

Waste Management NYSE: WM Sector: Industrials Industry: Waste Services	Intrinsic Value: \$238.24 Current Price: \$219.02 Stop Loss: \$177.49	TTM P/E: 33.3x Forward P/E: 27.33x Beta: 0.89 5 Yr. ROIC: 11.13%	Market Cap: \$87.46B Dividend Yield: 1.38% 52 Wk. Range L/H: 168.73 - 226.84
--	---	---	--

Waste Management, Inc., headquartered in Houston, Texas, is the largest integrated provider of waste services in the U.S. and Canada. The company offers waste collection, recycling, and disposal solutions to residential, commercial, industrial, and municipal customers. It operates 263 landfills, 332 transfer stations, and 97 materials recovery facilities (MRFs), recycling commodities such as cardboard, paper, metals, and plastics. Waste Management also provides renewable energy solutions, by harvesting landfill gas, remediation, and specialized disposal services for industries like oil and gas.

Stable Business Model - WM's business model is stable, supported by recurring revenue from essential waste services. This stability is expected to continue for the next 10-20 years.

Competitive Advantage - WM benefits from a wide economic moat, driven by regulatory permits for landfills and cost advantages from route density, which enhance efficiency and profitability.

Growth Forecast - Our forecast assumes 5% organic growth, with an additional 50-80 basis points from acquisitions. This is more conservative than management's guidance and analyst consensus of 6-7% growth.

Margins and Valuation - Our DCF model assumes no margin expansion, factoring in industry cyclicality and potential headwinds from lower landfill volumes and acquisitions. Our exit multiple also represents a drop from current levels, closer to the historic average.

Competitive Advantage:

Long-Lasting Competitive Edge: WM's wide economic moat is expected to endure for 10-20 years.

Cost Advantage through Location: Strategically placed disposal sites lower costs and boost profitability over competitors.

Barriers to Entry in Landfill Operations: Regulations limit new landfills, and WM leads with significantly more sites than rivals.

Leadership in Sustainability: Investments in recycling and renewable energy reinforce WM's position as a sustainability leader.

Risks:

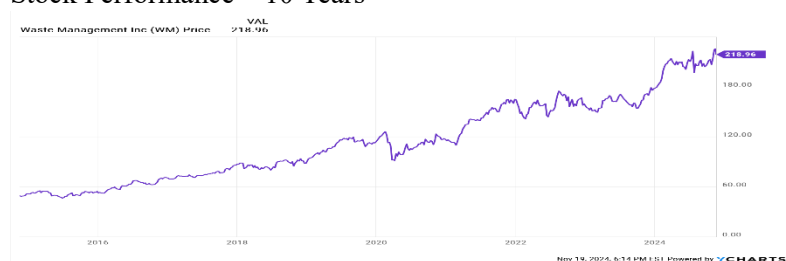
Economic Sensitivity: Waste volumes and revenue fluctuate with economic activity.

Acquisition Risk: Overpayment or integration issues could dilute returns from acquisitions.

Commodity Volatility: Recycled material price changes impact revenue and margins.

Regulatory Risk: Changing environmental laws could disrupt operations despite clean tech investments.

Stock Performance – 10 Years



Comparative Analysis

Company Name	Description	Market Cap (\$B)	EV	EBITDA (\$m)	EV/EBITDA	P/E TTM	5Yr Avg. ROIC	Gross Margin %	Net Margin %	5Yr Beta	Credit Rating
Waste Management Inc.	Largest integrated provider of solid waste services in the U.S. operating 263 active landfills and 332 transfer stations. Serves residential, commercial, industrial, and municipal markets, also a leading recycler.	\$87.46	105,022.80	6,361	16.46	33.30	11.13%	39.33%	12.36%	0.75	A-
Republic Services, Inc.	Second-largest integrated provider of solid waste services in the U.S. operating 207 active landfills and 246 transfer stations. Serves residential, commercial, and industrial markets, and also in recycling.	\$65.15	78,372.10	4,805	16.31	33.28	8.69%	41.22%	12.46%	0.71	BBB+
Waste Connections, Inc.	Third largest integrated provider of solid waste services in the U.S. operating 153 active landfills and 157 transfer stations, and 81 recycling operations. In 2023, 12% of revenue was generated in Canada.	\$66.74	55,787.10	2,628	21.23	50.46	6.09%	41.78%	10.81%	0.56	BBB+
GFL Environmental	Offers non-hazardous solid waste management and environmental services in Canada and the United States.	\$24.41	34,153.10	1,819	18.77	62.07	-1.44%	18.24%	-8.74%	1.04	BB-

Statistics Summary	Market Cap (\$B)	EV	EBITDA	EV/EBITDA	P/E TTM	ROIC	Gross Margin %	Net Margin %	5Yr Beta
High	97	105,023	6,361	16.4	33.3	11.1%	41.2%	12.3%	0.75
Low	24	34,153	1,819	18.8	33.3	-1.4%	18.2%	-8.7%	0.56
Average	60.94	68,333.78	3,908.28	18.19	44.78	6.10%	33.14%	6.72%	0.76
Industry				17.73	39.43	20.30%	20.04%	9.07%	1.08

Source: S&P Capital IQ, Morningstar, Roic.ai, Yahoo! Finance.

Fair Value Estimates:

Exit Multiple Method	\$238
Perpetuity Growth Method	\$264
Bear Case	\$214
Average	\$243.84
Margin of Safety	11.91%
Assumptions:	
WACC	6.98%
Cost of Debt	4.74%
Cost of Equity	7.48%
Perpetual Growth Rate	4%
Exit Multiple (EV/EBITDA)	16.5x

ESG:

MSCI ESG Rating:	A
Sustainalytics ESG Rating:	18.8 (low risk)
Ranked 201st (out of 429 companies) within commercial services.	