

These financial statements for Waste Connections, Inc. are also included in the Form 10-Q for the quarterly period ended September 30, 2022 filed on SEDAR on November 3, 2022 in its entirety.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands of U.S. dollars, except share and per share amounts)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and equivalents	\$ 200,179	\$ 147,441
Accounts receivable, net of allowance for credit losses of \$20,512 and \$18,480 at September 30, 2022 and December 31, 2021, respectively	810,932	709,614
Prepaid expenses and other current assets	219,203	175,722
Total current assets	1,230,314	1,032,777
Restricted cash	108,194	72,174
Restricted investments	55,922	59,014
Property and equipment, net	6,353,367	5,721,949
Operating lease right-of-use assets	190,860	160,567
Goodwill	6,574,860	6,187,643
Intangible assets, net	1,489,242	1,350,597
Other assets, net	127,909	115,203
Total assets	<u>\$ 16,130,668</u>	<u>\$ 14,699,924</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 507,899	\$ 392,868
Book overdraft	10,734	16,721
Deferred revenue	306,019	273,720
Accrued liabilities	457,904	442,596
Current portion of operating lease liabilities	34,526	38,017
Current portion of contingent consideration	54,867	62,804
Current portion of long-term debt and notes payable	6,718	6,020
Total current liabilities	1,378,667	1,232,746
Long-term portion of debt and notes payable	6,211,971	5,040,500
Long-term portion of operating lease liabilities	163,848	129,628
Long-term portion of contingent consideration	30,896	31,504
Deferred income taxes	986,252	850,921
Other long-term liabilities	415,664	421,080
Total liabilities	9,187,298	7,706,379
Commitments and contingencies (Note 18)		
Equity:		
Common shares: 257,183,663 shares issued and 257,118,204 shares outstanding at September 30, 2022; 260,283,158 shares issued and 260,212,496 shares outstanding at December 31, 2021	3,271,958	3,693,027
Additional paid-in capital	229,445	199,482
Accumulated other comprehensive income	(83,476)	39,584
Treasury shares: 65,459 and 70,662 shares at September 30, 2022 and December 31, 2021, respectively	—	—
Retained earnings	3,520,446	3,056,845
Total Waste Connections' equity	6,938,373	6,988,938
Noncontrolling interest in subsidiaries	4,997	4,607
Total equity	6,943,370	6,993,545
	<u>\$ 16,130,668</u>	<u>\$ 14,699,924</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME
(Unaudited)
(In thousands of U.S. dollars, except share and per share amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 1,879,868	\$ 1,597,168	\$ 5,342,558	\$ 4,527,042
Operating expenses:				
Cost of operations	1,120,629	946,098	3,198,039	2,673,209
Selling, general and administrative	186,887	155,520	518,705	454,885
Depreciation	193,287	171,965	562,174	498,588
Amortization of intangibles	38,859	35,337	113,956	100,237
Impairments and other operating items	13,438	3,104	19,467	9,819
Operating income	326,768	285,144	930,217	790,304
Interest expense	(51,161)	(40,418)	(137,565)	(124,171)
Interest income	1,784	495	2,574	2,342
Other income, net	8,487	3,140	2,373	5,452
Loss on early extinguishment of debt	—	(115,288)	—	(115,288)
Income before income tax provision	285,878	133,073	797,599	558,639
Income tax provision	(48,753)	(18,419)	(155,899)	(106,578)
Net income	237,125	114,654	641,700	452,061
Less: Net income attributable to noncontrolling interests	(213)	(273)	(390)	(325)
Net income attributable to Waste Connections	<u>\$ 236,912</u>	<u>\$ 114,381</u>	<u>\$ 641,310</u>	<u>\$ 451,736</u>
Earnings per common share attributable to Waste Connections' common shareholders:				
Basic	<u>\$ 0.92</u>	<u>\$ 0.44</u>	<u>\$ 2.49</u>	<u>\$ 1.73</u>
Diluted	<u>\$ 0.92</u>	<u>\$ 0.44</u>	<u>\$ 2.49</u>	<u>\$ 1.72</u>
Shares used in the per share calculations:				
Basic	<u>257,197,010</u>	<u>260,550,774</u>	<u>257,438,756</u>	<u>261,372,827</u>
Diluted	<u>257,891,635</u>	<u>261,145,220</u>	<u>258,060,751</u>	<u>261,879,754</u>
Cash dividends per common share	<u>\$ 0.230</u>	<u>\$ 0.205</u>	<u>\$ 0.690</u>	<u>\$ 0.615</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands of U.S. dollars)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income	\$ 237,125	\$ 114,654	\$ 641,700	\$ 452,061
Other comprehensive income (loss), before tax:				
Interest rate swap amounts reclassified into interest expense	948	5,143	9,344	15,000
Changes in fair value of interest rate swaps	27,679	(401)	74,969	14,081
Foreign currency translation adjustment	(145,955)	(64,197)	(185,030)	(3,170)
Other comprehensive income (loss), before tax	(117,328)	(59,455)	(100,717)	25,911
Income tax expense related to items of other comprehensive income	(7,586)	(1,257)	(22,343)	(7,707)
Other comprehensive income (loss), net of tax	(124,914)	(60,712)	(123,060)	18,204
Comprehensive income	112,211	53,942	518,640	470,265
Less: Comprehensive income attributable to noncontrolling interests	(213)	(273)	(390)	(325)
Comprehensive income attributable to Waste Connections	<u>\$ 111,998</u>	<u>\$ 53,669</u>	<u>\$ 518,250</u>	<u>\$ 469,940</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands of U.S. dollars, except share amounts)

WASTE CONNECTIONS' EQUITY

	COMMON SHARES		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY SHARES		RETAINED EARNINGS	NONCONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT			
Balances at December 31, 2021	260,212,496	\$ 3,693,027	\$ 199,482	\$ 39,584	70,662	\$ —	\$ 3,056,845	\$ 4,607	\$ 6,993,545
Sale of common shares held in trust	2,203	305	—	—	(2,203)	—	—	—	305
Vesting of restricted share units	312,706	—	—	—	—	—	—	—	—
Vesting of performance-based restricted share units	57,677	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	19,149	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(143,243)	—	(17,236)	—	—	—	—	—	(17,236)
Equity-based compensation	—	—	14,139	—	—	—	—	—	14,139
Exercise of warrants	11,560	—	—	—	—	—	—	—	—
Issuance of shares under employee share purchase plan	12,015	1,554	—	—	—	—	—	—	1,554
Repurchase of common shares	(3,388,155)	(424,999)	—	—	—	—	—	—	(424,999)
Cash dividends on common shares	—	—	—	—	—	—	(59,391)	—	(59,391)
Amounts reclassified into earnings, net of taxes	—	—	—	3,491	—	—	—	—	3,491
Changes in fair value of cash flow hedges, net of taxes	—	—	—	32,854	—	—	—	—	32,854
Foreign currency translation adjustment	—	—	—	34,429	—	—	—	—	34,429
Net income	—	—	—	—	—	—	180,324	44	180,368
Balances at March 31, 2022	257,096,408	3,269,887	196,385	110,358	68,459	—	3,177,778	4,651	6,759,059
Sale of common shares held in trust	3,000	355	—	—	(3,000)	—	—	—	355
Vesting of restricted share units	522	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(145)	—	(30)	—	—	—	—	—	(30)
Equity-based compensation	—	—	14,412	—	—	—	—	—	14,412
Exercise of warrants	806	—	—	—	—	—	—	—	—
Cash dividends on common shares	—	—	—	—	—	—	(59,421)	—	(59,421)
Amounts reclassified into earnings, net of taxes	—	—	—	2,680	—	—	—	—	2,680
Changes in fair value of cash flow hedges, net of taxes	—	—	—	1,904	—	—	—	—	1,904
Foreign currency translation adjustment	—	—	—	(73,504)	—	—	—	—	(73,504)
Net income	—	—	—	—	—	—	224,074	133	224,207
Balances at June 30, 2022	257,100,591	3,270,242	210,767	41,438	65,459	—	3,342,431	4,784	6,869,662
Vesting of restricted share units	4,135	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	360	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(1,449)	—	(200)	—	—	—	—	—	(200)
Equity-based compensation	—	—	18,878	—	—	—	—	—	18,878
Issuance of shares under employee share purchase plan	14,567	1,716	—	—	—	—	—	—	1,716
Cash dividends on common shares	—	—	—	—	—	—	(58,897)	—	(58,897)
Amounts reclassified into earnings, net of taxes	—	—	—	697	—	—	—	—	697
Changes in fair value of cash flow hedges, net of taxes	—	—	—	20,344	—	—	—	—	20,344
Foreign currency translation adjustment	—	—	—	(145,955)	—	—	—	—	(145,955)
Net income	—	—	—	—	—	—	236,912	213	237,125
Balances at September 30, 2022	257,118,204	\$ 3,271,958	\$ 229,445	\$ (83,476)	65,459	\$ —	\$ 3,520,446	\$ 4,997	\$ 6,943,370

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(In thousands of U.S. dollars, except share amounts)

WASTE CONNECTIONS' EQUITY

	COMMON SHARES		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY SHARES		RETAINED EARNINGS	NONCONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT			
Balances at December 31, 2020	262,824,990	\$ 4,030,368	\$ 170,555	\$ (651)	74,184	\$ —	\$ 2,659,001	\$ 4,165	\$ 6,863,438
Sale of common shares held in trust	1,318	131	—	—	(1,318)	—	—	—	131
Vesting of restricted share units	340,529	—	—	—	—	—	—	—	—
Vesting of performance-based restricted share units	154,251	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	19,150	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(186,039)	—	(18,490)	—	—	—	—	—	(18,490)
Equity-based compensation	—	—	9,573	—	—	—	—	—	9,573
Exercise of warrants	3,490	—	—	—	—	—	—	—	—
Repurchase of common shares	(666,184)	(65,999)	—	—	—	—	—	—	(65,999)
Cash dividends on common shares	—	—	—	—	—	—	(53,909)	—	(53,909)
Amounts reclassified into earnings, net of taxes	—	—	—	3,525	—	—	—	—	3,525
Changes in fair value of cash flow hedges, net of taxes	—	—	—	15,243	—	—	—	—	15,243
Foreign currency translation adjustment	—	—	—	28,054	—	—	—	—	28,054
Net income (loss)	—	—	—	—	—	—	160,309	(2)	160,307
Balances at March 31, 2021	262,491,505	3,964,500	161,638	46,171	72,866	—	2,765,401	4,163	6,941,873
Vesting of restricted share units	647	—	—	—	—	—	—	—	—
Fair value adjustment for common shares in deferred compensation plan exchanged for other investment options	—	—	(1,177)	—	—	—	—	—	(1,177)
Tax withholdings related to net share settlements of equity-based compensation	(176)	—	(20)	—	—	—	—	—	(20)
Equity-based compensation	—	—	11,791	—	—	—	—	—	11,791
Exercise of warrants	21,280	—	—	—	—	—	—	—	—
Repurchase of common shares	(2,079,806)	(239,641)	—	—	—	—	—	—	(239,641)
Cash dividends on common shares	—	—	—	—	—	—	(53,421)	—	(53,421)
Amounts reclassified into earnings, net of taxes	—	—	—	3,720	—	—	—	—	3,720
Changes in fair value of cash flow hedges, net of taxes	—	—	—	(4,599)	—	—	—	—	(4,599)
Foreign currency translation adjustment	—	—	—	32,973	—	—	—	—	32,973
Net income	—	—	—	—	—	—	177,047	54	177,101
Balances at June 30, 2021	260,433,450	3,724,859	172,232	78,265	72,866	—	2,889,027	4,217	6,868,600
Vesting of restricted share units	1,525	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	360	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(534)	—	(66)	—	—	—	—	—	(66)
Equity-based compensation	—	—	12,829	—	—	—	—	—	12,829
Exercise of warrants	8,304	—	—	—	—	—	—	—	—
Issuance of shares under employee share purchase plan	10,813	1,275	—	—	—	—	—	—	1,275
Cash dividends on common shares	—	—	—	—	—	—	(53,424)	—	(53,424)
Amounts reclassified into earnings, net of taxes	—	—	—	3,780	—	—	—	—	3,780
Changes in fair value of cash flow hedges, net of taxes	—	—	—	(295)	—	—	—	—	(295)
Foreign currency translation adjustment	—	—	—	(64,197)	—	—	—	—	(64,197)
Net income	—	—	—	—	—	—	114,381	273	114,654
Balances at September 30, 2021	260,453,918	\$ 3,726,134	\$ 184,995	\$ 17,553	72,866	\$ —	\$ 2,949,984	\$ 4,490	\$ 6,883,156

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 641,700	\$ 452,061
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets and impairments	11,503	9,302
Depreciation	562,174	498,588
Amortization of intangibles	113,956	100,237
Loss on early extinguishment of debt	—	115,288
Deferred income taxes, net of acquisitions	91,098	(24,282)
Current period provision for expected credit losses	11,097	9,239
Amortization of debt issuance costs	3,879	3,887
Share-based compensation	48,395	42,694
Interest accretion	13,218	12,068
Payment of contingent consideration recorded in earnings	(2,982)	(520)
Adjustments to contingent consideration	(1,030)	89
Other	(8,412)	(1,286)
Net change in operating assets and liabilities, net of acquisitions	15,541	52,596
Net cash provided by operating activities	<u>1,500,137</u>	<u>1,269,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	(1,272,910)	(561,276)
Capital expenditures for property and equipment	(618,313)	(479,480)
Proceeds from disposal of assets	23,341	10,109
Other	9,296	(4,193)
Net cash used in investing activities	<u>(1,858,586)</u>	<u>(1,034,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,148,624	1,943,192
Principal payments on notes payable and long-term debt	(2,052,412)	(1,814,034)
Premiums paid on early extinguishment of debt	—	(110,617)
Payment of contingent consideration recorded at acquisition date	(12,114)	(7,998)
Change in book overdraft	(5,983)	(563)
Payments for repurchase of common shares	(424,999)	(305,640)
Payments for cash dividends	(177,710)	(160,754)
Tax withholdings related to net share settlements of equity-based compensation	(17,466)	(18,576)
Debt issuance costs	(11,454)	(17,997)
Proceeds from issuance of shares under employee share purchase plan	3,271	1,275
Proceeds from sale of common shares held in trust	660	131
Net cash provided by (used in) financing activities	<u>450,417</u>	<u>(491,581)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(3,210)</u>	<u>443</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	88,758	(256,017)
Cash, cash equivalents and restricted cash at beginning of period	219,615	714,389
Cash, cash equivalents and restricted cash at end of period	<u>\$ 308,373</u>	<u>\$ 458,372</u>
Non-cash financing activities:		
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 179,126	\$ 103,016

The accompanying notes are an integral part of these condensed consolidated financial statements.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

1. BASIS OF PRESENTATION AND SUMMARY

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries (the “Company”) for the three and nine month periods ended September 30, 2022 and 2021. In the opinion of management, the accompanying balance sheets and related interim statements of net income, comprehensive income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair statement in conformity with U.S. generally accepted accounting principles (“GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, contingent consideration accruals and asset impairments. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with the accounting guidance on contingencies. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses in the preparation of its condensed consolidated financial statements.

Interim results are not necessarily indicative of results for a full year. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

2. REPORTING CURRENCY

The functional currency of the Company, as the parent corporate entity, and its operating subsidiaries in the United States, is the U.S. dollar. The functional currency of the Company’s Canadian operations is the Canadian dollar. The reporting currency of the Company is the U.S. dollar. The Company’s consolidated Canadian dollar financial position is translated to U.S. dollars by applying the foreign currency exchange rate in effect at the consolidated balance sheet date. The Company’s consolidated Canadian dollar results of operations and cash flows are translated to U.S. dollars by applying the average foreign currency exchange rate in effect during the reporting period. The resulting translation adjustments are included in other comprehensive income or loss. Gains and losses from foreign currency transactions are included in earnings for the period.

3. NEW ACCOUNTING STANDARDS

Accounting Standards Pending Adoption

Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In March 2020, the Financial Accounting Standards Board (“FASB”) issued guidance to provide temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”). One-week and two-month U.S. dollar LIBOR settings as well as all non-U.S. dollar LIBOR settings stopped being published on December 31, 2021, while the remaining U.S. dollar LIBOR settings will be discontinued on June 30, 2023. Under the new guidance, entities can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Under the guidance, entities can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met.

The guidance was effective upon issuance. The guidance on contract modifications was applied prospectively from March 12, 2020. The guidance on hedging is applied to eligible hedging relationships existing as of the beginning of the

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

interim period that includes the effective date and to new eligible hedging relationships entered into after the beginning of that interim period. The relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. However, certain optional expedients can be applied to hedging relationships evaluated in periods after December 31, 2022.

The Company determined that the new guidance will not have a material effect on its consolidated financial statements. The Company had a combined \$1,251,000 of U.S. LIBOR based loans as of September 30, 2022. The Company estimates that if the reference rate for these loans had transitioned from LIBOR to SOFR as of September 30, 2022, the impact to annual interest expense would have been immaterial.

In October 2022, the Company adopted the applicable practical expedients of the standard when it converted the option of a LIBOR interest rate in its Credit Agreement to a SOFR interest rate and correspondingly amended its five interest rate swap agreements that are specifically designated to the amended Credit Agreement. As permitted by the practical expedients in the standard, the Company maintained cash flow hedge accounting for its interest rate swap agreements as the conversion of the LIBOR interest rate to SOFR was the only modification to the interest rate swap agreements. See Notes 10 and 19 for further details on the amendment to the Credit Agreement.

4. REVENUE

The Company's operations primarily consist of providing non-hazardous waste collection, transfer, disposal and recycling services, non-hazardous oil and natural gas exploration and production ("E&P") waste treatment, recovery and disposal services and intermodal services. The following table disaggregates the Company's revenues by service line for the periods indicated:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Commercial	\$ 564,592	\$ 465,246	\$ 1,602,793	\$ 1,335,686
Residential	487,995	422,543	1,391,603	1,240,337
Industrial and construction roll off	315,904	249,417	870,949	695,975
Total collection	1,368,491	1,137,206	3,865,345	3,271,998
Landfill	345,215	328,147	984,700	927,207
Transfer	271,685	225,827	751,117	632,282
Recycling	48,246	55,772	178,845	129,759
E&P	56,995	38,519	154,706	101,137
Intermodal and other	47,604	38,377	139,605	112,602
Intercompany	(258,368)	(226,680)	(731,760)	(647,943)
Total	<u>\$ 1,879,868</u>	<u>\$ 1,597,168</u>	<u>\$ 5,342,558</u>	<u>\$ 4,527,042</u>

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. Generally, the Company recognizes revenue at the time it performs a service. In the event that the Company bills for services in advance of performance, it recognizes deferred revenue for the amount billed and subsequently recognizes revenue at the time the service is provided. Substantially all of the deferred revenue recorded as of June 30, 2022 was recognized as revenue during the three months ended September 30, 2022 when the service was performed.

See Note 11 for additional information regarding revenue by reportable segment.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

Contract Acquisition Costs

The incremental direct costs of obtaining a contract, which consist of sales incentives, are recognized as Other assets in the Company's Condensed Consolidated Balance Sheet, and are amortized to Selling, general and administrative expense over the estimated life of the relevant customer relationship, which ranges from one to five years. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company would have recognized is one year or less. The Company had \$19,627 and \$18,954 of deferred sales incentives at September 30, 2022 and December 31, 2021, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for credit losses, represents their estimated net realizable value.

The allowance for credit losses is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. The Company monitors the collectability of its trade receivables as one overall pool due to all trade receivables having similar risk characteristics. The Company estimates its allowance for credit losses based on historical collection trends, the age of outstanding receivables, geographical location of the customer, existing economic conditions and reasonable forecasts. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when the Company's internal collection efforts have been unsuccessful in collecting the amount due.

The following is a rollforward of the Company's allowance for credit losses for the periods indicated:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 18,480	\$ 19,380
Current period provision for expected credit losses	11,097	9,239
Write-offs charged against the allowance	(12,866)	(11,886)
Recoveries collected	3,912	3,574
Impact of changes in foreign currency	(111)	(1)
Ending balance	<u>\$ 20,512</u>	<u>\$ 20,306</u>

6. LANDFILL ACCOUNTING

At September 30, 2022, the Company's landfills consisted of 86 owned landfills, five landfills operated under life-of-site operating agreements and five landfills operated under limited-term operating agreements. The Company's landfills had site costs with a net book value of \$2,949,498 at September 30, 2022. For the Company's landfills operated under limited-term operating agreements and life-of-site operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates the landfill for a contracted term. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

The Company's internal and third-party engineers perform surveys at least annually to estimate the remaining disposal capacity at its landfills. Many of the Company's existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. The Company's landfill depletion rates are based on the remaining disposal capacity, considering both permitted and probable expansion airspace, at the landfills it owns and landfills it operates, but does not own, under life-of-site agreements. The Company's landfill depletion rate is based on the term of the operating agreement at its operated landfill that has capitalized expenditures. Expansion airspace consists of additional disposal capacity being pursued through means of an expansion that has not yet been permitted. Expansion airspace that meets certain criteria is included in the estimate of total landfill airspace.

Based on remaining permitted capacity as of September 30, 2022, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 30 years. As of September 30, 2022, the Company is seeking to expand permitted capacity at eight of its owned landfills and two landfills that it operates under life-of-site operating agreements, and considers the achievement of these expansions to be probable. Although the Company cannot be certain that all future expansions will be permitted as designed, the average remaining life, when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume, of the Company's owned landfills and landfills operated under life-of-site operating agreements is approximately 34 years. The estimated remaining lives of the Company's owned landfills and landfills operated under life-of-site operating agreements range from 1 to 330 years, with approximately 90% of the projected annual disposal volume from landfills with remaining lives of less than 70 years.

During the nine months ended September 30, 2022 and 2021, the Company expensed \$172,118 and \$160,470, respectively, or an average of \$4.88 and \$4.56 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

The Company reserves for estimated final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure liabilities by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's final capping, closure and post-closure liabilities being recorded in "layers." The Company's discount rate assumption for purposes of computing 2022 and 2021 "layers" for final capping, closure and post-closure obligations was 3.25% for both years, which reflects the Company's long-term credit adjusted risk free rate as of the end of 2021 and 2020. The Company's long-term inflation rate assumption is 2.25% for the years ending December 31, 2022 and 2021. The resulting final capping, closure and post-closure obligations are recorded on the Condensed Consolidated Balance Sheet along with an offsetting addition to site costs which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2022 and 2021, the Company expensed \$12,008 and \$10,783, respectively, or an average of \$0.34 and \$0.31 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2021 to September 30, 2022:

Final capping, closure and post-closure liability at December 31, 2021	\$ 302,537
Liability adjustments	36,152
Accretion expense associated with landfill obligations	12,008
Closure payments	(11,867)
Assumption of closure liabilities from acquisitions	3,498
Disposition of closure liabilities from divested operations	(916)
Foreign currency translation adjustment	(2,518)
Final capping, closure and post-closure liability at September 30, 2022	<u>\$ 338,894</u>

Liability adjustments of \$36,152 for the nine months ended September 30, 2022, represent non-cash changes to final capping, closure and post-closure liabilities and are recorded on the Condensed Consolidated Balance Sheets along with an offsetting addition to site costs, which is amortized to depletion expense as the remaining landfill airspace is consumed. The final capping, closure and post-closure liability is included in Other long-term liabilities in the Condensed Consolidated Balance Sheets. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At September 30, 2022 and December 31, 2021, \$10,632 and \$12,609, respectively, of the Company's restricted cash balance and \$53,243 and \$56,289, respectively, of the Company's restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

7. ACQUISITIONS

The Company acquired 15 individually immaterial non-hazardous solid waste collection, transfer, recycling and disposal businesses during the nine months ended September 30, 2022. The total acquisition-related costs incurred during the nine months ended September 30, 2022 for these acquisitions were \$18,694. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The Company acquired 14 individually immaterial non-hazardous solid waste collection, transfer and recycling businesses during the nine months ended September 30, 2021. The total acquisition-related costs incurred during the nine months ended September 30, 2021 for these acquisitions were \$6,220. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The results of operations of the acquired businesses have been included in the Company's Condensed Consolidated Financial Statements from their respective acquisition dates. The Company expects these acquired businesses to contribute

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

towards the achievement of the Company's strategy to expand through acquisitions. Goodwill acquired is attributable to the synergies and ancillary growth opportunities expected to arise after the Company's acquisition of these businesses.

The following table summarizes the consideration transferred to acquire these businesses and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for the acquisitions consummated in the nine months ended September 30, 2022 and 2021:

	2022 Acquisitions	2021 Acquisitions
Fair value of consideration transferred:		
Cash	\$ 1,272,910	\$ 561,276
Debt assumed	96,814	30,485
	<u>1,369,724</u>	<u>591,761</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:		
Accounts receivable	32,329	19,792
Prepaid expenses and other current assets	6,549	2,007
Operating lease right-of-use assets	3,160	1,707
Property and equipment	617,267	152,955
Long-term franchise agreements and contracts	109,364	76,847
Customer lists	69,378	46,449
Permits and other intangibles	97,548	83,659
Other assets	—	4
Accounts payable and accrued liabilities	(34,905)	(27,406)
Current portion of operating lease liabilities	(1,100)	(727)
Deferred revenue	(7,766)	(4,771)
Contingent consideration	(6,543)	(2,512)
Long-term portion of operating lease liabilities	(2,060)	(980)
Other long-term liabilities	(3,498)	(2,306)
Deferred income taxes	(26,440)	(33,829)
Total identifiable net assets	<u>853,283</u>	<u>310,889</u>
Goodwill	<u>\$ 516,441</u>	<u>\$ 280,872</u>

Goodwill acquired during the nine months ended September 30, 2022 and 2021, totaling \$272,186 and \$114,006, respectively, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to 11 individually immaterial acquisitions completed during the twelve months ended September 30, 2022, is provisional pending receipt of information from the acquirees to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these 11 acquisitions are not expected to be material to the Company's financial position.

The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2022, was \$37,486, of which \$5,157 was expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2021, was \$21,673, of which \$1,881 was expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

8. INTANGIBLE ASSETS, NET

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2022:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 787,112	\$ (283,638)	\$ —	\$ 503,474
Customer lists	769,618	(505,380)	—	264,238
Permits and other	629,199	(108,353)	—	520,846
	<u>2,185,929</u>	<u>(897,371)</u>	<u>—</u>	<u>1,288,558</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	181,613	—	—	181,613
E&P facility permits	59,855	—	(40,784)	19,071
	<u>241,468</u>	<u>—</u>	<u>(40,784)</u>	<u>200,684</u>
Intangible assets, exclusive of goodwill	<u>\$ 2,427,397</u>	<u>\$ (897,371)</u>	<u>\$ (40,784)</u>	<u>\$ 1,489,242</u>

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2022 was 34.7 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2022 was 11.5 years. The weighted-average amortization period of finite-lived permits and other acquired during the nine months ended September 30, 2022 was 40.0 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2021:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 724,128	\$ (278,827)	\$ —	\$ 445,301
Customer lists	711,047	(450,109)	—	260,938
Permits and other	538,481	(94,807)	—	443,674
	<u>1,973,656</u>	<u>(823,743)</u>	<u>—</u>	<u>1,149,913</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	181,613	—	—	181,613
E&P facility permits	59,855	—	(40,784)	19,071
	<u>241,468</u>	<u>—</u>	<u>(40,784)</u>	<u>200,684</u>
Intangible assets, exclusive of goodwill	<u>\$ 2,215,124</u>	<u>\$ (823,743)</u>	<u>\$ (40,784)</u>	<u>\$ 1,350,597</u>

Estimated future amortization expense for the next five years relating to finite-lived intangible assets owned as of September 30, 2022 is as follows:

For the year ending December 31, 2022	\$ 152,928
For the year ending December 31, 2023	\$ 139,704
For the year ending December 31, 2024	\$ 122,246
For the year ending December 31, 2025	\$ 105,661
For the year ending December 31, 2026	\$ 90,203

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

9. LEASES

The Company rents certain equipment and facilities under short-term agreements, non-cancelable operating lease agreements and finance leases. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

The lease guidance requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The lease term for the Company’s leases includes the noncancelable period of the lease, plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments included in the measurement of the lease liability comprise fixed payments or variable lease payments. The variable lease payments take into account annual changes in the consumer price index and common area maintenance charges, if known.

ROU assets for operating and finance leases are periodically reviewed for impairment losses. The Company uses the long-lived asset impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. The Company did not recognize an impairment charge for any of its ROU assets during the nine months ended September 30, 2022 and 2021.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset. The Company did not recognize any significant remeasurements during the nine months ended September 30, 2022 and 2021.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company has elected to apply the short-term lease recognition and measurement exemption allowed for in the lease accounting standard. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Lease cost for operating and finance leases for the three and nine months ended September 30, 2022 and 2021 were as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2022	2021	2022	2021
Operating lease cost	\$ 9,822	\$ 9,798	\$ 30,814	\$ 30,188
Finance lease cost:				
Amortization of leased assets	682	296	1,802	2,826
Interest on leased liabilities	61	34	161	107
Total lease cost	\$ 10,565	\$ 10,128	\$ 32,777	\$ 33,121

Supplemental cash flow information and non-cash activity related to the Company's leases are as follows:

	<u>Nine Months Ended September 30,</u>	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 30,313	\$ 29,993
Operating cash flows from finance leases	\$ 161	\$ 107
Financing cash flows from finance leases	\$ 4,890	\$ 2,752
Non-cash activity:		
Right-of-use assets obtained in exchange for lease liabilities - operating leases	\$ 53,967	\$ 15,512
Right-of-use assets obtained in exchange for lease liabilities - finance leases	\$ 3,369	\$ 6,250

Weighted-average remaining lease term and discount rate for the Company's leases are as follows:

	<u>Nine Months Ended September 30,</u>	
	2022	2021
Weighted average remaining lease term - operating leases	8.9 years	8.3 years
Weighted average remaining lease term - finance leases	4.4 years	4.9 years
Weighted average discount rate - operating leases	2.96 %	3.49 %
Weighted average discount rate - finance leases	1.96 %	1.89 %

As of September 30, 2022, future minimum lease payments, reconciled to the respective lease liabilities, are as follows:

	Operating Leases	Finance Leases
Last 3 months of 2022	\$ 10,094	\$ 727
2023	38,993	2,905
2024	31,160	2,905
2025	25,595	2,905
2026	21,092	2,320
Thereafter	101,335	898
Minimum lease payments	228,269	12,660
Less: imputed interest	(29,895)	(527)
Present value of minimum lease payments	198,374	12,133
Less: current portion of lease liabilities	(34,526)	(2,682)
Long-term portion of lease liabilities	\$ 163,848	\$ 9,451

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

10. LONG-TERM DEBT

The following table presents the Company's long-term debt as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Revolver under Credit Agreement, bearing interest ranging from 4.12% to 4.76% ^(a)	\$ 738,165	\$ 803,944
Term loan under Credit Agreement, bearing interest at 4.12% ^(a)	650,000	650,000
4.25% Senior Notes due 2028	500,000	500,000
3.50% Senior Notes due 2029	500,000	500,000
2.60% Senior Notes due 2030	600,000	600,000
2.20% Senior Notes due 2032	650,000	650,000
3.20% Senior Notes due 2032	500,000	—
4.20% Senior Notes due 2033	750,000	—
3.05% Senior Notes due 2050	500,000	500,000
2.95% Senior Notes due 2052	850,000	850,000
Notes payable to sellers and other third parties, bearing interest ranging from 2.42% to 10.35%, principal and interest payments due periodically with due dates ranging from 2028 to 2036 ^(a)	34,439	37,508
Finance leases, bearing interest ranging from 1.89% to 2.16%, with lease expiration dates ranging from 2026 to 2027 ^(a)	12,133	10,519
	<u>6,284,737</u>	<u>5,101,971</u>
Less – current portion	(6,718)	(6,020)
Less – unamortized debt discount and issuance costs	(66,048)	(55,451)
	<u>\$ 6,211,971</u>	<u>\$ 5,040,500</u>

(a) Interest rates represent the interest rates in effect at September 30, 2022.

Credit Agreement

Details of the Credit Agreement are as follows:

	September 30, 2022	December 31, 2021
<i>Revolver under Credit Agreement</i>		
Available	\$ 1,069,127	\$ 933,775
Letters of credit outstanding	\$ 42,708	\$ 112,281
Total amount drawn, as follows:	\$ 738,165	\$ 803,944
Amount drawn - U.S. LIBOR rate loan	\$ 601,000	\$ 631,000
Interest rate applicable - U.S. LIBOR rate loan	4.12 %	1.10 %
Amount drawn - U.S. base rate loan	\$ —	\$ 158,000
Interest rate applicable - U.S. base rate loan	— %	3.25 %
Amount drawn - U.S. swingline loan	\$ —	\$ 11,000
Interest rate applicable - U.S. swingline loan	— %	3.25 %
Amount drawn – Canadian bankers' acceptance	\$ 137,165	\$ 3,944
Interest rate applicable – Canadian bankers' acceptance	4.76 %	1.45 %
Commitment – rate applicable	0.09 %	0.09 %
<i>Term loan under Credit Agreement</i>		
Amount drawn – U.S. based LIBOR loan	\$ 650,000	\$ 650,000
Interest rate applicable – U.S. based LIBOR loan	4.12 %	1.10 %

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

In addition to the \$42,708 of letters of credit at September 30, 2022 issued and outstanding under the Credit Agreement, the Company has issued and outstanding letters of credit totaling \$84,742 under a facility other than the Credit Agreement.

Senior Notes

On March 9, 2022, the Company completed an underwritten public offering of \$500,000 aggregate principal amount of 3.20% Senior Notes due 2032 (the “New 2032 Senior Notes”). The Company issued the New 2032 Senior Notes under the Indenture, dated as of November 16, 2018 (the “Base Indenture”), by and between the Company and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the Sixth Supplemental Indenture, dated as of March 9, 2022 (the “Sixth Supplemental Indenture”). The New 2032 Senior Notes will mature on June 1, 2032.

The Company may, prior to March 1, 2032 (three months before the maturity date) (the “New 2032 Senior Notes Par Call Date”), redeem some or all of the New 2032 Senior Notes, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount of the New 2032 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the New 2032 Senior Notes redeemed discounted to the redemption date (assuming the New 2032 Senior Notes matured on the New 2032 Senior Notes Par Call Date), plus, in either case, accrued and unpaid interest thereon to the redemption date. Commencing on March 1, 2032 (three months before the maturity date), the Company may redeem some or all of the New 2032 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the New 2032 Senior Notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

On August 18, 2022, the Company completed an underwritten public offering of \$750,000 aggregate principal amount of 4.20% Senior Notes due 2033 (the “2033 Senior Notes” and, together with the New 2032 Senior Notes, the “Senior Notes”). The Company issued the 2033 Senior Notes under the Base Indenture, as supplemented by the Seventh Supplemental Indenture, dated as of August 18, 2022 (the “Seventh Supplemental Indenture” and the Base Indenture as supplemented by the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the “Indenture”). The 2033 Senior Notes will mature on January 15, 2033.

The Company may, prior to October 15, 2032 (three months before the maturity date) (the “2033 Senior Notes Par Call Date”), redeem some or all of the 2033 Senior Notes, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount of the 2033 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the 2033 Senior Notes redeemed discounted to the redemption date (assuming the 2033 Senior Notes matured on the 2033 Senior Notes Par Call Date), plus, in either case, accrued and unpaid interest thereon to the redemption date. Commencing on October 15, 2032 (three months before the maturity date), the Company may redeem some or all of the 2033 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2033 Senior Notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

The Company will pay interest on the Senior Notes semi-annually in arrears. The Senior Notes are the Company’s senior unsecured obligations, ranking equally in right of payment with its other existing and future unsubordinated debt and senior to any of its future subordinated debt. The Senior Notes are not guaranteed by any of the Company’s subsidiaries.

Under certain circumstances, the Company may become obligated to pay additional amounts (the “Additional Amounts”) with respect to the Senior Notes to ensure that the net amounts received by each holder of the Senior Notes will not be less than the amount such holder would have received if withholding taxes or deductions were not incurred on

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

a payment under or with respect to the Senior Notes. If such payment of Additional Amounts are a result of a change in the laws or regulations, including a change in any official position, the introduction of an official position or a holding by a court of competent jurisdiction, of any jurisdiction from or through which payment is made by or on behalf of the Senior Notes having power to tax, and the Company cannot avoid such payments of Additional Amounts through reasonable measures, then the Company may redeem the Senior Notes then outstanding at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

If the Company experiences certain kinds of changes of control, each holder of the Senior Notes may require the Company to repurchase all or a portion of the Senior Notes for cash at a price equal to 101% of the aggregate principal amount of such Senior Notes, plus any accrued and unpaid interest, if any, to, but excluding the purchase date.

The covenants in the Indenture include limitations on liens, sale-leaseback transactions and mergers and sales of all or substantially all of the Company's assets. The Indenture also includes customary events of default with respect to the Senior Notes. As of September 30, 2022, the Company was in compliance with all applicable covenants in the Indenture.

Upon an event of default, the principal of and accrued and unpaid interest on all the Senior Notes may be declared to be due and payable by the Trustee or the holders of not less than 25% in principal amount of the outstanding Senior Notes. Upon such a declaration, such principal and accrued interest on all of the Senior Notes will be due and payable immediately. In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, the principal (or such specified amount) of and accrued and unpaid interest, if any, on all outstanding Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Senior Notes. Under certain circumstances, the holders of a majority in principal amount of the outstanding Senior Notes may rescind any such acceleration with respect to the Senior Notes and its consequences.

Term Loan Agreement

On October 31, 2022 (the "Effective Date"), the Company, as borrower, Bank of America, N.A., as administrative agent, and the other lenders from time to time party thereto (the "New TL Lenders") entered into that certain Term Loan Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Term Loan Agreement"), pursuant to which the New TL Lenders made loans to the Company in an aggregate stated principal amount of \$800,000. The Term Loan Agreement permits the proceeds of borrowings thereunder to be used for (i) refinancing outstanding indebtedness, (ii) financing permitted acquisitions and financing dividends or other permitted equity distributions, (iii) capital expenditures, working capital, payment of certain transaction fees, costs and expenses and (iv) any other lawful corporate purposes. The Company intends to use substantially all of the proceeds of borrowings under the Term Loan Agreement to repay revolving borrowings outstanding under its Credit Agreement (as defined below) following the implementation of the Term Loan Agreement.

Pursuant to the terms and conditions of the Term Loan Agreement, the New TL Lenders committed to provide the term loan as set forth above, which term loan was fully drawn as of the Effective Date. Amounts borrowed under the Term Loan Agreement and repaid or prepaid may not be reborrowed. The Term Loan Agreement has a scheduled maturity date of July 30, 2026.

Interest accrues on the term loan by reference to SOFR for specified interest periods ("Term SOFR") (including for all Term SOFR loans, a credit spread adjustment of 0.10% for all applicable interest periods) or a base rate, at the Company's option, plus an applicable margin. The applicable margin used in connection with calculating interest rates and fees is based on the debt rating of the Company's public non-credit-enhanced, senior unsecured long-term debt. The

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

applicable margin for Term SOFR loans ranges from 0.750% to 1.250% per annum, and the applicable margin for base rate loans ranges from 0.00% to 0.250% per annum.

The Term Loan Agreement contains customary benchmark replacement mechanics in connection with certain benchmark transition events, as well as customary mechanics with respect to the unavailability of a tenor of a then-current benchmark rate. The borrowings under the Term Loan Agreement are unsecured and there are no subsidiary guarantors under the Term Loan Agreement.

The Term Loan Agreement contains customary representations, warranties, covenants and events of default, including, among others, a change of control event of default and limitations on the incurrence of indebtedness and liens, new lines of business, mergers, transactions with affiliates and burdensome agreements. During the continuance of an event of default, the New TL Lenders may take a number of actions, including, among others, declaring the entire amount then outstanding under the Term Loan Agreement and related loan documents to be due and payable.

The Term Loan Agreement includes a financial covenant limiting, as of the last day of each fiscal quarter, the ratio of (i) Consolidated Total Funded Debt (as defined in the Term Loan Agreement) outstanding as of such date to (b) Consolidated EBITDA (as defined in the Term Loan Agreement), measured for the preceding 12 months, to not more than 3.75 to 1.00 (or 4.25 to 1.00 during material acquisition periods, subject to certain limitations).

Amendment No. 1 to Second Amended and Restated Revolving Credit and Term Loan Agreement

The Company is party to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 30, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), by and among the Company, as borrower, Bank of America, N.A., acting through its Canada Branch, as the global agent, the swing line lender and an l/c issuer, Bank of America, N.A., as the U.S. agent and an l/c issuer, and the lenders and any other financial institutions from time to time party thereto.

On the Effective Date, the Company entered into an amendment to the Credit Agreement (the “First Amendment”), which among other things, (i) amended certain definitions and other provisions to replace the LIBOR-based benchmark rates for certain U.S. dollar-denominated loans and other extensions of credit under the Credit Agreement with Term SOFR, and (ii) made certain changes conforming to the Term Loan Agreement. The rates of interest payable by the Company per annum on its outstanding revolving loans immediately prior to the Effective Date did not materially change immediately after the Effective Date as a result of the replacement of LIBOR-based benchmark rates with Term SOFR. In addition, because the replacement of LIBOR-based benchmark rates with Term SOFR was implemented through the First Amendment and not as a result of the hardwired benchmark replacement setting provisions of the Credit Agreement, the credit spread adjustment applicable to Term SOFR loans is a flat 0.10% per annum across all applicable interest periods instead of a varying credit spread adjustment across the same interest periods ranging from 0.11448% to 0.42826%.

11. SEGMENT REPORTING

The Company’s revenues are generated from the collection, transfer, recycling and disposal of non-hazardous solid waste and the treatment, recovery and disposal of non-hazardous E&P waste. No single contract or customer accounted for more than 10% of the Company’s total revenues at the consolidated or reportable segment level during the periods presented.

The Company manages its operations through the following five geographic solid waste operating segments: Eastern, Southern, Western, Central and Canada. The Company’s five geographic solid waste operating segments comprise its

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts.

The Company's 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. The Company defines 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. The Company's 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. A reconciliation of segment EBITDA to Income before income tax provision is included at the end of this Note 11.

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2022 and 2021, is shown in the following tables:

Three Months Ended September 30, 2022	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Eastern	\$ 595,696	\$ (94,644)	\$ 501,052	\$ 133,393
Southern	479,758	(51,392)	428,366	130,668
Western	428,271	(42,792)	385,479	115,701
Central	364,470	(41,813)	322,657	116,337
Canada	270,041	(27,727)	242,314	87,910
Corporate ^(a)	—	—	—	(11,657)
	<u>\$ 2,138,236</u>	<u>\$ (258,368)</u>	<u>\$ 1,879,868</u>	<u>\$ 572,352</u>

Three Months Ended September 30, 2021	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Eastern	\$ 470,637	\$ (74,408)	\$ 396,229	\$ 106,908
Southern	418,917	(47,959)	370,958	99,612
Western	371,846	(39,826)	332,020	108,280
Central	310,551	(36,869)	273,682	95,026
Canada	251,897	(27,618)	224,279	92,275
Corporate ^(a)	—	—	—	(6,551)
	<u>\$ 1,823,848</u>	<u>\$ (226,680)</u>	<u>\$ 1,597,168</u>	<u>\$ 495,550</u>

Nine Months Ended September 30, 2022	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Eastern	\$ 1,664,120	\$ (262,733)	\$ 1,401,387	\$ 367,223
Southern	1,375,785	(143,891)	1,231,894	363,785
Western	1,222,412	(129,300)	1,093,112	331,049
Central	1,022,470	(113,709)	908,761	317,397
Canada	789,531	(82,127)	707,404	265,402
Corporate ^(a)	—	—	—	(19,042)
	<u>\$ 6,074,318</u>	<u>\$ (731,760)</u>	<u>\$ 5,342,558</u>	<u>\$ 1,625,814</u>

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Nine Months Ended September 30, 2021	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)
Eastern	\$ 1,310,265	\$ (207,958)	\$ 1,102,307	\$ 295,411
Southern	1,214,798	(142,342)	1,072,456	291,964
Western	1,056,482	(113,669)	942,813	301,507
Central	882,159	(106,246)	775,913	268,952
Canada	711,281	(77,728)	633,553	254,857
Corporate ^(a)	—	—	—	(13,743)
	<u>\$ 5,174,985</u>	<u>\$ (647,943)</u>	<u>\$ 4,527,042</u>	<u>\$ 1,398,948</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 of the Company's Corporate segment for the periods presented.
- (b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.
- (c) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in the Company's most recent Annual Report on Form 10-K.

Total assets for each of the Company's reportable segments at September 30, 2022 and December 31, 2021, were as follows:

	September 30, 2022	December 31, 2021
Eastern	\$ 4,076,614	\$ 3,652,311
Southern	3,718,418	3,513,355
Western	2,542,731	2,260,222
Central	2,680,170	2,332,564
Canada	2,557,822	2,513,608
Corporate	554,913	427,864
Total Assets	<u>\$ 16,130,668</u>	<u>\$ 14,699,924</u>

The following tables show changes in goodwill during the nine months ended September 30, 2022 and 2021, by reportable segment:

	Eastern	Southern	Western	Central	Canada	Total
Balance as of December 31, 2021	\$ 1,607,723	\$ 1,588,467	\$ 539,732	\$ 892,209	\$ 1,559,512	\$ 6,187,643
Goodwill acquired	182,697	83,970	8,060	73,788	167,926	516,441
Impact of changes in foreign currency	—	—	—	—	(129,224)	(129,224)
Balance as of September 30, 2022	<u>\$ 1,790,420</u>	<u>\$ 1,672,437</u>	<u>\$ 547,792</u>	<u>\$ 965,997</u>	<u>\$ 1,598,214</u>	<u>\$ 6,574,860</u>

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

	Eastern	Southern	Western	Central	Canada	Total
Balance as of December 31, 2020	\$ 1,374,577	\$ 1,532,215	\$ 442,862	\$ 824,204	\$ 1,552,792	\$ 5,726,650
Goodwill acquired	169,561	2,970	60,999	47,344	—	280,874
Goodwill acquisition adjustments	—	—	—	—	(2)	(2)
Impact of changes in foreign currency	—	—	—	—	(989)	(989)
Balance as of September 30, 2021	<u>\$ 1,544,138</u>	<u>\$ 1,535,185</u>	<u>\$ 503,861</u>	<u>\$ 871,548</u>	<u>\$ 1,551,801</u>	<u>\$ 6,006,533</u>

A reconciliation of the Company's primary measure of segment profitability (segment EBITDA) to Income before income tax provision in the Condensed Consolidated Statements of Net Income is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Eastern segment EBITDA	\$ 133,393	\$ 106,908	\$ 367,223	\$ 295,411
Southern segment EBITDA	130,668	99,612	363,785	291,964
Western segment EBITDA	115,701	108,280	331,049	301,507
Central segment EBITDA	116,337	95,026	317,397	268,952
Canada segment EBITDA	87,910	92,275	265,402	254,857
Subtotal reportable segments	584,009	502,101	1,644,856	1,412,691
Unallocated corporate overhead	(11,657)	(6,551)	(19,042)	(13,743)
Depreciation	(193,287)	(171,965)	(562,174)	(498,588)
Amortization of intangibles	(38,859)	(35,337)	(113,956)	(100,237)
Impairments and other operating items	(13,438)	(3,104)	(19,467)	(9,819)
Interest expense	(51,161)	(40,418)	(137,565)	(124,171)
Interest income	1,784	495	2,574	2,342
Other income (expense), net	8,487	3,140	2,373	5,452
Loss on early extinguishment of debt	—	(115,288)	—	(115,288)
Income before income tax provision	<u>\$ 285,878</u>	<u>\$ 133,073</u>	<u>\$ 797,599</u>	<u>\$ 558,639</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company recognizes all derivatives on the Condensed Consolidated Balance Sheets at fair value. All of the Company's derivatives have been designated as cash flow hedges; therefore, the gain or loss on the derivatives will be recognized in accumulated other comprehensive income (loss) ("AOCIL") and reclassified into earnings in the same period during which the hedged transaction affects earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The Company classifies cash inflows and outflows from derivatives within operating activities on the Condensed Consolidated Statements of Cash Flows.

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings under the Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at September 30, 2022 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

At September 30, 2022, the Company's derivative instruments included five interest rate swap agreements as follows:

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
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.

The fair values of derivative instruments designated as cash flow hedges as of September 30, 2022, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets ^(a)	\$ 14,000	Accrued liabilities	\$ —
	Other assets, net	19,231		
Total derivatives designated as cash flow hedges		\$ 33,231		\$ —

(a) Represents the estimated amount of the existing unrealized gains on interest rate swaps as of September 30, 2022 (based on the interest rate yield curve at that date), included in AOCIL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

The fair values of derivative instruments designated as cash flow hedges as of December 31, 2021, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	\$ —	Accrued liabilities	\$ (18,675)
			Other long-term liabilities	(32,406)
Total derivatives designated as cash flow hedges		\$ —		\$ (51,081)

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCIL for the three and nine months ended September 30, 2022 and 2021:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax ^(b)	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2022	2021		2022	2021
Interest rate swaps	\$ 20,344	\$ (295)	Interest expense	\$ 697	\$ 3,780

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax ^(b)	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2022	2021		2022	2021
Interest rate swaps	\$ 55,102	\$ 10,349	Interest expense	\$ 6,868	\$ 11,025

(a) In accordance with the derivatives and hedging guidance, the changes in fair values of interest rate swaps have been recorded in equity as a component of AOCIL. As the critical terms of the interest rate swaps match the underlying debt being hedged, all unrealized changes in fair value are recorded in AOCIL.

(b) Amounts reclassified from AOCIL into earnings related to realized gains and losses on interest rate swaps are recognized when interest payments or receipts occur related to the swap contracts, which correspond to when interest payments are made on the Company's hedged debt.

See Note 16 for further discussion on the impact of the Company's hedge accounting to its consolidated comprehensive income (loss) and AOCIL.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted cash and investments, trade payables, debt instruments, contingent consideration obligations and interest rate swaps. As of September 30, 2022 and December 31, 2021, the carrying values of cash and equivalents, trade receivables, restricted cash and investments, trade payables and contingent consideration are considered to be representative of their respective fair values. The carrying values of the Company's debt instruments, excluding certain notes as listed in the table below, approximate their fair values as of September 30, 2022 and December 31, 2021, based on current borrowing rates, current remaining average life to maturity and borrower credit quality for similar types of borrowing arrangements, and are classified as Level 2 within the fair value hierarchy. The carrying values and fair values of the Company's debt instruments where the carrying values do not approximate their fair values as of September 30, 2022 and December 31, 2021, are as follows:

	Carrying Value at		Fair Value ^(a) at	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
4.25% Senior Notes due 2028	\$ 500,000	\$ 500,000	\$ 473,200	\$ 561,350
3.50% Senior Notes due 2029	\$ 500,000	\$ 500,000	\$ 449,150	\$ 539,500
2.60% Senior Notes due 2030	\$ 600,000	\$ 600,000	\$ 501,840	\$ 610,440
2.20% Senior Notes due 2032	\$ 650,000	\$ 650,000	\$ 505,570	\$ 637,065
3.20% Senior Notes due 2032	\$ 500,000	\$ —	\$ 419,400	\$ —
4.20% Senior Notes due 2033	\$ 750,000	\$ —	\$ 679,725	\$ —
3.05% Senior Notes due 2050	\$ 500,000	\$ 500,000	\$ 334,000	\$ 496,350
2.95% Senior Notes due 2052	\$ 850,000	\$ 850,000	\$ 551,225	\$ 828,580

*Senior Notes are classified as Level 2 within the fair value hierarchy. Fair value inputs include third-party calculations of the market interest rate of notes with similar ratings in similar industries over the remaining note terms.

For details on the fair value of the Company's interest rate swaps, restricted cash and investments and contingent consideration, refer to Note 15.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

14. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's shareholders for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to Waste Connections for basic and diluted earnings per share	\$ 236,912	\$ 114,381	\$ 641,310	\$ 451,736
Denominator:				
Basic shares outstanding	257,197,010	260,550,774	257,438,756	261,372,827
Dilutive effect of equity-based awards	694,625	594,446	621,995	506,927
Diluted shares outstanding	257,891,635	261,145,220	258,060,751	261,879,754

15. FAIR VALUE MEASUREMENTS

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and restricted cash and investments. At September 30, 2022 and December 31, 2021, the Company's derivative instruments included pay-fixed, receive-variable interest rate swaps. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. For the Company's interest rate swaps, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted cash is valued at quoted market prices in active markets for identical assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted cash measured at fair value is invested primarily in money market accounts, bank time deposits and U.S. government and agency securities. The Company's restricted investments are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted investments measured at fair value are invested primarily in money market accounts, bank time deposits, U.S. government and agency securities and Canadian bankers' acceptance notes.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2022 and December 31, 2021, were as follows:

	<u>Fair Value Measurement at September 30, 2022 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net asset position	\$ 33,231	\$ —	\$ 33,231	\$ —
Restricted cash	\$ 108,194	\$ 108,194	\$ —	\$ —
Restricted investments	\$ 54,811	\$ —	\$ 54,811	\$ —
Contingent consideration	\$ (85,763)	\$ —	\$ —	\$ (85,763)

	<u>Fair Value Measurement at December 31, 2021 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net liability position	\$ (51,081)	\$ —	\$ (51,081)	\$ —
Restricted cash	\$ 72,174	\$ 72,174	\$ —	\$ —
Restricted investments	\$ 58,797	\$ —	\$ 58,797	\$ —
Contingent consideration	\$ (94,308)	\$ —	\$ —	\$ (94,308)

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2022 and 2021:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 94,308	\$ 71,736
Contingent consideration recorded at acquisition date	6,543	2,512
Payment of contingent consideration recorded at acquisition date	(12,114)	(7,998)
Payment of contingent consideration recorded in earnings	(2,982)	(520)
Adjustments to contingent consideration	(1,030)	89
Interest accretion expense	1,073	1,147
Foreign currency translation adjustment	(35)	(15)
Ending balance	<u>\$ 85,763</u>	<u>\$ 66,951</u>

16. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2022 and 2021 are as follows:

	<u>Three Months Ended September 30, 2022</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ 948	\$ (251)	\$ 697
Changes in fair value of interest rate swaps	27,679	(7,335)	20,344
Foreign currency translation adjustment	(145,955)	—	(145,955)
	<u>\$ (117,328)</u>	<u>\$ (7,586)</u>	<u>\$ (124,914)</u>

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

	Three Months Ended September 30, 2021		
	Gross	Tax Effect	Net of Tax
Interest rate swap amounts reclassified into interest expense	\$ 5,143	\$ (1,363)	\$ 3,780
Changes in fair value of interest rate swaps	(401)	106	(295)
Foreign currency translation adjustment	(64,197)	—	(64,197)
	<u>\$ (59,455)</u>	<u>\$ (1,257)</u>	<u>\$ (60,712)</u>

	Nine Months Ended September 30, 2022		
	Gross	Tax Effect	Net of Tax
Interest rate swap amounts reclassified into interest expense	\$ 9,344	\$ (2,476)	\$ 6,868
Changes in fair value of interest rate swaps	74,969	(19,867)	55,102
Foreign currency translation adjustment	(185,030)	—	(185,030)
	<u>\$ (100,717)</u>	<u>\$ (22,343)</u>	<u>\$ (123,060)</u>

	Nine Months Ended September 30, 2021		
	Gross	Tax Effect	Net of Tax
Interest rate swap amounts reclassified into interest expense	\$ 15,000	\$ (3,975)	\$ 11,025
Changes in fair value of interest rate swaps	14,081	(3,732)	10,349
Foreign currency translation adjustment	(3,170)	—	(3,170)
	<u>\$ 25,911</u>	<u>\$ (7,707)</u>	<u>\$ 18,204</u>

A rollforward of the amounts included in AOCIL, net of taxes, for the nine months ended September 30, 2022 and 2021, is as follows:

	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2021	\$ (37,544)	\$ 77,128	\$ 39,584
Amounts reclassified into earnings	6,868	—	6,868
Changes in fair value	55,102	—	55,102
Foreign currency translation adjustment	—	(185,030)	(185,030)
Balance at September 30, 2022	<u>\$ 24,426</u>	<u>\$ (107,902)</u>	<u>\$ (83,476)</u>

	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2020	\$ (69,596)	\$ 68,945	\$ (651)
Amounts reclassified into earnings	11,025	—	11,025
Changes in fair value	10,349	—	10,349
Foreign currency translation adjustment	—	(3,170)	(3,170)
Balance at September 30, 2021	<u>\$ (48,222)</u>	<u>\$ 65,775</u>	<u>\$ 17,553</u>

See Note 12 for further discussion on the Company's derivative instruments.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

17. SHAREHOLDERS' EQUITY

Share-Based Compensation

Restricted Share Units

A summary of activity related to restricted share units ("RSUs") during the nine-month period ended September 30, 2022, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2021	861,695
Granted	463,457
Forfeited	(53,579)
Vested and issued	(317,363)
Outstanding at September 30, 2022	<u>954,210</u>

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the nine-month period ended September 30, 2022 was \$120.55.

Recipients of the Company's RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, unless a qualified participant makes certain other elections, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At September 30, 2022 and 2021, the Company had 81,352 and 100,861 vested deferred RSUs outstanding, respectively.

Performance-Based Restricted Share Units

A summary of activity related to performance-based restricted share units ("PSUs") during the nine-month period ended September 30, 2022, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2021	392,043
Granted	95,038
Forfeited	(87,554)
Vested and issued	(57,677)
Outstanding at September 30, 2022	<u>341,850</u>

During the nine months ended September 30, 2022, the Company's Compensation Committee granted PSUs with three-year performance-based metrics that the Company must meet before those awards may be earned, and the performance period for those grants ends on December 31, 2024. The Compensation Committee will determine the achievement of performance results and corresponding vesting of PSUs for each performance period. The weighted average grant-date fair value per share for the common shares underlying all PSUs granted during the nine-month period ended September 30, 2022 was \$117.94.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

Deferred Share Units

A summary of activity related to deferred share units (“DSUs”) during the nine-month period ended September 30, 2022, is presented below:

	<u>Vested Shares</u>
Outstanding at December 31, 2021	24,442
Granted	2,094
Outstanding at September 30, 2022	<u>26,536</u>

The DSUs consist of a combination of DSU grants outstanding under the Progressive Waste share-based compensation plans that were continued by the Company following the Progressive Waste acquisition and DSUs granted by the Company since the Progressive Waste acquisition. The weighted average grant-date fair value per share for the common shares underlying the DSUs granted during the nine-month period ended September 30, 2022 was \$121.00.

Other Restricted Share Units

RSU grants outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2022, is presented below:

Outstanding at December 31, 2021	63,032
Cash settled	(5,203)
Outstanding at September 30, 2022	<u>57,829</u>

No RSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. All remaining RSUs were vested as of March 31, 2019.

Share-Based Options

Share-based options outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste share-based options during the nine-month period ended September 30, 2022, is presented below:

Outstanding at December 31, 2021	45,869
Cash settled	(2,299)
Outstanding at September 30, 2022	<u>43,570</u>

No share-based options under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. All outstanding share-based options were vested as of December 31, 2017.

Employee Share Purchase Plan

On May 15, 2020, the Company’s shareholders approved the 2020 Employee Share Purchase Plan (the “ESPP”). Under the ESPP, qualified employees may elect to have payroll deductions withheld from their eligible compensation on

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

each payroll date in amounts equal to or greater than one percent (1%) but not in excess of ten percent (10%) of eligible compensation in order to purchase the Company's common shares under certain terms and subject to certain restrictions set forth in the ESPP. The exercise price is equal to 95% of the closing price of the Company's common shares on the last day of the relevant offering period, provided, however, that such exercise price will not be less than 85% of the volume weighted average price of the Company's common shares as reflected on the Toronto Stock Exchange (the "TSX") over the final five trading days of such offering period. The maximum number of shares that may be issued under the ESPP is 1,000,000. Under the ESPP, employees purchased 26,582 of the Company's common shares for \$3,271 during the nine months ended September 30, 2022.

Normal Course Issuer Bid

On July 26, 2022, the Board of Directors of the Company approved, subject to receipt of regulatory approvals, the annual renewal of the Company's normal course issuer bid (the "NCIB") to purchase up to 12,859,066 of the Company's common shares during the period of August 10, 2022 to August 9, 2023 or until such earlier time as the NCIB is completed or terminated at the option of the Company. The renewal followed the conclusion of the Company's NCIB that expired August 9, 2022. The Company received TSX approval for its annual renewal of the NCIB on August 8, 2022. Under the NCIB, the Company may make share repurchases only in the open market, including on the New York Stock Exchange (the "NYSE"), the TSX, and/or alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems is limited to a maximum of 85,956 common shares, which represents 25% of the average daily trading volume on the TSX of 343,825 common shares for the period from February 1, 2022 to July 31, 2022. The TSX rules also allow the Company to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including the Company's 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.

For the nine months ended September 30, 2022, the Company repurchased 3,388,155 common shares pursuant to the NCIB in effect during that period at an aggregate cost of \$424,999. During the nine months ended September 30, 2021, the Company repurchased 2,745,990 common shares pursuant to the NCIB in effect during that period at an aggregate cost of \$305,640. As of September 30, 2022, the remaining maximum number of shares available for repurchase under the current NCIB was 12,859,066.

Cash Dividend

In October 2021, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.025, from \$0.205 to \$0.23 per Company common share. Cash dividends of \$177,710 and \$160,754 were paid during the nine months ended September 30, 2022 and 2021, respectively.

18. COMMITMENTS AND CONTINGENCIES

In the normal course of its business and as a result of the extensive governmental regulation of the solid waste and E&P waste industries, the Company is subject to various judicial and administrative proceedings involving Canadian regulatory authorities as well as U.S. federal, state and local agencies. In these proceedings, an agency may subpoena the

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

Company for records, or seek to impose fines on the Company or revoke or deny renewal of an authorization held by the Company, including an operating permit. From time to time, the Company may also be subject to actions brought by special interest or other groups, adjacent landowners or residents in connection with the permitting and licensing of landfills, transfer stations, and E&P waste treatment, recovery and disposal operations, or alleging environmental damage or violations of the permits and licenses pursuant to which the Company operates. The Company uses \$1,000 as a threshold (up from the previously required threshold of \$300) for disclosing environmental matters involving potential monetary sanctions.

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the Company's business. Except as noted in the matters described below, as of September 30, 2022, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Los Angeles County, California Landfill Expansion Litigation

A. Chiquita Canyon, LLC Lawsuit Against Los Angeles County

In October 2004, the Company's subsidiary, Chiquita Canyon, LLC ("CCL"), then under prior ownership, filed an application (the "Application") with the County of Los Angeles (the "County") Department of Regional Planning ("DRP") for a conditional use permit (the "CUP") to authorize the continued operation and expansion of the Chiquita Canyon Landfill (the "Landfill"). The Landfill has operated since 1972, and as a regional landfill, accepted approximately two and a half million tons of materials for disposal and beneficial use in 2021. The Application requested expansion of the existing waste footprint on CCL's contiguous property, an increase in maximum elevation, creation of a new entrance and new support facilities, construction of a facility for the County or another third-party operator to host household hazardous waste collection events, designation of an area for mixed organics/composting, and other modifications.

After many years of reviews and delays, upon the recommendation of County staff, the County's Regional Planning Commission (the "Commission") approved the Application on April 19, 2017, but imposed operating conditions, fees and exactions that substantially reduce the historical landfill operations and represent a large increase in aggregate taxes and fees. CCL objected to many of the requirements imposed by the Commission. Current estimates for new costs imposed on CCL under the CUP are in excess of \$300,000.

CCL appealed the Commission's decision to the County Board of Supervisors, but the appeal was not successful. At a subsequent hearing, on July 25, 2017, the Board of Supervisors approved the CUP. On October 20, 2017, CCL filed in the Superior Court of California, County of Los Angeles a verified petition for writ of mandate and complaint against the County and the County Board of Supervisors captioned Chiquita Canyon, LLC v. County of Los Angeles, No. BS171262 (Los Angeles Co. Super Ct.) (the "Complaint"). The Complaint challenges the terms of the CUP in 13 counts generally alleging that the County violated multiple California and federal statutes and California and federal constitutional protections. CCL seeks the following relief: (a) an injunction and writ of mandate against certain of the CUP's operational restrictions, taxes and fees, (b) a declaration that the challenged conditions are unconstitutional and in violation of state and federal statutes, (c) reimbursement for any such illegal fees paid under protest, (d) damages, (e) an award of just compensation for a taking, (f) attorney fees, and (g) all other appropriate legal and equitable relief.

Following extensive litigation in 2018 and 2019 on the permissible scope of CCL's challenge, full briefing occurred, and oral argument was held on June 22, 2020 on six of CCL's causes of action. The Superior Court issued its decision on July 2, 2020, granting CCL's petition for writ of mandate in part and denying it in part. CCL prevailed with respect to 12 of the challenged conditions, many of which imposed new fees and exactions on the Landfill. On October 11, 2022, CCL

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER
GALLON AMOUNTS)

and the County entered into a settlement agreement that requires Chiquita to file a CUP modification application with the County embodying the terms of the settlement agreement. If the CUP modification application is approved by the County and certain other contingencies are satisfied, Chiquita will dismiss this lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

B. December 11, 2017 Notice of Violation Regarding Certain CUP Conditions.

The County, through its DRP, issued a Notice of Violation, dated December 11, 2017 (the “NOV”), alleging that CCL violated certain conditions of the CUP, including Condition 79(B)(6) of the CUP by failing to pay an \$11,600 Bridge & Thoroughfare Fee (“B&T Fee”) that was purportedly due on July 25, 2017. The alleged B&T fee was ostensibly to fund the construction of transportation infrastructure in the area of the Landfill. At the time the NOV was issued, CCL had already contested the legality of the B&T fee in the October 20, 2017 Complaint filed against the County in Los Angeles County Superior Court, described above under paragraph A (the “CUP lawsuit”).

On January 12, 2018, CCL filed an appeal of the alleged violations in the NOV. Subsequently, CCL filed additional legal arguments and exhibits contesting the NOV. On March 6, 2018, a DRP employee designated as hearing officer sustained the NOV, including the \$11,600 B&T fee, and imposed an administrative penalty in the amount of \$83 and a noncompliance fee of \$0.75. A written decision memorializing the hearing officer’s findings and order was issued on July 10, 2018. On April 13, 2018, CCL filed in the Superior Court of California, County of Los Angeles a Petition for Writ of Administrative Mandamus against the County seeking to overturn the decision sustaining the NOV, contending that the NOV and decision are not supported by the facts or law. On July 17, 2018, the Court granted CCL leave to pay the \$11,600 B&T fee and to amend its Complaint in the CUP lawsuit to reflect the payment under protest, allowing the challenge to the B&T fee under the Mitigation Fee Act to proceed in the CUP lawsuit. CCL paid the B&T fee under protest on August 10, 2018, and also paid on that date the administrative penalty of \$83 and a noncompliance fee of \$0.75. The Court indicated that the NOV case would be coordinated with the CUP lawsuit. On October 11, 2022, CCL and the County entered into a settlement agreement, described above under paragraph A. If the CUP modification application is approved by the County and certain other contingencies are satisfied, Chiquita will dismiss this lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

19. SUBSEQUENT EVENTS

On November 2, 2022, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.025, from \$0.23 to \$0.255 per Company common share, and then declared a regular quarterly cash dividend of \$0.255 per Company common share. The dividend will be paid on December 1, 2022, to shareholders of record on the close of business on November 16, 2022.

See Note 10 for a discussion of the Term Loan Agreement and Amendment No. 1 to the Company’s Second Amended and Restated Revolving Credit and Term Loan Agreement, both of which became effective on October 31, 2022.