in 2023, and the total US waste management and recycling revenue is expected to grow at a CAGR of 4.5% from 2023 to 2030, reaching nearly USD 98.3bn by 2030.

Specialized Equipment Required for Hazardous Waste

A niche segment of the medical waste market constitutes regulated waste. Driven by regulatory compliance and innovative waste management, the healthcare industry looks towards reliable waste management companies to help dispose their hazardous waste. Disposal of hazardous medical waste requires autoclaves and incinerators as compared to traditional landfills, bolstering the growth of medical hazardous waste management.

Competitive Landscape

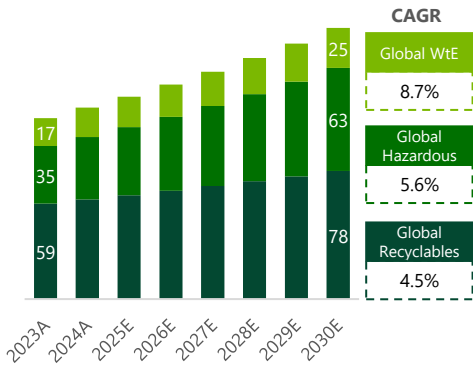
The Best Will Only Get Better

WM operates in a highly fragmented yet essential industry, encompassing municipal services, private enterprises, and environmental organizations. As of 2023, the global waste management market was valued at over USD 1.6tn, with key players including WM, Republic Services, and Veolia Environment. Despite growing regulatory pressures and shifting consumer behaviors, these companies continue to dominate market share, with Waste Management Inc. holding approximately 20% of the North American market. Major players overcome this fragmentation by gaining market share inorganically through strategic acquisitions. With WM's healthy cash flow and interest coverage ratio, backed with strong management foresight in their acquisitions, WM has been steadily gaining market share.

Harnessing the Wave

WM effectively leverages on industry trends with astounding results in all 5 revenue segments. Companies in the waste management industry generally have the same business model of trash collection to disposal. By leveraging on trends, WM is able to increase their assets through acquisitions, make strategic service expansions such as innovative recyclables facilities and renewable natural gas (RNG) captures and lastly obtain a dynamic customer base with the service expansions. These allow WM to stand out from its peers and maintain as market leader.

Figure 2.1: Forecasted Market Size Growths, USD bn



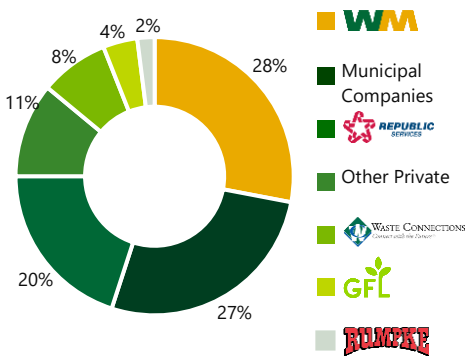
Source: MMR, Fortune Business Insights, Research Nester

Figure 2.3: United States Regulatory Bodies

Level	Regulatory Body	Focus
Federal	EPA	Waste management
Federal	OSHA	Worker safety
Federal	Department of Transportation	Transportation of hazardous waste
State	State agencies	Local adaptation & enforcement
Local	City departments	Collection, recycling, disposal

Source: US Government Websites

Figure 2.4: Waste Management 2024 Market Share



Source: Statista

Thesis 1: From Trash to Cash, WM's Fully Integrated Advantage

1.1 Integrated Business Model Backed by Strong Verticals

As regulatory pressures rise and cost volatility intensifies across the waste management industry, WM's well-established vertically integrated business model is a deliberate strategy to ensure self-sufficiency, pricing power, and service consistency. As the market leader with more than 260 landfills and 330 transfer stations, WM's extensive infrastructure also enables it to extract value beyond its own contracts. One of the most distinctive advantages of WM's vertically integrated model is its ability to monetize its infrastructure not only through its own operations, but also by serving competitors—many of whom lack the same disposal capacity and are forced to rely on WM's services. In doing so, WM effectively turns rivals into customers, generating an additional revenue stream that reinforces its pricing strength, asset efficiency, and the flexibility of its holistic, end-to-end business model.

Many competitors are routinely forced to pay a premium to use WM's third-party hauler services to deliver or offload waste. This dependency is particularly painful in high-tipping-fee regions like Alaska and Maine, where prices exceed USD 100 per ton (Fig. 2.1). This advantage then cascades into WM's contract strategy, enabling the company to offer more competitive and stable contract terms than its competitors. Backed by internal control over logistics, disposal, and processing, WM is able to position itself as the more attractive partner in competitive municipal and enterprise bidding—enabling it to secure longer-term agreements and win a greater share of contracts (Fig. 2.2).

This foundational advantage has been further strengthened by WM's strategic vertical acquisitions, which have expanded its operational scope and deepened its control across the waste value chain. For example, the acquisition of Advanced Disposal Services (2019) broadened WM's geographic reach and government contract exposure, while the 2022 purchase of Ray's Trash Service deepened capabilities in regional waste and demolition services.

Additionally, WM has made notable acquisitions that both strengthens its value chain's verticals and horizontals (Fig. 3.3). These past acquisitions has boosted trading volume and daily share price since announcement date, showing that investors have high confidence in WM's strategic acquisitions. To strengthen its verticals, acquiring NaturaPCR, Specialized Environmental Technologies, Advanced Disposal Inc, Miller's Sanitation Inc, and Ray's Trash Service, further extended WM's footprint into plastics recycling and organic resource management—two growth areas aligned with sustainability trends and regulatory targets. With strong management guidance (Appendix A), these strategic acquisitions do more than add volume—they reinforce WM's end-to-end control across their core business model. With a vertically integrated, acquisition-enhanced model already embedded across its operations, WM stands as the most structurally self-reliant and commercially versatile player in the industry—delivering cost effective solutions, reliable services, and multi-sector service flexibility that competitors are unable to replicate.

Figure 3.4: Acquisitions Solidifying Value Chain

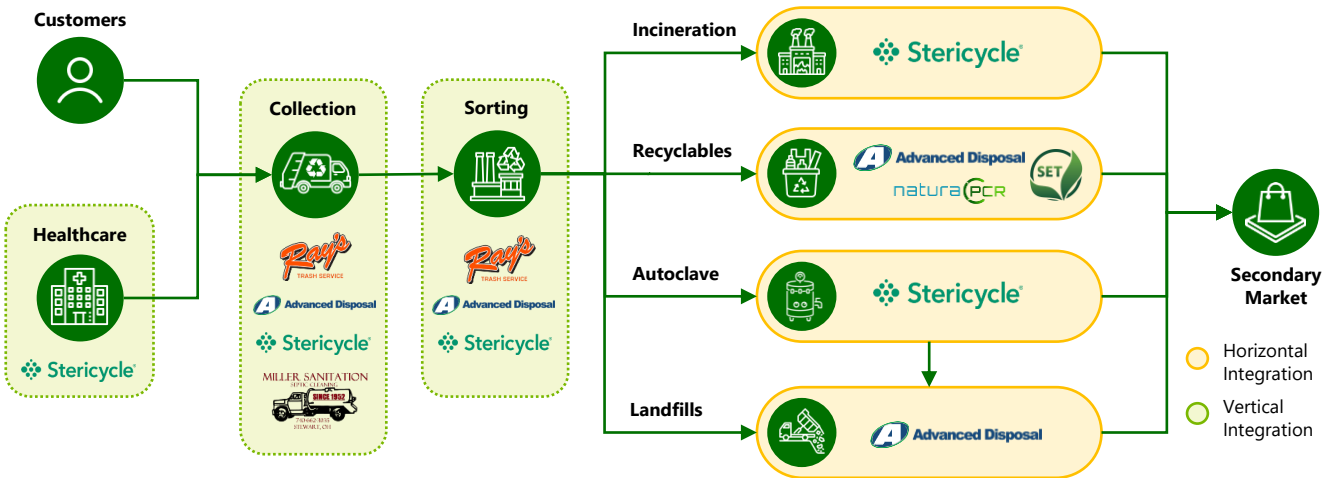


Figure 3.1: Landfill Distribution & Tipping Fees, USD

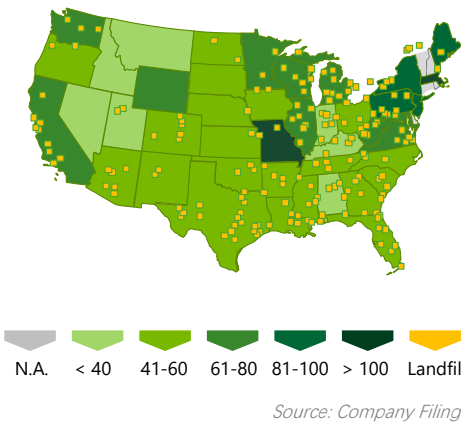


Figure 3.2: Municipal Contracts Awarded in 2024

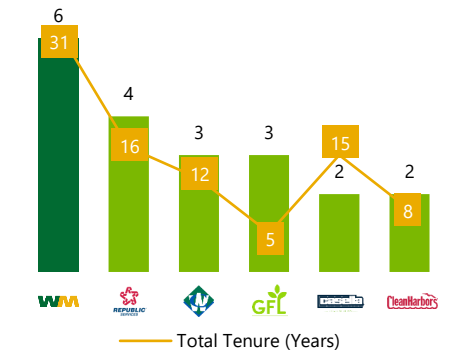


Figure 3.3: Notable Acquisitions



Source: Company Filings

1.2 Acquiring its Competitor to Expand Horizontal Integration

On 4th November 2024, WM completed its acquisition of Stericycle, a U.S. based business-to-business regulated waste disposal and document disposal company. There are no other competitors in North America with Stericycle's overall scale, breadth of services, national transportation network and comprehensive treatment network in its 2 core businesses, making them the leading provider of medical waste and document destruction.

With strong management acquisition track record (Appendix A), this acquisition solidifies Waste Management Inc's horizontal integration, allowing them to expand into new markets – medical waste and document destruction. The acquisition resulted in an inorganic growth of 8% in revenue, an estimate of USD 2.4bn, opening up their new revenue stream “Healthcare”. Management expects Stericycle to have an annualized 10% year-on-year growth. With actualized synergies of USD 250mn by end of 2025, WM is poised for top and bottom-line growth.

As of post acquisition, WM's machinery and equipment increased by a total of USD 419mn in relation to autoclaves, incinerators, and other equipment of Stericycle, boosting WM's ability to handle hazardous waste at an incomparable scale. Stericycle's direct competitor in the healthcare waste service provider market is Daniels Health, the second largest healthcare waste service provider. Daniel's Health owns 30 autoclave treatment plants, Clean harbor owns and operates 9 autoclave or alternative medical waste treatment facilities, while Stericycle owns 71 autoclave or alternative medical waste treatment facilities.

Additionally, Waste Management Inc gains operational efficiencies with its combination of advanced medical handling capabilities, strengthening its market position in an evolving regulatory landscape.

1.3 Strong Leadership in Recycling Power

WM has the highest efficiency in recycling facilities, measured by material recovered per facility. With 102 facilities, it recovered 15,709,559 tons in 2023, averaging about 154,000 tons per facility. In comparison, Republic Services, with 90 facilities, recovered 4,300,000 tons, averaging 47,778 tons per facility. This suggests WM's facilities are roughly three times more productive, likely due to advanced technologies like optical sorters and robotic arms. WM outperforms all in efficiency, reflecting its investment in automation, such as automated collection systems and robotic sorting, compared to competitors with less focus on technology.

Due to benefits from the automation of WM's recycling facilities as well as in income from 2023 to 2024 in its Recycling Processing and Sales segment. investments in new facilities and cost management, WM saw an estimated increase of about USD 8mn. Additionally, 27 out of 39 planned recycling facilities and intends to open additional sites in 2025 as part of its enterprise-wide investment plans. This is expected to add more than USD 2.8mn incremental tons of annual recycling capacity. Among these upgrades in the Mesquite Creek Recycling Facility in New Braunfels, Texas—one of the fastest-growing markets in America.

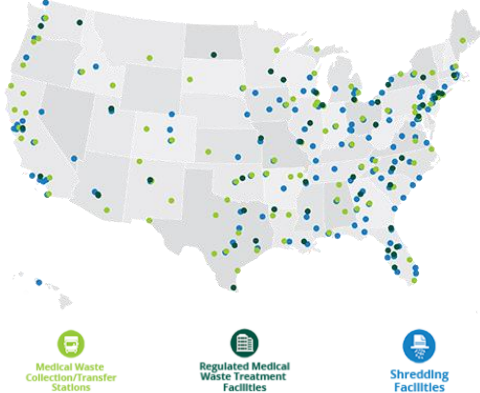
Thesis 2: Sustaining Growth Through Renewable Initiatives

2.1 Technology-Enabled Cost Optimization

With persistent labour shortages, rising wage demands, and expanding regulatory obligations, companies in the waste management industry are under increasing cost pressure. Recruiting and retaining qualified workers—especially commercial truck drivers—which now requires competitive compensation packages, while high turnover rates add to training and onboarding expenses. At the same time, stricter environmental regulations and diversification into services like recycling and hazardous waste require firms to upskill their workforce, further adding to labour-related expenditures.

These dynamics have pushed many mid-sized and smaller operators to consolidate or exit the market entirely. WM, in contrast, has taken proactive steps to insulate itself from these rising pressures. WM has embedded better productivity-enhancing technologies across its operations, and while recent acquisitions and market-driven wage adjustments have increased headcount and compensation in 2024, these pressures have been meaningfully off-setted by operational efficiencies achieved through route optimization software and fleet automation.

Figure 3.5: Expanding Presence Post Acquisition



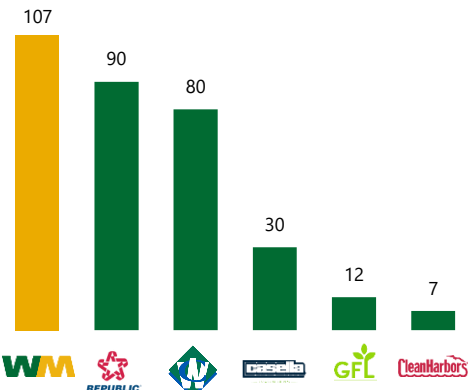
Source: Company Filings

Figure 3.6: WM's Improved Recycling Processes



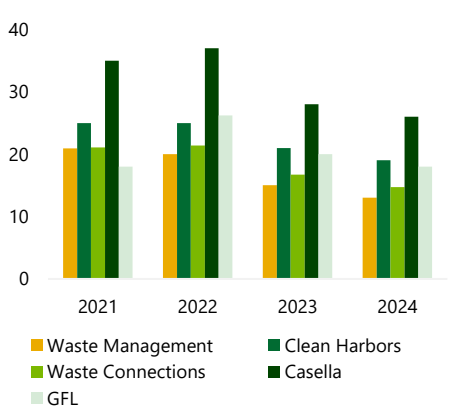
Source: Company Website

Figure 3.7: Recyclables Facilities



Source: Company Filings

Figure 4.1: Voluntary Labour Turnover Rate (%)



Source: Company Filings

For example, WM has successfully converted over 500 of its collection routes to automated, single-driver routes with its side-loaders trucks and routing software. This technology will streamline routes, reduce overtime work, and further improve WM's employee retention—lowering long-term costs associated with turnover and training (Fig 4.1). We foresee that by continuously investing into digital capabilities to streamline WM's collection routes and reduce overtime work in employees through higher productivity, WM will be able to maintain and further reduce its employee turnover rate—effectively mitigating rising labour costs pressures (Fig. 4.2). WM's ability to extract productivity and offset costs through logistical optimization will continue to enhance its long-term cost leadership which will reinforce its pricing power in future municipal bids.

2.2 Monetizing Sustainability Through Renewable Gases

In response to the rising regulatory pressures, WM is investing over USD 1.4bn by 2026 to build 20 new RNG facilities—a part of a broader USD 3bn sustainability growth strategy. These investments are strategically backed by favorable U.S. policy incentives, including approximately USD 300mn–400mn in investment tax credits under the Inflation Reduction Act (IRA) and another USD 60mn per year in alternative fuel tax credits through 2026. This federal support meaningfully boosts WM's RNG returns compared to competitors, who either qualify for subsidies at a much smaller scale or simply lacks the landfill assets needed to scale RNG meaningfully. For example, WM's biggest competitor, Republic Services, only qualifies for USD 122mn worth of federal tax credits under the IRA as compared to WM's USD 400mn.

Upon full buildout of the facilities, WM expects to produce approximately 25mn MMBtu of RNG annually—a 500% increase over 2021 levels (Fig. 4.3). Additionally, the outputs from these RNG projects will also allow WM to generate up to USD 600mn annually through the issuance and sale of Renewable Identification Number (RIN) credits, which functions as tradable compliance credits awarded by the U.S. Environmental Protection Agency (EPA), usually towards companies that are playing their part in projects that produces renewable fuels such as WM's RNG facilities.

This ultimately provides WM with a recurring, high-margin revenue stream insulated from traditional waste volume cyclicalities. By leveraging a former environmental liability that comes from landfills and instead investing in sustainable projects (RNG) supported by federal subsidies, WM is able to transform a natural occurring gas in their many landfills into a highly profitable and strategic asset. With the integration of gas capture alongside the monetization of RIN credits, WM is building a reliable, low-carbon earnings engine that further enhances its financial performance while reinforcing its environmental leadership within the industry.

2.3. Operational Independence Through Renewable Gases

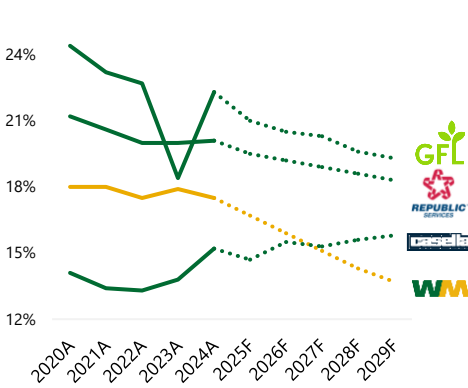
In tandem with monetizing its renewable gases, WM directs its renewable gases into part of its fleet of 18,347 collection vehicles as well, making it the industry's largest natural gas fleet. Currently, about 31% of WM's fleet are running on its RNG generated from its landfills, and the remaining 35% and 34% runs on compressed natural gas (CNG) and traditional diesel respectively (Fig 4.5).

By comparison, competitors such as Republic Services and GFL Environmental only have 20% and 60% of their fleet powered by alternative fuel sources respectively (Fig 4.6). With the increased production in its RNG facilities, WM aims to fuel 100% alternative fuel fleet solely with its increased RNG production by 2026, further reducing its Scope 1 emissions and unnecessary costs tied to volatile fuel markets. WM also utilizes its renewable gases to power their operational facilities, in 2023, 55% of all electricity consumed across WM's 480 sites, such as its 310 transfer stations, 120 recycling facilities and 36 processing plants.

Furthermore, both the integration of RNG into its fleet and the utilization of RECs for facility operations align with WM's broader climate objectives, lowering WM's Scope 2 emissions. This transition to RNG not only aligns with tightening regulatory standards but also positions WM to benefit from rising federal incentives, including RIN and LCFS credits. These revenue streams further enhance the cost-effectiveness of WM's sustainability investments.

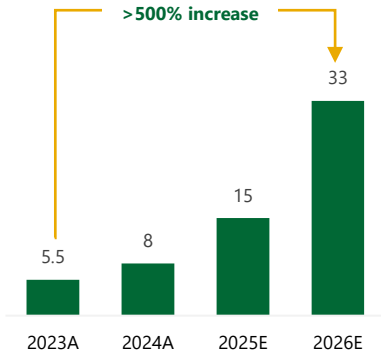
By powering their collection fleet and operational facilities with renewable energy and fuels produced directly from landfill is directly targeting both major sources of its carbon footprint. Together, these initiatives form a closed-loop system where waste is converted into clean energy, enabling WM to achieve its emission goals of reducing Scope 1 and 2 emissions by 42% by 2030 faster than competitors as well as substantially reduce the operational costs tied to operating their vehicles and facilities.

Figure 4.2: Inflation Adjusted Labour Costs (% of Rev)



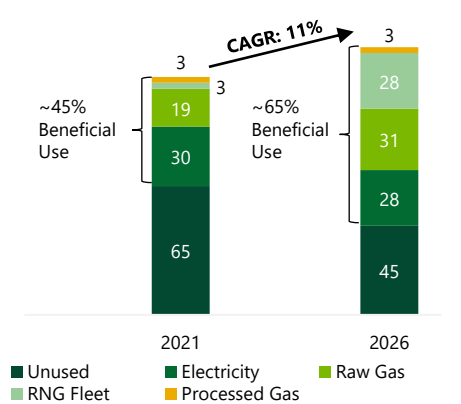
Source: Team Analysis

Figure 4.3: Forecasted RNG Production, MMBtu/Mn



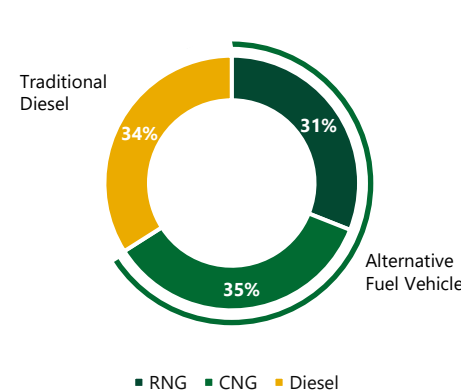
Source: Company Filings

Figure 4.4: Forecasted RNG Portfolio, MMBtu/Mn



Source: Company Filings

Figure 4.5: WM's Fleet Breakdown (%)



Source: Company Filings

Financial Analysis

Enhancing Profitability Through Cost Optimization and Operational Efficiency

From 2020 to 2024, WM saw a steady increase in revenue from USD 15,218mn to USD 22,063mn, reflecting strong growth and successful pricing initiatives. EBITDA margin has been historically increasing at a CAGR of 2.23%, EBIT at 4.70% and Net Income margin at 7.74%. Depreciation is growing at a slower rate as reflected from the faster increase in EBIT margin compared to EBITDA margin, showing efficient asset utilization. Margins are forecasted to increase at a 1%-3% CAGR from FY2024 to FY2029 (Fig 5.1).

Strong cost management such as lowered labour cost of 0.5% inflation adjusted, reduced fuel cost by 31% and overall reduced electricity cost can be reflected in the higher Net Income growth rate. WM's operational efficiencies due to the use of automation in recycling facilities and sustainability practices allows for increased bottom-line growth. The resulting effect from cost optimization and operational efficiency would drive higher forecasted margins.

Expanding Top-Line Through Core Strength and Innovation

WM is positioned to drive revenue expansion over the coming years, supported by multiple strategic initiatives. The company's strong and highly durable core waste collection and disposal business provides a stable foundation for consistent cash flow generation, offering resilience across economic cycles. Its acquisitions are expected to further enhance WM's market coverage and service offerings in key regional markets, while expanding its footprint in higher-growth areas. Additionally, WM's significant investments in RNG infrastructure are set to unlock new revenue streams, capitalizing on growing demand for clean energy solutions and associated environmental credits.

Cost reduction initiatives, particularly in fuel sourcing and facility automation, are expected to further strengthen operating margins, enabling WM to reinvest savings into high-return growth projects. Collectively, these efforts reinforce WM's ability to not only preserve its market leadership but also to capture incremental revenue opportunities in an evolving regulatory and sustainability-driven landscape. The Stericycle acquisition in FY2024 resulted in inorganic revenue growth of 8% and has recognized cost and revenue synergies of USD 250mn by FY2025.

Sustaining Strong Returns on Equity and Assets

WM has demonstrated consistently strong profitability over the past five years, with key financial metrics steadily improving due to disciplined execution and operational efficiency. From 2020 to 2024, return on equity (ROE) increased from 20.1% to 33.2%, while return on assets (ROA) rose from 5.1% to 6.2% (Fig 5.3). This upward trajectory signals WM's disciplined capital allocation, operational efficiency, and effective reinvestment of earnings. The steady rise in ROE highlights WM's ability to deliver strong shareholder returns, while its stable ROA reflects prudent asset management.

These results are supported by WM's vertically integrated business model, which reduces outsourcing costs and enables better control over the full waste value chain—from collection to landfill to energy recovery. In addition, strategic initiatives like automation of collection routes, investment in renewable natural gas (RNG) facilities, and technology-driven route optimization have allowed WM to protect margins and reduce exposure to volatile fuel and labor markets. As labor and regulatory costs continue to rise across the industry, WM's ability to contain operating expenses has reinforced its competitive positioning, allowing the company to maintain profitability and leadership in a sustainability-focused market.

Healthy ICR to Cover to Cover Increasing Debt

Total debt rose from USD 13,8bn to USD 16,2bn from FY2020 to FY2023 with a larger increase to USD 23.9bn in FY2024 due to the Stericycle acquisition (Fig 5.4). Interest Coverage Ratio (ICR) increases to 7.1x, indicating increased ability to meet interest obligations and having little liquidity concerns. Although the Debt-to-EBITDA ratio increased modestly from 5.3x to 5.6x, the larger improvement in ICR suggests that the company's earnings growth is outpacing the rise in debt servicing needs. With their cost of debt being at 4% derived from our WACC, WM benefits from a relatively low cost of borrowing without significantly straining its balance sheet. Ultimately, this reflects WM's strong underlying cash flow generation, which not only supports debt repayments but also provides flexibility for continued investments, dividend increases and share buybacks.

Figure 5.1: EBITDA & Net Income Margins

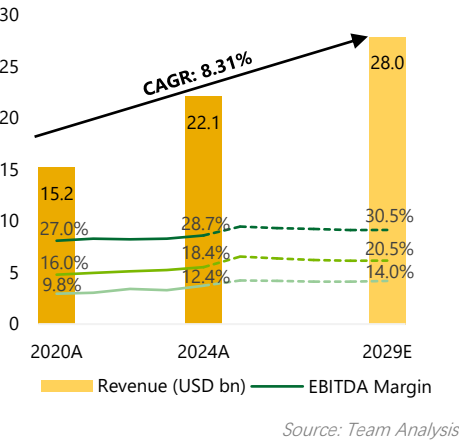


Figure 5.2: FY2024 Revenue Breakdown, USD mn

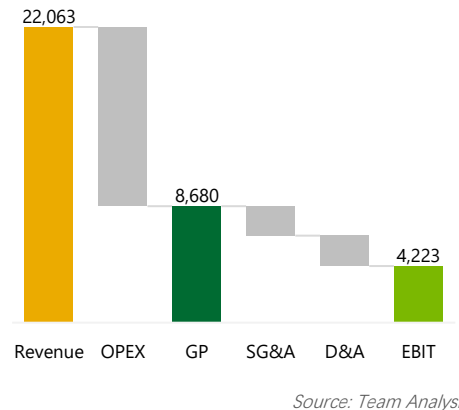


Figure 5.3: Return on Assets & Return on Equity

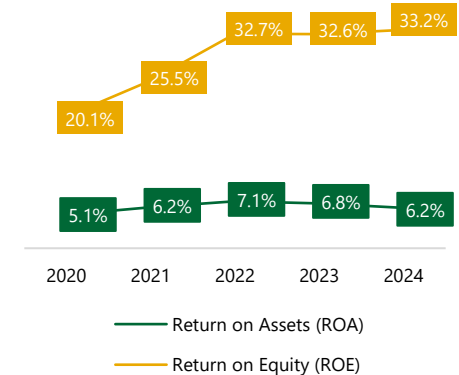
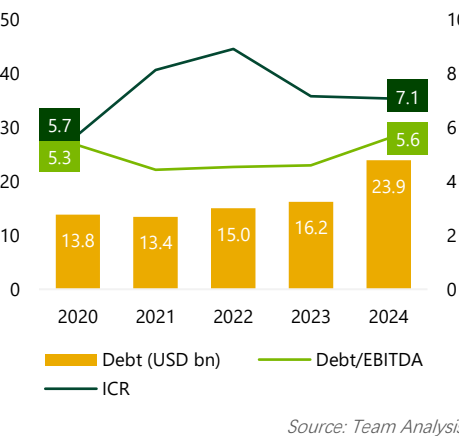


Figure 5.4: Healthy ICR to Cover Increasing Debt



Valuation

We arrive at our target price of **USD 283.83** for buy recommendation for WM, representing an upside potential of **26.0%** from the closing price of USD 225.20 based on our discounted cash flow (DCF) valuation method. To cross check our valuation, we also conducted a relative valuation as a sanity check. This involved using the exit multiple method with EV/EBITDA, which provided additional confidence in our target price.

WACC

We derived WM's cost of equity using the Capital Asset Pricing Model (CAPM) with a 4.0% risk-free rate from the US Treasury's 10-year government bond yield as of 7 April 2025. To isolate WM's business risk, we unlevered beta using the Hamada equation and then relevered it, resulting in a cost of equity of 7.5%. For the cost of debt, we calculated the risk-free rate based on the US Treasury's 10-year government bond and applied a blended country risk premium of 0.0%, weighted by Waste Management's revenue distribution. Afterwards, as WM's Interest Coverage Ratio was between 6.5% and 8.5%, we assigned a synthetic credit rating of AA to WM and estimated a default spread of 0.6%. With a corporate tax rate of 21.0%, this led to an after-tax cost of debt of 3.6%. Finally, using a market debt-to-equity ratio of 0.26, we derived WM's Weighted Average Cost of Capital (WACC) to be 6.7%.

Discounted Cashflow

We performed a 5-year discounted cash flow (DCF) analysis as the main valuation method for WM. This model projects WM's future cash flows, accounting for anticipated revenue growth, cost management, and capital expenditures over the forecast period. We applied an exit multiple of 17.1x, based on median EV/EBITDA multiple of peers to estimate the company's value beyond the forecast horizon. Our analysis reflects a steadily increasing top line from 2020 through to the forecasted 2029 period, driven by consistent revenue growth and operational efficiency. Careful management of operating expenses (OPEX) further supports sustained profitability, leading to an expected rise in net income over time. With these projections and our calculated Weighted Average Cost of Capital (WACC) as the discount rate, we arrived at a share price estimate of **USD 283.83**, representing an upside potential of **26.0%**.

Relative Valuation

We also performed a relative valuation by benchmarking WM against similar publicly traded companies. By applying an EV/EBITDA forward multiple of 17.8x for FY+1, this yielded an implied share price of **USD 282.41**, indicating a **25.4%** upside.

Additionally, we compared the 3Y Revenue Growth of WM's competitors and identified Casella Waste Systems Inc and Rollins Inc, both of which displaying high growth of 34.5% and 30.4% respectively while WM is growing at 28.3%. However, the FY+1 EV/EBITDA of WM is significantly lower at 15.3x than Casella and Rollins at 18.5x and 29.4x respectively. This comparison of high growth companies show that WM is trading at 36.1% discount compared to the average of both high growth companies, displaying WM's undervaluation and strong financials.

Sensitivity Analysis

To test the resilience of our valuation, we conducted a sensitivity analysis focused on three key variables: Terminal Growth Rate, WACC, and EV/EBITDA multiple. Our findings show that, even with conservative adjustments—such as a lower terminal growth rate, a reduced EV/EBITDA multiple, or a higher discount rate—the valuation still indicates an upside potential, supporting our confidence in Waste Management's investment case.

Football Field Chart

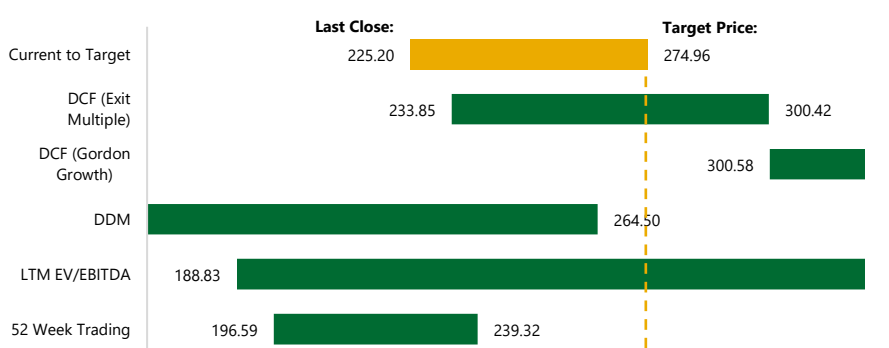


Figure 6.1: Valuations

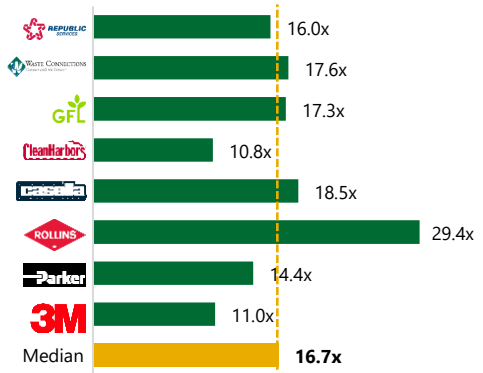
Capital Asset Pricing Model	
Risk Free Rate	4.00%
US Equity Risk Premium	4.33%
Unlevered Beta	0.67
Levered Beta	0.81
Cost of Equity	7.51%

Cost of Debt	
Pre-Tax Cost of Debt	4.60%
Corporate Tax Rate	21.00%
After-Tax Cost of Debt	3.63%

WACC	
Proportion of Equity	79%
Proportion of Debt	21%
WACC	6.70%

Source: Team Analysis

Figure 6.2: Trading Comparable



Source: Team Analysis

Figure 6.3: Sensitivity Analysis (Perpetual Growth)

		Perpetual Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	7.70%	252	273	298	328	365
	7.20%	272	297	327	363	408
	6.70%	295	325	361	406	462
	6.20%	324	359	404	460	534
	5.70%	358	402	458	531	632

Source: Team Analysis

Figure 6.4: Sensitivity Analysis (Relative Valuation)

		EBITDA Exit Multiple				
		16.1x	16.6x	17.1x	17.6x	18.1x
WACC	7.70%	249	257	264	272	280
	7.20%	254	262	270	277	285
	6.70%	259	267	275	283	291
	6.20%	264	272	280	289	297
	5.70%	269	278	286	294	303

Source: Team Analysis

Investment Risks & Mitigation

Geopolitical Risk (R1) – Heightened Political Tensions

Probability: Medium | Impact: High

The US's antagonistic stance on sustainability initiatives, marked by efforts to dismantle environmental regulations and oppose programmes like the Inflation Reduction Act (IRA) has created political uncertainty around climate related policies. Such positions risk undermining federal support for clean energy, including the USD 300mn-USD 400mn in IRA tax credits that are critical to WM's renewable natural gas (RNG) investments. A weakening of GHG regulations or rollback of climate initiatives could impair the business case for WM's sustainability initiatives, increasing compliance costs for its 262 landfills, jeopardizing its 42% emissions reduction target by 2031 and projected USD 600mn in RNG earnings by 2026

Mitigation

WM employs a proactive approach to mitigate risks from the U.S. withdrawal from the Paris Agreement. The company engages with U.S. and Canadian regulators to shape methane emissions and energy policies, ensuring compliance and advocating for lower-carbon waste services. This reduces the risk of adverse regulatory changes and secures stability for its USD 1.4bn RNG investment. WM's diversified operations across multiple jurisdictions, including Canada, minimize exposure to U.S.-specific policy shifts. By adhering to local environmental standards and leveraging operational efficiency, WM maintains resilience, aligning with national climate goals and supporting its long-term sustainability ambitions.

Business Risk (R2) – Climate and Sustainability

Probability: Low | Impact: High

WM faces high-impact climate and sustainability risks from stringent GHG emission regulations, failure to achieve sustainability goals, and physical climate risks. Non-compliance with regulations like the California Climate Corporate Data Accountability Act could incur significant costs, while missing targets, such as a 42% Scope 1 and 2 emissions reduction by 2031 or 25mn tons of material recovery by 2030, may erode investor confidence amid rising ESG scrutiny. Physical climate risks, including sea-level rise and storms, threaten WM's 255 landfills and 337 transfer stations, potentially causing operational disruptions, costly repairs, and reduced profitability.

Mitigation

WM mitigates climate risks through strategic investments, including USD 3bn for recycling and renewable natural gas facilities by 2026, enhancing material recovery and reducing emissions. Carbon lifecycle assessments align operations with a 42% GHG reduction target by 2031. Policy advocacy with the EPA and ECCC shapes favourable regulations, while transparent 2024 Sustainability Reporting builds investor trust. WM prepares for disclosure mandates like California's 2026 Scope 1/2 reporting and integrates climate resilience into infrastructure planning for 255 landfills. These efforts, supported by USD 300mn-USD 400mn in IRA tax credits, position WM to manage risks and capitalize on sustainable opportunities.

Business Risk (R3) – Rising Labour Costs

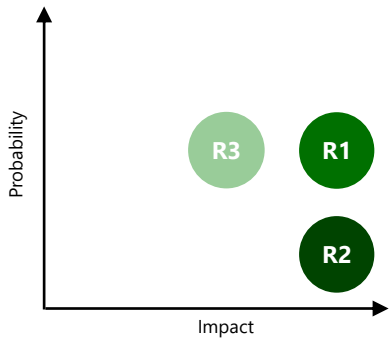
Probability: Medium | Impact: Medium

WM operates in a labour-intensive industry, relying on a large workforce to deliver their services. Difficulty in attracting and retaining skilled drivers, mechanics, and technicians, coupled with high turnover rates, could disrupt service delivery and increase recruitment costs. Minimum wage increases and market-driven wage pressures could elevate labour costs, a major component of operating expenses, pressuring margins and financial results especially post-Stericycle acquisition.

Mitigation

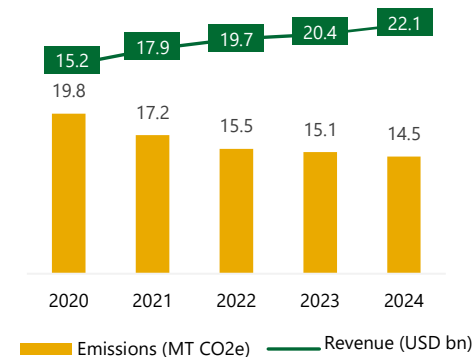
WM mitigates rising labour cost risks through proactive strategies. Competitive compensation, and comprehensive benefits attract and retain talent. The "Your Tomorrow" education program covers tuition for employees and dependents, boosting retention. Succession planning develops future leaders, reducing turnover impacts. Safety initiatives, achieving a 5.8% injury reduction in 2024, enhance workforce stability. These efforts ensure operational efficiency and financial resilience, supporting WM's long-term growth.

Figure 7.1: Key Investment Risk Matrix



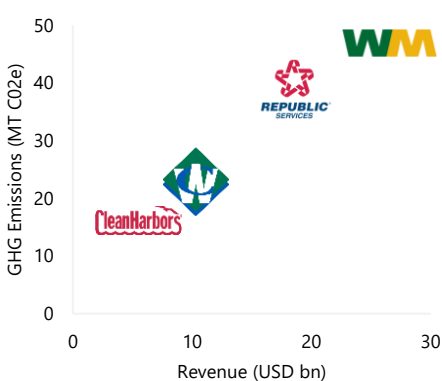
Source: Team Analysis

Figure 7.2: WM GHG Emissions & Revenue



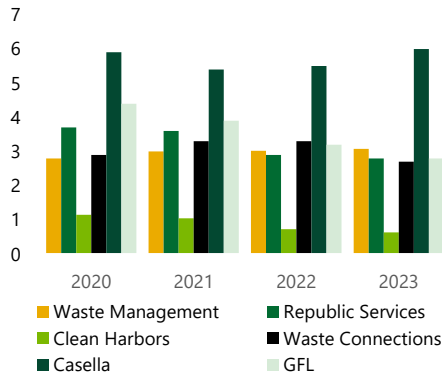
Source: Team Analysis

Figure 7.3: GHG Targets vs Revenue Comparison



Source: Company Filings

Figure 7.4: Total Recordable Incident Rate (%)



Source: Company Filings

Environment, Social and Governance

Environment

WM has built a strong environmental profile anchored by long-term capital commitments to recycling and clean energy. In 2023, the company recovered more than 15mn tons of material through its recycling programs, representing a 3% increase year-over-year. Additionally, WM has committed approximately USD 2.8bn from 2022 to 2026 towards recycling and RNG infrastructure, significantly advancing its renewable energy capabilities. WM has generated over 56mn MMBtus of renewable energy.

Furthermore, WM has made steady improvements in their greenhouse gas emissions, with a 18% reduction in greenhouse gas emissions since 2021 (Fig 8.2). WM's strong track record in environmental initiatives is further backed by achieving higher ESG ratings across different platforms relative to many industry peers, reflecting the company's effective integration of sustainability into its operations and long-term strategy (Fig 8.1). Overall, WM's proactive environmental initiatives and recognized ESG performance position the company not just as a leader in waste management, but as a catalyst for broader climate-positive outcomes and sustainable urban development.

Social

WM has built a strong social foundation centered on workforce development and inclusive engagement. In 2023, the company invested an average of USD 795 per employee in training programs, while allocating USD 10.4mn to education benefits, enhancing upskilling efforts and strengthening internal career mobility (Fig 7.2). These programs help retain talent in a tight labour market, while aligning workforce skills with the company's growing sustainability demands. Simultaneously, WM contributed USD 18.7mn to community development initiatives, reinforcing its long-standing commitment to supporting local well-being and strengthening social license to operate across geographies.

To keep their employees safe, WM has focused on standardizing incident reporting, preventing serious injuries and fatalities while promoting the principles of their safety vision and promise. In 2023, they saw a decrease in their Days Away, Restricted or Transferred rate (DART) and Vehicle Accident Recordable Rate (VARR) while an increase in Total Recordable Incident Rate (TRIR) mainly driven by the acquisition. To improve their safety record, WM provides regular training for new members onboarding this acquisition.

When it comes to community engagement, WM focuses on protecting and providing access to green space, supporting sustainability education opportunities and filling gaps in the communities. In 2023, WM proudly supported over 800 nonprofit organizations and community programs, enabling conservation initiatives, scholarship opportunities, donation drives and other community betterment activities. WM made USD 18.7mn in charitable contributions, representing 0.8% of their net income.

Governance

WM demonstrates a strong governance framework anchored in transparency, diversity, and sustainability oversight. In 2023, WM's Board comprised nine members – 8 of 9 are independent, with 33% female and 33% minority representation, reflecting a commitment to inclusive and accountable leadership. The Board oversees key ESG risks, including climate and cybersecurity, through three core committees, while senior management provides regular updates on sustainability, safety, and workforce development. Notably, WM links executive compensation to ESG performance through a sustainability scorecard, resulting in a 2% incentive increase in 2023. The 2024 plan expands this to a ±10% adjustment based on measurable outcomes in safety, climate, circularity, and employee engagement.

WM also emphasizes ethics and integrity throughout its operations. Its Code of Conduct and Supplier Code, aligned with international human rights standards, guide behavior on issues such as anti-corruption, forced labour, and harassment. All employees undergo annual ethics training, and concerns can be reported anonymously via a 24/7 Integrity Helpline. WM's commitment to data privacy, legal compliance, and supplier accountability reinforces its responsible business practices. Recognized as one of the World's Most Ethical Companies by Ethisphere and a leader on the Dow Jones Sustainability Index, WM sets a high standard for corporate governance in the waste management industry.

Figure 8.1: ESG Score Comparison

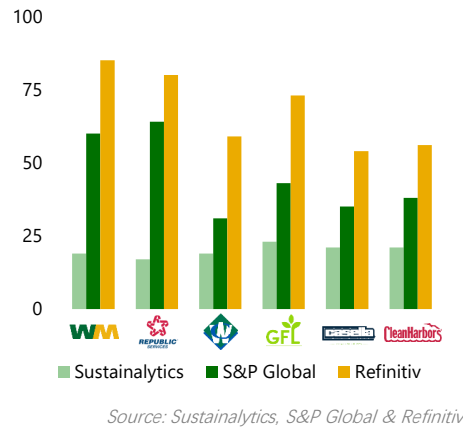


Figure 8.2: WM's GHG Emissions, Mt CO₂e

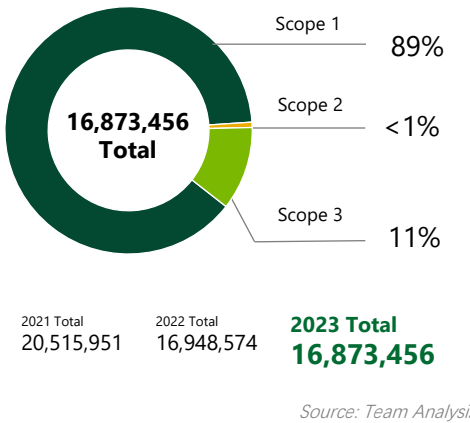
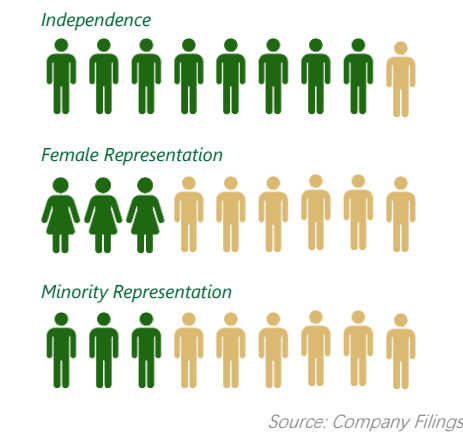


Figure 8.3: WM's Safety Record

Metric	2021	2022	2023
DART (Employee)	2.4	2.6	2.4
DART (Contractor)	0.09	0.04	0.04
VARR	19,632	19,851	18,672
TRIR	3.00	3.02	3.08

Source: Team Analysis

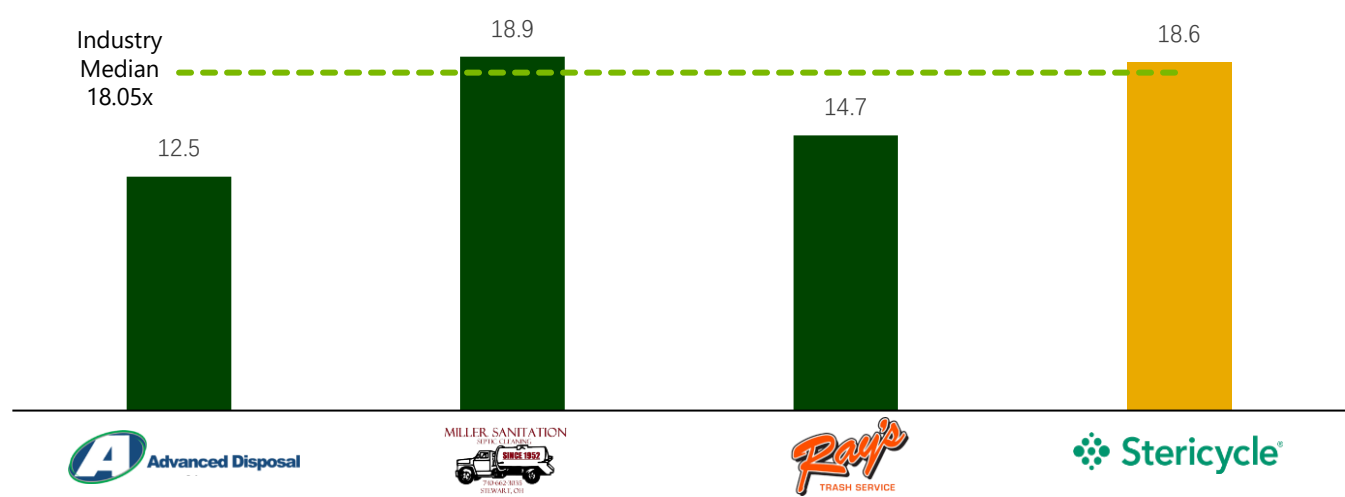
Figure 8.4: Board of Governance



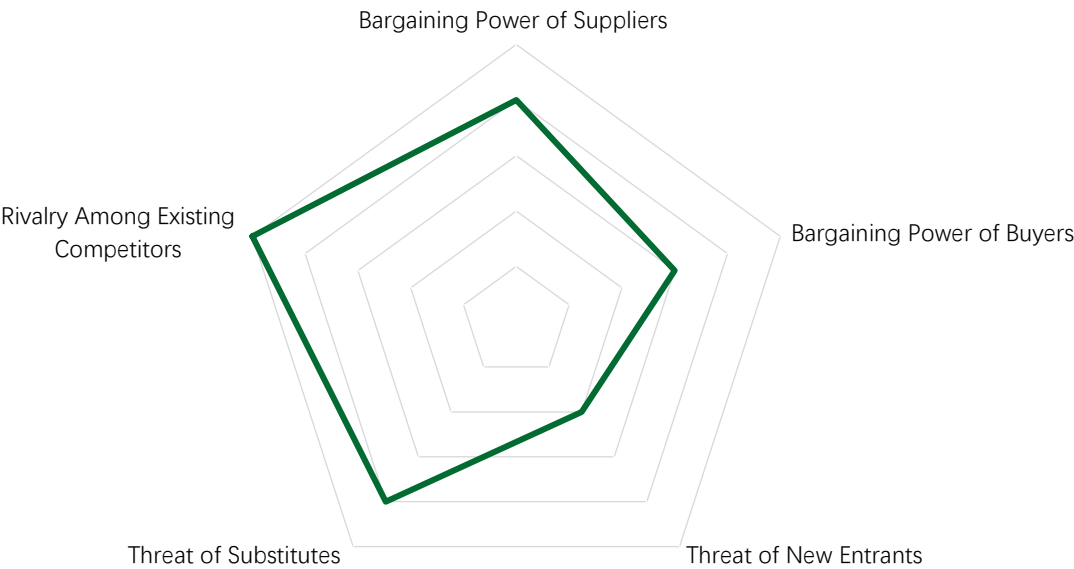
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Appendix A Precedent Transactions

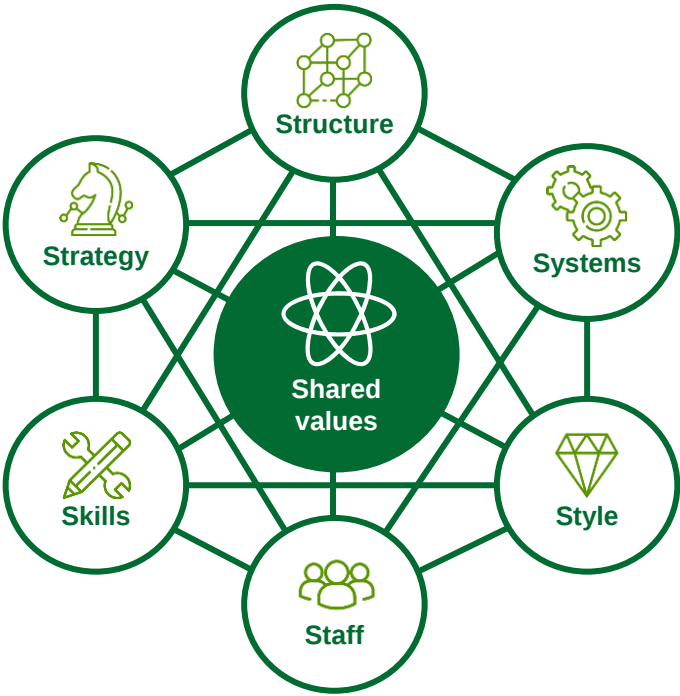


Date	Oct-20	Feb-20	Sep-22	Nov-24
Target	 Advanced Disposal	 MILLER SANITATION SERVICES, LLC 7700 W. 11TH AVE. DENVER, CO 80202	 Ray's TRASH SERVICE	 Stericycle®
Enterprise Value (USD mn)	3,502	-	-	6,343
Stake	100%	100%	100%	100%



Overview
Porter's Five Forces framework helps assess the competitive dynamics within an industry. For Waste Management, this analysis provides insights into the forces that shape its strategic decisions.

Porter Five Forces		
Bargaining Power of Suppliers	2	Supplier power is relatively low, as WM owns a large portion of its value chain, including landfill, transfer, and recycling facilities. While fuel, truck parts, and equipment vendors may exert some influence, WM's scale and vertical integration significantly reduce dependency on external suppliers.
Bargaining Power of Buyers	3	Buyers, such as municipalities and commercial clients, exert moderate bargaining power. Long-term contracts and switching costs protect WM to some extent, but price sensitivity and public procurement processes can introduce pricing pressure during competitive bids.
Threat of New Entrants	1	The capital-intensive nature of waste infrastructure, complex regulatory environment, and WM's extensive national network present high entry barriers. New players face major hurdles in building competitive landfill access, securing permits, and achieving comparable scale.
Threat of Substitutes	2	While technological innovations in waste diversion or decentralized composting may offer alternatives, WM's dominance in regulated landfill operations and growing renewable energy capabilities limit the threat from substitutes in the near term.
Rivalry Among Existing Competitors	4	The waste management industry is competitive, particularly in urban markets where players like Republic Services, Waste Connections, and GFL bid aggressively for contracts. However, WM maintains an edge through vertical integration, operational reliability, and fleet automation, winning WM more contracts over time.



Overview

The McKinsey 7S Framework provides a holistic approach to ensure that all aspects of the organization are aligned and support strategic initiatives.

McKinsey 7s Framework

Strategy	Sustainability-Driven Efficiency	WM should prioritise investments in environmentally sustainable operations, such as RNG and landfill gas recovery, to enhance cost efficiency under rising regulatory pressures while maintaining core businesses.
Structure	Agile Organisation	Implement a flexible organisational structure that enables cross-functional collaboration between operations, sustainability, and technology teams, allowing WM to respond efficiently to regulatory demands and evolving market conditions.
Systems	Digitized & Automated Operations	Invest in route optimisation, smart fleet technology, and automation systems to improve service reliability, reduce labour intensity, and increase operational efficiency.
Style	Performance-Led Leadership	Foster a leadership style that promotes innovation in sustainability and digital operations, ensuring performance accountability while driving continuous improvement.
Staff	Talent Development	Focus on attracting and reskilling talent for automated fleet operations and sustainability systems through targeted training programmes that align with digital transformation.
Skills	Operational Expertise	Build internal expertise in waste logistics, RNG technology, and emissions reduction to strengthen ESG credentials and support industry-leading sustainability outcomes.
Shared Values	Environmental Stewardship	Embrace sustainability as a core business philosophy, using ESG leadership to drive innovation, employee engagement, and market differentiation in highly regulated environments.

Appendix D Developing a Clear Vision with SWOT Analysis	
SWOT Analysis	
Strength	Waste Management holds a dominant position in the U.S. waste services industry, operating over 260 landfills and 330 transfer stations, supported by a vertically integrated value chain. Its scale allows for end-to-end control over collection, processing, disposal, and renewable energy generation. WM's leadership in sustainability, including its rapidly expanding RNG program and digitised fleet operations, enhances operational efficiency, reduces fuel exposure, and positions the company as a market leader in ESG-driven waste solutions.
Weakness	WM's business remains heavily concentrated in North America, which exposes the company to regional economic cycles and regulatory changes. Although it has begun to explore international expansion, its operations remain predominantly U.S.-focused. Additionally, the capital-intensive nature of waste infrastructure limits agility and requires continuous reinvestment, which could constrain short-term financial flexibility during industry downturns or acquisition-heavy periods.
Opportunity	The increasing regulatory push toward sustainability presents significant opportunities for WM to expand its RNG operations and recycling infrastructure. Government incentives and IRA tax credits offer strong tailwinds for green infrastructure investments. Furthermore, as cities and corporations increasingly outsource sustainability-related services, WM can broaden its offerings in data-driven waste reporting, ESG compliance solutions, and closed-loop recycling models.
Threat	WM faces competitive bidding pressure from national players like Republic Services and Waste Connections, especially in high-density urban markets. The public nature of municipal contracts can compress margins and result in contract losses. In addition, the company remains exposed to fluctuations in fuel costs, labour shortages, and potential regulatory shifts, particularly around methane emissions and landfill permitting. Emerging waste diversion technologies or circular economy startups could also reshape industry dynamics over time.
Waste Management's industry-leading infrastructure, sustainability integration, and operational scale underscore its strong positioning in the U.S. waste services market. While its North American concentration and capital-intensive operations pose strategic challenges, WM's proactive investments in renewable energy, automation, and ESG performance provide meaningful growth levers. Continued innovation, expansion into circular economy services, and disciplined cost management will be essential for WM to navigate regulatory complexity and rising stakeholder expectations. By leveraging its technological capabilities and sustainability leadership, WM is well-positioned to capture future opportunities and maintain long-term competitive resilience.	

Appendix E Adapting and Evolving using PESTEL Analysis	
PESTLE Analysis	
Political	Regulatory Environment: WM operates in a heavily regulated industry, requiring strict compliance with federal, state, and local environmental policies. Landfill permits, emissions caps, and recycling mandates directly influence operational procedures.
	Waste Legislation: Extended Producer Responsibility (EPR) laws and landfill methane rules continue to shape WM's long-term compliance strategies.
Economic	Fuel and Labour Costs: WM is impacted by fluctuations in diesel/natural gas prices and rising labour costs, particularly in driver recruitment and retention.
	Municipal Budget Cycles: As many of WM's contracts depend on city budgets, economic downturns may delay contract renewals or reduce service scope. However, its long-term contract base provides some revenue stability.
Social	Sustainability Expectations: Consumers and cities increasingly demand environmentally responsible waste solutions. WM responds with investments in recycling, waste diversion, and fleet decarbonization.
	Urbanization and Population Growth: These trends drive greater waste volumes, creating long-term demand for WM's integrated services.
Technological	Fleet Automation & Route Optimization: WM has heavily invested in route optimization software, smart trucks, and telemetry to reduce costs and missed pickups.
	RNG Production Tech: WM's renewable energy strategy relies on methane-capture technologies that convert landfill gas into fuel for its fleet and grid sale.
Environmental	Climate Change Regulations: New rules targeting methane emissions, landfill gas capture, and ESG disclosure have accelerated WM's transition to RNG and fleet electrification.
	Sustainable Infrastructure: WM's USD 3 bn investment plan (2022–2026) includes RNG facilities and advanced recycling centers, positioning the firm as a low-emissions leader in waste services.
Legal	Contract Compliance & Liability Risk: WM must adhere to strict municipal service agreements, with penalties for service failures or compliance breaches.
	Environmental Lawsuits: Potential exposure to PFAS-related waste litigation, hazardous material disposal violations, or class actions under emerging ESG legal frameworks could pose reputational and financial risks.
Waste Management operates within a complex external environment shaped by regulatory evolution, sustainability expectations, and technological advancements. Political and legal forces around emissions and landfill permitting create operational risks, while economic factors like labour and fuel costs impact margins. However, WM's proactive investments in automation, renewable energy, and ESG reporting position it to lead amidst rising regulatory demands and shifting stakeholder expectations. By aligning its core strategy with long-term environmental and social trends, WM is well-positioned to remain competitive and resilient in a highly scrutinized sector.	