

The Management's Discussion and Analysis of Financial Condition and Results of Operations for Waste Connections, Inc. is also included in the Form 10-Q for the period ended March 31, 2024 filed on SEDAR+ on April 25, 2024 in its entirety. All references to \$ are to U.S. dollars unless otherwise indicated.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

OVERVIEW OF OUR BUSINESS

We are an integrated solid waste services company that provides non-hazardous waste collection, transfer and disposal services, including by rail, along with resource recovery primarily through recycling and renewable fuels generation, in mostly exclusive and secondary markets across 46 states in the U.S. and six provinces in Canada. Waste Connections also provides non-hazardous oil and natural gas exploration and production ("E&P") waste treatment, recovery and disposal

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

NEW ACCOUNTING PRONOUNCEMENTS

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

	Three Months Ended March 31,			
	2024		2023	
Revenues	\$ 2,072,653	100.0 %	\$ 1,900,503	100.0 %
Cost of operations	1,221,783	59.0	1,146,941	60.3
Selling, general and administrative	220,735	10.7	193,667	10.2
Depreciation	222,691	10.7	204,059	10.7
Amortization of intangibles	40,290	1.9	39,282	2.1
Impairments and other operating items	354	0.0	1,865	0.1
Operating income	<u>366,800</u>	<u>17.7</u>	<u>314,689</u>	<u>16.6</u>
Interest expense	(78,488)	(3.8)	(68,353)	(3.6)
Interest income	2,051	0.1	2,715	0.1
Other income (expense), net	(1,823)	(0.1)	3,174	0.2
Income tax provision	(59,413)	(2.9)	(54,389)	(2.9)
Net income	<u>229,127</u>	<u>11.0</u>	<u>197,836</u>	<u>10.4</u>
Net loss (income) attributable to noncontrolling interests	927	0.1	(23)	(0.0)
Net income attributable to Waste Connections	<u>\$ 230,054</u>	<u>11.1 %</u>	<u>\$ 197,813</u>	<u>10.4 %</u>

Revenues. Total revenues increased \$172.2 million, or 9.1%, to \$2.073 billion for the three months ended March 31, 2024, from \$1.901 billion for the three months ended March 31, 2023.

Acquisitions closed during, or subsequent to, the three months ended March 31, 2023, increased revenues by \$80.6 million for the three months ended March 31, 2024.

Operations that were divested during, or subsequent to, the three months ended March 31, 2023, decreased revenues by \$2.6 million for the three months ended March 31, 2024.

During the three months ended March 31, 2024, the net increase in prices charged to our customers at our existing operations was \$128.5 million, consisting of \$140.6 million of core price increases and decreases in surcharges of \$12.1 million.

During the three months ended March 31, 2024, we recognized volume losses totaling \$69.6 million, resulting from lower residential collection volumes due primarily to the purposeful shedding of certain low-margin municipal contracts in our Eastern, Canada and Southern segments, lower commercial revenues and a decrease in roll off and post collection volumes in part due to the weather impacting operations in certain geographic markets.

E&P waste revenues at facilities owned during the three months ended March 31, 2024 and 2023 increased \$8.6 million, due to increases in overall demand for our E&P waste services as a result of increases in drilling and production activity levels in certain basins.

Revenues from sales of recyclable commodities at facilities owned during the three months ended March 31, 2024 and 2023 increased \$15.3 million. The increase is primarily attributable to higher average commodity pricing for old corrugated cardboard, plastics and other paper products as compared to the prior period.

An increase in the average Canadian dollar to U.S. dollar currency exchange rate resulted in an increase in revenues of \$0.4 million for the three months ended March 31, 2024. The average Canadian dollar to U.S. dollar exchange rates on our Canadian revenues were 0.7412 and 0.7397 for the three months ended March 31, 2024 and 2023, respectively.

Other revenues increased \$11.0 million during the three months ended March 31, 2024, due primarily to an \$11.7 million increase in landfill gas revenues on higher values for renewable energy credits and higher landfill gas volumes and

a \$0.9 million increase in other non-core revenue sources, partially offset by a \$1.6 million decrease in intermodal revenues.

Cost of Operations. Total cost of operations increased \$74.8 million, or 6.5%, to \$1.222 billion for the three months ended March 31, 2024, from \$1.147 billion for the three months ended March 31, 2023. The increase was primarily the result of \$39.4 million of additional operating costs from acquisitions closed during, or subsequent to, the three months ended March 31, 2023, an increase in operating costs at our existing operations of \$36.5 million, assuming foreign currency parity and an increase in operating costs of \$0.3 million resulting from a lower average foreign currency exchange rate in effect during the current period, partially offset by a decrease of \$1.4 million from operations divested during, or subsequent to, the three months ended March 31, 2023.

The increase in operating costs of \$36.5 million, assuming foreign currency parity, at our existing operations for the three months ended March 31, 2024, consisted of higher labor and recurring incentive compensation expenses of \$16.1 million, an increase in risk management expenses of \$15.8 million due to higher claim and premium costs, an increase in post-closure liability interest accretion expense of \$4.3 million, an increase in benefits costs of \$3.3 million, an increase in disposal costs of \$3.1 million, an increase in leachate costs of \$3.0 million, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.2 million, an increase in taxes on revenues of \$1.9 million as the result of increased revenues and a net increase of other expenses of \$2.2 million, partially offset by a decrease in fuel expense of \$5.4 million due to lower diesel and natural gas prices, a decrease in subcontract expense of \$3.7 million, a decrease in third-party trucking and transportation expenses of \$3.2 million due to lower transfer station and intermodal volumes and a decrease in fees paid for the processing of recyclable materials of \$3.1 million primarily as a result of higher commodity values.

Cost of operations as a percentage of revenues decreased 1.3 percentage points to 59.0% for the three months ended March 31, 2024, from 60.3% for the three months ended March 31, 2023. The decrease as a percentage of revenues was primarily driven by the impact of price-led revenue growth, a 0.5 percentage point decrease in third-party trucking and transportation expenses, a 0.5 percentage point decrease in fuel costs due to lower diesel and natural gas prices, a 0.3 percentage point decrease in truck, container, equipment and facility maintenance and repair expenses, a 0.3 percentage point decrease in disposal costs, a 0.2 percentage point decrease in subcontract costs and a 0.2 percentage point decrease from all other net changes, partially offset by a 0.7 percentage point increase in risk management expenses.

SG&A. SG&A expenses increased \$27.0 million, or 14.0%, to \$220.7 million for the three months ended March 31, 2024, from \$193.7 million for the three months ended March 31, 2023. The increase was comprised of an increase of \$21.8 million, assuming foreign currency parity, at our existing operations, \$5.1 million from acquisitions closed during, or subsequent to, the three months ended March 31, 2023 and an increase of \$0.1 million resulting from a higher average foreign currency exchange rate in effect during the current period.

The increase in SG&A expenses at our existing operations of \$21.8 million, assuming foreign currency parity, for the three months ended March 31, 2024 was comprised of an increase in direct acquisition expenses of \$7.8 million due to an increase in acquisition activity in the current period, an increase in incentive compensation expense of \$7.4 million, an increase in administrative payroll expenses of \$2.6 million, a collective increase in travel, meetings and training expenses of \$2.1 million, an increase in bad debt costs of \$1.2 million associated with increased revenues, an increase in software license fees of \$1.0 million and \$3.2 million of other net expense increases, partially offset by a decrease in professional fees of \$2.0 million and a decrease in equity-based compensation expenses of \$1.5 million associated with our annual recurring grants of restricted share units to our personnel.

SG&A expenses as a percentage of revenues increased 0.5 percentage points to 10.7% for the three months ended March 31, 2024, from 10.2% for the three months ended March 31, 2023. The increase as a percentage of revenues was primarily attributable to a 0.4 percentage point increase in direct acquisition expenses due to an increase in acquisition activity and a 0.3 percentage point increase in incentive compensation costs, partially offset by a 0.2 percentage point decrease in accrued equity compensation expense.

Depreciation. Depreciation expense increased \$18.7 million, or 9.1%, to \$222.7 million for the three months ended March 31, 2024, from \$204.0 million for the three months ended March 31, 2023. The increase was comprised of an

increase in depreciation and depletion expense of \$13.4 million from acquisitions closed during, or subsequent to, the three months ended March 31, 2023 and an increase in depreciation expense of \$6.1 million from the impact of additions to our fleet and equipment purchased to support our existing operations, partially offset by a decrease of \$0.8 million in depletion expense due to lower landfill volumes in certain markets.

Depreciation expense as a percentage of revenues remained flat at 10.7% for the three months ended March 31, 2024 and March 31, 2023. As compared to prior year, expenses as a percentage of revenues decreased due to the impact of price driven revenue increases in our solid waste services, offset by increases as a percentage of revenue from acquisitions closed during, or subsequent to, the three months ended March 31, 2023 having higher depreciation expense as a percentage of revenue than our company average.

Amortization of Intangibles. Amortization of intangibles expense increased \$1.0 million, or 2.6%, to \$40.3 million for the three months ended March 31, 2024, from \$39.3 million for the three months ended March 31, 2023. The increase was the result of \$5.8 million from intangible assets acquired in acquisitions closed during, or subsequent to, the three months ended March 31, 2023, partially offset by a decrease of \$4.8 million from certain intangible assets becoming fully amortized subsequent to March 31, 2023.

Amortization of intangibles expense as a percentage of revenues decreased 0.2 percentage points to 1.9% for the three months ended March 31, 2024, from 2.1% for the three months ended March 31, 2023. The decrease as a percentage of revenues was attributable to the impact of price-driven revenue increases in our solid waste services.

Impairments and Other Operating Items. Impairments and other operating items decreased \$1.5 million, to net losses totaling \$0.4 million for the three months ended March 31, 2024, from net losses totaling \$1.9 million for the three months ended March 31, 2023.

The net losses of \$0.4 million recorded during the three months ended March 31, 2024 consisted of \$1.1 million of net losses on the disposal of property and equipment and \$0.6 million of other net adjustments, partially offset by \$1.3 million gain from favorable lawsuit settlements.

The net losses of \$1.9 million recorded during the three months ended March 31, 2023 resulted from disposal of property and equipment.

Operating Income. Operating income increased \$52.1 million, or 16.6%, to \$366.8 million for the three months ended March 31, 2024, from \$314.7 million for the three months ended March 31, 2023.

The increase in our operating income for the three months ended March 31, 2024 was due primarily to price increases for our solid waste services, operating income generated from acquisitions closed during, or subsequent to, the three months ended March 31, 2023, an increase in earnings at our E&P waste operations, operating income contributions from increased renewable energy credits associated with the generation of landfill gas and contributions from higher recyclable commodity pricing, partially offset by an increase in risk management costs, an increase in direct acquisition expenses associated with increased acquisition activity as compared to the prior year period and increased incentive compensation expense.

Operating income as a percentage of revenues increased 1.1 percentage points to 17.7% for the three months ended March 31, 2024, from 16.6% for the three months ended March 31, 2023. The increase as a percentage of revenues was comprised of a 1.3 percentage point decrease in our costs of operations, a 0.2 percentage point decrease in amortization expense and a 0.1 percentage point decrease in impairments and other operating items, partially offset by a 0.5 percentage point increase in SG&A expenses.

Interest Expense. Interest expense increased \$10.1 million, or 14.8%, to \$78.5 million for the three months ended March 31, 2024, from \$68.4 million for the three months ended March 31, 2023. The increase was primarily attributable to an increase of \$7.6 million due to an increase in the average borrowings outstanding under our Revolving Credit Agreement entered into during the three months ended March 31, 2024, an increase of \$4.1 million from the issuance of \$750.0 million of senior unsecured notes during the three months ended March 31, 2024, an increase of \$2.7 million from

higher interest rates on borrowings outstanding during the comparative periods, and \$1.5 million of other net expense increases, partially offset by a \$5.8 million decrease attributable to a decrease in the average borrowings outstanding under our 2021 Revolving and Term Credit Agreement and 2022 Term Loan Agreement as a result of the early termination of these agreements during the three months ended March 31, 2024.

Interest Income. Interest income decreased \$0.6 million to \$2.1 million for the three months ended March 31, 2024, from \$2.7 million for the three months ended March 31, 2023. The decrease was primarily attributable to lower average investment rates in the current period.

Other Income (Expense), Net. Other income (expense), net decreased \$5.0 million, to an expense of \$1.8 million for the three months ended March 31, 2024, from income of \$3.2 million for the three months ended March 31, 2023.

Other expense of \$1.8 million recorded during the three months ended March 31, 2024 consisted of \$2.3 million from the write off of unamortized loan fees as a result of the early extinguishment of our 2021 Revolving and Term Credit Agreement and 2022 Term Loan Agreement, \$0.5 million from an increase in the average foreign currency exchange rate in effect during the comparable reporting period reducing the U.S. dollar consideration required to settle international liabilities and \$0.7 million of net losses from other sources, partially offset by \$1.7 million from an increase in the value of investments purchased to fund our employee deferred compensation obligations.

Other income of \$3.2 million recorded during the three months ended March 31, 2023 consisted of increases in other income of \$1.9 million derived from higher interest rates in the current period on restricted cash and \$1.3 million from an increase in the value of investments purchased to fund our employee deferred compensation obligations.

Income Tax Provision. Income taxes increased \$5.0 million, to \$59.4 million for the three months ended March 31, 2024, from \$54.4 million for the three months ended March 31, 2023. Our effective tax rate for the three months ended March 31, 2024 was 20.6%. Our effective tax rate for the three months ended March 31, 2023 was 21.6%.

The income tax provision for the three months ended March 31, 2024 included a benefit of \$5.2 million from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

The income tax provision for the three months ended March 31, 2023 included a benefit of \$2.7 million from share-based payment awards being recognized in the income statement when settled, as well as a portion of our internal financing being taxed at effective rates substantially lower than the U.S. federal statutory rate.

SEGMENT RESULTS

General

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

	Three Months Ended March 31,	
	2024	2023
Commercial	\$ 642,859	\$ 602,279
Residential	546,211	514,053
Industrial and construction roll off	325,990	318,315
Total collection	1,515,060	1,434,647
Landfill	353,478	343,433
Transfer	301,882	273,521
Recycling	49,025	31,301
E&P	97,408	51,759
Intermodal and other	49,541	38,212
Intercompany	(293,741)	(272,370)
Total	<u>\$ 2,072,653</u>	<u>\$ 1,900,503</u>

For the three months ended March 31, 2024, we managed our operations through the following six geographic solid waste operating segments: Western, Southern, Central, Eastern, Canada and MidSouth. Our six geographic solid waste operating segments comprise our reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. Certain corporate or regional overhead expense allocations may affect comparability of the segment information presented herein on a period-over-period basis.

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

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

	Three Months Ended		EBITDA	Margin	Depreciation and
	March 31, 2024				
	Revenue	EBITDA ^(b)			
Western	\$ 422,249	\$ 113,050	26.8 %		\$ 51,221
Southern	418,946	128,412	30.7 %		44,707
Central	360,927	125,922	34.9 %		40,787
Eastern	360,063	95,016	26.4 %		53,548
Canada	280,362	121,361	43.3 %		39,109
MidSouth	230,106	57,507	25.0 %		29,889
Corporate ^(a)	—	(11,133)	—		3,720
	<u>\$ 2,072,653</u>	<u>\$ 630,135</u>	30.4 %		<u>\$ 262,981</u>

	Three Months Ended		EBITDA Margin	Depreciation and Amortization
	March 31, 2023			
	Revenue	EBITDA ^(b)		
Western	\$ 395,839	\$ 110,689	28.0 %	\$ 47,646
Southern	399,893	121,914	30.5 %	45,049
Central	339,985	115,756	34.0 %	41,376
Eastern	329,128	73,275	22.3 %	48,037
Canada	227,156	82,984	36.5 %	29,992
MidSouth	208,502	57,731	27.7 %	27,483
Corporate ^(a)	—	(2,454)	—	3,758
	<u>\$ 1,900,503</u>	<u>\$ 559,895</u>	29.5 %	<u>\$ 243,341</u>

- (a) The majority of Corporate expenses are allocated to the six operating segments. Direct acquisition expenses, expenses associated with common shares held in the deferred compensation plan exchanged for other investment options and share-based compensation expenses associated with Progressive Waste share-based grants outstanding at June 1, 2016 that were continued by the Company are not allocated to the six operating segments and comprise the net EBITDA for our Corporate segment for the periods presented.
- (b) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in our most recent Annual Report on Form 10-K.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 10 to our Condensed Consolidated Financial Statements included in Part 1, Item 1 of this report.

Significant changes in revenue, EBITDA and depreciation, depletion and amortization for our reportable segments for the three month period ended March 31, 2024, compared to the three month period ended March 31, 2023, are discussed below.

Western

Revenue increased \$26.4 million to \$422.2 million for the three months ended March 31, 2024, from \$395.8 million for the three months ended March 31, 2023, due to price increases, contributions from acquisitions and increases in residential collection volumes, partially offset by decreased transfer volumes and lower intermodal revenue.

EBITDA increased \$2.4 million to \$113.1 million, or a 26.8% EBITDA margin for the three months ended March 31, 2024, from \$110.7 million, or a 28.0% EBITDA margin for the three months ended March 31, 2023. The decrease in our EBITDA margin was due to an increase in risk management expenses due to higher claim and premium costs, an increase in post-closure liability interest accretion expense, higher leachate costs and an increase in allocated corporate overhead, partially offset by a decrease in recycle processing fees, lower fuel costs due to lower diesel and natural gas prices, a decrease in truck, container, equipment and facility maintenance and repair costs and lower other operating costs as compared to the prior year period.

Depreciation, depletion and amortization expense increased \$3.6 million, to \$51.2 million for the three months ended March 31, 2024, from \$47.6 million for the three months ended March 31, 2023, due to assets acquired in acquisitions, additions to our fleet and equipment and increases in depletion expense associated with higher landfill development and closure costs increasing our per ton landfill depletion rates.

Southern

Revenue increased \$19.0 million to \$418.9 million for the three months ended March 31, 2024, from \$399.9 million for the three months ended March 31, 2023, due to solid waste price increases, contributions from acquisitions, increased E&P waste revenues attributable to increases in the demand for our E&P waste services and an increase in recyclable commodity prices as compared to the prior year period, partially offset by lower residential collection volumes due to the purposeful non-renewal of collection contracts during the current and prior year periods, lower commercial collection volume and a decrease in post-collection volume.

EBITDA increased \$6.5 million to \$128.4 million, or a 30.7% EBITDA margin for the three months ended March 31, 2024, from \$121.9 million, or a 30.5% EBITDA margin for the three months ended March 31, 2023. The increase in our EBITDA margin was due to price-led increases in solid waste revenue, increased earnings at our E&P waste operations, lower legal costs, decreases in fuel costs and the purposeful non-renewal of certain residential contracts, partially offset by an increase in risk management expenses, increased leachate expense, higher allocated overhead expense, increased benefits costs and an increase in bad debt expense.

Depreciation, depletion and amortization expense decreased \$0.3 million, to \$44.7 million for the three months ended March 31, 2024, from \$45.0 million for the three months ended March 31, 2023, due to a reduction in amortization expense associated with the loss of certain residential service contracts.

Central

Revenue increased \$20.9 million to \$360.9 million for the three months ended March 31, 2024, from \$340.0 million for the three months ended March 31, 2023, due to price increases and an increase in recyclable commodity prices as compared to the prior year period, partially offset by lower post collection volumes and a decrease in residential collection.

EBITDA increased \$10.1 million to \$125.9 million, or a 34.9% EBITDA margin for the three months ended March 31, 2024, from \$115.8 million, or a 34.0% EBITDA margin for the three months ended March 31, 2023. The increase in our EBITDA margin was due to the benefits from price-led increases in revenue and decreases in fuel costs, partially offset by an increase in risk management expenses and an increase in allocated corporate overhead.

Depreciation, depletion and amortization expense decreased \$0.6 million, to \$40.8 million for the three months ended March 31, 2024, from \$41.4 million for the three months ended March 31, 2023, due to a decrease in depletion as a result of lower landfill volumes and a reduction in amortization expense associated with certain intangible assets becoming fully amortized subsequent to March 31, 2023, partially offset by additions to our fleet and equipment as compared to the prior year periods.

Eastern

Revenue increased \$31.0 million to \$360.1 million for the three months ended March 31, 2024, from \$329.1 million for the three months ended March 31, 2023, due to contributions from acquisitions, price increases and an increase in recyclable commodity prices as compared to the prior year period, partially offset by decreased residential and commercial service revenues and lower roll off volumes.

EBITDA increased \$21.7 million to \$95.0 million, or a 26.4% EBITDA margin for the three months ended March 31, 2024, from \$73.3 million, or a 22.3% EBITDA margin for the three months ended March 31, 2023. The increase in our EBITDA margin was due primarily to price-led increases in revenue, lower labor and benefits costs, a decrease in trucking and disposal expenses as a result of purposefully lost volumes and increased internalization in certain markets, a decrease in leachate costs, lower professional fees as a result of a decrease in legal costs and a decrease in truck, container, equipment and facility maintenance and repair expenses, partially offset by the impact of acquisitions having lower EBITDA margins than our segment average and an increase in risk management expenses.

Depreciation, depletion and amortization expense increased \$5.5 million, to \$53.5 million for the three months ended March 31, 2024, from \$48.0 million for the three months ended March 31, 2023, due to assets acquired in acquisitions and additions to our fleet and equipment, partially offset by a reduction in amortization expense associated with the loss of certain residential service contracts.

Canada

Revenue increased \$53.2 million to \$280.4 million for the three months ended March 31, 2024, from \$227.2 million for the three months ended March 31, 2023, due to contributions from acquisitions, price increases, an increase in landfill gas revenues and higher prices for recyclable commodities as compared to the prior year period, partially offset by a decrease in residential and commercial collection volumes.

EBITDA increased \$38.4 million to \$121.4 million, or a 43.3% EBITDA margin for the three months ended March 31, 2024, from \$83.0 million, or a 36.5% EBITDA margin for the three months ended March 31, 2023. The increase in our EBITDA margin was due to the impact of acquisitions having higher EBITDA margins than our segment average, price-led increases in revenue, an increase in earnings associated with landfill gas revenues from higher values for renewable energy credits and higher landfill gas volumes and decreases in diesel and natural gas costs due to a decline in average fuel prices, partially offset by an increase in allocated corporate overhead expense as compared to the prior year period.

Depreciation, depletion and amortization expense increased \$9.1 million, to \$39.1 million for the three months ended March 31, 2024, from \$30.0 million for the three months ended March 31, 2023, due to assets acquired in acquisitions.

MidSouth

Revenue increased \$21.6 million to \$230.1 million for the three months ended March 31, 2024, from \$208.5 million for the three months ended March 31, 2023, due to price increases and contributions from acquisitions, partially offset by a decrease in roll off volumes.

EBITDA decreased \$0.2 million to \$57.5 million, or a 25.0% EBITDA margin for the three months ended March 31, 2024, from \$57.7 million, or a 27.7% EBITDA margin for the three months ended March 31, 2023. The decrease in our EBITDA margin was due primarily to an increase in risk management expenses, an increase in allocated corporate overhead and benefits expense, higher labor costs and an increase in bad debt expense, partially offset by price-led revenue growth, lower disposal and trucking costs due to increased internalization in certain markets, lower leachate costs, a decrease in professional fees and lower fuel costs.

Depreciation, depletion and amortization expense increased \$2.4 million, to \$29.9 million for the three months ended March 31, 2024, from \$27.5 million for the three months ended March 31, 2023, due to assets acquired in acquisitions and additions to our fleet and equipment.

Corporate

EBITDA decreased \$8.6 million, to a loss of \$11.1 million for the three months ended March 31, 2024, from a loss of \$2.5 million for the three months ended March 31, 2023. The decrease in our EBITDA for the three months ended March 31, 2024 was due to an increase in direct acquisition expenses associated with an increase in acquisition activity in the current year period, increased incentive compensation costs, increased professional fees, increased administrative payroll costs and increased software costs, partially offset by lower costs due to lower travel and meetings and increased allocation of costs to our operating segments.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth cash flow information for the three months ended March 31, 2024 and 2023 (in thousands of U.S. dollars):

	Three Months Ended	
	March 31,	
	2024	2023
Net cash provided by operating activities	\$ 490,309	\$ 442,358
Net cash used in investing activities	(1,334,579)	(317,759)
Net cash provided by (used in) financing activities	878,477	(65,424)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(577)	(54)
Net increase in cash, cash equivalents and restricted cash	33,630	59,121
Cash, cash equivalents and restricted cash at beginning of period	184,038	181,364
Cash, cash equivalents and restricted cash at end of period	\$ 217,668	\$ 240,485

Operating Activities Cash Flows

Net cash provided by operating activities increased \$48.0 million to \$490.3 million for the three months ended March 31, 2024, from net cash provided by operating activities of \$442.3 million for the three months ended March 31, 2023. The significant components of the increase included the following:

- 1) *Increase in earnings* — Our increase in net cash provided by operating activities was favorably impacted by \$54.8 million from an increase in net income, excluding depreciation, amortization of intangibles, share-based compensation, adjustments to closure and post-closure liabilities, adjustments to and payments of contingent consideration recorded in earnings and loss on disposal of assets and impairments, due primarily to price increases, earnings from acquisitions closed during, or subsequent to, the three months ended March 31, 2023, an increase in renewable energy credits associated with the generation of landfill gas and an increase in earnings at our E&P waste operations.
- 2) *Accounts payable and accrued liabilities* — Our increase in net cash provided by operating activities was favorably impacted by \$33.3 million from accounts payable and accrued liabilities as changes in accounts payable and accrued liabilities resulted in a decrease to operating cash flows of \$59.6 million for the three months ended March 31, 2024, compared to a decrease to operating cash flows of \$92.9 million for the three months ended March 31, 2023. The decrease for the three months ended March 31, 2024 was due primarily to outstanding obligations to vendors and accrued annual management bonus compensation as of December 31, 2023 that were paid in the current year period, partially offset by an increase in accrued insurance costs and an increase in accrued interest due to the timing of interest payments. The decrease for the three months ended March 31, 2023 was due primarily to outstanding obligations to vendors and accrued annual management bonus compensation as of December 31, 2022 that were paid in the current year period.
- 3) *Closure and post closure expenditures* — Our increase in net cash provided by operating activities was unfavorably impacted by \$23.6 million from an increase in payments for closure and post closure activities as changes in expenditures for these items resulted in a decrease to operating cash flows of \$28.9 million for the three months ended March 31, 2024, compared to a decrease in operating cash flows of \$5.3 million for the three months ended March 31, 2023.
- 4) *Accounts receivable* — Our increase in net cash provided by operating activities was unfavorably impacted by \$15.6 million from accounts receivable as changes in accounts receivable resulted in an increase to operating cash flows of \$5.4 million for the three months ended March 31, 2024, compared to an increase to operating cash flows of \$21.0 million for the three months ended March 31, 2023. The increases for the three months ended March 31, 2023 and 2024 were due to an additional collection day in the periods, partially offset by increases in revenue, which remained as outstanding receivables at the end of the periods.
- 5) *Prepaid expenses* — Our increase in net cash provided by operating activities was unfavorably impacted by \$8.2 million from prepaid expenses as changes in prepaid expenses resulted in an increase to operating cash flows of \$10.4 million for the three months ended March 31, 2024, compared to an increase to operating cash flows of \$18.6 million for the three months ended March 31, 2023. The increase for the three months ended March 31, 2024 was due primarily to a decrease in prepaids related to the timing of insurance claim payments. The increase for the three months ended March 31, 2023 was due primarily to decreased prepaid income tax payments and lower payments of annual insurance premiums.
- 6) *Deferred revenue* — Our increase in net cash provided by operating activities was unfavorably impacted by \$6.8 million from deferred revenue as changes in deferred revenue resulted in an increase to operating cash flows of \$4.1 million for the three months ended March 31, 2024, compared to an increase to operating cash flows of \$10.8 million for the three months ended March 31, 2023. For both comparative periods, deferred revenue increased due to price increases on our advanced billed residential and commercial collection services.

At March 31, 2024, we had a working capital deficit of \$414.5 million, including cash and equivalents of \$112.0 million. Our working capital deficit decreased \$131.6 million from a working capital deficit of \$546.1 million at December 31, 2023 including cash and equivalents of \$78.4 million, due primarily to decreases in accounts payable and accrued liabilities driven by the timing of payments for obligations to vendors and the timing of payment of annual management bonus compensation, an increase in accounts receivables as a result of increases in revenue and an increase in cash balances. To date, we have experienced no loss or lack of access to our cash and equivalents; however, we can provide no assurances that access to our cash and equivalents will not be impacted by adverse conditions in the financial

markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with share repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our Revolving Credit Agreement and to minimize our cash balances.

Investing Activities Cash Flows

Net cash used in investing activities increased \$1.017 billion to \$1.335 billion for the three months ended March 31, 2024, from \$317.8 million for the three months ended March 31, 2023. The significant components of the increase included the following:

- 1) An increase in cash paid for acquisitions of \$1.012 billion; less
- 2) A decrease in capital expenditures at operations owned in the comparable periods of \$5.8 million due to decreases in landfill site costs, partially offset by increases in land and facility expenditures.

Financing Activities Cash Flows

Net cash provided by financing activities increased \$943.9 million to \$878.5 million for the three months ended March 31, 2024, from net cash used in financing activities of \$65.4 million for the three months ended March 31, 2023. The significant components of the increase included the following:

- 1) An increase from the net change in long-term borrowings of \$985.5 million in which long-term borrowings increased \$1.003 billion during the three months ended March 31, 2024 and increased \$17.3 million during the three months ended March 31, 2023; less
- 2) A decrease from higher payments related to the issuance of debt of \$10.1 million that occurred during the three months ended March 31, 2024;
- 3) A decrease from higher payments of contingent consideration of \$10.0 million not included in earnings that occurred during the three months ended March 31, 2024;
- 4) A decrease from tax withholdings related to net share settlements of equity-based compensation of \$7.9 million due to an increase in the value of equity-based compensation awards vesting; and
- 5) A decrease from higher cash dividends paid of \$7.8 million due primarily to an increase in our quarterly dividend rate for the three months ended March 31, 2024 to \$0.285 per share, from \$0.255 per share for the three months ended March 31, 2023.

On July 25, 2023, our Board of Directors approved, subject to receipt of regulatory approvals, the annual renewal of our normal course issuer bid, or the NCIB, to purchase up to 12,881,534 of our common shares during the period of August 10, 2023 to August 9, 2024 or until such earlier time as the NCIB is completed or terminated at our option. Shareholders may obtain a copy of our TSX Form 12 – Notice of Intention to Make a Normal Course Issuer Bid, without charge, by request directed to our Executive Vice President and Chief Financial Officer at (832) 442-2200. The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including our capital structure, the market price of our common shares, any share buyback taxes applicable and overall market conditions. All common shares purchased under the NCIB will be immediately cancelled following their repurchase. Information regarding our NCIB plan can be found under the section “Normal Course Issuer Bid” in Note 16 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Our Board of Directors authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. In October 2023, we announced that our Board of Directors increased our regular quarterly cash dividend by \$0.03, from \$0.255 to \$0.285 per share. Cash dividends of \$73.6 million and \$65.8 million were paid during the three months ended March 31, 2024 and 2023, respectively. We cannot assure as to the amounts or timing of future dividends.

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

We made \$170.0 million in capital expenditures for property and equipment during the three months ended March 31, 2024, and we expect to make total capital expenditures for property and equipment of approximately \$1.150 billion in 2024, including approximately \$150 million associated with renewable natural gas facilities. We have funded and intend to fund the balance of our planned 2024 capital expenditures principally through cash on hand, internally generated funds and borrowings under our Revolving Credit Agreement. In addition, we may make substantial additional capital expenditures in acquiring land and solid waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, Revolving Credit Agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our Revolving Credit Agreement or raise other capital. Our access to funds under the Revolving Credit Agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

On February 21, 2024, we completed an underwritten public offering of \$750.0 million aggregate principal amount of our 5.00% Senior Notes due 2034 (the “2034 Senior Notes”). The 2034 Senior Notes were issued under the Indenture, dated as of November 16, 2018, by and between the Company and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee, as supplemented by the Eighth Supplemental Indenture, dated as of February 21, 2024. See Note 9 to our Condensed Consolidated Financial Statements for further details on the 2034 Senior Notes.

On February 27, 2024, the Company used a portion of the proceeds from borrowings under the Revolving Credit Agreement (as defined and described below) to (i) prepay the amounts outstanding under that certain Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of July 30, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the “2021 Revolving and Term Credit Agreement”), among the Company, as borrower, Bank of America, N.A., acting through its Canada Branch, as the global agent, the swing line lender and a letter of credit issuer, Bank of America, N.A., as the U.S. agent and a letter of credit issuer, and the lenders and any other financial institutions from time to time party thereto and (ii) terminate the 2021 Revolving and Term Credit Agreement and the loan documents associated therewith.

On February 27, 2024, the Company used a portion of the proceeds from borrowings under the Revolving Credit Agreement to (i) prepay the amounts outstanding under that certain Term Loan Agreement, dated as of October 31, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the “2022 Term Loan Agreement”), among the Company, as borrower, Bank of America, N.A., as administrative agent, and the lenders and any other financial institutions from time to time party thereto and (ii) terminate the 2022 Term Loan Agreement and the loan documents associated therewith.

On February 27, 2024, the Company, as borrower, Bank of America, N.A., acting through its Canada Branch, as the global agent, the swing line lender, and a letter of credit issuer, Bank of America, N.A., as the U.S. agent and a letter of credit issuer, and the other lenders from time to time party thereto (the “Lenders”) entered into that certain Revolving Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “Revolving Credit Agreement”), pursuant to which the Lenders made loans and other credit extensions to the Company under a revolving credit facility. The Company intends to use substantially all of the proceeds of the borrowings under the Revolving Credit Agreement (i) to repay certain outstanding indebtedness under other credit facilities, (ii) to finance acquisitions, dividends or other equity distributions, in each case as permitted thereunder, (iii) for capital expenditures, working capital and payment of certain transaction fees, costs and expenses and (iv) other lawful corporate purposes. See Note 9 to our Condensed Consolidated Financial Statements for further details on the new Revolving Credit Agreement.

At March 31, 2024, \$2.238 billion under the revolving credit facility was outstanding under the Revolving Credit Agreement, exclusive of outstanding standby letters of credit of \$38.8 million. We also had \$103.0 million of letters of

credit issued and outstanding at March 31, 2024 under a facility other than the Revolving Credit Agreement. Our Revolving Credit Agreement matures on February 27, 2029.

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

At March 31, 2024, we had the following contractual obligations:

Recorded Obligations	Payments Due by Period				
	(amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	\$ 7,884,210	\$ 16,096	\$ 13,523	\$ 2,747,572	\$ 5,107,019
Cash interest payments	\$ 2,998,960	\$ 322,299	\$ 665,493	\$ 667,584	\$ 1,343,584
Contingent consideration	\$ 133,733	\$ 96,931	\$ 3,224	\$ 3,224	\$ 30,354
Operating leases	\$ 363,369	\$ 35,850	\$ 81,893	\$ 67,712	\$ 177,914
Final capping, closure and post-closure	\$ 2,158,430	\$ 85,919	\$ 70,697	\$ 49,042	\$ 1,952,772

Long-term debt payments include:

- 1) \$2.238 billion in principal payments due February 27, 2029 related to our revolving credit facility under our Revolving Credit Agreement. We may elect to draw amounts on our Revolving Credit Agreement in U.S. dollar term SOFR rate loans, U.S. dollar base rate loans, Canadian dollar term CORRA rate loans, and Canadian dollar prime rate loans. At March 31, 2024, \$1.195 billion of the outstanding borrowings drawn under the revolving credit facility were in U.S. term SOFR rate loans, which bear interest at the term SOFR rate plus the applicable margin (for a total rate of 6.43% on such date). At March 31, 2024, \$1.043 billion of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based CORRA rate loans, which bear interest at the term CORRA rate plus the applicable margin (for a total rate ranging from 6.30% to 6.31% on such date).
- 2) \$500.0 million in principal payments due 2028 related to our 2028 Senior Notes. The 2028 Senior Notes bear interest at a rate of 4.25%.
- 3) \$500.0 million in principal payments due 2029 related to our 2029 Senior Notes. The 2029 Senior Notes bear interest at a rate of 3.50%.
- 4) \$600.0 million in principal payments due 2030 related to our 2030 Senior Notes. The 2030 Senior Notes bear interest at a rate of 2.60%.
- 5) \$650.0 million in principal payments due 2032 related to our 2032 Senior Notes. The 2032 Senior Notes bear interest at a rate of 2.20%.
- 6) \$500.0 million in principal payments due 2032 related to our New 2032 Senior Notes. The New 2032 Senior Notes bear interest at a rate of 3.20%.
- 7) \$750.0 million in principal payments due 2033 related to our 2033 Senior Notes. The 2033 Senior Notes bear interest at a rate of 4.20%.
- 8) \$750.0 million in principal payments due 2034 related to our 2034 Senior Notes. The 2034 Senior Notes bear interest at a rate of 5.00%.

- 9) \$500.0 million in principal payments due 2050 related to our 2050 Senior Notes. The 2050 Senior Notes bear interest at a rate of 3.05%.
- 10) \$850.0 million in principal payments due 2052 related to our 2052 Senior Notes. The 2052 Senior Notes bear interest at a rate of 2.95%.
- 11) \$37.1 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 2.42% and 10.35% at March 31, 2024, and have maturity dates ranging from 2028 to 2036.
- 12) \$9.3 million in principal payments related to our financing leases. Our financing leases bear interest at rates between 1.89% and 5.07% at March 31, 2024, and have expiration dates ranging from 2026 to 2029.

The following assumptions were made in calculating cash interest payments:

- 1) We calculated cash interest payments on the Revolving Credit Agreement using the term SOFR rate plus the applicable term SOFR margin, the base rate plus the applicable base rate margin, the term CORRA rate plus the applicable margin and the Canadian prime rate plus the applicable prime rate margin at March 31, 2024. We assumed the Revolving Credit Agreement is paid off when it matures on February 27, 2024.
- 2) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the Term SOFR rate through the earlier expiration of the term of the swaps or the term of the credit facility.

Contingent consideration payments include \$117.7 million recorded as liabilities in our Condensed Consolidated Financial Statements at March 31, 2024, and \$16.0 million of future interest accretion on the recorded obligations.

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

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

	Amount of Commitment Expiration Per Period				
	(amounts in thousands of U.S. dollars)				
Unrecorded Obligations⁽¹⁾	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Unconditional purchase obligations	\$ 143,185	\$ 113,353	\$ 28,280	\$ 1,242	\$ 310

- (1) We are party to unconditional purchase obligations. These purchase obligations are established in the ordinary course of our business and are designed to provide us with access to products at competitive, market-driven prices. At March 31, 2024, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 47.2 million gallons remaining to be purchased for a total of \$143.2 million. The current fuel purchase contracts expire on or before September 30, 2029. These arrangements have not materially affected our financial position, results of operations or liquidity during the three months ended March 31, 2024, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained financial surety bonds, primarily to support our financial assurance needs and landfill and E&P waste operations. We provided customers and various regulatory authorities with surety bonds in the aggregate amounts of approximately \$1.688 billion and \$1.645 billion at March 31, 2024 and December 31, 2023, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the three months ended March 31, 2024, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

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

The disposal tonnage that we received in the three month periods ended March 31, 2024 and 2023, at all of our landfills during the respective period, is shown below (tons in thousands):

	Three Months Ended March 31,			
	2024		2023	
	Number of Sites	Total Tons	Number of Sites	Total Tons
Owned operational landfills and landfills operated under life-of-site agreements	105	11,820	94	11,681
Operated landfills	7	170	7	160
	<u>112</u>	<u>11,990</u>	<u>101</u>	<u>11,841</u>

NON-GAAP FINANCIAL MEASURES

Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a liquidity measure in the solid waste industry. We calculate adjusted free cash flow as net cash provided by operating activities, plus or minus change in book overdraft, plus proceeds from disposal of assets, less capital expenditures for property and equipment and periodic distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to evaluate the liquidity of our business operations. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the three month periods ended March 31, 2024 and 2023, are calculated as follows (amounts in thousands of U.S. dollars):

	Three Months Ended	
	March 31,	
	2024	2023
Net cash provided by operating activities	\$ 490,309	\$ 442,358
Plus (less): Change in book overdraft	(271)	5,421
Plus: Proceeds from disposal of assets	1,085	1,260
Less: Capital expenditures for property and equipment	(169,951)	(175,786)
Adjustments:		
Transaction-related expenses ^(a)	4,976	1,249
Pre-existing Progressive Waste share-based grants ^(b)	14	(2)
Tax effect ^(c)	(1,369)	(519)
Adjusted free cash flow	<u>\$ 324,793</u>	<u>\$ 273,981</u>

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

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

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

Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income attributable to Waste Connections, plus or minus net income (loss) attributable to noncontrolling interests, plus income tax provision, plus interest expense, less interest income, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the three month periods ended March 31, 2024 and 2023, are calculated as follows (amounts in thousands of U.S. dollars):

	Three Months Ended	
	March 31,	
	2024	2023
Net income attributable to Waste Connections	\$ 230,054	\$ 197,813
Plus (less): Net income (loss) attributable to noncontrolling interests	(927)	23
Plus: Income tax provision	59,413	54,389
Plus: Interest expense	78,488	68,353
Less: Interest income	(2,051)	(2,715)
Plus: Depreciation and amortization	262,981	243,341
Plus: Closure and post-closure accretion	9,405	4,520
Plus: Impairments and other operating items	354	1,865
Plus (less): Other expense (income), net	1,823	(3,174)
Adjustments:		
Plus: Transaction-related expenses ^(a)	9,847	2,081
Plus: Fair value changes to equity awards ^(b)	1,286	373
Adjusted EBITDA	<u>\$ 650,673</u>	<u>\$ 566,869</u>

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

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

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

We present adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, supplementally because they are widely used by investors as valuation measures in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently. Our adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections for the three month periods ended March 31, 2024 and 2023, are calculated as follows (amounts in thousands of U.S. dollars, except per share amounts):

	Three Months Ended	
	March 31,	
	2024	2023
Reported net income attributable to Waste Connections	\$ 230,054	\$ 197,813
Adjustments:		
Amortization of intangibles ^(a)	40,290	39,282
Impairments and other operating items ^(b)	354	1,865
Transaction-related expenses ^(c)	9,847	2,081
Fair value changes to equity awards ^(d)	1,286	373
Tax effect ^(e)	(13,162)	(11,024)
Adjusted net income attributable to Waste Connections	<u>\$ 268,669</u>	<u>\$ 230,390</u>
Diluted earnings per common share attributable to Waste Connections' common shareholders:		
Reported net income	<u>\$ 0.89</u>	<u>\$ 0.77</u>
Adjusted net income	<u>\$ 1.04</u>	<u>\$ 0.89</u>

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

(b) Reflects adjustments for impairments and other operating items.

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

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

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

INFLATION

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

SEASONALITY

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

At March 31, 2024, our derivative instruments included four interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands of U.S. dollars):

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

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

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at March 31, 2024 and December 31, 2023, of \$1.438 billion and \$1.099 billion, respectively, including floating rate debt under our Revolving Credit Agreement (or, as of December 31, 2023, the 2021 Revolving and Term Credit Agreement and the 2022 Term Loan Agreement). A one percentage point increase in interest rates on our variable-rate debt at March 31, 2024 and December 31, 2023, would decrease our annual pre-tax income by approximately \$14.4 million and \$11.0 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. Because of the volume of fuel we purchase each year, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases, and we also enter into fixed price fuel purchase contracts. At March 31, 2024, we had no fuel hedge agreements in place; however, we have entered into fixed price diesel fuel purchase contracts for the three months ended March 31, 2024 as described below.

For the year ending December 31, 2024, we expect to purchase approximately 89.6 million gallons of diesel fuel, of which 50.3 million gallons will be purchased at market prices and 39.3 million gallons will be purchased under our fixed price diesel fuel purchase contracts. We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged, market rate diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. During the nine month period of April 1, 2024 to December 31, 2024, we expect to purchase approximately 37.7 million gallons of diesel fuel at market prices; therefore, a \$0.10 per gallon increase in the price of diesel fuel over the remaining nine months in 2024 would decrease our pre-tax income during this period by approximately \$3.8 million.

We market a variety of recyclable materials, including compost, cardboard, mixed paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate recycling operations and market collected recyclable materials to third parties for processing before resale. Where possible, to reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the three months ended March 31, 2024 and 2023, would have had a \$4.7 million and \$3.1 million impact on revenues, respectively.

We have operations in Canada and, where significant, we have quantified and described the impact of foreign currency translation on components of income, including operating revenue and operating costs. However, the impact of foreign currency has not materially affected our results of operations in 2024 or 2023. A \$0.01 change in the Canadian dollar to U.S. dollar exchange rate would impact our annual revenue and EBITDA by approximately \$17.0 million and \$7.0 million, respectively.

Item 4. Controls and Procedures

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

Based on this evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded as of March 31, 2024, that our disclosure controls and procedures were effective at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (2) is accumulated and communicated to our management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended March 31, 2024, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding our legal proceedings can be found in Note 17 of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and is incorporated herein by reference.