

Waste Connections, Inc.**Q3 2025 Earnings Call**

Event Date/Time: October 22, 2025 — 8:30 a.m. E.T.

Length: 79 minutes

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PRESENTATION

Operator

Good morning, everyone, and welcome to the Waste Connections, Inc. Q3 2025 Earnings Call.

All participants will be in a listen-only mode.

Should you need assistance, please signal a conference specialist by pressing the * key, followed by 0.

After today's presentation, there will be an opportunity to ask questions.

Please also note today's event is being recorded.

At this time, I'd like to turn the conference over to Ron Mittelstaedt, President and CEO. Sir, please go ahead.

Ron Mittelstaedt — President and CEO, Waste Connections, Inc.

Hey. Thank you, Operator, and good morning. I would like to welcome everyone to this conference call to discuss our third quarter results and to provide some thoughts about the remainder of the year and the setup for 2026.

I'm joined this morning by Mary Anne Whitney, our CFO, and several other members of our senior management.

As noted in our release, superior execution drove better-than-expected financial results in the third quarter, bolstered by continued improvement in operating trends.

Another quarterly step-down in employee turnover and new record low safety incident rates, together with strong pricing retention, drove adjusted EBITDA margins of 33.8 percent, reflecting underlying solid waste margin expansion of approximately 80 basis points in the period.

I'm extremely pleased by our team's efforts to overcome incremental commodity headwinds and ongoing uncertainty in the economy in Q3 to achieve the results above expectations.

Assuming continuing trends and without further headwinds, we remain well positioned to deliver our full year 2025 outlook as provided in July.

Before we get into much more detail, let me turn the call over to Mary Anne for our forward-looking disclaimer and other housekeeping items.

Mary Anne Whitney — CFO, Waste Connections, Inc.

Thank you, Ron, and good morning.

The discussion today during today's call includes forward-looking statements made pursuant to the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995, including forward-looking information within the meaning of applicable Canadian securities laws. Actual results could differ materially from those made in such forward-looking statements due to various risks and uncertainties.

Factors that could cause actual results to differ are discussed both in the cautionary statement included in our October 21st earnings release and in greater detail in Waste Connections' filings with the US Securities and Exchange Commission and the securities commissions or similar regulatory authorities in Canada.

You should not place undue reliance on forward-looking statements, as there may be additional risks of which we are not presently aware, or that we currently believe are immaterial, which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change after today's date.

On the call, we will discuss non-GAAP measures such as adjusted EBITDA, adjusted net income attributable to Waste Connections on both a dollar basis and per diluted share, and adjusted free cash

flow. Please refer to our earnings releases for a reconciliation of such non-GAAP measures to the most comparable GAAP measures. Management uses certain non-GAAP measures to evaluate and monitor the ongoing financial performance of our operations. Other companies may calculate these non-GAAP measures differently.

I will now turn the call back over to Ron.

Ron Mittelstaedt

Okay. Thank you, Mary Anne.

We are extremely pleased to deliver third quarter results above expectations, demonstrating the durability of solid waste regardless of the economic environment.

Q3 revenue growth was led by 6.3 percent core solid waste price, with reported volumes slightly better than expected, down 2.7 percent.

We delivered margins of 33.8 percent, up 100 basis points year over year, excluding the impact of commodities and our decision to close Chiquita Canyon Landfill as of January 1st.

Said another way, normalizing for these factors puts our Q3 margins at 34.7 percent, without the benefit of any contribution from positive volumes.

As we've said, we remain well positioned to enjoy the upside from any pickup in volumes from the broader economy, given our asset position and market selection strategy.

As anticipated, we continue to advance that strategy through acquisition activity, which has continued at an above-average pace, resulting in approximately \$300 million in annualized revenues, either closed or under definitive agreement, year to date, with more expected in Q4 and by early 2026.

We've had some fantastic M&A wins, including two of the largest private companies in Florida, one of which we closed during Q3, with the other signed and expected to close in Q4.

Moreover, our operating performance, free cash flow, and balance sheet continue to provide the capacity for outsized acquisition activity and expanded return of capital to shareholders. To that end, our Board of Directors authorized an 11.1 percent increase to our regular quarterly cash dividend, our 15th consecutive annual double-digit increase since the initiation of our dividend in 2010.

Additionally, as noted on our last call, we've been in the market buying back shares, as we take an opportunistic approach to share repurchases and look to capitalize when we see compelling dislocations across the market or within our sector.

To date, we've bought back approximately 2.4 million shares, or almost 1 percent of shares outstanding, pursuant to our normal course issuer bid, which we renewed in August, providing for annual repurchases of up to 5 percent of shares outstanding.

Along with executing our growth strategy, we've also shown significant progress towards achievement of our long-term aspirational sustainability-related targets, as highlighted in our recently released 2025 Sustainability Report.

In fact, we've already achieved several of our initial targets, including emissions reductions, safety performance, and recycling, and being well ahead of our expectations. And we continue to challenge ourselves for further progress as we demonstrate that sustainability is integral to our long-term value creation and part of our corporate culture.

Most notably, with multiyear reductions of 19 percent in emissions, our results demonstrate the outsized growth that is compatible with the achievement of our long-term aspirational ESG targets.

This improvement also applies to employee engagement, where we've seen ongoing reductions during 2025 in voluntary turnover and safety-related metrics.

In Q3, voluntary turnover was down for the 12th consecutive quarter, for a total reduction of over 55 percent from the peak in late '22 and early '23.

Similarly, safety incident rates have shown continuous multiyear improvement, now down over 25 percent to new historic lows for the Company.

Cornerstone of our operating philosophy is that people are our strongest differentiator. So we're excited to see that the level of employee engagement has never been stronger.

And as we've maintained would be the case two years ago, we're seeing the benefits of higher employee retention and engagement in our financial results, as evidenced by our 80 basis points of underlying margin expansion in the quarter with more to come, given record safety levels and nearly three years of progress.

What may be even more compelling is the opportunity ahead, as we harness that engagement to leverage technology in new and unprecedented ways, while adhering to the fundamentals that have driven our growth and success. Along with human capital as a differentiator, we're excited to recognize the benefits of using technology to accelerate and expand the reach of our leaders.

To that end, we're making long-term investments in technology and infrastructure to maximize their impact and position the Company for continued margin expansion. These investments target productivity and efficiency gains as we look to further digitize and automate operations, enhance forecasting through data analytics, and improve service delivery, all while enabling a greater focus on the customer experience.

We are already seeing positive outcomes, including improved pricing retention, as we expand the utilization of data analytics across multiple platforms.

We look to build upon these efforts as we deploy additional applications and expand our efforts in 2026 and '27.

Now before we look ahead, I'd like to pass the call to Mary Anne to review more in-depth the financial highlights of the third quarter.

Mary Anne Whitney

Thank you, Ron.

In the third quarter, revenue of \$2.458 billion was above our outlook and up \$120 million or 5.1 percent year over year. Acquisitions completed since the year-ago period contributed about \$77 million, net of divestitures.

Core pricing of 6.3 percent in Q3 puts us on pace for full year core pricing of approximately 6.5 percent, which is above our initial expectations coming into 2025 and reflects stronger pricing retention in our competitive regions.

Volumes were down 2.7 percent, similar to Q2, and reflected ongoing purposeful and margin-accretive shedding of low-margin contracts and some price-volume trade-offs. Volumes also reflected continued sluggishness in the more cyclically exposed activities. The effects of slower roll-off activity and lower disposal volumes, primarily from construction-oriented activity, were similar to those described in previous periods. As such, we saw a more muted seasonal ramp than would be typical for Q3.

Looking year over year in Q3 by line of business on a same-store basis, roll-off pulls were down 1 percent, and rates per pull up 2 percent, which is a modest improvement from Q2. Year-over-year pulls in most regions were flattish, with our southern region still down mid-single digits. Markets like Florida and Texas continued to be our weakest, albeit less negative on a year-over-year basis than in previous quarters.

Landfill tons were up almost 3 percent, led by higher MSW tons up 2 percent and special waste tons up 10 percent, with some of that increase due to the timing of jobs that were otherwise expected in Q4.

C&D tons, while still negative at down 4 percent, were better on a comparative basis than in recent quarters, as the rate of decline may be moderating or, again, as a result of some timing differences. We've seen pockets of C&D activity in our markets in our central and southern regions, as well as ongoing special waste activity in certain West Coast markets.

Moving next to commodity-related activity, values for recycled commodities and renewable energy credits, or RINs (sic), continued to slide during Q3, both ending the quarter down 30 percent to 35 percent year over year.

On a combined basis, recycled commodities and landfill gas revenues were down 27 percent year over year on lower pricing, partially offset by contributions at new facilities.

Our E&P waste revenues, on the other hand, were up 7 percent year over year, driven by our production-oriented R360 Canada business, while our legacy US business was down nominally year over year.

Adjusted EBITDA for Q3, as reconciled in our earnings release, was \$830.3 million, up 5.4 percent year over year and slightly above our expectations.

At 33.8 percent, our adjusted EBITDA margin was up 10 basis points year over year, and better than expected. This was in spite of an extra 20-basis-points drag from the decline in commodities during the quarter, as noted. In the aggregate, lower year-over-year revenues from recycling and RINs resulted in a margin drag of about 70 basis points in the quarter.

Underlying solid waste margins, on the other hand, were up 80 basis points, even better than in recent quarters.

Not surprisingly, we once again saw the greatest margin improvement in those areas related to employee retention and lower openings. That includes a range of cost categories related to third-party services, including labour and maintenance, parts, and repairs.

In contrast, we continue to overcome lagging reductions in risk management costs and look forward to unlocking savings for margin expansion in future periods.

Net interest expense in the quarter was \$79.4 million, and our effective tax rate for the third quarter was 23.6 percent.

Our leverage remained comfortably within our expected range at 2.75 times debt to EBITDA.

And finally, year to date, we have delivered adjusted free cash flow of \$1.084 billion on capital expenditures up over \$135 million year over year, providing visibility for full year adjusted free cash flow in line with our outlook of \$1.3 billion.

Assuming continuing trends and without further headwinds, there's no change to our full year guidance, which implies Q4 revenue of approximately \$2.36 billion and adjusted EBITDA margin up about 90 basis points year over year to about 33.3 percent.

With that, I'll turn the call back over to Ron to provide some preliminary thoughts about 2026 before we head into Q&A.

Ron Mittelstaedt

Thank you, Mary Anne.

As we have described, we are pleased with our year-to-date results, which not only highlight the strength and resilience of our business, but provide momentum for next year.

Although we do not provide our formal outlook for 2026 until February, we are able to provide a high-level framework, assuming no change in the current economic environment.

On that basis, we should be positioned for the following:

Mid single-digit revenue growth in 2026 from price-led organic growth in solid waste and approximately 1 percent revenue carryover from 2025 acquisition activity to date, partially offset by continued headwinds related to commodities.

Looking at margins, we remain well positioned for above-average underlying solid waste margin expansion, with offsets expected from margin-dilutive impacts from acquisitions and commodities.

These combined impacts suggest adjusted EBITDA margin expansion in what we would consider a normalized range. And depending on the timing of capital expenditures and other outlays, the conversion of adjusted EBITDA to adjusted free cash flow should improve relative to 2025.

These aforementioned amounts will be positively impacted by the pace and magnitude of ongoing acquisition activity in Q4 and will grow during 2026 as we complete additional M&A.

To the extent that we see improvements in commodities and RINs values, those impacts would also be additive to these preliminary thoughts.

We look forward to having better visibility on the tone of the economy, including any government shutdown or tariff-related implications, when we provide our formal outlook in February.

We're most grateful and extremely proud of the dedication of our over 25,000 employees and the local leadership teams responsible for the consistency of operational execution. We're excited to leverage their effectiveness and provide multiyear opportunities to accelerate growth through our investments in technology.

We're also proud to welcome Jason Craft, a long-tenured local, divisional, and regional Waste Connections leader, to the role of Chief Operating Officer during the quarter. Jason's strong operational background and business acumen make him an ideal addition to the senior leadership team.

We will continue to focus on operational excellence and stay true to our culture while also welcoming new and innovative ways to drive value creation and, as we say, win from within.

We appreciate your time today. I will now turn this call over to the Operator to open up the lines for your questions. Operator?

Q&A

Operator

Ladies and gentlemen, at this time we'll begin the question-and-answer session. If you'd like to ask a question, please do so by pressing *, and then 1 on your touch-tone telephones. If you are using a speakerphone, we do ask that you please pick up your handset before pressing the keys to ensure the best sound quality. To withdraw your questions, you may press *, and 2.

Once again, that is *, and then 1 to join the question queue.

Our first question today comes from Tyler Brown from Raymond James. Please go ahead with your question.

Tyler Brown — Raymond James

Hey. Good morning, guys. Can you hear me?

Mary Anne Whitney

Yes. We can.

Ron Mittelstaedt

Yeah. Good morning, Tyler. We can hear you.

Tyler Brown

Hey. Good morning. Hey, Mary Anne, just real quick on E&P. I think it was pretty strong; maybe felt like something was helping there. Can you kind of talk about Q3 and then how we should think about run rating that business, maybe not only in Q4, but maybe even into next year?

Mary Anne Whitney

Sure. What I'd say is that, as in Q2, we saw nice, steady performance in our production-oriented piece of the business, in spite of lower crude, and we talked about a little bit of weakness in our legacy R360 business.

What was different about Q3, what was incremental, was that there was a sequential increase in that Canadian business, primarily associated with a remediation job. And so, if I were run rating it, I would back out that \$10 million, which is what it accounted for.

Tyler Brown

Okay. Perfect. \$10 million. Okay. Got it.

And I appreciate, Ron, the early look on '26. But big picture, is there really any incremental benefit from the new RNG investments in that EBITDA number? Or is that going to be more of a '27 number?

And then, based on what we know today, where should that green CapEx come in for '25? And then what will remain kind of in '26, as you sit here today?

Ron Mittelstaedt

Yeah. Yeah. Tyler, so first off, there is no incremental RNG revenue or EBITDA of any amount, materially, in the balance of '25 guidance or in the '26 first look. Okay? Nothing there—

Tyler Brown

Okay.

Ron Mittelstaedt

—because most of our projects are timed to come online at some point during the fourth quarter. So there could be a de minimis amount maybe a couple months in '26.

So that benefit's really not until '27 in revenue, EBITDA, and margin. And we originally thought we'd spend between \$100 million and \$150 million in CapEx on RNG in '25. That number's now probably between \$75 million and \$125 million, so maybe stepping down about \$25 million to \$35 million. So there could be \$25 million to \$50 million of green CapEx rollover into '26.

Tyler Brown

Okay. Excellent. Very helpful. And then I just want to make sure that I've got your commentary about '26 margins. So I think you said a more normalized year next year. That is assuming outsized expansion in solid waste, offset, based on what we know today, by dilutive M&A and dilutive commodities. Is that right?

Ron Mittelstaedt

That's exactly right. You have it exactly right. Right now, we believe commodities, if they stayed where they are, about a 20 to 25-basis-point dilutive impact on a year-to-year basis, and M&A, call that 10 to 15. So you're somewhere between 30 and 40 that you're overcoming. And so, that puts you in that 20 to 40 normalized, which tells you what the underlying is doing.

Tyler Brown

Yeah. Perfect. Okay. And my last one, just big-picture question and you touched on it, Ron. There's obviously a ton going on in the world of technology. And it sounds like you guys and, quite frankly, the industry at large, probably stand to benefit from maybe some of the productivity that AI might bring.

But can you just talk a little bit about your strategy? Where you are in the journey? What kind of tools you're talking about?

And is that something that we should see a gift that gives over the next, call it, half-decade? Or how should we just think about that broadly? Appreciate it.

Ron Mittelstaedt

Yeah. Sure. Well, obviously, we are mostly talking about two things. We're mostly talking about data aggregation amongst historically disparate systems and apps, which are now being aggregated and can speak to each other and provide data analytics that we really haven't had to this degree; and then the utilization and overlay in multiple areas of AI to analyze that data and help us in areas of pricing, customer engagement, route optimization, maintenance projectability, and a variety of other things.

We laid out in late '24 sort of a three-year, I call it total digitization of the organization, by the end of '27. So we are now, call that, one-third through that. We focused heavily on pricing and budgeting, forecasting, and planning through the use of AI and data aggregation in '25.

For '26, we will be doing the same on sort of route optimization, as we've mentioned, working to sort of what I call Waze for garbage, if you will, from a routing—a real-time routing standpoint rather than a static routing, as well as a dramatically enhanced mobile application and a complete revamp of our maintenance software and its integration to our operating system. And then there are additional plans for '27.

So I think those—I think it's too early to know exactly what that does margin-wise. It's obviously—they are all a margin lift and continuing to help us with outsized margin expansion.

But I can tell you, the first two to three things that we have done in late '24 and '25, there's been a very, very rapid payback on those investments, and we're surprised at the magnitude of the impacts, favourably surprised. So—

Tyler Brown

Mm-hmm.

Ron Mittelstaedt

—I would tell you that looking out, as you said, maybe over a half-decade or four- to five-year period, we should continue to see those. And I'd say those impacts are more in the two- to three-year period, we should see most of the benefit from.

Tyler Brown

Interesting. Okay. Thank you.

Operator

Our next question comes from Noah Kaye from Oppenheimer and Co. Please go ahead with your question.

Noah Kaye — Oppenheimer & Co.

Good morning. Thanks for taking them. I'll pick up on Tyler's last question around, really, the runway for accelerating or improving pricing retention from some of these changes in tools.

What are you specifically thinking about in price for '26, based off of the restricted and where you expect to be on open? And how much does this effort contribute to that?

Mary Anne Whitney

Well, Noah, I'd actually start in '25 because we already said that we've actually been—

Noah Kaye

Mm-hmm.

Mary Anne Whitney

—using this tool and been applying it this year, deploying it this year. And as you'll recall, we had initially guided to pricing of around 6 percent, and we've ended up giving you an updated guidance for 6.5 percent.

And so that improved pricing retention, we would attribute in part to the tool that we've been deploying. And we'd also acknowledge that those improving metrics on the operating stats, like having our seats full and retention better, lower turnover, that also contributes to the to pricing retention.

So I'd say that gives you a flavour for the kind of benefit we're seeing; a portion of it, we would attribute to that tool.

So then, when we think longer term, we think about, really, the life cycle of the customer and being able to hold on to customers by putting in smart price increases and minimizing the amount of customer loss and, of course, rollbacks.

And so, we think of it as taking some pressure off, using the pricing lever to drive that price-cost spread and being incremental, as we've demonstrated this year, for the possibility that there's upside when we go into a year.

To your specific question about how we're thinking about next year, as you know, Noah, we think in terms of the two pieces. There's the CPI-linked markets, and that's a lagging CPI adjustment which, over the past year, those increases have been smaller than in the prior year, so you'd expect less price in those CPI-linked markets.

And then the real question becomes, what are cost pressures doing, and how much price do we need in our unrestricted markets, and then how effective are those price increases. And so I think all of that could sort of inform you, directionally, that the expectation is needing less price in '26 than we did in '25. But of course, the particulars, the specifics of that, we'll give when we give our guidance in February.

Ron Mittelstaedt

And, Noah, I would just add that the expectation of still 150- to 200-basis-point price-cost spread is directionally how you should think of that. And our confidence level of achieving that, I think, has improved with the utilization of the AI tool that we've been working on for the past year plus.

So if we have a lower gross price and a higher net price with lower customer churn, we believe that can ultimately pull 50 to 100 basis points out of that reported volume number, meaning—

Noah Kaye

Mm-hmm.

Ron Mittelstaedt

—improving it, because right now, we're getting a trade-off of probably up to a point for up to about 100 to 150 basis points more that we're pushing price. So as—

Noah Kaye

Mm-hmm.

Ron Mittelstaedt

—we can pull that down and offset that churn, that is—that layers for us in the organic growth number as well.

Noah Kaye

Very interesting. Thanks, Ron. Thanks, Mary Anne.

You mentioned, I guess, the \$50 million potential year-over-year benefit from lower green CapEx to free cash flow in '26. Just what are some of the other puts and takes that we should be thinking about in our models for free cash flow conversion?

Mary Anne Whitney

Well, of course, Noah, we need to get through this year to—so we know the timing of CapEx. We've talked about taking advantage of bonus depreciation by potentially adding CapEx as we exit '25 for fleet and equipment. You should expect us to be looking at that. That'll inform our thinking about '26. As we said, the green CapEx will inform it and, ultimately, what we guide to for EBITDA. All of those things will, together, inform our thinking about what the moving pieces are for '26.

Noah Kaye

Okay. I'll leave it there. Thank you.

Mary Anne Whitney

Thanks.

Operator

And our next question comes from Konark Gupta from Scotiabank. Please go ahead with your question.

Konark Gupta — Scotiabank

Good morning and thanks for taking my questions. Just want to kind of follow on the last question about free cash flow.

So I think one of the other moving parts, I think last couple of years at least, has been the Chiquita-related outlays. So can you update us on where the Chiquita situation today is in terms of your remediation obligations? And how do you expect those outlays to trend in the next year or so?

And then also maybe update on where the litigation currently sits there?

Ron Mittelstaedt

Sure. I'll take a crack at this for you.

So we would tell you that, overall, the mitigation and treatment of the reaction, or what we call the ETLF (sic) [ELTF], is actually going about as we expected or maybe, in ways, even a little better. We continue to make progress on the removal of the leachate from the landfill that is being generated by the reaction, and that amount continues to drop quarter to quarter.

We peaked at handling over 400,000 gallons a day, and we are now handling about 220,000 to 240,000 gallons a day in real time. And at that 220,000 to 240,000 gallons a day, we are reducing the level of leachate within the landfill itself, which tells us that we are on the backside of the reaction curve because we're now effectively outrunning the reaction generation, whereas a year ago, the reaction generation was outrunning us.

So those are some very good signs. We have completely capped, with about 42 acres of synthetic liner, the reaction area. We have voluntarily agreed to cap an additional 50 acres over the next three years, preventatively, and at the request of agencies, and we agree with that. And we are complete drilling of all of the extraction wells and implementing all of the submersible pumps to remove the liquid, so.

And we have dropped by over 95 percent the registered odour complaints that are monitored through local agencies and the State of California Air Board (sic) [Air Resources Board]. So I would tell you that the reaction handling is going as expected or even better on that front.

At this point, the outlays are running somewhat ahead of our expectations because we've taken additional steps to decrease the impacted area and accelerated some of those steps on our leachate

treatment activities. We continue to believe and expect these efforts and that others that we're pursuing will and are resulting in decreasing outlays, given the progress that we've made.

So that's really the reaction front, and then you have this sort of a whole, separately, regulatory compliance and litigation that comes along with this type of event. And of course, we're not going to comment on litigation because we are in a public forum, but I'd just tell you that that's probably expected as you would expect in something like this. So that's really the update on where we're at.

Konark Gupta

And then—that's helpful, Ron. And just in terms of guide posts around the outlays for the Chiquita this year versus what you can expect maybe next year?

Ron Mittelstaedt

Yeah. Well, we're not yet prepared to outline that. We will obviously do so in February when we give our full guidance. But what I can tell you is that, as we said, we're somewhat ahead at this point right now this year. We don't necessarily view that negatively. We have no reason to expect, as we sit here today, that the total outlay that we have outlined, when we originally took an impairment and a charge when we closed the site for our post-closure, has any material change to the totals.

Konark Gupta

Okay. That's really helpful. Thanks. And just to wrap up quick on the volume side of things. I think, heading into the third quarter, the expectation was volumes to be a little bit worse than what you guys have seen in the first half. So just trying to understand like if you can parse out some of the key underlying drivers in the volumes here with respect to macro; the Chiquita, obviously, overlap because you shut down the landfill in Q4 last year; and also anything else in the volume that you can call out for Q3 and expectations—

Mary Anne Whitney

Sure.

Konark Gupta

—for Q4.

Mary Anne Whitney

Sure. So to your point, coming into Q3, we'd seen some incremental weakness at the end of Q2. And our expectation was that perhaps there was really no seasonal ramp, and we did see a bit of a seasonal ramp, but we would describe it as muted. I think it was up about 1.5 percent sequentially, which is less than half of what you would typically expect to see. So some muted improvements.

As I mentioned in the prepared remarks, special waste was up about 10 percent. I'd always hesitate to generalize from something that's event-driven and pretty lumpy since, last year, special waste was down 10 percent in the quarter. But it was encouraging to see less negative trends, again, as I mentioned in the remarks, in C&D, so a little better than it had been in prior quarters.

Again, I wouldn't generalize from this because also, as I've mentioned, some of it is just timing. And we had expectations about what the back half of the year could look like, and if some of it occurs in Q3, that means you shouldn't assume it happens again in Q4, again, given the event-driven nature of the business.

But encouraging to see that things aren't incrementally worse. Arguably, this is our eighth quarter or even more of just kind of flattish activity levels, and so you're not seeing the creation of new volumes.

Konark Gupta

Understood. Thanks so much for the colour Appreciate it.

Operator

Our next question comes from Chris Murray from ATB Capital Markets. Please go ahead with your question.

Chris Murray — ATB Capital Markets

Yeah. Thanks, folks. Good morning.

Mary Anne Whitney

Hey, Chris.

Chris Murray

Maybe just looking—maybe just thinking about volumes as we go into next year, and just, if you think about that we're going to be rolling off Chiquita, which has been a pretty big headwind; if I think about kind of the revenue guide, kind of mid single digits with kind of, call it, 3 percent-ish-type inflation numbers, can you just really give us an idea how you're thinking about getting to that kind of mid single-digit number? And does that include any sort of expectation for any volume growth, kind of in MSW year over year?

Mary Anne Whitney

Sure, Chris. So of course, we're not giving guidance, and these were broad strokes. But at a very high level, a way to think about it, since, as you know, we think in terms of price-led organic growth, and as I mentioned earlier, we think in terms of how much price we need, and whether or not we're seeing incremental headwinds from inflation, or we're seeing any easing. And given the fact that, as we've talked about, the underlying margin expansion we've enjoyed because of the self-help measures, and the fact that trends aren't getting worse, based on what we're seeing right now, one could envision that the pieces would have price that's not as positive as it was in the current environment. And there might be volumes

that are not as negative. And the net impact of those two would get you to be approaching the kind of numbers we're talking about. And then you layer on the M&A with some offsets.

And so I'd say that's the way to think about the building blocks. And of course, we'll have better information and insights in February when we actually give our guidance.

Chris Murray

Okay.

Ron Mittelstaedt

And, Chris, I would tell you that, look, we have said that our costs this year have been running—of course, they were higher at the beginning of the year, coming down throughout the year. We point to labour because that's the largest cost item.

As we exit the year, we're approaching going below 4 percent in labour—it was 4.1 percent in Q3—and our other costs are running just below that. So we believe that next year that, that labour number runs closer to the mid-3s percent, maybe 3.5 percent.

So again, we've talked about maintaining the type of spread we've had this year in price. So assuming that is what continues in the cost, I think you can get yourself pretty close.

Chris Murray

Yeah. No. That's helpful. Thank you.

And then maybe taking like the giant kind of step and into '27, assuming that you kind of get the normal kind of inflection. At least the thinking has been, as we've been bringing in these RNG investments—and thank you for the clarification—it's probably going to be a Q4 '26 thing. But as we get into '27, it was—I guess the expectation was always there'd be about a dollar of EBITDA for every dollar

you sort of put into the program. But if you just have any updates and any thoughts around how we should maybe frame that as we think about maybe those years, that would be helpful.

Mary Anne Whitney

Sure. So, Chris, we've talked over the past couple of years about the fact that that dollar of investment had grown and the fact that we'd seen the cost creep and the delays on these projects And that has continued, and it's contributed to the expectations that those don't come online until late '26 or early '27.

The other major factor driving that equation is what RIN values are and, of course, that one-for-one was in an environment of \$2.50 to \$3 RINs. And if we're sitting at \$2.25 and have been below that, that certainly alters our expectations, and you could see the one-to-one moving closer to two-to-one, depending on what those ultimate values are.

Chris Murray

Okay. I'll leave it there. Thank you.

Operator

Our next question comes from Kevin Chiang from CIBC. Please go ahead with your question.

Kevin Chiang — CIBC

Thanks. Thanks, and good morning, everybody. First of all, congratulations on the progress you're making on some of these safety metrics.

I guess, as you think about 2026, I'm wondering if you start seeing the benefits of less of a headwind, I guess, from the risk management inflation you're seeing in the 2025 results.

And then I did notice Canada actually had a—at least you called out in Q3—risk management was actually a tailwind to your margin. Just wondering what’s happening in Canada from a risk management cost perspective versus what you’re seeing in the US.

Mary Anne Whitney

I think that was specifically related to a comeback on workers’ comp. Episodically, we get a credit, and so that can cause some lumpiness—

Kevin Chiang

Okay.

Mary Anne Whitney

—quarter to quarter. All of our regions are seeing improvement in safety.

And to your question about when we see the benefit of risk management costs, again, given the nature of the—the lagging nature and the fact that it’s statistically driven or actuarially driven, and claim development periods impact or influence how long it takes to see, we’d always be cautious about putting too fine a point on it. But even in our overall program costs, I’m optimistic that there’s some benefits in ‘26 versus ‘25.

I think the key thing to take away, Kevin, is that we had talked about 100 basis points of margin expansion, and we’re driving the kind of results you’ve seen in spite of the fact that it’s not just that we haven’t gotten the risk benefit, but it continues to be a headwind of 20 to 30 basis points in the quarter, so it gives you an idea of what unlocking it could do as we look ahead.

Kevin Chiang

That’s helpful. Maybe just on your Canada R360 opportunities. If I recall, you had some idled assets when you made the acquisition, I guess, from Secure. Just given where energy prices are, just how

do you view that optionality, I guess? Is that still something that you'd look to invest in to bring some of these facilities online? Or do you need a higher energy price to make that work?

Ron Mittelstaedt

Yeah. Good recollection on that, Kevin. In fact, there were six idle assets when we closed the transaction, about two-and-a-quarter years ago or two-and-a-half years ago now. We have, in the course of 2025, invested in and opened two of those six, and that is actually something that helped us in Q3 at one of those facilities.

Again, these are smaller facilities and smaller contributions, but they certainly were positive to volumes and our performance in Q3 and will be in Q4. We're going to assess each of the remaining four over—we reassess all the time.

It isn't as much in Canada, because it's a production-based business.

Kevin Chiang

Mm-hmm.

Ron Mittelstaedt

It isn't as much the price of crude, although that is influential, no question. It's where there is new drilling activity and its proximity to facilities that you might have shuttered. So as activity moves amongst formations from time to time, and it moves much slower in Canada because they have much longer—

Kevin Chiang

Mm-hmm.

Ron Mittelstaedt

—life wells, that will really affect when we open those additional facilities.

Kevin Chiang

That's super helpful. Maybe if I can just fit one last one in here. Just any update on the New York commercial zones? It looks like they're going to open up, I guess, the two Bronx regions, which I think you have, I guess, a permit in those markets as well. Just how's that going and your experience in Queens, I guess, as that test run has come to an end here?

Ron Mittelstaedt

Yeah. You are right. In fact, they have opened two additional zones, and we have permits in both, Kevin, to answer your question. They opened those October 1, so we're two-and-a-half weeks into it. It's going fairly well and, again, I would say about as expected.

We didn't mention this in our commentary but, in the fourth quarter, we will be closing the largest—closing on the largest remaining transfer station in the Queens market that we have actually had under definitive agreement since back in April and May. And there's a complex regulatory process to get through in New York, and we have gotten through that process and gotten approval to close on that transfer station. And that really gives us one more leg in this jigsaw puzzle of how the franchise business comes together in New York City.

So we are looking forward. We will have that open here—well, we will have it under ownership here in the fourth quarter. So we're making good progress. It's a scramble when they open these zones, but we are very, very well positioned for that with the magnitude and the size of our sales force and our operating footprint there.

So that, I'd say that continues to play out about as expected, and we look forward to them rolling out the remaining zones over '26 and '27.

Kevin Chiang

Perfect. I appreciate you taking my questions. Thank you very much.

Operator

Our next question comes from Jim Schumm from TD Cowen. Please go ahead with your question.

Jim Schumm — TD Cowen

Hey. Good morning. Nice quarter. All my questions have been answered. I have just two quick ones for you, though.

Are you seeing any issues obtaining new trucks?

And do you think there will be any tariff impact next year? I know there was pretty much no impact this year.

Ron Mittelstaedt

Yeah. Jim, I mean, first off, I would tell you that we are really not seeing—and it's a good question because up until, I would tell you, probably about mid this year, there was still some supply chain delay, but that has really eased. And in fact, we are in the market currently buying additional fleet that we're pulling into '25 because of availability of it and our desire to not only obtain it, but to take advantage of bonus depreciation with the change in law.

So, no, we're really not. So I wouldn't want to use that as a reason we couldn't deliver on getting all of our vehicles.

As far as tariffs, we are hearing from manufacturers that there's probably somewhere in the neighbourhood of a 3,000 up to about a 7,500-per-truck impact because it affects different components of both the chassis and the bodies separately. So I would tell you that that is relatively de minimis in the total scheme of things, but there is some very small impact at this point in time in '26 going forward from the manufacturers.

Jim Schumm

Okay. Great. Thanks. And then you guys talked quite a bit about volume and just maybe one more on that. From a volume standpoint next year, are there any major contracts that expire that you're likely to shed for next year? Now I know that there's always going to be some but, I mean, like, large sort of needle-movers, whether it be from Progressive or for any other contracts.

Mary Anne Whitney

Right. Understanding that there's always ins and outs, no, there's no significant chunky, big contract. And in fact, in Q4, the chunkier one that's been impacting this year about 20 basis points, that actually expired or anniversaries. And so it eases that shedding a little bit.

Jim Schumm

Okay. Great. Thank you very much.

Mary Anne Whitney

Sure.

Operator

Our next question comes from Tobey Sommer from Truist. Please go ahead with your question.

Tobey Sommer — Truist

Thanks. With commodity prices in RINs, recycling kind of being the headwind here for a period of time, does this influence and affect at all the way you think about the mix and exposure that you want to have within the portfolio and income statement in these buckets?

And how much higher or lower do you think your exposure might be in three or five years?

Mary Anne Whitney

Tobey, we think in terms of providing the service to our customers, and so it's really a function of the mix of markets, whereas you can appreciate, on the West Coast, where we've always had a high amount of diversion and therefore recycling, and that's a great model for that business.

And then off of the West Coast, in places where, really, we've always taken kind of a slow-moving approach to get critical mass and then build out our own recycling facilities, again, it's all based on meeting the customer's needs, and then we think about de-risking it to the extent we can. That's why you've seen us build our own recycling facilities in certain markets, and it's really coincided with the incremental technology in these facilities, and so that's made it a better business, and partnering with a nationwide broker to get better pricing through volume.

So we've approached it as how do we mitigate the overall impact, make it a better underlying business, and then communicate to you all what the sensitivity is with movement in commodity values. Because we've always maintained, particularly given the fact that the recycled commodities running through our facilities come off of our own trucks, it really has to start with pricing it appropriately at the Street. And so that's what we focus on.

Ron Mittelstaedt

And last thing I'd say, Tobey, with regard to that is if you think about our—I'm going to use this word—growth algorithm, where we have predominantly price-led organic growth. Obviously, if that's the case, your percentage of commodities will naturally drop over time mathematically, and unless your M&A is materially outpacing in a year your price-led organic growth. And it has been running about the same or maybe a little under.

So I think over time, it is much more likely that the percentage of things that are linked to a commodity that has some market volatility continues to drop as a percentage of revenue in generalities.

Tobey Sommer

Thank you. Now I wanted to ask a question about the great labour retention and the cascading positive financial impacts on the income statement.

How much of a margin impact sort of delta is there between the current trend, which is phenomenal, and what you might consider to be normal? Because should the labour market ever kind of change here and start to improve, there may be a little bit of giveback for the industry and the Company.

Ron Mittelstaedt

Yeah. Well, I would characterize it in this way. We have—originally, when we went down this path, we said, hey, there's about 100 basis points of margin expansion that can be unlocked over a two-to three-year period as we achieve our turnover reduction goals. And we said that that doesn't show up in just one line item. It sort of shows up in seven or eight at 10 to 15 basis points per line item. And that has happened.

We are about two-thirds through; I'd call it 65 to 70 basis points of that unlock has been achieved. Now here is the thing. We've actually achieved 130 basis points because we've overcome the margin headwinds of things that have affected against us, such as drops of commodities, RINs, as we've talked about, and increases in risk from prior-period severity. So we've still got another third to go to get to that 100, but that would actually put it at closer to about 160 to 170, is what we would have achieved through that.

So we believe you'll see the vast majority of that finish out over the course of '26. And then if there is, to use your word, additional giveback because there was some labour softening, that would be determined.

But I will tell you that, look, you're always in the market to hire the best-quality people. And even in the time of labour softening, best-quality people in this economy have opportunities. So I wouldn't think of that flexing downward. I would just like think of it as being more stabilized.

Tobey Sommer

Thanks very much.

Operator

Our next question comes from Sabahat Khan from RBC Capital Markets. Please go ahead with your question.

Sabahat Khan — RBC Capital Markets

Great. Thanks, and good morning. Just a quick clarification on the margin and maybe a bit more of a detailed one.

If we caught it right, I think you were saying about 50 to 80 bps of underlying margin improvement, offsetting about 30 to 40 bps of headwinds. One, did I catch that correct?

And secondly, is this just more kind of price-cost spread and benefits of the employee sort of safety and all the retention-related benefits? Or are there kind of other benefits that you expect? Maybe even if you think about two, three years, kind of where are some of the margin levers that we should look at? Thanks.

Mary Anne Whitney

So just to make sure we're all saying the same thing, we think of normalized margin expansion in the 20- to 40-basis-point range. So however you net to that number is the right way to think about, being driven by that underlying solid waste margin expansion. You've seen us deliver underlying solid waste margin expansion for the past several quarters and, acknowledging that there are headwinds from

commodities, which we said is, call it 20-ish, 25 basis points, and that acquisitions are dilutive and would be expected to continue to be, to the extent anyone's layering more deals, of course. We wouldn't encourage that, but just we need to be mindful of those dynamics.

So I think we're all saying the same thing, but that would just be the clarification there.

And again, in terms of what's driving the underlying margin expansion, again, we go into any year thinking of that price-cost spread and the opportunity to do better than that because of these self-help measures, whether it's on pricing retention or employee retention and the cost benefits associated with that, including those lagging benefits from risk.

But any of the granularity on the drivers, we'll certainly look forward to talking about in February when we give our guidance. We appreciate the opportunity to communicate at a very high level, broad strokes, how we're thinking about next year.

Sabahat Khan

Okay. Great. And then just within that 7 percent, the growth number in the E&P, I think you mentioned there's a small facility that added as well. Is there any way to quantify what the sort of an annual or run rate benefit from a facility like that might be?

Ron Mittelstaedt

Oh, the annual contribution from a facility like that is probably in the \$3 million revenue range and \$1.5 million to \$2 million EBITDA range.

Sabahat Khan

Great. And then lastly, I think there's a comment within this quarter, the results, there is an amount related to a landfill. Presumably, it's something different than the Chiquita Landfill. But should we assume that this was just sort of like a one-off? Is there any sort of bookends you'd want to put on some

amount like that? Or should we just see this as a one-off remediation-type cost that was incurred in the quarter? Thank you.

Mary Anne Whitney

Yes. Thanks. Nothing to do with Chiquita. It's a one-off, as you said. I mean, it's just a timing difference in commissioning and disposal well and some incremental costs in the meantime.

Sabahat Khan

Great. Thanks very much for that.

Mary Anne Whitney

Sure.

Operator

Our next question comes from William Griffin from Barclays. Please go ahead with your question.

William Griffin — Barclays

Great. Thank you. Good morning. Just one quick one for me here on capital allocation. You obviously ramped up share repurchases here in the third quarter. Just wondering how we should think about maybe the split between spending on acquisitions and buybacks as we look into '26, maybe in the context of the M&A pipeline that you kind of see in front of you right now.

Mary Anne Whitney

Sure. Well, you should always think in terms of strategically consistent, appropriately priced M&A is always going to be our highest and best use. We look forward to continuing to grow the business the same way we've historically grown it, concentrating on the types of markets that have really driven our success.

Still see a lot of runway. We've talked about the \$4.5 billion to \$5 billion in private company revenue that fits that model and that, really, of course, sellers drive the timing of deals. But I've talked about the pipeline continuing to be robust. And Ron talked about the successes we've had this year and the things we're closing in Q4 and looking ahead to next year, more to do.

So with that as the backdrop, then the observation is, even with a dividend that continues to grow at double-digit percentages annually since its inception, we have tremendous flexibility to also do share repurchases. And you saw that in this recent period when, as we would characterize it, there was an opportunistic environment or, said another way, a dislocation that made it compelling from our perspective.

So that is the way to think about it. The fact that our leverage is 2.75 tells you we have tremendous flexibility to continue really doing all of the above. But always M&A, as I described, will be the first order of business.

William Griffin

Got it. I appreciate the colour. Thank you.

Ron Mittelstaedt

Thank you.

Operator

Our next question comes from Tami Zakaria from J.P. Morgan. Please go ahead with your question.

Tami Zakaria — J.P. Morgan

Hi. Good morning. Thank you so much. And thanks for all the colour. I'll add one quick question here.

Any thoughts on how much of a volume headwind we could see next year from some of the contract shedding you're doing willfully?

And if you could remind us how much of a drag it's expected to be this year, that would be helpful.

Mary Anne Whitney

Sure. Sure, Tami. As we've said, when we look at the '27 in negative volumes, about 70 basis points of that has been this intentional shedding. And I mentioned earlier, we know about a third of that, it'll step down even in Q4 because of one contract, we anniversary. And then going forward, it'll really be a function of—how much that continues to decline would be a function of any incremental shedding from acquisitions that we're currently doing or have done in the last year.

And so, given the fact that we've still been busy, there's certainly potential for pieces there, but I wouldn't expect it to get greater than what we've recently seen. I would expect those losses overall to be smaller than they have been in recent periods.

Tami Zakaria

I appreciate the time. Thank you.

Mary Anne Whitney

Sure.

Operator

Our next question comes from Michael Doumet from National Bank. Please go ahead with your question.

Michael Doumet — National Bank

Hey. Good morning, Ron. Good morning, Mary Anne. I just wanted to ask—

Ron Mittelstaedt

Good morning.

Michael Doumet

—a question on the regional results. It looks like Canada and the southern US are seeing some pretty solid margin expansion, while the other regions are flat to down year to date. I mean, is that reflective of where the recycling business is a little bit larger? Just wondering what is driving the differences in the margins in the regions.

Mary Anne Whitney

So typically, the biggest drivers would be, yes, it would include recycling, to your point. Our western region and our eastern region both have large recycling impacts. It also reflects acquisition activity, because acquisitions are typically dilutive, and so you would certainly see that in any of those regions where we've closed deals.

Ron Mittelstaedt

And the other thing I would say, Michael, is it also reflects—when you asked the difference between regional margins, it also reflects the general tip fee, landfill tip fee, as built into the regional differences. So when you're in the Northeast and you're talking \$80 to \$120 tip fees, or the West, where you're talking \$60 to \$120 tip fees, you're going to have suppressed EBITDA margins relative to the central part of the country and the South and Southeast where you're experiencing \$20 to \$40 landfill tip fees. So some is just a structural difference.

Michael Doumet

Gotcha. Thank you. And then, I guess on the—if I remember correctly, on the Q1 conference call, I remember you indicating that there are a few chunkier deals in the pipeline, and it sounds like you've

closed a few of them. But I was wondering if there were more ahead and how they were progressing, and just generally on how you view the M&A environment for 2026.

Ron Mittelstaedt

Yeah. Well, I mean, yeah, you are correct, Mike. We have closed some of those deals. We closed a very nice size, a large company in South Florida in Q3. We have signed and will close in the next few weeks another nice company in central Florida. So some of those were ones we were referring to.

We were also referring to this large transfer station in New York that we have under a definitive agreement since May. And as I mentioned earlier in a question asked, we will be closing that in this quarter as well.

And there always are deals of various sizes that are under constant discussion and negotiation.

I would characterize the M&A environment as continuing to be very strong, very robust. We've already done sort of about two times a, quote, normalized year through three quarters, and we'll continue at a strong pace in Q4. So this is going to end up being a more-than-double average year.

And we're not really seeing any material change to that in any way as we head into '26. I think if and when, and hopefully soon, the economy turns as interest rates continue to pull down throughout '26, and private owners get a little more lift in their sales, that helps accelerate M&A activity.

So the catalysts that drive things are not going the—they're going in the right direction, not the wrong direction.

Michael Doumet

That's helpful colour. Thanks, Ron.

Ron Mittelstaedt

Yep.

Operator

Our next question comes from Shlomo Rosenbaum from Stifel. Please go ahead with your question.

Shlomo Rosenbaum — Stifel

Hi. And thank you very much. Ron, I just wanted to start asking you if you could flesh out a little bit more your discussion on pricing that you've gotten from technology. And it sounds like you've been kind of favourably surprised in where you can both price and kind of help you price, I guess, in a very pinpoint way so you're not impacting churn. Where do you think you are in terms of kind of rolling those learnings out across the organization?

And in your efforts to kind of explore and analyze it, are you finding additional adjacencies with that technology and analytics that are kind of ongoing, where you're consistently finding some new areas where you feel like you can press additional buttons?

Ron Mittelstaedt

Yeah. Well, first off, to answer your question, I think we're only in the second inning of a nine-inning game as far as deployment, so very, very early in doing so.

We have deployed this to about a seventh of our P&Ls so far, and that will grow to about, call it, half to 75 percent throughout '26. So I think you'll continue to see improvement in that '26 and into '27 before you really start to see all of the impact.

And really, look, the ultimate objective, I think—and I don't think we're any different than any of the other large public companies—is how do you achieve your price increase objectives with the least customer churn by type of customer by geography.

And so instead of being, I'm going to call it more uniform with—if everybody's getting a 7 percent increase in a certain market, does somebody get 1.9 percent and somebody get 10.4 percent based on individual customer specifics of sort of an algorithmic stack of what we believe causes customer price acceptance or rejection or negotiation.

And so I think, ultimately, this takes pressure off volume, trade-off between price and volume, and you're going to begin seeing that in '26 and continue to see it as we go forward. And I think it allows us to achieve, with less customer rollback and defection (phon), our price increase objectives.

So I think it's a little too early to say what else that means. But if it accomplishes that objective alone, we'd be extremely satisfied.

And the early indication from one-seventh of the Company's locations is very positive. It's a 30 percent to 40 percent reduction in churn on similar price increases. So that's pretty significant.

Shlomo Rosenbaum

Thank you. And then, maybe, Mary Anne, can you talk a little bit about the puts and takes in the implied margin expansion of 90 basis points year over year for next quarter? Or like, maybe just give us a little more breakdown on how that should shake out, at least in how you're thinking about it?

Mary Anne Whitney

Sure. So the key moving pieces there that change between Q3 and Q4 is that 70-basis-point headwind that we talked about from recycled commodities and RINs declines to about 30 basis points. And so that, of course, is the biggest driver of the change, period over period.

Shlomo Rosenbaum

Okay. And then, do you have like a rollover into 2026 for the acquisitions that have been completed to date?

Mary Anne Whitney

Yeah. We said it was approaching 1 percent. That was kind of rounded. I think it's somewhere between 80 and 90 basis points, something like that.

Shlomo Rosenbaum

Okay. All right. Thank you very much.

Mary Anne Whitney

Sure.

Operator

Our next question comes from Toni Kaplan from Morgan Stanley. Please go ahead with your question.

Yehuda Silverman — Morgan Stanley

Hi. This is Yehuda Silverman on for Toni. Thank you for taking the time. Just got a quick question on commodities in the quarter.

Some of the factors, the headwinds that were factored into the guide, were the results in the quarter worse or better than expected. And then looking ahead, what is something that can mark a recovery or stabilization of the commodity prices? Is it more macro or economic activity the only notable driver? Or are there other drivers for potential recovery?

Mary Anne Whitney

Sure. So the incremental headwinds from commodities that we've talked about in the quarter were about 20 basis points, so the continued slide we saw during the quarter that we talked about overcoming with our underlying margin expansion.

And I would say, generally speaking, the best indicator would be the macro environment, the overall demand and visibility on that demand.

The good news is that there's been so much conversion in the United States of mills to taking recycled feedstock that demand has been steadier, and there's far less influence internationally. And that's why I would argue that it could be a factor in the greater stability overall in those commodity prices, particularly OCC.

Yehuda Silverman

Got it. Just one more quick one. On government shutdown, if that's prolonged, is there any potential impact on customers' decision-making or contracts? Or nothing really important?

Mary Anne Whitney

It's not so much government contracts. It would just be the overall activity and the lack of visibility there, to the extent it's influenced by a government shutdown. I mean, we certainly might pick up at parks or things, but it's not a needle-mover.

Yehuda Silverman

Got it. Thank you.

Mary Anne Whitney

Sure.

Operator

And our next question comes from Trevor Romeo from William Blair. Please go ahead with your question.

Trevor Romeo — William Blair

Hey. Good morning. Thanks for squeezing me in here. Just maybe a couple of quick landfill-related questions.

One, just on Arrowhead, I think maybe first. I guess, any update on tons going into the facility, whether those are still ramping?

And then we have a big merger in the rail space, I guess, pending, that could include some of the lines in that part of the country. So just wondering if you could maybe see any changes or impact to your service there if that merger is approved.

Ron Mittelstaedt

Yeah. Sure. I'm happy to give you an update.

So Arrowhead has continued to progress. We are now hitting about 7,500 tons a day in Q3 at Arrowhead, recalling that when we acquired the site in August of '23, so two years ago this quarter, it was about 2,500 to 2,700 tons a day. So we've made substantial progress there.

I will also tell you that we have laid the foundation for incremental continued improvement in '26 and '27, in that we have built out incremental track at our landfill. When I say we have, actually Norfolk Southern has done it for us, of course, with our capital. And they've also done that at our Newark facility, loading facility outside of New York City. Those two things were crucial for them to begin running a unit train for us, dedicated unit train, multiple days a week. And that is actually scheduled to begin in the mid to late fourth quarter of this year.

That will be very helpful to us. That will reduce transit times by potentially up to 25 to 30 percent. And that helps the overall cost structure for Norfolk Southern, but also for us, because it requires less railcar capital from us as we expand, because you're getting more turns on your existing railcars. So those are all good things.

Yes. And the pending UP-Norfolk Southern merger, first off, we have a very long-term contract with Norfolk Southern that will have no effect on or should have no effect from the merger, so we're not concerned about that. And UP really does not pull in the lane segments that we are operating in, and Norfolk Southern is the predominant rail there. So we really expect no material impact from their proposed merger.

Trevor Romeo

Okay. Thank you, Ron. That's helpful and good news on the expansions.

And then real quick on Seneca Meadows, I know you're going through kind of a permitting process for expansion there. Just any quick updates you could give us on how that process is going?

Ron Mittelstaedt

Yeah. I would tell you that, really, we are tracking about as expected. We remain very confident in our ability to get the expansion. There's sort of a two-step—well, there's a three-step process, with the biggest one being local host agreement approval, and we have achieved that.

There was also a legal challenge by some township group there, and that has been effectively thwarted by the higher court in New York here in the last—it's been stayed, is a better way to say it, maybe, than thwarted. We believe it's a good indication it will be thwarted, but it's been stayed. So that's positive.

And then there is a final technical demonstration through the state DOC, and that is ongoing. So we, again, remain confident that we're on track to obtain it.

Trevor Romeo

All right. Thank you very much.

Operator

Our next question comes from Stephanie Moore from Jefferies. Please go ahead with your question.

Stephanie Moore — Jefferies

Hi. Good morning. Most of my questions have been asked. So apart from asking you, Ron and Mary Anne, how you're doing, I think I'll just throw in, as you think about your M&A opportunities and your pipeline going forward, is it at this point solely focused on kind of MSW deals? Or is there a willingness to look outside of traditional MSW deals as well? Thank you.

Ron Mittelstaedt

Well, first off, Stephanie, thank you for asking how we're doing. Thankfully, we're doing all right. I appreciate that.

And as far as our pipeline, there is nothing in the pipeline that is anything but traditional solid waste deals. That is what is in the pipeline. That is what you will see closing in Q4. That is what you will see closing in '26. And we are not looking at something that is outside of that, our sort of core arena, and do not believe there's any need to do so at this point in time.

Stephanie Moore

Very clear. Thank you.

Operator

And our next question comes from Tony Bancroft from Gabelli Funds. Please go ahead with your question.

Tony Bancroft — Gabelli Funds

Hey, Ron and Mary Anne. Thanks so much. Great job on the quarter and great job overall.

Just regarding, maybe, Ron, just you could—I know it's real late in the game here, but regarding your view on maybe how PFAS will play out—I know has sort of been quieted recently. But all these long-term liabilities always seem to pop their heads up again. I just want to get your view on that at your landfills and the economics around that, maybe a quick hip-pocket lecture.

And then you've seen others talk about doing these plastic sort of polymer plants and just want to get your view on what you think of the economics on that are long term. Maybe just a quick hip-pocket lecture, if you could?

Ron Mittelstaedt

Sure. I appreciate it, Tony. Look, with regard to PFAS, obviously, things will continue to be codified through the federal government. And we as an industry and us as a company will react to that.

I can tell you that we have been working on this for the better part of three years. We've narrowed down to two to three technologies, all of which are working and performing very well. We have bought portable units at multiple of our landfills, effectively utilizing what I would call sort of, in effect, a solidification and stabilization of the PFAS from a leachate and removing it before you do anything with the leachate, and taking that PFAS, which is now in a solid form, and disposing of that properly.

So we're very confident in our ability to comply with it. We're confident in our ability to pass those appropriate costs on in our rate increases to our customers and to demonstrate to publicly owned and privately owned wastewater treatment plants that the leachate is below a level, from a PFAS standpoint, of any federal regulation.

So it is not a needle-mover in any direction for us on a real revenue opportunity or a real expense creep at this point in time. So we remain confident in that.

Plastics, obviously, one of the national companies has done a great job with their, I think, now two polymer centres they've opened and for a plan to open a third. What I would say is those have been opened in relatively large urban markets where that company has a very nice position. And I think it makes tremendous sense, and I think they're demonstrating that it makes good sense there financially and sustainability-wise.

We are looking at some similar thing, not a polymer centre, but some similar plastic separation treatment technologies that could make sense. We're not prepared to say that they do, but we are moving down a road testing some of them. So I would stay tuned on that.

As you may know, right now, plastics have been falling and so—but the demand and the EPR requirements that are moving on through certain of the states, you're going to need to address plastics, we as a company and us as an industry, to help those states comply with their EPR legislation. So it'll be a continued developing area.

Mary Anne Whitney

The one thing I would add, Tony, is just keep in mind that plastics are a tiny fraction of the overall stream of recyclables. And to Ron's point, if you have a critical mass in one area, the mass would be very different from having a small amount in lots of markets.

Tony Bancroft

Thanks so much. Great job.

Ron Mittelstaedt

Thank you.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to the management team for any closing remarks.

Ron Mittelstaedt

Okay. Thank you, Operator.

Well, if there are no further questions, on behalf of our entire management team, we appreciate your listening to and interest in our call today.

Mary Anne and Joe Box are available today to answer any direct questions that we did not cover, that we are allowed to answer under Regulation FD, Regulation G, and applicable securities laws in Canada.

Thank you again. And we look forward to connecting with you at upcoming investor conferences or on our next earnings call.

Operator

Ladies and gentlemen, with that, we'll conclude today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.