



WASTE CONNECTIONS
Connect with the Future®

Waste Connections, Inc. (NYSE:WCN), Target Price \$118 USD

FIN65

November 10, 2020

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Analyst: Jacob Reinmueller

Analyst: James Burns

Outperformance

Description- Founded in 1997, is the 3rd largest solid waste service company in North America. Provides waste collection, transfer, recycling, and disposal services. Additionally, WCN provides oilfield waste treatment (recovery and disposal services) as well as intermodal services for the rail haul movement of cargo and solid waste containers. The firm currently operates in 42 states in the US and 6 provinces in Canada.

Differentiation Strategy- Generate growth through strategic acquisitions (bolt-on) that enable the firm to capture a large market share in rural and niche markets (e.g. E&P waste). Increase operating efficiencies and lower costs by way of vertical integration.

Major Investors- The Vanguard Group (10%), T. Rowe Price Group Inc. (8.53%), Capital Research and Management Company (3.98%), BMO Global Asset Management (3.59%), BlackRock Inc. (3.33%).

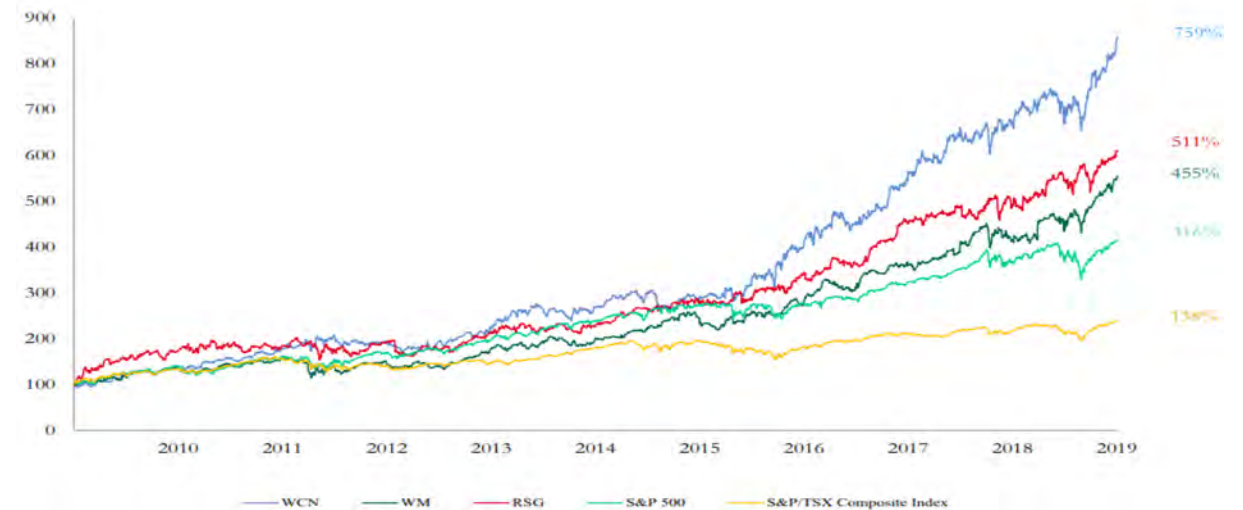
Keys to Outperformance

Waste Connections has consistently outperformed its competitors as well as major benchmark indexes over the past decade. This is largely due to the firm's commitment to increasing shareholder value through share buybacks, its steady growth in revenues, persistence of strategic acquisitions in rural markets, and its corporate strategy of lowering costs through vertical integration.

Key Statistics (USD)

Current Price:	\$107.08	EV/EBITDA:	26.0x
Market Cap:	\$28.15B	Total Debt:	\$4.97B
Beta:	0.73	Total Cash:	\$859M
Revenue (TTM):	\$5.41B	P/B:	4.22x
EBITDA	\$1.65B	S/O:	263M

10-Year Stock Performance





Business Overview

Diversified Revenue Streams

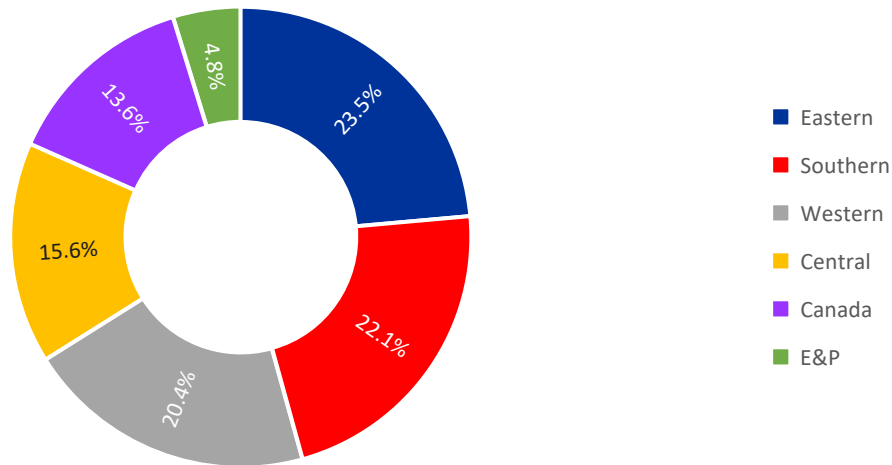
Exclusivity (avg. 6-7 years)

- G-Certificates- Exclusive to Washington State, awarded by the WUTC (perpetual right)
- Franchise agreements (7 years or longer)
- Municipal contracts (shorter in nature, require competitive bidding)
- Commercial, industrial, and E&P service agreements (typically ranging from 1-5 years)
- Rail haul disposal services aid in acquiring exclusive agreements in the Pacific Northwest (long-term)
- Residential contracts with homeowner’s association
- Subscription basis for individual households

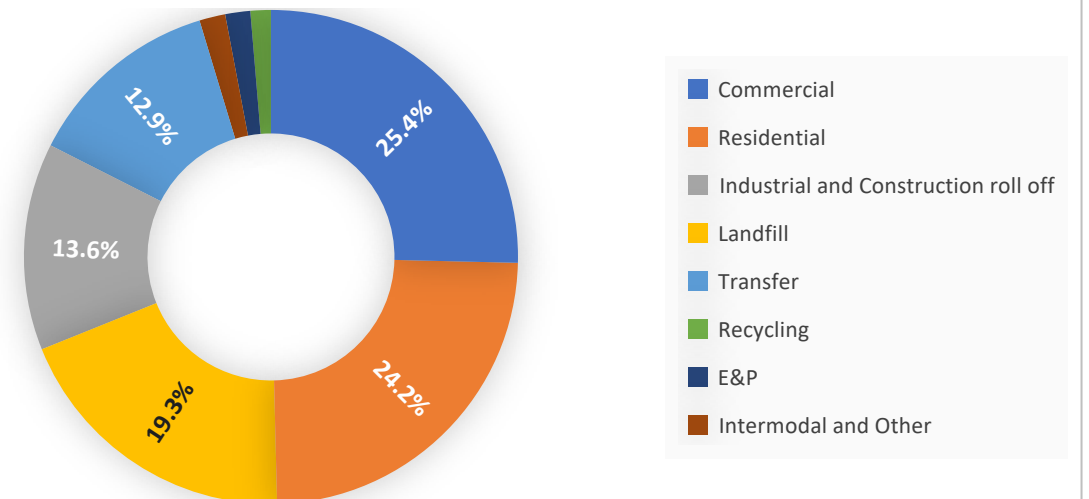
Revenue Collection

- **Landfill**- sell renewable energy (methane), charge tipping fee (per ton or per yard basis) based on type and volume of waste
- **Transfer**- increases operating efficiencies, revenue from 3rd parties with distant landfills
- **Recycling**- paid to collect and paid for collected recyclable materials by 3rd parties for possessing before resale
- **E&P**- Provide oil/natural gas exploration and production companies with storage tanks in order to create a closed-loop drilling fluid system that catches waste, and subsequent transportation of the waste for treatment and disposal; includes clean-up activities (spills)
- **Intermodal**- Receive waste by one mode of transportation and provide intermodal services and transportation logistics for customers (other waste companies)

Geographic Revenue Distribution



Q3 Revenue Distribution



Experienced Management Team



Ronald J. Mittelstaedt
Executive Chairman



Worthing F. Jackman
President, CEO, & Director



Darrell W. Chambliss
Executive VP & COO

- Founder of WCN (1997)
- More than 30 years experience in the solid waste industry
- Served as CEO 1997-2019
- Took the company public in 1998, \$30M in revenues
- Company grew to \$5.3B in revenues, shareholder returns of over 4000%.
- Worked at Browning-Ferris Industries as division VP of Northern California
- B.A. in Business Economics & Finance (USC)

- Served as managing director at Deutsche Bank Securities in the industrial and environmental services division.
 - Provided IB services to companies in the solid waste industry
- Started as the investment banker for WCN (2003)
- Served as the Executive VP and CFO from 2004-2018
- Became President in July 2018, & appointed CEO in July 2019
- Over 20 years experience in the industry
- Total compensation in 2019 \$3,408,374- 78.9% of which is tied to company performance and stock awards
- MBA at Harvard and B.S. degree in Finance Syracuse University

- Served as Executive VP of operations for WCN (1997-2003)
- Served as Executive VP and COO since 2003
- More than 26 years of experience in the solid waste industry
- Held various management positions at USA Waste Services inc.- one role was integrating acquisitions
- BS degree in Business Admin. University of Arkansas



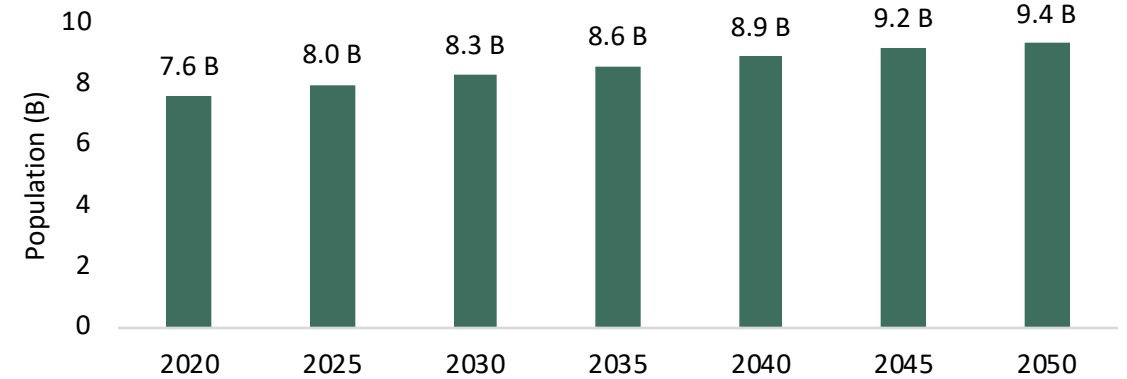
Industry Analysis

Waste Management - Population Growth and Income Level

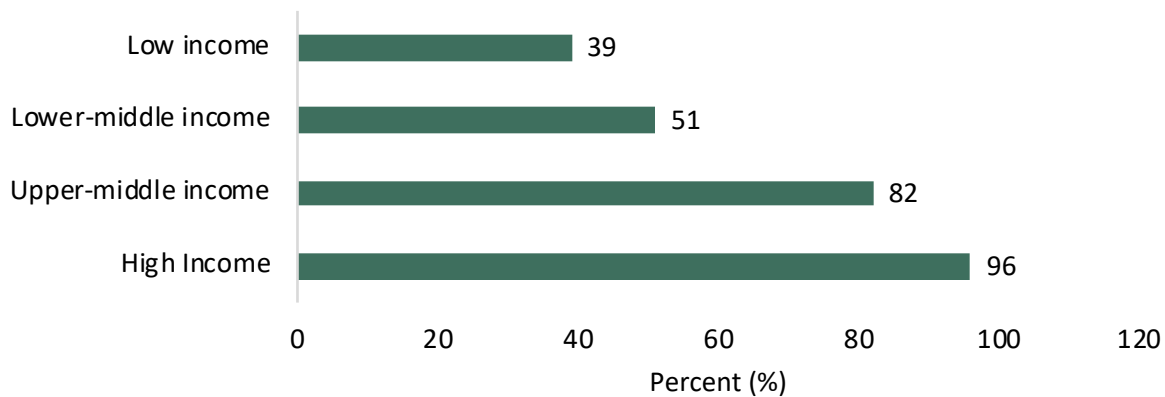
Commentary

- Waste management services are strongly coupled with population growth – as the world population is projected to grow steadily over the next 30 years, so will the demand for waste management
- Waste generation is expected to increase by 70% to 3.4 B tonnes in 2050
- The average waste generation per person/day is 0.74 kg
- Westernized nations account for 34% or 683 million tonnes of the world’s waste
- Per capita waste generation in first-world countries is projected to increase by 19% by 2050
- Waste generation in developing nations is expected to increase by 40%+ by 2050

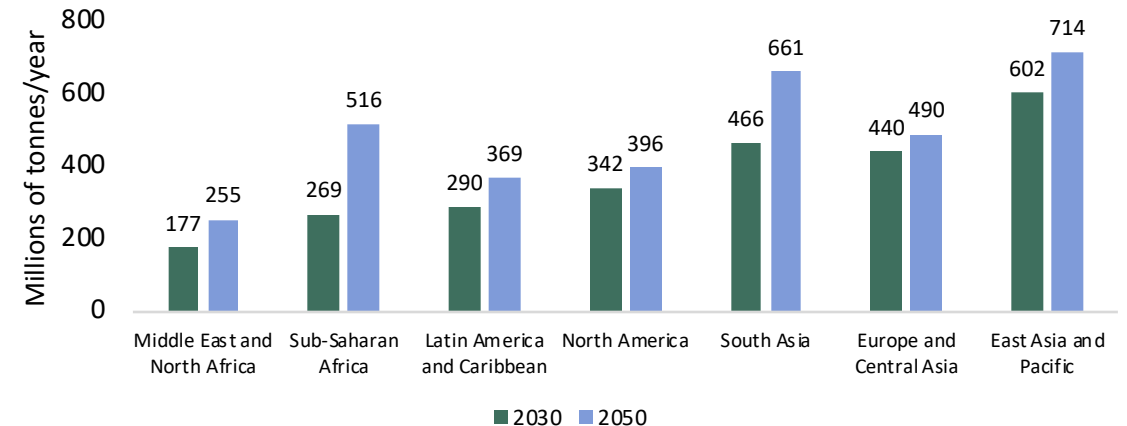
Projected World Population Growth



Waste Collection Rates by Worldwide Income Level

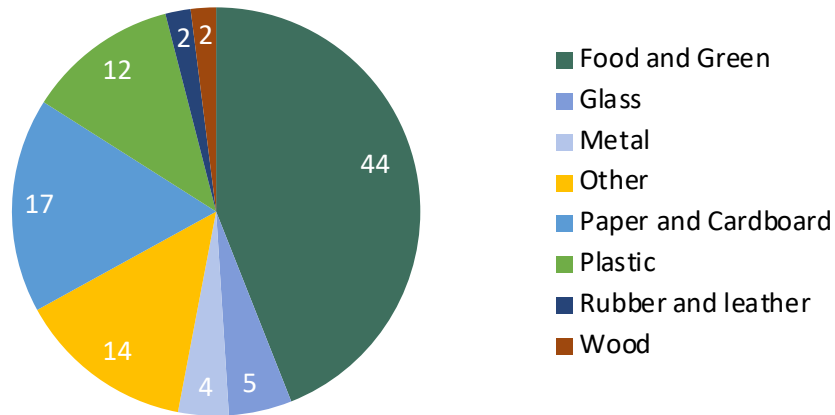


Projected Waste Generation by Region

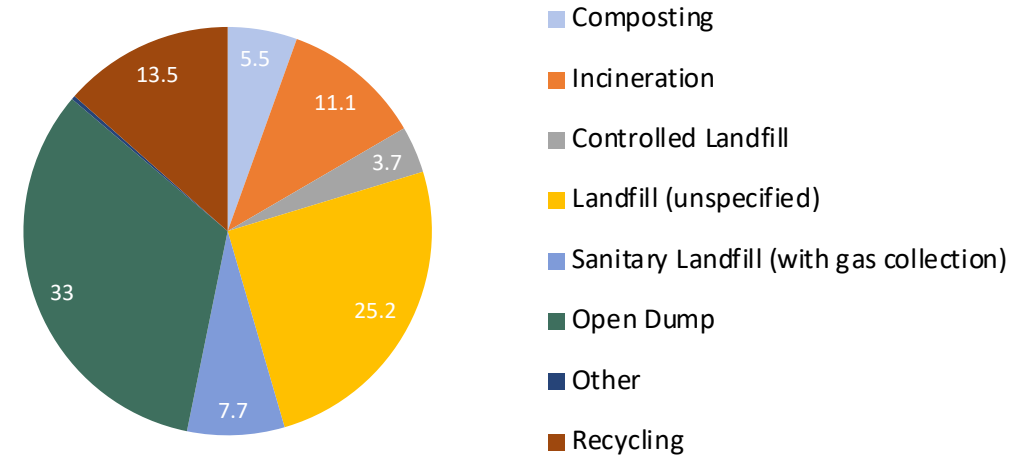


Global Waste Composition and Treatment

Global Waste Composition (Percent)



Global Treatment and Disposal of Waste (Percent)



Commentary

- High-income countries generate more dry waste such as plastic, paper, and cardboard when compared to food and green waste
- Middle and low-income countries generate more food and green waste with organic waste increasing
- The outliers are Europe, Central Asia and North America that generate higher portions of dry waste

Commentary

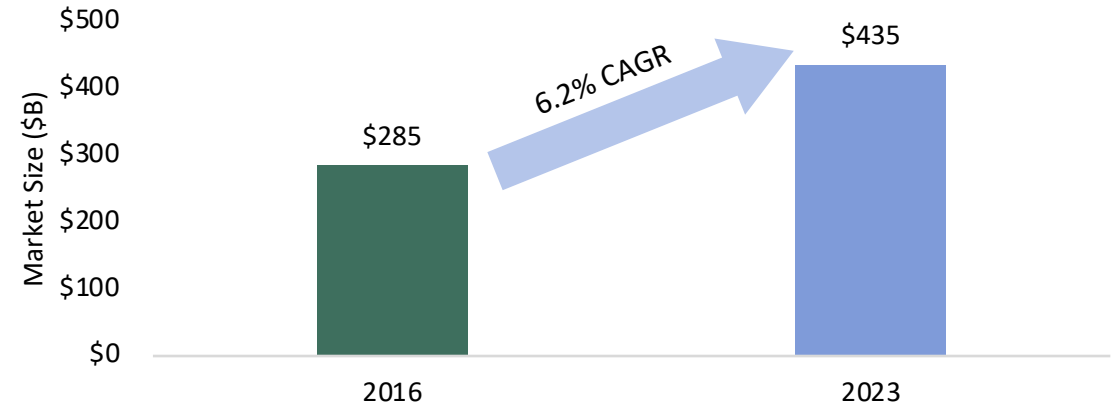
- Many countries are moving away from basic waste management solutions such as open dumping to more innovative solutions that will assist with long-term sustainability
- Globally, landfill waste treatments account for 37% of waste disposed
- Developed countries depend on controlled landfills while developing countries rely on more rudimentary solutions such as open-dumping

Waste Management Services

Commentary

- The waste management industry is divided into two main sectors of municipal waste and industrial waste
- The global waste management services industry is expected to grow from \$285 B to \$435B in 2023 at a CAGR of 6.2%
- Developing nations are behind much of the demand for waste management (ASEAN)
- A rising trend in environmental regulations and the increases in the removal of non-hazardous waste materials is also credited with the growth
- Other growth factors include the increased adoption of recycling and government programs aiming to reduce greenhouse gas emissions

Estimated Growth of Global Waste Management Market



United States Statistics

Market Size: \$52 B

of Businesses: 11,806

Industry Employment: 217,856

Average Industry Growth: 1.4%

Total Annual Revenue: \$95 B

Industry Outlook in the United States

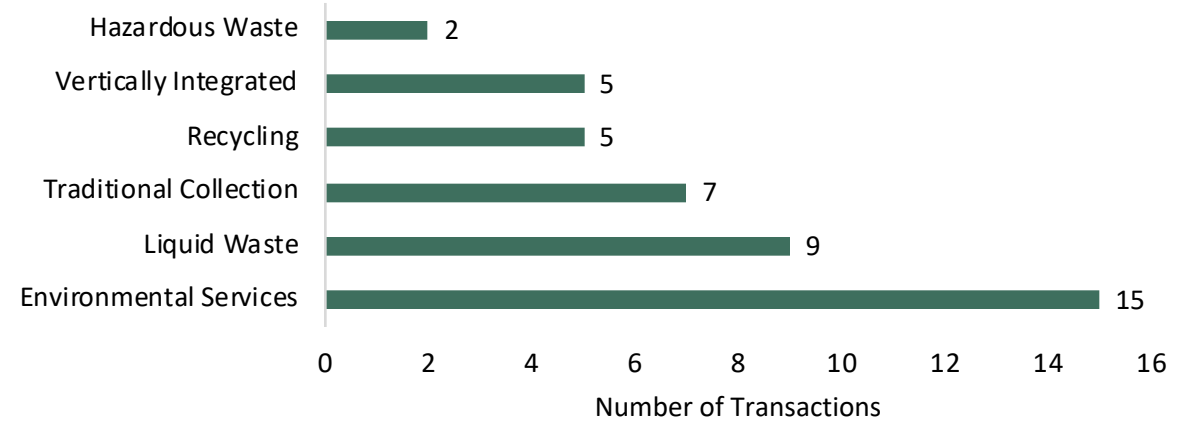
- The industry suffered a 6% decline in 2020 due to Covid-19
- In the long-term, the industry in the U.S. is expected to grow with Municipal Solid Waste management predicted to augment at 2.2% until 2026
- A new political landscape shifted towards renewable energy and greenhouse gas reduction will be a benefit through legislative bills such as the Plastic Reduction and Recycling Act that will be enacted
- The US' population is projected to raise to 380 M people by 2035 boosting annual waste generation and company profits in the long-run

Industry Consolidation

Commentary

- In 2020, M&A activity has heated up in the waste management space despite Covid-19
- Operating as essential services has allowed these companies to retain operational capacity in the residential and medical waste spaces without significant disruption to operating cash flows
- Increased deal selectiveness is growing while buyers are looking for businesses that possess steady cash flows, strong balance sheets, and that can weather economic storms
- M&A increased 48% in 2020 with 35% of the makeup in environmental services (waste technologies and equipment)
- Private equity made up 46.5% of M&A activity with the remaining going to large industry players such as Waste Connections, GFL, and Waste Management.

2020 M&A Activity – Segment Breakdown 2020



M&A Developments - 2020





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Waste Connections Inc.
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US DOT 840183
TX DOT 5093416C

Progressive
Waste Solutions

Investment Theses



Thesis 1 – Superior Business Strategy

Industry leading margins as a result of competitive moat

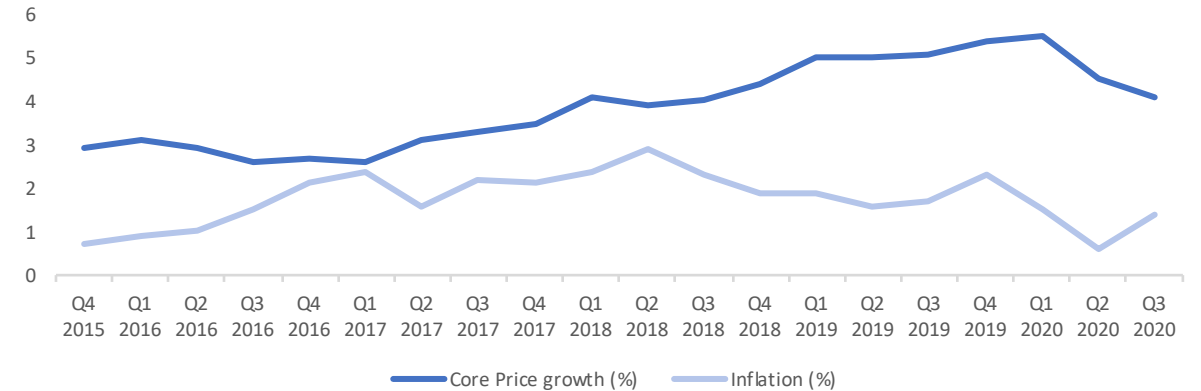
Competitive Moat

Secondary & Rural Markets: Through targeting these markets, WCN is able to achieve industry leading margins due to lack of competition resulting in strong pricing power and low customer churn.

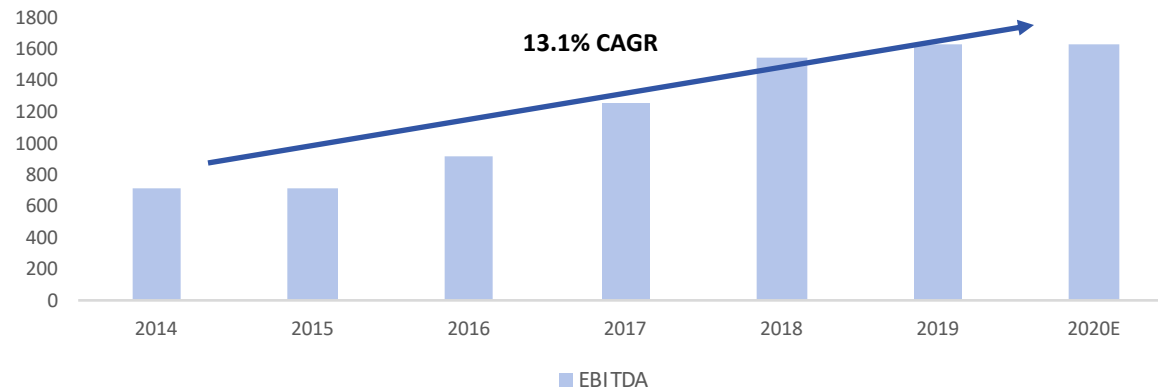
Exclusive Contracts: Over 40% of solid waste revenues are generated under exclusive arrangements.

Vertical Integration and Optimal Asset Positioning: WCN vertically integrates its waste collection business with owning and operating landfills and transfer stations in key markets which further serves as a strategic advantage capping competition.

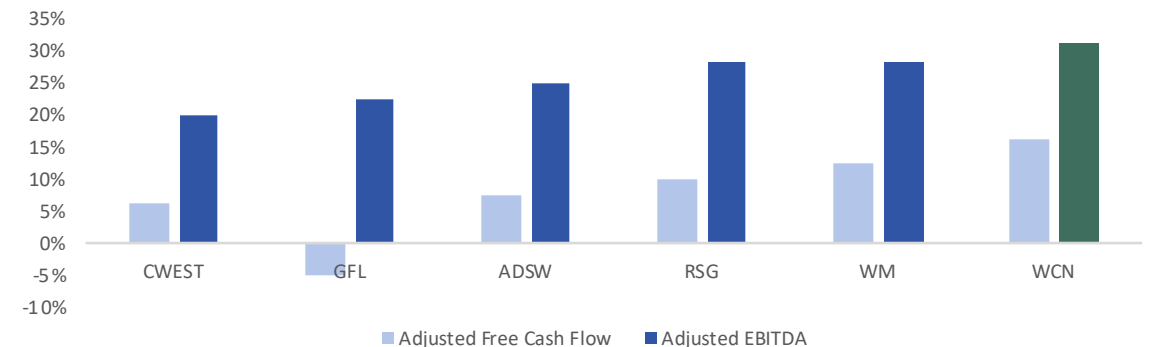
Pricing Power



EBITDA Growth



Free Cash Flow, EBITDA Margins vs. Peers



Thesis 2 – Robust M&A Pipeline

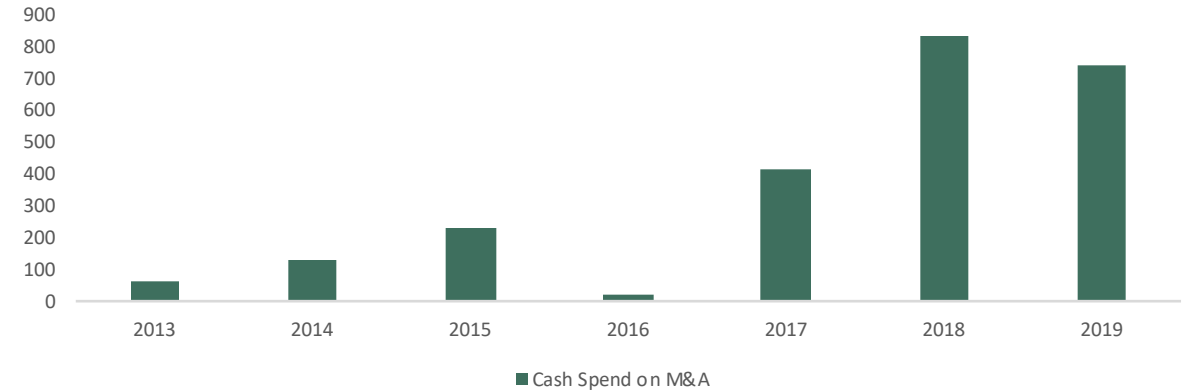
Decentralized Operating Structure Coupled with Sound Financial Position Provide an Acquisitive Atmosphere for WCN

Attractive Buyer

Decentralized Operating Structure: WCN manages its operations on a decentralized basis, meaning that each site manager has a high degree of authority which not only aids in meeting customer needs, but also aids in identifying acquisition targets. The decentralized structure also makes WCN a more attractive buyer as an emphasis is placed on minimal disruption and many of the small business sellers don't want their businesses swallowed up into a big corporate machine.

Deal Flow Stays Alive Amid Pandemic: YTD, WCN has signed or closed 16 acquisitions spanning across the US and Canada, which total an approximate \$135 million in annualized revenue.

Cash Used for Acquisitions



Free Cash Flow Spend

#1

Acquisitions

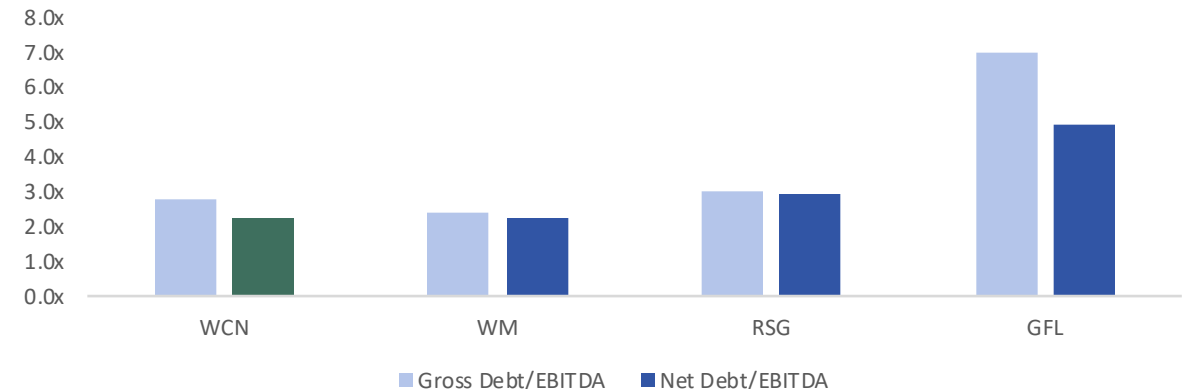
#2

Dividends

#3

Share Buybacks

Free Cash Flow, EBITDA Margins vs. Peers



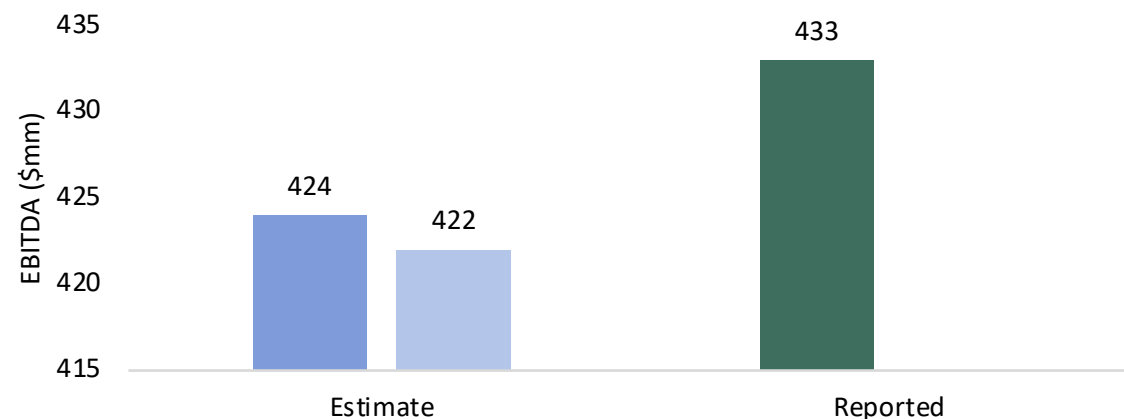
Thesis 3 – Volume Capacity

Solid Waste Volume Recovery

Commentary

- In 2020, Waste Connections' solid waste volume declined due to a decrease in industrial and commercial waste, (Q2 -9.6%)
- 3Q 2020 solid waste volumes were down to 5.7% YoY beating estimates of 7.3% YoY
- 68% of solid waste customers have resumed services when compared with 53% in 2Q 2020
- Positive effect on FCF with projections of beating their original estimate of \$805-835 mm with an expectation of growing FCF by double digits in 2021
- Adjusted EBITDA of \$433mm also beat estimates of \$424mm (JPM) due to a rebound in solid waste volume and an expectation that it will continue growing through 2021

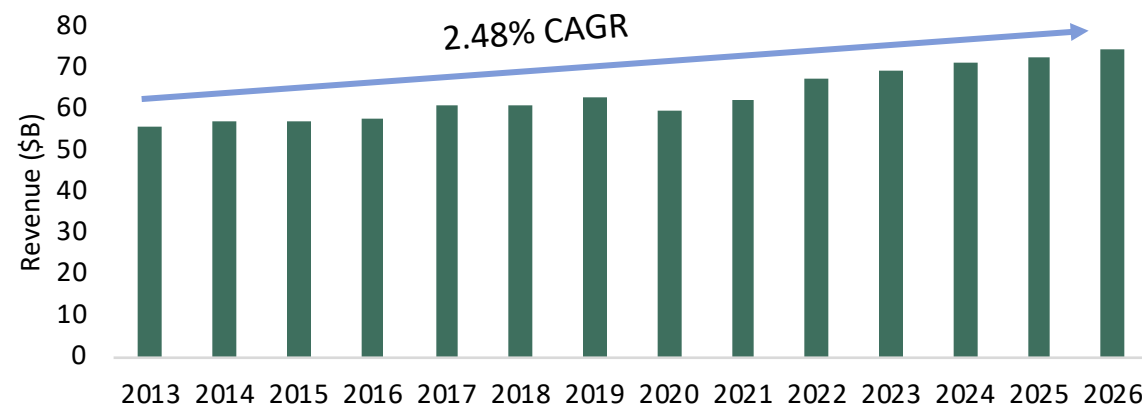
Estimated vs Reported EBITDA 3Q20



Commentary

- The US solid waste market is anticipated to grow at a CAGR of 2.48% until 2026
- Covid-19 has made industry revenue drop in 2020 to \$60.1 B, but it is anticipated that 2021 will serve as a year for recovery driving the trend of growth back on track
- Waste Connections serves to benefit as one of the largest solid waste industry players as the industry picks back up in 2021
- Pricing power enables Waste Connections to gain a competitive edge by maintaining current pricing of contracts which have kept them from suffering a detrimental outcome in 2020
- This trend will continue a steady pattern of growth beyond 2020-2021 by boosting EBITDA margins and FCFF payout

US Solid Waste Market Growth



Risks & Mitigants



Well Positioned to Mitigate Risks

Risks

- **Operational Risk-** Stricter lockdowns due to rising COVID-19 cases may impact commercial waste collection revenues.
- **Economic Risks-** A prolonged recession will lead to persistently low prices of crude oil and a decrease in new construction. This will negatively impact the E&P waste disposal and demolition debris divisions in particular.
- **Competitive Risk-** Highly competitive industry, could lead to more competitive bids in municipal contracts (i.e. Smaller firms undercutting), negatively impacting revenues.
- **Regulatory and Political Risk-** Canada has a net-zero emissions target by 2050, Biden plans to do the same.

Mitigants

- **Acquire competitors-** WCN has plenty of cash on hand and in this low interest environment will be able to achieve cheaper debt financing to pursue acquisitions and reduce competition (11 this year).
- **Commitment to reducing carbon footprint-** recycle or divert 50-70% of waste collected, increase biogas recovery by 40%, process 50% of leachate on site, starting beta testing on fully electric collection trucks.
- **Pent up demand-** As the economy begins to reopen demand for their services will begin to increase.
- **Diversified revenue streams-** Although certain revenue streams will be suppressed in the short-term, others will be able to offset the effect (e.g. more people at home increases residential waste).

Valuation



Comparables Analysis

Name	Price	Mkt Cap (\$MM)	EV (\$MM)	Shares Out (MM)	P/E			EV/EBITDA			EV/EBIT		
					TTM	2020	2021E	TTM	2020	2021E	TTM	2020	2021E
Waste Connections	105.93	27,838	31,885	262.8	34.75x	38.35x	43.18x	27.58x	19.51x	17.66x	78.35x	40.21x	29.25x
Waste Management Inc	119.69	50,581	64,447	422.6	29.16x	29.89x	25.89x	14.64x	13.89x	12.43x	24.69x	23.01x	20.05x
Clean Harbours Inc	65.3	3,605	4,287	55.2	28.76x	33.49x	31.23x	8.59x	8.69x	8.48x	19.70x	20.88x	20.04x
Republic Services Inc	100.41	32,003	40,872	318.7	28.89x	30.02x	27.26x	14.03x	13.61x	12.89x	23.42x	22.56x	21.08x
Stericycle Inc	74.49	6,823	8,528	91.6	59.72x	32.92x	29.29x	14.18x	17.69x	17.04x	13.17x	33.32x	31.43x
GFL Environmental Inc	21.51	7,021	15,249	326.4	-	-	164.79x	-	13.61x	9.49x	-	-	97.67x
Casella Waste Systems Inc	58.39	2,984	3,424	51.1	64.18x	73.02x	59.31x	21.01x	20.74x	18.80x	54.71x	55.23x	45.54x
Mean					40.91x	39.62x	54.42x	17.17x	15.39x	13.83x	35.67x	32.54x	37.87x
Median					31.96x	33.21x	31.23x	14.64x	13.89x	12.89x	24.06x	28.17x	29.25x
Maximum					64.18x	73.02x	164.79x	27.58x	20.74x	18.80x	78.35x	55.23x	97.67x
Minimum					28.76x	29.89x	25.89x	8.59x	8.69x	8.48x	13.17x	20.88x	20.04x
Waste Connections	105.93	27,838	13,403	262.8	34.75x	38.35x	43.18x	27.58x	19.51x	17.66x	78.35x	40.21x	29.25x

EV/EBITDA Valuation			
	Bear Case	Base Case	Bull Case
EBITDA	1,806.80	1,806.80	1,806.80
EV/EBITDA	13.83x	17.66x	19.96x
Enterprise Value	24,982.88	31,908.09	36,056.14
Add: Cash	859.10	859.10	859.10
Less: Debt	4,680.20	4,680.20	4,680.20
Less: Minority Interest	0.10	0.10	0.10
Equity Value	21,161.68	28,086.89	32,234.94
Shares Outstanding	262.80	262.80	262.80
Equity Value per Share	\$ 80.52	\$ 106.88	\$ 122.66
Market Premium (Discount) to Fair Value	-23.98%	0.89%	15.79%

Valuation – DCF Analysis

Strong cash from operations driving free cash flow

Term value – Perpetuity Approach

Long term growth rate	2.0%
2024 FCF x (1+g)	1,334.4
Terminal value at 2024 YE	38,790.6
PV of TV	30,970.9
+ PV of Growth Period	3,975.6
Enterprise value	34,946.5
Less: Net Debt	(2,579.0)
Equity Value	32,367.5
/ Dilutive Shares Outstanding	264.00
Equity Value / Share	\$122.60

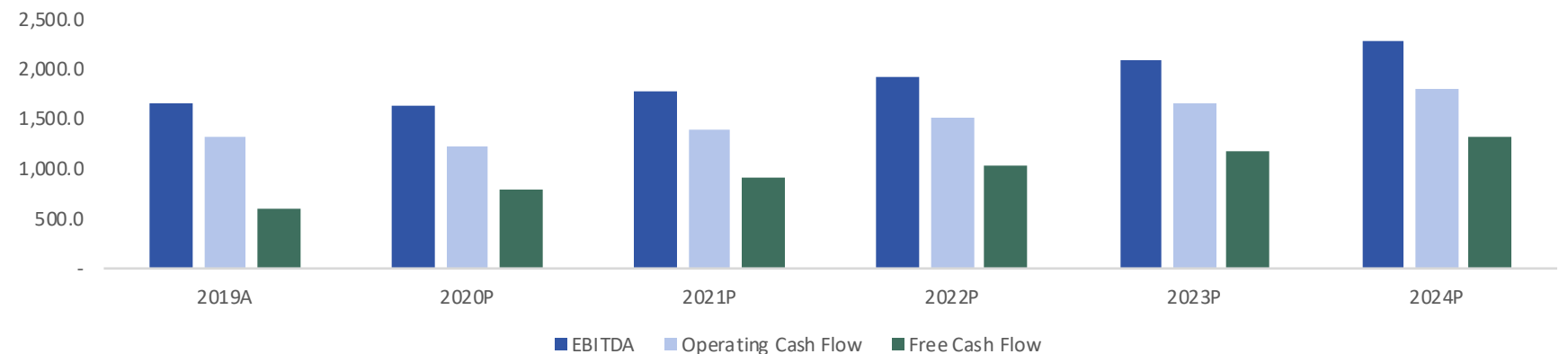
Discounted Cash Flow Analysis

	2019A	2020P	2021P	2022P	2023P	2024P	
EBITDA	1,643.6	1,624.7	1,769.3	1,926.6	2,097.8	2,284.1	
EBIT	837.8	1,055.9	1,167.4	1,303.6	1,453.9	1,616.9	
Net Operating Profit After Tax	24%	633.4	798.3	882.5	985.6	1,099.2	1,222.4
Add Back: D&A	618.4	555.8	601.9	623.0	643.9	667.2	
Subtract: Increases in NWC	-	(4.1)	19.8	18.1	20.8	18.7	
Subtract: Capital Expenditures	(653.0)	(564.8)	(600.0)	(600.0)	(600.0)	(600.0)	
Unlevered Free Cash Flows	598.8	785.2	904.2	1,026.6	1,163.8	1,308.2	
UFCF stub adjusted		196.3	904.2	1,026.6	1,163.8	1,308.2	
Discount period adjustment		0.25	1.25	2.25	3.25	4.25	
Discount Rate	5.44%	5.44%	5.44%	5.44%	5.44%	5.44%	
PV of Unlevered FCFs		193.7	846.3	911.3	979.8	1,044.5	

Term value – Perpetuity Approach

EBITDA multiple	18.0x
Terminal value at 2024 YE	41,113.0
PV of TV	31,546.6
+ PV of Growth Period	3,975.6
Enterprise value	35,522.1
Less: Net Debt	(2,579.0)
Equity Value	32,943.1
/ Dilutive Shares Outstanding	264.00
Equity Value / Share	\$124.78

Forward EBITDA, Operating Cash Flow, & Unlevered Free Cash Flow



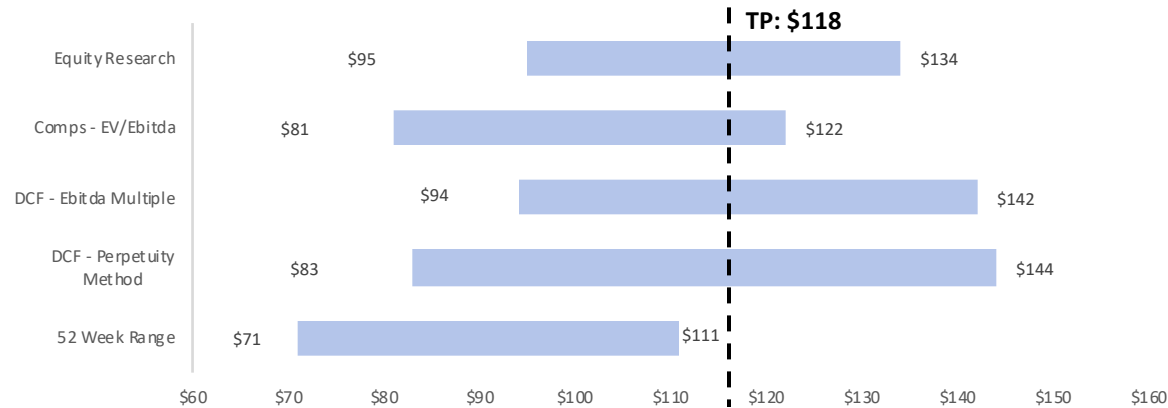
Recommendation



Recommendation

Recommend a target price of \$118 USD

Valuation Football Field

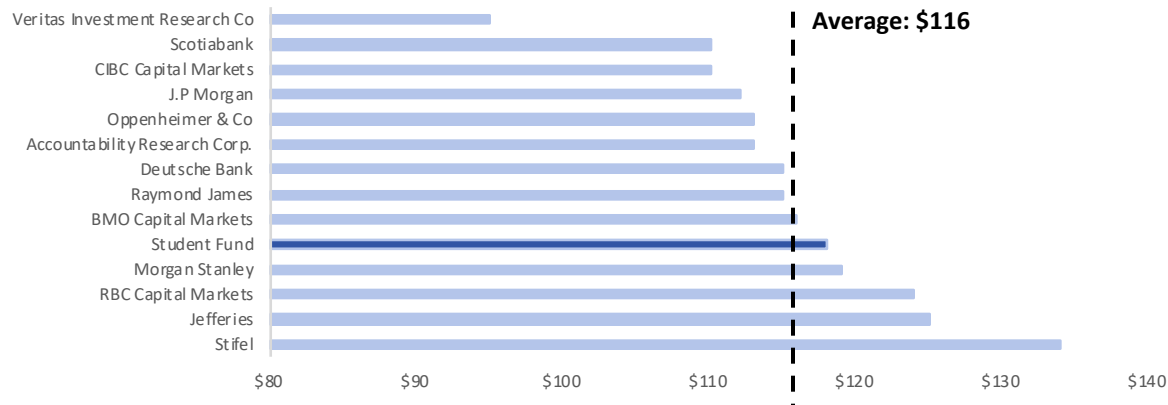


Valuation Weighting Calculation

	Base Case TP	Weighting
DCF - Perpetuity Approach	122.6	33%
DCF - EBITDA multiple	124.78	33%
Comps - EV/EBITDA	106.88	33%
Blended Target Price		\$118

Given the differing business operation strategy of WCN, we are leaning more upon our intrinsic valuation to derive the target price of **\$118**.

Street Estimates



Thesis Recap

Superior Business Strategy

M&A

Volume Recovery



Appendix

Drivers Moving Forward

- Plan to repurchase 5% (13,144,773) of their current shares outstanding and all shares will be returned to treasury for cancellation- supply shock.
- Increased dividends by 10.8% (\$0.185/share to \$0.205, USD) in most recent quarter, and have steadily increased dividends since 2014- likely to continue with increased consolidation.
- Ability to continue growth through acquisitions- significantly increased cash (2.63x YOY), have \$1.258B remaining of borrowing capacity, low interest rate environment.
- Increasing biogas recovery by 40%, will allow for increased revenue from renewable energy tax credits, and sale of landfill gas (\$2.9M). Stricter regulations are on the horizon and companies will be required to operate in a more eco-friendly manner, this may open a new source of revenue from carbon offsets.
 - Methane molecule 25x as potent
- Canada has the fastest growing population of the G7 countries (1.4% in 2019, expected to be 1.06% in 2021)), immigration is expected to pick up significantly, and real GDP growth rates are expected to be high in 2021.
 - Population growth in U.S. 0.5% (2019), (0.6% (2020 & 2021)
 - Economic recovery in 2021

Financial Statements – Income Statement

Waste Connections, Inc.								
Income Statement (\$USD mm)								
	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Revenues	4,630.5	4,923.0	5,388.7	5,415.6	5,848.9	6,316.8	6,822.2	7,367.9
Cost of Operations	(2,704.8)	(2,865.7)	(3,198.8)	(3,249.4)	(3,509.3)	(3,790.1)	(4,093.3)	(4,420.8)
Gross Profit	1,925.7	2,057.3	2,189.9	2,166.3	2,339.6	2,526.7	2,728.9	2,947.2
SG&A	(509.6)	(524.4)	(546.3)	(541.6)	(570.3)	(600.1)	(631.0)	(663.1)
EBITDA	1,416.1	1,532.9	1,643.6	1,624.7	1,769.3	1,926.6	2,097.8	2,284.1
Depreciation	(530.2)	(572.7)	(618.4)	(428.7)	(488.4)	(520.5)	(551.9)	(582.5)
Amortization of intangibles	(102.3)	(107.8)	(125.5)	(127.2)	(113.5)	(102.5)	(92.0)	(84.7)
Impairments and other operating items	(156.5)	(20.1)	(61.9)	(12.9)	-	-	-	-
EBIT	627.1	832.3	837.8	1,055.9	1,167.4	1,303.6	1,453.9	1,616.9
Interest expense	(125.3)	(132.1)	(147.4)	(176.0)	(156.0)	(156.1)	(156.1)	(156.0)
Interest Income	5.1	7.1	9.8	3.3	6.9	9.0	11.9	15.7
Other income/expense, net	1.5	(0.2)	5.7	-	-	-	-	-
EBT	508.4	707.1	705.9	883.2	1,018.3	1,156.6	1,309.7	1,476.5
Income tax	68.9	(160.0)	(139.2)	(215.5)	(248.5)	(282.2)	(319.6)	(360.3)
Net income	577.3	547.1	566.7	667.7	769.8	874.4	990.2	1,116.2
Shares outstanding, diluted (MM's)			262.0	264.0	264.0	264.0	264.0	264.0
EPS			2.2	2.5	2.9	3.3	3.8	4.2

Financial Statements – Balance Sheet

Waste Connections, Inc.								
Balance Sheet (\$USD mm)								
	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Assets								
Cash & short-term investments	443.8	319.3	326.7	693.7	899.7	1,185.8	1,569.5	2,054.2
Accounts receivable	554.5	609.5	662.8	658.5	713.1	770.1	831.7	895.8
Prepaid expenses and other current assets	188.6	164.1	141.0	135.4	131.6	126.3	119.4	110.5
Total current assets	1,186.9	1,092.9	1,130.5	1,487.5	1,744.4	2,082.2	2,520.7	3,060.6
Restricted Cash and Investments	167.0	132.2	147.7	147.7	147.7	147.7	147.7	147.7
Property, plant & equipment, net	4,820.9	5,169.0	5,516.4	5,723.9	5,971.8	6,185.1	6,364.0	6,508.4
Operating lease right-of-use assets	-	-	183.2	174.8	157.8	145.5	138.9	138.9
Goodwill	4,681.8	5,031.7	5,510.9	5,563.0	5,653.0	5,743.0	5,833.0	5,923.0
Intangible assets	1,087.4	1,128.6	1,163.1	1,105.5	1,111.9	1,129.4	1,157.4	1,192.7
Intangible assets, net								
Other assets, net	68.0	73.0	86.0	86.0	86.0	86.0	86.0	86.0
Total assets	12,012.0	12,627.4	13,737.8	14,288.4	14,872.7	15,519.1	16,247.7	17,057.3
Liabilities & Shareholders' equity								
Accounts payable	330.5	360.0	437.0	448.3	487.9	529.6	574.7	622.0
Book overdraft	19.2	18.5	16.0	16.0	16.0	16.0	16.0	16.0
Accrued liabilities	278.0	289.5	281.3	270.8	277.8	284.3	289.9	294.7
Current portion of operating lease liabilities	-	-	29.9	35.6	38.2	41.3	45.7	45.7
Current portion of contingent consideration	18.0	11.6	26.2	5.4	9.4	9.4	9.4	9.4
Deferred revenue	145.2	179.3	216.4	216.6	234.0	252.7	272.9	294.7
Revolver	192.1	481.6	916.2	-	-	-	-	-
Total current liabilities	983.0	1,340.5	1,923.0	992.7	1,063.4	1,133.2	1,208.7	1,282.6
Long-term debt and notes payable	3,719.2	3,673.7	3,438.1	4,521.6	4,521.6	4,521.6	4,521.6	4,521.6
Long-term portion of operating lease liabilities	-	-	160.0	135.0	132.8	129.9	125.2	123.1
Long-term portion of contingent consideration	31.5	43.0	42.8	8.9	15.3	15.3	15.3	15.3
Deferred income taxes	690.8	760.0	818.6	818.6	818.6	818.6	818.6	818.6
Other long-term liabilities	316.2	349.9	416.9	416.9	416.9	416.9	416.9	416.9
Total liabilities	5,740.7	6,167.1	6,799.4	6,904.7	6,975.4	7,038.7	7,106.9	7,171.9
Shareholders' equity								
Common stock	4,187.6	4,131.3	4,135.3	4,135.3	4,135.3	4,135.3	4,135.3	4,135.3
Additional paid-in capital	115.8	133.6	154.9	154.9	154.9	154.9	154.9	154.9
Accumulated OCI	108.4	(74.8)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)
Retained earnings	1,856.9	2,264.5	2,654.2	3,099.5	3,613.0	4,196.2	4,856.7	5,601.2
Total Waste Connections' equity	6,268.7	6,454.6	6,933.4	7,378.7	7,892.2	8,475.4	9,135.9	9,880.4
Noncontrolling interest in subsidiaries	2.6	5.7	5.0	5.0	5.0	5.0	5.0	5.0
Total equity	6,271.3	6,460.3	6,938.4	7,383.7	7,897.2	8,480.4	9,140.9	9,885.4
Liabilities & Shareholders' equity	12,012.0	12,627.4	13,737.8	14,288.5	14,872.6	15,519.1	16,247.7	17,057.3
Check	-	-	-	-	-	-	-	-

Financial Statements – Statement of Cash Flows



Waste Connections, Inc.								
Income Statement (\$USD mm)								
	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P
Revenues	4,630.5	4,923.0	5,388.7	5,415.6	5,848.9	6,316.8	6,822.2	7,367.9
Cost of Operations	(2,704.8)	(2,865.7)	(3,198.8)	(3,249.4)	(3,509.3)	(3,790.1)	(4,093.3)	(4,420.8)
Gross Profit	1,925.7	2,057.3	2,189.9	2,166.3	2,339.6	2,526.7	2,728.9	2,947.2
SG&A	(509.6)	(524.4)	(546.3)	(541.6)	(570.3)	(600.1)	(631.0)	(663.1)
EBITDA	1,416.1	1,532.9	1,643.6	1,624.7	1,769.3	1,926.6	2,097.8	2,284.1
Depreciation	(530.2)	(572.7)	(618.4)	(428.7)	(488.4)	(520.5)	(551.9)	(582.5)
Amortization of intangibles	(102.3)	(107.8)	(125.5)	(127.2)	(113.5)	(102.5)	(92.0)	(84.7)
Impairments and other operating items	(156.5)	(20.1)	(61.9)	(12.9)	-	-	-	-
EBIT	627.1	832.3	837.8	1,055.9	1,167.4	1,303.6	1,453.9	1,616.9
Interest expense	(125.3)	(132.1)	(147.4)	(176.0)	(156.0)	(156.1)	(156.1)	(156.0)
Interest Income	5.1	7.1	9.8	3.3	6.9	9.0	11.9	15.7
Other income/expense, net	1.5	(0.2)	5.7	-	-	-	-	-
EBT	508.4	707.1	705.9	883.2	1,018.3	1,156.6	1,309.7	1,476.5
Income tax	68.9	(160.0)	(139.2)	(215.5)	(248.5)	(282.2)	(319.6)	(360.3)
Net income	577.3	547.1	566.7	667.7	769.8	874.4	990.2	1,116.2
Shares outstanding, diluted (MM's)			262.0	264.0	264.0	264.0	264.0	264.0
EPS			2.2	2.5	2.9	3.3	3.8	4.2

Waste Connections, Inc.			
WACC (\$USD mm)			
WACC Calculation Inputs			
<u>Equity</u>		<u>Debt</u>	
Shares out. (MM)	264	Long-term Debt	4,680.2
Share Price	\$107.80	Cost of LT Debt	3.30%
Risk Free Rate	0.91%	Tax Rate	24.40%
Market Return	7.78%		
Beta	0.73		
CAPM		Weightings	
Risk Free Rate	0.91%	Total Equity	28,459.2
Beta	0.73	Total Debt	4,680.2
Market Risk Premium	6.87%	Total Capital	33,139.4
Cost of Equity	5.93%	Weight of Equity	85.88%
		Weight of Debt	14.12%
WACC			
Weight of Equity	85.88%	Weight of Debt	14.12%
Cost of Equity	5.93%	After Tax Cost of Debt	2.49%
Weighted Average Cost of Capital			5.44%

WACC	Long-term growth rate in perpetuity							
	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	
4.75%	\$123	\$133	\$144	\$156	\$172	\$191	\$215	
5.00%	\$114	\$122	\$132	\$142	\$155	\$171	\$189	
5.25%	\$106	\$113	\$121	\$130	\$141	\$154	\$169	
5.44%	\$101	\$107	\$114	\$123	\$132	\$143	\$156	
5.75%	\$93	\$98	\$105	\$111	\$119	\$128	\$139	
6.00%	\$88	\$92	\$98	\$104	\$111	\$118	\$127	
6.25%	\$83	\$87	\$92	\$97	\$103	\$110	\$117	

WACC	Exit EBITDA multiple							
	16.5x	17.0x	17.5x	18.0x	18.5x	19.0x	19.5x	
4.75%	\$119	\$122	\$126	\$129	\$132	\$136	\$139	
5.00%	\$117	\$121	\$124	\$127	\$131	\$134	\$138	
5.25%	\$116	\$119	\$123	\$126	\$129	\$133	\$136	
5.44%	\$115	\$118	\$121	\$125	\$128	\$131	\$135	
5.75%	\$113	\$116	\$120	\$123	\$126	\$129	\$133	
6.00%	\$112	\$115	\$118	\$121	\$125	\$128	\$131	
6.25%	\$110	\$114	\$117	\$120	\$123	\$126	\$130	

Full Comps

Name	Ticker	Price	Mkt Cap (\$MM)	EV (\$MM)	Shares Out (MM)	P/E			Price/Sales			Price/CF	EV/EBITDA			EV/Sales			EV/EBIT		
						TTM	2020	2021E	TTM	2020	2021E		TTM	2020	2021E	TTM	2020	2021E	TTM	2020	2021E
Waste Connections	WCN	105.93	27,838	31,885	262.8	34.75x	38.35x	43.18x	5.18x	5.19x	4.79x	18.19x	27.58x	19.51x	17.66x	5.93x	5.95x	5.50x	78.35x	40.21x	29.25x
Waste Management Inc	WM	119.69	50,581	64,447	422.6	29.16x	29.89x	25.89x	3.37x	3.34x	3.01x	13.75x	14.64x	13.89x	12.43x	4.01x	3.98x	3.95x	24.69x	23.01x	20.05x
Clean Harbours Inc	CLH	65.3	3,605	4,287	55.2	28.76x	33.49x	31.23x	1.12x	1.14x	1.08x	8.11x	8.59x	8.69x	8.48x	1.48x	1.51x	1.43x	19.70x	20.88x	20.04x
Republic Services Inc	RSG	100.41	32,003	40,872	318.7	28.89x	30.02x	27.26x	3.16x	3.15x	2.99x	12.96x	14.03x	13.61x	12.89x	4.00x	4.00x	3.80x	23.42x	22.56x	21.08x
Stericycle Inc	SRCL	74.49	6,823	8,528	91.6	59.72x	32.92x	29.29x	2.38x	2.51x	2.49x	16.31x	14.18x	17.69x	17.04x	3.22x	3.39x	3.36x	13.17x	33.32x	31.43x
GFL Environmental Inc	GFL	21.51	7,021	15,249	326.4	-	-	164.79x	-	2.21x	1.83x	-	-	13.61x	9.49x	-	3.27x	2.70x	-	-	97.67x
Casella Waste Systems Inc	CWST	58.39	2,984	3,424	51.1	64.18x	73.02x	59.31x	3.62x	3.83x	3.56x	17.71x	21.01x	20.74x	18.80x	4.62x	4.60x	4.27x	54.71x	55.23x	45.54x
Mean						40.91x	39.62x	54.42x	3.14x	3.05x	2.82x	14.51x	17.17x	15.39x	13.83x	3.88x	3.81x	3.57x	35.67x	32.54x	37.87x
Median						31.96x	33.21x	31.23x	3.27x	3.15x	2.99x	15.03x	14.64x	13.89x	12.89x	4.01x	3.98x	3.80x	24.06x	28.17x	29.25x
Maximum						64.18x	73.02x	164.79x	5.18x	5.19x	4.79x	18.19x	27.58x	20.74x	18.80x	5.93x	5.95x	5.50x	78.35x	55.23x	97.67x
Minimum						28.76x	29.89x	25.89x	1.12x	1.14x	1.08x	8.11x	8.59x	8.69x	8.48x	1.48x	1.51x	1.43x	13.17x	20.88x	20.04x
Waste Connections	WCN	105.93	27,838	13,403	262.8	34.75x	38.35x	43.18x	5.18x	5.19x	4.79x	18.19x	27.58x	19.51x	17.66x	5.93x	5.95x	5.50x	78.35x	40.21x	29.25x