BLUEGRASS CAPITAL RESEARCH

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Industrials | *Environmental & Facilities Services*
05/01/2026

Waste Management

It's Not A Trashy Stock.

As long as humans produce trash, WM is here to stay. WM isn't a trendy AI stock, but it offers stability with growth potential and steady dividends. Q1 2026 reflected this well, with margins expanding from 28.3% to 29.7% YOY, $920M in FCF, and $729M returned to shareholders, with a modest revenue miss attributed to weather-related volume declines. For these reasons, and despite its premium multiple, **we assign WM a buy rating with a one-year price target of $267.50.**

Thesis Point 1

WM has a moat, but it is not in the collection process. Anyone can rent trucks, hire a crew, and pick up trash. But not everyone has control over disposal. Getting a new landfill permit in the U.S. can take years due to environmental regulations and zoning constraints. These regulations have led to a significant reduction in active landfills, with smaller sites unable to keep up with costs, leaving a handful of larger companies, like WM, remaining. WM operates 267 landfills in the U.S. and Canada, more than any other company in North America, and that network is not easily replicable. Independent haulers must dump somewhere, and often that is at a WM site. So even though WM may not own every truck on the road, they own the hole in the ground, which is what matters most.

Thesis Point 2

WM acquired Stericycle, a leading healthcare waste management company, in 2024. Before the acquisition, Stericycle's revenue had been stagnant for years due to bloated costs and inefficient routing. WM is applying the same operational discipline that made them the most efficient waste company in North America to their healthcare subsidiary. In Q1 2026, healthcare solutions operating EBITDA grew 18.4%, driven by SG&A cost management, synergy capture, and cross-selling to its existing customer base. Demand will continue to grow as the healthcare sector expands, and according to President and COO John Morris, much of the technology WM has rolled out in its traditional business has yet to be applied to healthcare, meaning there is still meaningful upside ahead.

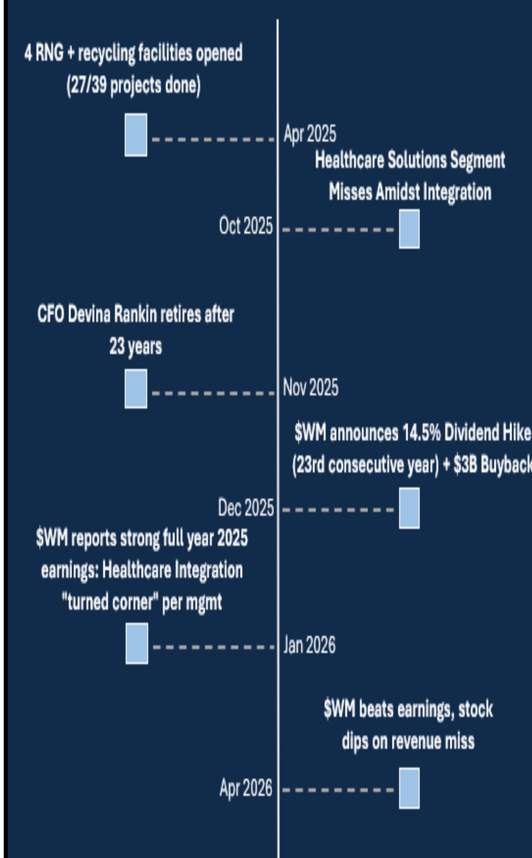
Thesis Point 3

WM is capitalizing on the world's push towards sustainability. Its renewable natural gas (RNG) segment captures methane from landfills it already owns and converts it into energy, creating a new revenue stream and power source for its fleet. While still only ~1.5% of total revenue, RNG grew 48.6% year-over-year, and operating EBITDA more than doubled in Q1 2026 following the completion of seven new facilities since Q1 2025. WM also sells RINs, tradable EPA compliance credits, at ~$2.40, above its $2.00 estimate, with favorable RVO levels locked in through 2027 and three more facilities planned for Q2 2026. On the recycling side, automation and AI drove a 9% volume increase and higher-quality materials, pushing operating EBITDA up 18% year-over-year in Q1 2026 despite a 27% decline in single-stream commodity pricing, making WM far less susceptible to commodity price swings as society continues to lean on cleaner energy.

TICKER:	NYSE: $WM
RATING:	BUY
PRICE:	$229.22
PRICE TARGET:	$267.50
MARKET CAP:	92.04bn
52-W RANGE:	$194.11 - $248.13
NTM P/E:	27.84x
IMPLIED UPSIDE:	16.70%

1 Year Price History

Recent Events Timeline



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Company Overview

Founded in 1968 and headquartered in Chicago, WM provides waste collection, disposal, and recycling services across the U.S. and Canada to more than 20 million residential, commercial, and industrial customers. The company controls the entire process from collection to disposal through over 260 transfer stations and around 250 landfills and recycling facilities. Strict environmental regulations and zoning constraints reinforce their competitive moat, while the essential nature of their services generates steady, recurring cash flow with additional growth coming from high-margin segments like healthcare and renewable gas.

Risk 1

After acquiring Stericycle in November 2024, WM has focused on cost control and synergy capture. In the Q1 2026 Earnings Call, WM noted temporary volume losses from hospital contract exits, but expects an inflection point as ERP systems stabilize and cross-selling synergies with the solid waste business manifest. Transition risk remains, though it is unlikely given WM's track record. If the integration fails, it will dampen a big part of their growth story and raise questions about the $7.2 billion price tag, $1.4 billion of which was debt.

Catalysts

Waste Management has two main catalysts: sustainability investments hitting full-run rate and the successful integration of Stericycle. On the Q4 2025 Earnings Call, WM noted that Stericycle is "turning the corner," with $300 million in total synergies expected by end of 2027, and combined recycling and renewable energy EBITDA approaching $1 billion that same year. I believe neither catalyst is fully priced in, even at a premium multiple level. The market doesn't fully credit EBITDA until it's delivered, and guidance is one thing, but having cash in hand is another thing.

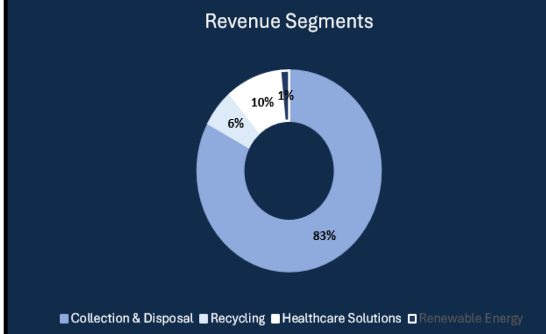
Valuation

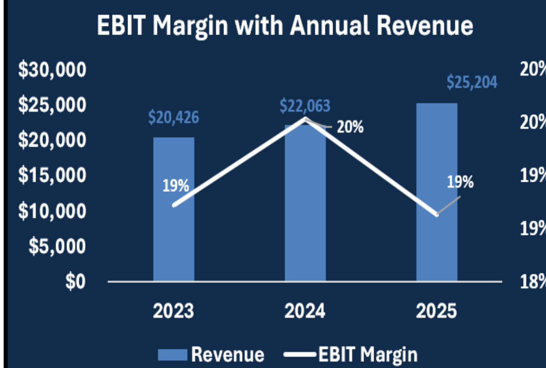
DCF Analysis ($mm)		FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Stub		1.33	2.33	3.33	4.33	5.33	6.33
Discount Period		(0.17)	0.17	1.17	2.17	3.17	4.17
Revenue		26,900	28,111	29,340	30,587	31,849	33,123
Revenue Growth		*7%*	*4%*	*4%*	*4%*	*4%*	*4%*
Revenue		26,900	28,111	29,340	30,587	31,849	33,123
	0.00	0	0	0	0	0	0
	0.00	0	0	0	0	0	0
EBIT		4,696	5,060	5,333	5,613	5,900	6,194
EBIT Margin		*17%*	*18%*	*18%*	*18%*	*19%*	*19%*
Tax Expense		717	1,265	1,207	1,137	1,055	960
Effective Tax Rate		*15%*	*25%*	*23%*	*20%*	*18%*	*16%*
NOPAT		3,979.00	3,794.92	4,126.10	4,476.18	4,845.40	5,233.93
D&A		2,863	3,373	3,558	3,747	3,941	4,140
Capex		3,227	3,514	3,631	3,747	3,862	3,975
Changes in NWC		(190)	281	293	306	318	331
UFCF		3,805	3,373	3,759	4,170	4,607	5,068
PV of FCF		3,842	3,340	3,508	3,669	3,820	3,961

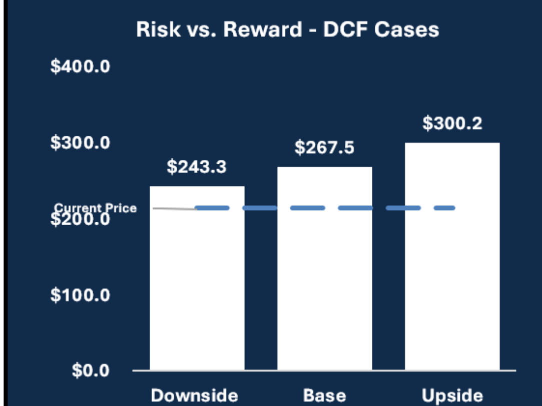
Our base case DCF assumes heightened growth in 2026 due to all WM's growth projects happening at the same time. RNG & recycling facilities ramping, Stericycle cross selling kicking in, and core pricing holding above 6%. After 2026, growth normalizes to 4% (average for a mature waste company) as those one-time ramp effects are lapped.

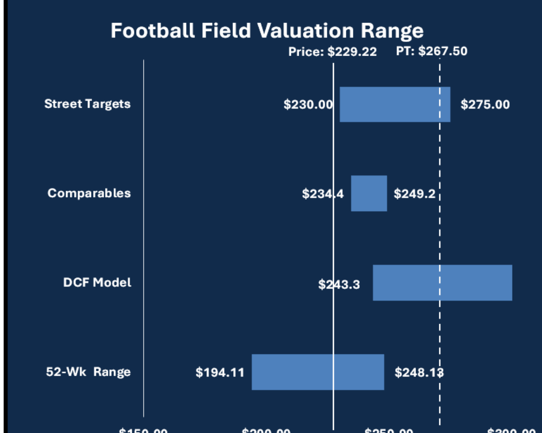
Conclusion

Waste Management combines recession-resistant cash flows, dominant landfill assets, and oligopoly positioning with growth from Stericycle integration, RNG, and recycling automation. **We initiate a buy rating with a $267.50 one-year price target.**









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Income Statement ($mm)	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**CAGR%**
Revenue	25,204	26,900	27,976	29,060	30,150	4.6%
EBITDA	7,559	7,559	8,253	8,645	9,045	4.6%
EBIT	4,696	4,696	4,896	5,122	5,352	3.3%
NOPAT	3,979	3,979	3,672	3,963	4,268	1.8%

Margin & Growth Data	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
EBITDA Margin	30.0%	28.1%	29.5%	29.8%	30.0%	29.5%
EBIT Margin	18.6%	17.5%	17.5%	17.6%	17.8%	17.8%
Revenue Growth	14.2%	6.7%	4.0%	3.9%	3.8%	6.5%
EBIT Growth	9.0%	0.0%	4.3%	4.6%	4.5%	4.5%

Valuation Metrics	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
P/FCF	22.6x	22.6x	26.4x	23.9x	21.7x	23.4x
EV/Sales	4.4x	4.1x	3.9x	3.8x	3.6x	4.0x
EV/EBITDA	14.5x	14.5x	13.3x	12.7x	12.1x	13.4x
FCF Yield	4.4%	4.4%	3.8%	4.2%	4.6%	4.3%

$mm

Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
Republic Services	$67,127	$80,858	31.7x	$16,591	$5,141
Waste Connections	$40,181	$49,280	37.6x	$9,467	$3,010
GFL Environmental	$14,253	$20,052	98.3x	$4,778	$1,174
Casella Waste	$5,052	$6,174	652.8x	$1,837	$396
WASTE MANAGEMENT, INC. (XNYS:	$91,360	$115,077	33.8x	$25,204	$7,559

Ticker	**LTM EV/EBITDA**	**Gross Margin**	**EBITDA Margin**	**EBIT Margin**	**1 Yr Rev Growth Rate LF**
Republic Services	15.7x	43.0%	32.1%	20.0%	3.2%
Waste Connections	16.4x	42.4%	31.8%	18.8%	5.0%
GFL Environmental	17.1x	20.7%	24.6%	6.0%	5.1%
Casella Waste	15.6x	33.8%	21.6%	4.9%	12.5%
WASTE MANAGEMENT, INC. (XNYS:	15.2x	40.4%	30.0%	18.6%	5.2%

High	17.09x	43.0%	32.1%	20.0%	12.5%
75th Percentile	16.37x	42.4%	31.8%	18.8%	5.2%
Average	16.00x	36.1%	28.0%	13.7%	6.2%
Median	15.73x	40.4%	0.0%	18.6%	5.1%
25th Percentile	15.59x	33.8%	24.6%	6.0%	5.0%
Low	15.22x	20.7%	21.6%	4.9%	3.2%

WASTE MANAGEMENT, INC. (XNYS:WM)		
Implied Enterprise Value (25th Percentile)	$	117,846
Implied Enterprise Value (Median)	**$**	**118,888**
Implied Enterprise Value (75th Percentile)	$	123,774
Implied Share Price (25th Percentile)	$	234.40
Implied Share Price (Median)	**$**	**237.00**
Implied Share Price (75th Percentile)	$	249.16

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.50
Risk Free Rate	4.38%
Cost of Equity	**5.50%**
Weighted Average Cost of Debt	5.00%
Tax Rate	25.00%
Cost of Debt	**0.59%**
Total Equity	$91,868
Total Debt	$23,716
Equity/Total Capitalization	84.39%
Debt/Total Capitalization	15.61%
WACC	**6.09%**

Downside Case: Our downside case assumes that above mentioned catalysts are already priced in. At a multiple of 13.0x, our downside case presents 6.1% upside with a PT of $244.

Upside Case: Our upside case assumes that Stericycle integration is successfully completed and that RNG becomes a major earnings driver. At a multiple of 14.0x, our upside case presents 31% upside with a PT of $300.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.