



Republic Services, Inc. Reports Second Quarter 2018 Results

- Generated Earnings of \$0.71 Per Share and Adjusted Earnings of \$0.73 Per Share, a 20 Percent Increase Over the Prior Year
- Increased Cash Flow from Operations by \$175 million and Adjusted Free Cash Flow by \$205 million
- Solid Waste Business Contributed 50 Basis Points of Adjusted EBITDA Margin Expansion
- Reaffirmed 2018 Adjusted Earnings Per Share and Adjusted Free Cash Flow Guidance
- Increased Quarterly Dividend by 9 Percent
- Recognized as One of the World's Most Innovative Companies by Forbes Magazine

PHOENIX (July 26, 2018) – Republic Services, Inc. (NYSE: RSG) today reported net income of \$234.9 million, or \$0.71 per diluted share, for the three months ended June 30, 2018, versus \$202.9 million, or \$0.60 per diluted share, for the comparable 2017 period. Excluding certain gains and expenses, on an adjusted basis, net income for the three months ended June 30, 2018, was \$239.6 million, or \$0.73 per diluted share, versus \$205.9 million, or \$0.61 per diluted share, for the comparable 2017 period.

“We continued our strong start to the year in the second quarter, delivering double-digit growth in earnings and free cash flow per share. We’ve invested over \$120 million in value-enhancing acquisitions and returned approximately \$700 million of cash to our shareholders since the beginning of the year,” said Donald W. Slager, president and chief executive officer. “The strength of the solid waste business and the continued successful execution of our strategy enable us to offset recycling headwinds and reaffirm our full-year EPS and free cash flow guidance.”

Second-Quarter Highlights:

- * EPS was \$0.71 per share. Adjusted EPS, a non-GAAP measure, was \$0.73 per share, an increase of 20 percent over the prior year.
- * Cash provided by operating activities was \$610 million and adjusted free cash flow, a non-GAAP measure, was \$323 million, an increase of approximately 173 percent over the prior year. Adjusted free cash flow per share increased 180 percent over the prior year.

- * Total cash returned to shareholders through dividends and share repurchases was \$328 million.
- * Total revenue increased 3.9 percent over the prior year, excluding the impact of the new revenue standard.
- * Revenue growth from average yield was 2.1 percent and volume increased 0.6 percent.
- * Core price increased revenue by 3.6 percent, which consisted of 4.4 percent in the open market and 2.3 percent in the restricted portion of the business.
- * Adjusted EBITDA was \$690 million and adjusted EBITDA margin was 27.4 percent of revenue. The solid waste business contributed 50 basis points of margin expansion, which was more than offset by headwinds from the recycling business and rising fuel costs.
- * SG&A expense as a percentage of revenue decreased by 80 basis points over the prior year, excluding the impact of the new revenue standard.
- * The Company invested \$56 million in tuck-in acquisitions and an additional \$42 million in early July, bringing the Company's total year-to-date investment to \$123 million.
- * Republic continued to convert CPI-based contracts to more favorable pricing mechanisms for the annual price adjustment. The Company now has approximately \$590 million in annual revenue tied to either a waste-related index or a fixed-rate increase of 3 percent or greater.
- * The Company's credit rating was upgraded by Moody's to Baa2 from Baa3. The upgrade speaks to the stability and predictability of the Company's cash flows.
- * Republic was named one of the World's Most Innovative Companies by Forbes magazine. The list includes companies investors believe to be forward thinking and will continue to achieve profitable new growth through future advances.

Reaffirmed Full-Year 2018 EPS and Free Cash Flow Guidance

Republic reaffirmed its full-year adjusted diluted EPS guidance of \$3.05 to \$3.10 and its full-year adjusted free cash flow guidance of \$1,090 million to \$1,115 million. If recycled commodity prices remain at July levels for the remainder of the year, the Company would expect results to be at the lower end of the guidance range.

The Company provided additional details as follows:

- **Cash Utilization:** Republic expects to invest approximately \$200 million in tuck-in acquisitions; the Company previously guided to over \$150 million. Additionally, the Company expects to return approximately \$1.2 billion total cash to shareholders, through approximately \$450 million of dividends and \$700 million in share repurchases.
- **Taxes:** The Company expects an effective tax rate of approximately 24 percent for the full year.

Please refer to the Information Regarding Forward-Looking Statements section of this document.

Dividend Increase

Republic continues to increase cash returns to shareholders, and announced today that its Board of Directors approved a 3-cent increase in the quarterly dividend. The quarterly dividend of \$0.375 per share for shareholders of record on Oct. 1, 2018, will be paid on Oct. 15, 2018.

“We are pleased to raise our quarterly dividend 9 percent,” Slager said. “This is the ninth consecutive year we’ve increased our dividend, demonstrating our confidence in future cash flows and commitment to increase cash returned to shareholders.”

Presentation of Certain Non-GAAP Measures

Adjusted diluted earnings per share, adjusted net income, adjusted EBITDA, adjusted EBITDA margin, and adjusted free cash flow are described in the Reconciliation of Certain Non-GAAP Measures section of this document.

Unaudited Supplemental Schedules

Included in Exhibit 99.2 to Republic’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2018 is a proforma presentation of our 2017 financial results had we adopted the new revenue standard as of January 1, 2017.

About Republic Services

Republic Services, Inc. is an industry leader in U.S. recycling and non-hazardous solid waste disposal. Through its subsidiaries, Republic’s collection companies, recycling centers, transfer stations and landfills focus on providing effective solutions to make proper waste disposal effortless for its 14 million customers. We’ll handle it from here.®, the brand’s promise, lets customers know they can count on Republic to provide a superior experience while fostering a sustainable Blue Planet® for future generations to enjoy a cleaner, safer and healthier world.

For more information, visit the Republic Services website at RepublicServices.com. “Like” Republic on Facebook at facebook.com/RepublicServices and follow Republic on Twitter [@RepublicService](https://twitter.com/RepublicService).

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**SUPPLEMENTAL UNAUDITED FINANCIAL INFORMATION
AND OPERATING DATA**

**REPUBLIC SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)**

	June 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61.3	\$ 83.3
Accounts receivable, less allowance for doubtful accounts and other of \$30.6 and \$38.9, respectively	1,112.2	1,105.9
Prepaid expenses and other current assets	195.9	247.6
Total current assets	1,369.4	1,436.8
Restricted cash and marketable securities	116.2	141.1
Property and equipment, net	7,863.5	7,777.4
Goodwill	11,345.3	11,315.4
Other intangible assets, net	115.4	141.1
Other assets	393.9	335.2
Total assets	\$ 21,203.7	\$ 21,147.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 629.8	\$ 598.1
Notes payable and current maturities of long-term debt	41.9	706.7
Deferred revenue	340.6	312.1
Accrued landfill and environmental costs, current portion	150.5	135.2
Accrued interest	74.9	74.5
Other accrued liabilities	751.8	808.2
Total current liabilities	1,989.5	2,634.8
Long-term debt, net of current maturities	8,215.8	7,480.7
Accrued landfill and environmental costs, net of current portion	1,687.2	1,686.5
Deferred income taxes and other long-term tax liabilities, net	868.4	796.4
Insurance reserves, net of current portion	272.0	275.4
Other long-term liabilities	322.0	312.1
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 50 shares authorized; none issued	—	—
Common stock, par value \$0.01 per share; 750 shares authorized; 351.4 and 350.1 issued including shares held in treasury, respectively	3.5	3.5
Additional paid-in capital	4,888.4	4,839.6
Retained earnings	4,430.9	4,152.5
Treasury stock, at cost; 25.8 and 18.4 shares, respectively	(1,529.5)	(1,059.4)
Accumulated other comprehensive income, net of tax	52.8	22.6
Total Republic Services, Inc. stockholders' equity	7,846.1	7,958.8
Noncontrolling interests in consolidated subsidiary	2.7	2.3
Total stockholders' equity	7,848.8	7,961.1
Total liabilities and stockholders' equity	\$ 21,203.7	\$ 21,147.0

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 2,517.8	\$ 2,526.7	\$ 4,945.2	\$ 4,919.5
Expenses:				
Cost of operations	1,577.2	1,557.4	3,047.0	3,041.5
Depreciation, amortization and depletion	255.5	258.3	518.6	508.2
Accretion	20.2	19.9	40.6	39.9
Selling, general and administrative	252.9	262.9	514.0	516.4
Withdrawal costs - multiemployer pension funds	—	—	—	1.1
Gain on disposition of assets and asset impairments, net	—	(1.4)	(0.7)	(9.8)
Restructuring charges	3.8	4.1	13.3	8.5
Operating income	408.2	425.5	812.4	813.7
Interest expense	(96.5)	(89.5)	(191.3)	(179.0)
Loss from unconsolidated equity method investment	(0.1)	(3.1)	(0.1)	(6.0)
Loss on extinguishment of debt	(0.3)	—	(0.3)	—
Interest income	0.2	0.3	0.4	0.7
Other income, net	1.1	0.2	2.2	0.3
Income before income taxes	312.6	333.4	623.3	629.7
Provision for income taxes	76.9	130.0	149.7	238.5
Net income	235.7	203.4	473.6	391.2
Net income attributable to noncontrolling interests in consolidated subsidiary	(0.8)	(0.5)	(1.0)	(0.5)
Net income attributable to Republic Services, Inc.	\$ 234.9	\$ 202.9	\$ 472.6	\$ 390.7
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.72	\$ 0.60	\$ 1.44	\$ 1.15
Weighted average common shares outstanding	327.4	338.1	329.0	339.0
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.71	\$ 0.60	\$ 1.43	\$ 1.15
Weighted average common and common equivalent shares outstanding	328.8	340.0	330.5	340.9
Cash dividends per common share	\$ 0.345	\$ 0.320	\$ 0.690	\$ 0.640

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Six Months Ended June 30,	
	2018	2017
Cash provided by operating activities:		
Net income	\$ 473.6	\$ 391.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	559.2	548.1
Non-cash interest expense	21.4	21.9
Restructuring related charges	13.3	8.5
Stock-based compensation	19.9	17.7
Deferred tax provision	52.4	21.2
Provision for doubtful accounts, net of adjustments	13.6	14.8
Loss on extinguishment of debt	0.3	—
Loss (gain) on disposition of assets and asset impairments, net	0.6	(8.5)
Withdrawal costs - multiemployer pension funds	—	1.1
Environmental adjustments	2.5	—
Loss from unconsolidated equity method investment	0.1	6.0
Other non-cash items	0.5	(0.5)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(17.7)	(91.6)
Prepaid expenses and other assets	48.0	27.0
Accounts payable	30.7	8.6
Restructuring expenditures	(12.6)	(10.9)
Capping, closure and post-closure expenditures	(22.1)	(28.3)
Remediation expenditures	(21.2)	(23.8)
Other liabilities	(2.6)	(23.3)
Proceeds from retirement of certain hedging relationships	31.1	—
Cash provided by operating activities	1,191.0	879.2
Cash used in investing activities:		
Purchases of property and equipment	(542.1)	(497.5)
Proceeds from sales of property and equipment	4.3	3.1
Cash used in business acquisitions and investments, net of cash acquired	(69.3)	(81.7)
Cash received from (used in) business divestitures	1.1	(14.3)
Purchases of restricted marketable securities	(32.1)	(6.7)
Sales of restricted marketable securities	31.9	6.5
Other	0.2	0.1
Cash used in investing activities	(606.0)	(590.5)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt, net of fees	2,418.7	2,262.3
Proceeds from issuance of senior notes, net of discount and fees	781.9	—
Payments of notes payable and long-term debt and senior notes	(3,133.8)	(2,147.1)
Issuances of common stock, net	8.2	19.8
Purchases of common stock for treasury	(474.0)	(230.7)
Cash dividends paid	(227.7)	(217.0)
Distributions paid to noncontrolling interests in consolidated subsidiary	(0.6)	(0.7)
Other	(4.1)	(4.1)
Cash used in financing activities	(631.4)	(317.5)
(Decrease) increase in cash, cash equivalents, restricted cash and restricted cash equivalents	(46.4)	(28.8)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	179.1	113.0
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 132.7	\$ 84.2

You should read the following information in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K as of and for the year ended December 31, 2017. All amounts below are in millions and as a percentage of our revenue, except per share data.

The results presented below for the three and six months ended June 30, 2017 reflect our historical presentation prior to the adoption of the new revenue recognition standard. A pro forma presentation of our financial results for the three and six months ended June 30, 2017 had we adopted the new revenue recognition standard as of January 1, 2017 is included as Exhibit 99.2 to Republic's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2018.

REVENUE

The following table reflects our total revenue by line of business for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018		2017	2018		2017
Collection:						
Residential	\$ 560.2	22.2 %	\$ 576.4	22.8 %	\$ 1,108.6	22.4 %
Small-container	763.9	30.3	747.1	29.6	1,512.6	30.6
Large-container	555.3	22.1	528.7	20.9	1,070.7	21.7
Other	11.0	0.5	10.7	0.4	21.5	0.4
Total collection ⁽¹⁾	1,890.4	75.1	1,862.9	73.7	3,713.4	75.1
Transfer	320.8		312.0		609.1	
Less: intercompany	(181.8)		(181.7)		(350.5)	
Transfer, net	139.0	5.5	130.3	5.2	258.6	5.2
Landfill	580.6		569.7		1,130.5	
Less: intercompany	(265.3)		(255.5)		(508.7)	
Landfill, net	315.3	12.5	314.2	12.4	621.8	12.6
Energy services	50.2	2.0	36.1	1.4	98.1	2.0
Other:						
Recycling processing and commodity sales ⁽²⁾	68.1	2.7	136.0	5.4	144.0	2.9
Other non-core	54.8	2.2	47.2	1.9	109.3	2.2
Total other	122.9	4.9	183.2	7.3	253.3	5.1
Total revenue	\$ 2,517.8	100.0 %	\$ 2,526.7	100.0 %	\$ 4,945.2	100.0 %

(1) In accordance with our adoption of the new revenue recognition standard, municipal franchise fees were presented as a reduction to revenue for the three and six months ended June 30, 2018. Similar fees were presented as a cost of operations for the three and six months ended June 30, 2017.

(2) In accordance with our adoption of the new revenue recognition standard, rebates paid to customers associated with recycled commodities were presented as a reduction to revenue for the three and six months ended June 30, 2018. Similar costs were presented as a cost of operations for the three and six months ended June 30, 2017.

The following table reflects changes in components of our revenue, as a percentage of total revenue, for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Average yield	2.1 %	2.5%	2.1 %	2.4%
Fuel recovery fees	0.6	0.6	0.6	0.5
Total price	2.7	3.1	2.7	2.9
Volume	0.6	1.9	1.2	1.5
Recycling processing and commodity sales	(1.4)	1.5	(1.3)	1.8
Energy services	0.2	0.7	0.3	0.5
Total internal growth	2.1	7.2	2.9	6.7
Acquisitions / divestitures, net	1.8	0.3	1.8	0.3
Subtotal	3.9 %	7.5%	4.7 %	7.0%
Adoption of the new revenue recognition standard	(4.3)%	—%	(4.2)%	—%
Total	(0.4)%	7.5%	0.5 %	7.0%
Core price	3.6 %	4.1%	3.7 %	4.1%

Average yield is defined as revenue growth from the change in average price per unit of service, expressed as a percentage. Core price is defined as price increases to our customers and fees, excluding fuel recovery fees, net of price decreases to retain customers. We also measure changes in average yield and core price as a percentage of related-business revenue, defined as total revenue excluding recycled commodities and fuel recovery fees, to determine the effectiveness of our pricing strategies. Average yield as a percentage of related-business revenue was 2.2% and 2.3% for the three and six months ended June 30, 2018, respectively, and 2.7% and 2.6% for the same respective periods in 2017. Core price as a percentage of related-business revenue was 3.9% and 4.0% for the three and six months ended June 30, 2018, respectively, and 2.5% and 3.4% for the same respective periods in 2017.

COST OF OPERATIONS

The following table summarizes the major components of our cost of operations for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Labor and related benefits	\$ 539.0	21.4 %	\$ 498.6	19.7 %	\$ 1,068.1	21.6 %	\$ 995.2	20.2 %
Transfer and disposal costs	214.6	8.5	207.3	8.2	402.9	8.1	394.6	8.0
Maintenance and repairs	251.3	10.0	236.1	9.3	491.5	9.9	462.9	9.4
Transportation and subcontract costs	166.4	6.6	144.9	5.7	315.8	6.4	279.0	5.7
Fuel	104.3	4.1	83.2	3.3	185.8	3.8	167.7	3.4
Disposal fees and taxes ⁽¹⁾	83.2	3.3	118.9	4.7	157.5	3.2	228.1	4.6
Landfill operating costs	56.6	2.2	57.1	2.3	108.7	2.2	110.1	2.2
Risk management	56.2	2.2	56.0	2.2	108.1	2.2	103.5	2.1
Cost of goods sold ⁽²⁾	—	—	65.1	2.6	—	—	122.7	2.5
Other	105.6	4.3	90.2	3.6	208.6	4.2	177.7	3.7
Total cost of operations	\$ 1,577.2	62.6 %	\$ 1,557.4	61.6 %	\$ 3,047.0	61.6 %	\$ 3,041.5	61.8 %

(1) Disposal fees and taxes included municipal franchise fees of \$38.2 million and \$75.9 million for the three and six months ended June 30, 2017, respectively. In accordance with our adoption of the new revenue recognition standard, these fees were presented as a reduction to revenue for the same respective periods in 2018.

(2) Cost of goods sold included rebates paid to customers associated with recycled commodities for the three and six months ended June 30, 2017. In accordance with our adoption of the new revenue recognition standard, these costs were presented as a reduction to revenue for the same respective periods in 2018.

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our cost of operations by cost component to that of other companies.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes our selling, general and administrative expenses for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Salaries	\$ 170.4	6.8 %	\$ 173.5	6.9 %	\$ 346.9	7.0 %	\$ 350.2	7.1 %
Provision for doubtful accounts	6.8	0.3	9.4	0.4	13.6	0.3	14.8	0.3
Other	75.7	2.9	80.0	3.1	153.5	3.1	151.4	3.1
Total selling, general and administrative expenses	\$ 252.9	10.0 %	\$ 262.9	10.4 %	\$ 514.0	10.4 %	\$ 516.4	10.5 %

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our selling, general and administrative expenses by cost component to those of other companies.

RECONCILIATION OF CERTAIN NON-GAAP MEASURES

EBITDA

The following table calculates EBITDA, which is not a measure determined in accordance with U.S. generally accepted accounting principles (U.S. GAAP), for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to Republic Services, Inc.	\$ 234.9	\$ 202.9	\$ 472.6	\$ 390.7
Net income attributable to noncontrolling interests	0.8	0.5	1.0	0.5
Provision for income taxes	76.9	130.0	149.7	238.5
Other income, net	(1.1)	(0.2)	(2.2)	(0.3)
Interest income	(0.2)	(0.3)	(0.4)	(0.7)
Interest expense	96.5	89.5	191.3	179.0
Depreciation, amortization and depletion	255.5	258.3	518.6	508.2
Accretion	20.2	19.9	40.6	39.9
EBITDA	\$ 683.5	\$ 700.6	\$ 1,371.2	\$ 1,355.8

We believe that presenting EBITDA is useful to investors because it provides important information concerning our operating performance exclusive of certain non-cash and other costs. EBITDA demonstrates our ability to execute our financial strategy, which includes reinvesting in existing capital assets to ensure a high level of customer service, investing in capital assets to facilitate growth in our customer base and services provided, maintaining our investment grade credit ratings and minimizing debt, paying cash dividends, repurchasing our common stock, and maintaining and improving our market position through business optimization. This measure has limitations. Although depreciation, depletion, amortization and accretion are considered operating costs in accordance with U.S. GAAP, they represent the allocation of non-cash costs generally associated with long-lived assets acquired or constructed in prior years. Our definition of EBITDA may not be comparable to similarly titled measures presented by other companies.

Adjusted Earnings

Reported diluted earnings per share was \$0.71 and \$1.43 for the three and six months ended June 30, 2018, as compared to \$0.60 and \$1.15 for the same periods in 2017. During the three and six months ended June 30, 2018 and 2017, we recorded a number of charges and other expenses and gains that impacted our EBITDA, pre-tax income, net income attributable to Republic Services, Inc. (net income – Republic) and diluted earnings per share.

	Three Months Ended June 30, 2018				Three Months Ended June 30, 2017			
	EBITDA	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	EBITDA	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 683.5	\$ 312.6	\$ 234.9	\$ 0.71	\$ 700.6	\$ 333.4	\$ 202.9	\$ 0.60
Loss on extinguishment of debt and other related costs ⁽¹⁾	0.3	0.3	0.2	—	—	—	—	—
Gain on disposition of assets and asset impairments, net ⁽²⁾	—	—	—	—	(1.4)	(1.4)	(0.8)	—
Restructuring charges	3.8	3.8	2.8	0.01	4.1	4.1	2.5	0.01
Incremental contract startup costs - large municipal contract ⁽²⁾	2.4	2.4	1.7	0.01	2.2	2.2	1.3	—
Loss from unconsolidated equity method investment	0.1	—	—	—	3.1	—	—	—
Total adjustments	6.6	6.5	4.7	0.02	8.0	4.9	3.0	0.01
As adjusted	\$ 690.1	\$ 319.1	\$ 239.6	\$ 0.73	\$ 708.6	\$ 338.3	\$ 205.9	\$ 0.61

(1) The aggregate impact to adjusted diluted earnings per share totals to less than \$0.01 for the three months ended June 30, 2018.

(2) The aggregate impact to adjusted diluted earnings per share totals to less than \$0.01 for the three months ended June 30, 2017.

	Six Months Ended June 30, 2018				Six Months Ended June 30, 2017			
	EBITDA	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	EBITDA	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share ⁽³⁾
As reported	\$ 1,371.2	\$ 623.3	\$ 472.6	\$ 1.43	\$ 1,355.8	\$ 629.7	\$ 390.7	\$ 1.15
Loss on extinguishment of debt and other related costs ⁽¹⁾	0.3	0.3	0.2	—	—	—	—	—
Gain on disposition of assets and asset impairments, net ⁽¹⁾	(0.7)	(0.7)	(0.5)	—	(9.8)	(9.8)	(4.6)	(0.01)
Restructuring charges	13.3	13.3	9.7	0.03	8.5	8.5	5.1	0.02
Incremental contract startup costs - large municipal contract ⁽²⁾	5.3	5.3	3.9	0.01	2.2	2.2	1.3	—
Withdrawal costs - multiemployer pension funds ⁽²⁾	—	—	—	—	1.1	1.1	0.7	—
Loss from unconsolidated equity method investment	0.1	—	—	—	6.0	—	—	—
Total adjustments	18.3	18.2	13.3	0.04	8.0	2.0	2.5	0.01
As adjusted	\$ 1,389.5	\$ 641.5	\$ 485.9	\$ 1.47	\$ 1,363.8	\$ 631.7	\$ 393.2	\$ 1.15

(1) The aggregate impact to adjusted diluted earnings per share totals to less than \$0.01 for the six months ended June 30, 2018.

(2) The aggregate impact to adjusted diluted earnings per share totals to less than \$0.01 for the six months ended June 30, 2017.

(3) Line items in this column do not total to \$1.15 per share due to rounding.

We believe that presenting adjusted EBITDA, adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share, which are not measures determined in accordance with U.S. GAAP, provides an understanding of operational activities before the financial impact of certain items. We use these measures, and believe investors will find them helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges and costs in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Although our business regularly incurs startup costs under municipal contracts, we specifically identify in the tables above the startup costs with respect to an individual municipal contract (and do not adjust for other startup costs under other contracts). We do this because of the magnitude of the costs involved with this particular municipal contract and the unusual nature for the time period in which they are incurred. Our definition of adjusted EBITDA, adjusted pre-tax income, adjusted net income – Republic, and adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

Adjusted Free Cash Flow

The following table calculates our adjusted free cash flow, which is not a measure determined in accordance with U.S. GAAP, for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 609.6	\$ 434.8	\$ 1,191.0	\$ 879.2
Property and equipment received	(290.6)	(322.5)	(526.0)	(531.3)
Proceeds from sales of property and equipment	0.7	1.8	4.3	3.1
Restructuring payments, net of tax	3.2	3.2	9.3	6.6
Tax payments related to divestitures	0.2	1.1	0.2	1.1
Adjusted free cash flow	<u>\$ 323.1</u>	<u>\$ 118.4</u>	<u>\$ 678.8</u>	<u>\$ 358.7</u>

We believe that presenting adjusted free cash flow provides useful information regarding our recurring cash provided by operating activities after certain payments. It also demonstrates our ability to execute our financial strategy and is a key metric we use to determine compensation. The presentation of adjusted free cash flow has material limitations. Adjusted free cash flow does not represent our cash flow available for discretionary payments because it excludes certain payments that are required or to which we have committed, such as debt service requirements and dividend payments. Our definition of adjusted free cash flow may not be comparable to similarly titled measures presented by other companies.

Purchases of property and equipment as reflected on our consolidated statements of cash flows represent amounts paid during the period for such expenditures. A reconciliation of property and equipment expenditures reflected on our consolidated statements of cash flows to property and equipment received during the period follows for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 278.8	\$ 273.6	\$ 542.1	\$ 497.5
Adjustments to exclude the purchase of property and equipment associated with acquisitions	(11.5)	—	(16.8)	—
Adjustments for property and equipment received during the prior period but paid for in the following period, net	23.3	48.9	0.7	33.8
Property and equipment received during the period	<u>\$ 290.6</u>	<u>\$ 322.5</u>	<u>\$ 526.0</u>	<u>\$ 531.3</u>

The adjustments noted above do not affect our net change in cash and cash equivalents as reflected in our consolidated statements of cash flows.

ACCOUNTS RECEIVABLE

As of June 30, 2018 and December 31, 2017, accounts receivable were \$1,112.2 million and \$1,105.9 million, net of allowance for doubtful accounts of \$30.6 million and \$38.9 million, respectively, resulting in days sales outstanding of 40.2, or 27.9 days net of deferred revenue, compared to 40.3, or 28.3 days net of deferred revenue (adjusted for the impact of the new revenue recognition standard), respectively.

CASH DIVIDENDS

In April 2018, we paid a cash dividend of \$113.3 million to shareholders of record as of April 2, 2018. As of June 30, 2018, we recorded a quarterly dividend payable of \$112.3 million to shareholders of record at the close of business on July 2, 2018, which was paid on July 16, 2018.

STOCK REPURCHASE PROGRAM

During the three months ended June 30, 2018, we repurchased 3.2 million shares of our stock for \$214.9 million at a weighted average cost per share of \$67.62. The amount remaining under the share repurchase authorization as of June 30, 2018 was \$1.4 billion.

2018 FINANCIAL GUIDANCE

Adjusted Diluted Earnings per Share

The following is a summary of adjusted diluted earnings per share guidance for the year ending December 31, 2018, which is not a measure determined in accordance with U.S. GAAP:

	(Anticipated) Year Ending December 31, 2018
Diluted earnings per share	\$ 2.99 - 3.04
Withdrawal costs - multiemployer pension funds	—
Gain on disposition of assets and asset impairments, net	—
Restructuring charges	0.05
Incremental contract startup costs - large municipal contract	0.01
Adjusted diluted earnings per share	\$ 3.05 - \$3.10

We believe that presenting adjusted diluted earnings per share provides an understanding of operational activities before the financial impact of certain items. We use this measure, and believe investors will find it helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Although our business regularly incurs startup costs under municipal contracts, we specifically identify in the table above the startup costs with respect to an individual municipal contract (and do not adjust for other startup costs under other contracts in 2018). We do this because of the magnitude of the costs involved with this particular municipal contract and the unusual nature for the time period in which they are incurred. Our definition of adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

Adjusted Free Cash Flow

Our anticipated adjusted free cash flow for the year ending December 31, 2018, which is not a measure determined in accordance with U.S. GAAP, is calculated as follows:

	(Anticipated) Year Ending December 31, 2018
Cash provided by operating activities	\$ 2,145 - 2,170
Property and equipment received	(1,085)
Proceeds from the sale of property and equipment	15
Restructuring payments, net of tax	15
Divestiture related tax payments	—
Adjusted free cash flow	\$ 1,090 - 1,115

Purchases of property and equipment as reflected on our consolidated statements of cash flows represent amounts paid during the period for such expenditures. A reconciliation of property and equipment reflected on our consolidated statements of cash flows to property and equipment received during the period is as follows:

(Anticipated)
Year Ending
December 31, 2018

Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 1,135
Adjustments to exclude the purchase of property and equipment associated with acquisitions	(50)
Adjustments for property and equipment received during the prior period but paid for in the following period, net	—
Property and equipment received during the period	<u>\$ 1,085</u>

We believe that presenting adjusted free cash flow provides useful information regarding our recurring cash provided by operating activities after certain expenditures. It also demonstrates our ability to execute our financial strategy and is a key metric we use to determine compensation. The presentation of adjusted free cash flow has material limitations. Adjusted free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or to which we have committed, such as debt service requirements and dividend payments. Our definition of adjusted free cash flow may not be comparable to similarly titled measures presented by other companies.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking information about us that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as “guidance,” “expect,” “will,” “may,” “anticipate,” “plan,” “estimate,” “project,” “intend,” “should,” “can,” “likely,” “could,” “outlook” and similar expressions are intended to identify forward-looking statements. These statements include information about our plans, strategies and prospects. Forward-looking statements are not guarantees of performance. These statements are based upon the current beliefs and expectations of our management and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that the expectations will prove to be correct. Among the factors that could cause actual results to differ materially from the expectations expressed in the forward-looking statements are acts of war, riots or terrorism, and the impact of these acts on economic, financial and social conditions in the United States as well as our dependence on large, long-term collection, transfer and disposal contracts. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2017, particularly under Part I, Item 1A - Risk Factors, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, particularly under Part II, Item 1A - Risk Factors. Additionally, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors, or to assess the impact such risk factors might have on our business. We undertake no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

Republic Services, Inc. Unaudited Supplemental Schedules

The following is a pro forma presentation of our 2017 financial results had we adopted the new revenue recognition standard as of January 1, 2017. Tables may not sum due to rounding.

REVENUE

The following tables reflect our total revenue by line of business for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,						Change		
	2018			2017					
	Proforma								
Collection:									
Residential	\$	560.2	22.2 %	\$	564.4	23.3 %	\$	(4.2)	(1.1) %
Small-container		763.9	30.3		731.7	30.2		32.2	0.1
Large-container		555.3	22.1		522.5	21.6		32.8	0.5
Other		11.0	0.5		10.7	0.4		0.3	0.1
Total collection		1,890.4	75.1		1,829.3	75.5		61.1	(0.4)
Transfer		320.8			305.1			15.7	
Less: intercompany		(181.8)			(176.2)			(5.6)	
Transfer, net		139.0	5.5		128.9	5.3		10.1	0.2
Landfill		580.6			565.3			15.3	
Less: intercompany		(265.3)			(255.4)			(9.9)	
Landfill, net		315.3	12.5		309.9	12.8		5.4	(0.3)
Energy services		50.2	2.0		35.8	1.5		14.4	0.5
Other:									
Recycling processing and commodity sales		68.1	2.7		73.3	3.0		(5.2)	(0.3)
Other non-core		54.8	2.2		47.1	1.9		7.7	0.3
Total other		122.9	4.9		120.4	4.9		2.5	—
Total revenue	\$	2,517.8	100.0 %	\$	2,424.3	100.0 %	\$	93.5	— %

	Six Months Ended June 30,							
	2018			2017			Change	
	Proforma							
Collection:								
Residential	\$ 1,108.6	22.4 %	\$ 1,116.6	23.7 %	\$ (8.0)	(1.3) %		
Small-container	1,512.6	30.6	1,449.9	30.7	62.7	(0.1)		
Large-container	1,070.7	21.7	1,011.9	21.5	58.8	0.2		
Other	21.5	0.4	20.4	0.4	1.1	—		
Total collection	3,713.4	75.1	3,598.8	76.3	114.6	(1.2)		
Transfer	609.1		580.0		29.1			
Less: intercompany	(350.5)		(341.8)		(8.7)			
Transfer, net	258.6	5.2	238.2	5.0	20.4	0.2		
Landfill	1,130.5		1,065.9		64.6			
Less: intercompany	(508.7)		(487.7)		(21.0)			
Landfill, net	621.8	12.6	578.2	12.2	43.6	0.4		
Energy services	98.1	2.0	62.7	1.3	35.4	0.7		
Other:								
Recycling processing and commodity sales	144.0	2.9	152.0	3.2	(8.0)	(0.3)		
Other non-core	109.3	2.2	93.0	2.0	16.3	0.2		
Total other	253.3	5.1	245.0	5.2	8.3	(0.1)		
Total revenue	\$ 4,945.2	100.0 %	\$ 4,722.9	100.0 %	\$ 222.3	— %		

COST OF OPERATIONS

The following tables summarize the major components of our cost of operations for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,								
	2018			2017			Change		
	Proforma								
Labor and related benefits	\$	539.0	21.4 %	\$	498.6	20.6 %	\$	40.4	0.8 %
Transfer and disposal costs		214.6	8.5		207.3	8.6		7.3	(0.1)
Maintenance and repairs		251.3	10.0		236.1	9.7		15.2	0.3
Transportation and subcontract costs		166.4	6.6		144.9	6.0		21.5	0.6
Fuel		104.3	4.1		83.2	3.4		21.1	0.7
Disposal fees and taxes		83.2	3.3		80.6	3.3		2.6	—
Landfill operating costs		56.6	2.2		57.1	2.4		(0.5)	(0.2)
Risk management		56.2	2.2		56.0	2.3		0.2	(0.1)
Other		105.6	4.3		92.4	3.8		13.2	0.5
Total cost of operations	\$	1,577.2	62.6 %	\$	1,456.2	60.1 %	\$	121.0	2.5 %

	Six Months Ended June 30,							
	2018			2017			Change	
	Proforma							
Labor and related benefits	\$ 1,068.1	21.6	%	\$ 995.2	21.1	%	\$ 72.9	0.5 %
Transfer and disposal costs	402.9	8.1		394.6	8.4		8.3	(0.3)
Maintenance and repairs	491.5	9.9		462.9	9.8		28.6	0.1
Transportation and subcontract costs	315.8	6.4		279.0	5.9		36.8	0.5
Fuel	185.8	3.8		167.7	3.6		18.1	0.2
Disposal fees and taxes	157.5	3.2		151.9	3.2		5.6	—
Landfill operating costs	108.7	2.2		110.1	2.3		(1.4)	(0.1)
Risk management	108.1	2.2		103.5	2.2		4.6	—
Other	208.6	4.2		182.4	3.8		26.2	0.4
Total cost of operations	\$ 3,047.0	61.6	%	\$ 2,847.3	60.3	%	\$ 199.7	1.3 %

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following tables summarize our selling, general and administrative expenses for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,									
	2018				2017				Change	
	Proforma									
Salaries	\$	170.4	6.8 %	\$	173.5	7.1 %	\$	(3.1)	(0.3) %	
Provision for doubtful accounts		6.8	0.3		9.4	0.4		(2.6)	(0.1)	
Other		75.7	2.9		80.0	3.3		(4.3)	(0.4)	
Total selling, general and administrative expenses	\$	252.9	10.0 %	\$	262.9	10.8 %	\$	(10.0)	(0.8) %	

	Six Months Ended June 30,							
	2018			2017			Change	
	Proforma							
Salaries	\$	346.9	7.0 %	\$	350.2	7.4 %	\$	(3.3) (0.4) %
Provision for doubtful accounts		13.6	0.3		14.8	0.3		(1.2) —
Other		153.5	3.1		151.4	3.2		2.1 (0.1)
Total selling, general and administrative expenses	\$	514.0	10.4 %	\$	516.4	10.9 %	\$	(2.4) (0.5) %

ADJUSTED EBITDA

The following tables summarize Adjusted EBITDA, which is not a measure determined in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,										
	2018				2017				Change		
					Proforma						
Adjusted EBITDA	\$	690.1	27.4	%	\$	707.4	29.2	%	\$	(17.3)	(1.8) %

	Six Months Ended June 30,								
	2018				2017				Change
					Proforma				
Adjusted EBITDA	\$	1,389.5	28.1	%	\$	1,361.4	28.8	%	\$ 28.1 (0.7) %

REVENUE

The following table reflects our total revenue by line of business for 2017:

	Proforma														
	Three Months Ended														
	March 31, 2017			June 30, 2017			September 30, 2017			December 31, 2017			2017		
Collection:															
Residential	\$	552.2	24.0 %	\$	564.4	23.3 %	\$	564.3	22.9 %	\$	556.2	22.6 %	\$	2,237.2	23.2 %
Small-container		718.2	31.2		731.7	30.2		736.5	29.9		743.6	30.2		2,930.0	30.4
Large-container		489.4	21.3		522.5	21.6		535.2	21.7		516.1	20.9		2,063.2	21.4
Other		9.7	0.4		10.7	0.4		11.6	0.5		12.0	0.5		44.0	0.5
Total collection		1,769.5	76.9		1,829.3	75.5		1,847.6	75.0		1,827.9	74.2		7,274.4	75.5
Transfer		274.9			305.1			306.6			296.5			1,183.1	
Less: intercompany		(165.6)			(176.2)			(173.1)			(167.8)			(682.8)	
Transfer, net		109.3	4.8		128.9	5.3		133.5	5.4		128.7	5.2		500.3	5.2
Landfill		500.6			565.3			571.7			569.2			2,206.9	
Less: intercompany		(232.3)			(255.4)			(252.6)			(244.7)			(985.0)	
Landfill, net		268.3	11.7		309.9	12.8		319.1	13.0		324.5	13.2		1,221.9	12.7
Energy services		26.9	1.2		35.8	1.5		39.5	1.6		45.1	1.8		147.3	1.5
Other:															
Recycling processing and commodity sales		78.7	3.4		73.3	3.0		73.1	3.0		87.7	3.6		312.8	3.2
Other non-core		45.9	2.0		47.1	1.9		51.1	2.0		51.3	2.0		195.3	1.9
Total other		124.6	5.4		120.4	4.9		124.2	5.0		139.0	5.6		508.1	5.1
Total revenue	\$	2,298.6	100.0 %	\$	2,424.3	100.0 %	\$	2,463.9	100.0 %	\$	2,465.2	100.0 %	\$	9,652.0	100.0 %

COST OF OPERATIONS

The following table summarizes the major components of our cost of operations for 2017:

	Proforma														
	Three Months Ended														
	March 31, 2017			June 30, 2017			September 30, 2017			December 31, 2017			2017		
Labor and related benefits	\$	496.7	21.6 %	\$	498.6	20.6 %	\$	507.6	20.6 %	\$	524.4	21.3 %	\$	2,027.2	21.0 %
Transfer and disposal costs		187.3	8.1		207.3	8.6		204.0	8.3		197.3	8.0		795.9	8.3
Maintenance and repairs		226.7	9.9		236.1	9.7		240.0	9.7		237.4	9.6		940.2	9.7
Transportation and subcontract costs		134.0	5.8		144.9	6.0		153.1	6.2		153.7	6.2		585.8	6.1
Fuel		84.5	3.7		83.2	3.4		87.2	3.5		94.8	3.8		349.8	3.6
Disposal fees and taxes		71.3	3.1		80.6	3.3		81.0	3.3		78.7	3.2		311.6	3.2
Landfill operating costs		53.1	2.3		57.1	2.4		53.6	2.2		56.6	2.3		220.3	2.3
Risk management		47.5	2.1		56.0	2.3		58.6	2.4		50.5	2.1		212.6	2.2
Other		90.0	3.9		92.4	3.8		98.1	4.0		106.1	4.3		386.6	4.0
Total cost of operations	\$	1,391.1	60.5 %	\$	1,456.2	60.1 %	\$	1,483.2	60.2 %	\$	1,499.5	60.8 %	\$	5,830.0	60.4 %

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes our selling, general and administrative expenses for 2017:

	Proforma														
	Three Months Ended														
	March 31, 2017			June 30, 2017			September 30, 2017			December 31, 2017			2017		
Salaries	\$	176.7	7.7 %	\$	173.5	7.1 %	\$	176.8	7.2 %	\$	179.3	7.3 %	\$	706.3	7.3 %
Provision for doubtful accounts		5.4	0.2		9.4	0.4		8.0	0.3		7.8	0.3		30.6	0.3
Other		71.4	3.1		80.0	3.3		81.9	3.3		87.1	3.5		320.5	3.4
Total selling, general and administrative expenses	\$	253.5	11.0 %	\$	262.9	10.8 %	\$	266.7	10.8 %	\$	274.2	11.1 %	\$	1,057.4	11.0 %

ADJUSTED EBITDA

The following table summarizes Adjusted EBITDA, which is not a measure determined in accordance with U.S. GAAP, for 2017:

	Proforma														
	Three Months Ended														
	March 31, 2017			June 30, 2017			September 30, 2017			December 31, 2017			2017		
Adjusted EBITDA	\$	654.0	28.5 %	\$	707.4	29.2 %	\$	716.8	29.1 %	\$	694.8	28.2 %	\$	2,772.9	28.7 %