

Republic Services: can route density carry the circular economy?

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Audience: MBA students and working professionals

Perspective: Outside investor

Before the next report

Republic Services had reported steady revenue growth in 2025 and the first half of 2026. The result looked different depending on which driver an investor emphasized: customer price and average yield continued to add revenue, acquisitions contributed to growth, but reported volume was negative in both 2026 quarters. Meanwhile, the company had opened new plastics-recycling capacity and continued to invest in renewable natural gas and collection-fleet projects.

Republic planned to release third-quarter results on October 29, after this case's information cutoff. Before those results, you are evaluating the company as an outside investor. How much confidence should you place in the durability of its growth engine? Does Republic's integrated network support resilient, profitable growth, or do pricing and acquired revenue obscure weaker organic volumes and uncertain economics in newer sustainability businesses? The public record may support a mixed view or leave too much unresolved.

Your assignment is to state a confidence level, explain the evidence on both sides, and identify what would change your view. The case does not assume an undisclosed management debate or ask you to forecast a share price.

A network in a local business

Republic collects residential, commercial and industrial waste; transports material through transfer stations; recycles or disposes of it; and offers hazardous-waste and environmental services. At June 30, 2026, the company reported 389 collection operations, 260 transfer stations, 84 recycling centers, 208 active landfills and two Polymer Centers across the United States and Canada. It also reported 87 landfill-gas-to-energy and other renewable-energy projects.

The company describes collection and disposal as local businesses whose economics depend on the markets served. Its operating strategy combines local managers with common systems and a network of collection routes, transfer stations and disposal facilities. Republic says combining complementary businesses can reduce routing, personnel, maintenance, inventory and back-office costs. Acquisitions and public-private partnerships are among its ways of adding customers and infrastructure.

The same network is also the foundation of its circular-economy ambitions. Republic's Polymer Centers sort and process plastic recovered from customer streams. The Indianapolis center operates alongside the first Blue Polymers facility, a joint venture that further processes selected plastics into recycled resins. Additional facilities were planned or under construction in Pennsylvania and Arizona. These projects might allow Republic to capture more value from materials it already collects; their public disclosures do not show project-level returns.

Revenue grew while volume weakened

Revenue increased 3.5% in 2025, to \$16.591 billion. The company attributed 4.1 percentage points of growth to average yield and 1.3 points to net acquisitions. Volume reduced growth by 0.6 points, environmental-solutions revenue by 1.0 point, fuel recovery by 0.1 point and fewer workdays by 0.1 point. Related-business volume, which excludes recycled-commodity sales, fuel-recovery fees and environmental-solutions revenue, declined 0.7%.

The latest reported quarters kept the same broad pattern. Revenue rose 2.6% in Q1 and 4.6% in Q2 2026. Average yield and acquisitions contributed to both periods; volume declined. Q2 total volume was down 1.6%, and volume in the company's related-business base was down 1.9%. Revenue growth and volume change therefore tell different stories.

Period	Total revenue	Average yield	Fuel recovery	Volume	Acquisitions , net	Other reported bridge items
FY2025	\$16.591bn; +3.5%	+4.1%	−0.1%	−0.6%	+1.3%	Environmental solutions −1.0%; workdays −0.1%; recycling processing/commodity sales flat on the bridge.
Q1 2026	\$4.113bn; +2.6%	+3.4%	Not shown separately here	−0.8%	+1.1%	Total-revenue growth bridge.
Q2 2026	\$4.430bn; +4.6%	+3.4%	+1.8%	−1.6%	+1.1%	Internal growth +3.5%; recycling processing/commodity sales +0.1%; environmental solutions −0.2%.

The reported bridge components may not sum exactly to total growth because of rounding.

Republic's average-yield figures above use total revenue. Its core-price and average-yield measures on a related-business base exclude recycled commodities, fuel recovery and environmental solutions. In Q2, related-business average yield was +4.0% and related-business volume was −1.9%; related-business core price was +6.4%. These company-defined measures

are useful for following operating trends but are not interchangeable with the reported total-revenue bridge. “Core price” nets price decreases to retain customers, but the company does not disclose customer-level price elasticity or account-retention cohorts.

Management attributed FY2025 large-container collection weakness to slowing construction activity and adverse weather early in the year. It attributed residential and small-container declines to certain municipal contract losses and broker-related business. Q2 2026 large-container weakness was attributed to construction and manufacturing markets; residential and small-container weakness to certain municipal contract losses. A decline in construction-and-demolition landfill tons also reflected comparison with non-recurring Hurricane Helene recovery activity in 2025.

The 2025 comparison included roughly \$100 million of revenue from Hurricane Helene recovery and Los Angeles wildfire remediation at landfills. Environmental-solutions revenue also fell in 2025 as manufacturing, emergency response and event-based volumes declined; 2024 had included about \$50 million from a non-recurring emergency-response project. The company reported two Q1/Q2 periods with negative volume, but weather, lost contracts, end-market softness, event normalization, new business and acquired volume are not separated into a customer-level bridge.

Three operating groups, uneven results

Republic reports two regional Recycling & Waste groups and one Environmental Solutions group. Group 1 operates primarily in the western United States; Group 2 operates primarily in the southeastern, midwestern and eastern United States and Canada. In Q2 2026, Group 1 grew faster than Group 2; Environmental Solutions’ Adjusted EBITDA was lower than a year earlier.

Q2 2026	Group 1: Recycling & Waste	Group 2: Recycling & Waste	Group 3: Environmental Solutions
Net revenue growth	+8.0%	+2.5%	Declined
Adjusted EBITDA	\$707m vs. \$620m	\$623m vs. \$628m	\$93m vs. \$113m
Management context	Yield across lines and higher landfill/small-container volume; partly offset by lower residential/large-container and construction-related landfill volumes; labor/fuel costs rose.	Yield and special-waste landfill volumes; partly offset by lower collection/C&D volumes; fuel, subcontract and labor costs rose.	Lower event-based volumes; Q2 subcontract and fuel costs increased.

Adjusted EBITDA is a non-GAAP company measure. The three groups differ by geography and business mix; these changes do not isolate acquired versus organic growth, route density, customer retention, or returns on capital. Group 1’s stronger earnings result and Group 2’s modest decline can support different interpretations of the network’s resilience, but neither identifies a causal advantage.

Acquisitions and cash investment

Republic reported \$865 million of cash used for acquisitions and investments, net of cash and restricted cash acquired, in H1 2026. The earnings-release headline rounded cash invested in acquisitions to approximately \$860 million. The 10-Q described a vertically integrated Kansas waste-and-recycling acquisition in February and a vertically integrated Utah business acquired in May; purchase-price allocations remained preliminary. In July, Republic acquired hazardous-waste thermal-treatment assets at a Texas landfill.

H1 operating cash flow was \$2.380 billion, capital expenditures were \$868 million, acquisition and investment cash use was \$865 million, share repurchases were \$659 million and dividends paid were \$385 million. These figures show the scale of competing cash demands, not acquisition-level returns or the return on any one sustainability project. The company's stated synergy logic is plausible, but reported revenue from acquired businesses does not establish accretion, realized cost savings or future organic growth.

Recycling: a growth option under commodity pressure

In Q2 2026, Republic's average recycled-commodity price was \$136 per ton, excluding glass and organics, down from \$149 a year earlier. The H1 average was \$128 per ton, versus \$152 in H1 2025. Recycling processing and commodity sales totaled \$234 million in H1, or 2.7% of total revenue, up from \$222 million in the prior-year period. The company said volume increased at its Polymer Centers, while lower commodity prices offset some of that increase. At current volumes and mix, Republic estimates a \$10-per-ton commodity-price change would alter both annual revenue and operating income by about \$13 million.

The company's 2025 Sustainability Report summary described \$973 million of sustainability investments, including nine new renewable-natural-gas projects, the Indianapolis Polymer Center-Blue Polymers complex, construction of a third Polymer Center and electric-collection-fleet expansion. This broad company-defined investment total is not a measure of incremental growth capital or project returns.

Republic says each Polymer Center is designed to produce more than 100 million pounds per year of recycled plastic, including food-grade PET output. That is stated capacity, not actual production. Public disclosures do not quantify facility utilization, qualified customers, contracted offtake, realized resin premiums, project margins or cash returns. The case asks whether the projects strengthen Republic's strategic position; it does not assume that announced capabilities have become profitable commercial wins.

An industry-wide pattern?

Other large waste companies also reported growth amid pricing strength and softer collection volume, though with different explanations and reporting categories. WM reported Q2 2026 revenue growth of 4.0%, core price of 5.7% and Collection & Disposal volume down 1.8%; it cited prior-year wildfire cleanup and intentional shedding of lower-margin residential business. Waste Connections reported Q2 revenue of \$2.562 billion, up 6.4%, and Adjusted EBITDA margin of 32.8%; management cited fuel costs, lower commodity values, improving commodities and acquisition activity.

These disclosures suggest Republic's price-volume combination may reflect sector conditions as well as company-specific execution. The businesses, regions, customer mixes and metric definitions differ. They are directional context, not a standardized comparison of share, unit economics or operating margins.

What research can-and cannot-tell an investor

Waste collection cost studies emphasize that route density and organizational scale are not the same thing. A study of 529 Italian municipalities over 2004-2006 found modeled output-density economies when more waste moved through a fixed service network, but also found vertical-density and overall-density diseconomies associated with network/population characteristics. A separate study's abstract on New South Wales municipalities likewise reports output-density economies alongside a limited optimal utility size. A Dutch municipal-waste study found market-concentration effects varied across years and model specifications.

These studies offer mechanisms and cautions: adding volume within a network may improve economics, but expanding scale or relying on market concentration need not. They do not measure Republic's route-level productivity, acquisition synergies, customer response to price, Polymer Center economics or shareholder returns. Their municipal and international samples also differ from Republic's North American business.

Assignment

Use only information available by October 3, 2026. Prepare an outside-investor assessment of Republic's growth quality and durability.

1. State whether the evidence supports high, conditional/mixed, or low confidence in a durable growth engine. Define what your confidence refers to.
2. Separate the implications of average yield/core price, volume, acquisitions, event-normalized landfill activity, Environmental Solutions and recycling/commodity performance.
3. Assess whether the company's integrated collection/disposal network and Polymer Center/Blue Polymers strategy appear to strengthen its position. Distinguish operating assets and reported volume from demonstrated customer economics and project returns.
4. Identify four observable indicators that would increase or decrease your confidence in the next several reporting periods. For each, state what it would and would not establish.
5. Explain how the academic research informs your view and why its estimates should not be transferred directly to Republic.

Do not use Q3 2026 results or later events. Do not treat management explanations as causal proof, Adjusted EBITDA as GAAP, acquisitions as organic growth, or design capacity as realized production. No price target or return model is requested.

Sources

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