

# Waste Connections Reports First Quarter 2006 Results

**- Revenue rises 15.6% to \$190.2 million - Reports internal growth of 8.1% - Repurchases over \$80 million of common stock**

PRNewswire-FirstCall  
FOLSOM, Calif.

Waste Connections, Inc. today announced its results for the first quarter 2006. Revenue totaled \$190.2 million, a 15.6% increase over revenue of \$164.4 million in the year ago period. Operating income was \$39.2 million versus operating income of \$38.7 million in the first quarter of 2005.

Net income in the quarter was \$15.7 million, or \$0.33 per share on a diluted basis of 47.6 million shares. Net income and earnings per share were \$18.4 million and \$0.39, respectively, each a non-GAAP measure, excluding a \$4.2 million non-cash, pre-tax expense (\$2.6 million net of taxes) for the write-off of unamortized debt issuance costs associated with convertible notes that have been called for redemption. Stock-based compensation costs in the quarter were \$0.6 million (\$0.4 million net of taxes), or approximately \$0.01 per share. In the year ago period, the Company reported income from continuing operations of \$19.6 million and diluted earnings per share from continuing operations of \$0.40.

Ronald J. Mittelstaedt, Chairman and Chief Executive Officer, said, "We are very pleased with our performance in the quarter. Pricing growth accelerated to 4.8% and volume growth increased to 3.8%, each above the high end of our expectations for the full year. Operating income as a percentage of revenue was 20.6%, consistent with our guidance for the quarter. As we have previously communicated, operating margins for the year reflect increased fuel costs resulting from the expiration of our fixed-price fuel supply contract at the end of 2005, increased equity compensation costs, and lower margin acquisitions completed since the year ago period. During the quarter, we repurchased more than \$80 million of common stock, putting us well on our way to repurchasing at least \$100 million during the year."

Waste Connections will be hosting a conference call related to first quarter earnings and second quarter outlook on April 25th at 8:30 A.M. Eastern Time. The call will be broadcast live over the Internet at [www.streetevents.com](http://www.streetevents.com) and through a link on the Company's web site at [www.wasteconnections.com](http://www.wasteconnections.com). A playback of the call will be available at both of these sites.

For non-GAAP measures, see accompanying Non-GAAP Reconciliation Schedule.

In the second quarter of 2005, Waste Connections classified as discontinued operations the results of certain operations in Utah and California that were exited during that quarter. Results for the first quarter of 2005 have been reclassified to present the results for these operations as discontinued operations.

In accordance with the Company's adoption of SFAS 123R at the beginning of the first quarter of 2006, excess tax benefits on the exercise of stock options, which totaled \$3.4 million in the first quarter of 2006, are now classified as a cash flow from financing activities, rather than as a cash flow from operating activities as classified in prior year periods. This requirement will reduce the amounts recorded as net cash provided by operating activities, and will increase the amount recorded as net cash provided by financing activities. In order to improve comparability to prior periods, the Company's definition of free cash flow, a non-GAAP financial measure, has been expanded to include the excess tax benefits on the exercise of stock options. Total cash flow will remain unchanged from what would have been reported under prior accounting rules.

Waste Connections, Inc. is an integrated solid waste services company that provides solid waste collection, transfer, disposal and recycling services in mostly secondary markets in the Western and Southern U.S. The Company serves more than one million residential, commercial and industrial customers from a network of operations in 23 states. The Company also provides intermodal services for the movement of containers in the Pacific Northwest. Waste Connections, Inc. was founded in September 1997 and is headquartered in Folsom, California.

For more information, visit the Waste Connections web site at [www.wasteconnections.com](http://www.wasteconnections.com). Copies of financial literature, including this release, are available on the Waste Connections web site or through contacting us directly at (916) 608-8200.

Certain statements contained in this press release are forward-looking in nature. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should,"

"anticipates," or the negative thereof or comparable terminology, or by discussions of strategy. Waste Connections' business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, the following: (1) Waste Connections may be unable to compete effectively with larger and better capitalized companies and governmental service providers; (2) increases in the price of fuel may adversely affect Waste Connections' business and reduce its operating margins; (3) increases in labor and disposal and related transportation costs could impact Waste Connections' financial results; (4) efforts by labor unions could divert management attention and adversely affect operating results; (5) increases in insurance costs and the amount that Waste Connections self-insures for various risks could reduce its operating margins and reported earnings; (6) Waste Connections may lose contracts through competitive bidding, early termination or governmental action; (7) the geographic concentration of Waste Connections' business makes its results vulnerable to economic and seasonal factors affecting the regions in which it operates; (8) competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit Waste Connections' ability to grow through acquisitions; (9) Waste Connections' growth and future financial performance depend significantly on its ability to integrate acquired businesses into its organization and operations; (10) Waste Connections' acquisitions may not be successful, resulting in changes in strategy, operating losses or a loss on sale of the business acquired; (11) because Waste Connections depends on railroads for its intermodal operations, its operating results and financial condition are likely to be adversely affected by any reduction or deterioration in rail service; (12) Waste Connections' intermodal business could be adversely affected by steamship lines diverting business to ports other than those Waste Connections services, or by heightened security measures or actual or threatened terrorist attacks; (13) Waste Connections depends significantly on the services of the members of its senior and district management team, and the departure of any of those persons could cause its operating results to suffer; (14) Waste Connections' decentralized decision-making structure could allow local managers to make decisions that adversely affect Waste Connections' operating results; (15) Waste Connections' financial results are based upon estimates and assumptions that may differ from actual results; (16) Waste Connections may incur additional charges related to capitalized expenditures, which would decrease its earnings; (17) each business that Waste Connections acquires or has acquired may have liabilities that Waste Connections fails or is unable to discover, including environmental liabilities; and (18) the adoption of new accounting standards or interpretations could adversely impact Waste Connections' financial results. These risks and uncertainties, as well as others, are discussed in greater detail in Waste Connections' filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K. There may be additional risks of which Waste Connections is not presently aware or that it currently believes are immaterial which could have an adverse impact on its business. Waste Connections makes no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

- financial tables attached -

WASTE CONNECTIONS, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED MARCH 31, 2005 AND 2006  
(Unaudited)

(in thousands, except share and per share amounts)

	Three months ended March 31, 2005      2006	
Revenues	\$164,444	\$190,169
Operating expenses:		
Cost of operations	94,150	113,063
Selling, general and administrative	17,140	19,801
Depreciation and amortization	14,612	18,232
Gain on disposal of assets	(121)	(82)
Operating income	38,663	39,155
Interest expense	(4,934)	(7,494)
Minority interests	(2,687)	(2,711)
Other income (expense), net	105	(3,993)
Income from continuing operations before income taxes	31,147	24,957
Income tax provision	(11,587)	(9,234)
Income from continuing operations	19,560	15,723
Loss from discontinued operations, net of tax	(201)	--

Net income	\$19,359	\$15,723
Basic earnings per common share:		
Continuing operations	\$0.41	\$0.34
Discontinued operations	--	--
Net income per common share	\$0.41	\$0.34
Diluted earnings per common share:		
Continuing operations	\$0.40	\$0.33
Discontinued operations	--	--
Net income per common share	\$0.40	\$0.33
Shares used in the per share calculations:		
Basic	47,486,402	45,669,545
Diluted	48,878,703	47,590,476

WASTE CONNECTIONS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
(in thousands, except share and per share amounts)

	December 31, 2005	March 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$7,514	\$7,847
Accounts receivable, net of allowance for doubtful accounts of \$2,826 and \$2,395 at December 31, 2005 and March 31, 2006, respectively	94,438	89,313
Deferred tax assets	5,145	4,064
Prepaid expenses and other current assets	17,279	18,062
Total current assets	124,376	119,286
Property and equipment, net	700,508	705,367
Goodwill	723,120	725,139
Intangible assets, net	87,651	86,935
Restricted assets	13,888	14,305
Other assets, net	26,764	27,516
	\$1,676,307	\$1,678,548
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$54,795	\$44,783
Book overdraft	8,869	7,186
Accrued liabilities	44,522	45,647
Deferred revenue	30,957	30,947
Current portion of long-term debt and notes payable	10,858	8,619
Total current liabilities	150,001	137,182
Long-term debt and notes payable	586,104	644,049
Other long-term liabilities	20,478	14,919
Deferred tax liabilities	175,167	178,995
Total liabilities	931,750	975,145
Commitments and contingencies		
Minority interests	26,357	27,010
Stockholders' equity:		
Preferred stock: \$0.01 par value; 7,500,000 shares authorized; none issued and outstanding	--	--
Common stock: \$0.01 par value; 100,000,000 shares authorized; 45,924,686 and 44,455,746 shares issued and outstanding at December 31, 2005 and March 31, 2006, respectively	459	445
Additional paid-in capital	373,382	307,864
Deferred stock compensation	(2,234)	--
Treasury stock at cost, 106,600 shares outstanding at December 31, 2005	(3,672)	--
Retained earnings	345,308	361,031

Accumulated other comprehensive income	4,957	7,053
Total stockholders' equity	718,200	676,393
	\$1,676,307	\$1,678,548

WASTE CONNECTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2005 AND 2006  
(Unaudited)  
(Dollars in thousands)

Three months ended  
March 31,  
2005      2006

Cash flows from operating activities:

Net income	\$19,359	\$15,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of assets	(121)	(82)
Depreciation	14,129	17,248
Amortization of intangibles	640	984
Deferred income taxes, net of acquisitions	(3,018)	3,679
Minority interests	2,687	2,711
Amortization of debt issuance costs	296	4,763
Stock-based compensation	255	618
Interest income on restricted assets	(70)	(141)
Closure and post-closure accretion	167	149
Tax benefit on the exercise of stock options	2,358	--
Excess tax benefit on the exercise of stock options	--	(3,353)
Net change in operating assets and liabilities, net of acquisitions	16,184	(4,443)
Net cash provided by operating activities	52,866	37,856

Cash flows from investing activities:

Payments for acquisitions, net of cash acquired	(6,719)	(3,755)
Capital expenditures for property and equipment	(14,315)	(19,966)
Proceeds from disposal of assets	647	171
Decrease (increase) in restricted cash, net of interest income	1,353	(276)
Decrease (increase) in other assets	(264)	(392)
Net cash used in investing activities	(19,298)	(24,218)

Cash flows from financing activities:

Proceeds from long-term debt	37,032	229,964
Principal payments on notes payable and long-term debt	(26,485)	(173,349)
Change in book overdraft	(5,916)	(1,683)
Proceeds from option and warrant exercises	9,285	17,361
Excess tax benefit on the exercise of stock options	--	3,353
Distributions to minority interest holders	(2,401)	(2,058)
Payments for repurchase of common stock	(44,941)	(80,586)
Debt issuance costs	(31)	(6,307)
Net cash used in financing activities	(33,457)	(13,305)
Net increase in cash and equivalents	111	333
Cash and equivalents at beginning of period	3,610	7,514
Cash and equivalents at end of period	\$3,721	\$7,847

ADDITIONAL STATISTICS  
THREE MONTHS ENDED MARCH 31, 2006  
(Dollars in thousands)

Internal Growth: The following table reflects revenue growth for operations owned for at least 12 months:

Three Months Ended  
March 31, 2006

Price	4.8%
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Volume	3.8%	
Intermodal, Recycling and Other	(0.5%)	
Total	8.1%	

Uneliminated Revenue Breakdown:

	Three Months Ended March 31, 2006	
Collection	\$140,280	64.7%
Disposal and Transfer	58,427	26.9%
Intermodal, Recycling and Other	18,132	8.4%
Total	\$216,839	100.0%

Inter-company elimination      \$26,670

Days Sales Outstanding for the three months ended March 31, 2006: 42 (28 net of deferred revenue)

Internalization for the three months ended March 31, 2006: 69%

Other Cash Flow Items for the three months ended March 31, 2006:

Cash Interest Paid:    \$7,507

Cash Taxes Paid:      \$594

Debt to Capitalization: 49.1%

Total Debt divided by Total Debt plus Total Stockholders' Equity:

$(\$644,049 + \$8,619) / (\$644,049 + \$8,619 + \$676,393) = 49.1\%$

Share Information for the three months ended March 31, 2006:

Basic shares outstanding	45,669,545
Dilutive effect of options and warrants	1,254,379
Dilutive effect of convertible notes	615,313
Dilutive effect of restricted stock	51,239
Diluted shares outstanding	47,590,476

Shares repurchased                      2,138,500

NON-GAAP RECONCILIATION SCHEDULE  
(in thousands)

Free cash flow, a non-GAAP financial measure, is provided supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Waste Connections defines free cash flow as net cash provided by operating activities, plus cash proceeds from disposal of assets and excess tax benefit on the exercise of stock options, plus or minus change in book overdraft, less capital expenditures and distributions to minority interest holders. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Management uses free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. Other companies may calculate free cash flow differently.

Free cash flow reconciliation:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
Net cash provided by operating activities	\$52,866	\$37,856
Change in book overdraft	(5,916)	(1,683)
Plus: Cash proceeds from disposal of assets	647	171
Plus: Excess tax benefit on the exercise of stock options	--	3,353
Less: Capital expenditures for property and equipment	(14,315)	(19,966)
Less: Distributions to minority interest holders	(2,401)	(2,058)
Free cash flow	\$30,881	\$17,673

Free cash flow as % of revenues      18.8%      9.3%

Net income and EPS adjusted to exclude the write-off of unamortized debt issuance costs associated with convertible notes called for redemption are provided as a measure of our operating performance on a more comparable basis to historical periods. The item excluded is financing related and may not occur in every reporting period. Therefore, management evaluates net income and EPS performance excluding this item to evaluate and monitor the ongoing financial performance of our operations. These measures should be used in conjunction with GAAP net income and EPS.

Net income and EPS reconciliation:

Three Months Ended  
March 31, 2006

Net income	\$15,723	
After-tax cost for write-off of unamortized debt costs	2,637	
Net income excluding write-off of unamortized debt costs	\$18,360	

Diluted shares used in the per share calculation:      47,590,476

Diluted EPS excluding cost for early retirement of debt:      \$0.39

SOURCE: Waste Connections, Inc.

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