

The Management's Discussion and Analysis of Financial Condition and Results of Operations for Waste Connections, Inc. is also included in the Form 10-Q for the period ended June 30, 2021 filed on SEDAR on August 5, 2021 in its entirety. All references to \$ are to U.S. dollars unless otherwise indicated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We make statements in this Quarterly Report on Form 10-Q that are forward-looking in nature. These include:

- Statements regarding our landfills, including capacity, duration, special projects, demand for and pricing of recyclables, landfill alternatives and related capital expenditures;
- Discussion of competition, loss of contracts, price increases and additional exclusive and/or long-term collection service arrangements;
- Forecasts of cash flows necessary for operations and free cash flow to reduce leverage as well as our ability to draw on our credit facility and access the capital markets to refinance or expand;
- Statements regarding our ability to access capital resources or credit markets at all or on favorable terms;
- Plans for, and the amounts of, certain capital expenditures for our existing and newly acquired properties and equipment;
- Statements regarding fuel, oil and natural gas demand, prices, and price volatility;
- Assessments of regulatory developments and potential changes in environmental, health, safety and tax laws and regulations; and
- Other statements on a variety of topics such as the COVID-19 pandemic, credit risk of customers, seasonality, labor/pension costs and labor union activity, operational and safety risks, acquisitions, litigation results, goodwill impairments, insurance costs and cybersecurity threats.

These statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “intends,” “may,” “might,” “will,” “could,” “should” or “anticipates,” or the negative thereof or comparable terminology, or by discussions of strategy.

Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, risk factors detailed from time to time in our filings with the SEC and the securities commissions or similar regulatory authorities in Canada.

There may be additional risks of which we are not presently aware or that we currently believe are immaterial that could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements to reflect events or circumstances that may change, unless required under applicable securities laws.

OVERVIEW OF OUR BUSINESS

We are an integrated solid waste services company that provides non-hazardous waste collection, transfer and disposal services, along with recycling and resource recovery, in mostly exclusive and secondary markets across 43 states in the U.S. and six provinces in Canada. Waste Connections also provides non-hazardous oilfield waste treatment, recovery and disposal services in several basins across the U.S., as well as intermodal services for the movement of cargo and solid waste containers in the Pacific Northwest.

We generally seek to avoid highly competitive, large urban markets and instead target markets where we can attain high market share either through exclusive contracts, vertical integration or asset positioning. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally owned or funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills. We also target niche markets, like E&P waste treatment and disposal services.

As of June 30, 2021, we served residential, commercial, industrial and E&P customers in 43 states in the U.S. and six provinces in Canada: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin and Wyoming, and the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan.

The solid waste industry is local and highly competitive in nature, requiring substantial labor and capital resources. We compete for collection accounts primarily on the basis of price and, to a lesser extent, the quality of service, and compete for landfill business on the basis of tipping fees, geographic location and quality of operations. The solid waste industry has been consolidating and continues to consolidate as a result of a number of factors, including the increasing costs and complexity associated with waste management operations and regulatory compliance. Many small independent operators and municipalities lack the capital resources, management, operating skills and technical expertise necessary to operate effectively in such an environment. The consolidation trend has caused solid waste companies to operate larger landfills that have complementary collection routes that can use company-owned disposal capacity. Controlling the point of transfer from haulers to landfills has become increasingly important as landfills continue to close and disposal capacity moves farther from the collection markets it serves.

Generally, the most profitable operators within the solid waste industry are those companies that are vertically integrated or enter into long-term collection contracts. A vertically integrated operator will benefit from: (1) the internalization of waste, which is bringing waste to a company-owned landfill; (2) the ability to charge third-party haulers tipping fees either at landfills or at transfer stations; and (3) the efficiencies gained by being able to aggregate and process waste at a transfer station prior to landfilling.

The demand for our E&P waste services depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile. Macroeconomic and geopolitical conditions, including a significant decline in oil prices driven by both surplus production and supply, as well as the decrease in demand caused by factors including the COVID-19 pandemic, have resulted in decreased levels of oil and natural gas exploration and production activity and a corresponding decrease in demand for our E&P waste services. Additionally, across the industry there is uncertainty regarding future demand for oil and related services, as noted by several energy companies, many of whom are customers of our E&P operations. These companies have written down the values of their oil and gas assets in anticipation of the potential for the decarbonization of their energy product mix given an increased global focus on reducing greenhouse gases and addressing climate change. Such uncertainty regarding global demand has had a significant impact on the investment and operating plans of our E&P waste customers in the basins where we operate. If the prices of crude oil and natural gas substantially decline, it could lead to declines in the level of production activity and demand for our E&P waste services, which could result in the recognition of additional impairment charges on our intangible assets and property and equipment associated with our E&P operations. See Note 5 to our Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for a discussion of the impairment charge recorded during the six months ended June 30, 2020.

THE COVID-19 PANDEMIC'S IMPACT ON OUR RESULTS OF OPERATIONS

March 11, 2021 marked the one year anniversary of COVID-19 being declared a global pandemic by the World Health Organization. The related economic disruptions largely associated with closures or restrictions put into effect following the onset of the COVID-19 pandemic resulted in declines in solid waste commercial collection, transfer station and landfill volumes, and roll off activity. Throughout the remaining fiscal year 2020, solid waste revenue and reported volumes largely reflected the pace and shape of the closures and subsequent reopening activity, with the timing and magnitude of

recovery varying by market. Reported solid waste volumes in 2020 turned slightly negative in the first quarter, were most negative in the second quarter, and showed sequential improvement during the second half of the year, finishing the year at negative 3.1% in the fourth quarter. In the first quarter of 2021, the final period to include comparisons to pre-COVID-19 activity levels on a year over year basis, solid waste volumes were down 3.2%. In the second quarter of 2021, solid waste volumes increased sequentially by 9.6% to up 6.5% on a year over year basis, with positive volumes in all regions.

The COVID-19 pandemic also contributed to the decline in demand for and the value of crude oil, which impacted E&P drilling activity and resulted in lower E&P waste revenue, with the quarterly run rate decreasing from approximately \$60 million in the first quarter of 2020 to approximately \$25 million through the first quarter of 2021. E&P waste revenue increased sequentially by \$6.5 million to \$31.2 million in the second quarter of 2021 on increased drilling activity in several active shale basins.

Since the onset of the COVID-19 pandemic, protecting the health, welfare and safety of our employees has been our top priority. Recognizing the potential for financial hardship and other challenges, we looked to provide a safety net for our employees on issues of income and family health. To that end, in 2020, we incurred over \$35 million in incremental COVID-19-related costs, primarily supplemental pay for frontline employees. We continue to support our employees and their families, with certain costs continuing in 2021, albeit to a lesser extent than in the prior year, as employee COVID-19 cases and related impacts are similarly abating. The impact of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows in future periods will depend largely on future developments, including the duration and spread of the outbreak in the U.S. and Canada, the rate of vaccinations, the severity of COVID-19 variants, the actions to contain such coronavirus variants, and how quickly and to what extent normal economic and operating conditions can resume.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the condensed consolidated financial statements. As described by the SEC, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on the financial condition or operating performance of a company. Such critical accounting estimates and assumptions are applicable to our reportable segments. Refer to our most recent Annual Report on Form 10-K for a complete description of our critical accounting estimates and assumptions.

NEW ACCOUNTING PRONOUNCEMENTS

For a description of the new accounting standards that affect us, see Note 3 to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

The following table sets forth items in our Condensed Consolidated Statements of Net Income (Loss) in thousands of U.S. dollars and as a percentage of revenues for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Revenues	\$ 1,533,931	100.0 %	\$ 1,305,782	100.0 %	\$ 2,929,874	100.0 %	\$ 2,658,187	100.0 %
Cost of operations	901,191	58.8	785,710	60.2	1,727,111	59.0	1,601,134	60.2
Selling, general and administrative	157,943	10.3	132,158	10.1	299,365	10.2	268,210	10.1
Depreciation	169,221	11.0	151,230	11.6	326,624	11.2	302,051	11.4
Amortization of intangibles	32,707	2.1	31,771	2.4	64,899	2.2	63,409	2.4
Impairments and other operating items	6,081	0.4	437,270	33.5	6,715	0.2	438,777	16.5
Operating income (loss)	266,788	17.4	(232,357)	(17.8)	505,160	17.2	(15,394)	(0.6)
Interest expense	(41,328)	(2.7)	(40,936)	(3.1)	(83,753)	(2.9)	(78,926)	(3.0)
Interest income	744	0.1	1,317	0.1	1,848	0.1	3,493	0.1
Other income (expense), net	(1,235)	(0.1)	5,772	0.4	2,312	0.1	(3,749)	(0.1)
Income tax (provision) benefit	(47,868)	(3.2)	38,737	3.0	(88,159)	(3.0)	10,003	0.4
Net income (loss)	177,101	11.5	(227,467)	(17.4)	337,408	11.5	(84,573)	(3.2)
Net loss (income) attributable to noncontrolling interests	(54)	(0.0)	395	0.0	(52)	0.0	536	0.0
Net income (loss) attributable to Waste Connections	\$ 177,047	11.5 %	\$ (227,072)	(17.4)%	\$ 337,356	11.5 %	\$ (84,037)	(3.2)%

Revenues. Total revenues increased \$228.1 million, or 17.5%, to \$1.534 billion for the three months ended June 30, 2021, from \$1.306 billion for the three months ended June 30, 2020. Total revenues increased \$271.7 million, or 10.2%, to \$2.930 billion for the six months ended June 30, 2021, from \$2.658 billion for the six months ended June 30, 2020.

Acquisitions closed during or subsequent to the three months ended June 30, 2020 increased revenues by \$47.6 million for the three months ended June 30, 2021. Acquisitions closed during or subsequent to the six months ended June 30, 2020 increased revenues by \$91.4 million for the six months ended June 30, 2021.

Operations that were divested subsequent to June 30, 2020 decreased revenues by \$3.5 million and \$6.7 million, respectively, for the three and six months ended June 30, 2021.

During the three months ended June 30, 2021, the net increase in prices charged to our customers at our existing operations was \$60.9 million, consisting of \$58.3 million of core price increases and surcharges of \$2.6 million. During the six months ended June 30, 2021, the net increase in prices charged to our customers at our existing operations was \$113.1 million, consisting of \$114.2 million of core price increases, partially offset by a decrease in surcharges of \$1.1 million.

During the three and six months ended June 30, 2021, volume increases in our existing business increased solid waste revenues by \$80.2 million and \$39.7 million, respectively, as many of our markets benefitted from increased business activity resulting from reductions in COVID-19-related restrictions.

E&P revenues at facilities owned during the three and six months ended June 30, 2021 and 2020 decreased \$4.4 million and \$39.1 million, respectively. Decreases in the demand for crude oil commenced in March 2020 as a result of

economic disruptions from the COVID-19 pandemic, resulting in decreases in drilling and production activity levels and decreases in overall demand for our E&P waste services.

An increase in the average Canadian dollar to U.S. dollar currency exchange rate resulted in an increase in revenues of \$20.5 million and \$30.9 million, respectively, for the three and six months ended June 30, 2021. The average Canadian dollar to U.S. dollar exchange rates on our Canadian revenues were 0.8147 and 0.7226 in the three months ended June 30, 2021 and 2020, respectively. The average Canadian dollar to U.S. dollar exchange rates on our Canadian revenues were 0.8030 and 0.7338 in the six months ended June 30, 2021 and 2020, respectively.

Revenues from sales of recyclable commodities at facilities owned during the three and six months ended June 30, 2021 and 2020 increased \$18.0 million and \$29.3 million, respectively, due primarily to higher prices for old corrugated cardboard, aluminum and other paper products, higher volumes collected from residential recycling customers and the partial recovery during the three months ended June 30, 2021 of collected commercial recycling volumes which declined in the prior year period due to economic disruptions resulting from the COVID-19 pandemic.

Other revenues increased \$8.8 million during the three months ended June 30, 2021, due primarily to an \$8.0 million increase resulting from higher prices for renewable energy credits associated with the generation of landfill gas in our Canada segment and a \$2.1 million increase in other non-core revenue sources, partially offset by a \$1.3 million decrease in intermodal revenues due primarily to customer losses that reduced intermodal cargo volumes. Other revenues increased \$13.1 million during the six months ended June 30, 2021 due primarily to a \$14.1 million increase resulting from higher prices for renewable energy credits associated with the generation of landfill gas at our Canada segment and a \$2.4 million increase in other non-core revenue sources, partially offset by a \$3.4 million decrease in intermodal revenues due primarily to customer losses resulting in a reduction in intermodal cargo volumes.

Cost of Operations. Total cost of operations increased \$115.5 million, or 14.7%, to \$901.2 million for the three months ended June 30, 2021, from \$785.7 million for the three months ended June 30, 2020. The increase was primarily the result of an increase in operating costs at our existing operations of \$81.3 million, assuming foreign currency parity, \$24.6 million of additional operating costs from acquisitions closed subsequent to the three months ended June 30, 2020 and \$11.6 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in operating costs of \$2.0 million at operations divested subsequent to the three months ended June 30, 2020.

The increase in operating costs of \$81.3 million, assuming foreign currency parity, at our existing operations for the three months ended June 30, 2021, consisted of an increase in labor expenses at our solid waste operations of \$27.8 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in third-party disposal expenses of \$15.1 million due primarily to increased solid waste collection volumes, an increase in truck, container, equipment and facility maintenance and repair expenses of \$14.7 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes, an increase in third-party trucking and transportation expenses of \$11.9 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in diesel fuel expense of \$10.1 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, an increase in employee medical benefits expenses of \$7.9 million due to an increase in medical visits, an increase in taxes on revenues of \$6.5 million due primarily to increased revenues in our solid waste markets, an increase in subcontracted hauling services at our solid waste operations of \$3.8 million due to outsourcing the servicing of certain non-strategic contracts and commercial collection customers to third party haulers, an increase in landfill maintenance, environmental compliance and daily cover expenses of \$2.8 million due to increased compliance requirements under our landfill operating permits, an increase in 401(k) matching expenses of \$1.7 million due to the prior year period reflecting less expenses due to a one month impact of the June 1, 2020 to December 31, 2020 suspension of our 401(k) match, an increase in insurance premium expenses of \$1.3 million due primarily to increased insurance premium costs for auto and environmental compliance and \$0.5 million of other net expense increases, partially offset by a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$17.3 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, a decrease in labor at our E&P operations of \$1.7 million due to headcount reductions resulting from disposal

volume decreases, a decrease in taxes on revenues of \$1.6 million at Chiquita Canyon landfill due to a reduction in certain fees and exactions resulting from our successful challenge of these expenses subsequent to June 30, 2020, a decrease in subcontracted operating and remediation services at our E&P operations of \$1.2 million due to disposal volume decreases and a decrease in intermodal rail expenses of \$1.0 million due to customer losses resulting in a reduction in cargo volume.

Total cost of operations increased \$126.0 million, or 7.9%, to \$1.727 billion for the six months ended June 30, 2021, from \$1.601 billion for the six months ended June 30, 2020. The increase was primarily the result of an increase in operating costs at our existing operations of \$63.9 million, assuming foreign currency parity, \$48.7 million of additional operating costs from acquisitions closed subsequent to the six months ended June 30, 2020 and \$17.4 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in operating costs of \$4.0 million at operations divested subsequent to the six months ended June 30, 2020.

The increase in operating costs of \$63.9 million, assuming foreign currency parity, at our existing operations for the six months ended June 30, 2021, consisted of an increase in labor expenses at our solid waste operations of \$26.7 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in third-party disposal expenses of \$12.2 million due primarily to increased solid waste collection volumes, an increase in third-party trucking and transportation expenses of \$12.2 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in employee medical benefits expenses of \$11.5 million due to an increase in medical visits, an increase in truck, container, equipment and facility maintenance and repair expenses of \$10.7 million due primarily to parts and service rate increases, an increase in taxes on revenues of \$8.9 million due primarily to increased revenues in our solid waste markets, an increase in diesel fuel expense of \$7.4 million due to higher fuel prices, an increase in subcontracted hauling services at our solid waste operations of \$6.3 million due to outsourcing the servicing of certain non-strategic contracts and commercial collection customers to third party haulers, an increase in landfill maintenance, environmental compliance and daily cover expenses of \$3.3 million due to increased compliance requirements under our landfill operating permits, an increase in insurance premium expenses of \$2.0 million due primarily to increased insurance premium costs for auto and environmental compliance, an increase in 401(k) matching expenses of \$1.8 million due to the prior year period reflecting less expenses due to a one month impact of the June 1, 2020 to December 31, 2020 suspension of our 401(k) match and \$0.4 million of other net expense increases, partially offset by a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$15.1 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, a decrease in expenses for auto and workers' compensation claims of \$8.1 million due primarily to higher claims severity in the prior year period and adjustments recorded in the current year period to decrease projected losses on outstanding claims originally recorded prior to 2021, a decrease in labor at our E&P operations of \$4.7 million due to headcount reductions resulting from disposal volume decreases, a decrease in taxes on revenues of \$3.7 million at Chiquita Canyon landfill due to a reduction in certain fees and exactions resulting from our successful challenge of these expenses subsequent to June 30, 2020, a decrease in subcontracted operating and remediation services at our E&P operations of \$3.4 million due to disposal volume decreases, a decrease in intermodal rail expenses of \$2.8 million due to customer losses resulting in a reduction in cargo volume and a decrease in expenses for processing recyclable commodities in our Western segment of \$1.7 million due to increased recyclable commodity values resulting in price reductions charged by third-party recycling processors.

Cost of operations as a percentage of revenues decreased 1.4 percentage points to 58.8% for the three months ended June 30, 2021, from 60.2% for the three months ended June 30, 2020. The decrease as a percentage of revenues consisted of a 1.4 percentage point decrease from a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel, a 0.5 percentage point decrease from leveraging existing personnel to support our solid waste revenue volume growth and a 0.2 percentage point decrease from all other net changes, partially offset by a 0.4 percentage point increase from higher employee medical expenses and a 0.3 percentage point increase from higher diesel fuel expenses.

Cost of operations as a percentage of revenues decreased 1.2 percentage points to 59.0% for the six months ended June 30, 2021, from 60.2% for the six months ended June 30, 2020. The decrease as a percentage of revenues consisted of a 0.6 percentage point decrease from a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel, a 0.4 percentage point decrease from a reduction in expenses for auto and workers' compensation

claims, a 0.3 percentage point decrease from leveraging existing personnel to support our solid waste revenue volume growth and a 0.2 percentage point decrease from all other net changes, partially offset by a 0.3 percentage point increase from higher employee medical expenses.

SG&A. SG&A expenses increased \$25.7 million, or 19.5%, to \$157.9 million for the three months ended June 30, 2021, from \$132.2 million for the three months ended June 30, 2020. The increase was comprised of an increase of \$20.7 million in SG&A expenses at our existing operations, assuming foreign currency parity, \$3.0 million of additional SG&A expenses from operating locations at acquisitions closed subsequent to the three months ended June 30, 2020 and \$2.2 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in SG&A expenses of \$0.2 million at operations divested subsequent to the three months ended June 30, 2020.

The increase in SG&A expenses at our existing operations of \$20.7 million, assuming foreign currency parity, for the three months ended June 30, 2021, was comprised of an increase in accrued recurring cash incentive compensation expense to our management of \$9.5 million, a collective increase in travel, meeting, training and community activity expenses of \$6.7 million due to event cancellation credits recognized in the prior year period and increased travel and social gatherings in the current year period due to a reduction in restrictions associated with the COVID-19 pandemic, an increase in equity-based compensation expenses of \$5.3 million associated with an adjustment during the current year period of our common shares held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options, an increase in equity-based compensation expenses of \$2.3 million resulting primarily from adjustments to the amount of performance-based restricted share units granted in 2019 and 2020 that are estimated to ultimately vest based on the achievement of required financial performance results, an increase in employee medical benefits expenses of \$2.2 million due to an increase in medical visits, an increase in administrative payroll expenses of \$1.7 million due primarily to annual pay increases, an increase in employee relocation expenses of \$1.1 million and \$0.8 million of other net expense increases, partially offset by a decrease in expenses for uncollectible accounts receivable of \$5.4 million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic, a decrease in deferred compensation expenses of \$1.4 million as a result of higher increases during the prior year period in the market value of investments to which employee deferred compensation liability balances are tracked, a decrease of \$1.1 million resulting from the prior year period including payments of supplemental bonuses to non-management employees to provide financial assistance associated with the impact of the COVID-19 pandemic and a decrease in direct acquisition expenses of \$1.0 million due to a decrease in acquisition activity in the comparable periods.

SG&A expenses increased \$31.2 million, or 11.6%, to \$299.4 million for the six months ended June 30, 2021, from \$268.2 million for the six months ended June 30, 2020. The increase was comprised of an increase of \$22.4 million in SG&A expenses at our existing operations, assuming foreign currency parity, \$6.0 million of additional SG&A expenses from operating locations at acquisitions closed subsequent to the six months ended June 30, 2020 and \$3.2 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in SG&A expenses of \$0.4 million at operations divested subsequent to the six months ended June 30, 2020.

The increase in SG&A expenses at our existing operations of \$22.4 million, assuming foreign currency parity, for the six months ended June 30, 2021, was comprised of an increase in accrued recurring cash incentive compensation expense to our management of \$14.4 million, an increase in deferred compensation expenses of \$4.2 million as a result of increases in the market value of investments to which employee deferred compensation liability balances are tracked, an increase in employee medical benefits expenses of \$3.5 million due to an increase in medical visits, an increase in professional fees of \$2.2 million due primarily to adjustments recorded during the prior year period to reduce estimated accrued liabilities associated with unbilled legal services and increased expenses associated with professional tax services, an increase in equity-based compensation expenses of \$2.0 million associated with the net impact of current and prior period adjustments of our common shares held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options, an increase in equity-based compensation expenses of \$1.8 million resulting primarily from adjustments to the amount of performance-based restricted share units granted in 2019 and 2020 that are estimated to ultimately vest based on the achievement of required financial performance results, an increase in administrative payroll expenses of \$1.1 million due primarily to annual pay increases and \$2.5 million of other net expense

increases, partially offset by a decrease in expenses for uncollectible accounts receivable of \$6.4 million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic, a decrease in direct acquisition expenses of \$1.6 million due to a decrease in acquisition activity in the comparable periods and a decrease of \$1.3 million resulting from the prior year period including payments of supplemental bonuses to non-management employees to provide financial assistance associated with the impact of the COVID-19 pandemic.

SG&A as a percentage of revenues increased 0.2 percentage points to 10.3% for the three months ended June 30, 2021, from 10.1% for the three months ended June 30, 2020. The increase as a percentage of revenues consisted of a 0.5 percentage point increase from travel, meeting, training and community activity expenses, a 0.4 percentage point increase from higher accrued recurring cash incentive compensation expense to our management and a 0.3 percentage point increase from increased equity-based compensation expenses associated with the designation of our common shares held in our deferred compensation plan, partially offset by a 0.4 percentage point decrease from lower expenses for uncollectible accounts receivable, a 0.4 percentage point decrease from leveraging existing administrative headcount to support solid waste revenue increases and a 0.2 percentage point decrease from all other net changes.

SG&A as a percentage of revenues increased 0.1 percentage points to 10.2% for the six months ended June 30, 2021, from 10.1% for the six months ended June 30, 2020. The increase as a percentage of revenues consisted of a 0.4 percentage point increase from higher accrued recurring cash incentive compensation expense to our management, a 0.1 percentage point increase from higher benefits expenses and a 0.1 percentage point increase from increased equity-based compensation expenses associated with the designation of our common shares held in our deferred compensation plan, partially offset by a 0.3 percentage point decrease from leveraging existing administrative headcount to support solid waste revenue increases and a 0.2 percentage point decrease from lower expenses for uncollectible accounts receivable.

Depreciation. Depreciation expense increased \$18.0 million, or 11.9%, to \$169.2 million for the three months ended June 30, 2021, from \$151.2 million for the three months ended June 30, 2020. The increase was comprised of an increase in depletion expense of \$7.9 million resulting from increased landfill municipal solid waste and special waste volumes, an increase in depreciation expense of \$4.8 million from the impact of additions to our fleet and equipment purchased to support our existing operations, depreciation and depletion expense of \$3.8 million from acquisitions closed subsequent to the three months ended June 30, 2020 and \$2.4 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in depreciation and depletion expense of \$0.9 million from operations divested subsequent to the three months ended June 30, 2020.

Depreciation expense increased \$24.5 million, or 8.1%, to \$326.6 million for the six months ended June 30, 2021, from \$302.1 million for the six months ended June 30, 2020. The increase was comprised of an increase in depreciation expense of \$9.8 million from the impact of additions to our fleet and equipment purchased to support our existing operations, depreciation and depletion expense of \$7.7 million from acquisitions closed subsequent to the six months ended June 30, 2020, an increase in depletion expense of \$5.1 million resulting from increased landfill municipal solid waste and special waste volumes and \$3.6 million resulting from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease in depreciation and depletion expense of \$1.7 million from operations divested subsequent to the six months ended June 30, 2020.

Depreciation expense as a percentage of revenues decreased 0.6 percentage points to 11.0% for the three months ended June 30, 2021, from 11.6% for the three months ended June 30, 2020. Depreciation expense as a percentage of revenues decreased 0.2 percentage points to 11.2% for the six months ended June 30, 2021, from 11.4% for the six months ended June 30, 2020. The decreases as a percentage of revenues were primarily attributable to leveraging volume increases in our solid waste revenues.

Amortization of Intangibles. Amortization of intangibles expense increased \$0.9 million, or 2.9%, to \$32.7 million for the three months ended June 30, 2021, from \$31.8 million for the three months ended June 30, 2020. The increase was the result of \$2.5 million from intangible assets acquired in acquisitions closed subsequent to the three months ended June 30, 2020 and \$0.7 million from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease of \$2.2 million from certain intangible assets becoming fully amortized

subsequent to June 30, 2020 and a decrease of \$0.1 million from operations divested subsequent to the three months ended June 30, 2020.

Amortization of intangibles expense increased \$1.5 million, or 2.4%, to \$64.9 million for the six months ended June 30, 2021, from \$63.4 million for the six months ended June 30, 2020. The increase was the result of \$5.3 million from intangible assets acquired in acquisitions closed subsequent to the six months ended June 30, 2020 and \$1.0 million from an increase in the average foreign currency exchange rate in effect during the comparable reporting periods, partially offset by a decrease of \$4.6 million from certain intangible assets becoming fully amortized subsequent to June 30, 2020 and a decrease of \$0.2 million from operations divested subsequent to the six months ended June 30, 2020.

Amortization expense as a percentage of revenues decreased 0.3 percentage points to 2.1% for the three months ended June 30, 2021, from 2.4% for the three months ended June 30, 2020. Amortization expense as a percentage of revenues decreased 0.2 percentage points to 2.2% for the six months ended June 30, 2021, from 2.4% for the six months ended June 30, 2020. The decreases as a percentage of revenues were primarily attributable to leveraging volume increases in our solid waste revenues.

Impairments and Other Operating Items. Impairments and other operating items decreased \$431.2 million, to net losses totaling \$6.1 million for the three months ended June 30, 2021, from net losses totaling \$437.3 million for the three months ended June 30, 2020, including an impairment charge at our E&P operations of \$417.4 million.

The net losses of \$6.1 million recorded during the three months ended June 30, 2021 consisted of a \$4.6 million loss resulting from property and equipment damaged in a facility fire, \$0.6 million of charges to terminate or write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to their original estimated termination date and \$0.9 million of other net charges.

During the three months ended June 30, 2020, we concluded that a triggering event occurred which required us to perform an impairment test of the property and equipment and intangible assets of our E&P operations as of June 30, 2020. As a result of the impairment test, we concluded that the carrying value of four E&P landfills exceeded their estimated fair value, resulting in an impairment charge of \$417.4 million to property and equipment. The remaining net losses of \$19.9 million recorded during the three months ended June 30, 2020 consisted of \$16.8 million of expenses associated with adjusting the carrying value of liabilities for contingent consideration associated with acquisitions closed in prior periods, \$1.7 million of losses on property and equipment that were disposed of through sales or as a result of being damaged in operations and \$1.6 million of charges to terminate or write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to their original estimated termination date, partially offset by \$0.2 million of other net credits to expense.

Impairments and other operating items decreased \$432.1 million, to net losses totaling \$6.7 million for the six months ended June 30, 2021, from net losses totaling \$438.8 million for the six months ended June 30, 2020.

The net losses of \$6.7 million recorded during the six months ended June 30, 2021 consisted of a \$4.6 million loss resulting from property and equipment damaged in a facility fire, \$1.1 million of charges to terminate or write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to their original estimated termination date and \$1.0 million of other net charges.

The net losses of \$438.8 million recorded during the six months ended June 30, 2020 consisted of the aforementioned charges of \$417.4 million at our E&P operations and \$16.8 million to adjust the carrying value of liabilities for contingent consideration, as well as \$2.5 million of charges to terminate or write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to their original estimated termination date, \$1.5 million of losses on property and equipment that were disposed of through sales or as a result of being damaged in operations and \$0.6 million of other net charges.

Operating Income (Loss). Operating income (loss) increased \$499.2 million, to operating income of \$266.8 million for the three months ended June 30, 2021, from an operating loss of \$232.4 million for the three months ended June 30,

2020. Operating income (loss) increased \$520.6 million, to operating income of \$505.2 million for the six months ended June 30, 2021, from an operating loss of \$15.4 million for the six months ended June 30, 2020.

Our operating results for the three and six months ended June 30, 2020 were adversely impacted by the aforementioned impairment charge at our E&P operations of \$417.4 million. The remaining increase in our operating income for the three and six months ended June 30, 2021 was due primarily to price increases for our solid waste services, increases in solid waste collection and disposal volumes, operating income contributions from increased sales of recyclable commodities and renewable energy credits associated with the generation of landfill gas, operating income generated from acquisitions closed subsequent to the three and six months ended June 30, 2020 and an increase in the average Canadian dollar to U.S. dollar currency exchange rate.

Operating income as a percentage of revenues increased 35.2 percentage points to 17.4% for the three months ended June 30, 2021, from a loss of 17.8% for the three months ended June 30, 2020. The increase as a percentage of revenues was comprised of a 33.1 percentage point decrease in impairments and other operating items, a 1.4 percentage point decrease in cost of operations, a 0.6 percentage point decrease in depreciation expense and a 0.3 percentage point decrease in amortization expense, partially offset by at 0.2 percentage point increase in SG&A expense.

Operating income as a percentage of revenues increased 17.8 percentage points to 17.2% for the six months ended June 30, 2021, from a loss of 0.6% for the six months ended June 30, 2020. The increase as a percentage of revenues was comprised of a 16.3 percentage point decrease in impairments and other operating items, a 1.2 percentage point decrease in cost of operations, a 0.2 percentage point decrease in depreciation expense and a 0.2 percentage point decrease in amortization expense, partially offset by at 0.1 percentage point increase in SG&A expense.

Interest Expense. Interest expense increased \$0.4 million, or 1.0%, to \$41.3 million for the three months ended June 30, 2021, from \$40.9 million for the three months ended June 30, 2020. The increase was primarily attributable to an increase of \$1.4 million from higher net interest rates on borrowings outstanding under our Credit Agreement due primarily to \$600 million in interest rate swap agreements commencing in October 2020 at higher interest rates than \$575 million in interest rate swap agreements which expired between September 2020 and October 2020 and \$0.5 million of other net increases, partially offset by a decrease of \$1.5 million from the repayment of \$250 million of senior unsecured notes in 2021.

Interest expense increased \$4.9 million, or 6.1%, to \$83.8 million for the six months ended June 30, 2021, from \$78.9 million for the six months ended June 30, 2020. The increase was primarily attributable to an increase of \$3.4 million from higher net interest rates on borrowings outstanding under our Credit Agreement due primarily to \$600 million in interest rate swap agreements commencing in October 2020 at higher interest rates than \$575 million in interest rate swap agreements which expired between September 2020 and October 2020, an increase of \$3.1 million from the March 2020 issuance of our 2050 Senior Notes (as defined below), an increase of \$0.9 million from the January 2020 issuance of our 2030 Senior Notes (as defined below) and \$1.1 million of other net increases, partially offset by a decrease of \$2.1 million due to a reduction in the average borrowings outstanding under our Credit Agreement and a decrease of \$1.5 million from the repayment of \$250 million of senior unsecured notes in 2021.

Interest Income. Interest income decreased \$0.6 million to \$0.7 million for the three months ended June 30, 2021, from \$1.3 million for the three months ended June 30, 2020. Interest income decreased \$1.7 million to \$1.8 million for the six months ended June 30, 2021, from \$3.5 million for the six months ended June 30, 2020. The decreases were primarily attributable to lower reinvestment rates in the current period, partially offset by higher average cash balances.

Other Income (Expense), Net. Other income (expense), net decreased \$7.0 million, to an expense total of \$1.2 million for the three months ended June 30, 2021, from an income total of \$5.8 million for the three months ended June 30, 2020.

Other expense of \$1.2 million recorded during the three months ended June 30, 2021 consisted of \$1.8 million of adjustments to increase certain accrued liabilities acquired in prior period acquisitions and a \$0.9 million increase in other net expenses, partially offset by \$1.5 million of income earned on investments purchased to fund our employee deferred compensation obligations.

Other income of \$5.8 million recorded during the three months ended June 30, 2020 consisted of \$3.3 million of earnings on investments purchased to fund our employee deferred compensation obligations, a \$1.0 million adjustment to decrease certain non-acquisition accrued liabilities recorded in prior periods and a \$1.5 million increase in other income sources.

Other income (expense), net increased \$6.0 million, to an income total of \$2.3 million for the six months ended June 30, 2021, from an expense total of \$3.7 million for the six months ended June 30, 2020.

Other income of \$2.3 million recorded during the six months ended June 30, 2021 consisted of \$2.7 million of income earned on investments purchased to fund our employee deferred compensation obligations and a \$1.1 million increase in other net income sources, partially offset by \$1.5 million of adjustments to increase certain accrued liabilities acquired in prior period acquisitions.

Other expense of \$3.7 million recorded during the six months ended June 30, 2020 consisted of a \$3.0 million adjustment to increase certain accrued liabilities acquired in the 2016 Progressive Waste acquisition, \$1.5 million of losses on investments purchased to fund our employee deferred compensation obligations and a \$0.2 million increase in other expenses, partially offset by a \$1.0 million adjustment to decrease certain non-acquisition accrued liabilities recorded in prior periods.

Income Tax (Provision) Benefit. Income taxes increased \$86.6 million, to an expense total of \$47.9 million for the three months ended June 30, 2021, from a benefit total of \$38.7 million for the three months ended June 30, 2020. Our effective tax expense rate for the three months ended June 30, 2021 was 21.3%. Our effective tax benefit rate for the three months ended June 30, 2020 was 14.6%. Income taxes increased \$98.2 million, to an expense total of \$88.2 million for the six months ended June 30, 2021, from a benefit total of \$10.0 million for the six months ended June 30, 2020. Our effective tax expense rate for the six months ended June 30, 2021 was 20.7%. Our effective tax benefit rate for the six months ended June 30, 2020 was 10.6%.

The income tax provision for the six months ended June 30, 2021 included benefits of \$2.0 million from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

The income tax benefit for the three and six months ended June 30, 2020 included a \$27.4 million expense associated with certain 2019 inter-entity payments no longer being deductible for tax purposes due to the finalization of tax regulations on April 7, 2020 under Internal Revenue Code section 267A and a \$4.1 million expense related to an increase in our deferred income tax liabilities resulting from the impairment of certain assets within our E&P operations, which impacted the geographical apportionment of our state income taxes. Additionally, the income tax benefit for the three and six months ended June 30, 2020 included a benefit of \$0.2 million and \$5.3 million, respectively, from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

SEGMENT RESULTS

General

No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level during the periods presented. The following table disaggregates our revenue by service line for the periods indicated (dollars in thousands of U.S. dollars).

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Commercial	\$ 444,044	\$ 375,427	\$ 870,439	\$ 791,935
Residential	416,975	378,188	817,794	743,919
Industrial and construction roll off	237,300	194,457	446,558	401,228
Total collection	1,098,319	948,072	2,134,791	1,937,082
Landfill	327,124	280,619	599,060	546,836
Transfer	217,133	189,085	406,456	369,851
Recycling	41,539	20,217	73,987	38,324
E&P	34,607	40,152	62,618	105,530
Intermodal and other	38,590	27,811	74,225	57,829
Intercompany	(223,381)	(200,174)	(421,263)	(397,265)
Total	<u>\$ 1,533,931</u>	<u>\$ 1,305,782</u>	<u>\$ 2,929,874</u>	<u>\$ 2,658,187</u>

Our Chief Operating Decision Maker evaluates operating segment profitability and determines resource allocations based on several factors, of which the primary financial measure is segment EBITDA. We define segment EBITDA as earnings before interest, taxes, depreciation, amortization, impairments and other operating items and other income (expense). Segment EBITDA is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. Our management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

Prior to July 2020, we managed our operations through five geographic solid waste operating segments and our E&P segment, which were also our reportable segments. As of July 2020, our Chief Operating Decision Maker determined that the E&P and Southern operating segments met all of the aggregation criteria and eliminated our E&P segment by combining all operations of the E&P segment into the Southern segment. After giving effect to this combination, our reportable segments consist of our five geographic operating segments and no longer include a separate E&P segment. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. The segment information presented herein reflects the realignment of these districts. Segment results for the 2020 periods reflected in this report have been reclassified to reflect the realignment of our reportable segments for comparison with the same period in 2021.

At June 30, 2021, under the current orientation, our Southern segment services customers located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Dakota, southern Oklahoma, western Tennessee, Texas, Wyoming and along the Gulf of Mexico; our Eastern segment services customers located in Delaware, northern Illinois, Kentucky, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, eastern Tennessee, Vermont, Virginia and Wisconsin; our Western segment services customers located in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central segment services customers located in Arizona, Colorado, southern Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, western Texas, Utah and eastern Wyoming; and our Canada segment services customers located in the state of Michigan and in the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan.

Revenues, net of intercompany eliminations, for our reportable segments are shown in the following table in thousands of U.S. dollars and as a percentage of total revenues for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Eastern	\$ 369,617	24.1 %	\$ 318,891	24.4 %	\$ 706,079	24.1 %	\$ 651,093	24.5 %
Southern	363,336	23.7	333,466	25.5	701,497	23.9	702,722	26.4
Western	313,789	20.4	275,536	21.1	610,793	20.9	547,518	20.6
Central	266,845	17.4	216,620	16.6	502,231	17.1	425,162	16.0
Canada	220,344	14.4	161,269	12.4	409,274	14.0	331,692	12.5
	<u>\$ 1,533,931</u>	<u>100.0 %</u>	<u>\$ 1,305,782</u>	<u>100.0 %</u>	<u>\$ 2,929,874</u>	<u>100.0 %</u>	<u>\$ 2,658,187</u>	<u>100.0 %</u>

Segment EBITDA for our reportable segments is shown in the following table in thousands of U.S. dollars and as a percentage of segment revenues for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Western	99,402	31.7 %	85,423	31.0 %	\$ 193,228	31.6 %	\$ 166,451	30.4 %
Eastern	99,382	26.9 %	82,680	25.9 %	188,503	26.7 %	167,342	25.7 %
Southern	98,928	27.2 %	89,130	26.7 %	192,352	27.4 %	195,450	27.8 %
Central	94,886	35.6 %	79,705	36.8 %	173,926	34.6 %	152,856	36.0 %
Canada	88,641	40.2 %	53,675	33.3 %	162,581	39.7 %	113,073	34.1 %
Corporate ^(a)	(6,442)	—	(2,699)	—	(7,192)	—	(6,329)	—
	<u>\$ 474,797</u>	<u>31.0 %</u>	<u>\$ 387,914</u>	<u>29.7 %</u>	<u>\$ 903,398</u>	<u>30.8 %</u>	<u>\$ 788,843</u>	<u>29.7 %</u>

(a) The majority of Corporate expenses are allocated to the five operating segments. Direct acquisition expenses, expenses associated with common shares held in the deferred compensation plan exchanged for other investment options and share-based compensation expenses associated with Progressive Waste share-based grants outstanding at June 1, 2016 that were continued by the Company are not allocated to the five operating segments and comprise the net EBITDA for our Corporate segment for the periods presented.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 11 to our Condensed Consolidated Financial Statements included in Part 1, Item 1 of this report.

Significant changes in revenue and segment EBITDA for our reportable segments for the three and six month periods ended June 30, 2021, compared to the three and six month periods ended June 30, 2020, are discussed below.

Segment Revenue

Revenue in our Eastern segment increased \$50.7 million, or 15.9%, to \$369.6 million for the three months ended June 30, 2021, from \$318.9 million for the three months ended June 30, 2020. The components of the increase consisted of solid waste volume increases of \$16.6 million due primarily to higher collection and disposal volumes, net price increases of \$14.0 million, net revenue growth from acquisitions closed subsequent to the three months ended June 30, 2020 of \$10.4 million, the impact of a partial recovery of collected commercial recycling volumes, which declined in the prior year period due to economic disruptions resulting from the COVID-19 pandemic, and higher prices for old corrugated cardboard, other paper products, plastics and aluminum contributing to a \$9.2 million increase in sales from recyclable commodities and other revenue increases of \$0.5 million.

Revenue in our Eastern segment increased \$55.0 million, or 8.4%, to \$706.1 million for the six months ended June 30, 2021, from \$651.1 million for the six months ended June 30, 2020. The components of the increase consisted of net price increases of \$27.2 million, net revenue growth from acquisitions closed subsequent to the six months ended June 30, 2020 of \$20.0 million, the impact of a partial recovery of collected commercial recycling volumes, which declined in the prior year period due to economic disruptions resulting from the COVID-19 pandemic, and higher prices for old corrugated cardboard, other paper products, plastics and aluminum contributing to a \$14.8 million increase in sales from recyclable commodities and other revenue increases of \$0.6 million, partially offset by solid waste volume decreases of \$7.6 million

attributable primarily to COVID-19-related economic disruptions in our Northeastern markets, which commenced in March 2020 and continued into 2021, driving declines in commercial collection and roll off collection volumes.

Revenue in our Southern segment increased \$29.8 million, or 9.0%, to \$363.3 million for the three months ended June 30, 2021, from \$333.5 million for the three months ended June 30, 2020. The components of the increase consisted of net price increases of \$18.0 million, solid waste volume increases of \$14.8 million due primarily to higher commercial collection, roll off collection, transfer station and landfill volumes, higher prices for old corrugated cardboard, plastics and aluminum products contributing to a \$2.8 million increase in sales from recyclable commodities and other revenue increases of \$1.6 million, partially offset by a decline in revenue at our E&P operations of \$5.2 million as decreases in the demand for crude oil commenced in March 2020 as a result of economic disruptions from the COVID-19 pandemic, resulting in decreases in drilling and production activity levels and decreases in overall demand for our E&P waste services and net revenue reductions from divestitures closed subsequent to June 30, 2020 of \$2.2 million.

Revenue in our Southern segment decreased \$1.2 million, or 0.2%, to \$701.5 million for the six months ended June 30, 2021, from \$702.7 million for the six months ended June 30, 2020. The components of the decrease consisted of a decline in revenue at our E&P operations of \$39.5 million, partially offset by an increase in revenue at our solid waste operations of \$38.3 million. The \$39.5 million decrease in revenue at our E&P operations was attributable to decreases in the demand for crude oil as a result of economic disruptions from the COVID-19 pandemic resulting in a drop in the value of crude oil, decreases in drilling and production activity levels and decreases in overall demand for our E&P waste services. The components of the \$38.3 million increase in revenue at our solid waste operations consisted of net price increases of \$31.5 million, solid waste volume increases of \$4.4 million due primarily to higher landfill special waste volumes, higher prices for old corrugated cardboard, plastics and aluminum contributing to a \$4.4 million increase in sales from recyclable commodities and other revenue increases of \$1.9 million, partially offset by net revenue reductions from divestitures closed subsequent to June 30, 2020 of \$3.9 million.

Revenue in our Western segment increased \$38.3 million, or 13.9%, to \$313.8 million for the three months ended June 30, 2021, from \$275.5 million for the three months ended June 30, 2020. The components of the increase consisted of solid waste volume increases of \$22.6 million attributable to increased collection and disposal volumes, net revenue growth from acquisitions closed subsequent to the three months ended June 30, 2020 of \$6.9 million, net price increases of \$6.9 million and recyclable commodity revenue increases of \$3.0 million due primarily to higher prices for old corrugated cardboard, metals and aluminum and higher volumes collected from residential recycling customers and other revenue increases of \$0.2 million, partially offset by intermodal revenue decreases of \$1.3 million due primarily to customer losses resulting in a reduction in intermodal cargo volumes.

Revenue in our Western segment increased \$63.3 million, or 11.6%, to \$610.8 million for the six months ended June 30, 2021, from \$547.5 million for the six months ended June 30, 2020. The components of the increase consisted of solid waste volume increases of \$32.5 million attributable to increased collection and disposal volumes, net revenue growth from acquisitions closed subsequent to the six months ended June 30, 2020 of \$15.4 million, net price increases of \$13.9 million and recyclable commodity revenue increases of \$4.7 million due primarily to higher prices for old corrugated cardboard, metals and aluminum and higher volumes collected from residential recycling customers and other revenue increases of \$0.2 million, partially offset by intermodal revenue decreases of \$3.4 million due primarily to customer losses resulting in a reduction in intermodal cargo volumes.

Revenue in our Central segment increased \$50.2 million, or 23.2%, to \$266.8 million for the three months ended June 30, 2021, from \$216.6 million for the three months ended June 30, 2020. The components of the increase consisted of revenue growth from acquisitions closed subsequent to the three months ended June 30, 2020 of \$30.1 million, net price increases of \$10.0 million, solid waste volume increases of \$8.7 million due primarily to higher commercial collection, roll off collection, transfer station and landfill volumes, higher prices for old corrugated cardboard and aluminum products contributing to a \$1.2 million increase in sales from recyclable commodities and other revenue increases of \$1.6 million, partially offset by net revenue reductions from divestitures closed subsequent to June 30, 2020 of \$1.4 million.

Revenue in our Central segment increased \$77.0 million, or 18.1%, to \$502.2 million for the six months ended June 30, 2021, from \$425.2 million for the six months ended June 30, 2020. The components of the increase consisted of revenue growth from acquisitions closed subsequent to the six months ended June 30, 2020 of \$55.3 million, net price

increases of \$19.4 million, solid waste volume increases of \$2.2 million due primarily to higher landfill special waste volumes, higher prices for old corrugated cardboard and aluminum products contributing to a \$1.5 million increase in sales from recyclable commodities and other revenue increases of \$1.4 million, partially offset by net revenue reductions from divestitures closed subsequent to June 30, 2020 of \$2.8 million.

Revenue in our Canada segment increased \$59.0 million, or 36.6%, to \$220.3 million for the three months ended June 30, 2021, from \$161.3 million for the three months ended June 30, 2020. The components of the increase consisted of \$20.5 million resulting from a higher average foreign currency exchange rate in effect during the comparable reporting periods, solid waste volume increases of \$17.5 million due primarily to higher collection and disposal volumes, net price increases of \$11.9 million, \$8.0 million resulting from higher prices for renewable energy credits associated with the generation of landfill gas and recyclable commodity revenue increases of \$1.9 million due primarily to higher prices for old corrugated cardboard and higher volumes collected from residential recycling customers, partially offset by other revenue decreases of \$0.8 million.

Revenue in our Canada segment increased \$77.6 million, or 23.4%, to \$409.3 million for the six months ended June 30, 2021, from \$331.7 million for the six months ended June 30, 2020. The components of the increase consisted of \$30.9 million resulting from a higher average foreign currency exchange rate in effect during the comparable reporting periods, net price increases of \$21.1 million, \$14.1 million resulting from higher prices for renewable energy credits associated with the generation of landfill gas, solid waste volume increases of \$8.2 million due primarily to higher roll off collection and landfill special waste volumes and recyclable commodity revenue increases of \$3.9 million due primarily to higher prices for old corrugated cardboard and higher volumes collected from residential recycling customers, partially offset by other revenue decreases of \$0.6 million.

Segment EBITDA

Segment EBITDA in our Western segment increased \$14.0 million, or 16.4%, to \$99.4 million for the three months ended June 30, 2021, from \$85.4 million for the three months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$38.3 million, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$2.1 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic and a decrease in taxes on revenues of \$1.6 million at Chiquita Canyon landfill due to a reduction in certain fees and exactions resulting from our successful challenge of these expenses subsequent to June 30, 2020, partially offset by an increase in labor expenses of \$7.0 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, \$4.7 million of additional operating costs from acquisitions closed subsequent to the three months ended June 30, 2020, an increase in taxes on revenues of \$2.8 million due primarily to increased revenues, an increase in diesel fuel expense of \$2.4 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, an increase in third-party disposal expenses of \$2.2 million due primarily to increased solid waste collection volumes, an increase in third-party trucking and transportation expenses of \$2.2 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.1 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes, an increase in employee medical benefits expenses of \$2.0 million due to an increase in medical visits, an increase in corporate overhead expense allocations of \$1.4 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation and \$1.2 million of other net expense increases.

Segment EBITDA in our Western segment increased \$26.7 million, or 16.1%, to \$193.2 million for the six months ended June 30, 2021, from \$166.5 million for the six months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$63.3 million, a decrease in taxes on revenues of \$3.7 million at Chiquita Canyon landfill due to a reduction in certain fees and exactions resulting from our successful challenge of these expenses subsequent to June 30, 2020, a decrease in intermodal rail expenses of \$2.8 million due to customer losses resulting in a reduction in cargo volume, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$2.4 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic and a decrease in expenses for processing recyclable commodities in our Western segment

of \$1.7 million due to increased recyclable commodity values resulting in price reductions charged by third-party recycling processors, partially offset by \$11.0 million of additional operating costs from acquisitions closed subsequent to the six months ended June 30, 2020, an increase in labor expenses of \$9.0 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in corporate overhead expense allocations of \$5.2 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation, an increase in taxes on revenues of \$5.0 million due primarily to increased revenues, an increase in third-party disposal expenses of \$3.9 million due primarily to increased solid waste collection volumes, an increase in third-party trucking and transportation expenses of \$3.4 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in employee medical benefits expenses of \$3.0 million due to an increase in medical visits, an increase in diesel fuel expense of \$2.3 million due to higher fuel prices, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.2 million due primarily to parts and service rate increases, an increase in landfill maintenance, environmental compliance and daily cover expenses of \$1.2 million due to increased compliance requirements under our landfill operating permits and \$1.0 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$16.7 million, or 20.2%, to \$99.4 million for the three months ended June 30, 2021, from \$82.7 million for the three months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$50.7 million, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$2.8 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic and a decrease in expenses for uncollectible accounts receivable of \$2.2 million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic, partially offset by an increase in labor expenses of \$6.5 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, \$6.4 million of additional operating costs from acquisitions closed subsequent to the three months ended June 30, 2020, an increase in third-party trucking and transportation expenses of \$4.7 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in third-party disposal expenses of \$4.3 million due primarily to increased solid waste collection volumes, an increase in truck, container, equipment and facility maintenance and repair expenses of \$3.9 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes, an increase in employee medical benefits expenses of \$2.6 million due to an increase in medical visits, an increase in diesel fuel expense of \$2.2 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, an increase in landfill maintenance expenses of \$1.3 million due to increased disposal volumes and increased compliance requirements under our landfill operating permits, an increase in taxes on revenues of \$1.2 million due primarily to increased revenues, an increase in corporate overhead expense allocations of \$1.0 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation and other net expense increases of \$4.9 million.

Segment EBITDA in our Eastern segment increased \$21.2 million, or 12.6%, to \$188.5 million for the six months ended June 30, 2021, from \$167.3 million for the six months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$55.0 million, a decrease in expenses for uncollectible accounts receivable of \$3.6 million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic and a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$3.2 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, partially offset by \$11.4 million of additional operating costs from acquisitions closed subsequent to the six months ended June 30, 2020, an increase in labor expenses at our solid waste operations of \$5.0 million due primarily to employee pay increases, an increase in corporate overhead expense allocations of \$4.9 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation, an increase in third-party disposal expenses of \$4.2 million due primarily to increased rates paid for third party disposal and increased volumes in our Northeastern markets as they began to recover in 2021 from economic disruptions attributable to the COVID-19 pandemic, an increase in employee medical benefits expenses of \$3.7 million due to an increase in medical visits, an increase in third-party trucking and transportation expenses of \$3.0 million due primarily to opening a new transfer station facility in the latter half of 2020 and increased transfer station volumes in our Northeastern markets as they began to recover in 2021 from

economic disruptions attributable to the COVID-19 pandemic, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.5 million due primarily to parts and service rate increases, an increase in landfill maintenance expenses of \$1.8 million due to increased disposal volumes and increased compliance requirements under our landfill operating permits, an increase in diesel fuel expense of \$1.6 million due to higher fuel prices, an increase in taxes on revenues of \$1.5 million due primarily to increased revenues and other net expense increases of \$1.0 million.

Segment EBITDA in our Southern segment increased \$9.8 million, or 11.0%, to \$98.9 million for the three months ended June 30, 2021, from \$89.1 million for the three months ended June 30, 2020. The increase was due to an increase in revenues of \$32.0 million from organic growth and acquisitions, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$3.2 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, a decrease in labor at our E&P operations of \$1.7 million due to headcount reductions resulting from disposal volume decreases, a decrease in subcontracted operating and remediation services at our E&P operations of \$1.2 million due to disposal volume decreases and a decrease in expenses for uncollectible accounts receivable of \$1.0 million at our E&P operations primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic, partially offset by an increase in labor expenses of \$5.5 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in third-party disposal expenses of \$4.5 million due primarily to increased solid waste collection volumes, an increase in truck, container, equipment and facility maintenance and repair expenses of \$3.6 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes, an increase in subcontracted hauling services at our solid waste operations of \$2.9 million due to outsourcing the servicing of certain non-strategic contracts and commercial collection customers to third party haulers, an increase in employee medical benefits expenses of \$2.8 million due to an increase in medical visits, an increase in third-party trucking and transportation expenses of \$2.5 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in diesel fuel expense of \$2.0 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, a decrease to EBITDA of \$1.2 million from the impact of operations disposed of during, or subsequent to, the three months ended June 30, 2020, an increase in taxes on revenues of \$0.9 million due primarily to increased revenues in our solid waste markets, an increase in corporate overhead expense allocations of \$0.9 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation and other net expense increases of \$2.5 million.

Segment EBITDA in our Southern segment decreased \$3.0 million, or 1.6%, to \$192.4 million for the six months ended June 30, 2021, from \$195.4 million for the six months ended June 30, 2020. The decrease was due to a decline in E&P revenues of \$39.5 million, an increase in subcontracted hauling services at our solid waste operations of \$5.6 million due to outsourcing the servicing of certain non-strategic contracts and commercial collection customers to third party haulers, an increase in employee medical benefits expenses of \$4.0 million due to an increase in medical visits, an increase in labor expenses at our solid waste operations of \$3.2 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in truck, container, equipment and facility maintenance and repair expenses at our solid waste operations of \$3.0 million due primarily to parts and service rate increases, an increase in corporate overhead expense allocations of \$2.9 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation, an increase in third-party disposal expenses at our solid waste operations of \$2.8 million due primarily to increased solid waste collection volumes, an increase in third-party trucking and transportation expenses at our solid waste operations of \$2.8 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, a decrease to EBITDA of \$2.0 million from the impact of operations disposed of subsequent to the six months ended June 30, 2020 and an increase in diesel fuel expense at our solid waste operations of \$1.1 million due to higher fuel prices, partially offset by an increase in solid waste revenues of \$42.2 million from organic growth and acquisitions, a decrease in expenses for auto and workers' compensation claims of \$6.5 million due primarily to higher claims severity in the prior year period and adjustments recorded in the current year period to decrease projected losses on outstanding claims originally recorded prior to 2021, a decrease in labor at our E&P operations of \$4.7 million due to headcount reductions resulting from disposal volume decreases, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$3.7 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, a decrease in subcontracted operating and remediation services at our E&P

operations of \$3.4 million due to disposal volume decreases, a decrease in equipment and facility maintenance and repair expenses at our E&P operations of \$1.7 million due to decreased equipment operating hours resulting from disposal volume decreases, a decrease in expenses for uncollectible accounts receivable of \$1.3 million at our E&P operations primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic and other net expense decreases of \$0.4 million.

Segment EBITDA in our Central segment increased \$15.2 million, or 19.0%, to \$94.9 million for the three months ended June 30, 2021, from \$79.7 million for the three months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$51.6 million from organic growth and acquisitions and a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$2.2 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, partially offset by \$16.5 million of additional operating costs from certain acquisitions closed subsequent to the three months ended June 30, 2020, an increase in labor expenses of \$6.2 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in truck, container, equipment and facility maintenance and repair expenses of \$3.5 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes, an increase in third-party disposal expenses of \$2.2 million due primarily to increased solid waste collection volumes, an increase in employee medical benefits expenses of \$2.0 million due to an increase in medical visits, an increase in corporate overhead expense allocations of \$1.6 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation, an increase in third-party trucking and transportation expenses of \$1.5 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in taxes on revenues of \$1.2 million due primarily to increased revenues, an increase in diesel fuel expense of \$1.0 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, a decrease to EBITDA of \$0.2 million from the impact of operations disposed of subsequent to the three months ended June 30, 2020 and other net expense increases of \$2.7 million.

Segment EBITDA in our Central segment increased \$21.0 million, or 13.8%, to \$173.9 million for the six months ended June 30, 2021, from \$152.9 million for the six months ended June 30, 2020. The increase was due primarily to an increase in revenues of \$79.8 million from organic growth and acquisitions and a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$2.4 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, partially offset by \$32.2 million of additional operating costs from certain acquisitions closed subsequent to the six months ended June 30, 2020, an increase in labor expenses at our solid waste operations of \$7.6 million due primarily to employee pay increases, an increase in corporate overhead expense allocations of \$4.8 million due to an increase in the overhead allocation rate resulting from an increase in corporate expenses qualifying for allocation, an increase in truck, container, equipment and facility maintenance and repair expenses of \$4.0 million due primarily to parts and service rate increases, an increase in employee medical benefits expenses of \$3.0 million due to an increase in medical visits, an increase in third-party trucking and transportation expenses of \$2.5 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in taxes on revenues of \$1.7 million due primarily to increased revenues, an increase in expenses for uncollectible accounts receivable of \$1.4 million due to the prior year period including the collection of amounts deemed uncollectible in 2019, an increase in third-party disposal expenses of \$1.1 million due primarily to increased solid waste collection volumes, a decrease to EBITDA of \$0.2 million from the impact of operations disposed of subsequent to the six months ended June 30, 2020 and other net expense increases of \$2.7 million.

Segment EBITDA in our Canada segment increased \$34.9 million, or 65.1%, to \$88.6 million for the three months ended June 30, 2021, from \$53.7 million for the three months ended June 30, 2020. The increase was comprised of an increase of \$28.2 million assuming foreign currency parity during the comparable reporting periods and an increase of \$6.7 million from a higher average foreign currency exchange rate in effect during the comparable reporting periods. The \$28.2 million increase, which assumes foreign currency parity, was due primarily to an increase in revenues of \$38.5 million, a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$1.3 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic and a decrease in expenses for uncollectible accounts receivable of \$1.1

million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic, partially offset by an increase in labor expenses of \$4.3 million due primarily to employee pay increases and headcount additions to support solid waste volume increases, an increase in diesel fuel expense of \$2.3 million due to higher fuel prices and increased consumption resulting from additional truck and equipment operating hours to support solid waste volume increases, an increase in third-party disposal expenses of \$1.9 million due primarily to increased solid waste collection volumes, an increase in third-party trucking and transportation expenses of \$1.2 million due primarily to increased transfer station and landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.2 million due to parts and service rate increases and additional maintenance and repair requirements resulting from increased truck and equipment operating hours to support increases in our solid waste volumes and other net expense increases of \$1.8 million.

Segment EBITDA in our Canada segment increased \$49.5 million, or 43.8%, to \$162.6 million for the six months ended June 30, 2021, from \$113.1 million for the six months ended June 30, 2020. The increase was comprised of an increase of \$39.1 million assuming foreign currency parity during the comparable reporting periods and an increase of \$10.4 million from a higher average foreign currency exchange rate in effect during the comparable reporting periods. The \$39.1 million increase, which assumes foreign currency parity, was due primarily to an increase in revenues of \$46.7 million, a decrease in expenses for uncollectible accounts receivable of \$1.9 million primarily due to the prior year period incurring increased expenses due to customers experiencing financial difficulties resulting from the economic impact of the COVID-19 pandemic and a decrease in supplemental bonuses and other cash incentive compensation to non-management personnel of \$1.4 million due to the prior year period including non-recurring expenses to recognize services provided by our front-line employees during the COVID-19 pandemic, partially offset by an increase in labor expenses of \$4.3 million due primarily to employee pay increases, an increase in diesel fuel expense of \$2.3 million due to higher fuel prices, an increase in third-party trucking and transportation expenses of \$1.0 million due primarily to increased landfill special waste volumes requiring trucking and transportation services to our landfills, an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.0 million due to parts and service rate increases and other net expense increases of \$2.3 million.

Segment EBITDA at Corporate decreased \$3.7 million, to a loss of \$6.4 million for the three months ended June 30, 2021, from a loss of \$2.7 million for the three months ended June 30, 2020. The decrease was due to an increase in equity-based compensation expenses of \$5.3 million associated with an adjustment during the current year period of our common shares held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options, a collective increase in travel, meeting, training and community activity expenses of \$2.8 million due to event cancellation credits recognized in the prior year period and increased travel and social gatherings in the current year period due to a reduction in restrictions associated with the COVID-19 pandemic, an increase in equity-based compensation expenses of \$2.3 million resulting primarily from adjustments to the amount of performance-based restricted share units granted in 2019 and 2020 that are estimated to ultimately vest based on the achievement of required financial performance results and \$0.5 million of other net expense increases, partially offset by an increase in corporate overhead allocated through charges to our segments of \$4.8 million due to an increase in expenses qualifying for allocation, a decrease in deferred compensation expenses of \$1.4 million as a result of higher increases during the prior year period in the market value of investments to which employee deferred compensation liability balances are tracked and a decrease in direct acquisition expenses of \$1.0 million due to a decrease in acquisition activity in the comparable periods.

Segment EBITDA at Corporate decreased \$0.9 million, to a loss of \$7.2 million for the six months ended June 30, 2021, from a loss of \$6.3 million for the six months ended June 30, 2020. The decrease was due to an increase in accrued recurring cash incentive compensation expense to our management of \$8.8 million, an increase in deferred compensation expenses of \$4.2 million as a result of increases in the market value of investments to which employee deferred compensation liability balances are tracked, an increase in equity-based compensation expenses of \$2.0 million associated with the net impact of current and prior period adjustments of our common shares held in our deferred compensation plan by certain key executives to fair value as a result of the shares being exchanged for other investment options, an increase in equity-based compensation expenses of \$1.8 million resulting primarily from adjustments to the amount of performance-based restricted share units granted in 2019 and 2020 that are estimated to ultimately vest based on the achievement of required financial performance results, an increase in professional fees of \$1.1 million due primarily to increased expenses

associated with professional tax services, an increase in administrative payroll expenses of \$1.0 million due primarily to annual pay increases and \$0.6 million of other net expense increases, partially offset by an increase in corporate overhead allocated through charges to our segments of \$18.6 million due to an increase in expenses qualifying for allocation.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth certain cash flow information for the six months ended June 30, 2021 and 2020 (in thousands of U.S. dollars):

	Six Months Ended	
	June 30,	
	2021	2020
Net cash provided by operating activities	\$ 848,478	\$ 753,185
Net cash used in investing activities	(332,794)	(359,956)
Net cash provided by (used in) financing activities	(393,184)	67,515
Effect of exchange rate changes on cash, cash equivalents and restricted cash	873	(541)
Net increase in cash, cash equivalents and restricted cash	123,373	460,203
Cash, cash equivalents and restricted cash at beginning of period	714,389	423,221
Cash, cash equivalents and restricted cash at end of period	<u>\$ 837,762</u>	<u>\$ 883,424</u>

Operating Activities Cash Flows

For the six months ended June 30, 2021, net cash provided by operating activities was \$848.5 million. For the six months ended June 30, 2020, net cash provided by operating activities was \$753.2 million. The \$95.3 million increase was due primarily to the following:

- 1) *Increase in earnings* — Our increase in net cash provided by operating activities was favorably impacted by \$21.0 million from an increase in net income, excluding depreciation, amortization of intangibles, share-based compensation, adjustments to and payments of contingent consideration recorded in earnings and loss on disposal of assets and impairments, due primarily to price increases, earnings from acquisitions closed subsequent to the six months ended June 30, 2020, earnings generated from the increased sales of recyclable commodities and renewal energy credits associated with the generation of landfill gas and an increase in the average Canadian dollar to U.S. dollar currency exchange rate offsetting a decline in earnings at our E&P operations.
- 2) *Deferred income taxes* — Our increase in net cash provided by operating activities was favorably impacted by \$70.3 million from deferred income taxes as changes in deferred income taxes resulted in an increase to operating cash flows of \$3.5 million for the six months ended June 30, 2021, compared to a decrease to operating cash flows of \$66.8 million for the six months ended June 30, 2020. The decrease in deferred taxes in the prior year period was attributable to the impairment of certain assets within our E&P operations.
- 3) *Accounts payable and accrued liabilities* — Our increase in net cash provided by operating activities was favorably impacted by \$41.4 million from accounts payable and accrued liabilities as changes in accounts payable and accrued liabilities resulted in an increase to operating cash flows of \$35.6 million for the six months ended June 30, 2021, compared to a decrease to operating cash flows of \$5.8 million for the six months ended June 30, 2020. The increase for the six months ended June 30, 2021 was due primarily to increases in operating expenses during the period which remained as outstanding obligations at June 30, 2021 and the timing of payroll cycles.
- 4) *Other long-term liabilities* — Our increase in net cash provided by operating activities was favorably impacted by \$21.4 million from other long-term liabilities, as changes in other long-term liabilities resulted in an increase to operating cash flows of \$10.6 million for the six months ended June 30, 2021, compared to a decrease to operating cash flows of \$10.8 million for the six months ended June 30, 2020. The increase for the six months ended June 30, 2021 was primarily attributable to the receipt of funds associated with the eminent domain purchase of an operating facility that will be replaced with a newly constructed facility in a future period. The decrease for the six months ended June 30, 2020 was primarily attributable to declines in our deferred compensation liabilities due to distributions and the cash settlement of equity awards accounted for as liabilities that were granted to employees of Progressive Waste prior to June 1, 2016.

- 5) *Deferred revenue* — Our increase in net cash provided by operating activities was favorably impacted by \$12.6 million from deferred revenue as changes in deferred revenue resulted in an increase to operating cash flows of \$14.5 million for the six months ended June 30, 2021, compared to an increase to operating cash flows of \$1.9 million for the six months ended June 30, 2020. During the six months ended June 30, 2021, deferred revenue increased due to price increases on our advanced billed residential and commercial collection services, the timing of bi-monthly advance service billings and a landfill in our Southern segment receiving an advance payment for future disposal services.
- 6) *Accounts receivable* – Our increase in net cash provided by operating activities was unfavorably impacted by \$63.2 million from accounts receivable as changes in accounts receivable resulted in a decrease to operating cash flows of \$14.2 million for the six months ended June 30, 2021, compared to an increase to operating cash flows of \$49.0 million for the six months ended June 30, 2020. The decrease for the six months ended June 30, 2021 was due to increases in revenues, which remained as outstanding receivables at June 30, 2021. The increase for the six months ended June 30, 2020 was attributable to the collection of outstanding accounts receivable existing prior to the COVID-19-driven economic downturn, with accounts receivable at June 30, 2020 reflecting the impact of lower uncollected revenues.

As of June 30, 2021, we had a working capital surplus of \$414.2 million, including cash and equivalents of \$727.4 million. Our working capital surplus increased \$34.6 million from a working capital surplus of \$379.6 million at December 31, 2020 including cash and equivalents of \$617.3 million, due primarily to the impact of increases in cash balances and accounts receivable being partially offset by decreased prepaid income taxes, increased accounts payable and increased deferred revenue. To date, we have experienced no loss or lack of access to our cash and equivalents; however, we can provide no assurances that access to our cash and equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with share repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our Credit Agreement and to minimize our cash balances.

Investing Activities Cash Flows

Net cash used in investing activities decreased \$27.2 million to \$332.8 million for the six months ended June 30, 2021, from \$360.0 million for the six months ended June 30, 2020. The significant components of the decrease included the following:

- 1) A decrease in cash paid for acquisitions of \$18.8 million;
- 2) A decrease in capital expenditures for undeveloped landfill property of \$16.4 million associated with expansion land at certain existing landfill facilities; less
- 3) An increase from restricted asset accounts of \$6.2 million due to higher draws on existing accounts in the prior year period.

Financing Activities Cash Flows

Net cash used in financing activities increased \$460.7 million to net cash used in financing activities of \$393.2 million for the six months ended June 30, 2021, from net cash provided by financing activities of \$67.5 million for the six months ended June 30, 2020. The significant components of the increase included the following:

- 1) An increase from the net change in long-term borrowings of \$262.0 million (long-term borrowings increased \$44.5 million during the six months ended June 30, 2021 and increased \$306.5 million during the six months ended June 30, 2020) due primarily to maintaining a portion of the proceeds from our 2050 Senior Notes offering in cash;
- 2) An increase in payments to repurchase our common shares of \$200.0 million due to a higher volume of shares repurchased; and
- 3) An increase in cash dividends paid of \$10.4 million due primarily to an increase in our quarterly dividend rate for the six months ended June 30, 2021 to \$0.205 per share, from \$0.185 per share for the six months ended June 30, 2020; less

- 4) A decrease in debt issuance costs of \$11.0 million due to the prior year period including costs incurred for the issuance of our 2030 Senior Notes and 2050 Senior Notes; and
- 5) A decrease in tax withholdings related to net share settlements of equity-based compensation of \$4.8 million due to a decrease in the value of equity-based compensation awards vesting.

Our business is capital intensive. Our capital requirements include acquisitions and capital expenditures for landfill cell construction, landfill development, landfill closure activities and intermodal facility construction in the future.

On July 23, 2020, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our normal course issuer bid, or the NCIB, to purchase up to 13,144,773 of our common shares during the period of August 10, 2020 to August 9, 2021 or until such earlier time as the NCIB is completed or terminated at our option. Shareholders may obtain a copy of our TSX Form 12 – Notice of Intention to Make a Normal Course Issuer Bid, without charge, by request directed to our Executive Vice President and Chief Financial Officer at (832) 442-2200. The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including our capital structure, the market price of our common shares and overall market conditions. All common shares purchased under the NCIB will be immediately cancelled following their repurchase. Information regarding our NCIB can be found under the “Shareholders’ Equity” section in Note 17 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

On July 27, 2021, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our NCIB. The renewal is expected to commence following the conclusion of our current NCIB expiring August 9, 2021. Upon approval, we anticipate that we will be authorized to make purchases during the period of August 10, 2021 to August 9, 2022 or until such earlier time as the NCIB is completed or terminated at our option.

Our Board of Directors authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. In October 2020, our Board of Directors authorized an increase to our regular quarterly cash dividend of \$0.02, from \$0.185 to \$0.205 per share. Cash dividends of \$107.3 million and \$96.9 million were paid during the six months ended June 30, 2021 and 2020, respectively. We cannot assure you as to the amounts or timing of future dividends.

We made \$271.4 million in capital expenditures for property and equipment during the six months ended June 30, 2021, and we expect to make total capital expenditures for property and equipment of approximately \$675 million in 2021. We have funded and intend to fund the balance of our planned 2021 capital expenditures principally through cash on hand, internally generated funds and borrowings under our Credit Agreement and 2021 Credit Agreement. In addition, we may make substantial additional capital expenditures in acquiring land and solid waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, 2021 Credit Agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our 2021 Credit Agreement or raise other capital. Our access to funds under the 2021 Credit Agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

As of June 30, 2021, \$650.0 million under the term loan and \$505.0 million under the revolving credit facility were outstanding under our Credit Agreement, exclusive of outstanding standby letters of credit of \$114.4 million. We also have issued \$7.2 million of letters of credit at June 30, 2021 under facilities other than the Credit Agreement. Our 2021 Credit Agreement matures in July 2026.

We are a well-known seasoned issuer. In the future, we may issue debt securities under a shelf registration statement on Form S-3 filed with the SEC or in private placements from time to time on an opportunistic basis, based on market conditions and available pricing. Unless otherwise indicated in the relevant offering documents, we expect to use the

proceeds from any such offerings for general corporate purposes, including repaying, redeeming or repurchasing debt, acquiring additional assets or businesses, capital expenditures and increasing our working capital.

As of June 30, 2021, we had the following contractual obligations:

Recorded Obligations	Payments Due by Period				
	(amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	\$ 4,794,597	\$ 6,997	\$ 485,555	\$ 785,862	\$ 3,516,183
Cash interest payments	\$ 1,161,549	\$ 157,787	\$ 256,005	\$ 201,506	\$ 546,251
Contingent consideration	\$ 87,497	\$ 43,359	\$ 5,724	\$ 3,224	\$ 35,190
Operating leases	\$ 209,257	\$ 19,643	\$ 69,618	\$ 43,342	\$ 76,654
Final capping, closure and post-closure	\$ 1,481,936	\$ 16,306	\$ 41,295	\$ 9,525	\$ 1,414,810

Long-term debt payments include:

- 1) \$505.0 million in principal payments due July 2026 related to our revolving credit facility under our 2021 Credit Agreement. We may elect to draw amounts on our 2021 Credit Agreement in U.S. dollar LIBOR rate loans, U.S. dollar base rate loans, Canadian-based bankers' acceptances, and Canadian dollar prime rate loans. At June 30, 2021, \$501.0 million of the outstanding borrowings drawn under the revolving credit facility were in U.S. LIBOR rate loans, which bear interest at the LIBOR rate plus the applicable margin (for a total rate of 1.30% on such date) and \$4.0 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based bankers' acceptances, which bear interest at the Canadian Dollar Offered Rate plus the applicable acceptance fee (for a total rate of 1.61% on such date).
- 2) \$650.0 million in principal payments due July 2026 related to our term loan under our 2021 Credit Agreement. Outstanding amounts on the term loan can be either base rate loans or LIBOR loans. At June 30, 2021, all amounts outstanding under the term loan were in LIBOR loans which bear interest at the LIBOR rate plus the applicable margin (for a total rate of 1.30% on such date).
- 3) \$125.0 million in principal payments due 2022 related to our 2022 Senior Notes. The 2022 Senior Notes bear interest at a rate of 3.09%.
- 4) \$200.0 million in principal payments due 2023 related to our 2023 Senior Notes. The 2023 Senior Notes bear interest at a rate of 2.75%.
- 5) \$150.0 million in principal payments due 2024 related to our 2024 Senior Notes. The 2024 Senior Notes bear interest at a rate of 3.24%.
- 6) \$375.0 million in principal payments due 2025 related to our 2025 Senior Notes. The 2025 Senior Notes bear interest at a rate of 3.41%.
- 7) \$400.0 million in principal payments due 2026 related to our 2026 Senior Notes. The 2026 Senior Notes bear interest at a rate of 3.03%.
- 8) \$250.0 million in principal payments due 2027 related to our 2027 Senior Notes. The 2027 Senior Notes bear interest at a rate of 3.49%.
- 9) \$500.0 million in principal payments due 2028 related to our 2028 Senior Notes. The 2028 Senior Notes bear interest at a rate of 4.25%.

- 10) \$500.0 million in principal payments due 2029 related to our 2029 Senior Notes. The 2029 Senior Notes bear interest at a rate of 3.50%.
- 11) \$600.0 million in principal payments due 2030 related to our 2030 Senior Notes. The 2030 Senior Notes bear interest at a rate of 2.60%.
- 12) \$500.0 million in principal payments due 2050 related to our 2050 Senior Notes. The 2050 Senior Notes bear interest at a rate of 3.05%.
- 13) \$37.2 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 2.42% and 10.35% at June 30, 2021, and have maturity dates ranging from 2028 to 2036.
- 14) \$9.4 million in principal payments related to our financing leases. Our financing leases bear interest at a rate of 1.89% at June 30, 2021, and have a lease expiration date of 2026.

The following assumptions were made in calculating cash interest payments:

- 1) We calculated cash interest payments on the Credit Agreement using the LIBOR rate plus the applicable LIBOR margin, the base rate plus the applicable base rate margin, the Canadian Dollar Offered Rate plus the applicable acceptance fee and the Canadian prime rate plus the applicable prime rate margin at June 30, 2021. We assumed the 2021 Credit Agreement is paid off when it matures in July 2026.
- 2) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the LIBOR rate through the earlier expiration of the term of the swaps or the term of the credit facility.

Contingent consideration payments include \$68.0 million recorded as liabilities in our Condensed Consolidated Financial Statements at June 30, 2021, and \$19.5 million of future interest accretion on the recorded obligations.

We are party to operating lease agreements and finance leases. These lease agreements are established in the ordinary course of our business and are designed to provide us with access to facilities and equipment at competitive, market-driven prices.

The estimated final capping, closure and post-closure expenditures presented above are in current dollars.

	Amount of Commitment Expiration Per Period				
	(amounts in thousands of U.S. dollars)				
Unrecorded Obligations⁽¹⁾	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Unconditional purchase obligations	\$ 93,547	\$ 69,644	\$ 23,903	\$ —	\$ —

- (1) We are party to unconditional purchase obligations. These purchase obligations are established in the ordinary course of our business and are designed to provide us with access to products at competitive, market-driven prices. At June 30, 2021, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 37.7 million gallons remaining to be purchased for a total of \$93.5 million. The current fuel purchase contracts expire on or before December 31, 2023. These arrangements have not materially affected our financial position, results of operations or liquidity during the six months ended June 30, 2021, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained financial surety bonds, primarily to support our financial assurance needs and landfill and E&P operations. We provided customers and various regulatory authorities with surety bonds in the aggregate amounts of approximately \$1.255 billion and \$1.210 billion at June 30, 2021 and December 31, 2020, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the six months

ended June 30, 2021, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

From time to time, we evaluate our existing operations and their strategic importance to us. If we determine that a given operating unit does not have future strategic importance, we may sell or otherwise dispose of those operations. Although we believe our reporting units would not be impaired by such dispositions, we could incur losses on them.

The disposal tonnage that we received in the six month periods ended June 30, 2021 and 2020, at all of our landfills during the respective period, is shown below (tons in thousands):

	Six Months Ended June 30,			
	2021		2020	
	Number of Sites	Total Tons	Number of Sites	Total Tons
Owned operational landfills and landfills operated under life-of-site agreements	87	22,622	88	21,522
Operated landfills	4	274	4	274
	91	22,896	92	21,796

NON-GAAP FINANCIAL MEASURES

Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Management uses adjusted free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted free cash flow as net cash provided by operating activities, plus or minus change in book overdraft, plus proceeds from disposal of assets, less capital expenditures for property and equipment and distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the six month periods ended June 30, 2021 and 2020, are calculated as follows (amounts in thousands of U.S. dollars):

	Six Months Ended	
	June 30,	
	2021	2020
Net cash provided by operating activities	\$ 848,478	\$ 753,185
Less: Change in book overdraft	(190)	(606)
Plus: Proceeds from disposal of assets	7,906	10,642
Less: Capital expenditures for property and equipment	(271,392)	(268,711)
Adjustments:		
Payment of contingent consideration recorded in earnings ^(a)	520	—
Cash received for divestitures ^(b)	—	(4,974)
Transaction-related expenses ^(c)	583	2,162
Pre-existing Progressive Waste share-based grants ^(d)	144	6,440
Tax effect ^(e)	(214)	(3,569)
Adjusted free cash flow	<u>\$ 585,835</u>	<u>\$ 494,569</u>

(a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and as a component of cash flows from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.

(b) Reflects the elimination of cash received in conjunction with the divestiture of certain operations.

(c) Reflects the addback of acquisition-related transaction costs.

(d) Reflects the cash settlement of pre-existing Progressive Waste share-based awards during the period.

(e) The aggregate tax effect of footnotes (a) through (d) is calculated based on the applied tax rates for the respective periods.

Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income (loss) attributable to Waste Connections, plus or minus net income (loss) attributable to noncontrolling interests, plus or minus income tax provision (benefit), plus interest expense, less interest income, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the three and six month periods ended June 30, 2021 and 2020, are calculated as follows (amounts in thousands of U.S. dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to Waste Connections	\$ 177,047	\$ (227,072)	\$ 337,356	\$ (84,037)
Plus (less): Net income (loss) attributable to noncontrolling interests	54	(395)	52	(536)
Plus (less): Income tax provision (benefit)	47,868	(38,737)	88,159	(10,003)
Plus: Interest expense	41,328	40,936	83,753	78,926
Less: Interest income	(744)	(1,317)	(1,848)	(3,493)
Plus: Depreciation and amortization	201,928	183,001	391,523	365,460
Plus: Closure and post-closure accretion	3,666	3,709	7,375	7,617
Plus: Impairments and other operating items	6,081	437,270	6,715	438,777
Plus (less): Other expense (income), net	1,235	(5,772)	(2,312)	3,749
Adjustments:				
Plus: Transaction-related expenses ^(a)	57	1,016	583	2,162
Plus: Fair value changes to equity awards ^(b)	6,385	1,683	6,723	4,223
Adjusted EBITDA	\$ 484,905	\$ 394,322	\$ 918,079	\$ 802,845

(a) Reflects the addback of acquisition-related transaction costs.

(b) Reflects fair value accounting changes associated with certain equity awards.

Adjusted Net Income Attributable to Waste Connections and Adjusted Net Income per Diluted Share Attributable to Waste Connections

We present adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, supplementally because they are widely used by investors as a valuation measure in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently. Our adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections for the three and six month periods ended June 30, 2021 and 2020, are calculated as follows (amounts in thousands of U.S. dollars, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reported net income (loss) attributable to Waste Connections	\$ 177,047	\$ (227,072)	\$ 337,356	\$ (84,037)
Adjustments:				
Amortization of intangibles ^(a)	32,707	31,771	64,899	63,409
Impairments and other operating items ^(b)	6,081	437,270	6,715	438,777
Transaction-related expenses ^(c)	57	1,016	583	2,162
Fair value changes to equity awards ^(d)	6,385	1,683	6,723	4,223
Tax effect ^(e)	(11,393)	(118,220)	(19,935)	(127,523)
Tax items ^(f)	—	31,508	—	31,508
Adjusted net income attributable to Waste Connections	<u>\$ 210,884</u>	<u>\$ 157,956</u>	<u>\$ 396,341</u>	<u>\$ 328,519</u>
Diluted earnings (loss) per common share attributable to Waste Connections' common shareholders:				
Reported net income (loss)	<u>\$ 0.68</u>	<u>\$ (0.86)</u>	<u>\$ 1.29</u>	<u>\$ (0.32)</u>
Adjusted net income	<u>\$ 0.81</u>	<u>\$ 0.60</u>	<u>\$ 1.51</u>	<u>\$ 1.25</u>
Shares used in the per share calculations:				
Reported diluted shares	<u>261,418,573</u>	<u>262,994,275</u>	<u>262,269,600</u>	<u>263,390,685</u>
Adjusted diluted shares ^(g)	<u>261,418,573</u>	<u>263,317,054</u>	<u>262,269,600</u>	<u>263,833,471</u>

(a) Reflects the elimination of the non-cash amortization of acquisition-related intangible assets.

(b) Reflects the addback of impairments and other operating items.

(c) Reflects the addback of acquisition-related transaction costs.

(d) Reflects fair value accounting changes associated with certain equity awards.

(e) The aggregate tax effect of the adjustments in footnotes (a) through (d) is calculated based on the applied tax rates for the respective periods.

(f) Reflects the impact of a portion of our 2019 inter-entity payments no longer being deductible for tax purposes due to the finalization of tax regulations on April 7, 2020 under Internal Revenue Code section 267A and an increase in deferred tax liabilities resulting from the E&P impairment.

(g) Reflects reported diluted shares adjusted for shares that were excluded from the reported diluted shares calculation due to our reporting a net loss during the three and six months ended June 30, 2020.

INFLATION

In the current environment, we have seen inflationary pressures resulting from higher fuel and labor costs in certain markets and higher resulting third party costs in areas such as brokerage, repairs and construction. Consistent with industry practice, many of our contracts allow us to pass through certain costs to our customers, including increases in landfill tipping fees and, in some cases, fuel costs. To the extent that there are decreases in fuel costs, in some cases, a portion of these reductions are passed through to customers in the form of lower fuel and material surcharges. Therefore, we believe that we should be able to increase prices to offset many cost increases that result from inflation in the ordinary course of business. However, competitive pressures or delays in the timing of rate increases under certain of our contracts, particularly amid the economic impact of the COVID-19 pandemic, may require us to absorb at least part of these cost increases, especially if cost increases exceed the average rate of inflation. Management's estimates associated with inflation have an impact on our accounting for landfill liabilities.

SEASONALITY

Based on historic trends, excluding any impact from the COVID-19 pandemic or an economic recession, we would expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters and lower in the fourth quarter than in the second and third quarters. This seasonality reflects (a) the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during winter months in Canada and the U.S. and (b) reduced E&P activity during harsh weather conditions, with expected fluctuation due to such seasonality between our highest and lowest quarters of approximately 10%. In addition, some of our operating costs may be higher in the winter months. Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected municipal solid waste, resulting in higher disposal costs, which are calculated on a per ton basis.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk, including changes in interest rates and prices of certain commodities, and to a lesser extent, foreign currency exchange rate risks. We use hedge agreements to manage a portion of our risks related to interest rates and fuel prices. While we are exposed to credit risk in the event of non-performance by counterparties to our hedge agreements, in all cases such counterparties are highly rated financial institutions and we do not anticipate non-performance under current market conditions. We do not hold or issue derivative financial instruments for trading purposes. We monitor our hedge positions by regularly evaluating the positions at market and by performing sensitivity analyses over the unhedged fuel and variable rate debt positions.

At June 30, 2021, our derivative instruments included six interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands of U.S. dollars):

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
August 2017	\$ 100,000	1.900 %	1-month LIBOR	July 2019	July 2022
August 2017	\$ 200,000	2.200 %	1-month LIBOR	October 2020	October 2025
August 2017	\$ 150,000	1.950 %	1-month LIBOR	February 2020	February 2023
June 2018	\$ 200,000	2.925 %	1-month LIBOR	October 2020	October 2025
June 2018	\$ 200,000	2.925 %	1-month LIBOR	October 2020	October 2025
December 2018	\$ 200,000	2.850 %	1-month LIBOR	July 2022	July 2027

* Plus applicable margin.

Under derivatives and hedging guidance, the interest rate swap agreements are considered cash flow hedges for a portion of our variable rate debt, and we apply hedge accounting to account for these instruments. The notional amounts and all other significant terms of the swap agreements are matched to the provisions and terms of the variable rate debt being hedged.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at June 30, 2021 and December 31, 2020, of \$305.0 million and \$3.7 million, respectively, including floating rate debt under our Credit Agreement. A one percentage point increase in interest rates on our variable-rate debt as of June 30, 2021 and December 31, 2020, would decrease our annual pre-tax income by approximately \$3.0 million and \$0.1 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. Because of the volume of fuel we purchase each year, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases, and we also enter into fixed price fuel purchase contracts. At June 30, 2021, we had no fuel hedge agreements in place; however, we have entered into fixed price fuel purchase contracts for 2021 as described below.

For the year ending December 31, 2021, we expect to purchase approximately 79.7 million gallons of fuel, of which 40.8 million gallons will be purchased at market prices and 38.9 million gallons will be purchased under our fixed price fuel purchase contracts. We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged, market rate diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. During the six month period of July 1, 2021 to December 31, 2021, we expect to purchase approximately 20.4 million gallons of fuel at market prices; therefore, a \$0.10 per gallon increase in the price of fuel over the remaining six months in 2021 would decrease our pre-tax income during this period by approximately \$2.0 million.

We market a variety of recyclable materials, including compost, cardboard, mixed paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate recycling operations and market collected recyclable materials to third parties for processing before resale. Where possible, to reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the six months ended June 30, 2021 and 2020, would have had a \$7.2 million and \$3.7 million impact on revenues for the six months ended June 30, 2021 and 2020, respectively.

We have operations in Canada and, where significant, we have quantified and described the impact of foreign currency translation on components of income, including operating revenue and operating costs. However, the impact of foreign currency has not materially affected our results of operations in 2020 or 2021. A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate would impact our annual revenue and EBITDA by approximately \$10.5 million and \$4.2 million, respectively.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded as of June 30, 2021, that our disclosure controls and procedures were effective at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (2) is accumulated and communicated to our management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2021, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings can be found in Note 18 of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 27, 2021, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our NCIB. The renewal is expected to commence following the conclusion of our current NCIB expiring August 9, 2021. Upon approval, we anticipate that we will be authorized to make purchases during the period of August 10, 2021 to August 9, 2022 or until such earlier time as the NCIB is completed or terminated at our option. Under the NCIB, we may make share repurchases only in the open market, including on the NYSE, the TSX, and/or alternative Canadian trading systems, at the prevailing market price at the time of the transaction. The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including our capital structure, the market price of the common shares and overall market conditions. All common shares purchased under the NCIB shall be immediately cancelled following their repurchase. As of June 30, 2021, we have repurchased 2.7 million of our common shares pursuant to the NCIB at an aggregate cost of \$305.6 million, or an average price of \$111.30 per share. The table below reflects repurchases we made during the three months ended June 30, 2021 (in thousands of U.S. dollars, except share and per share amounts):

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share ⁽¹⁾</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Program</u>
4/1/21 - 4/30/21	1,879,806	\$ 114.86	1,879,806	10,598,783
5/1/21 - 5/31/21	200,000	\$ 118.62	200,000	10,398,783
6/1/21 - 6/30/21	—	\$ -	—	10,398,783
	<u>2,079,806</u>	<u>\$ 115.22</u>	<u>2,079,806</u>	

(1) This amount represents the weighted average price paid per common share. This price includes a per share commission paid for all repurchases.