



Casella Waste Systems, Inc. Announces First Quarter 2021 Results; And Updates Fiscal Year 2021 Guidance

April 29, 2021

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

RUTLAND, Vt., April 29, 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 month period ended March 31, 2021.

Highlights for the Three Months Ended March 31, 2021:

- **Revenues were \$189.5 million for the quarter, up \$6.6 million, or up 3.6%, from the same period in 2020.**
- **Overall solid waste pricing for the quarter was up 3.4%, driven by collection pricing, up 3.5%, and landfill pricing, up 3.5%, from the same period in 2020.**
- **Net income was \$4.3 million for the quarter, up \$3.3 million, or up 349.5%, from the same period in 2020.**
- **Adjusted EBITDA, a non-GAAP measure, was \$38.8 million for the quarter, up \$5.3 million, or up 15.9%, from the same period in 2020.**
- **Net income as a percentage of revenues was 2.3% for the quarter, up 175 basis points from the same period in 2020. Adjusted EBITDA as a percentage of revenues, a non-GAAP measure, was 20.5% for the quarter, up 215 basis points from the same period in 2020.**
- **Net cash provided by operating activities was \$32.1 million for the quarter, up \$17.4 million, or up 117.3%, from the same period in 2020.**
- **Adjusted Free Cash Flow, a non-GAAP measure, was \$11.0 million for the quarter, up \$6.9 million, or up 172.8%, from the same period in 2020.**

"Our team continued to execute very well through the first quarter as we increased Adjusted EBITDA by 15.9%, Adjusted EBITDA margins by 215 basis points, and Adjusted Free Cash Flow by 172.8% year-over-year in the quarter despite continued solid waste volume headwinds due to the COVID-19 pandemic," said John W. Casella, Chairman and CEO of Casella Waste Systems, Inc. "These positive results are a testament to the hard work, adaptability and dedication of our team, the resiliency of our business model, our asset positioning in the disposal capacity constrained northeast market that allowed us to advance positive solid waste pricing, and strong execution against our operating and cost efficiency programs."

"Solid waste volume declines continued to moderate sequentially from the fourth quarter of 2020 through the first quarter of fiscal year 2021," Casella said. "With volumes down (3.3)% year-over-year in the quarter, we had a tough volume comparison in the first quarter as we experienced only very limited negative impacts from the COVID-19 pandemic late in the first quarter last year. We expect solid waste volumes to improve year-over-year through the remainder of fiscal year 2021."

"As more Americans are vaccinated and the states in which we operate further ease COVID-19 specific restrictions, we continue to see additional commercial customers reopen or increase services, construction activity increase, and overall economic activity rebound across our mainly secondary and rural markets in the northeast," Casella said.

"We continued to make great progress against our 2021 strategic plan during the quarter," Casella said. "And, we are well positioned to drive additional acquisition growth through the remainder of the year as our acquisition pipeline remains robust and activity is accelerating."

For the quarter, revenues were \$189.5 million, up \$6.6 million, or up 3.6%, from the same period in 2020, with revenue growth mainly driven by: positive collection and disposal pricing; the roll-over impact from acquisitions; higher recycling commodity prices; and higher resource solutions non-processing revenues; partially offset by lower solid waste volumes primarily due to the negative impacts of the COVID-19 pandemic and lower fuel surcharge and other fees.

Net income was \$4.3 million for the quarter, or \$0.08 per diluted common share, up \$3.3 million, or up 349.5%, as compared to net income of \$1.0 million, or \$0.02 per diluted common share, for the same period in 2020. The quarter included \$0.4 million of expense from acquisition activities and

\$0.2 million of legal and other expenses associated with the closure of our landfill in Southbridge, Massachusetts ("Southbridge Landfill"). The same quarter last year included \$1.0 million of expense from acquisition activities and \$0.6 million of legal and other costs associated with the Southbridge Landfill closure.

Given the reversal of the tax valuation allowance in 2020, we expect an income statement tax provision of approximately 31% in fiscal year 2021. The income tax provision was \$2.4 million in the quarter, up \$2.3 million from the same period in 2020, and as expected we paid cash taxes of \$0.2 million in the quarter.

Adjusted Net Income, a non-GAAP measure, was \$4.8 million for the quarter, or \$0.09 Adjusted Diluted Earnings Per Common Share, up \$2.6 million, or up 122.1%, as compared to Adjusted Net Income of \$2.1 million, or \$0.04 Adjusted Diluted Earnings Per Common Share, for the same period in 2020.

Operating income was \$12.0 million for the quarter, up \$5.0 million, or up 71.3% from the same period in 2020. Adjusted EBITDA was \$38.8 million for the quarter, up \$5.3 million, or up 15.9%, from the same period in 2020.

Fiscal Year 2021 Outlook

"Given our solid execution year-to-date combined with 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 rebound in solid waste volumes as major cities in our markets are slowly reopening from the COVID-19 pandemic."

The Company raised guidance for fiscal year 2021 by estimating results in the following ranges:

- Adjusted EBITDA between \$185 million and \$189 million (raised from \$184 million and \$188 million);
- Net cash provided by operating activities between \$150 million and \$154 million (raised from \$149 million and \$153 million); and
- Adjusted Free Cash Flow between \$76 million and \$80 million (raised from \$75 million and \$79 million).

And, the Company reaffirmed guidance for fiscal year 2021 by estimating results in the following ranges:

- Revenues between \$815 million and \$830 million; and
- Net income between \$33 million and \$37 million.

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, April 30, 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 760 9317 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 760 9317).

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, the expected and potential direct or indirect impacts of the COVID-19 pandemic on our business; our financial performance; financial condition; operations and services; prospects; growth; strategies; 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: 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; policies adopted by China and other countries will further restrict imports of recyclable materials into those countries and have a further material impact on the Company's financial results; the capping and closure of the Southbridge Landfill and the lawsuit relating to the North Country Landfill 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 economics of recycling programs may cause municipalities to reconsider the viability of continuing these programs; the Company's need to service its indebtedness may limit its ability to invest in its business; 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; 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 March 31,	
	2021	2020
Revenues	\$ 189,532	\$ 182,910
Operating expenses:		
Cost of operations	127,139	128,518
General and administration	27,131	24,352
Depreciation and amortization	22,682	21,406
Expense from acquisition activities	414	1,009
Southbridge Landfill closure charge	157	613
	<u>177,523</u>	<u>175,898</u>
Operating income	<u>12,009</u>	<u>7,012</u>
Other expense (income):		
Interest expense, net	5,404	5,901
Other (income) expense	(138)	43
Other expense, net	<u>5,266</u>	<u>5,944</u>
Income before income taxes	6,743	1,068
Provision for income taxes	2,432	109
Net income	<u>\$ 4,311</u>	<u>\$ 959</u>
Basic weighted average common shares outstanding	<u>51,179</u>	<u>48,005</u>
Basic earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Diluted weighted average common shares outstanding	<u>51,387</u>	<u>48,262</u>
Diluted earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.02</u>

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

	March 31, 2021	December 31, 2020
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 152,555	\$ 154,342
Accounts receivable, net of allowance for credit losses	66,326	74,198
Other current assets	20,625	18,714
Total current assets	239,506	247,254
Property, plant and equipment, net of accumulated depreciation and amortization	523,316	510,512
Operating lease right-of-use assets	92,537	95,310
Goodwill	196,316	194,901
Intangible assets, net of accumulated amortization	57,581	58,324
Restricted assets	1,871	1,848
Cost method investments	11,264	11,264
Deferred income taxes	57,731	61,163
Other non-current assets	14,124	13,322
Total assets	\$ 1,194,246	\$ 1,193,898
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of debt	\$ 10,918	\$ 9,240
Current operating lease liabilities	7,122	8,547
Accounts payable	50,547	49,198
Other accrued liabilities	54,488	64,223
Total current liabilities	123,075	131,208
Debt, less current portion	531,105	530,411
Operating lease liabilities, less current portion	60,854	60,979
Other long-term liabilities	105,876	109,158
Total stockholders' equity	373,336	362,142
Total liabilities and stockholders' equity	\$ 1,194,246	\$ 1,193,898

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

	Three Months Ended March 31,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 4,311	\$ 959
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,682	21,406
Depletion of landfill operating lease obligations	1,604	1,673
Interest accretion on landfill and environmental remediation liabilities	1,957	1,794
Amortization of debt issuance costs	572	527
Stock-based compensation	2,941	1,562
Operating lease right-of-use assets expense	1,411	2,417
(Gain) loss on sale of property and equipment	(24)	137
Southbridge Landfill non-cash closure charge	(7)	51
Non-cash expense from acquisition activities	146	532
Deferred income taxes	2,300	967
Changes in assets and liabilities, net of effects of acquisitions and divestitures	(5,746)	(17,234)
Net cash provided by operating activities	32,147	14,791
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(4,568)	(5,144)
Additions to property, plant and equipment	(26,832)	(19,851)
Proceeds from sale of property and equipment	123	51
Net cash used in investing activities	(31,277)	(24,944)
Cash Flows from Financing Activities:		

Proceeds from debt borrowings	—	73,500
Principal payments on debt	(2,769)	(40,686)
Payments of debt issuance costs	—	(11)
Proceeds from the exercise of share based awards	112	100
Net cash (used in) provided by financing activities	(2,657)	32,903
Net (decrease) increase in cash and cash equivalents	(1,787)	22,750
Cash and cash equivalents, beginning of period	154,342	3,471
Cash and cash equivalents, end of period	\$ 152,555	\$ 26,221
Supplemental Disclosure of Cash Flow Information:		
Cash interest payments	\$ 5,020	\$ 5,372
Cash income tax payments	\$ 238	\$ 84
Non-current assets obtained through long-term financing obligations	\$ 4,569	\$ 6,469
Right-of-use assets obtained in exchange for operating lease obligations	\$ 512	\$ 2,366

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 March 31,	
	2021	2020
Net income	\$ 4,311	\$ 959
Net income as a percentage of revenues	2.3 %	0.5 %
Provision for income taxes	2,432	109
Other (income) expense	(138)	43
Interest expense, net	5,404	5,901
Expense from acquisition activities (i)	414	1,009
Southbridge Landfill closure charge (ii)	157	613
Depreciation and amortization	22,682	21,406
Depletion of landfill operating lease obligations	1,604	1,673
Interest accretion on landfill and environmental remediation liabilities	1,957	1,794
Adjusted EBITDA	\$ 38,823	\$ 33,507
Adjusted EBITDA as a percentage of revenues	20.5 %	18.3 %
Depreciation and amortization	(22,682)	(21,406)
Depletion of landfill operating lease obligations	(1,604)	(1,673)
Interest accretion on landfill and environmental remediation liabilities	(1,957)	(1,794)
Adjusted Operating Income	\$ 12,580	\$ 8,634
Adjusted Operating Income as a percentage of revenues	6.6 %	4.7 %

	Three Months Ended March 31,	
	2021	2020
Net income	\$ 4,311	\$ 959
Expense from acquisition activities (i)	414	1,009
Southbridge Landfill closure charge (ii)	157	613
Tax effect (iii)	(131)	(442)
Adjusted Net Income	\$ 4,751	\$ 2,139

Diluted weighted average common shares outstanding		51,387		48,262
Diluted earnings per common share	\$	0.08	\$	0.02
Expense from acquisition activities (i)		0.01		0.02
Southbridge Landfill closure charge (ii)		—		0.01
Tax effect (iii)		—		(0.01)
Adjusted Diluted Earnings Per Common Share	\$	0.09	\$	0.04

(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	
	March 31,	
	2021	2020
Net cash provided by operating activities	\$ 32,147	\$ 14,791
Capital expenditures	(26,832)	(19,851)
Proceeds from sale of property and equipment	123	51
Southbridge Landfill closure and Potsdam environmental remediation (i)	391	1,458
Cash outlays from acquisition activities (ii)	268	477
Post acquisition and development project capital expenditures (iii)	3,771	5,860
Waste USA Landfill phase VI capital expenditures (iv)	1,100	1,235
Adjusted Free Cash Flow	\$ 10,968	\$ 4,021

(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 March 31, 2021</u>	<u>Covenant Requirement at March 31, 2021</u>
Consolidated Net Leverage Ratio (i)	2.66	4.00

(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 \$500,220 as of March 31, 2021, or \$550,220 of consolidated debt, less \$50,000 of cash and cash equivalents in excess of \$2,000 and up to \$50,000 as of March 31, 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 March 31, 2021. A reconciliation of Bank Consolidated EBITDA from Net cash provided by operating activities is as follows:

	<u>Twelve Months Ended March 31, 2021</u>	
Net cash provided by operating activities	\$	157,278
Changes in assets and liabilities, net of effects of acquisitions and divestitures		13,678
Loss on sale of property and equipment		(775)
Non-cash expense from acquisition activities		(168)
Southbridge Landfill non-cash closure charge		(205)
Operating lease right-of-use assets expense		(7,470)
Stock-based compensation		(9,598)
Interest expense, less amortization of debt issuance costs		19,673
Benefit for income taxes, net of deferred income taxes		474
Adjustments as allowed by the credit agreement		15,408
Bank Consolidated EBITDA	\$	188,295

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>
Net income	\$33,000 - \$37,000
Provision for income taxes	16,000
Other income	(500)
Interest expense, net	22,000
Expense from acquisition activities	1,000
Southbridge Landfill closure charge	1,000
Depreciation and amortization	98,000
Depletion of landfill operating lease obligations	7,500
Interest accretion on landfill and environmental remediation liabilities	7,000
Adjusted EBITDA	\$185,000 - \$189,000

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:

(Estimated) Fiscal Year Ending
December 31, 2021

Net cash provided by operating activities	\$150,000 - \$154,000
Capital expenditures	(113,000)
Southbridge Landfill closure and Potsdam environmental remediation	10,000
Cash outlays from acquisition activities	1,000
Post acquisition and development project capital expenditures	15,000
Waste USA Landfill phase VI capital expenditures	13,000
Adjusted Free Cash Flow	\$76,000 - \$80,000

(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 months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,			
	2021	% of Total Revenues	2020	% of Total Revenues
Collection	\$ 97,469	51.4 %	\$ 94,561	51.7 %
Disposal	37,853	20.0 %	38,625	21.1 %
Power generation	1,303	0.7 %	1,026	0.6 %
Processing	1,484	0.8 %	1,137	0.6 %
Solid waste operations	138,109	72.9 %	135,349	74.0 %
Processing	17,272	9.1 %	13,818	7.6 %
Non-processing	34,151	18.0 %	33,743	18.4 %
Resource solutions operations	51,423	27.1 %	47,561	26.0 %
Total revenues	\$ 189,532	100.0 %	\$ 182,910	100.0 %

Components of revenue growth for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 are as follows:

	Amount	% of Related Business	% of Operations	% of Total Company
Solid waste operations:				
Collection	\$ 3,272	3.5 %	2.4 %	1.8 %
Disposal	1,319	3.4 %	1.0 %	0.7 %
Solid waste price	4,591		3.4 %	2.5 %
Collection	(2,212)		(1.6) %	(1.2) %
Disposal	(2,531)		(1.9) %	(1.4) %
Processing	321		0.2 %	0.2 %
Solid waste volume	(4,422)		(3.3) %	(2.4) %
Fuel surcharge and other fees	(1,580)		(1.2) %	(0.9) %
Commodity price and volume	321		0.2 %	0.2 %
Acquisitions, net divestitures	3,865		2.9 %	2.1 %
Closed operations	(15)		— %	— %
Total solid waste operations	2,760		2.0 %	1.5 %
Resource solutions operations:				
Processing - price	3,254		6.8 %	1.8 %
Processing - volume	200		0.4 %	0.1 %
Non-processing	408		0.9 %	0.2 %
Total resource solutions operations	3,862		8.1 %	2.1 %
Total company	\$ 6,622			3.6 %

Solid waste internalization rates by region for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,	
	2021	2020
Eastern region	49.9 %	47.4 %
Western region	61.5 %	58.7 %
Solid waste internalization	56.0 %	53.3 %

Components of capital expenditures (i) for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31,	
	2021	2020
Growth capital expenditures:		
Post acquisition and development project	\$ 3,771	\$ 5,860
Waste USA Landfill phase VI	1,100	1,235
Other	1,015	504
	5,886	7,599
Growth capital expenditures		
Replacement capital expenditures:		
Landfill development	1,289	4,058
Vehicles, machinery, equipment and containers	17,568	6,093
Facilities	650	1,043
Other	1,439	1,058
	20,946	12,252
Replacement capital expenditures		
Capital expenditures	\$ 26,832	\$ 19,851

(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.