



WASTE CONNECTIONS
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NEWS RELEASE

Waste Connections Reports Second Quarter 2017 Results And Raises Full Year Outlook

2017-07-25

- **Revenue of \$1.176 billion, exceeding outlook**
- **Reports 5.1% solid waste price + volume growth**
- **Net income attributable to Waste Connections of \$123.7 million, or \$0.47 per share**
- **Adjusted net income attributable to Waste Connections* of \$145.5 million, or \$0.55 per share, up 25%**
- **Adjusted EBITDA* of \$373.6 million, or 31.8% of revenue, exceeding outlook**
- **YTD net cash provided by operating activities of \$551.9 million**
- **YTD adjusted free cash flow* of \$393.6 million, or 17.4% of revenue**

TORONTO, July 25, 2017 /[PRNewswire](#)/ -- Waste Connections, Inc. (TSX/NYSE: WCN) ("Waste Connections" or the "Company") today announced its results for the second quarter of 2017. Revenue in the second quarter totaled \$1.176 billion, up from \$727.6 million in the year ago period. Revenue from the Progressive Waste acquisition completed on June 1, 2016, was \$511.4 million and \$174.0 million in the current year and prior year periods, respectively. Operating income, which included \$7.4 million in charges primarily related to share-based compensation costs associated with share-based awards assumed in the Progressive Waste acquisition, was \$206.9 million. This compares to operating income of \$63.5 million in the second quarter of 2016, which included \$73.2 million of items primarily related to the Progressive Waste acquisition completed in that period.

Net income attributable to Waste Connections in the second quarter was \$123.7 million, or \$0.47 per share on a diluted basis of 264.1 million shares. In the year ago period, the Company reported net income attributable to Waste Connections of \$27.5 million, or \$0.13 per share on a diluted basis of 210.9 million shares. Shares and per share numbers reflect a three-for-two share split completed in June 2017.

Adjusted net income attributable to Waste Connections* in the second quarter was \$145.5 million, or \$0.55 per share, versus \$93.2 million, or \$0.44 per share, in the prior year period. Adjusted EBITDA* in the second quarter was \$373.6 million, as compared to adjusted EBITDA* of \$233.6 million in the prior year period. Adjusted net income attributable to Waste Connections, adjusted net income attributable to Waste Connections per diluted share and adjusted EBITDA, all non-GAAP measures, primarily exclude the impact of acquisition-related items, as reflected in the detailed reconciliation in the attached tables.

"Continued strength in solid waste volumes, recycled commodity prices and E&P waste activity enabled us to once again exceed our outlook for the quarter. Given our strong results in the first half of the year and expected continuing momentum from these trends, we believe we are on track to report approximately \$1.45 billion of adjusted EBITDA in 2017, exceeding our initial outlook provided in February," said Ronald J. Mittelstaedt, Chairman and Chief Executive Officer. "More importantly, full year adjusted free cash flow, now estimated at approximately \$750 million, or almost 52% of adjusted EBITDA, is also pacing ahead of initial expectations."

Mr. Mittelstaedt added, "We are pleased to report that our divestiture program is nearing completion, with the expected benefits greater than initially anticipated. Moreover, we are encouraged by our progress on potential acquisitions, for which we could fully utilize existing cash and projected excess cash flow over the next few quarters. In addition to funding potentially above average acquisition activity, our strong financial profile also positions us for another double-digit percentage increase in our quarterly dividend in October."

** A non-GAAP measure; see accompanying Non-GAAP Reconciliation Schedule.*

For the six months ended June 30, 2017, revenue was \$2.267 billion, as compared to revenue of \$1.242 billion in the year ago period. Operating income, which included \$159.0 million of expenses primarily related to both goodwill impairment against the Company's E&P segment resulting from the early adoption of FASB's recent accounting pronouncement simplifying the test for goodwill impairment and items related to the expected divestiture of certain assets acquired in the Progressive Waste acquisition, was \$233.3 million, compared to \$154.5 million for the same period in 2016, which included \$82.0 million of costs primarily related to the Progressive Waste acquisition completed in that period.

Net income attributable to Waste Connections for the six months ended June 30, 2017, was \$138.5 million, or \$0.52 per share on a diluted basis of 264.0 million shares. In the year ago period, the Company reported net income attributable to Waste Connections of \$72.3 million, or \$0.37 per share on a diluted basis of 198.0 million shares.

Adjusted net income attributable to Waste Connections* for the six months ended June 30, 2017, was \$275.5 million, or \$1.04 per share, compared to \$148.4 million, or \$0.75 per share, in the year ago period. Adjusted EBITDA* for the six months ended June 30, 2017, was \$706.4 million, as compared to \$403.3 million in the prior year period.

UPDATED 2017 OUTLOOK

Waste Connections also updated its outlook for 2017, which assumes no change in the current economic environment. The Company's outlook excludes any impact from additional divestitures and acquisitions that may close during the year, and expensing of transaction-related items. The outlook provided below is forward looking, and actual results may differ materially depending on risks and uncertainties detailed at the end of this release and in our periodic filings with the U.S. Securities and

Exchange Commission and the securities commissions or similar regulatory authorities in Canada. Certain components of the outlook for 2017 are subject to quarterly fluctuations. See reconciliation in the attached tables.

- Revenue is estimated to be approximately \$4.570 billion, as compared to our original revenue outlook of approximately \$4.450 billion.
- Net income is estimated to be approximately \$390 million and adjusted EBITDA* is estimated to be approximately \$1.450 billion, or about 31.7% of revenue, as compared to our original adjusted EBITDA* outlook of \$1.410 billion.
- Net cash provided by operating activities is estimated to be approximately \$1.186 billion and adjusted free cash flow* is estimated to be approximately \$750 million, or about 16.4% of revenue, as compared to our original adjusted free cash flow* outlook of approximately \$725 million.

* A non-GAAP measure; see accompanying Non-GAAP Reconciliation Schedule.

CONFERENCE CALL

Waste Connections will be hosting a conference call related to second quarter earnings on July 26th at 8:30 A.M. Eastern Time. The call will be broadcast live over the Internet through a link on the Company's website at www.wasteconnections.com. A playback of the call will be available on the Company's website.

About Waste Connections

Waste Connections is an integrated solid waste services company that provides waste collection, transfer, disposal and recycling services in mostly exclusive and secondary markets in the United States and Canada. Through its R360 Environmental Solutions subsidiary, Waste Connections is also a leading provider of non-hazardous oilfield waste treatment, recovery and disposal services in several of the most active natural resource producing areas in the United States, including the Permian, Bakken and Eagle Ford Basins. Waste Connections serves more than six million residential, commercial, industrial, and exploration and production customers in 39 states in the U.S., and five provinces in Canada. The Company also provides intermodal services for the movement of cargo and solid waste containers in the Pacific Northwest.

For more information, visit the Waste Connections web site at www.wasteconnections.com. Copies of financial literature, including this release, are available on the Waste Connections website or through contacting us directly at (905) 532-7510. Investors can also obtain these materials and other documents filed with the U.S. Securities and Exchange Commission (SEC) and the Canadian securities regulators free of charge at the SEC's website, www.sec.gov, and at the System for Electronic Document Analysis and Retrieval (SEDAR) maintained by the Canadian Securities Administrators at www.sedar.com.

Safe Harbor and Forward-Looking Information

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 (PSLRA) and "forward-looking information" within the meaning of applicable Canadian securities laws. These forward-looking statements are neither historical facts nor assurances of future performance and reflect Waste Connections' current beliefs and expectations regarding future events and operating performance. These forward-looking statements are often identified by the words "may," "might," "believes," "thinks," "expects," "intends" or other words of similar meaning. All of the forward-looking statements included in this press release are made pursuant to the safe harbor

provisions of the PSLRA and applicable securities laws in Canada. Forward-looking statements involve risks and uncertainties. Forward-looking statements in this press release include, but are not limited to, statements about expected 2017 financial results, adjusted free cash flow, outlook and related assumptions, potential operating trends, expected benefits of the divestiture program, potential acquisition activity, and a potential dividend increase. Important factors that could cause actual results to differ, possibly materially, from those indicated by the forward-looking statements include, but are not limited to, risk factors detailed from time to time in filings that have been made by the Company with the U.S. Securities and Exchange Commission and the securities commissions or similar regulatory authorities in Canada. You should not place undue reliance on forward-looking statements, which speak only as of the date of this press release. Waste Connections undertakes no obligation to update the forward-looking statements set forth in this press release, whether as a result of new information, future events, or otherwise, unless required by applicable securities laws.

- financial tables attached -

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WASTE CONNECTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2017

(Unaudited)

(in thousands of U.S. dollars, except share and per share amounts)

| | Three months ended | | Six months ended | |
|----------|--------------------|--------------|------------------|--------------|
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Revenues | \$ 727,639 | \$ 1,175,569 | \$ 1,242,319 | \$ 2,266,835 |

Operating expenses:

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Cost of operations | 416,262 | 685,900 | 703,453 | 1,329,281 |
| Selling, general and administrative | 152,737 | 126,350 | 220,419 | 255,400 |
| Depreciation | 84,348 | 132,827 | 145,245 | 258,067 |
| Amortization of intangibles | 14,081 | 24,762 | 21,775 | 50,272 |
| Impairments and other operating items | (3,284) | (1,180) | (3,048) | 140,501 |
| Operating income | 63,495 | 206,910 | 154,475 | 233,314 |
| Interest expense | (20,485) | (31,160) | (37,670) | (60,291) |
| Other income (expense), net | (714) | 1,860 | (492) | 3,326 |
| Foreign currency transaction gain (loss) | 689 | (1,048) | 689 | (1,638) |
| Income before income tax provision | 42,985 | 176,562 | 117,002 | 174,711 |
| Income tax provision | (15,265) | (52,675) | (44,265) | (35,804) |
| Net income | 27,720 | 123,887 | 72,737 | 138,907 |
| Less: net income attributable to noncontrolling interests | (231) | (231) | (406) | (377) |
| Net income attributable to Waste Connections | \$ 27,489 | \$ 123,656 | \$ 72,331 | \$ 138,530 |
| Earnings per common share attributable to Waste Connections' common shareholders: | | | | |
| Basic | \$ 0.13 | \$ 0.47 | \$ 0.37 | \$ 0.53 |
| Diluted | \$ 0.13 | \$ 0.47 | \$ 0.37 | \$ 0.52 |
| Shares used in the per share calculations: | | | | |
| Basic | 210,305,335 | 263,387,338 | 197,244,873 | 263,225,541 |
| Diluted | 210,880,732 | 264,109,594 | 198,036,792 | 264,007,307 |

| | | | | | | | | |
|---------------------------------|----|-------|----|------|----|-------|----|------|
| Cash dividends per common share | \$ | 0.097 | \$ | 0.12 | \$ | 0.193 | \$ | 0.24 |
|---------------------------------|----|-------|----|------|----|-------|----|------|

WASTE CONNECTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands of U.S. dollars, except share and per share amounts)

| | December 31, 2016 | June 30, 2017 |
|---|-------------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and equivalents | \$154,382 | \$399,741 |
| Accounts receivable, net of allowance for doubtful accounts of \$13,160 and \$14,947 at December 31, 2016 and June 30, 2017, respectively | 485,138 | 547,671 |
| Current assets held for sale | 6,339 | 8,731 |
| Prepaid expenses and other current assets | 97,533 | 93,053 |
| Total current assets | 743,392 | 1,049,196 |
| Property and equipment, net | 4,738,055 | 4,729,335 |
| Goodwill | 4,390,261 | 4,589,573 |
| Intangible assets, net | 1,067,158 | 1,083,787 |
| Restricted assets | 63,406 | 60,393 |
| Long-term assets held for sale | 33,989 | 79,448 |
| Other assets, net | 67,664 | 63,631 |

\$11,103,925 \$11,655,363

LIABILITIES AND EQUITY

Current liabilities:

| | | |
|---|-----------|-----------|
| Accounts payable | \$251,253 | \$239,150 |
| Book overdraft | 10,955 | 30,585 |
| Accrued liabilities | 269,402 | 270,621 |
| Deferred revenue | 134,081 | 140,070 |
| Current portion of contingent consideration | 21,453 | 27,097 |
| Current liabilities held for sale | 3,383 | 6,365 |
| Current portion of long-term debt and notes payable | 1,650 | 11,511 |
| Total current liabilities | 692,177 | 725,399 |
| Long-term debt and notes payable | 3,616,760 | 3,963,909 |
| Long-term portion of contingent consideration | 30,373 | 31,218 |
| Long-term liabilities held for sale | - | 463 |
| Other long-term liabilities | 331,074 | 304,179 |
| Deferred income taxes | 778,664 | 822,209 |
| Total liabilities | 5,449,048 | 5,847,377 |

Equity:

| | | |
|---|-----------|-----------|
| Common shares: 263,140,777 shares issued and 262,803,380 shares outstanding at December 31, 2016; 263,637,093 shares issued and 263,425,440 shares outstanding at June 30, 2017 | 4,174,808 | 4,184,489 |
| Additional paid-in capital | 102,220 | 102,479 |
| Accumulated other comprehensive income (loss) | (43,001) | 26,108 |
| Treasury shares: 337,397 and 211,653 shares at December 31, 2016 and June 30, 2017, respectively | - | - |
| Retained earnings | 1,413,488 | 1,487,171 |

| | | |
|---|--------------|--------------|
| Total Waste Connections' equity | 5,647,515 | 5,800,247 |
| Noncontrolling interest in subsidiaries | 7,362 | 7,739 |
| Total equity | 5,654,877 | 5,807,986 |
| | \$11,103,925 | \$11,655,363 |

WASTE CONNECTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2016 AND 2017

(Unaudited)

(in thousands of U.S. dollars)

| | Six months ended June 30, | |
|---|---------------------------|-----------|
| | 2016 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$72,737 | \$138,907 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss on disposal of assets and impairments | 509 | 128,608 |
| Depreciation | 145,245 | 258,067 |
| Amortization of intangibles | 21,775 | 50,272 |
| Foreign currency transaction (gain) loss | (689) | 1,638 |
| Deferred income taxes, net of acquisitions | 25,363 | (10,378) |
| Amortization of debt issuance costs | 2,842 | 2,101 |
| Share-based compensation | 26,405 | 23,364 |

| | | |
|---|-------------|-----------|
| Interest income on restricted assets | (246) | (283) |
| Interest accretion | 3,629 | 6,887 |
| Excess tax benefit associated with equity-based compensation | (5,015) | - |
| Adjustments to contingent consideration | (2,495) | 11,013 |
| Payment of contingent consideration recorded in earnings | (132) | - |
| Net change in operating assets and liabilities, net of acquisitions | (30,282) | (58,290) |
| Net cash provided by operating activities | 259,646 | 551,906 |
| Cash flows from investing activities: | | |
| Payments for acquisitions, net of cash acquired | (12,541) | (347,936) |
| Cash acquired in the Progressive Waste acquisition | 65,745 | - |
| Capital expenditures for property and equipment | (112,087) | (202,617) |
| Proceeds from disposal of assets | 1,560 | 20,617 |
| Change in restricted assets, net of interest income | 113 | 3,689 |
| Other | (696) | (1,732) |
| Net cash used in investing activities | (57,906) | (527,979) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 3,352,676 | 864,952 |
| Principal payments on notes payable and long-term debt | (3,461,005) | (585,762) |
| Payment of contingent consideration recorded at acquisition date | (4,109) | (5,565) |
| Change in book overdraft | 1,998 | 19,479 |
| Proceeds from option and warrant exercises | - | 1,946 |
| Excess tax benefit associated with equity-based compensation | 5,015 | - |
| Payments for cash dividends | (35,585) | (63,463) |
| Tax withholdings related to net share settlements of restricted share units | (11,349) | (13,621) |

| | | |
|---|-----------|-----------|
| Distributions to noncontrolling interests | (3) | - |
| Debt issuance costs | (12,941) | (3,519) |
| Proceeds from sale of common shares held in trust | 8,436 | 7,735 |
| Other | - | (1,094) |
| Net cash provided by (used in) financing activities | (156,867) | 221,088 |
| Effect of exchange rate changes on cash and equivalents | (223) | 649 |
| Net increase in cash and equivalents | 44,650 | 245,664 |
| Cash and equivalents at beginning of period | 10,974 | 154,382 |
| Less: change in cash held for sale | - | (305) |
| Cash and equivalents at end of period | \$55,624 | \$399,741 |

ADDITIONAL STATISTICS

(in thousands of U.S. dollars, except where noted)

Solid Waste Internal Growth: The following table reflects a breakdown of the components of our solid waste internal growth for the three months ended June 30, 2017:

| | U.S. | Canada | Total |
|-------------------------|------|--------|--------|
| Core Price | 3.0% | 4.2% | 3.1% |
| Surcharges | 0.0% | 0.2% | 0.0% |
| Volume | 2.4% | (2.4%) | 2.0% |
| Recycling | 1.0% | 3.0% | 1.1% |
| Foreign Exchange Impact | - | (3.0%) | (0.2%) |
| Total | 6.4% | 2.0% | 6.0% |

Revenue Breakdown: The following table reflects a breakdown of our revenue for the three month periods ended June 30, 2016 and 2017:

| | Three Months Ended June 30, 2016 | | | |
|--|----------------------------------|---------------------------|------------|---------|
| | Revenue | Inter-company Elimination | Reported % | |
| | | | | Revenue |
| Solid Waste Collection | \$502,948 | \$(1,778) | \$501,170 | 68.9% |
| Solid Waste Disposal and Transfer | 256,847 | (96,815) | 160,032 | 22.0% |
| Solid Waste Recycling | 18,119 | (1,393) | 16,726 | 2.3% |
| E&P Waste Treatment, Recovery and Disposal | 30,734 | (3,253) | 27,481 | 3.8% |
| Intermodal and Other | 22,358 | (128) | 22,230 | 3.0% |
| Total | \$831,006 | \$(103,367) | \$727,639 | 100.0% |

| | Three Months Ended June 30, 2017 | | | |
|--|----------------------------------|---------------------------|-------------|-----------|
| | Revenue | Inter-company Elimination | Reported | |
| | | | | Revenue % |
| Solid Waste Collection | \$797,131 | \$(2,392) | \$794,739 | 67.6% |
| Solid Waste Disposal and Transfer | 416,176 | (158,937) | 257,239 | 21.9% |
| Solid Waste Recycling | 43,693 | (2,351) | 41,342 | 3.5% |
| E&P Waste Treatment, Recovery and Disposal | 50,043 | (2,870) | 47,173 | 4.0% |
| Intermodal and Other | 35,432 | (356) | 35,076 | 3.0% |
| Total | \$1,342,475 | \$(166,906) | \$1,175,569 | 100.0% |

Contribution from Acquisitions: The following table reflects revenues from acquisitions, net of divestitures, for the three month periods ended June 30, 2016 and 2017:

| | Three months ended June 30, | |
|-------------------|--------------------------------|------------|
| | 2016 | 2017 |
| Solid waste, net | \$ 199,399 | \$ 386,211 |
| E&P waste | - | - |
| Acquisitions, net | \$ 199,399 | \$ 386,211 |

ADDITIONAL STATISTICS (continued)

(in thousands of U.S. dollars, except where noted)

Other Cash Flow Items: The following table reflects cash interest and cash taxes for the three and six month periods ended June 30, 2016 and 2017:

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2016 | 2017 | 2016 | 2017 |
| Cash Interest Paid | \$ 19,736 | \$ 32,301 | \$ 35,993 | \$ 54,603 |
| Cash Taxes Paid | 16,013 | 22,469 | 16,914 | 36,486 |

Debt to Book Capitalization as of June 30, 2017: 41%

Internalization for the three months ended June 30, 2017: 55%

Days Sales Outstanding for the three months ended June 30, 2017: 43 (32 net of deferred revenue)

Share Information for the three months ended June 30, 2017:

| | |
|--|-------------|
| Basic shares outstanding | 263,387,338 |
| Dilutive effect of equity-based awards | 722,256 |
| Diluted shares outstanding | 264,109,594 |

NON-GAAP RECONCILIATION SCHEDULE

(in thousands of U.S. dollars, except where noted)

Reconciliation of Adjusted EBITDA:

Adjusted EBITDA, a non-GAAP financial measure, is provided supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of Waste Connections' operations. Waste Connections defines adjusted EBITDA as net income attributable to Waste Connections, plus net income attributable to noncontrolling interests, plus or minus income tax provision (benefit), plus interest expense, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income, plus foreign currency transaction loss, less foreign currency transaction gain. Waste Connections further adjusts this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of its business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2016 | 2017 | 2016 | 2017 |
| Net Income attributable to Waste Connections | \$ 27,489 | \$ 123,656 | \$ 72,331 | \$ 138,530 |
| Plus: Net income attributable to noncontrolling interests | 231 | 231 | 406 | 377 |
| Plus: Income tax provision | 15,265 | 52,675 | 44,265 | 35,804 |
| Plus: Interest expense | 20,485 | 31,160 | 37,670 | 60,291 |
| Plus: Depreciation and amortization | 98,429 | 157,589 | 167,020 | 308,339 |
| Plus: Closure and post-closure accretion | 1,758 | 2,917 | 2,874 | 5,835 |
| Plus/less: Impairments and other operating items | (3,284) | (1,180) | (3,048) | 140,501 |
| Plus/less: Other expense (income), net | 714 | (1,860) | 492 | (3,326) |
| Plus/less: Foreign currency transaction loss/(gain) | (689) | 1,048 | (689) | 1,638 |

Adjustments:

| | | | | |
|---|------------|------------|------------|------------|
| Plus: Transaction-related expenses (a) | 37,702 | 715 | 46,516 | 2,459 |
| Plus: Pre-existing Progressive Waste share-based grants (b) | 5,357 | 4,103 | 5,357 | 10,578 |
| Plus: Integration-related and other expenses (c) | 30,122 | 2,594 | 30,122 | 5,422 |
| Adjusted EBITDA | \$ 233,579 | \$ 373,648 | \$ 403,316 | \$ 706,448 |
| <i>As % of revenues</i> | 32.1% | 31.8% | 32.5% | 31.2% |

(a) Reflects the addback of acquisition-related transaction costs, which for 2016 primarily related to the Progressive Waste acquisition.

(b) Reflects share-based compensation costs, including changes in fair value, associated with share-based awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.

(c) Reflects the addback of rebranding costs and other integration-related items, including professional fees and severance costs, associated with the Progressive Waste acquisition.

NON-GAAP RECONCILIATION SCHEDULE (continued)

(in thousands of U.S. dollars, except where noted)

Reconciliation of Adjusted Free Cash Flow:

Adjusted free cash flow, a non-GAAP financial measure, is provided supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Management uses adjusted free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of Waste Connections' operations. Waste Connections defines adjusted free cash flow as net cash provided by operating activities, plus or minus change in book overdraft, plus proceeds from disposal of assets, plus excess tax benefit associated with equity-based compensation, less capital expenditures for property and equipment and distributions to noncontrolling interests. Waste Connections further adjusts this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of its business. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies

may calculate adjusted free cash flow differently.

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|--------------|------------------------------|--------------|
| | 2016 | 2017 | 2016 | 2017 |
| Net cash provided by operating activities | \$94,930 | \$264,429 | \$259,646 | \$551,906 |
| Plus/(Less): Change in book overdraft | 2,149 | (568) | 1,998 | 19,479 |
| Plus: Proceeds from disposal of assets | 879 | 1,801 | 1,560 | 20,617 |
| Plus: Excess tax benefit associated with equity-based compensation | 581 | - | 5,015 | - |
| Less: Capital expenditures for property and equipment | (55,512) | (111,412) | (112,087) | (202,617) |
| Less: Distributions to noncontrolling interests | - | - | (3) | - |
| Adjustments: | | | | |
| Payment of contingent consideration recorded in earnings (a) | 99 | - | 132 | - |
| Cash received for divestitures (b) | - | - | - | (17,400) |
| Transaction-related expenses (c) | 71,067 | 715 | 72,042 | 2,459 |
| Integration-related and other expenses (d) | 24,529 | 2,282 | 24,529 | 5,110 |
| Pre-existing Progressive Waste share-based grants (e) | - | 1,570 | - | 11,915 |
| Synergy bonus (f) | - | - | - | 11,798 |
| Tax effect (g) | (18,038) | (2,689) | (18,410) | (9,648) |
| Adjusted free cash flow | \$120,684 | \$156,128 | \$234,422 | \$393,619 |
| <i>As % of revenues</i> | <i>16.6%</i> | <i>13.3%</i> | <i>18.9%</i> | <i>17.4%</i> |

(a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and as a component of cash flows from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.

- (b) Reflects the elimination of cash received in conjunction with the divestiture of Progressive Waste operations.
- (c) Reflects the addback of acquisition-related transaction costs, which for 2016 primarily related to the Progressive Waste acquisition.
- (d) Reflects the addback of rebranding costs and other integration-related items associated with the Progressive Waste acquisition, including professional fees and severance costs.
- (e) Reflects the cash settlement of pre-existing Progressive Waste share-based awards during the period.
- (f) Reflects the addback of cash bonuses paid pursuant to the Company's Synergy Bonus Program adopted on July 19, 2016 in conjunction with the Progressive Waste acquisition.
- (g) The aggregate tax effect of footnotes (a) through (f) is calculated based on the applied tax rates for the respective periods.

NON-GAAP RECONCILIATION SCHEDULE (continued)

(in thousands of U.S. dollars, except per share amounts)

Reconciliation of Net Income attributable to Waste Connections to Adjusted Net Income attributable to Waste Connections and Adjusted Net Income per Diluted Share attributable to Waste Connections:

Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, are provided supplementally because they are widely used by investors as a valuation measure in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of Waste Connections' operations. Waste Connections provides adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on the Company's financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2016 | 2017 | 2016 | 2017 |
| Reported net income attributable to Waste Connections | \$27,489 | \$123,656 | \$72,331 | \$138,530 |

Adjustments:

| | | | | |
|---|----------|-----------|-----------|-----------|
| Amortization of intangibles (a) | 14,081 | 24,762 | 21,775 | 50,272 |
| Impairments and other operating items (b) | (3,284) | (1,180) | (3,048) | 140,501 |
| Transaction-related expenses (c) | 37,702 | 715 | 46,516 | 2,459 |
| Pre-existing Progressive Waste share-based grants (d) | 5,357 | 4,103 | 5,357 | 10,578 |
| Integration-related and other expenses (e) | 30,122 | 2,594 | 30,122 | 5,422 |
| Tax effect (f) | (18,257) | (9,188) | (24,629) | (72,253) |
| Adjusted net income attributable to Waste Connections | \$93,210 | \$145,462 | \$148,424 | \$275,509 |

Diluted earnings per common share attributable to Waste Connections' common shareholders:

| | | | | |
|---------------------|--------|--------|--------|--------|
| Reported net income | \$0.13 | \$0.47 | \$0.37 | \$0.52 |
| Adjusted net income | \$0.44 | \$0.55 | \$0.75 | \$1.04 |

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

(b) Reflects the addback of impairments and other operating items.

(c) Reflects the addback of acquisition-related transaction costs, which for 2016 primarily related to the Progressive Waste acquisition.

(d) Reflects share-based compensation costs, including changes in fair value, associated with share-based awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.

(e) Reflects the addback of rebranding costs and other integration-related items, including professional fees and severance costs, associated with the Progressive Waste acquisition.

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

UPDATED 2017 OUTLOOK

NON-GAAP RECONCILIATION SCHEDULE

(in thousands of U.S. dollars, except where noted)

Reconciliation of Adjusted EBITDA:

| | Updated 2017 Outlook |
|---|-------------------------|
| Net Income attributable to Waste Connections | \$ 390,000 |
| Plus: Net income attributable to noncontrolling interests | 1,000 |
| Plus: Income tax provision | 141,000 |
| Plus: Interest expense | 125,000 |
| Plus: Depreciation and amortization | 624,000 |
| Plus: Closure and post-closure accretion | 12,000 |
| Plus: Impairments and other operating items (a) | 140,501 |
| Less: Other income, net (a) | (3,326) |
| Plus: Foreign currency transaction loss (a) | 1,638 |
| Adjustments: (a) | |
| Plus: Transaction-related expenses | 2,459 |
| Plus: Pre-existing Progressive Waste share-based grants | 10,578 |
| Plus: Integration-related and other expenses | 5,422 |
| Adjusted EBITDA | \$ 1,450,272 |
| <i>As % of revenues</i> | 31.7% |

(a) Reflects amounts reported for the six month period ending on June 30, 2017, as shown on page 9.

Reconciliation of Adjusted Free Cash Flow:

| | Updated 2017 Outlook |
|---|-------------------------|
| Net cash provided by operating activities | 1,185,500 |
| | \$ |
| Plus: Proceeds from disposal of assets (a) | 20,617 |
| Less: Capital expenditures for property and equipment | (460,000) |
| Adjustments: (a) | |
| Cash received for divestitures | (17,400) |
| Integration-related and other expenses | 5,110 |
| Transaction-related expenses | 2,459 |
| Pre-existing Progressive Waste share-based grants | 11,915 |
| Synergy Bonus | 11,798 |
| Tax effect | (9,648) |
| Adjusted free cash flow | 750,351 |
| | \$ |
| <i>As % of revenues</i> | 16.4% |

(a) Reflects amounts reported for the six month period ending on June 30, 2017, as shown on page 10.

SOURCE Waste Connections, Inc.

