

**The Management's Discussion and Analysis of Financial Condition and Results of Operations for Waste Connections, Inc. is also included in the Form 10-Q for the period ended September 30, 2023 filed on SEDAR+ on October 26, 2023 in its entirety. All references to \$ are to U.S. dollars unless otherwise indicated.**

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

### FORWARD-LOOKING STATEMENTS

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

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

- Statements regarding our landfills, including capacity, duration, special projects, demand for and pricing of recyclables, landfill alternatives and related capital expenditures, operating expenses and leachate;
- Discussion of competition, loss of contracts, price increases and additional exclusive and/or long-term collection service arrangements;
- Forecasts of cash flows necessary for operations and free cash flow to reduce leverage as well as our ability to draw on our credit facility and access the capital markets to refinance or expand;
- Statements regarding our ability to access capital resources or credit markets;
- Plans for, and the amounts of, certain capital expenditures for our existing and newly acquired properties and equipment;
- Statements regarding fuel, oil and natural gas demand, prices, and price volatility;
- Assessments of regulatory developments and potential changes in environmental, health, safety and tax laws and regulations; and
- Other statements on a variety of topics such as the coronavirus disease 2019 (“COVID-19”) pandemic, inflation, credit risk of customers, seasonality, labor/pension costs and labor union activity, employee retention costs, operational and safety risks, acquisitions, litigation developments and results, goodwill impairments, insurance costs and cybersecurity threats.

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

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

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

### OVERVIEW OF OUR BUSINESS

We are an integrated solid waste services company that provides non-hazardous waste collection, transfer and disposal services, including by rail, along with resource recovery primarily through recycling and renewable fuels generation, in mostly exclusive and secondary markets across 44 states in the U.S. and six provinces in Canada. Waste Connections also provides non-hazardous oil and natural gas exploration and production (“E&P”) waste treatment, recovery and disposal

services in several basins across the U.S., as well as intermodal services for the movement of cargo and solid waste containers in the Pacific Northwest.

Environmental, organizational and financial sustainability initiatives have been key components of our success since we were founded in 1997. We continue to grow and expand these efforts and our disclosure regarding progress towards their achievement as our industry and technology continue to evolve. To that end, we have committed \$500 million to the advancement of long-term, aspirational ESG targets, which have been incorporated into executive compensation metrics. Our investments primarily focus on reducing emissions, increasing resource recovery of both recyclable commodities and clean energy fuels, reducing reliance on off-site disposal for landfill leachate, further improving safety through reduced incidents and enhancing employee engagement through improved voluntary turnover and Servant Leadership scores. Our 2023 Sustainability Report can be found at [www.wasteconnections.com/sustainability](http://www.wasteconnections.com/sustainability) but does not constitute a part of, and is not incorporated by reference into, this Quarterly Report on Form 10-Q.

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

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

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

The demand for our E&P waste services depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile, including as a result of macroeconomic and geopolitical conditions, which may impact levels of exploration and production activity, with a corresponding impact to our E&P waste activity. In 2022, sustained increases in prices of crude oil as a result of inflationary pressures, the uncertainty associated with the Ukrainian conflict and any related bans on oil sales from Russia or supply chain disruptions contributed to increased levels of drilling activity and demand for our E&P waste services. Conversely, in 2020 and 2021, a significant decline in oil prices driven by both surplus production and supply, as well as the decrease in demand caused by factors including the COVID-19 pandemic, resulted in decreased levels of E&P drilling activity and a corresponding decrease in demand for our E&P waste services. Additionally, across the industry there was uncertainty regarding future demand for oil and related services, as noted by several energy companies, many of whom are customers of our E&P waste services. These energy companies wrote down the values of their oil and gas assets in anticipation of the potential for the decarbonization of their energy product mix given an increased global focus on reducing greenhouse gases and addressing climate change. At that time, the uncertainty regarding global demand had a significant impact on the investment and operating plans of our E&P waste customers in the basins where we operate.

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

March 11, 2023 marked the three-year anniversary of COVID-19 being declared a global pandemic by the World Health Organization. The related economic disruptions largely associated with closures or restrictions put into effect following the onset of the COVID-19 pandemic in the first quarter of 2020 resulted in declines in solid waste commercial collection, transfer station and landfill volumes, and roll off activity. Throughout the remaining fiscal year 2020 and during 2021, solid waste revenue and reported volumes largely reflected the pace and shape of the closures and subsequent reopening activity, with the timing and magnitude of recovery varying by market. Most of the impacts to solid waste volumes associated with the pandemic have largely abated, with landfill volumes and roll off pulls returning to pre-pandemic levels. In certain markets, commercial collection volumes have not returned to pre-pandemic levels. The COVID-19 pandemic also contributed to a decline in demand for and the value of crude oil, which impacted E&P drilling activity and resulted in lower E&P waste revenue during 2020 and 2021. During 2022, E&P waste revenue increased on higher levels of drilling activity in several of the major basins.

Since the onset of the COVID-19 pandemic, protecting the health, welfare and safety of our employees has been our top priority. Recognizing the potential for financial hardship and other challenges, we have looked to provide a safety net for our employees on issues of income and family health. To that end, since the onset of the pandemic through year-end 2022, we incurred over \$50 million in incremental COVID-19-related costs, primarily supplemental pay and benefits for frontline employees, including approximately \$10 million during 2022.

As a result of the COVID-19 pandemic and subsequent reopening activity, we have also experienced an impact to our operating costs as a result of factors including supply chain disruptions and labor constraints, as demand has recovered and competition has increased. As a result, we have incurred incremental costs associated with higher wages, increased overtime as a result of higher turnover, and increased reliance on third party services.

The impact of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows in future periods will depend largely on future developments, including the duration and spread of any further outbreaks in the U.S. and Canada, the rate of vaccinations, the severity of COVID-19 variants, the actions to contain such coronavirus variants, and how quickly and to what extent normal economic and operating conditions can resume.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

## RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

	<u>Three Months Ended September 30,</u>				<u>Nine Months Ended September 30,</u>			
	<u>2023</u>		<u>2022</u>		<u>2023</u>		<u>2022</u>	
Revenues	\$ 2,064,744	100.0 %	\$ 1,879,868	100.0 %	\$ 5,986,342	100.0 %	\$ 5,342,558	100.0 %
Cost of operations	1,204,603	58.4	1,120,629	59.6	3,548,893	59.3	3,198,039	59.9
Selling, general and administrative	196,316	9.5	186,887	9.9	606,367	10.1	518,705	9.7
Depreciation	214,966	10.4	193,287	10.3	632,347	10.5	562,174	10.5
Amortization of intangibles	39,405	1.9	38,859	2.1	117,740	2.0	113,956	2.1
Impairments and other operating items	56,477	2.7	13,438	0.7	69,201	1.2	19,467	0.4
Operating income	352,977	17.1	326,768	17.4	1,011,794	16.9	930,217	17.4
Interest expense	(69,016)	(3.3)	(51,161)	(2.7)	(204,914)	(3.4)	(137,565)	(2.6)
Interest income	2,833	0.1	1,784	0.1	6,886	0.1	2,574	0.1
Other income, net	5,372	0.3	8,487	0.4	8,346	0.1	2,373	0.0
Income tax provision	(62,975)	(3.1)	(48,753)	(2.6)	(185,915)	(3.1)	(155,899)	(2.9)
Net income	229,191	11.1	237,125	12.6	636,197	10.6	641,700	12.0
Net income attributable to noncontrolling interests	(165)	(0.0)	(213)	(0.0)	(150)	(0.0)	(390)	(0.0)
Net income attributable to Waste Connections	\$ 229,026	11.1 %	\$ 236,912	12.6 %	\$ 636,047	10.6 %	\$ 641,310	12.0 %

**Revenues.** Total revenues increased \$184.9 million, or 9.8%, to \$2.065 billion for the three months ended September 30, 2023, from \$1.880 billion for the three months ended September 30, 2022. Total revenues increased \$643.8 million, or 12.1%, to \$5.986 billion for the nine months ended September 30, 2023, from \$5.343 billion for the nine months ended September 30, 2022.

Acquisitions closed during, or subsequent to, the three months ended September 30, 2022, increased revenues by \$104.1 million for the three months ended September 30, 2023. Acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, increased revenues by \$358.2 million for the nine months ended September 30, 2023.

Operations that were divested during, or subsequent to, the three and nine months ended September 30, 2022, decreased revenues by \$1.2 million and \$1.9 million, respectively, for the three and nine months ended September 30, 2023.

During the three months ended September 30, 2023, the net increase in prices charged to our customers at our existing operations was \$137.4 million, consisting of \$156.6 million of core price increases and decreases in surcharges of \$19.2 million. During the nine months ended September 30, 2023, the net increase in prices charged to our customers at our existing operations was \$476.7 million, consisting of \$496.4 million of core price increases and decreases in surcharges of \$19.7 million.

During the three months ended September 30, 2023, we recognized volume losses totaling \$42.0 million, primarily due to a decrease in residential collection volumes in our Eastern, Canada and Central segments, lower roll off volumes and a decrease in post-collection volumes in our Eastern and Western segments, partially offset by increases in commercial and residential collection services in our Western segment and an increase in landfill volumes in our Canada segment driven by higher special waste volumes. During the nine months ended September 30, 2023, we recognized volume losses totaling \$95.4 million, due to lower collection and post collection volumes primarily in our Eastern, Canada, and Southern segments.

E&P waste revenues at facilities owned during the three and nine months ended September 30, 2023 and 2022 increased \$3.7 million and \$15.2 million, respectively, due to increases in overall demand for our E&P waste services as a result of increases in drilling and production activity levels in certain basins.

Revenues from sales of recyclable commodities at facilities owned during the three and nine months ended September 30, 2023 and 2022 decreased \$9.5 million and \$65.2 million, respectively. The decreases are primarily attributable to lower commodity pricing for old corrugated cardboard, aluminum, plastics and other paper products as compared to the prior period. Commodity pricing decreased significantly during the three months ended September 30, 2022 and has not fully recovered as of the three months ended September 30, 2023.

A decrease in the average Canadian dollar to U.S. dollar currency exchange rate resulted in a decrease in revenues of \$6.5 million and \$32.5 million for the three and nine months ended September 30, 2023, respectively. The average Canadian dollar to U.S. dollar exchange rates on our Canadian revenues were 0.7455 and 0.7660 for the three months ended September 30, 2023 and 2022, respectively. The average Canadian dollar to U.S. dollar exchange rates on our Canadian revenues were 0.7435 and 0.7792 for the nine months ended September 30, 2023 and 2022, respectively.

Other revenues decreased \$1.1 million during the three months ended September 30, 2023, due primarily to a \$3.4 million decrease in intermodal revenues, partially offset by a \$2.1 million increase in landfill gas revenues on higher values for renewable energy credits and a \$0.2 million increase in other non-core revenue sources. Other revenues decreased \$11.3 million during the nine months ended September 30, 2023, due primarily to a \$6.7 million decrease in landfill gas revenues on lower values for renewable energy credits partially offset by higher landfill gas volumes, as well as a \$6.7 million decrease in intermodal revenues, partially offset by a \$2.1 million increase in other non-core revenue sources.

Cost of Operations. Total cost of operations increased \$84.0 million, or 7.5%, to \$1.205 billion for the three months ended September 30, 2023, from \$1.121 billion for the three months ended September 30, 2022. The increase was primarily the result of \$58.9 million of additional operating costs from acquisitions closed during, or subsequent to, the three months ended September 30, 2022, and an increase in operating costs at our existing operations of \$29.1 million, assuming foreign currency parity, partially offset by a decrease in operating costs of \$3.5 million resulting from a lower average foreign currency exchange rate in effect during the current period and a decrease of \$0.5 million from operations divested during, or subsequent to, the three months ended September 30, 2022.

The increase in operating costs of \$29.1 million, assuming foreign currency parity, at our existing operations for the three months ended September 30, 2023 consisted of an increase in expenses for auto and workers' compensation claims of \$18.8 million due primarily to increased claims and an increase in our average claim cost, higher labor expenses of \$13.7 million, an increase in leachate and landfill maintenance costs of \$6.4 million, an increase in taxes on revenues of \$3.0 million as the result of higher revenues and \$2.9 million of other net expense increases, partially offset by a decrease in third-party trucking and transportation expenses of \$10.1 million due to lower transfer volumes, and lower disposal costs of \$5.6 million primarily driven by decreased collection volumes and increased internalization in certain markets.

Total cost of operations increased \$350.9 million, or 11.0%, to \$3.549 billion for the nine months ended September 30, 2023, from \$3.198 billion for the nine months ended September 30, 2022. The increase was primarily the result of \$204.8 million of additional operating costs from acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, and an increase in operating costs at our existing operations of \$164.5 million, assuming foreign currency parity, partially offset by a decrease in operating costs of \$17.3 million resulting from a lower average foreign currency exchange rate in effect during the current period and a decrease of \$1.1 million from operations divested during, or subsequent to, the three months ended September 30, 2022.

The increase in operating costs of \$164.5 million, assuming foreign currency parity, at our existing operations for the nine months ended September 30, 2023, consisted of higher labor and recurring incentive compensation expenses of \$75.9 million, an increase in expenses for auto and workers' compensation claims of \$37.9 million due primarily to increased claims and an increase in our average claim cost, an increase in truck, container, equipment and facility maintenance and repair expenses of \$29.8 million, an increase in landfill maintenance and leachate costs of \$17.8 million, an increase in taxes on revenues of \$10.3 million as the result of increased revenues, an increase in other facility operating costs of \$8.1 million and a net increase of other expenses of \$0.7 million, partially offset by a decrease in supplemental compensation

to non-management personnel of \$9.0 million associated with the impact of the COVID-19 pandemic that occurred in the prior year period, a decrease in disposal costs of \$4.7 million as a result of lower volumes and increased internalization in certain markets and a decrease in fuel expense of \$2.3 million due to lower diesel and natural gas prices.

Cost of operations as a percentage of revenues decreased 1.2 percentage points to 58.4% for the three months ended September 30, 2023, from 59.6% for the three months ended September 30, 2022. The decrease as a percentage of revenues was primarily driven by the impact of price-led solid waste revenue growth, along with lower volumes and increased internalization in certain markets, resulting in a 0.9 percentage point decrease in third-party trucking and transportation expenses, a 0.7 percentage point decrease in disposal costs and a 0.6 percentage point decrease from small decreases in several other cost items, plus a 0.2 percentage point decrease due to lower average diesel prices, partially offset by a 0.9 percentage point increase due to increases in our average cost of auto and workers' compensation claims and a 0.3 percentage point increase in landfill maintenance and leachate costs.

Cost of operations as a percentage of revenues decreased 0.6 percentage points to 59.3% for the nine months ended September 30, 2023, from 59.9% for the nine months ended September 30, 2022. The decrease as a percentage of revenues was primarily driven by the impact of price-led revenue growth, a 0.7 percentage point decrease in disposal costs, a 0.5 percentage point decrease in third-party trucking and transportation expenses, a 0.3 percentage point decrease in fuel costs due to lower diesel and natural gas prices and a 0.2 percentage point decrease in compensation to non-management personnel associated with the impact of the COVID-19 pandemic that occurred in the prior year period, partially offset by a 0.6 percentage point increase in expenses for auto and workers' compensation claims due to an increase in our average claim cost, a 0.3 percentage point increase in landfill maintenance and leachate costs and a 0.2 percentage point increase from all other net changes.

SG&A. SG&A expenses increased \$9.4 million, or 5.0%, to \$196.3 million for the three months ended September 30, 2023, from \$186.9 million for the three months ended September 30, 2022. The increase was comprised of an increase of \$7.1 million from acquisitions closed during, or subsequent to, the three months ended September 30, 2022 and an increase of \$2.9 million at our existing operations, assuming foreign currency parity, partially offset by a decrease of \$0.6 million resulting from a lower average foreign currency exchange rate in effect during the current period.

The increase in SG&A expenses at our existing operations of \$2.9 million, assuming foreign currency parity, for the three months ended September 30, 2023 was comprised of higher administrative payroll expenses of \$4.8 million, an increase in incentive compensation expenses of \$4.8 million, an increase in our bad debt costs of \$1.7 million and an increase of \$1.7 million from all other net changes, partially offset by a decrease in direct acquisition expenses of \$7.4 million due to a decrease in acquisition activity, a decrease in equity-based compensation expenses of \$1.6 million associated with changes in our share price resulting in fair value measurement decreases to equity awards accounted for as liabilities that were granted to employees of Progressive Waste prior to June 1, 2016, which are subject to valuation adjustments each period and a decrease in deferred compensation expenses of \$1.1 million as a result of decreases in the market value of investments to which employee deferred compensation liability balances are tracked.

SG&A expenses increased \$87.7 million, or 16.9%, to \$606.4 million for the nine months ended September 30, 2023, from \$518.7 million for the nine months ended September 30, 2022. The increase was comprised of an increase of \$65.3 million, assuming foreign currency parity, at our existing operations and \$25.3 million from acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, partially offset by a decrease of \$2.9 million resulting from a lower average foreign currency exchange rate in effect during the current period.

The increase in SG&A expenses at our existing operations of \$65.3 million, assuming foreign currency parity, for the nine months ended September 30, 2023 was comprised of an increase in administrative payroll expenses of \$19.1 million, an increase in executive separation costs of \$15.1 million, an increase in incentive compensation expense of \$10.9 million, an increase in deferred compensation expenses of \$8.3 million as a result of increases in the market value of investments to which employee deferred compensation liability balances are tracked, an increase in equity-based compensation expenses of \$7.2 million associated with our annual recurring grants of restricted share units to our personnel, a collective increase in travel, meetings and training expenses of \$4.4 million, an increase in software license fees of \$3.9 million, an increase in professional fees of \$3.2 million and \$4.9 million of other net expense increases, partially offset by a decrease in direct acquisition expenses of \$11.7 million due to a decrease in acquisition activity in the current period.

SG&A expenses as a percentage of revenues decreased 0.4 percentage points to 9.5% for the three months ended September 30, 2023, from 9.9% for the three months ended September 30, 2022. The decrease as a percentage of revenues was primarily attributable to price-led revenue growth, a 0.4 percentage point decrease in direct acquisition expenses due to a decrease in acquisition activity in the current period, a 0.1 percentage point decrease in equity-based compensation expenses associated with changes in our share price resulting in fair value measurement decreases to equity awards accounted for as liabilities that were granted to employees of Progressive Waste prior to June 1, 2016, which are subject to valuation adjustments each period, a 0.1 percentage point decrease in deferred compensation expenses, a 0.1 percentage point decrease from acquisitions closed during, or subsequent to, the three months ended September 30, 2022 having lower SG&A costs as a percentage of revenue than our company average and a 0.1 percentage point decrease from all other changes, partially offset by a 0.2 percentage point increase in administrative payroll expenses and a 0.2 percentage point increase in incentive compensation expenses.

SG&A expenses as a percentage of revenues increased 0.4 percentage points to 10.1% for the nine months ended September 30, 2023, from 9.7% for the nine months ended September 30, 2022. The increase as a percentage of revenues was primarily attributable to a 0.3 percentage point increase in executive separation costs, a 0.2 percentage point increase in deferred compensation expense and a 0.2 percentage point increase in administrative payroll expenses, partially offset by a 0.2 percentage point decrease in direct acquisition expenses due to a decrease in acquisition activity and a 0.1 percentage point decrease from all other changes.

Depreciation. Depreciation expense increased \$21.7 million, or 11.2%, to \$215.0 million for the three months ended September 30, 2023, from \$193.3 million for the three months ended September 30, 2022. The increase was comprised of an increase in depreciation and depletion expense of \$14.7 million from acquisitions closed during, or subsequent to, the three months ended September 30, 2022, an increase in depreciation expense of \$4.7 million from the impact of additions to our fleet and equipment purchased to support our existing operations and \$2.9 million of other net increases, partially offset by a decrease of \$0.6 million resulting from a lower average foreign currency exchange rate in effect during the current period.

Depreciation expense increased \$70.2 million, or 12.5%, to \$632.4 million for the nine months ended September 30, 2023, from \$562.2 million for the nine months ended September 30, 2022. The increase was comprised of an increase in depreciation and depletion expense of \$48.1 million from acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, an increase in depreciation expense of \$19.8 million from the impact of additions to our fleet and equipment purchased to support our existing operations and \$5.5 million of other net increases, partially offset by a decrease of \$3.2 million resulting from a lower average foreign currency exchange rate in effect during the current period.

Depreciation expense as a percentage of revenues increased 0.1 percentage points to 10.4% for the three months ended September 30, 2023, from 10.3% for the three months ended September 30, 2022. Depreciation expense as a percentage of revenues remained flat at 10.5% for the nine months ended September 30, 2023 and 2022. The increase for the three months ended September 30, 2023 as a percentage of revenues was primarily attributable to acquisitions closed during, or subsequent to, the three months ended September 30, 2022 having higher depreciation expense as a percentage of revenue than our company average, partially offset by the impact of price driven revenue increases in our solid waste services.

Amortization of Intangibles. Amortization of intangibles expense increased \$0.5 million, or 1.4%, to \$39.4 million for the three months ended September 30, 2023, from \$38.9 million for the three months ended September 30, 2022. The increase was the result of \$5.1 million from intangible assets acquired in acquisitions closed during, or subsequent to, the three months ended September 30, 2022, partially offset by a decrease of \$4.4 million from certain intangible assets becoming fully amortized subsequent to September 30, 2022, and a decrease of \$0.2 million resulting from a lower average foreign currency exchange rate in effect during the current period.

Amortization of intangibles expense increased \$3.8 million, or 3.3%, to \$117.8 million for the nine months ended September 30, 2023, from \$114.0 million for the nine months ended September 30, 2022. The increase was the result of \$19.3 million from intangible assets acquired in acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, partially offset by a decrease of \$14.6 million from certain intangible assets becoming fully amortized subsequent to September 30, 2022, and a decrease of \$0.9 million resulting from a lower average foreign currency exchange rate in effect during the current period.

Amortization of intangibles expense as a percentage of revenues decreased 0.2 percentage points to 1.9% for the three months ended September 30, 2023, from 2.1% for the three months ended September 30, 2022. Amortization of intangibles expense as a percentage of revenues decreased 0.1 percentage points to 2.0% for the nine months ended September 30, 2023, from 2.1% for the nine months ended September 30, 2022. The decreases as a percentage of revenues were attributable to the impact of price-driven revenue increases in our solid waste services.

**Impairments and Other Operating Items.** Impairments and other operating items increased \$43.0 million to \$56.4 million of net losses for the three months ended September 30, 2023, from \$13.4 million of net losses for the three months ended September 30, 2022.

The net losses of \$56.4 million recorded during the three months ended September 30, 2023 resulted from \$31.3 million of charges to adjust the carrying value of contingent consideration liabilities associated with acquisitions closed in prior periods, \$25.0 million of charges to adjust the carrying value of certain assets impaired as a result of an adjustment to fair market value and \$3.0 million of charges related to the settlement of legal matters, partially offset by \$2.9 million of other net credits.

The net losses of \$13.4 million recorded during the three months ended September 30, 2022 consisted of an \$8.4 million lawsuit judgment accrual and \$5.5 million of charges to write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to the original estimated termination date, partially offset by \$0.5 million of other net credits.

Impairments and other operating items increased \$49.7 million, to net losses totaling \$69.2 million for the nine months ended September 30, 2023, from net losses totaling \$19.5 million for the nine months ended September 30, 2022.

The net losses of \$69.2 million recorded during the nine months ended September 30, 2023 consisted of \$31.3 million of charges to adjust the carrying value of contingent consideration liabilities associated with acquisitions closed in prior periods, \$25.0 million of charges to adjust the carrying value of certain assets impaired as a result of an adjustment to fair market value, \$6.8 million of charges to write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to the original estimated termination date and \$5.8 million of losses on disposal of property and equipment and \$0.3 million of other net adjustments.

The net losses of \$19.5 million recorded during the nine months ended September 30, 2022 consisted of \$10.5 million of charges to write off the carrying cost of certain contracts that were not, or are not expected to be, renewed prior to the original estimated termination date, an \$8.4 million lawsuit judgment accrual and \$0.6 million of other net charges.

**Operating Income.** Operating income increased \$26.2 million, or 8.0%, to \$353.0 million for the three months ended September 30, 2023, from \$326.8 million for the three months ended September 30, 2022.

The increase in our operating income for the three months ended September 30, 2023 was due primarily to price increases for our solid waste services, operating income generated from acquisitions closed during, or subsequent to, the three months ended September 30, 2022 and lower direct acquisition expenses, partially offset by an increase in charges related to adjustments for contingent consideration liabilities and impairments and lower recyclable commodity pricing in the period.

Operating income increased \$81.6 million, or 8.8%, to \$1.012 billion for the nine months ended September 30, 2023, from \$930.2 million for the nine months ended September 30, 2022.

The increase in our operating income for the nine months ended September 30, 2023 was due primarily to price increases for our solid waste services, operating income generated from acquisitions closed during, or subsequent to, the nine months ended September 30, 2022 and an increase in earnings at our E&P waste operations, partially offset by an increase in charges related to adjustments for contingent consideration liabilities and impairments, lower recyclable commodity pricing in the period and an increase in executive separation costs.

Operating income as a percentage of revenues decreased 0.3 percentage points to 17.1% for the three months ended September 30, 2023, from 17.4% for the three months ended September 30, 2022. The decrease as a percentage of revenues was comprised of a 2.0 percentage point increase in impairments and other operating items and a 0.1 percentage point increase in depreciations expense, partially offset by a 1.2 percentage point decrease in our costs of operations, a 0.4 percentage point decrease in SG&A expense and a 0.2 percentage point decrease in amortization expense.

Operating income as a percentage of revenues decreased 0.5 percentage points to 16.9% for the nine months ended September 30, 2023, from 17.4% for the nine months ended September 30, 2022. The decrease as a percentage of revenues was comprised of a 0.8 percentage point increase in impairments and other operating items and a 0.4 percentage point increase in SG&A expense, partially offset by a 0.6 percentage point decrease in our costs of operations and a 0.1 percentage point decrease in amortization expense.

Interest Expense. Interest expense increased \$17.8 million, or 34.9%, to \$69.0 million for the three months ended September 30, 2023, from \$51.2 million for the three months ended September 30, 2022. The increase was primarily attributable to an increase of \$10.4 million due to a net increase in the average borrowings outstanding under our Credit Agreement and Term Loan Agreement, an increase of \$4.0 million from the issuance of \$750 million of senior unsecured notes during, or subsequent to, the three months ended September 30, 2022, an increase of \$2.9 million from higher interest rates on borrowings outstanding under our Credit Agreement and \$0.5 million of other net expense increases.

Interest expense increased \$67.3 million, or 49.0%, to \$204.9 million for the nine months ended September 30, 2023, from \$137.6 million for the nine months ended September 30, 2022. The increase was primarily attributable to an increase of \$30.0 million due to a net increase in the average borrowings outstanding under our Credit Agreement and Term Loan Agreement, an increase of \$22.7 million from the issuance of \$1.250 billion of senior unsecured notes during, or subsequent to, the nine months ended September 30, 2022, an increase of \$13.2 million from higher interest rates on borrowings outstanding under our Credit Agreement and \$1.4 million of other net expense increases.

Interest Income. Interest income increased \$1.0 million to \$2.8 million for the three months ended September 30, 2023, from \$1.8 million for the three months ended September 30, 2022. Interest income increased \$4.3 million to \$6.9 million for the nine months ended September 30, 2023, from \$2.6 million for the nine months ended September 30, 2022. The increases were primarily attributable to higher average investment rates in the current period.

Other Income, Net. Other income, net decreased \$3.1 million, to \$5.4 million for the three months ended September 30, 2023, from \$8.5 million for the three months ended September 30, 2022.

Other income of \$5.4 million recorded during the three months ended September 30, 2023 consisted of a \$4.2 million reduction to certain accrued liabilities acquired in an acquisition closed in a prior year period and \$3.7 million in other net income sources, partially offset by \$2.0 million from a decrease in the value of investments purchased to fund our employee deferred compensation obligations and \$0.5 million from a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods reducing the U.S. dollar consideration required to settle international liabilities.

Other income of \$8.5 million recorded during the three months ended September 30, 2022 consisted of income from transactions primarily as a result of the impact from changes in foreign currency exchange rates on certain debt of \$6.0 million and \$2.5 million of other income.

Other income, net increased \$6.0 million, to \$8.4 million for the nine months ended September 30, 2023, from \$2.4 million for the nine months ended September 30, 2022.

Other income of \$8.4 million recorded during the nine months ended September 30, 2023 consisted of a \$4.2 million reduction to certain accrued liabilities acquired in an acquisition closed in a prior year period, \$3.8 million in other net income sources and \$0.6 million from an increase in the value of investments purchased to fund our employee deferred compensation obligations, partially offset by \$0.2 million from a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods reducing the U.S. dollar consideration required to settle international liabilities.

Other income of \$2.4 million recorded during the nine months ended September 30, 2022 consisted of income from transactions primarily as a result of the impact from changes in foreign currency exchange rates on certain debt of \$7.9 million and \$0.7 million of other income, partially offset by \$6.2 million from a decline in the value of investments purchased to fund our employee deferred compensation obligations.

**Income Tax Provision.** Income taxes increased \$14.2 million, to \$63.0 million for the three months ended September 30, 2023, from \$48.8 million for the three months ended September 30, 2022. Our effective tax rate for the three months ended September 30, 2023 was 21.6%. Our effective tax rate for the three months ended September 30, 2022 was 17.1%. Income taxes increased \$30.0 million, to \$185.9 million for the nine months ended September 30, 2023, from \$155.9 million for the nine months ended September 30, 2022. Our effective tax rate for the nine months ended September 30, 2023 was 22.6%. Our effective tax rate for the nine months ended September 30, 2022 was 19.5%.

The income tax provision for the three and nine months ended September 30, 2023 included a benefit of \$0.1 million and \$3.0 million, respectively, from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

The income tax provision for the nine months ended September 30, 2022 included a benefit of \$2.5 million from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

## SEGMENT RESULTS

### General

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Commercial	\$ 630,641	\$ 564,592	\$ 1,848,723	\$ 1,602,793
Residential	538,364	487,995	1,582,289	1,391,603
Industrial and construction roll off	343,740	315,904	1,002,085	870,949
Total collection	1,512,745	1,368,491	4,433,097	3,865,345
Landfill	390,330	345,215	1,116,707	984,700
Transfer	313,214	271,685	892,757	751,117
Recycling	36,103	48,246	105,724	178,845
E&P	62,066	56,995	172,431	154,706
Intermodal and other	44,984	47,604	122,655	139,605
Intercompany	(294,698)	(258,368)	(857,029)	(731,760)
<b>Total</b>	<b>\$ 2,064,744</b>	<b>\$ 1,879,868</b>	<b>\$ 5,986,342</b>	<b>\$ 5,342,558</b>

Effective April 1, 2023, we modified our organizational structure under new regional operating segments as the result of continued growth in our business. We now report revenue and segment EBITDA based on the following six geographic solid waste operating segments: Southern, Western, Central, Eastern, Canada and MidSouth. A small number of operating locations have been reallocated from the Western segment to the Central segment, the previous Eastern segment has been bifurcated into two smaller geographies now referred to as the Eastern segment and MidSouth segment, and a small number of operating locations have been reallocated from the Southern segment to the MidSouth segment. Our six geographic solid waste operating segments comprise our reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. While certain corporate or regional overhead expense allocations may affect comparability on a period-over-period basis, the segment information presented herein reflects the realignment of these regions.

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

Summarized financial information for our reportable segments are shown in the following tables in thousands of U.S. dollars and as a percentage of total segment revenue for the periods indicated.

	<b>Three Months Ended September 30, 2023</b>		<b>EBITDA Margin</b>	<b>Depreciation and Amortization</b>
	<b>Revenue</b>	<b>EBITDA <sup>(b)</sup></b>		
Southern	\$ 413,578	\$ 133,072	32.2 %	\$ 44,630
Western	432,462	124,433	28.8 %	50,262
Central	372,862	137,823	37.0 %	43,156
Eastern	353,109	100,779	28.5 %	53,088
Canada	263,095	108,524	41.2 %	31,361
MidSouth	229,638	61,923	27.0 %	29,920
Corporate <sup>(a)</sup>	—	(2,729)	—	1,955
	<u>\$ 2,064,744</u>	<u>\$ 663,825</u>	32.2 %	<u>\$ 254,372</u>

	<b>Three Months Ended September 30, 2022</b>		<b>EBITDA Margin</b>	<b>Depreciation and Amortization</b>
	<b>Revenue</b>	<b>EBITDA <sup>(b)</sup></b>		
Southern	\$ 383,437	\$ 122,472	31.9 %	\$ 44,036
Western	370,189	109,736	29.6 %	38,710
Central	338,889	122,471	36.1 %	40,052
Eastern	329,258	77,384	23.5 %	49,304
Canada	242,314	87,910	36.3 %	29,530
MidSouth	215,781	64,036	29.7 %	28,650
Corporate <sup>(a)</sup>	—	(11,657)	—	1,864
	<u>\$ 1,879,868</u>	<u>\$ 572,352</u>	30.4 %	<u>\$ 232,146</u>

	<b>Nine Months Ended September 30, 2023</b>		<b>EBITDA Margin</b>	<b>Depreciation and Amortization</b>
	<b>Revenue</b>	<b>EBITDA <sup>(b)</sup></b>		
Southern	\$ 1,227,532	\$ 384,660	31.3 %	\$ 135,554
Western	1,247,273	354,682	28.4 %	148,373
Central	1,082,032	384,538	35.5 %	127,323
Eastern	1,025,662	260,569	25.4 %	153,436
Canada	738,956	286,703	38.8 %	92,117
MidSouth	664,887	182,072	27.4 %	87,299
Corporate <sup>(a)</sup>	—	(22,142)	—	5,985
	<u>\$ 5,986,342</u>	<u>\$ 1,831,082</u>	30.6 %	<u>\$ 750,087</u>

	Nine Months Ended September 30, 2022		EBITDA Margin	Depreciation and Amortization
	Revenue	EBITDA <sup>(b)</sup>		
Southern	\$ 1,103,299	\$ 341,006	30.9 %	\$ 130,123
Western	1,050,433	315,114	30.0 %	110,914
Central	954,137	333,866	35.0 %	115,427
Eastern	909,914	214,335	23.6 %	139,722
Canada	707,404	265,402	37.5 %	88,809
MidSouth	617,371	175,133	28.4 %	84,368
Corporate <sup>(a)</sup>	—	(19,042)	—	6,767
	<u>\$ 5,342,558</u>	<u>\$ 1,625,814</u>	30.4 %	<u>\$ 676,130</u>

- (a) The majority of Corporate expenses are allocated to the six 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 six operating segments and comprise the net EBITDA for our Corporate segment for the periods presented.
- (b) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in our most recent Annual Report on Form 10-K.

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

Significant changes in revenue, EBITDA and depreciation, depletion and amortization for our reportable segments for the three and nine month periods ended September 30, 2023, compared to the three and nine month periods ended September 30, 2022, are discussed below.

### Southern

Revenue increased \$30.2 million to \$413.6 million for the three months ended September 30, 2023, from \$383.4 million for the three months ended September 30, 2022, due to solid waste price increases, contributions from acquisitions, increased E&P waste revenues attributable to increases in the demand for our E&P waste services, partially offset by lower volumes in our residential and commercial lines of business and a decrease in post-collection volumes.

Revenue increased \$124.2 million to \$1.228 billion for the nine months ended September 30, 2023, from \$1.103 billion for the nine months ended September 30, 2022, due to solid waste price increases, contributions from acquisitions, increased E&P waste revenues attributable to increases in the demand for our E&P waste services and increased landfill volumes in our Florida market driven by the impact of Hurricane Ian on construction and demolition activity in the first three months of 2023, partially offset by lower residential collection volumes due to the purposeful non-renewal of a collection contract during the prior year period and other decreases in residential volumes, lower transfer station volumes and a decrease in recyclable commodity prices as compared to the prior years.

EBITDA increased \$10.6 million to \$133.1 million, or a 32.2% EBITDA margin for the three months ended September 30, 2023, from \$122.5 million, or a 31.9% EBITDA margin for the three months ended September 30, 2022. The increase in our EBITDA margin for the three months ended September 30, 2023 was due to the impact of price-led revenue growth, lower trucking costs and disposal expense related to lower transfer station volumes, and a decrease in facility repair costs, partially offset by an increase in auto and workers' compensation claim costs driven by higher average claim expense and an increase in labor costs due primarily to wage increases.

EBITDA increased \$43.7 million to \$384.7 million, or a 31.3% EBITDA margin for the nine months ended September 30, 2023, from \$341.0 million, or a 30.9% EBITDA margin for the nine months ended September 30, 2022. The increase in our EBITDA margin for the nine months ended September 30, 2023 was due to price-led increases in solid waste revenue, contribution from the aforementioned hurricane-driven construction and demolition activity, the impact of acquisitions having higher EBITDA margins than our segment average, lower trucking costs related to lower transfer station volumes, decreases in diesel and natural gas costs due to a decline in average fuel prices, the purposeful non-

renewal of a residential contract and increased earnings at our E&P waste operations, partially offset by an increase in auto and workers' compensation claim expenses driven by higher average claim costs, higher labor costs due to wage increases and increased leachate expense.

Depreciation, depletion and amortization expense increased \$0.6 million, to \$44.6 million for the three months ended September 30, 2023, from \$44.0 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$5.5 million, to \$135.6 million for the nine months ended September 30, 2023, from \$130.1 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to assets acquired in acquisitions, partially offset by a reduction in amortization expense associated with the loss of certain residential service contracts.

### **Western**

Revenue increased \$62.3 million to \$432.5 million for the three months ended September 30, 2023, from \$370.2 million for the three months ended September 30, 2022. Revenue increased \$196.9 million to \$1.247 billion for the nine months ended September 30, 2023, from \$1.050 billion for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to contributions from acquisitions, price increases and increases in residential and commercial collection volumes, partially offset by decreased roll off and post-collection volumes, a decrease in the price of recyclable commodities as compared to the prior year periods and lower intermodal revenue.

EBITDA increased \$14.7 million to \$124.4 million, or a 28.8% EBITDA margin for the three months ended September 30, 2023, from \$109.7 million, or a 29.6% EBITDA margin for the three months ended September 30, 2022. EBITDA increased \$39.6 million to \$354.7 million, or a 28.4% EBITDA margin for the nine months ended September 30, 2023, from \$315.1 million, or a 30.0% EBITDA margin for the nine months ended September 30, 2022. The decreases in our EBITDA margin for the three and nine months ended September 30, 2023 were due to an increase in auto and workers' compensation claim costs driven by higher average claim expense, an increase in allocated corporate overhead, higher labor costs due primarily to wage increases, higher leachate and other landfill maintenance costs and an increase in processing costs incurred for recyclable material driven primarily by a decrease in commodity values, partially offset by lower trucking costs and the benefits from the impact of acquisitions having higher EBITDA margins than our segment average.

Depreciation, depletion and amortization expense increased \$11.6 million, to \$50.3 million for the three months ended September 30, 2023, from \$38.7 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$37.5 million, to \$148.4 million for the nine months ended September 30, 2023, from \$110.9 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to assets acquired in acquisitions and additions to our fleet and equipment.

### **Central**

Revenue increased \$34.0 million to \$372.9 million for the three months ended September 30, 2023, from \$338.9 million for the three months ended September 30, 2022. Revenue increased \$127.9 million to \$1.082 billion for the nine months ended September 30, 2023, from \$954.1 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to price increases and contributions from acquisitions, partially offset by lower residential revenues and a decrease in the value of recyclable commodities compared to the prior year periods.

EBITDA increased \$15.3 million to \$137.8 million, or a 37.0% EBITDA margin for the three months ended September 30, 2023, from \$122.5 million, or a 36.1% EBITDA margin for the three months ended September 30, 2022. EBITDA increased \$50.6 million to \$384.5 million, or a 35.5% EBITDA margin for the nine months ended September 30, 2023, from \$333.9 million, or a 35.0% EBITDA margin for the nine months ended September 30, 2022. The increases in our EBITDA margin for the three and nine months ended September 30, 2023 were due to the benefits from price-led increases in revenue, decreases in diesel and natural gas costs due to a decline in average fuel prices, the impact of acquisitions having higher EBITDA margins than our segment average and lower benefits costs, partially offset by an

increase in auto and workers' compensation claim costs driven by higher average claim expense, a decrease in the value of recyclable commodities as compared to the prior year periods and an increase in allocated corporate overhead.

Depreciation, depletion and amortization expense increased \$3.1 million, to \$43.2 million for the three months ended September 30, 2023, from \$40.1 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$11.9 million, to \$127.3 million for the nine months ended September 30, 2023, from \$115.4 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to assets acquired in acquisitions, additions to our fleet and equipment and higher depletion expense due to higher landfill development costs increasing our per ton landfill depletion rates and increased volumes.

### **Eastern**

Revenue increased \$23.8 million to \$353.1 million for the three months ended September 30, 2023, from \$329.3 million for the three months ended September 30, 2022. Revenue increased \$115.8 million to \$1.026 billion for the nine months ended September 30, 2023, from \$909.9 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to price increases and contributions from acquisitions, partially offset by decreased post-collection volumes, decreased residential and commercial service revenues, lower roll off volumes and a decrease in the value of recyclable commodities compared to the prior year periods.

EBITDA increased \$23.4 million to \$100.8 million, or a 28.5% EBITDA margin for the three months ended September 30, 2023, from \$77.4 million, or a 23.5% EBITDA margin for the three months ended September 30, 2022. EBITDA increased \$46.3 million to \$260.6 million, or a 25.4% EBITDA margin for the nine months ended September 30, 2023, from \$214.3 million, or a 23.6% EBITDA margin for the nine months ended September 30, 2022. The increases in our EBITDA margin for the three and nine months ended September 30, 2023 were due primarily to price-led increases in revenue, a decrease in trucking costs, lower disposal expense, decreases in leachate costs, lower benefits costs and a decrease in professional fees related to lower legal spend, partially offset by higher labor costs primarily driven by wage increases, the impact of acquisitions having lower EBITDA margins than our segment average, an increase in the average auto and workers' compensation claim cost and lower recycle commodity revenues, net of lower rebates, driven by lower average commodity pricing.

Depreciation, depletion and amortization expense increased \$3.8 million, to \$53.1 million for the three months ended September 30, 2023, from \$49.3 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$13.7 million, to \$153.4 million for the nine months ended September 30, 2023, from \$139.7 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to assets acquired in acquisitions, additions to our fleet and equipment and higher depletion expense due to higher landfill development costs increasing our per ton landfill depletion rates, net of lower landfill volumes, partially offset by a reduction in amortization expense associated with the loss of certain residential service contracts.

### **Canada**

Revenue increased \$20.8 million to \$263.1 million for the three months ended September 30, 2023, from \$242.3 million for the three months ended September 30, 2022. Revenue increased \$31.6 million to \$739.0 million for the nine months ended September 30, 2023, from \$707.4 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to price increases, contributions from acquisitions, and an increase in landfill volumes, partially offset by a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods, a decrease in residential collection volumes, and lower prices for recyclable commodities as compared to the prior year period. For the three months ended September 30, 2023, revenue benefited from higher prices for renewable energy credits associated with the generation of landfill gas. For the nine months ended September 30, 2023, renewable energy credits associated with the generation of landfill gas decreased as compared to the prior year period.

EBITDA increased \$20.6 million to \$108.5 million, or a 41.2% EBITDA margin for the three months ended September 30, 2023, from \$87.9 million, or a 36.3% EBITDA margin for the three months ended September 30, 2022.

EBITDA increased \$21.3 million to \$286.7 million, or a 38.8% EBITDA margin for the nine months ended September 30, 2023, from \$265.4 million, or a 37.5% EBITDA margin for the nine months ended September 30, 2022. The increases in our EBITDA margin for the three and nine months ended September 30, 2023 were due to decreases in diesel and natural gas costs due to a decline in average fuel prices, an increase in landfill volumes, a decrease in trucking costs and lower labor expenses, partially offset by lower recycle commodity revenues, net of lower rebates, driven by lower average commodity pricing, an increase in the average auto and workers' compensation claim cost, an increase in truck, container, equipment and facility maintenance and repair expenses and an increase in allocated corporate expense as compared to the prior year period.

Depreciation, depletion and amortization expense increased \$1.9 million, to \$31.4 million for the three months ended September 30, 2023, from \$29.5 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$3.3 million, to \$92.1 million for the nine months ended September 30, 2023, from \$88.8 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to assets acquired in acquisitions and additions to our fleet and equipment and increased depletion as a result of higher landfill volumes, partially offset by a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods.

### **MidSouth**

Revenue increased \$13.8 million to \$229.6 million for the three months ended September 30, 2023, from \$215.8 million for the three months ended September 30, 2022. Revenue increased \$47.5 million to \$664.9 million for the nine months ended September 30, 2023, from \$617.4 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to price increases partially offset by a decrease in the value of recyclable commodities compared to the prior year periods.

EBITDA decreased \$2.1 million to \$61.9 million, or a 27.0% EBITDA margin for the three months ended September 30, 2023, from \$64.0 million, or a 29.7% EBITDA margin for the three months ended September 30, 2022. EBITDA increased \$7.0 million to \$182.1 million, or a 27.4% EBITDA margin for the nine months ended September 30, 2023, from \$175.1 million, or a 28.4% EBITDA margin for the nine months ended September 30, 2022. The decreases in our EBITDA margin for the three and nine months ended September 30, 2023 were due primarily to an increase in auto and workers' compensation claim costs, an increase in allocated corporate overhead and benefits expense, higher leachate costs, lower recycle commodity revenues and an increase in recycle processing costs driven by lower average commodity pricing and an increase in professional fees, partially offset by price-led revenue growth, lower disposal costs due to increased internalization in certain markets and decreases in diesel and natural gas costs due to a decline in average fuel prices.

Depreciation, depletion and amortization expense increased \$1.2 million, to \$29.9 million for the three months ended September 30, 2023, from \$28.7 million for the three months ended September 30, 2022. Depreciation, depletion and amortization expense increased \$2.9 million, to \$87.3 million for the nine months ended September 30, 2023, from \$84.4 million for the nine months ended September 30, 2022. The increases for the three and nine months ended September 30, 2023 were due to additions to our fleet and equipment, higher depletion expense due to higher landfill development costs increasing our per ton landfill depletion rates and increased landfill volumes.

### **Corporate**

EBITDA increased \$9.0 million, to a loss of \$2.7 million for the three months ended September 30, 2023, from a loss of \$11.7 million for the three months ended September 30, 2022. The increase in our EBITDA for the three months ended September 30, 2023 was due lower direct acquisition expenses associated with a decrease in acquisition activity in the current year period, increased allocation of costs to our operating segments driven by overall higher corporate expenses, decreased deferred compensation expenses and decreased equity-based compensation expenses, partially offset by increased incentive compensation costs, increased administrative payroll costs primarily driven by wage increases and additional headcount to support continued growth and higher costs due to increased travel and meetings.

EBITDA decreased \$3.1 million, to a loss of \$22.1 million for the nine months ended September 30, 2023, from a loss of \$19.0 million for the nine months ended September 30, 2022. The decrease in our EBITDA for the nine months ended September 30, 2023 was due to an increase in executive separation expenses, increased incentive compensation costs, increased equity-based compensation expense associated with our annual recurring grants of restricted share units to our personnel, increased deferred compensation expenses, increased administrative payroll costs primarily driven by wage increases and additional headcount to support continued growth, increased costs due to increased travel and meetings, higher professional fees driven by legal costs and increased expenses associated with information systems and applications, partially offset by lower compensation to non-management personnel associated with the impact of the COVID-19 pandemic that occurred in the first three months of 2022 that did not reoccur in the current year periods, increased allocation of costs to our operating segments driven by overall higher corporate expenses and lower direct acquisition expenses associated with a decrease in acquisition activity in the current year period.

## LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth cash flow information for the nine months ended September 30, 2023 and 2022 (in thousands of U.S. dollars):

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 1,570,876	\$ 1,500,137
Net cash used in investing activities	(1,185,613)	(1,858,586)
Net cash provided by (used in) financing activities	(366,536)	450,417
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,060)	(3,210)
Net increase in cash, cash equivalents and restricted cash	17,667	88,758
Cash, cash equivalents and restricted cash at beginning of period	181,364	219,615
Cash, cash equivalents and restricted cash at end of period	<u>\$ 199,031</u>	<u>\$ 308,373</u>

### Operating Activities Cash Flows

Net cash provided by operating activities increased \$70.7 million to \$1.571 billion for the nine months ended September 30, 2023, from net cash provided by operating activities of \$1.500 billion for the nine months ended September 30, 2022. The significant components of the increase included the following:

- 1) *Increase in earnings* — Our increase in net cash provided by operating activities was favorably impacted by \$136.5 million from an increase in net income, excluding depreciation, amortization of intangibles, share-based compensation, adjustments to and payments of contingent consideration recorded in earnings and loss on disposal of assets and impairments, due primarily to price increases, earnings from acquisitions closed during, or subsequent to, the nine months ended September 30, 2022, a decrease in compensation to non-management personnel associated with the impact of the COVID-19 pandemic that occurred in the nine months ended September 30, 2022 that did not reoccur in the current period, and an increase in earnings at our E&P waste operations.
- 2) *Accounts receivable* — Our increase in net cash provided by operating activities was favorably impacted by \$58.7 million from accounts receivable as changes in accounts receivable resulted in a decrease to operating cash flows of \$31.9 million for the nine months ended September 30, 2023, compared to a decrease to operating cash flows of \$90.6 million for the nine months ended September 30, 2022. The decreases for the nine months ended September 30, 2023 and September 30, 2022 were due to increases in revenue, which remained as outstanding receivables at the end of the period.
- 3) *Prepaid expenses* — Our increase in net cash provided by operating activities was favorably impacted by \$47.8 million from prepaid expenses as changes in prepaid expenses resulted in an increase to operating cash flows of \$24.9 million for the nine months ended September 30, 2023, compared to a decrease to operating cash flows of \$22.9 million for the nine months ended September 30, 2022. The increase for the nine months ended September 30, 2023 was due primarily to decreased prepaid income tax payments. The decrease for the nine months ended September 30, 2022 was due primarily to increases in prepaid income tax payments and prepaid vendor payments.

- 4) *Accounts payable and accrued liabilities* — Our increase in net cash provided by operating activities was unfavorably impacted by \$99.0 million from accounts payable and accrued liabilities as changes in accounts payable and accrued liabilities resulted in an increase to operating cash flows of \$27.7 million for the nine months ended September 30, 2023, compared to an increase to operating cash flows of \$126.7 million for the nine months ended September 30, 2022. The increase for the nine months ended September 30, 2023 was due primarily to an increase in accrued insurance costs, an increase in accrued interest due to the timing of interest payments and increased property taxes attributable to payment timing, partially offset by lower outstanding obligations to vendors. The increase for the nine months ended September 30, 2022 was due primarily to increases in operating expenses during the period which remained as outstanding obligations at September 30, 2022, increased accrued interest due to the timing of interest payments for our senior unsecured notes issued subsequent to September 30, 2021, increased property taxes attributable to payment timing and the timing of payroll cycles, partially offset by the payment of annual cash incentive compensation to our management, which was accrued as a liability at year end.
- 5) *Deferred income taxes* — Our increase in net cash provided by operating activities was unfavorably impacted by \$62.0 million from deferred income taxes as changes in deferred income taxes resulted in an increase to operating cash flows of \$29.1 million for the nine months ended September 30, 2023, compared to an increase to operating cash flows of \$91.1 million for the nine months ended September 30, 2022. The increase for the nine months ended September 30, 2023 was primarily due to accelerated tax depreciation from capital expenditures. The increase for the nine months ended September 30, 2022 was attributable to capital expenditures providing tax benefits resulting from accelerated depreciation and tax benefits resulting from the divestiture of certain non-strategic E&P disposal operating locations.
- 6) *Deferred revenue* — Our increase in net cash provided by operating activities was unfavorably impacted by \$10.2 million from deferred revenue as changes in deferred revenue resulted in an increase to operating cash flows of \$16.4 million for the nine months ended September 30, 2023, compared to an increase to operating cash flows of \$26.5 million for the nine months ended September 30, 2022. For both comparative periods, deferred revenue increased due to price increases on our advanced billed residential and commercial collection services.

At September 30, 2023, we had a working capital deficit of \$424.0 million, including cash and equivalents of \$96.2 million. Our working capital deficit increased \$29.0 million from a working capital deficit of \$395.0 million at December 31, 2022 including cash and equivalents of \$78.6 million, due primarily to a decrease in prepaid income tax, an increase in contingent consideration liabilities and an increase in deferred revenues, partially offset by an increase in accounts receivables as a result of increases in revenue, higher cash balances and decreases in accounts payable and accrued liabilities driven by the timing of payments for obligations to vendors. To date, we have experienced no loss or lack of access to our cash and equivalents; however, we can provide no assurances that access to our cash and equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with share repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our Credit Agreement and to minimize our cash balances.

#### Investing Activities Cash Flows

Net cash used in investing activities decreased \$673.0 million to \$1.186 billion for the nine months ended September 30, 2023, from \$1.859 billion for the nine months ended September 30, 2022. The significant components of the decrease included the following:

- 1) A decrease in cash paid for acquisitions of \$700.0 million; and
- 2) A decrease in capital expenditures at operations owned in the comparable periods of \$29.1 million due to decreases in landfill site costs and land and facility expenditures, partially offset by increased truck and equipment purchases; less
- 3) An increase in capital expenditures at operations acquired during the comparative periods of \$29.1 million due to expenditures for landfill site costs, trucks and equipment; and
- 4) A decrease in proceeds from disposal of assets of \$14.7 million due to lower disposal of non-strategic assets to provide funding toward new capital expenditures.

## Financing Activities Cash Flows

Net cash used in financing activities increased \$816.9 million to \$366.5 million for the nine months ended September 30, 2023, from net cash provided by financing activities of \$450.4 million for the nine months ended September 30, 2022. The significant components of the increase included the following:

- 1) An increase from the net change in long-term borrowings of \$1.237 billion in which long-term borrowings decreased \$138.8 million during the nine months ended September 30, 2023 and increased \$1.098 billion during the nine months ended September 30, 2022;
- 2) An increase from higher cash dividends paid of \$19.1 million due primarily to an increase in our quarterly dividend rate for the nine months ended September 30, 2023 to \$0.255 per share, from \$0.23 per share for the nine months ended September 30, 2022; and
- 3) An increase in tax withholdings related to net share settlements of equity-based compensation of \$11.9 million due to an increase in the value of equity-based compensation awards vesting; less
- 4) A decrease from lower payments to repurchase our common shares of \$425.0 million that occurred in the nine months ended September 30, 2022; and
- 5) A decrease from lower payments related to the issuance of debt of \$11.4 million that occurred during the nine months ended September 30, 2022.

On July 25, 2023, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our normal course issuer bid, or the NCIB, to purchase up to 12,881,534 of our common shares during the period of August 10, 2023 to August 9, 2024 or until such earlier time as the NCIB is completed or terminated at our option. Shareholders may obtain a copy of our TSX Form 12 – Notice of Intention to Make a Normal Course Issuer Bid, without charge, by request directed to our Executive Vice President and Chief Financial Officer at (832) 442-2200. The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including our capital structure, the market price of our common shares and overall market conditions. All common shares purchased under the NCIB will be immediately cancelled following their repurchase. Information regarding our NCIB can be found under the section “Normal Course Issuer Bid” in Note 17 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Our Board of Directors authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. In November 2022, we announced that our Board of Directors increased our regular quarterly cash dividend by \$0.025, from \$0.230 to \$0.255 per share. In October 2023, we announced that our Board of Directors increased our regular quarterly cash dividend by \$0.03, from \$0.255 to \$0.285 per share. Cash dividends of \$196.8 million and \$177.7 million were paid during the nine months ended September 30, 2023 and 2022, respectively. We cannot assure as to the amounts or timing of future dividends.

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

We made \$606.9 million in capital expenditures for property and equipment, net of proceeds from disposal of assets, during the nine months ended September 30, 2023, and we expect to make total capital expenditures for property and equipment of approximately \$920 million in 2023, net of proceeds from disposal of assets. We have funded and intend to fund the balance of our planned 2023 capital expenditures principally through cash on hand, internally generated funds and borrowings under our Credit Agreement. In addition, we may make substantial additional capital expenditures in acquiring land and solid waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, Credit Agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our Credit Agreement or raise other capital. Our access to funds under the Credit Agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding

commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

At September 30, 2023, \$650.0 million under the term loan and \$531.6 million under the revolving credit facility were outstanding under the Credit Agreement, exclusive of outstanding standby letters of credit of \$39.5 million. We also had \$102.2 million of letters of credit issued and outstanding at September 30, 2023 under a facility other than the Credit Agreement. Our Credit Agreement matures in July 2026. At September 30, 2023, \$800.0 million under the term loan was outstanding under the Term Loan Agreement, which matures in July 2026.

We are a well-known seasoned issuer with an effective shelf registration statement on Form S-3 filed in September 2021, which registers an unspecified amount of debt securities, including debentures, notes or other types of debt. In the future, we may issue debt securities under our shelf registration statement or in private placements from time to time on an opportunistic basis, based on market conditions and available pricing. Unless otherwise indicated in the relevant offering documents, we expect to use the proceeds from any such offerings for general corporate purposes, including repaying, redeeming or repurchasing debt, acquiring additional assets or businesses, capital expenditures and increasing our working capital.

At September 30, 2023, we had the following contractual obligations:

Recorded Obligations	Payments Due by Period				
	(amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	\$ 6,898,437	\$ 32,760	\$ 1,844,515	\$ 162,470	\$ 4,858,692
Cash interest payments	\$ 2,339,767	\$ 266,921	\$ 524,424	\$ 313,896	\$ 1,234,526
Contingent consideration	\$ 139,227	\$ 100,813	\$ 3,224	\$ 3,224	\$ 31,966
Operating leases	\$ 349,634	\$ 11,634	\$ 75,635	\$ 63,583	\$ 198,782
Final capping, closure and post-closure	\$ 2,195,752	\$ 16,385	\$ 14,514	\$ 15,399	\$ 2,149,454

Long-term debt payments include:

- 1) \$531.6 million in principal payments due July 2026 related to our revolving credit facility under our Credit Agreement. We may elect to draw amounts on our Credit Agreement in U.S. dollar Term SOFR rate loans, U.S. dollar base rate loans, Canadian-based bankers' acceptances or BA equivalent notes, and Canadian dollar prime rate loans. At September 30, 2023, \$365.0 million of the outstanding borrowings drawn under the revolving credit facility were in U.S. Term SOFR rate loans, which bear interest at the Term SOFR rate plus the applicable margin (for a total rate ranging from 6.42% to 6.43% on such date). At September 30, 2023, \$15.0 million of the outstanding borrowings drawn under the revolving credit facility were in U.S. base rate loans, which bear interest at the base rate plus the applicable margin (for a total rate of 8.50% on such date). At September 30, 2023, \$11.1 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based prime rate loans, which bear interest at the Canadian prime rate plus the applicable margin (for a total rate of 7.20% on such date). At September 30, 2023, \$140.5 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based bankers' acceptances, which bear interest at the Canadian Dollar Offered Rate plus the applicable acceptance fee (for a total rate of 6.38% on such date).
- 2) \$650.0 million in principal payments due July 2026 related to our term loan under our Credit Agreement. Outstanding amounts on the term loan can be either base rate loans or Term SOFR loans. At September 30, 2023, all amounts outstanding under the term loan were in Term SOFR loans which bear interest at the Term SOFR rate plus the applicable margin (for a total rate of 6.43% on such date).
- 3) \$800.0 million in principal payments due July 2026 related to our term loan under our Term Loan Agreement. Outstanding amounts on the term loan can be either base rate loans or Term SOFR loans. At September 30, 2023, all amounts outstanding under the term loan were in Term SOFR loans which bear interest at the Term SOFR rate plus the applicable margin (for a total rate of 6.43% on such date).

- 4) \$500.0 million in principal payments due 2028 related to our 2028 Senior Notes. The 2028 Senior Notes bear interest at a rate of 4.25%.
- 5) \$500.0 million in principal payments due 2029 related to our 2029 Senior Notes. The 2029 Senior Notes bear interest at a rate of 3.50%.
- 6) \$600.0 million in principal payments due 2030 related to our 2030 Senior Notes. The 2030 Senior Notes bear interest at a rate of 2.60%.
- 7) \$650.0 million in principal payments due 2032 related to our 2032 Senior Notes. The 2032 Senior Notes bear interest at a rate of 2.20%.
- 8) \$500.0 million in principal payments due 2032 related to our New 2032 Senior Notes. The New 2032 Senior Notes bear interest at a rate of 3.20%.
- 9) \$750.0 million in principal payments due 2033 related to our 2033 Senior Notes. The 2033 Senior Notes bear interest at a rate of 4.20%.
- 10) \$500.0 million in principal payments due 2050 related to our 2050 Senior Notes. The 2050 Senior Notes bear interest at a rate of 3.05%.
- 11) \$850.0 million in principal payments due 2052 related to our 2052 Senior Notes. The 2052 Senior Notes bear interest at a rate of 2.95%.
- 12) \$56.0 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 2.42% and 10.35% at September 30, 2023, and have maturity dates ranging from 2024 to 2036.
- 13) \$10.8 million in principal payments related to our financing leases. Our financing leases bear interest at rates between 1.89% and 5.07% at September 30, 2023, and have expiration dates ranging from 2026 to 2029.

The following assumptions were made in calculating cash interest payments:

- 1) We calculated cash interest payments on the Credit Agreement using the Term SOFR rate plus the applicable Term SOFR margin, the base rate plus the applicable base rate margin, the Canadian Dollar Offered Rate plus the applicable acceptance fee and the Canadian prime rate plus the applicable prime rate margin at September 30, 2023. We assumed the Credit Agreement is paid off when it matures in July 2026.
- 2) We calculated cash interest payments on the Term Loan Agreement using the Term SOFR rate plus the applicable Term SOFR margin at September 30, 2023. We assumed the Term Loan Agreement is paid off when it matures in July 2026.
- 3) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the Term SOFR rate through the earlier expiration of the term of the swaps or the term of the credit facility.

Contingent consideration payments include \$122.0 million recorded as liabilities in our Condensed Consolidated Financial Statements at September 30, 2023, and \$17.2 million of future interest accretion on the recorded obligations.

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

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

Unrecorded Obligations <sup>(1)</sup>	Amount of Commitment Expiration Per Period				
	(amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Unconditional purchase obligations	\$ 188,595	\$ 114,992	\$ 51,011	\$ 15,140	\$ 7,452

(1) We are party to unconditional purchase obligations. These purchase obligations are established in the ordinary course of our business and are designed to provide us with access to products at competitive, market-driven prices. At September 30, 2023, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 64.1 million gallons remaining to be purchased for a total of \$188.6 million. The current fuel purchase contracts expire on or before September 30, 2029. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2023, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained financial surety bonds, primarily to support our financial assurance needs and landfill and E&P waste operations. We provided customers and various regulatory authorities with surety bonds in the aggregate amounts of approximately \$1.580 billion and \$1.447 billion at September 30, 2023 and December 31, 2022, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2023, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

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

The disposal tonnage that we received in the nine month periods ended September 30, 2023 and 2022, at all of our landfills during the respective period, is shown below (tons in thousands):

	Nine Months Ended September 30,			
	2023		2022	
	Number of Sites	Total Tons	Number of Sites	Total Tons
Owned operational landfills and landfills operated under life-of-site agreements	96	37,631	91	35,291
Operated landfills	7	512	5	449
	103	38,143	96	35,740

## NON-GAAP FINANCIAL MEASURES

### Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a liquidity measure in the solid waste industry. We calculate adjusted free cash flow as net cash provided by operating activities, plus or minus change in book overdraft, plus proceeds from disposal of assets, less capital expenditures for property and equipment and periodic distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to evaluate the liquidity of our business operations. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the nine month periods ended September 30, 2023 and 2022, are calculated as follows (amounts in thousands of U.S. dollars):

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 1,570,876	\$ 1,500,137
Plus (less): Change in book overdraft	137	(5,983)
Plus: Proceeds from disposal of assets	8,678	23,341
Less: Capital expenditures for property and equipment	(615,554)	(618,313)
Adjustments:		
Payment of contingent consideration recorded in earnings <sup>(a)</sup>	—	2,982
Cash received for divestitures <sup>(b)</sup>	—	(5,671)
Transaction-related expenses <sup>(c)</sup>	3,836	37,558
Executive separation costs <sup>(d)</sup>	1,686	—
Pre-existing Progressive Waste share-based grants <sup>(e)</sup>	841	286
Tax effect <sup>(f)</sup>	(1,221)	(5,377)
Adjusted free cash flow	<u>\$ 969,279</u>	<u>\$ 928,960</u>

- (a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and as a component of cash flows from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.
- (b) Reflects the elimination of cash received in conjunction with the divestiture of certain operations.
- (c) Reflects the addback of acquisition-related transaction costs and the settlement of an acquired tax liability.
- (d) Reflects the cash component of severance expense associated with an executive departure.
- (e) Reflects the cash settlement of pre-existing Progressive Waste share-based awards during the period.
- (f) The aggregate tax effect of footnotes (a) through (e) is calculated based on the applied tax rates for the respective periods.

## Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income attributable to Waste Connections, plus or minus net income (loss) attributable to noncontrolling interests, plus income tax provision, plus interest expense, less interest income, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the three and nine month periods ended September 30, 2023 and 2022, are calculated as follows (amounts in thousands of U.S. dollars):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net income attributable to Waste Connections	\$ 229,026	\$ 236,912	\$ 636,047	\$ 641,310
Plus: Net income attributable to noncontrolling interests	165	213	150	390
Plus: Income tax provision	62,975	48,753	185,915	155,899
Plus: Interest expense	69,016	51,161	204,914	137,565
Less: Interest income	(2,833)	(1,784)	(6,886)	(2,574)
Plus: Depreciation and amortization	254,371	232,146	750,087	676,130
Plus: Closure and post-closure accretion	4,609	4,061	13,696	12,148
Plus: Impairments and other operating items	56,477	13,438	69,201	19,467
Less: Other income, net	(5,372)	(8,487)	(8,346)	(2,373)
Adjustments:				
Plus: Transaction-related expenses <sup>(a)</sup>	3,108	10,461	7,014	18,694
Plus (less): Fair value changes to equity awards <sup>(b)</sup>	(379)	1,196	65	349
Plus: Executive separation costs <sup>(c)</sup>	—	—	15,063	—
Adjusted EBITDA	<u>\$ 671,163</u>	<u>\$ 588,070</u>	<u>\$ 1,866,920</u>	<u>\$ 1,657,005</u>

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

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

(c) Reflects the cash and non-cash components of severance expense associated with an executive departure.

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

We present adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, supplementally because they are widely used by investors as valuation measures in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently. Our adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections for the three and nine month periods ended September 30, 2023 and 2022, are calculated as follows (amounts in thousands of U.S. dollars, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reported net income attributable to Waste Connections	\$ 229,026	\$ 236,912	\$ 636,047	\$ 641,310
Adjustments:				
Amortization of intangibles <sup>(a)</sup>	39,405	38,859	117,740	113,956
Impairments and other operating items <sup>(b)</sup>	56,477	13,438	69,201	19,467
Transaction-related expenses <sup>(c)</sup>	3,108	10,461	7,014	18,694
Fair value changes to equity awards <sup>(d)</sup>	(379)	1,196	65	349
Executive separation costs <sup>(e)</sup>	—	—	15,063	—
Tax effect <sup>(f)</sup>	(24,586)	(15,944)	(49,356)	(38,260)
Adjusted net income attributable to Waste Connections	<u>\$ 303,051</u>	<u>\$ 284,922</u>	<u>\$ 795,774</u>	<u>\$ 755,516</u>
Diluted earnings per common share attributable to Waste Connections' common shareholders:				
Reported net income	<u>\$ 0.89</u>	<u>\$ 0.92</u>	<u>\$ 2.46</u>	<u>\$ 2.49</u>
Adjusted net income	<u>\$ 1.17</u>	<u>\$ 1.10</u>	<u>\$ 3.08</u>	<u>\$ 2.93</u>

- (a) Reflects the elimination of the non-cash amortization of acquisition-related intangible assets.  
(b) Reflects the addback of impairments and other operating items.  
(c) Reflects the addback of acquisition-related transaction costs.  
(d) Reflects fair value accounting changes associated with certain equity awards.  
(e) Reflects the cash and non-cash components of severance expense associated with an executive departure.  
(f) The aggregate tax effect of the adjustments in footnotes (a) through (e) is calculated based on the applied tax rates for the respective periods.

**INFLATION**

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

## SEASONALITY

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

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

At September 30, 2023, our derivative instruments included four interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands of U.S. dollars):

<b>Date Entered</b>	<b>Notional Amount</b>	<b>Fixed Interest Rate Paid <sup>(a)</sup></b>	<b>Variable Interest Rate Received</b>	<b>Effective Date <sup>(b)</sup></b>	<b>Expiration Date</b>
August 2017	\$ 200,000	2.1230 %	1-month Term SOFR	November 2022	October 2025
June 2018	\$ 200,000	2.8480 %	1-month Term SOFR	November 2022	October 2025
June 2018	\$ 200,000	2.8284 %	1-month Term SOFR	November 2022	October 2025
December 2018	\$ 200,000	2.7715 %	1-month Term SOFR	November 2022	July 2027

(a) Plus applicable margin.

(b) In October 2022, we amended the reference rate in all of our outstanding interest rate swap contracts to replace One-Month LIBOR with One-Month Term SOFR and certain credit spread adjustments. We did not record any gains or losses upon the conversion of the reference rates in these interest rate swap contracts, and we believe these amendments will not have a material impact on our Condensed Consolidated Financial Statements.

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

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at September 30, 2023 and December 31, 2022, of \$1.182 billion and \$1.115 billion, respectively, including floating rate debt under our Credit Agreement and Term Loan Agreement. A one percentage point increase in interest rates on our variable-rate debt at September 30, 2023 and December 31, 2022, would decrease our annual pre-tax income by approximately \$11.8 million and \$11.1 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. Because of the volume of fuel we purchase each year, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases, and we also enter into fixed price fuel purchase contracts. At September 30, 2023, we had no fuel hedge agreements in place; however, we have entered into fixed price diesel fuel purchase contracts for 2023 as described below.

For the year ending December 31, 2023, we expect to purchase approximately 89.3 million gallons of diesel fuel, of which 47.0 million gallons will be purchased at market prices and 42.3 million gallons will be purchased under our fixed price diesel fuel purchase contracts. We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged, market rate diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. During the three month period of October 1, 2023 to December 31, 2023, we expect to purchase approximately 11.7 million gallons of diesel fuel at market prices; therefore, a \$0.10 per gallon increase in the price of diesel fuel over the remaining three months in 2023 would decrease our pre-tax income during this period by approximately \$1.2 million.

We market a variety of recyclable materials, including compost, cardboard, mixed paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate recycling operations and market collected recyclable materials to third parties for processing before resale. Where possible, to reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the nine months ended September 30, 2023 and 2022, would have had a \$10.3 million and \$17.1 million impact on revenues, respectively.

We have operations in Canada and, where significant, we have quantified and described the impact of foreign currency translation on components of income, including operating revenue and operating costs. However, the impact of foreign currency has not materially affected our results of operations in 2023 or 2022. A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate would impact our annual revenue and EBITDA by approximately \$13.0 million and \$5.0 million, respectively.

#### Item 4. Controls and Procedures

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

Based on this evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded as of September 30, 2023, that our disclosure controls and procedures were effective at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (2) is accumulated and communicated to our management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2023, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

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