

COMPANY PROFILE

Republic Services, Inc.

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COMPANY OVERVIEW

Republic Services, Inc. (Republic Services or 'the company') is a service provider in the non-hazardous solid waste industry. The company operates in the US and Puerto Rico. It is headquartered in Phoenix, Arizona and employed approximately 33,000 people as on December 31, 2015.

The company reported revenues of (US Dollars) US\$9,115 million for the fiscal year ended December 2015 (FY2015), an increase of 3.7% over FY2014. In FY2015, the company's operating margin was 17.1%, compared to an operating margin of 14% in FY2014. In FY2015, the company recorded a net margin of 8.2%, compared to a net margin of 6.2% in FY2014.

The company reported revenues of US\$2,409.3 million for the third quarter ended September 2016, an increase of 2.5% over the previous quarter.

KEY FACTS

Head Office	Republic Services, Inc. 18500 North Allied Way Phoenix Arizona USA
Phone	1 480 627 2700
Fax	
Web Address	www.republicservices.com
Revenue / turnover (USD Mn)	9,115.0
Financial Year End	December
Employees	33,000
New York Stock Exchange Ticker	RSG

SWOT ANALYSIS

Republic Services, Inc. (Republic Services or 'the company') is a service provider in the non-hazardous solid waste industry. The company provides non-hazardous solid waste collection services for commercial, industrial, municipal, and residential customers through 340 collection companies in 41 states in the US and Puerto Rico. The company has a stream of operations covering all aspects of waste management, which provides a definitive edge over its competitors. However, an intense competition and regulatory constraints could have a negative impact on the company's market share.

<p>Strength</p> <p>Strong operating platform Command on the entire waste management value chain</p>	<p>Weakness</p> <p>Lack of geographical diversification Highly indebted Legal proceedings</p>
<p>Opportunity</p> <p>Expansion of recycling capabilities Expansion of existing businesses</p>	<p>Threat</p> <p>Intense competition Weather conditions Federal and state regulatory constraints Fluctuations in prices for recycled commodities</p>

Strength

Strong operating platform

Republic Services has a strong integrated operating platform. The company controls waste streams from the collection point to its materials recovery facilities for further processing. The integrated markets have a lower cost of operations and positive cash flows than the non-integrated markets. Through the acquisitions and development activities, Republic Services' operations consist of one or more collection operations, transfer stations, and landfills. Expansion of existing landfills and development of new ones have led the company to significant collection operations. For FY2015, approximately 68% of the collected waste was disposed at company owned or operated landfill sites. The use of government controlled disposal facilities has proved effective for the company without further landfill investment. This integrated platform for the company helps it function efficiently and making it the second largest provider of services in the domestic non-hazardous solid waste industry.

Command on the entire waste management value chain

Having a stream of operations covering all aspects of waste management (collection, composting, hauling, transfer, recycling, and disposal), acts as a competitive differentiator for the company. Republic Services is equipped with 340 collection companies, owns/operate 201 transfer stations, 193 active landfills, and 67 recycling facilities across 41 states in the US and Puerto Rico. Each of its three operating

regions (eastern, central, and western) incorporates collection, transfer, and disposal services.

Encompassing an integrated system of solid waste management services provides a definitive edge over its competitors as integrated companies can operate more cost effectively and competitively than non-integrated players.

Weakness

Lack of geographical diversification

Republic Service generates majority of its revenues from the US market. The concentration of operations in these areas increases the company's exposure to local factors, such as natural disasters, threat of terrorism, severe weather conditions, and labor strikes.

Hence, the limitation of the company in terms of geography increases its business risks and could have a negative impact on its growth potential.

Highly indebted

The company is high leveraged. In FY2015, Republic Service had total indebtedness of \$7.6 billion. This amount of indebtedness and company's debt service requirements may limit its financial flexibility to access additional capital and make capital expenditures and other investments in its business, to withstand economic downturns and interest rate increases, to plan for or react to changes in the business and industry, and to comply with the financial and other covenants of its debt instruments.

Further, the company's ability to comply with these financial and other covenants may be affected by changes in economic or business conditions or other events that are beyond its control. If Republic Services do not comply with these covenants, it may be required to take actions such as reducing or delaying capital expenditures, reducing or eliminating dividends or stock repurchases, selling assets, restructuring or refinancing all or part of its existing debt, or seeking additional equity capital.

Legal proceedings

Republic Services is involved in legal proceedings which could include litigations and claims against the company and its subsidiaries. These actions may possibly result in fines, penalties, or judgments against Republic Services, which may impact the earnings and cash flows. In relation to outstanding legal proceedings, for FY2015, the company faced an aggregate accrual of approximately \$65 million. Some of the general legal proceedings which the company was involved in include the Bridgeton landfill matters, Sunshine Canyon landfill matter and Rainbow AQMD matter. Republic Services was also involved in legal proceedings over environmental matters involving governmental authorities.

Such legal proceedings will have a material adverse impact on the consolidated financial position, results of operations, or cash flows.

Opportunity

Expansion of recycling capabilities

In recent times, the company has been focusing on expanding its recycling capabilities. For instance, in FY2015, Republic Services invested approximately \$36 million to develop and upgrade its recycling centers. The company currently owns or operates 67 recycling centers. Republic Services believes that approximately 34% of municipal solid waste is recycled. The company continues to focus on innovative waste disposal processes and programs to help its customers achieve their goals related to sustainability and environmentally sound waste practices. For instance, in June 2016, Republic Services and The Mirage Hotel & Casino unveiled a new recycling exhibit inside the Sustainability Discovery Center at Siegfried & Roy's Secret Garden and Dolphin Habitat.

Further in December 2015, Republic Services opened a new residential recycling center which will enable its customers throughout Southern Nevada to achieve their sustainability goals for years to come. In November 2015, Republic Services opened a new residential recycling center which will enable its customers throughout Southern Nevada to achieve their sustainability goals for years to come. Expansion of recycling capabilities will help Republic Services recycle more volumes of waste. It will also facilitate waste management for the company and help to provide better waste stream solutions.

Expansion of existing businesses

Republic Services plans to expand its businesses to cater more accounts efficiently. For instance, in April 2016, Republic Services added 16 CNG solid waste collection trucks to its fleet serving customers throughout the greater Portland area. The CNG trucks replace older diesel-powered trucks, and bring the total number of natural gas vehicles operated by Republic in Oregon to 35. Also in the same month, the company added 62 CNG solid waste collection trucks serving customers in Broward and Dade Counties, bringing the total number of natural gas vehicles operated by Republic Services in South Florida to 127.

During November 2015, Republic Services added 11 CNG solid waste collection trucks to its fleet serving customers in Gardena, California area, bringing the total number of natural gas vehicles operated by Republic Services in Gardena to 176. Also in the same month, the company added four new CNG solid waste collection trucks to its fleet serving customers throughout the greater Phoenix area, bringing the total number of natural gas vehicles operated by Republic Services in Arizona to 34.

Similarly, in March 2015, Republic Services opened the Germann Transfer Station which will provide safe and environmentally friendly waste solutions throughout the southeast Valley for years to come. The new transfer station is capable of processing more than 420 tons of waste per day, and will serve customers in Apache Junction, Gilbert, Mesa, Phoenix, Pinal County, Queen Creek, and Tempe.

These newly added vehicles and stations in different geographies will help the company in serving its existing accounts better as well in adding new accounts.

Threat

Intense competition

The non-hazardous solid waste industry is highly competitive. The company principally competes with large national waste management companies, such as Waste Management. It also competes with several regional publicly and privately-owned solid waste companies, and many small privately-owned companies. Some of its competitors have significantly larger operations and greater financial resources. In addition, the company competes with municipalities that maintain waste collection or disposal operations. In each market in which the company owns or operates a landfill, it competes for landfill business on the basis of disposal costs, geographic location, and quality of operations.

Intense competition could have a negative impact on the company's market share.

Weather conditions

Changes in the weather conditions from one year to the next year can have an impact on the operating results of some of Republic Services' businesses. The operating revenues tend to be higher in summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where it operate also tend to increase during the summer months. Republic Service's second and third quarter revenues and results of operations typically reflect this seasonality.

The company's operations can be adversely affected by periods of inclement or severe weather, which could increase the volume of waste collected under existing contracts (without corresponding compensation), delay the collection and disposal of waste, reduce the volume of waste delivered to disposal sites or delay the construction or expansion of its landfill sites and other facilities. Republic Service's operations also can be favorably affected by severe weather, which could increase the volume of waste in situations where the company can be able to charge for its additional services.

For these reasons, Republic Services' operating results in any interim period are not necessarily indicative of operating results for an entire year and therefore earnings may be affected by significant deviations from seasonal weather patterns.

Federal and state regulatory constraints

Various environmental, public health, safety, zoning, and land use issues affect the facilities and operations of Republic Services. Regulations such as Resource Conservation and Recovery Act (RCRA) establishes a framework for regulating the handling, transportation, treatment, storage, and disposal of hazardous and non-hazardous solid waste, and requires states to develop programs to ensure the safe disposal of solid waste in sanitary landfills.

Another act, which is Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), among other things, provides for the cleanup of sites from which there is a release or threatened release of a hazardous substance into the environment. CERCLA may impose strict joint and several liabilities for the costs of cleanup and for damages to natural resources upon current owners and operators of a site. Further, CERCLA authorizes the federal government to investigate and remediate sites at which hazardous substances have been or are threatened to be released into the environment or

to order persons potentially liable for the cleanup of the hazardous substances to do so.

Republic Services needs to spend considerable time, effort, and capital to keep its facilities in compliance with federal and state regulatory requirements. This could lead to additional capital expenditure for the company, which could reduce the capital available for growth initiatives.

Fluctuations in prices for recycled commodities

Republic Services processes recyclable materials including paper, cardboard, plastics, aluminum, and other metals for sale to third parties. The resale and purchase prices and the market demand for recyclable materials are volatile due to changes in economic conditions and numerous other factors. For instance, at current volumes and mix of materials, a \$10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately \$27 million and \$18 million, respectively.

These fluctuations may affect the company's consolidated financial condition, results of operations, and cash flows.

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