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WMI #09-06

Waste Management Announces First Quarter 2009 Earnings

Adjusted Income from Operations Margin Expands

HOUSTON – April 29, 2009 – Waste Management, Inc. (NYSE: WMI) today announced financial results for the quarter ended March 31, 2009. Net income[a] for the quarter was $155 million, or $0.31 per diluted share, compared with $241 million, or $0.48 per diluted share, for the first quarter of 2008. Revenues for the first quarter of 2009 were $2.81 billion compared with $3.27 billion for the same 2008 period. Of the $456 million decrease in revenue, only $132 million, or 4.7% of revenue, comes from operational impacts to the solid waste collection and disposal business. The balance of the decline is due to commodity impacts related to recycling materials, fuel and energy, and non-operational items including foreign currency translation and one fewer work day during the first quarter of 2009.

The Company noted certain items that impacted results in the 2009 and 2008 first quarters. Excluding these items, net income would have been $0.42 per diluted share in the first quarter of 2009 compared with $0.47 per diluted share in the first quarter of 2008.[b]

Results in the first quarter of 2009 included a decrease of $0.11 per diluted share from:

- A $23 million reduction in net income due to charges related to the restructuring announced in February 2009; and
- A $30 million reduction in net income related to the abandonment of SAP software.

Results in the first quarter of 2008 included a net $0.01 per diluted share benefit due to $6 million of net income from income tax audit settlements.

David P. Steiner, Chief Executive Officer of Waste Management, commented, “I am pleased with the way we are performing during this challenging economic environment. We increased our income from operations margin on an as-adjusted basis by 70 basis points compared to the prior year period, and we generated strong cash flow.[b] The majority of our business relates to commercial and residential sources and is generally recession resistant. Internal revenue growth from volume in our commercial and residential collection lines in the first quarter was consistent with our experience during 2008, at about negative 4% each. The fourth quarter volume declines that we saw in our more economically sensitive industrial collection, landfill, transfer & recycling businesses continued into 2009. We expect volumes in these economically sensitive lines of business to remain soft in 2009 and, as a result, we continue to focus on cost and pricing discipline and driving continued efficiency throughout our organization.

"As we anticipated, we saw a negative impact of $0.09 per diluted share in the first quarter of 2009, compared with the prior year period, as a result of the deterioration of the recycling commodities markets. Conditions have stabilized and prices have been trending upward from the lows reached in January. We continue to expect a negative year-over-year impact from recycling operations of $0.15 to $0.20 per diluted share for the full year 2009, most of which is expected to be in the first half of the year."

Steiner concluded, "At the beginning of February we restructured the Company to prepare ourselves for a slower economy, and these actions succeeded, saving us approximately $10 million per month in February and March. Consequently, we expect to exceed $120 million in annualized savings from our restructuring. The recession resistant qualities and strong cash flows of our solid waste business, combined with the proactive steps we are taking to strengthen our pricing programs and reduce our costs, give us confidence that we will continue to generate strong cash returns for our shareholders and emerge from this economic downturn even stronger than before. We remain confident that we will meet the 2009 goals that we announced earlier in the year."

Key Highlights for the First Quarter 2009

- Internal revenue growth from yield on our collection and disposal business was 3.1% when calculated using revenue only from these lines of business.
- Internal revenue growth from volume was negative 8.1%. Adjusting for the effect of one less work day during the first quarter of 2009 compared to the prior year quarter, internal revenue growth from volume was negative 7.4%.
- Operating expenses declined by $367 million, or approximately 17.5%, to $1.73 billion in the first quarter of 2009. As a percentage of revenue, first quarter 2009 operating expenses decreased to 61.4%, which is a 270 basis point improvement compared with the same quarter in 2008, and is a strong performance given the revenue decline.
- Cost savings totaling approximately $20 million were realized for the months of February and March related to the restructuring we announced in February and annualized savings are expected to exceed $120 million. A charge of $38 million was incurred for this restructuring and up to $15 million of additional charges are expected to be incurred in the second and third quarters of 2009.
- A $5 million benefit to net income resulted from the accounting impact of an increase in the 10-year risk free interest rate, which is used to calculate the present value of our remediation liabilities.
- Net cash provided by operating activities was $519 million in the quarter.
- Capital expenditures were $325 million in the quarter, a $112 million increase from the prior year period. This is primarily the result of paying in 2009 expenditures incurred in 2008. We still expect full year capital expenditures to be in the range of $1.1 billion to $1.2 billion.
- $143 million was returned to shareholders through dividend payments in the quarter.
- The effective tax rate in the quarter was approximately 37.2%, which reflects the impact of the implementation of an accounting change.

(a) As a result of the Company's adoption of Statement of Financial Accounting Standard No. 160 , Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51, the financial statement line item that had been entitled "Net income" is now entitled "Net income attributable to Waste Management, Inc." For purposes of this press release, all references to "Net income" refers to "Net income attributable to Waste Management, Inc."

(b) This earnings release contains a discussion of non-GAAP measures, as defined in Regulation G of the Securities Exchange Act of 1934, as amended. The Company reports its financial results in compliance with GAAP, but believes that also discussing non-GAAP measures provides investors with (i) additional, meaningful comparisons of current results to prior periods' results by excluding items that the Company does not believe reflect its fundamental business performance and (ii) financial measures the Company uses in the management of its business. GAAP measures that have been adjusted to exclude the impact of certain unusual, non-recurring or otherwise non-operational items include:

- Net Income;
- Earnings per diluted share; and
- Income from operations as a percentage of revenue.

The quantitative reconciliations of each of the non-GAAP measures presented herein to the most comparable GAAP measures are included in the accompanying schedules. Investors are urged to take into account GAAP measures as well as non-GAAP measures in evaluating the Company.

The Company has scheduled an investor and analyst conference call for later this morning to discuss the results of today's earnings announcement. The information in this press release should be read in conjunction with the information on the conference call. The call will begin at 10:00 a.m. Eastern time and is open to the public. To listen to the conference call, which will be broadcast live over the Internet, go to the Waste Management Website at http://www.wm.com, and select "Earnings Webcast." You may also listen to the analyst conference call by telephone by contacting the conference call operator 5 to 10 minutes prior to the scheduled start time and asking for the "Waste Management Conference Call – Call ID 90934084." US/Canada Dial-In Number: (877) 710-6139. Int'l/Local Dial-In Number: (706) 643-7398. For those unable to listen to the live call, a replay will be available 24 hours a day beginning at approximately 1:00 p.m. Eastern time on April 29th through 5:00 p.m. Eastern time on May 13th. To hear a replay of the call over the Internet, access the Waste Management Website at http://www.wm.com. To hear a telephonic replay of the call, dial (800) 642-1687 or (706) 645-9291 and enter reservation code 90934084.

Waste Management, Inc., based in Houston, Texas, is the leading provider of comprehensive waste management services in North America. Through its subsidiaries, the Company provides collection, transfer, recycling and resource recovery, and disposal services. It is also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. The Company's customers include residential, commercial, industrial, and municipal customers throughout North America.

The Company, from time to time, provides estimates of financial and other data, comments on expectations relating to future periods and makes statements of opinion, view or belief about current and future events. Statements relating to future events and performance are "forward-looking statements." The forward-looking statements that the Company makes are the Company's expectations, opinion, view or belief at the point in time of issuance but may change at some future point in time. By issuing estimates or making statements based on current expectations, opinions, views or beliefs, the Company has no obligation, and is not undertaking any obligation, to update such estimates or statements or to provide any other information relating to such estimates or statements. Outlined below are some of the risks that the Company faces and that could affect our financial statements for 2009 and beyond and that could cause actual results to be materially different from those that may be set forth in forward-looking statements made by the Company. We caution you not to place undue reliance on any forward-looking statements, which speak only as of their dates. The following are some of the risks that we face:

- *continued volatility and further deterioration in the credit markets, inflation, higher interest rates and other general and local economic conditions may negatively affect the volumes of waste generated, our liquidity, our financing costs and other expenses;*

- *economic conditions may negatively affect parties with whom we do business, which could result in late payments or the uncollectability of receivables as well as the non-performance of certain agreements, including expected funding under our credit agreement, which could negatively impact our liquidity and results of operations;*

- *competition may negatively affect our profitability or cash flows, our price increases may have negative effects on volumes, and price roll-backs and lower than average pricing to retain and attract customers may negatively affect our average yield on collection and disposal business;*

- *we may be unable to maintain or expand margins if we are unable to control costs or raise prices;*

- *we may not be able to successfully execute or continue our operational or other margin improvement plans and programs, including: pricing increases; passing on increased costs to our customers; reducing costs; and divesting under-performing assets and purchasing accretive businesses, any failures of which could negatively affect our revenues and margins;*

- *weather conditions cause our quarter-to-quarter results to fluctuate, and harsh weather or natural disasters may cause us to temporarily shut down operations;*

- *possible changes in our estimates of costs for site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;*

- *regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;*

- *climate change legislation, including possible limits on carbon emissions, may negatively impact our results of operations by increasing expenses related to tracking, measuring and reporting our greenhouse gas emissions and increasing operating costs and capital expenditures that may be required to comply with any such legislation;*

- *if we are unable to obtain and maintain permits needed to open, operate, and/or expand our facilities, our results of operations will be negatively impacted;*

- *limitations or bans on disposal or transportation of out-of-state, cross-border, or certain categories of waste, as well as mandates on the disposal of waste, can increase our expenses and reduce our revenue;*

- *fuel price increases or fuel supply shortages may increase our expenses or restrict our ability to operate;*

- *increased costs or the inability to obtain financial assurance or the inadequacy of our insurance coverages could negatively impact our liquidity and increase our liabilities;*

- *possible charges as a result of shut-down operations, uncompleted development or expansion projects or other events may negatively affect earnings;*

- *fluctuations in commodity prices may have negative effects on our operating results;*

- *trends requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of waste could have negative effects on volumes of waste going to landfills and waste-to-energy facilities;*

- *efforts by labor unions to organize our employees may increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to labor disruptions, including strikes and lock-outs, which could adversely affect our results of operations and cash flows;*

- *negative outcomes of litigation or threatened litigation or governmental proceedings may increase our costs, limit our ability to conduct or expand our operations, or limit our ability to execute our business plans and strategies;*

- *problems with the operation of our current information technology or the development and deployment of new information systems could decrease our efficiencies and increase our costs;*

- *the adoption of new accounting standards or interpretations may cause fluctuations in reported quarterly results of operations or adversely impact our reported results of operations; and*

- *we may reduce or permanently eliminate our dividend or share repurchase program, reduce capital spending or cease acquisitions if cash flows are less than we expect and we are not able to obtain capital needed to refinance our debt obligations, including near-term maturities, on acceptable terms.*

Additional information regarding these and/or other factors that could materially affect results and the accuracy of the forward-looking statements contained herein may be found in Part I, Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

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Click here to see financial tables. NOTE: The financial tables are in PDF format, and Adobe Acrobat Reader is required to view them. If you do not have Adobe Acrobat Reader, download it at http://www.adobe.com