



## Casella Waste Systems, Inc. Announces Third Quarter 2021 Results; and Raises Fiscal Year 2021 Guidance

October 28, 2021

- **Third quarter financial results exceeded expectations, with solid operating execution, cost efficiencies and strong cash flow growth.**
- **The Company raised its revenue, net income, Adjusted EBITDA, net cash provided by operating activities, and Adjusted Free Cash Flow guidance ranges for the fiscal year ending December 31, 2021 ("fiscal year 2021").**

RUTLAND, Vt., Oct. 28, 2021 (GLOBE NEWSWIRE) -- Casella Waste Systems, Inc. (NASDAQ: CWST), a regional solid waste, recycling and resource management services company, today reported its financial results for the three and nine month periods ended September 30, 2021.

### Highlights for the Three Months and Year-to-Date Ended September 30, 2021:

- **Revenues were \$242.0 million for the quarter, up \$39.3 million, or up 19.4%, from the same period in 2020.**
- **Overall solid waste pricing for the quarter was up 4.1%, driven by collection pricing, up 4.6%, and landfill pricing, up 3.7%, from the same period in 2020.**
- **Net income was \$15.9 million for the quarter, up \$0.8 million, or up 4.9%, from the same period in 2020. Provision for income taxes was \$6.6 million for the quarter, up \$6.2 million from the same period in 2020.**
- **Adjusted EBITDA, a non-GAAP measure, was \$61.2 million for the quarter, up \$10.0 million, or up 19.4%, from the same period in 2020.**
- **Net cash provided by operating activities was \$134.1 million for the year-to-date period, up \$22.2 million, or up 19.8%, from the same period in 2020.**
- **Adjusted Free Cash Flow, a non-GAAP measure, was \$82.3 million for the year-to-date period, up \$22.3 million, or up 37.2%, from the same period in 2020.**
- **Acquired nine businesses with approximately \$86 million of annualized revenues year-to-date.**

"We had another strong operational quarter, as we continued to execute well against our long-term strategic plan," said John W. Casella, Chairman and CEO of Casella Waste Systems, Inc. "As a result, we increased revenues by 19.4% and Adjusted EBITDA by 19.4% year-over-year in the quarter and we increased year-to-date Adjusted Free Cash Flow by 37.2% year-over-year."

"These positive results are a testament to the hard work, adaptability and dedication of our team, our asset positioning in the disposal capacity constrained northeast market, and strong execution against our operating and cost efficiency programs," Casella said. "Our solid waste pricing continued to improve sequentially as we advanced 4.1% solid waste pricing during the third quarter, with strength in both collection and disposal lines-of-business. Solid waste volumes were up 2.8% year-over-year, with much of this growth driven by the continued rebound of disposal volumes, especially in the New York markets."

"Our team did a great job controlling costs while volumes continued to ramp back online during the quarter and certain cost categories experienced heightened inflationary pressure," Casella said. "Our investments in technology, including our route optimization program, continued automation of our fleet, and real-time data analytics helped to offset these inflationary cost increases."

"We continue to execute well against our long-term growth strategy and we have acquired nine businesses with approximately \$86 million of annualized revenues year-to-date through October," Casella said. "We expect to recognize roughly \$50 million of revenues in 2022 from the roll-over impact of acquisitions already completed in 2021."

"We are focused on acquiring well run businesses in strategic markets that will drive long-term growth, additional vertical integration and enhance operating synergies," Casella said. "Our acquisition pipeline remains robust, and we believe that there is continued opportunity to drive additional cash flow growth across our footprint through execution of our growth strategy."

For the quarter, revenues were \$242.0 million, up \$39.3 million, or up 19.4%, from the same period in 2020, with revenue growth mainly driven by: the roll-over impact from acquisitions; positive collection and disposal pricing; higher solid waste volumes; higher recycling commodity prices; higher resource solutions processing volumes; and higher resource solutions non-processing revenues; partially offset by lower Sustainability Recycling Adjustment (SRA) fees as we share higher commodity prices with our customers.

Net income was \$15.9 million for the quarter, or \$0.31 per diluted common share, up \$0.8 million, or up 4.9%, as compared to net income of \$15.1 million, or \$0.31 per diluted common share, for the same period in 2020. The quarter included \$1.9 million of expense from acquisition activities and \$0.3 million of legal and other expenses associated with the closure of our landfill in Southbridge, Massachusetts ("Southbridge Landfill"). The same quarter last year included \$0.2 million of expense from acquisition activities and \$2.6 million of legal and other expenses associated with the Southbridge Landfill closure.

Given the reversal of the tax valuation allowance in 2020, we expect an income statement tax provision at a rate of approximately 31% in fiscal year 2021. The income tax provision was \$6.6 million in the quarter, up \$6.2 million from the same period in 2020.

Adjusted Net Income, a non-GAAP measure, was \$17.5 million for the quarter, or \$0.34 Adjusted Diluted Earnings Per Common Share, a non-GAAP measure, up \$0.3 million, or up 1.9%, as compared to Adjusted Net Income of \$17.2 million, or \$0.35 Adjusted Diluted Earnings Per Common Share, for the same period in 2020.

Operating income was \$27.4 million for the quarter, up \$6.8 million, or up 32.7%, from the same period in 2020. Adjusted Operating Income, a non-GAAP measure, was \$29.6 million for the quarter, up \$6.1 million, or up 26.2% from the same period in 2020. Adjusted EBITDA was \$61.2 million for the quarter, up \$10.0 million, or up 19.4%, from the same period in 2020.

For the year-to-date period, revenues were \$647.4 million, up \$73.0 million, or up 12.7%, from the same period in 2020. Net income was \$32.0 million, or \$0.62 per diluted common share, for the year-to-date period, as compared to net income of \$28.2 million, or \$0.58 per diluted common share, for the same period in 2020. Adjusted Net Income was \$35.3 million, or \$0.68 Adjusted Diluted Earnings Per Common Share, for the year-to-date period, as compared to Adjusted Net Income of \$32.1 million, or \$0.66 Adjusted Diluted Earnings Per Common Share, for the same period in 2020.

Operating income was \$61.3 million for the year-to-date period, up \$16.3 million from the same period in 2020. Adjusted Operating Income was \$65.9 million for the year-to-date period, up \$15.5 million from the same period in 2020. Adjusted EBITDA was \$152.2 million for the year-to-date period, up \$23.4 million from the same period in 2020.

Net cash provided by operating activities was \$134.1 million for the year-to-date period, as compared to \$111.9 million for the same period in 2020. Adjusted Free Cash Flow was \$82.3 million for the year-to-date period, as compared to \$60.0 million for the same period in 2020. Adjusted Free Cash Flow for the year-to-date period included the following adjustments: \$4.5 million of landfill closure, site improvement and remediation expenditures associated with the Southbridge Landfill closure; \$3.4 million of cash outlays related to acquisition activities; \$10.2 million of capital expenditures associated with the expansion at our landfill in Coventry, Vermont ("Waste USA Landfill"); and \$11.1 million of non-recurring capital expenditures primarily related to acquisitions.

### **Fiscal Year 2021 Outlook**

"Given our strong execution during the third quarter, the expected contribution of acquisitions already completed this year and our increased visibility of economic trends, we are updating our fiscal year 2021 guidance ranges that were first announced in mid-February," Casella said. "These guidance ranges assume a stable economic environment continuing through the remainder of the year with only a modest further rebound in solid waste volumes."

The Company raised guidance for the third time in fiscal year 2021 by estimating results in the following ranges (as compared to the fiscal year 2021 guidance ranges as updated on July 29, 2021):

- Revenues between \$870 million and \$880 million (as compared to between \$850 million and \$860 million);
- Net income between \$37 million and \$41 million (as compared to between \$35 million and \$39 million);
- Adjusted EBITDA between \$200 million and \$204 million (as compared to between \$195 million and \$199 million);
- Net cash provided by operating activities between \$162 million and \$166 million (as compared to between \$158 million and \$162 million); and
- Adjusted Free Cash Flow between \$85 million and \$89 million (as compared to between \$79 million and \$83 million).

The updated guidance ranges include acquisitions already completed in fiscal year 2021, but do not include the impact from any acquisitions not yet completed.

Adjusted EBITDA and Adjusted Free Cash Flow related to fiscal year 2021 are described in the Reconciliation of Fiscal Year 2021 Outlook Non-GAAP Measures section of this press release. Net income and Net cash provided by operating activities are provided as the most directly comparable GAAP measures to Adjusted EBITDA and Adjusted Free Cash Flow, respectively, however these forward-looking estimates for fiscal year 2021 do not contemplate any unanticipated or non-recurring impacts.

### **Conference call to discuss quarter**

The Company will host a conference call to discuss these results on Friday, October 29, 2021 at 10:00 a.m. Eastern Time. Individuals interested in participating in the call should dial (877) 838-4153 or for international participants (720) 545-0037 at least 10 minutes before start time. The Conference ID is 546 1439 for the call and the replay.

The call will also be webcast; to listen, participants should visit the company's website at <http://ir.casella.com> and follow the appropriate link to the webcast. A replay of the call will be available on the Company's website, or by calling (855) 859-2056 or (404) 537-3406 (Conference ID 546 1439).

### **About Casella Waste Systems, Inc.**

Casella Waste Systems, Inc., headquartered in Rutland, Vermont, provides resource management expertise and services to residential, commercial, municipal and industrial customers, primarily in the areas of solid waste collection and disposal, transfer, recycling and organics services in the northeastern United States. For further information, investors contact Ned Coletta, Chief Financial Officer at (802) 772-2239; media contact Joseph Fusco, Vice President at (802) 772-2247; or visit the Company's website at <http://www.casella.com>.

### **Safe Harbor Statement**

Certain matters discussed in this press release, including, but not limited to, the statements regarding our intentions, beliefs or current expectations concerning, among other things, our financial performance; financial condition; operations and services; prospects; growth; strategies; anticipated

impacts from future or completed acquisitions; and guidance for fiscal year 2021, are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by the context of the statements, including words such as “believe,” “expect,” “anticipate,” “plan,” “may,” “would,” “intend,” “estimate,” “will,” “guidance” and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which the Company operates and management’s beliefs and assumptions. The Company cannot guarantee that it actually will achieve the financial results, plans, intentions, expectations or guidance disclosed in the forward-looking statements made. Such forward-looking statements, and all phases of the Company’s operations, involve a number of risks and uncertainties, any one or more of which could cause actual results to differ materially from those described in its forward-looking statements.

Such risks and uncertainties include or relate to, among other things, the following: the Company may be unable to adequately increase prices to offset increased costs and inflationary pressures; it is challenging to predict the duration and scope of the COVID-19 pandemic and its negative effect on the economy, our operations and financial results; the capping and closure of the Southbridge Landfill and the lawsuit relating to our landfill in Bethlehem New Hampshire could result in material unexpected costs; adverse weather conditions may negatively impact the Company’s revenues and its operating margin; the Company may be unable to increase volumes at its landfills or improve its route profitability; the Company may be unable to reduce costs or increase pricing or volumes sufficiently to achieve estimated Adjusted EBITDA and other targets; landfill operations and permit status may be affected by factors outside the Company’s control; the Company may be required to incur capital expenditures in excess of its estimates; the Company’s insurance coverage and self-insurance reserves may be inadequate to cover all of its significant risk exposures; fluctuations in energy pricing or the commodity pricing of its recyclables may make it more difficult for the Company to predict its results of operations or meet its estimates; the Company may be unable to achieve its acquisition or development targets on favorable pricing or at all; the Company may not be able to successfully integrate acquired businesses; and the Company may incur environmental charges or asset impairments in the future.

There are a number of other important risks and uncertainties that could cause the Company’s actual results to differ materially from those indicated by such forward-looking statements. These additional risks and uncertainties include, without limitation, those detailed in Item 1A, “Risk Factors” in the Company’s most recently filed Form 10-K and in other filings that the Company may make with the Securities and Exchange Commission in the future.

The Company undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

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**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 241,969	\$ 202,667	\$ 647,375	\$ 574,344
Operating expenses:				
Cost of operations	153,892	130,406	419,583	382,386
General and administration	30,993	25,014	87,336	74,240
Depreciation and amortization	27,491	23,799	74,510	67,281
Expense from acquisition activities	1,904	173	3,950	1,533
Southbridge Landfill closure charge	302	2,642	653	3,815
	<u>214,582</u>	<u>182,034</u>	<u>586,032</u>	<u>529,255</u>
Operating income	<u>27,387</u>	<u>20,633</u>	<u>61,343</u>	<u>45,089</u>
Other expense (income):				
Interest expense, net	5,103	5,299	15,737	16,666
Other income	(178)	(157)	(825)	(606)
Other expense, net	<u>4,925</u>	<u>5,142</u>	<u>14,912</u>	<u>16,060</u>
Income before income taxes	22,462	15,491	46,431	29,029
Provision for income taxes	6,601	374	14,476	840
Net income	<u>\$ 15,861</u>	<u>\$ 15,117</u>	<u>\$ 31,955</u>	<u>\$ 28,189</u>
Basic weighted average common shares outstanding	<u>51,389</u>	<u>48,370</u>	<u>51,312</u>	<u>48,241</u>
Basic earnings per common share	\$ 0.31	\$ 0.31	\$ 0.62	\$ 0.58

Diluted weighted average common shares outstanding	51,586	48,619	51,506	48,481
Diluted earnings per common share	\$ 0.31	\$ 0.31	\$ 0.62	\$ 0.58

**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 46,481	\$ 154,342
Accounts receivable, net of allowance for credit losses	90,500	74,198
Other current assets	30,178	18,714
Total current assets	167,159	247,254
Property, plant and equipment, net of accumulated depreciation and amortization	617,348	510,512
Operating lease right-of-use assets	96,712	95,310
Goodwill	227,929	194,901
Intangible assets, net of accumulated amortization	92,908	58,324
Restricted assets	1,948	1,848
Cost method investments	11,264	11,264
Deferred income taxes	46,777	61,163
Other non-current assets	18,352	13,322
Total assets	<u>\$ 1,280,397</u>	<u>\$ 1,193,898</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of debt	\$ 16,751	\$ 9,240
Current operating lease liabilities	7,128	8,547
Accounts payable	69,516	49,198
Other accrued liabilities	84,974	64,223
Total current liabilities	178,369	131,208
Debt, less current portion	534,752	530,411
Operating lease liabilities, less current portion	59,001	60,979
Other long-term liabilities	100,324	109,158
Total stockholders' equity	407,951	362,142
Total liabilities and stockholders' equity	<u>\$ 1,280,397</u>	<u>\$ 1,193,898</u>

**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 31,955	\$ 28,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,510	67,281
Interest accretion on landfill and environmental remediation liabilities	5,915	5,324
Amortization of debt issuance costs	1,716	1,597
Stock-based compensation	8,712	5,345
Operating lease right-of-use assets expense	9,981	12,347
(Gain) loss on sale of property and equipment	(1)	254
Southbridge Landfill non-cash closure charge	112	2,077

Non-cash expense from acquisition activities	532	549
Deferred income taxes	12,974	1,514
Changes in assets and liabilities, net of effects of acquisitions and divestitures	(12,317)	(12,562)
Net cash provided by operating activities	134,089	111,915
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(153,112)	(25,379)
Additions to property, plant and equipment	(81,577)	(77,271)
Proceeds from sale of property and equipment	593	430
Net cash used in investing activities	(234,096)	(102,220)
Cash Flows from Financing Activities:		
Proceeds from debt borrowings	500	154,400
Principal payments on debt	(8,517)	(145,008)
Payments of debt issuance costs	—	(1,531)
Proceeds from the exercise of share based awards	163	100
Net cash (used in) provided by financing activities	(7,854)	7,961
Net (decrease) increase in cash and cash equivalents	(107,861)	17,656
Cash and cash equivalents, beginning of period	154,342	3,471
Cash and cash equivalents, end of period	\$ 46,481	\$ 21,127
Supplemental Disclosure of Cash Flow Information:		
Cash interest payments	\$ 14,378	\$ 15,239
Cash income tax payments	\$ 597	\$ (1,650)
Non-current assets obtained through long-term financing obligations	\$ 18,153	\$ 16,937
Right-of-use assets obtained in exchange for operating lease obligations	\$ 3,566	\$ 3,289

**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF CERTAIN NON-GAAP MEASURES**  
(Unaudited)  
(In thousands)

**Non-GAAP Performance Measures**

In addition to disclosing financial results prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company also presents non-GAAP performance measures such as Adjusted EBITDA, Adjusted EBITDA as a percentage of revenues, Adjusted Operating Income, Adjusted Operating Income as a percentage of revenues, Adjusted Net Income and Adjusted Diluted Earnings Per Common Share that provide an understanding of operational performance because it considers them important supplemental measures of the Company's performance that are frequently used by securities analysts, investors and other interested parties in the evaluation of the Company's results. The Company also believes that identifying the impact of certain items as adjustments provides more transparency and comparability across periods. Management uses these non-GAAP performance measures to further understand its "core operating performance" and believes its "core operating performance" is helpful in understanding its ongoing performance in the ordinary course of operations. The Company believes that providing such non-GAAP performance measures to investors, in addition to corresponding income statement measures, affords investors the benefit of viewing the Company's performance using the same financial metrics that the management team uses in making many key decisions and understanding how the core business and its results of operations has performed. The tables below set forth such performance measures on an adjusted basis to exclude such items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income</b>	<b>\$ 15,861</b>	<b>\$ 15,117</b>	<b>\$ 31,955</b>	<b>\$ 28,189</b>
<b>Net income as a percentage of revenues</b>	<b>6.6%</b>	<b>7.5%</b>	<b>4.9%</b>	<b>4.9%</b>
Provision for income taxes	6,601	374	14,476	840
Other income	(178)	(157)	(825)	(606)
Interest expense, net	5,103	5,299	15,737	16,666
Expense from acquisition activities (i)	1,904	173	3,950	1,533
Southbridge Landfill closure charge (ii)	302	2,642	653	3,815
Depreciation and amortization	27,491	23,799	74,510	67,281
Depletion of landfill operating lease obligations	2,199	2,243	5,781	5,711
Interest accretion on landfill and environmental remediation liabilities	1,953	1,782	5,915	5,324
<b>Adjusted EBITDA</b>	<b>\$ 61,236</b>	<b>\$ 51,272</b>	<b>\$ 152,152</b>	<b>\$ 128,753</b>
<b>Adjusted EBITDA as a percentage of revenues</b>	<b>25.3%</b>	<b>25.3%</b>	<b>23.5%</b>	<b>22.4%</b>
Depreciation and amortization	(27,491)	(23,799)	(74,510)	(67,281)
Depletion of landfill operating lease obligations	(2,199)	(2,243)	(5,781)	(5,711)
Interest accretion on landfill and environmental remediation liabilities	(1,953)	(1,782)	(5,915)	(5,324)
<b>Adjusted Operating Income</b>	<b>\$ 29,593</b>	<b>\$ 23,448</b>	<b>\$ 65,946</b>	<b>\$ 50,437</b>
<b>Adjusted Operating Income as a percentage of revenues</b>	<b>12.2%</b>	<b>11.6%</b>	<b>10.2%</b>	<b>8.8%</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income</b>	<b>\$ 15,861</b>	<b>\$ 15,117</b>	<b>\$ 31,955</b>	<b>\$ 28,189</b>
Expense from acquisition activities (i)	1,904	173	3,950	1,533
Southbridge Landfill closure charge (ii)	302	2,642	653	3,815
Tax effect (iii)	(568)	(766)	(1,296)	(1,456)
<b>Adjusted Net Income</b>	<b>\$ 17,499</b>	<b>\$ 17,166</b>	<b>\$ 35,262</b>	<b>\$ 32,081</b>
<b>Diluted weighted average common shares outstanding</b>	<b>51,586</b>	<b>48,619</b>	<b>51,506</b>	<b>48,481</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.31</b>	<b>\$ 0.31</b>	<b>\$ 0.62</b>	<b>\$ 0.58</b>
Expense from acquisition activities (i)	0.03	—	0.08	0.03
Southbridge Landfill closure charge (ii)	0.01	0.06	0.01	0.08
Tax effect (iii)	(0.01)	(0.02)	(0.03)	(0.03)
<b>Adjusted Diluted Earnings Per Common Share</b>	<b>\$ 0.34</b>	<b>\$ 0.35</b>	<b>\$ 0.68</b>	<b>\$ 0.66</b>

(i) *Expense from acquisition activities* are primarily legal, consulting or other similar costs incurred during the period related to acquisition diligence, acquisition integration or select development projects as part of the Company's strategic growth initiative.

(ii) *Southbridge Landfill closure charge* are expenses related to the unplanned early closure of the Southbridge Landfill along with associated legal activities. The Company initiated the unplanned, premature closure of the Southbridge Landfill in the fiscal year ended December 31, 2017 due to the significant capital investment required to obtain expansion permits and for future development coupled with an uncertain regulatory environment. The unplanned closure of the Southbridge Landfill reduced the economic useful life of the assets from prior estimates by approximately ten years. The Company expects to incur certain costs through completion of the closure process.

(iii) *Tax effect* of the adjustments is an aggregate of the current and deferred tax impact of each adjustment, including the impact to the effective tax rate, current provision and deferred provision. The computation considers all relevant impacts of the adjustments, including available net operating loss carryforwards and the impact on the remaining valuation allowance.

#### Non-GAAP Liquidity Measures

In addition to disclosing financial results prepared in accordance with GAAP, the Company also presents non-GAAP liquidity measures such as Adjusted Free Cash Flow, Bank Consolidated EBITDA, Consolidated Funded Debt, Net and Consolidated Net Leverage Ratio that provide an understanding of the Company's liquidity because it considers them important supplemental measures of its liquidity that are frequently used by securities analysts, investors and other interested parties in the evaluation of the Company's cash flow generation from its core operations that are then available to be deployed for strategic acquisitions, growth investments, development projects, unusual landfill closures, site improvement and remediation, and strengthening the Company's balance sheet through paying down debt. The Company also believes that identifying the impact of certain items as adjustments provides more transparency and comparability across periods. Management uses non-GAAP liquidity measures to understand the Company's cash flow provided by operating activities after certain expenditures along with its consolidated net leverage and believes that these measures demonstrate the Company's ability to execute on its strategic initiatives. The Company believes that providing such non-GAAP liquidity measures to investors, in addition to corresponding cash flow statement measures, affords investors the benefit of viewing the Company's liquidity using the same financial metrics that the management team uses in making many key decisions and understanding how the core business and cash flow generation has performed. The tables below, in some instances on an adjusted basis to exclude certain items, set forth such liquidity measures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net cash provided by operating activities</b>	<b>\$ 55,076</b>	<b>\$ 49,422</b>	<b>\$ 134,089</b>	<b>\$ 111,915</b>
Capital expenditures	(25,508)	(25,701)	(81,577)	(77,271)
Proceeds from sale of property and equipment	190	230	593	430
Southbridge Landfill closure and Potsdam environmental remediation (i)	1,929	1,979	4,463	4,737
Cash outlays from acquisition activities (ii)	2,394	199	3,418	984
Post acquisition and development project capital expenditures (iii)	4,616	3,235	11,083	12,510
Waste USA Landfill phase VI capital expenditures (iv)	3,802	3,154	10,241	6,700
<b>Adjusted Free Cash Flow</b>	<b>\$ 42,499</b>	<b>\$ 32,518</b>	<b>\$ 82,310</b>	<b>\$ 60,005</b>

(i) *Southbridge Landfill closure and Potsdam environmental remediation* are cash outlays associated with the unplanned closure of the Southbridge Landfill and the Company's portion of costs associated with environmental remediation at Potsdam, which are added back when calculating Adjusted Free Cash Flow due to their non-recurring nature and the significance of the related cash flows. The Company initiated the unplanned closure of the Southbridge Landfill in the fiscal year ended December 31, 2017 and expects to incur cash outlays through completion of the closure and environmental remediation process. The Potsdam site was deemed a Superfund site in 2000 and is not associated with current operations.

(ii) *Cash outlays from acquisition activities* are cash outlays for transaction and integration costs relating to specific acquisition transactions and include legal, environmental, valuation and consulting as well as asset, workforce and system integration costs as part of the Company's strategic growth initiative.

(iii) *Post acquisition and development project capital expenditures* are (x) acquisition related capital expenditures that are necessary to optimize strategic synergies associated with integrating newly acquired operations as contemplated by the discounted cash flow return analysis conducted by management as part of the acquisition investment decision; and (y) non-routine development investments that are expected to provide long-term returns. Acquisition related capital expenditures include the following costs required to achieve initial operating synergies: trucks, equipment and machinery; and facilities, land, IT infrastructure or related upgrades to integrate operations.

(iv) *Waste USA Landfill phase VI capital expenditures* are capital expenditures related to Waste USA Landfill phase VI construction and development that are added back when calculating Adjusted Free Cash Flow due to the specific nature of this investment in the development of long-term infrastructure which is different from landfill construction investments in the normal course of operations. This investment at the Waste USA Landfill is unique because the Company is investing in long-term infrastructure over an estimated four year period that will not yield a positive economic benefit until 2023 and extending over approximately 20 years.

**Following is the Consolidated Net Leverage Ratio and the reconciliations of Consolidated Funded Debt, Net from debt and Bank Consolidated EBITDA from Net cash provided by operating activities:**

	<u>Twelve Months Ended September 30, 2021</u>	<u>Covenant Requirement at September 30, 2021</u>
<b>Consolidated Net Leverage Ratio (i)</b>	<b>2.34</b>	<b>4.00</b>

(i) Our credit agreement requires us to maintain a maximum consolidated net leverage ratio, to be measured at the end of each fiscal quarter ("Consolidated Net Leverage Ratio"). The Consolidated Net Leverage Ratio is calculated as consolidated debt, net of unencumbered cash and cash equivalents in excess of \$2,000 and up to \$50,000 ("Consolidated Funded Debt, Net", calculated at \$514,075 as of September 30, 2021, or \$558,556 of consolidated debt, less \$44,481 of cash and cash equivalents in excess of \$2,000 and up to \$50,000 as of September 30, 2021), divided by consolidated EBITDA as defined by our credit agreement ("Bank Consolidated EBITDA"). Bank Consolidated EBITDA is based on operating results for the twelve months preceding the measurement date of September 30, 2021. A reconciliation of Bank Consolidated EBITDA from Net cash provided by operating activities is as follows:

	<u>Twelve Months Ended September 30, 2021</u>
<b>Net cash provided by operating activities</b>	<b>\$ 162,096</b>
Changes in assets and liabilities, net of effects of acquisitions and divestitures	24,921
Loss on sale of property and equipment	(681)
Non-cash expense from acquisition activities	(537)
Southbridge Landfill non-cash closure charge	1,702
Operating lease right-of-use assets expense	(6,041)
Stock-based compensation	(11,586)
Interest expense, less amortization of debt issuance costs	19,142
Provision for income taxes, net of deferred income taxes	1,659
Adjustments as allowed by the credit agreement	28,847
<b>Bank Consolidated EBITDA</b>	<b>\$ 219,522</b>

Non-GAAP financial measures are not in accordance with or an alternative for GAAP. Adjusted EBITDA, Adjusted EBITDA as a percentage of revenues, Adjusted Operating Income, Adjusted Operating Income as a percentage of revenues, Adjusted Net Income, Adjusted Diluted Earnings Per Common Share, Adjusted Free Cash Flow, Bank Consolidated EBITDA, Consolidated Funded Debt, Net and Consolidated Net Leverage Ratio should not be considered in isolation from or as a substitute for financial information presented in accordance with GAAP, and may be different from Adjusted EBITDA, Adjusted EBITDA as a percentage of revenues, Adjusted Operating Income, Adjusted Operating Income as a percentage of revenues, Adjusted Net Income, Adjusted Diluted Earnings Per Common Share, Adjusted Free Cash Flow, Bank Consolidated EBITDA, Consolidated Funded Debt, Net and Consolidated Net Leverage Ratio presented by other companies.

**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF FISCAL YEAR 2021 OUTLOOK NON-GAAP MEASURES**  
**(Unaudited)**  
**(In thousands)**

**Following is a reconciliation of the Company's estimated Adjusted EBITDA (i) from estimated Net income for fiscal year 2021:**

	<u>(Estimated) Fiscal Year Ending December 31, 2021</u>
<b>Net income</b>	<b>\$37,000 - \$41,000</b>
Provision for income taxes	18,000
Other income	(1,000)
Interest expense, net	22,000
Expense from acquisition activities	4,000
Southbridge Landfill closure charge	1,000
Depreciation and amortization	104,000
Depletion of landfill operating lease obligations	7,500

Interest accretion on landfill and environmental remediation liabilities  
**Adjusted EBITDA**

7,500  
**\$200,000 - \$204,000**

Following is a reconciliation of the Company's estimated Adjusted Free Cash Flow (i) from estimated Net cash provided by operating activities for fiscal year 2021:

	<b>(Estimated) Fiscal Year Ending December 31, 2021</b>
<b>Net cash provided by operating activities</b>	<b>\$162,000 - \$166,000</b>
Capital expenditures	(117,000)
Proceeds from sale of property and equipment	500
Southbridge Landfill closure and Potsdam environmental remediation	6,500
Cash outlays from acquisition activities	4,000
Post acquisition and development project capital expenditures	16,000
Waste USA Landfill phase VI capital expenditures	13,000
<b>Adjusted Free Cash Flow</b>	<b>\$85,000 - \$89,000</b>

(i) See footnotes for Non-GAAP Performance Measures and Non-GAAP Liquidity Measures included in the *Reconciliation of Certain Non-GAAP Measures* for further disclosure over the nature of the various adjustments to estimated Adjusted EBITDA and estimated Adjusted Free Cash Flow.

**CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL DATA TABLES**  
(Unaudited)  
(In thousands)

Amounts of total revenues attributable to services provided for the three and nine months ended September 30, 2021 and 2020 are as follows:

	<b>Three Months Ended September 30,</b>			
	<b>2021</b>	<b>% of Total Revenues</b>	<b>2020</b>	<b>% of Total Revenues</b>
Collection	\$ 118,872	49.1 %	\$ 102,270	50.5 %
Disposal	55,593	23.0 %	47,600	23.5 %
Power generation	1,253	0.5 %	987	0.5 %
Processing	2,959	1.2 %	2,194	1.0 %
<b>Solid waste operations</b>	<b>178,677</b>	<b>73.8 %</b>	<b>153,051</b>	<b>75.5 %</b>
Processing	27,418	11.3 %	15,701	7.7 %
Non-processing	35,874	14.8 %	33,915	16.7 %
<b>Resource solutions operations</b>	<b>63,292</b>	<b>26.2 %</b>	<b>49,616</b>	<b>24.5 %</b>
<b>Total revenues</b>	<b>\$ 241,969</b>	<b>100.0 %</b>	<b>\$ 202,667</b>	<b>100.0 %</b>

	<b>Nine Months Ended September 30,</b>			
	<b>2021</b>	<b>% of Total Revenues</b>	<b>2020</b>	<b>% of Total Revenues</b>
Collection	\$ 323,667	50.0 %	\$ 290,837	50.6 %
Disposal	142,618	22.0 %	129,971	22.6 %
Power generation	3,657	0.6 %	2,931	0.5 %
Processing	6,754	1.0 %	5,282	1.0 %
<b>Solid waste operations</b>	<b>476,696</b>	<b>73.6 %</b>	<b>429,021</b>	<b>74.7 %</b>
Processing	65,721	10.2 %	45,724	8.0 %
Non-processing	104,958	16.2 %	99,599	17.3 %
<b>Resource solutions operations</b>	<b>170,679</b>	<b>26.4 %</b>	<b>145,323</b>	<b>25.3 %</b>
<b>Total revenues</b>	<b>\$ 647,375</b>	<b>100.0 %</b>	<b>\$ 574,344</b>	<b>100.0 %</b>

Components of revenue growth for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are as follows:

	<b>Amount</b>	<b>% of Related Business</b>	<b>% of Operations</b>	<b>% of Total Company</b>
<b>Solid waste operations:</b>				



Collection	\$ 4,672	4.6 %	3.1 %	2.3 %
Disposal	1,559	3.3 %	1.0 %	0.8 %
Solid waste price	6,231		4.1 %	3.1 %
Collection	455		0.3 %	0.2 %
Disposal	3,562		2.3 %	1.8 %
Processing	337		0.2 %	0.1 %
Solid waste volume	4,354		2.8 %	2.1 %
Fuel surcharge and other fees	(223)		(0.2) %	(0.2) %
Commodity price and volume	531		0.3 %	0.3 %
Acquisitions, net divestitures	14,773		9.7 %	7.3 %
Closed operations	(40)		— %	— %
<b>Total solid waste operations</b>	<b>25,626</b>		<b>16.7 %</b>	<b>12.6 %</b>
<b>Resource solutions operations:</b>				
Processing - price	6,099		12.3 %	3.0 %
Processing - volume	1,462		2.9 %	0.7 %
Processing - acquisition	4,156		8.6 %	2.1 %
Non-processing	1,959		3.9 %	1.0 %
<b>Total resource solutions operations</b>	<b>13,676</b>		<b>27.7 %</b>	<b>6.8 %</b>
<b>Total company</b>	<b>\$ 39,302</b>			<b>19.4 %</b>

Solid waste internalization rates by region for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Eastern region	47.6 %	47.3 %	50.1 %	47.8 %
Western region	63.8 %	61.4 %	61.8 %	61.3 %
<b>Solid waste internalization</b>	<b>56.4 %</b>	<b>54.9 %</b>	<b>56.3 %</b>	<b>54.9 %</b>

Components of capital expenditures (i) for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Growth capital expenditures:</b>				
Post acquisition and development project	\$ 4,616	\$ 3,235	\$ 11,083	\$ 12,510
Waste USA Landfill phase VI	3,802	3,154	10,241	6,700
Other	819	930	5,024	1,910
<b>Growth capital expenditures</b>	<b>9,237</b>	<b>7,319</b>	<b>26,348</b>	<b>21,120</b>
<b>Replacement capital expenditures:</b>				
Landfill development	7,525	10,100	16,290	29,920
Vehicles, machinery, equipment and containers	5,369	6,455	31,112	20,824
Facilities	1,684	995	3,353	2,559
Other	1,693	832	4,474	2,848
<b>Replacement capital expenditures</b>	<b>16,271</b>	<b>18,382</b>	<b>55,229</b>	<b>56,151</b>
<b>Capital expenditures</b>	<b>\$ 25,508</b>	<b>\$ 25,701</b>	<b>\$ 81,577</b>	<b>\$ 77,271</b>

(i) The Company's capital expenditures are broadly defined as pertaining to either growth or replacement activities. *Growth capital expenditures* are defined as costs related to development projects, organic business growth, and the integration of newly acquired operations. Growth capital expenditures include costs related to the following: 1) post acquisition and development projects that are necessary to optimize strategic synergies associated with integrating newly acquired operations as contemplated by the discounted cash flow return analysis conducted by management as part of the acquisition investment decision as well as non-routine development investments that are expected to provide long-term returns and includes the following capital expenditures required to achieve initial operating synergies: trucks, equipment and machinery; and facilities, land, IT infrastructure or related upgrades to integrate operations; 2) Waste USA Landfill phase VI construction and development for long-term infrastructure, which is unique and different from landfill construction investments in the normal course of operations because the Company is investing in long-term infrastructure over an estimated four year period that will not yield a positive economic benefit until 2023 and extending over approximately 20 years; and 3) development of new airspace, permit expansions, and new recycling contracts, equipment added directly as a result of organic business growth and infrastructure added to increase throughput at transfer stations and recycling facilities. *Replacement capital expenditures* are defined as landfill cell construction costs not related to expansion airspace, costs for normal permit renewals, and replacement costs for equipment due to age or obsolescence.



Source: Casella Waste Systems, Inc.