

**These financial statements for Waste Connections, Inc. are also included in the Form 10-Q for the quarterly period ended September 30, 2023 filed on SEDAR+ on October 26, 2023 in its entirety.**

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 96,187	\$ 78,637
Accounts receivable, net of allowance for credit losses of \$23,970 and \$22,939 at September 30, 2023 and December 31, 2022, respectively	868,093	833,862
Prepaid expenses and other current assets	187,442	205,146
Total current assets	1,151,722	1,117,645
Restricted cash	102,844	102,727
Restricted investments	75,990	68,099
Property and equipment, net	7,096,769	6,950,915
Operating lease right-of-use assets	263,491	192,506
Goodwill	7,313,084	6,902,297
Intangible assets, net	1,618,692	1,673,917
Other assets, net	108,648	126,497
Total assets	<u>\$ 17,731,240</u>	<u>\$ 17,134,603</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 604,542	\$ 638,728
Book overdraft	15,782	15,645
Deferred revenue	342,726	325,002
Accrued liabilities	446,436	431,247
Current portion of operating lease liabilities	32,677	35,170
Current portion of contingent consideration	100,813	60,092
Current portion of long-term debt and notes payable	32,760	6,759
Total current liabilities	1,575,736	1,512,643
Long-term portion of debt and notes payable	6,803,439	6,890,149
Long-term portion of operating lease liabilities	239,768	165,462
Long-term portion of contingent consideration	21,195	21,323
Deferred income taxes	1,048,283	1,013,742
Other long-term liabilities	451,524	417,640
Total liabilities	10,139,945	10,020,959
Commitments and contingencies (Note 18)		
Equity:		
Common shares: 257,640,960 shares issued and 257,581,304 shares outstanding at September 30, 2023; 257,211,175 shares issued and 257,145,716 shares outstanding at December 31, 2022	3,276,631	3,271,958
Additional paid-in capital	270,104	244,076
Accumulated other comprehensive loss	(49,262)	(56,830)
Treasury shares: 59,656 and 65,459 shares at September 30, 2023 and December 31, 2022, respectively	—	—
Retained earnings	4,088,726	3,649,494
Total Waste Connections' equity	7,586,199	7,108,698
Noncontrolling interest in subsidiaries	5,096	4,946
Total equity	7,591,295	7,113,644
Total liabilities and equity	<u>\$ 17,731,240</u>	<u>\$ 17,134,603</u>

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

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues	\$ 2,064,744	\$ 1,879,868	\$ 5,986,342	\$ 5,342,558
Operating expenses:				
Cost of operations	1,204,603	1,120,629	3,548,893	3,198,039
Selling, general and administrative	196,316	186,887	606,367	518,705
Depreciation	214,966	193,287	632,347	562,174
Amortization of intangibles	39,405	38,859	117,740	113,956
Impairments and other operating items	56,477	13,438	69,201	19,467
Operating income	352,977	326,768	1,011,794	930,217
Interest expense	(69,016)	(51,161)	(204,914)	(137,565)
Interest income	2,833	1,784	6,886	2,574
Other income, net	5,372	8,487	8,346	2,373
Income before income tax provision	292,166	285,878	822,112	797,599
Income tax provision	(62,975)	(48,753)	(185,915)	(155,899)
Net income	229,191	237,125	636,197	641,700
Less: Net income attributable to noncontrolling interests	(165)	(213)	(150)	(390)
Net income attributable to Waste Connections	<u>\$ 229,026</u>	<u>\$ 236,912</u>	<u>\$ 636,047</u>	<u>\$ 641,310</u>
Earnings per common share attributable to Waste Connections' common shareholders:				
Basic	<u>\$ 0.89</u>	<u>\$ 0.92</u>	<u>\$ 2.47</u>	<u>\$ 2.49</u>
Diluted	<u>\$ 0.89</u>	<u>\$ 0.92</u>	<u>\$ 2.46</u>	<u>\$ 2.49</u>
Shares used in the per share calculations:				
Basic	<u>257,633,703</u>	<u>257,197,010</u>	<u>257,535,408</u>	<u>257,438,756</u>
Diluted	<u>258,229,404</u>	<u>257,891,635</u>	<u>258,110,484</u>	<u>258,060,751</u>
Cash dividends per common share	<u>\$ 0.255</u>	<u>\$ 0.230</u>	<u>\$ 0.765</u>	<u>\$ 0.690</u>

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income	\$ 229,191	\$ 237,125	\$ 636,197	\$ 641,700
<b>Other comprehensive income (loss), before tax:</b>				
Interest rate swap amounts reclassified into interest expense	(5,286)	948	(14,120)	9,344
Changes in fair value of interest rate swaps	7,788	27,679	20,979	74,969
Foreign currency translation adjustment	(50,020)	(145,955)	2,527	(185,030)
Other comprehensive income (loss), before tax	(47,518)	(117,328)	9,386	(100,717)
Income tax expense related to items of other comprehensive income (loss)	(663)	(7,586)	(1,818)	(22,343)
Other comprehensive income (loss), net of tax	(48,181)	(124,914)	7,568	(123,060)
Comprehensive income	181,010	112,211	643,765	518,640
Less: Comprehensive income attributable to noncontrolling interests	(165)	(213)	(150)	(390)
Comprehensive income attributable to Waste Connections	<u>\$ 180,845</u>	<u>\$ 111,998</u>	<u>\$ 643,615</u>	<u>\$ 518,250</u>

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

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

**WASTE CONNECTIONS' EQUITY**

	COMMON SHARES		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY SHARES		RETAINED EARNINGS	NONCONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT			
<b>Balances at December 31, 2022</b>	257,145,716	\$ 3,271,958	\$ 244,076	\$ (56,830)	65,459	\$ —	\$ 3,649,494	\$ 4,946	\$ 7,113,644
Sale of common shares held in trust	5,803	765	—	—	(5,803)	—	—	—	765
Vesting of restricted share units	325,490	—	—	—	—	—	—	—	—
Vesting of performance-based restricted share units	140,498	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	19,151	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(176,837)	—	(22,966)	—	—	—	—	—	(22,966)
Equity-based compensation	—	—	17,374	—	—	—	—	—	17,374
Exercise of warrants	13,019	—	—	—	—	—	—	—	—
Issuance of shares under employee share purchase plan	14,594	1,841	—	—	—	—	—	—	1,841
Cash dividends on common shares	—	—	—	—	—	—	(65,788)	—	(65,788)
Amounts reclassified into earnings, net of taxes	—	—	—	(2,999)	—	—	—	—	(2,999)
Changes in fair value of cash flow hedges, net of taxes	—	—	—	(2,425)	—	—	—	—	(2,425)
Foreign currency translation adjustment	—	—	—	1,682	—	—	—	—	1,682
Net income	—	—	—	—	—	—	197,813	23	197,836
<b>Balances at March 31, 2023</b>	257,487,434	3,274,564	238,484	(60,572)	59,656	—	3,781,519	4,969	7,238,964
Vesting of restricted share units	43,431	—	—	—	—	—	—	—	—
Vesting of performance-based restricted share units	55,167	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(62,304)	—	(5,709)	—	—	—	—	—	(5,709)
Equity-based compensation	—	—	22,892	—	—	—	—	—	22,892
Exercise of warrants	31,287	—	—	—	—	—	—	—	—
Cash dividends on common shares	—	—	—	—	—	—	(65,351)	—	(65,351)
Amounts reclassified into earnings, net of taxes	—	—	—	(3,494)	—	—	—	—	(3,494)
Changes in fair value of cash flow hedges, net of taxes	—	—	—	12,120	—	—	—	—	12,120
Foreign currency translation adjustment	—	—	—	50,865	—	—	—	—	50,865
Net income (loss)	—	—	—	—	—	—	209,208	(38)	209,170
<b>Balances at June 30, 2023</b>	257,555,015	3,274,564	255,667	(1,081)	59,656	—	3,925,376	4,931	7,459,457
Vesting of restricted share units	1,845	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	142	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(22,917)	—	(740)	—	—	—	—	—	(740)
Equity-based compensation	—	—	15,177	—	—	—	—	—	15,177
Exercise of warrants	32,005	—	—	—	—	—	—	—	—
Issuance of shares under employee share purchase plan	15,214	2,067	—	—	—	—	—	—	2,067
Cash dividends on common shares	—	—	—	—	—	—	(65,676)	—	(65,676)
Amounts reclassified into earnings, net of taxes	—	—	—	(3,885)	—	—	—	—	(3,885)
Changes in fair value of cash flow hedges, net of taxes	—	—	—	5,724	—	—	—	—	5,724
Foreign currency translation adjustment	—	—	—	(50,020)	—	—	—	—	(50,020)
Net income	—	—	—	—	—	—	229,026	165	229,191
<b>Balances at September 30, 2023</b>	257,581,304	\$ 3,276,631	\$ 270,104	\$ (49,262)	59,656	\$ —	\$ 4,088,726	\$ 5,096	\$ 7,591,295

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

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

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

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

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

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 636,197	\$ 641,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets and impairments	37,470	11,503
Depreciation	632,347	562,174
Amortization of intangibles	117,740	113,956
Deferred income taxes, net of acquisitions	29,060	91,098
Current period provision for expected credit losses	13,363	11,097
Amortization of debt issuance costs	4,862	3,879
Share-based compensation	56,110	48,395
Interest accretion	14,827	13,218
Payment of contingent consideration recorded in earnings	—	(2,982)
Adjustments to contingent consideration	30,367	(1,030)
Other	(3,535)	(8,412)
Net change in operating assets and liabilities, net of acquisitions	2,068	15,541
Net cash provided by operating activities	<u>1,570,876</u>	<u>1,500,137</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for acquisitions, net of cash acquired	(573,185)	(1,272,910)
Capital expenditures for property and equipment	(615,554)	(618,313)
Proceeds from disposal of assets	8,678	23,341
Other	(5,552)	9,296
Net cash used in investing activities	<u>(1,185,613)</u>	<u>(1,858,586)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	1,242,554	3,148,624
Principal payments on notes payable and long-term debt	(1,383,415)	(2,052,412)
Payment of contingent consideration recorded at acquisition date	(4,255)	(12,114)
Change in book overdraft	137	(5,983)
Payments for repurchase of common shares	—	(424,999)
Payments for cash dividends	(196,815)	(177,710)
Tax withholdings related to net share settlements of equity-based compensation	(29,415)	(17,466)
Debt issuance costs	—	(11,454)
Proceeds from issuance of shares under employee share purchase plan	3,908	3,271
Proceeds from sale of common shares held in trust	765	660
Net cash provided by (used in) financing activities	<u>(366,536)</u>	<u>450,417</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(1,060)</u>	<u>(3,210)</u>
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>
Non-cash financing activities:		
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 127,073	\$ 179,126

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

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

**1. BASIS OF PRESENTATION AND SUMMARY**

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries (the “Company”) for the three and nine month periods ended September 30, 2023 and 2022. In the opinion of management, the accompanying balance sheets and related interim statements of net income, comprehensive income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair statement in conformity with U.S. generally accepted accounting principles (“GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, contingent consideration accruals and asset impairments. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with the accounting guidance on contingencies. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses in the preparation of its condensed consolidated financial statements.

Interim results are not necessarily indicative of results for a full year. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

**2. REPORTING CURRENCY**

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

**3. NEW ACCOUNTING STANDARDS**

*Accounting Standards Pending Adoption*

Clawback of Executive Compensation Rules. In October 2022, the Securities and Exchange Commission (the “SEC”) adopted final rules regarding the recovery of erroneously awarded executive incentive compensation. The rules direct U.S. securities exchanges to establish standards to require listed issuers to develop and implement a written policy providing for the recovery of incentive compensation received by current and former executive officers in the event of a required accounting restatement when that compensation was based on an erroneously reported financial reporting measure. The new rule and related amendments include a number of new disclosure requirements, including requiring issuers to file their recovery policy as an exhibit to their annual reports and establishing new cover page disclosures on Form 10-K indicating whether the financial statements included in the filing reflect the correction of an error and whether the error correction required an incentive compensation recovery analysis. The U.S. securities exchanges filed listing standards to implement the SEC’s directive, and those listing standards were effective on October 2, 2023. Registrants listed on those exchanges will be required to adopt a recovery policy by December 1, 2023. The Company will include an updated recovery policy as an exhibit to its 2023 Form 10-K. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

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

**4. REVENUE**

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
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>

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. Generally, the Company recognizes revenue at the time it performs a service. In the event that the Company bills for services in advance of performance, it recognizes deferred revenue for the amount billed and subsequently recognizes revenue at the time the service is provided. Substantially all of the deferred revenue recorded as of June 30, 2023 was recognized as revenue during the three months ended September 30, 2023 when the service was performed.

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

Contract Acquisition Costs

The incremental direct costs of obtaining a contract, which consist of sales incentives, are recognized as Other assets in the Company's Condensed Consolidated Balance Sheets, and are amortized to Selling, general and administrative expense over the estimated life of the relevant customer relationship, which ranges from one to five years. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company would have recognized is one year or less. The Company had \$26,518 and \$23,818 of deferred sales incentives at September 30, 2023 and December 31, 2022, respectively.

**5. ACCOUNTS RECEIVABLE**

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

The allowance for credit losses is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. The Company monitors the collectability of its trade receivables as one overall pool due

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
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to all trade receivables having similar risk characteristics. The Company estimates its allowance for credit losses based on historical collection trends, the age of outstanding receivables, geographical location of the customer, existing economic conditions and reasonable forecasts. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when the Company's internal collection efforts have been unsuccessful in collecting the amount due.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 22,939	\$ 18,480
Current period provision for expected credit losses	13,363	11,097
Write-offs charged against the allowance	(17,049)	(12,866)
Recoveries collected	4,711	3,912
Impact of changes in foreign currency	6	(111)
Ending balance	<u>\$ 23,970</u>	<u>\$ 20,512</u>

## 6. LANDFILL ACCOUNTING

At September 30, 2023, the Company's landfills consisted of 91 owned landfills, five landfills operated under life-of-site operating agreements and seven landfills operated under limited-term operating agreements. The Company's landfills had site costs with a net book value of \$3,333,390 at September 30, 2023. For the Company's landfills operated under limited-term operating agreements and life-of-site operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates the landfill for a contracted term. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

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

Based on remaining permitted capacity as of September 30, 2023, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 33 years. As of September 30, 2023, the Company is seeking to expand permitted capacity at nine of its owned landfills and two landfills that it operates under life-of-site operating agreements, and considers the achievement of these expansions to be probable. Although the Company cannot be certain that all future expansions will be permitted as designed, the average remaining life, when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume, of the Company's owned landfills and landfills operated under life-of-site operating agreements is approximately 36 years. The estimated remaining lives of the Company's owned landfills and

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landfills operated under life-of-site operating agreements range from 2 to 308 years, with approximately 90% of the projected annual disposal volume from landfills with remaining lives of less than 70 years.

During the nine months ended September 30, 2023 and 2022, the Company expensed \$192,314 and \$172,118, respectively, or an average of \$5.11 and \$4.88 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

The Company reserves for estimated final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure liabilities by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company’s final capping, closure and post-closure liabilities being recorded in “layers.” The Company’s discount rate assumption for purposes of computing “layers” for final capping, closure and post-closure liabilities is based on its long-term credit adjusted risk-free rate. The Company’s discount rate assumption for purposes of computing 2023 and 2022 “layers” for final capping, closure and post-closure obligations is 5.50% for 2023 and ranged from 3.25% to 5.50% for 2022. The Company’s long-term inflation rate assumption is 2.75% for the year ending December 31, 2023 and ranged from 2.25% to 2.75% for the year ending December 31, 2022. The resulting final capping, closure and post-closure obligations are recorded on the Condensed Consolidated Balance Sheets along with an offsetting addition to site costs which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2023 and 2022, the Company expensed \$13,554 and \$12,008, respectively, or an average of \$0.36 and \$0.34 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

The following is a reconciliation of the Company’s final capping, closure and post-closure liability balance from December 31, 2022 to September 30, 2023:

Final capping, closure and post-closure liability at December 31, 2022	\$ 344,606
Liability adjustments	25,542
Accretion expense associated with landfill obligations	13,554
Closure payments	(14,864)
Assumption of closure liabilities from acquisitions	7,687
Foreign currency translation adjustment	56
Final capping, closure and post-closure liability at September 30, 2023	<u>\$ 376,581</u>

Liability adjustments of \$25,542 for the nine months ended September 30, 2023, represent non-cash changes to final capping, closure and post-closure liabilities and are recorded on the Condensed Consolidated Balance Sheets along with an offsetting addition to site costs, which is amortized to depletion expense as the remaining landfill airspace is consumed. The final capping, closure and post-closure liability is included in Other long-term liabilities in the Condensed Consolidated Balance Sheets. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At September 30, 2023 and December 31, 2022, \$7,197 and \$6,890, respectively, of the Company’s restricted cash balance and \$64,090 and \$57,469, respectively, of the Company’s restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

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**7. ACQUISITIONS**

The Company acquired nine individually immaterial non-hazardous solid waste collection, transfer, recycling and disposal businesses and one E&P landfill during the nine months ended September 30, 2023. The total transaction-related expenses incurred during the nine months ended September 30, 2023 for these acquisitions were \$7,014. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

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

The results of operations of the acquired businesses have been included in the Company's Condensed Consolidated Financial Statements from their respective acquisition dates. The Company expects these acquired businesses to contribute towards the achievement of the Company's strategy to expand through acquisitions. Goodwill acquired is attributable to the synergies and ancillary growth opportunities expected to arise after the Company's acquisition of these businesses.

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The following table summarizes the consideration transferred to acquire these businesses and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for the acquisitions consummated in the nine months ended September 30, 2023 and 2022:

	2023	2022
	<u>Acquisitions</u>	<u>Acquisitions</u>
Fair value of consideration transferred:		
Cash	\$ 573,185	\$ 1,272,910
Debt assumed	73,397	96,814
	<u>646,582</u>	<u>1,369,724</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:		
Accounts receivable	15,412	32,329
Prepaid expenses and other current assets	4,474	6,549
Restricted investments	5,462	—
Operating lease right-of-use assets	14,048	3,160
Property and equipment	186,130	617,267
Long-term franchise agreements and contracts	59,509	109,364
Customer lists	5,020	69,378
Permits and other intangibles	2,403	97,548
Other assets	24	—
Accounts payable and accrued liabilities	(11,005)	(34,905)
Current portion of operating lease liabilities	(366)	(1,100)
Deferred revenue	(1,333)	(7,766)
Contingent consideration	(13,350)	(6,543)
Long-term portion of operating lease liabilities	(13,682)	(2,060)
Other long-term liabilities	(10,439)	(3,498)
Deferred income taxes	(3,501)	(26,440)
Total identifiable net assets	<u>238,806</u>	<u>853,283</u>
Goodwill	<u>\$ 407,776</u>	<u>\$ 516,441</u>

Goodwill acquired during the nine months ended September 30, 2023 and 2022, totaling \$317,190 and \$272,186, respectively, is expected to be deductible for tax purposes. The fair value of acquired working capital related to four individually immaterial acquisitions completed during the twelve months ended September 30, 2023, is provisional pending receipt of information from the acquirees to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these four acquisitions are not expected to be material to the Company's financial position.

The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2023, was \$15,538, of which \$126 was expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2022, was \$37,486, of which \$5,157 was expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

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**8. INTANGIBLE ASSETS, NET**

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2023:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 963,690	\$ (338,262)	\$ —	\$ 625,428
Customer lists	780,712	(577,744)	—	202,968
Permits and other	782,252	(132,785)	(40,784)	608,683
	<u>2,526,654</u>	<u>(1,048,791)</u>	<u>(40,784)</u>	<u>1,437,079</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	181,613	—	—	181,613
<b>Intangible assets, exclusive of goodwill</b>	<b><u>\$ 2,708,267</u></b>	<b><u>\$ (1,048,791)</u></b>	<b><u>\$ (40,784)</u></b>	<b><u>\$ 1,618,692</u></b>

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2023 was 20.5 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2023 was 11.7 years. The weighted-average amortization period of finite-lived permits and other acquired during the nine months ended September 30, 2023 was 40.0 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2022:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 916,582	\$ (297,382)	\$ —	\$ 619,200
Customer lists	776,719	(527,425)	—	249,294
Permits and other	779,689	(115,095)	(40,784)	623,810
	<u>2,472,990</u>	<u>(939,902)</u>	<u>(40,784)</u>	<u>1,492,304</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	181,613	—	—	181,613
<b>Intangible assets, exclusive of goodwill</b>	<b><u>\$ 2,654,603</u></b>	<b><u>\$ (939,902)</u></b>	<b><u>\$ (40,784)</u></b>	<b><u>\$ 1,673,917</u></b>

Estimated future amortization expense for the next five years relating to finite-lived intangible assets owned as of September 30, 2023 is as follows:

For the year ending December 31, 2023	\$ 157,219
For the year ending December 31, 2024	\$ 139,959
For the year ending December 31, 2025	\$ 123,027
For the year ending December 31, 2026	\$ 107,340
For the year ending December 31, 2027	\$ 93,670

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**9. LEASES**

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

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

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

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

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

ROU assets for operating and finance leases are periodically reviewed for impairment losses. The Company uses the long-lived asset impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. The Company did not recognize an impairment charge for any of its ROU assets during the nine months ended September 30, 2023 and 2022.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset. The Company did not recognize any significant remeasurements during the nine months ended September 30, 2023 and 2022.

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

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Lease cost for operating and finance leases for the three and nine months ended September 30, 2023 and 2022 were as follows:

	<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>
Operating lease cost	\$ 11,914	\$ 9,822	\$ 34,881	\$ 30,814
Finance lease cost:				
Amortization of leased assets	733	682	2,098	1,802
Interest on leased liabilities	63	61	168	161
<b>Total lease cost</b>	<b>\$ 12,710</b>	<b>\$ 10,565</b>	<b>\$ 37,147</b>	<b>\$ 32,777</b>

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

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 33,967	\$ 30,313
Operating cash flows from finance leases	\$ 168	\$ 161
Financing cash flows from finance leases	\$ 2,079	\$ 1,758
<b>Non-cash activity:</b>		
Right-of-use assets obtained in exchange for lease liabilities - operating leases	\$ 85,377	\$ 53,967
Right-of-use assets obtained in exchange for lease liabilities - finance leases	\$ 1,388	\$ 3,369

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

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term - operating leases	11.1 years	8.9 years
Weighted average remaining lease term - finance leases	3.9 years	4.4 years
Weighted average discount rate - operating leases	3.92 %	2.96 %
Weighted average discount rate - finance leases	2.35 %	1.96 %

As of September 30, 2023, future minimum lease payments, reconciled to the respective lease liabilities, are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Last 3 months of 2023	\$ 11,634	\$ 798
2024	40,695	3,194
2025	34,940	3,194
2026	32,313	2,608
2027	31,270	1,186
Thereafter	198,782	293
Minimum lease payments	349,634	11,273
Less: imputed interest	(77,189)	(501)
Present value of minimum lease payments	272,445	10,772
Less: current portion of lease liabilities	(32,677)	(2,962)
<b>Long-term portion of lease liabilities</b>	<b>\$ 239,768</b>	<b>\$ 7,810</b>

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**10. LONG-TERM DEBT**

The following table presents the Company's long-term debt at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Revolver under Credit Agreement, bearing interest ranging from 6.38% to 8.50% <sup>(a)</sup>	\$ 531,618	\$ 614,705
Term loan under Credit Agreement, bearing interest at 6.43% <sup>(a)</sup>	650,000	650,000
Term loan under Term Loan Agreement, bearing interest at 6.43% <sup>(a)</sup>	800,000	800,000
4.25% Senior Notes due 2028	500,000	500,000
3.50% Senior Notes due 2029	500,000	500,000
2.60% Senior Notes due 2030	600,000	600,000
2.20% Senior Notes due 2032	650,000	650,000
3.20% Senior Notes due 2032	500,000	500,000
4.20% Senior Notes due 2033	750,000	750,000
3.05% Senior Notes due 2050	500,000	500,000
2.95% Senior Notes due 2052	850,000	850,000
Notes payable to sellers and other third parties, bearing interest ranging from 2.42% to 10.35%, principal and interest payments due periodically with due dates ranging from 2024 to 2036 <sup>(a)</sup>	56,047	37,232
Finance leases, bearing interest ranging from 1.89% to 5.07%, with lease expiration dates ranging from 2026 to 2029 <sup>(a)</sup>	10,772	11,464
	<u>6,898,437</u>	<u>6,963,401</u>
Less – current portion	(32,760)	(6,759)
Less – unamortized debt discount and issuance costs	(62,238)	(66,493)
Long-term portion of debt and notes payable	<u>\$ 6,803,439</u>	<u>\$ 6,890,149</u>

(a) Interest rates represent the interest rates at September 30, 2023.

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Credit Agreement

Details of the Credit Agreement are as follows:

	September 30, 2023	December 31, 2022
<i>Revolver under Credit Agreement</i>		
Available	\$ 1,278,859	\$ 1,193,502
Letters of credit outstanding	\$ 39,523	\$ 41,793
Total amount drawn, as follows:	\$ 531,618	\$ 614,705
Amount drawn – U.S. Term SOFR rate loan	\$ 335,000	\$ 391,000
Interest rate applicable – U.S. Term SOFR rate loan	6.43 %	5.42 %
Amount drawn – U.S. Term SOFR rate loan	\$ 30,000	\$ —
Interest rate applicable – U.S. Term SOFR rate loan	6.42 %	— %
Amount drawn – U.S. base rate loan	\$ 15,000	\$ —
Interest rate applicable – U.S. base rate loan	8.50 %	— %
Amount drawn – Canadian prime rate loan	\$ 11,094	\$ —
Interest rate applicable - Canadian prime rate loan	7.20 %	— %
Amount drawn – Canadian bankers' acceptance	\$ 85,054	\$ 223,705
Interest rate applicable – Canadian bankers' acceptance	6.38 %	5.74 %
Amount drawn – Canadian bankers' acceptance	\$ 55,470	\$ —
Interest rate applicable – Canadian bankers' acceptance	6.38 %	— %
Commitment – rate applicable	0.09 %	0.09 %
<i>Term loan under Credit Agreement</i>		
Amount drawn – U.S. Term SOFR rate loan	\$ 650,000	\$ 650,000
Interest rate applicable – U.S. Term SOFR rate loan	6.43 %	5.42 %

In addition to the \$39,523 of letters of credit at September 30, 2023 issued and outstanding under the Credit Agreement, the Company has issued and outstanding letters of credit totaling \$102,229 under facilities other than the Credit Agreement.

**11. SEGMENT REPORTING**

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

Effective April 1, 2023, the Company modified its organizational structure under new regional operating segments as the result of continued growth in its business. The Company now reports 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. The Company's six geographic solid waste operating segments comprise its 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.

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The Company's Chief Operating Decision Maker evaluates operating segment profitability and determines resource allocations based on several factors, of which the primary financial measure is segment EBITDA. The Company defines segment EBITDA as earnings before interest, taxes, depreciation, amortization, impairments and other operating items, and other income (expense). Segment EBITDA is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. The Company's management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments. A reconciliation of segment EBITDA to Income before income tax provision is included at the end of this Note 11.

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2023 and 2022, is shown in the following tables:

Three Months Ended September 30, 2023	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Southern	\$ 465,134	\$ (51,556)	\$ 413,578	\$ 133,072
Western	486,351	(53,889)	432,462	124,433
Central	419,169	(46,307)	372,862	137,823
Eastern	420,855	(67,746)	353,109	100,779
Canada	292,351	(29,256)	263,095	108,524
MidSouth	275,582	(45,944)	229,638	61,923
Corporate <sup>(a)</sup>	—	—	—	(2,729)
	<u>\$ 2,359,442</u>	<u>\$ (294,698)</u>	<u>\$ 2,064,744</u>	<u>\$ 663,825</u>

Three Months Ended September 30, 2022	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Southern	\$ 429,787	\$ (46,350)	\$ 383,437	\$ 122,472
Western	412,928	(42,739)	370,189	109,736
Central	380,756	(41,867)	338,889	122,471
Eastern	385,204	(55,946)	329,258	77,384
Canada	270,041	(27,727)	242,314	87,910
MidSouth	259,520	(43,739)	215,781	64,036
Corporate <sup>(a)</sup>	—	—	—	(11,657)
	<u>\$ 2,138,236</u>	<u>\$ (258,368)</u>	<u>\$ 1,879,868</u>	<u>\$ 572,352</u>

Nine Months Ended September 30, 2023	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Southern	\$ 1,382,681	\$ (155,149)	\$ 1,227,532	\$ 384,660
Western	1,402,628	(155,355)	1,247,273	354,682
Central	1,218,670	(136,638)	1,082,032	384,538
Eastern	1,215,266	(189,604)	1,025,662	260,569
Canada	824,303	(85,347)	738,956	286,703
MidSouth	799,823	(134,936)	664,887	182,072
Corporate <sup>(a)</sup>	—	—	—	(22,142)
	<u>\$ 6,843,371</u>	<u>\$ (857,029)</u>	<u>\$ 5,986,342</u>	<u>\$ 1,831,082</u>

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Nine Months Ended September 30, 2022	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Southern	\$ 1,232,302	\$ (129,003)	\$ 1,103,299	\$ 341,006
Western	1,179,592	(129,159)	1,050,433	315,114
Central	1,067,991	(113,854)	954,137	333,866
Eastern	1,064,236	(154,322)	909,914	214,335
Canada	789,531	(82,127)	707,404	265,402
MidSouth	740,666	(123,295)	617,371	175,133
Corporate <sup>(a)</sup>	—	—	—	(19,042)
	<u>\$ 6,074,318</u>	<u>\$ (731,760)</u>	<u>\$ 5,342,558</u>	<u>\$ 1,625,814</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 of the Company's Corporate segment for the periods presented.
- (b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are made on a basis intended to reflect the market value of the service.
- (c) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in the Company's most recent Annual Report on Form 10-K.

Total assets for each of the Company's reportable segments at September 30, 2023 and December 31, 2022, were as follows:

	September 30, 2023	December 31, 2022
Southern	\$ 3,478,012	\$ 3,410,888
Western	3,409,663	3,239,679
Central	2,801,263	2,803,853
Eastern	3,156,943	2,752,436
Canada	2,734,397	2,773,882
MidSouth	1,705,300	1,727,323
Corporate	445,662	426,542
Total Assets	<u>\$ 17,731,240</u>	<u>\$ 17,134,603</u>

The following tables show changes in goodwill during the nine months ended September 30, 2023 and 2022, by reportable segment:

	Southern	Western	Central	Eastern	Canada	MidSouth	Total
Balance as of December 31, 2022	\$ 1,547,894	\$ 732,335	\$ 1,003,470	\$ 1,189,111	\$ 1,684,670	\$ 744,817	\$ 6,902,297
Goodwill acquired	—	45,072	3,605	361,398	—	1,366	411,441
Goodwill acquisition adjustments	(1,450)	—	—	—	(2,215)	—	(3,665)
Impact of changes in foreign currency	—	—	—	—	3,011	—	3,011
Balance as of September 30, 2023	<u>\$ 1,546,444</u>	<u>\$ 777,407</u>	<u>\$ 1,007,075</u>	<u>\$ 1,550,509</u>	<u>\$ 1,685,466</u>	<u>\$ 746,183</u>	<u>\$ 7,313,084</u>

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	Southern	Western	Central	Eastern	Canada	MidSouth	Total
Balance as of December 31, 2021	\$ 1,457,437	\$ 503,223	\$ 931,269	\$ 992,578	\$ 1,559,512	\$ 743,624	\$ 6,187,643
Goodwill acquired	85,004	—	73,787	181,671	167,926	—	508,388
Goodwill acquisition adjustments	—	8,060	—	—	—	(7)	8,053
Impact of changes in foreign currency	—	—	—	—	(129,224)	—	(129,224)
Balance as of September 30, 2022	<u>\$ 1,542,441</u>	<u>\$ 511,283</u>	<u>\$ 1,005,056</u>	<u>\$ 1,174,249</u>	<u>\$ 1,598,214</u>	<u>\$ 743,617</u>	<u>\$ 6,574,860</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Southern segment EBITDA	\$ 133,072	\$ 122,472	\$ 384,660	\$ 341,006
Western segment EBITDA	124,433	109,736	354,682	315,114
Central segment EBITDA	137,823	122,471	384,538	333,866
Eastern segment EBITDA	100,779	77,384	260,569	214,335
Canada segment EBITDA	108,524	87,910	286,703	265,402
MidSouth segment EBITDA	61,923	64,036	182,072	175,133
Subtotal reportable segments	666,554	584,009	1,853,224	1,644,856
Unallocated corporate overhead	(2,729)	(11,657)	(22,142)	(19,042)
Depreciation	(214,966)	(193,287)	(632,347)	(562,174)
Amortization of intangibles	(39,405)	(38,859)	(117,740)	(113,956)
Impairments and other operating items	(56,477)	(13,438)	(69,201)	(19,467)
Interest expense	(69,016)	(51,161)	(204,914)	(137,565)
Interest income	2,833	1,784	6,886	2,574
Other income, net	5,372	8,487	8,346	2,373
Income before income tax provision	<u>\$ 292,166</u>	<u>\$ 285,878</u>	<u>\$ 822,112</u>	<u>\$ 797,599</u>

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

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

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings under the Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at September 30, 2023 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

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At September 30, 2023, the Company's derivative instruments included four interest rate swap agreements as follows:

Date Entered	Notional Amount	Fixed Interest Rate Paid <sup>(a)</sup>	Variable Interest Rate Received	Effective Date <sup>(b)</sup>	Expiration Date
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, the Company amended the reference rate in all of its outstanding interest rate swap contracts to replace One-Month LIBOR with One-Month Term SOFR and certain credit spread adjustments. The Company did not record any gains or losses upon the conversion of the reference rates in these interest rate swap contracts, and the Company believes these amendments will not have a material impact on its Condensed Consolidated Financial Statements.

The fair values of derivative instruments designated as cash flow hedges at September 30, 2023, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets <sup>(a)</sup>	\$ 21,166	Accrued liabilities	\$ —
	Other assets, net	17,499		
Total derivatives designated as cash flow hedges		\$ 38,665		\$ —

(a) Represents the estimated amount of the existing unrealized gains on interest rate swaps at September 30, 2023 (based on the interest rate yield curve at that date), included in AOCIL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

The fair values of derivative instruments designated as cash flow hedges at December 31, 2022, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	\$ 17,906	Accrued liabilities	\$ —
	Other assets, net	13,901		
Total derivatives designated as cash flow hedges		\$ 31,807		\$ —

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCIL for the three and nine months ended September 30, 2023 and 2022:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax <sup>(a)</sup>		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax <sup>(b)</sup>	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2023	2022		2023	2022
Interest rate swaps	\$ 5,724	\$ 20,344	Interest expense	\$ (3,885)	\$ 697

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Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax <sup>(a)</sup>		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax <sup>(b)</sup>	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2023	2022		2023	2022
Interest rate swaps	\$ 15,419	\$ 55,102	Interest expense	\$ (10,378)	\$ 6,868

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

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

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

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted cash and investments, trade payables, debt instruments, contingent consideration obligations and interest rate swaps. As of September 30, 2023 and December 31, 2022, the carrying values of cash and equivalents, trade receivables, restricted cash and investments, trade payables and contingent consideration are considered to be representative of their respective fair values. The carrying values of the Company's debt instruments, excluding certain notes as listed in the table below, approximate their fair values as of September 30, 2023 and December 31, 2022, based on current borrowing rates, current remaining average life to maturity and borrower credit quality for similar types of borrowing arrangements, and are classified as Level 2 within the fair value hierarchy. The carrying values and fair values of the Company's debt instruments where the carrying values do not approximate their fair values as of September 30, 2023 and December 31, 2022, are as follows:

	Carrying Value at		Fair Value <sup>(a)</sup> at	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
4.25% Senior Notes due 2028	\$ 500,000	\$ 500,000	\$ 472,450	\$ 470,850
3.50% Senior Notes due 2029	\$ 500,000	\$ 500,000	\$ 453,600	\$ 457,650
2.60% Senior Notes due 2030	\$ 600,000	\$ 600,000	\$ 504,060	\$ 510,540
2.20% Senior Notes due 2032	\$ 650,000	\$ 650,000	\$ 500,045	\$ 514,540
3.20% Senior Notes due 2032	\$ 500,000	\$ 500,000	\$ 414,250	\$ 429,000
4.20% Senior Notes due 2033	\$ 750,000	\$ 750,000	\$ 668,475	\$ 699,450
3.05% Senior Notes due 2050	\$ 500,000	\$ 500,000	\$ 316,250	\$ 343,300
2.95% Senior Notes due 2052	\$ 850,000	\$ 850,000	\$ 516,035	\$ 561,425

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

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

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**14. NET INCOME PER SHARE INFORMATION**

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's shareholders for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Net income attributable to Waste Connections for basic and diluted earnings per share	\$ 229,026	\$ 236,912	\$ 636,047	\$ 641,310
<b>Denominator:</b>				
Basic shares outstanding	257,633,703	257,197,010	257,535,408	257,438,756
Dilutive effect of equity-based awards	595,701	694,625	575,076	621,995
Diluted shares outstanding	258,229,404	257,891,635	258,110,484	258,060,751

**15. FAIR VALUE MEASUREMENTS**

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

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and restricted cash and investments. At September 30, 2023 and December 31, 2022, the Company's derivative instruments included pay-fixed, receive-variable interest rate swaps. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. For the Company's interest rate swaps, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted cash is valued at quoted market prices in active markets for identical assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted cash measured at fair value is invested primarily in money market accounts, bank time deposits and U.S. government and agency securities. The Company's restricted investments are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted investments measured at fair value are invested primarily in money market accounts, bank time deposits, U.S. government and agency securities and Canadian bankers' acceptance notes.

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The Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2023 and December 31, 2022, were as follows:

	<u>Fair Value Measurement at September 30, 2023 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net asset position	\$ 38,665	\$ —	\$ 38,665	\$ —
Restricted cash	\$ 102,844	\$ 102,844	\$ —	\$ —
Restricted investments	\$ 75,618	\$ —	\$ 75,618	\$ —
Contingent consideration	\$ (122,008)	\$ —	\$ —	\$ (122,008)

  

	<u>Fair Value Measurement at December 31, 2022 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net asset position	\$ 31,807	\$ —	\$ 31,807	\$ —
Restricted cash	\$ 102,727	\$ 102,727	\$ —	\$ —
Restricted investments	\$ 66,402	\$ —	\$ 66,402	\$ —
Contingent consideration	\$ (81,415)	\$ —	\$ —	\$ (81,415)

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2023 and 2022:

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 81,415	\$ 94,308
Contingent consideration recorded at acquisition date	13,350	6,543
Payment of contingent consideration recorded at acquisition date	(4,255)	(12,114)
Payment of contingent consideration recorded in earnings	—	(2,982)
Adjustments to contingent consideration	30,367	(1,030)
Interest accretion expense	1,131	1,073
Foreign currency translation adjustment	—	(35)
Ending balance	<u>\$ 122,008</u>	<u>\$ 85,763</u>

**16. OTHER COMPREHENSIVE INCOME (LOSS)**

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2023 and 2022 are as follows:

	<u>Three Months Ended September 30, 2023</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ (5,286)	\$ 1,401	\$ (3,885)
Changes in fair value of interest rate swaps	7,788	(2,064)	5,724
Foreign currency translation adjustment	(50,020)	—	(50,020)
	<u>\$ (47,518)</u>	<u>\$ (663)</u>	<u>\$ (48,181)</u>

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

	<b>Nine Months Ended September 30, 2023</b>		
	<b>Gross</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
Interest rate swap amounts reclassified into interest expense	\$ (14,120)	\$ 3,742	\$ (10,378)
Changes in fair value of interest rate swaps	20,979	(5,560)	15,419
Foreign currency translation adjustment	2,527	—	2,527
	<u>\$ 9,386</u>	<u>\$ (1,818)</u>	<u>\$ 7,568</u>

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

A rollforward of the amounts included in AOCIL, net of taxes, for the nine months ended September 30, 2023 and 2022, is as follows:

	<b>Interest Rate Swaps</b>	<b>Foreign Currency Translation Adjustment</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance at December 31, 2022	\$ 23,378	\$ (80,208)	\$ (56,830)
Amounts reclassified into earnings	(10,378)	—	(10,378)
Changes in fair value	15,419	—	15,419
Foreign currency translation adjustment	—	2,527	2,527
Balance at September 30, 2023	<u>\$ 28,419</u>	<u>\$ (77,681)</u>	<u>\$ (49,262)</u>

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

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

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**17. SHAREHOLDERS' EQUITY**

Share-Based Compensation

*Restricted Share Units*

A summary of activity related to restricted share units ("RSUs") during the nine-month period ended September 30, 2023, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2022	955,999
Granted	414,309
Forfeited	(45,090)
Vested and issued	(370,766)
Outstanding at September 30, 2023	<u>954,452</u>

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the nine-month period ended September 30, 2023 was \$133.65.

Recipients of the Company's RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, unless a qualified participant makes certain other elections, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At September 30, 2023 and 2022, the Company had 62,059 and 81,352 vested deferred RSUs outstanding, respectively.

*Performance-Based Restricted Share Units*

A summary of activity related to performance-based restricted share units ("PSUs") during the nine-month period ended September 30, 2023, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2022	341,850
Granted	113,347
Vested and issued	(195,665)
Outstanding at September 30, 2023	<u>259,532</u>

During the nine months ended September 30, 2023, the Company's Compensation Committee granted PSUs with three-year performance-based metrics that the Company must meet before those awards may be earned, and the performance period for those grants ends on December 31, 2025. The Compensation Committee will determine the achievement of performance results and corresponding vesting of PSUs for each performance period. The weighted average grant-date fair value per share for the common shares underlying all PSUs granted during the nine-month period ended September 30, 2023 was \$133.83.

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*Deferred Share Units*

A summary of activity related to deferred share units (“DSUs”) during the nine-month period ended September 30, 2023, is presented below:

	<u>Vested Shares</u>
Outstanding at December 31, 2022	26,536
Granted	3,945
Outstanding at September 30, 2023	<u>30,481</u>

The DSUs consist of a combination of DSU grants outstanding under the Progressive Waste share-based compensation plans that were continued by the Company following the Progressive Waste acquisition and DSUs granted by the Company since the Progressive Waste acquisition. The weighted average grant-date fair value per share for the common shares underlying the DSUs granted during the nine-month period ended September 30, 2023 was \$136.47.

*Other Restricted Share Units*

RSU grants outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2023, is presented below:

Outstanding at December 31, 2022	57,829
Cash settled	(5,803)
Outstanding at September 30, 2023	<u>52,026</u>

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

*Share-Based Options*

Share-based options outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste share-based options during the nine-month period ended September 30, 2023, is presented below:

Outstanding at December 31, 2022	43,570
Cash settled	(7,787)
Outstanding at September 30, 2023	<u>35,783</u>

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

Employee Share Purchase Plan

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

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each payroll date in amounts equal to or greater than one percent (1%) but not in excess of ten percent (10%) of eligible compensation in order to purchase the Company's common shares under certain terms and subject to certain restrictions set forth in the ESPP. The exercise price is equal to 95% of the closing price of the Company's common shares on the last day of the relevant offering period, provided, however, that such exercise price will not be less than 85% of the volume weighted average price of the Company's common shares as reflected on the Toronto Stock Exchange (the "TSX") over the final five trading days of such offering period. The maximum number of shares that may be issued under the ESPP is 1,000,000. Under the ESPP, employees purchased 29,808 of the Company's common shares for \$3,908 during the nine months ended September 30, 2023. Under the ESPP, employees purchased 26,582 of the Company's common shares for \$3,271 during the nine months ended September 30, 2022.

#### Normal Course Issuer Bid

On July 25, 2023, the Board of Directors of the Company approved, subject to receipt of regulatory approvals, the annual renewal of the Company's normal course issuer bid (the "NCIB") to purchase up to 12,881,534 of the Company's 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 the option of the Company. The renewal followed the conclusion of the Company's NCIB that expired August 9, 2023. The Company received TSX approval for its annual renewal of the NCIB on August 8, 2023. Under the NCIB, the Company may make share repurchases only in the open market, including on the New York Stock Exchange (the "NYSE"), the TSX, and/or alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems is limited to a maximum of 63,103 common shares, which represents 25% of the average daily trading volume on the TSX of 252,412 common shares for the period from February 1, 2023 to July 31, 2023. The TSX rules also allow the Company to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including the Company's capital structure, the market price of the common shares and overall market conditions. All common shares purchased under the NCIB shall be immediately cancelled following their repurchase.

For the nine months ended September 30, 2023, the Company did not repurchase any common shares pursuant to the NCIB in effect during that period. For the nine months ended September 30, 2022, the Company repurchased 3,388,155 common shares pursuant to the NCIB in effect during that period at an aggregate cost of \$424,999. As of September 30, 2023, the remaining maximum number of shares available for repurchase under the current NCIB was 12,881,534.

#### Cash Dividend

In November 2022, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.025, from \$0.23 to \$0.255 per Company common share. Cash dividends of \$196,815 and \$177,710 were paid during the nine months ended September 30, 2023 and 2022, respectively.

## **18. COMMITMENTS AND CONTINGENCIES**

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

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

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the Company's business. Except as noted in the matters described below, as of September 30, 2023, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Jefferson Parish, Louisiana Landfill Litigation

Between June 2016 and December 31, 2020, one of the Company's subsidiaries, Louisiana Regional Landfill Company ("LRLC"), conducted certain operations at a municipal solid waste landfill known as the Jefferson Parish Landfill (the "JP Landfill"), located in Avondale, Louisiana, near the City of New Orleans. LRLC's operations were governed by an Operating Agreement entered into in May 2012 by LRLC under its previous name, IESI LA Landfill Corporation, and the owner of the JP Landfill, Jefferson Parish (the "Parish"). The Parish also holds the State of Louisiana permit for the operation of the JP Landfill. Aptim Corporation, and later River Birch, LLC, operated the landfill gas collection system at the JP Landfill under a separate contract with the Parish.

In July and August 2018, four separate lawsuits seeking class action status were filed against LRLC and certain other Company subsidiaries, the Parish, and Aptim Corporation in Louisiana state court, and subsequently removed to the United States District Court for the Eastern District of Louisiana, before Judge Susie Morgan in New Orleans. The Court later consolidated the claims of the putative class action plaintiffs. Beginning in December 2018, a series of 11 substantively identical mass actions were filed in Louisiana state court against LRLC and certain other Company subsidiaries, the Parish, and Aptim Corporation. The claims of the mass action plaintiffs were removed to and consolidated in federal court in the Eastern District of Louisiana, also before Judge Susie Morgan (the "Addison" action).

The putative class actions and the *Addison* action assert claims for damages from odors allegedly emanating from the JP Landfill. The consolidated putative class action complaint alleges that the JP Landfill released "noxious odors" into the plaintiffs' properties and the surrounding community and asserts a range of liability theories—nuisance, negligence (since dismissed), and strict liability—against all defendants. The putative class is described as all residents of Jefferson Parish who have sustained legally cognizable damages as a result of odors from the JP Landfill, but the complaint proposes to revise the geographic definition based on further evidence. The putative class plaintiffs seek unspecified damages for nuisance. The *Addison* plaintiffs assert causes of action for nuisance, negligence, and (with respect to the Parish) unconstitutional takings under the Louisiana Constitution; on behalf of two plaintiffs, the *Addison* complaint also asserts causes of action for wrongful death and survivorship.

The Court held an eight-day trial on general causation during January and February 2022.

On November 29, 2022, the Court issued a 45-page decision on the general causation trial. The Court concluded that all putative class and mass action plaintiffs established general causation—specifically that emissions and gases from the JP Landfill were capable of causing certain damages alleged by the plaintiffs. The Court held that it only needed to determine the level of exposure necessary to result in injuries and that the level existed somewhere offsite, and that it was not required to delineate this level of exposure within a geographic area. The Court did, however, limit the time period for

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damages, to between July 2017 and December 2019, and the types of alleged injuries for which the plaintiffs are able to seek damages, to headaches, nausea, vomiting, loss of appetite, sleep disruption, dizziness, fatigue, anxiety and worry, a decrease in quality of life, and loss of enjoyment or use of property. The Addison plaintiffs' claims of diminution of property value were put on a separate track from these damages and not addressed.

After the general causation decision, the Court entered a case management order on April 17, 2023 that scheduled a trial of a subset of 8-13 Addison plaintiffs' cases on the merits, prior to class certification being determined as to the putative class case. The Company objected to and opposed that sequence by motion, which the Court denied.

On April 17, 2023, the Company and the other Defendants filed a petition for a writ of mandamus from the Fifth Circuit Court of Appeals challenging the April 17 case management order's sequencing of a merits trial before class certification. The Fifth Circuit granted the Company's motion to stay proceedings in the Addison action pending its decision on the petition. After oral argument, on August 24, 2023 the Fifth Circuit denied the Company's petition for a writ of mandamus. Defendants filed a motion for rehearing *en banc* on September 7, 2023, which was denied on September 19, 2023.

Following the Fifth Circuit's decision, the District Court and the parties have discussed case management orders for both cases. The Court has ordered the following key deadlines: (i) the Parties will complete briefing of class certification by June 26, 2024; and (ii) the Parties will commence a three-week merits trial on the first 13 Addison Plaintiffs on August 5, 2024.

The Company has already obtained dismissal of approximately one third of the original Addison plaintiffs, the number of which now totals 544, and believes it has strong defenses to the merits of the Addison action, including specific causation issues due to other odor sources in the area. The Company also believes it has strong defenses to certification of the putative class actions. The Company is continuing to vigorously defend itself in these lawsuits; however, at this time, the Company is not able to determine the likelihood of any outcome regarding the underlying claims, including the allocation of any potential liability among the Company, the Parish, and Aptim Corporation.

Los Angeles County, California Landfill Expansion Litigation

A. Chiquita Canyon, LLC Lawsuit Against Los Angeles County

In October 2004, the Company's subsidiary, Chiquita Canyon, LLC ("CCL"), then under prior ownership, filed an application (the "Application") with the County of Los Angeles (the "County") Department of Regional Planning ("DRP") for a conditional use permit (the "CUP") to authorize the continued operation and expansion of the Chiquita Canyon Landfill (the "CC Landfill"). The CC Landfill has operated since 1972, and as a regional landfill, accepted approximately 2.6 million tons of materials for disposal and beneficial use in 2022. The Application requested expansion of the existing waste footprint on CCL's contiguous property, an increase in maximum elevation, creation of a new entrance and new support facilities, construction of a facility for the County or another third-party operator to host household hazardous waste collection events, designation of an area for mixed organics/composting, and other modifications.

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

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

Following extensive litigation in 2018 and 2019 on the permissible scope of CCL's challenge, the Superior Court issued its decision on July 2, 2020, granting CCL's petition for writ of mandate in part and denying it in part. CCL prevailed with respect to 12 of the challenged conditions, many of which imposed new fees and exactions on the CC Landfill. On October 11, 2022, CCL and the County entered into a settlement agreement that requires CCL to file a CUP modification application with the County embodying the terms of the settlement agreement. CCL filed the CUP modification application on November 10, 2022. If the CUP modification application is approved by the County and certain other contingencies are satisfied, CCL will dismiss this lawsuit. However, at this time, the Company is not able to determine the likelihood of any outcome in this matter.

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

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

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

**19. SUBSEQUENT EVENT**

On October 25, 2023, the Company announced that its Board of Directors increased its regular quarter cash dividend by \$0.03, from \$0.255 to \$0.285 per Company common share, and then declared a regular quarterly cash dividend of \$0.285 per Company common share. The dividend will be paid on November 28, 2023, to shareholders of record on the close of business on November 8, 2023.