Add Waste Management (WM) at 2.50%

We added Waste Management at a model weight of 2.50% due to the company's entrenched market position, inflation-resilient business model, and upcoming acceleration in free cash flow following a multi-year investment cycle.

Benefiting from Strong Industry Trends

WM's best-in-class, strategic positioning within the solid waste collection and disposal industry poises it to benefit significantly from upcoming industry trends. Approximately 400 landfills are expected to close over the next 15 years, which is 10-15% of active US landfill capacity today. WM has the best landfill positioning in 9 of the top 10 MSAs in the US with an average remaining life of 25+ years. On the Eastern Seaboard—which produces ~45% of total US waste—projections show that about half of this waste will not have a local disposal option within the next 10 years. WM's industry-leading transfer capacity, which includes the capability to transport via rail and marine, gives it unique opportunities, such as its 20-year contract with the NYC Dept. of Sanitation to handle 6,500+ tons of waste per day. Not only does WM's positioning allow it to win these contracts, but these unique capabilities, along with overall industry trends, allow the company to consistently increase prices above inflation. From 2023-2024, WM was able to increase prices >300 bps above CPI inflation.

Additional Growth Drivers to Contribute Significantly

In addition to Waste Management's entrenched position in the collection & disposal industry, it also has a number of additional, high-margin, secularly driven revenue streams coming online over the next few years. These revenue streams have been built out through multiple years of significant investment from WM in recycling, RNG (renewable natural gas), and regulated medical waste disposal. These investments—which include $1.4B in recycling, $1.6B in RNG, and $7.2B in healthcare solutions via its acquisition of Stericycle—are expected to contribute significantly to the company's top- and bottom-line growth over the next few years. By 2027, the company is expecting incremental annual FCF of: $225M-230M from recycling and $470M-500M from RNG investments. From the Stericycle acquisition, by 2027, WM expects to achieve $250M in run-rate cost synergies and another ~$50M incremental EBITDA from cross-sell opportunities.

A "Forever Stock"

WM's strong core business and accelerating growth opportunities pair well with its disciplined capital allocation and focus on long-term value creation for shareholders. With capital allocation, the company is focused on balance sheet health and organic reinvestment, followed by a strong commitment to consistently increasing its dividend. Waste Management's executive team is highly focused on operating the business in a manner such that it is considered a "forever stock." The clear alignment of company priorities with the interests of long-term shareholders, along with the previously discussed growth drivers, make WM an excellent long-term investment.

Disclosures

This letter may contain "forward-looking statements" which are based on Brookmont's beliefs, as well as on a number of assumptions concerning future events, based on information currently available to Brookmont. Current and prospective clients are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of future performance, and are subject to a number of uncertainties and other factors, many of which are outside Brookmont's control, and which could cause actual results to differ materially from such statements. All expressions of opinions are subject to change without notice.

Brookmont Capital Management is a registered investment advisor that invests in domestic and global securities.

Brookmont Capital is defined as an independent investment management firm that is not affiliated with any parent organizations.

A complete description of Brookmont's performance calculation methodology, including a complete list of each security that contributed to the performance of this Brookmont portfolio is available upon request.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases has not been updated through the date of the distribution of this letter. While such sources are believed to be reliable for the purposes used herein, Brookmont does not assume any responsibility for the accuracy or completeness of such information.

These individual securities do not represent all of the securities purchased, sold, or recommended for this Brookmont portfolio and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

The Brookmont Dividend Growth Strategy returns are based on an asset-weighted composite of discretionary accounts that include 100% of the recommended holdings. Individual accounts will have varying returns, including those invested in the Strategy. The reasons for this include 1) the period of time in which the accounts are active, 2) the timing of contributions and withdrawals, 3) the account size, and 4) holding other securities that are not included in the Strategy. Dividends and capital gains are not reinvested. The Strategy does not utilize leverage or derivatives. Returns are based on U.S. dollars. The inception of the Strategy is January 1, 2008.

The Brookmont Dividend Growth Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Dividend Growth Strategy Composite is measured against the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. There is no representation that this index is an appropriate benchmark for such a comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of this index may be materially different from the performance of the strategy.

Brookmont's returns do include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The Russell 1000 Value cumulative return includes reinvestment of dividends and capital gains. During a rising market, not reinvesting dividends could have a negative effect on cumulative returns.

Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net-of-fees performance was calculated using actual management fees. Additional information regarding the policies for calculating and reporting returns is available upon request.

Your account returns might vary from the composites returns if you own securities that are not included in the Strategy or if your portfolio dollar-cost averaged into the Strategy during the reporting period.

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Brookmont Capital Management claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Brookmont's composites and a presentation that adheres to GIPS standards, please contact Suzie Begando at 214-953-0190 or write Brookmont Capital Management, 5950 Berkshire Lane, Suite 1420, Dallas, TX 75225.

The Brookmont Dividend Growth Strategy is available through several institutional platforms and registered investment advisors that are not affiliated with Brookmont Capital Management. The minimum investments and advisory fees required differ from one firm to another.

Brookmont Capital does not provide comprehensive portfolio management services for investors who have not signed an Investment Management Agreement with our firm.

Past performance is not indicative of future returns

Recent change to the Brookmont Core Dividend Strategy:

Add Waste Management (WM) at 1.25%

We added Waste Management at a model weight of 1.25% due to the company's entrenched market position, inflation-resilient business model, and upcoming acceleration in free cash flow following a multi-year investment cycle.

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