

# Republic Services

## Investor Presentation

August 2019



# Forward-Looking Statements

Certain statements and information included herein constitute "forward-looking statements," including statements with respect to our anticipated 2019 financial results, within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Words such as "will," "expect," "anticipate," "estimate," "guidance" and similar words and phrases are used in this presentation to identify the forward-looking statements. These forward-looking statements, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual results, events or conditions to differ materially from those expressed or implied by the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that the expectations will prove to be correct. Other factors which could materially affect our forward-looking statements can be found in our periodic reports filed with the Securities and Exchange Commission. Stockholders, potential investors and other readers are urged to consider these factors carefully in evaluating our forward-looking statements and are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements made herein are only made as of the date of this presentation, and except as required by law, we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

# Industry Profile

- Revenue and earnings visibility
  - Multi-year contracts
- Strong and predictable free cash flow
- Good operating leverage
  - Benefit from moderate increases in inflation
- Continues to consolidate
  - Approx. 35% of industry revenue with private entrepreneurs and regional publicly-traded companies



*We provide an essential service with strong and predictable cash flow*

# Republic's Strengths

- National platform
  - Vertically integrated North American recycling and solid waste provider
- High-quality asset base
  - Modern fleet
  - Long-lived landfill network
  - Single-stream recycling
  - E&P waste capabilities
- Cash return to shareholders
- Investment-grade credit ratings



*Our business culture centers around ROIC and Free Cash Flow*

# How We Create Value

- Profitably grow our business
  - Organically and through acquisitions
- Gain pricing power through differentiation and superior service
- Reduce costs and achieve operational excellence
- Generate consistent earnings & cash flow growth; improve ROIC
- Increase cash returns to shareholders

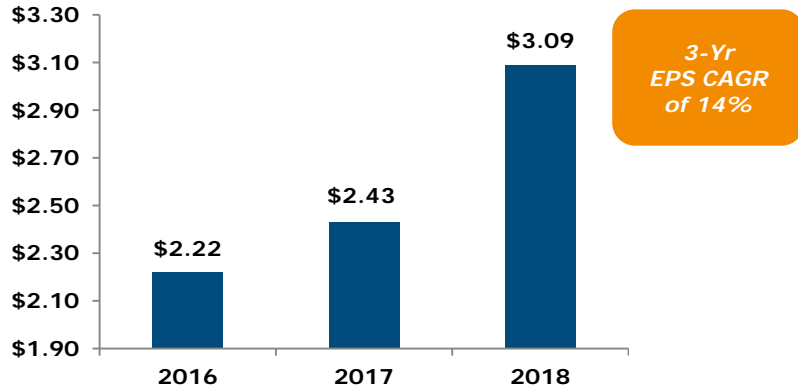


We'll handle it from here.™

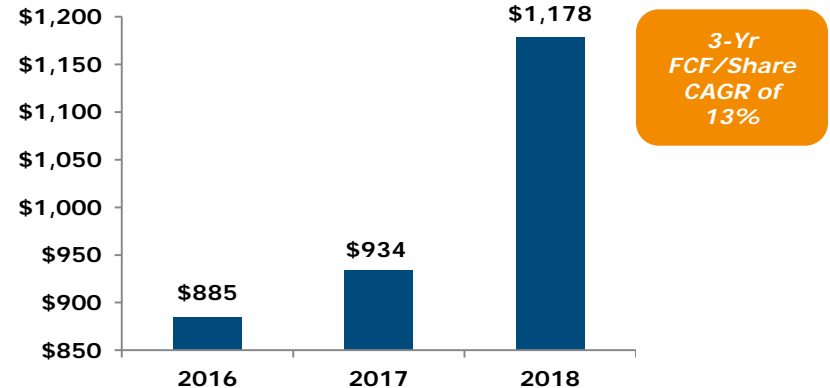
*We are managing the business to create long-term shareholder value*

# Our Performance

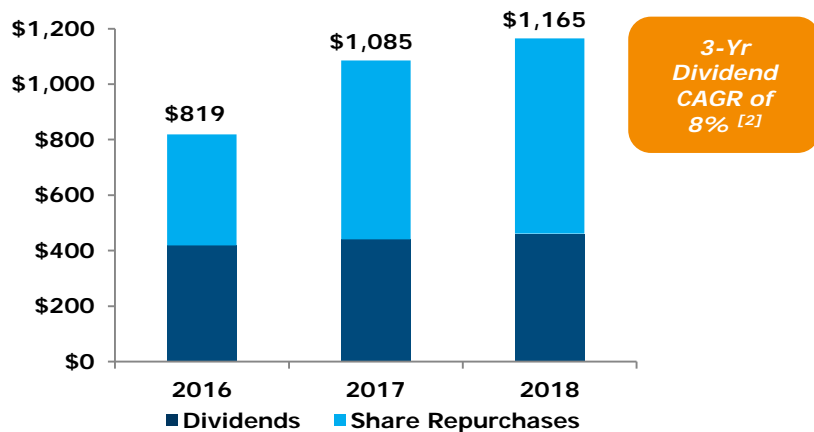
### Adjusted EPS<sup>1</sup>



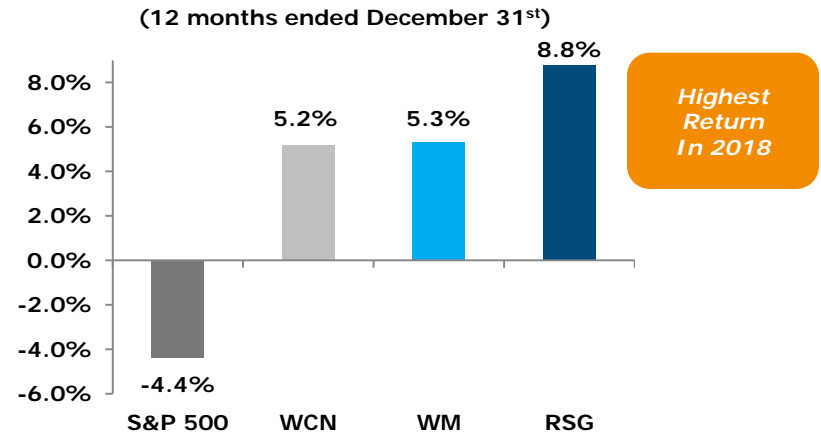
### Adjusted Free Cash Flow<sup>1</sup>



### Cash Returned to Shareholders



### 2018 Total Shareholder Return



**Solid growth in earnings & cash flow; substantial returns to shareholders**

1. See "Reconciliation of Non-GAAP Measures" on pages 27-30  
 2. Annualized Q4 dividend per share declared

# Organizational Structure

## Phoenix Headquarters

- Set strategy and direction
- Functional leadership and support
- Governance and policy setting
- Capital allocation<sup>1</sup>

## Areas

- Lead market planning process
- Provide functional resources to the Business Units
- Hold Business Units accountable for financial and operational results

## Business Units

- Execute market plans and drive the Republic Way
- Achieve financial and operational results
- Own the customer experience
- Lead employee engagement

***Matrix organization provides functional support; full accountability and P&L responsibility resides in the business units***

# The Five Pillars of Our Strategy

**Profitable  
Growth through Differentiation**

## **Market Position**

Develop the best vertically integrated infrastructure to build density, expand margins and improve returns



## **Operating Model**

Deliver the Republic Way: standardized best practices to deliver a consistent, high level of service to all of our customers



## **People & Talent Agenda**

Create an environment to attract and retain the best talent



## **Customer Zeal**

Drive customer loyalty by offering differentiated products and services specifically designed to meet our customers' needs



## **Digital Platform**

Provide a consistent experience across our business while enabling customers to do business with us the way they prefer

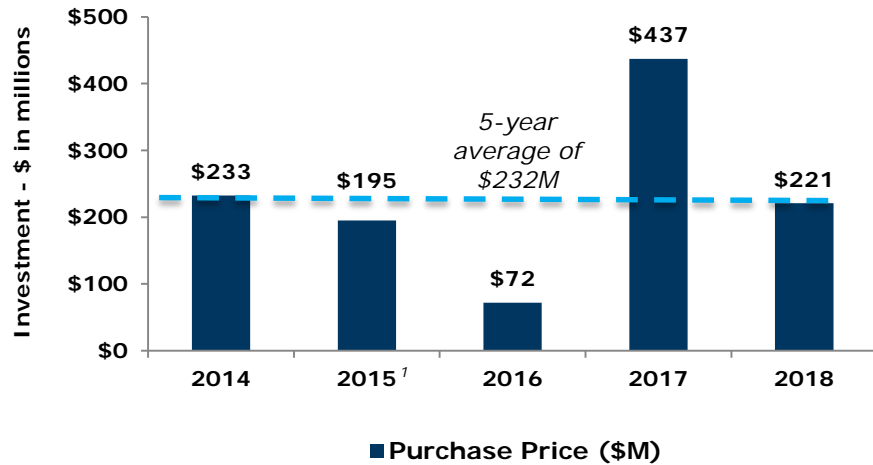


***Our strategy is designed to generate consistent earnings and cash flow growth, while continually improving ROIC***



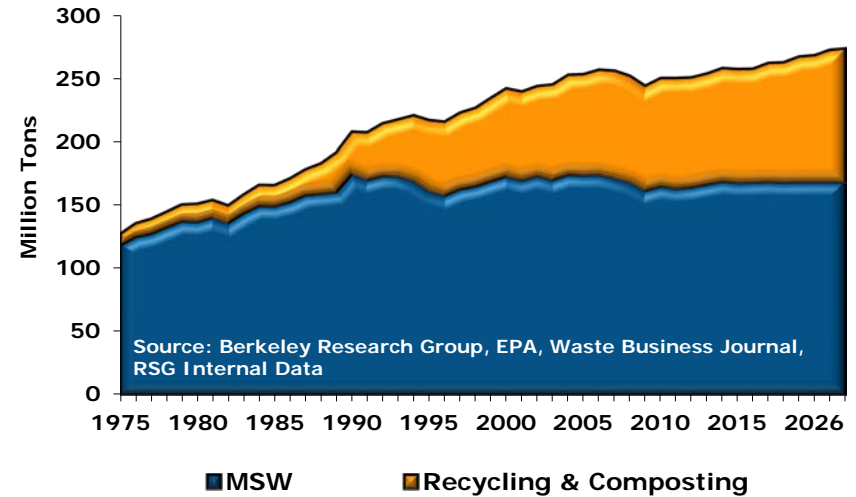
# Market Position

## Acquisitions



- Five-year average of \$232M
- 2019 pipeline supports approx. \$550 million of annual investment

## Managing the “Evolving” Ton



- Population growth drives waste generation
- Focused on traditional recycling in select and prioritized markets

*Developing the best vertically integrated market position to further build density and improve returns*

# Operating Model

## The Republic Way

Standardized best practices to deliver a consistent, high level of service to our customers and reduce costs:

***One Way  
Everywhere  
Everyday***



### Alternative Fuel

- 20% of our fleet runs on CNG
  - Lower cost fuel and competitive advantage
- Electric-drive dozers at landfills
- Partnering with Mack Trucks on EV technology

### Automation

- 76% of our residential routes are automated
- Assessing automation & autonomy technology
- Positive-sort "Next Gen" recycling processing center

### Standardized Maintenance

- 100% of fleet certified
  - Greater fleet reliability and availability, increased asset utilization, lower parts inventory and reduced capex

### In-Cab Technology Pilots

- Improve safety, streamline manual processes and increase productivity
- Increase customer connectivity

***Leveraging our scale through standardized processes and delivering durable operational excellence***

# People & Talent Agenda

- Our people continue to be the most critical component in successfully executing our strategy

## Safety

- Prioritize safety above all else
- Industry-leading safety training program
- Safety performance 40%<sup>1</sup> better than solid-waste industry average

## Learning & Development

- Develop employees throughout their career
- Experiential on-boarding and learning
- Leadership training and development

## Inclusion & Diversity

- Annual employee engagement survey
- Programs to drive inclusion and diversity
- Recruiting strategy focused on attracting a diverse pool of candidates including, veterans, women and minorities

## Recognized for Being an Employer of Choice



*Creating an environment to attract and retain the best talent and most engaged workforce*

1. Based on OSHA recordable rates since 2008

# Customer Zeal

- Heightened focus on target customers to build customer loyalty and increase willingness to pay

## Customer Segmentation

- Identify customer segments
- Understand wants & needs
- Focus on those willing to pay

## Expanded Products

- Meet customer demand
- Offer suite of services and products
- Utilization of alliance partners

## Customer Loyalty

- Focus on customer experience
- Increase NPS and 93%+ retention rate

*Driving customer loyalty and willingness to pay by offering differentiated products and services*

# Digital Platform

- Increasing our digital capabilities to enhance customer satisfaction and reduce costs

## MyResource Portal & App

- Enhance customer interaction and connectivity
- Easier to do business with us
- Self-service

## E-commerce Capabilities

- Addresses consumers' evolving buying preferences
- Lower-cost sales channel

## Capture Pricing Tool

- Enhance revenue quality
- Digital configure, price and quote
- Professional sales experience

*Providing a consistent experience across our business while enabling our customers to do business with us through more channels*

# Sustainability & Corporate Responsibility

## 2030 Sustainability Goals



SAFETY

**Safety Amplified:**

**0**

Zero employee fatalities



Reduce our OSHA Total Recordable Incident Rate (TRIR) to 2.0 or less by 2030



PEOPLE

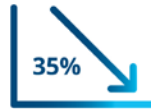
**Engaged Workforce: 88%**

Achieve and maintain employee engagement scores at or above 88% by 2030



OPERATIONS

**Climate Leadership:**



Reduce absolute Scope 1 and 2 greenhouse gas emissions 35% by 2030 (2017 baseline year)<sup>1</sup>  
★ ALIGNED WITH SBTi ★



MATERIALS MANAGEMENT

**Circular Economy:**

**40%**

Increase recovery of key materials by 40% on a combined basis by 2030 (2017 baseline year)

**Regenerative Landfills:**

**50%**

Increase biogas sent to beneficial reuse by 50% by 2030 (2017 baseline year)



COMMUNITIES

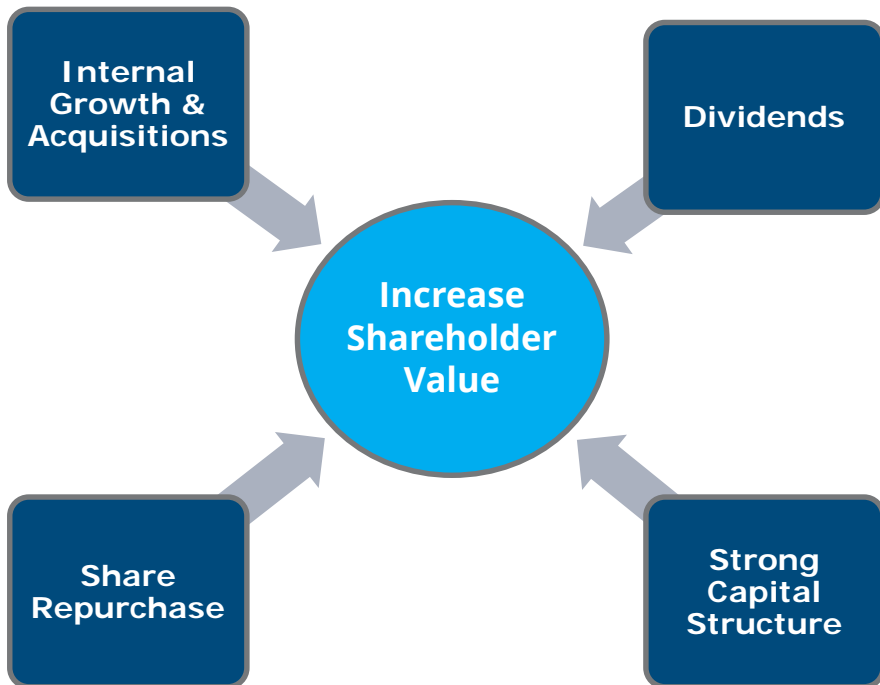
**Charitable Giving: 20M** Positively impact **20 million people** by 2030

- Board committee oversight
- Achieved time-bound goals established in 2014
- In 2019, unveiled new, more ambitious goals
  - Address critical global macro trends and our most material sustainability risks and opportunities
  - Aligned goals with the United Nations' Sustainable Development Goals

*We are committed to sustainability, which we believe drives profitability, reduces risk and enhances long-term value creation*

# Cash Flow Utilization Priorities

- We have an efficient and balanced approach to cash utilization which drives shareholder value



## 2019 Estimated Cash Utilization

Acquisitions \$550M

Dividends \$500M

Share Repurchase \$525M

Est. \$1 billion cash returned to shareholders in 2019

\$4.7 billion cash returned to shareholders over last 5 years

*We return a majority of free cash flow to shareholders*

# Financial Overview





# Guidance and Cash Utilization

	2019 Guidance
Adjusted Diluted EPS <sup>1</sup>	\$3.23 - \$3.28
Adjusted Free Cash Flow <sup>1</sup>	\$1,125 - \$1,175 million
Adjusted EBITDA Margin <sup>1</sup>	Approx. 28.3%
Capital Investment <sup>1</sup>	\$1.2 billion
Investment in Acquisitions	\$550 million
Dividends	\$500 million
Share Repurchase	\$525 million

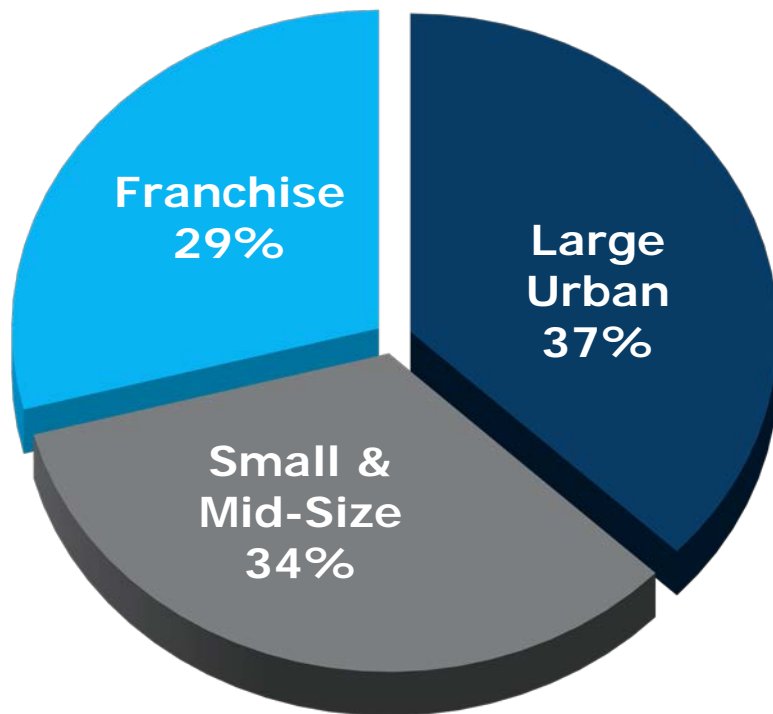
***We reaffirmed our full-year EPS and Free Cash Flow guidance in our 2<sup>nd</sup> quarter earnings release on July 25, 2019***

1. See "Reconciliation of Non-GAAP Measures" on pages 27-30

2. Includes reinvestment of \$75 million of tax-reform savings into our fleet and front-line employee facilities

# 2018 Revenue by Market Type

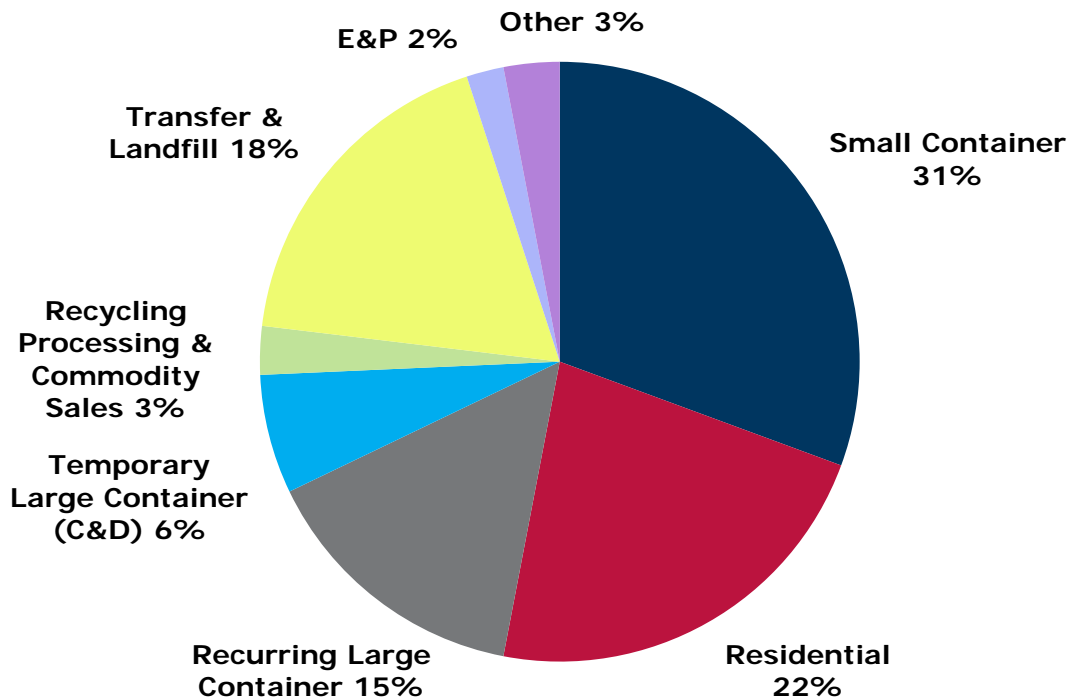
- Over 60% of revenue in Franchise or Small & Mid-Size markets



- Franchise:
  - Sole service provider
  - Long-term contracts
  - Optimal operating density
- Small & Mid-Size:
  - Market leader
  - Vertical integration
  - Strong operating density
- Large Urban:
  - Vertical integration
  - More competitive

# 2018 Revenue by Line of Business

- Approximately 80% of revenue has an annuity-type profile



Collection business represents ~74% of total revenue

Recycling processing & sale of commodity represents ~3% of total revenue

Over half of our recurring large container revenue is consumer driven

# Pricing Trends

## Open Market

- Approximately 50% of revenue in open markets
  - We secure price increases directly with customers
- Greater pricing power due to:
  - Increase in demand for service
  - Attracting higher value segments (PBS)
  - Capture pricing tool

## Restricted

- Approximately 50% of our pricing is restricted
  - Contractual; majority CPI
  - Adjust annually; mostly 2<sup>nd</sup> half
- Higher CPI drives higher pricing
  - Improves operating leverage
- Expanding use of waste-related indices for price resets
  - Better aligned with costs

*Higher CPI drives additional operating leverage in our business*

# Volume Trends

## Collection

- **Small-Container**
  - Modest growth; late cycle
  - Leverage from route density
  - Strategically shedding work performed on behalf of brokers
- **Large-Container**
  - Modest growth in recurring and temporary hauls (“C&D”)
  - Limited operating leverage
- **Residential**
  - Only renewing contracts that meet return criteria

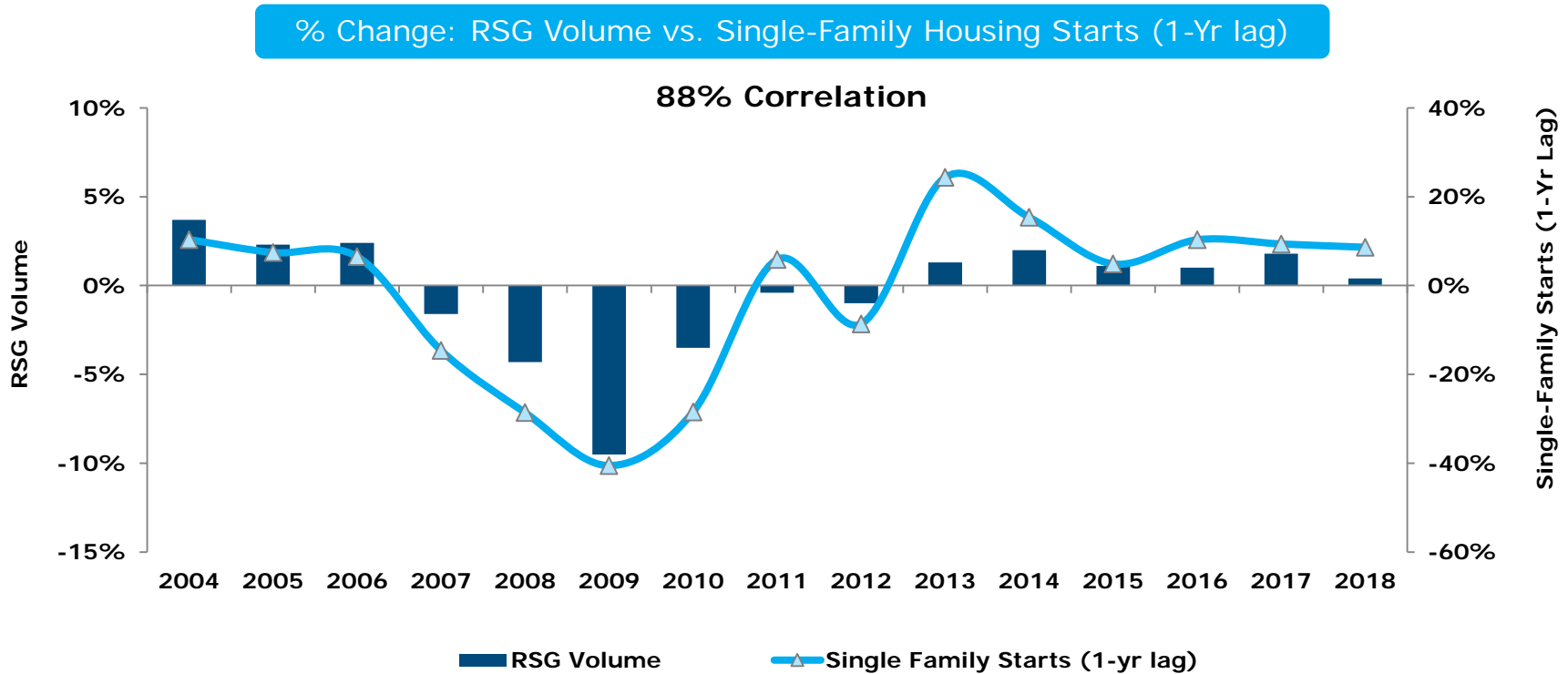
## Post-Collection

- **Landfill**
  - Strong event-driven volumes
  - Broad-based MSW volume growth
- **Recycling**
  - Demand for single-stream recycling

*Volumes are driven by population growth, household formation and new business formation*

# Correlation to Housing Starts

- High correlation between historical volume performance and single-family housing starts



Source: U.S. Census Bureau and Department of Housing and Urban Development

*Construction has been a catalyst for recent growth*

# Recycling

## Business Overview

- Customers demanding, demonstrating willingness to pay
- Manage approx. 8 million tons of material
  - 73% of recycling processing volume related to fiber
  - Majority sold domestically
- Recycling processing and commodity sales represented 3% of 2018 revenue

## Making Progress Transitioning to a More Sustainable Model

### PAST

Value of Commodity Used to Subsidize Processing & Contamination Costs

**Earnings Volatility**



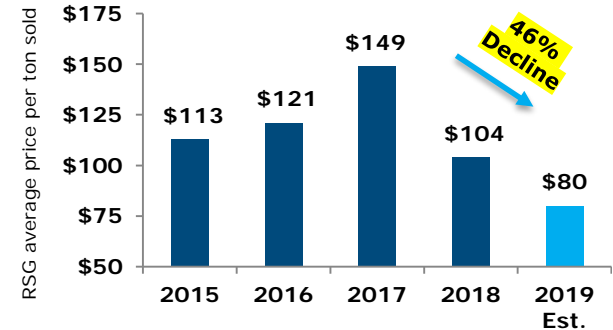
### FUTURE

Fee for Service & Share Value of Commodity less Contamination Costs

**Predictable ROI**

*Less capital intensive business with solid long-term cash returns*

## Average Commodity Price



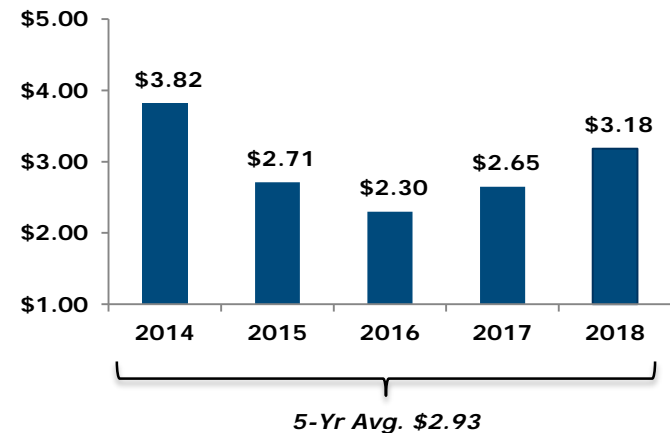
Recovered fiber pricing collapse driven by Chinese mixed paper import ban and dramatically lower contamination standard

**A \$10/ton move in commodities impacts annual EPS by approx. 4¢**

# Fuel

- Consume approximately 160 million gallons of fuel annually
  - 130 million gallons diesel;  
30 million gallon equivalents of CNG/LNG
- Recover approximately 80% of annual diesel cost through fuel recovery fees (FRF)

DOE Average Diesel Price

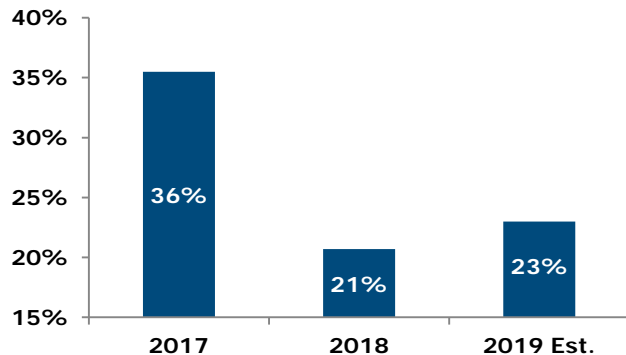


At current FRF participation levels, changes in diesel prices do not have a significant impact on full-year Operating Income or EPS

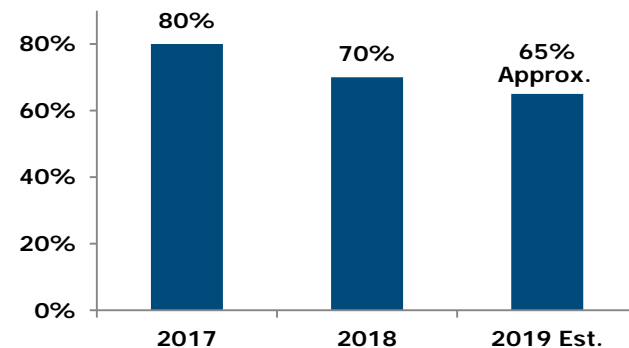


# Tax Related Expense

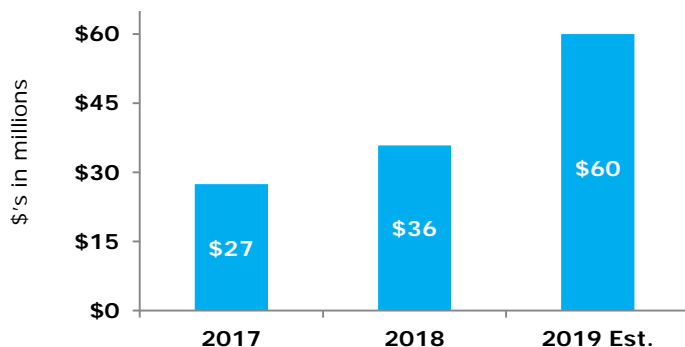
### Effective Tax Rate<sup>1</sup>



### Cash Tax % of Provision<sup>2</sup>



### Tax-Related Non-Cash Charges<sup>3</sup>



#### Effective Tax Rate

- Statutory tax rate of 27%
- Q3'19 estimated to be 25%; FY'19 estimated to be 23%

#### Cash Tax % of Provision

- Includes a benefit from bonus depreciation and tax planning opportunities

#### Tax-Related Non-Cash Charges

- Estimate \$60 million of non-cash charges related to solar energy investments that qualify for tax credits
- Q3'19 estimated to be \$15 million; FY'19 estimated to be \$60 million
- Expect mid-teen return on investment

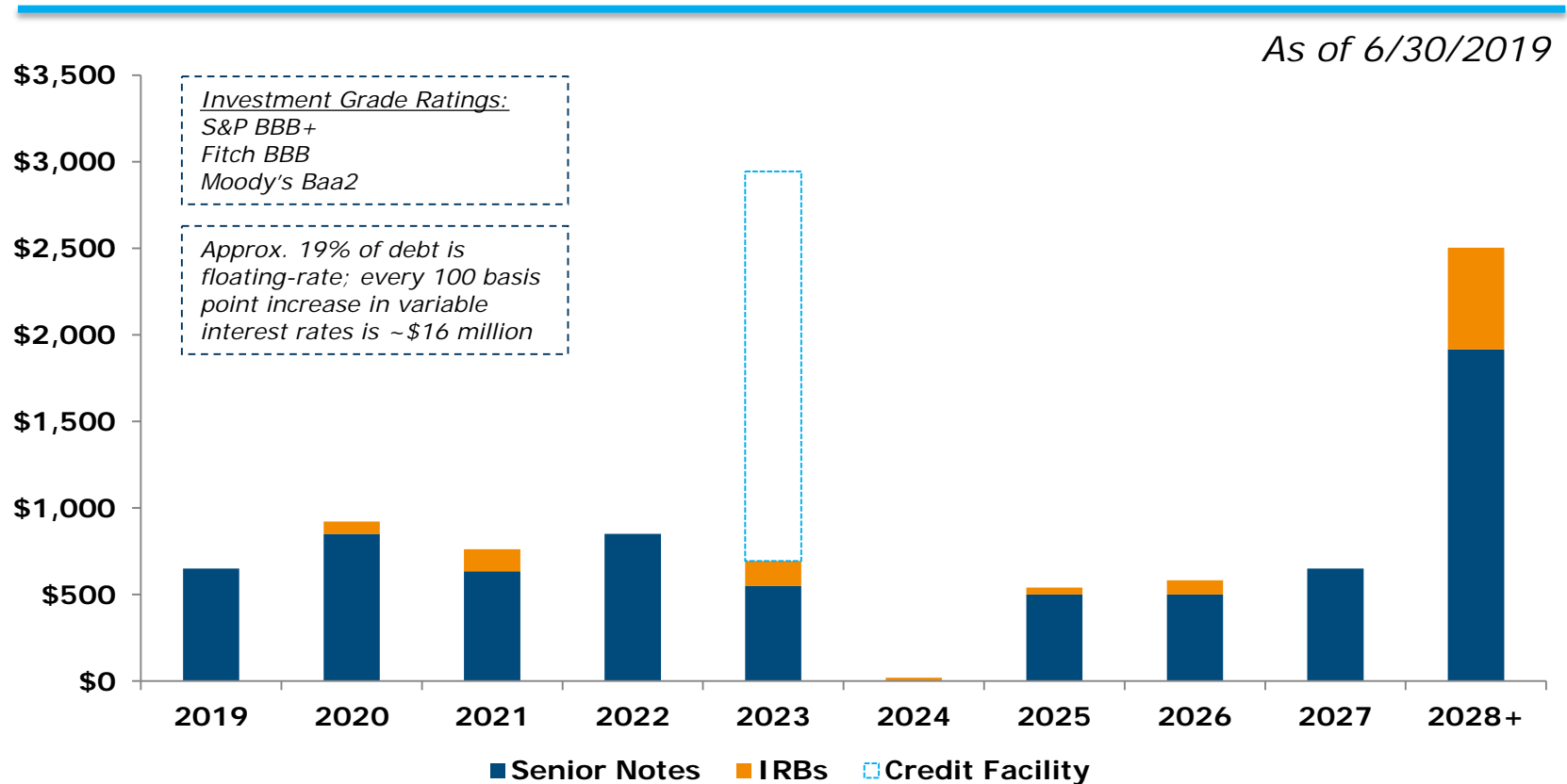
1. Effective tax rate included in adjusted earnings per 8K filings

2. Cash taxes included in adjusted free cash flow as % of ETR provision included in adjusted earnings

3. Charge recorded in the "Loss from unconsolidated equity method investment" on the Income Statement

# Debt Maturity Profile

- Committed to maintaining investment grade credit rating
- Current average cash interest rate is 4.2%



# Reconciliation of Non-GAAP Measures

	FY 2016	FY 2017	FY 2018
<b><u>Adjusted Diluted EPS:</u></b>			
Diluted EPS – as reported	\$1.78	\$3.77	\$3.16
Withdrawal costs for multiemployer pension funds	0.01	0.00	0.00
Bridgeton insurance recovery	0.00	0.00	(0.07)
Restructuring charges	0.07	0.03	0.07
Incremental contract startup costs – large municipal contract	0.00	0.02	0.01
Loss (gain) on disposition of assets and impairments, net	0.00	(0.03)	(0.08)
Loss on extinguishment of debt	0.36	0.00	0.00
Adoption of 2017 tax reform	0.00	(1.36)	0.00
<b>Adjusted Diluted EPS</b>	<b>\$2.22</b>	<b>\$2.43</b>	<b>\$3.09</b>

# Reconciliation of Non-GAAP Measures

	FY 2016	FY 2017	FY 2018
<b><u>Adjusted Free Cash Flow:</u></b> (\$ in millions)			
Cash provided by operating activities	\$1,847.8	\$1,910.7	\$2,242.8
Property and equipment received	(915.6)	(1,006.0)	(1,104.3)
Proceeds from sales of property and equipment	9.8	6.1	31.6
Bridgeton insurance recovery, net of tax	0.0	0.0	(30.5)
Divestiture related tax payments	4.2	11.6	20.2
Cash tax benefit for debt extinguishment	(80.7)	0.0	0.0
Restructuring payments, net of tax	19.6	11.3	18.2
<b>Adjusted Free Cash Flow</b>	<b>\$885.1</b>	<b>\$933.7</b>	<b>\$1,178.0</b>

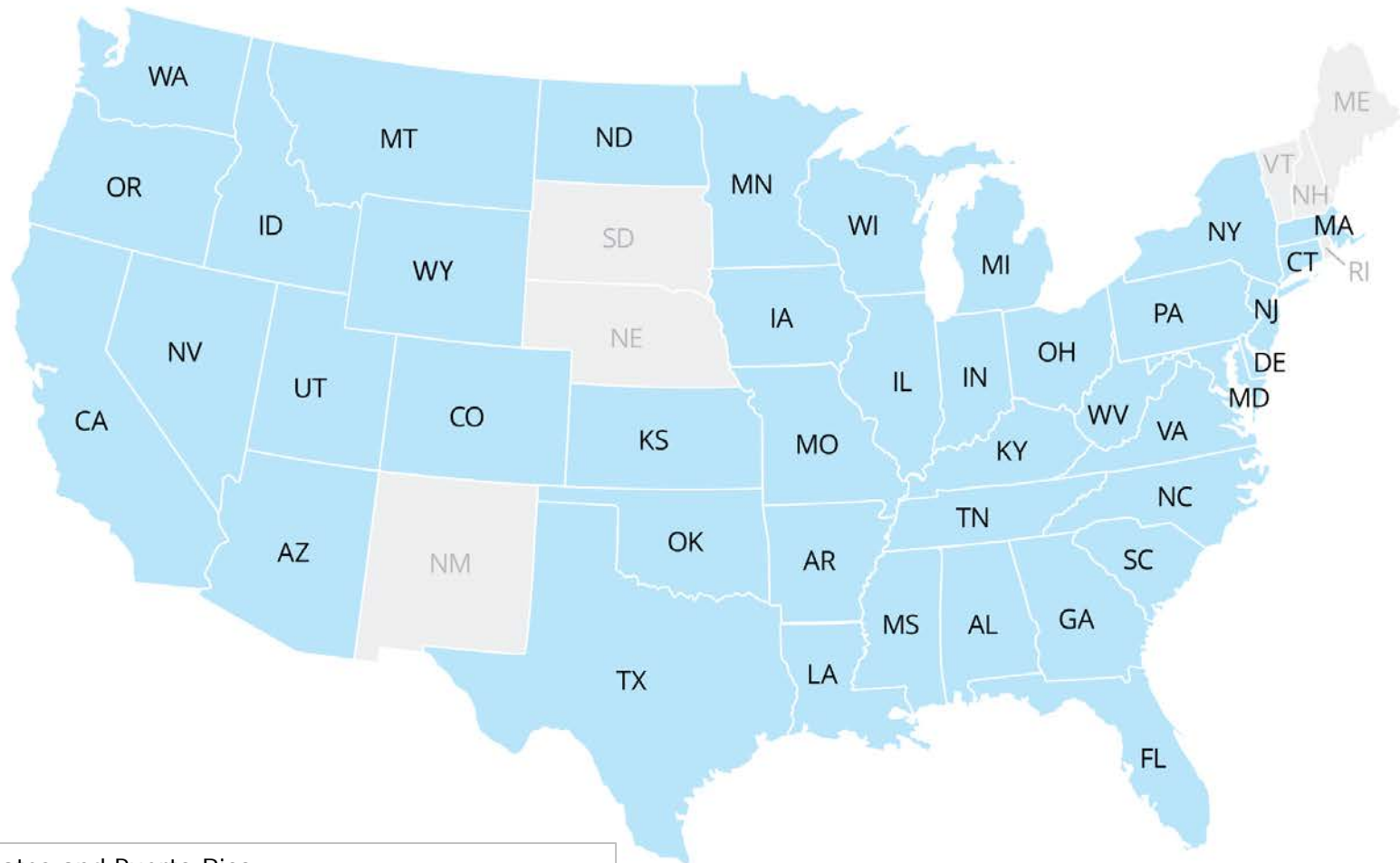
# Reconciliation of Non-GAAP Measures

	FY 2018
<b>Adjusted EBITDA:</b> (\$ in millions)	
Net income attributable to Republic Services, Inc.	\$1,036.9
Net income attributable to non-controlling interests	0.7
Provision for income taxes	283.3
Other income, net	(3.4)
Interest income	(1.6)
Interest expense	383.8
Depreciation, amortization and depletion	1,033.4
Accretion	80.7
Restructuring charges	26.4
Incremental contract startup costs	5.7
Bridgeton insurance recovery	(28.0)
Loss from unconsolidated equity method investment	35.8
Loss on extinguishment of debt	0.3
Loss (gain) on disposition of assets and impairments, net	(44.9)
<b>Adjusted EBITDA</b>	<b>\$2,809.1</b>
<b>Total Revenue</b>	<b>\$10,040.9</b>

# Reconciliation of Non-GAAP Measures

	FY 2019 Guidance
<b><u>Adjusted Diluted Earnings Per Share:</u></b>	
Diluted earnings per share – as reported	\$3.21 - \$3.26
Restructuring charges	0.01
Acquisition deal costs	0.01
<b>Diluted Earnings Per Share – As Adjusted</b>	<b>\$3.23 - \$3.28</b>
<b><u>Adjusted Free Cash Flow:</u></b>	
(\$ in millions)	
Cash provided by operating activities	\$2,301 – \$2,351
Property and equipment received	(1,200)
Proceeds from sales of property and equipment	15
Restructuring payments, net of tax	9
<b>Adjusted Free Cash Flow</b>	<b>\$1,125 - \$1,175</b>

# National Footprint



- 41 States and Puerto Rico
- 349 Collection Operations
- 210 Transfer Stations
- 190 Active Landfills
- 88 Recycling Processing Centers
- 8 Treatment, Recovery and Disposal Facilities
- 15 Salt Water Disposal Wells
- 2 Deep Injection Wells
- 75 Landfill Gas and Renewable Energy Projects



# Industry Leading Performance



Global Climate Management Level  
Supplier Climate Management Level distinctions



Dow Jones  
Sustainability Indexes



Sustainability Award  
Bronze Class 2019

