



COVANTA
Powering Today. Protecting Tomorrow.

First Quarter 2016 Earnings Conference Call

NYSE: CVA April 26, 2016

Cautionary Statements

All information included in this earnings presentation is based on continuing operations, unless otherwise noted.

Forward-Looking Statements

Certain statements in this press release constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta Holding Corporation and its subsidiaries (“Covanta”) or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Covanta cautions investors that any forward-looking statements made by us are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Covanta, include, but are not limited to, the risk that Covanta may not successfully grow its business as expected or close its announced or planned acquisitions or projects in development, and those factors, risks and uncertainties that are described in periodic securities filings by Covanta with the SEC. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this press release are made only as of the date hereof and we do not have, or undertake, any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Note: All estimates with respect to 2016 and future periods are as of April 26, 2016. Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Non-GAAP Financial Measures

We use a number of different financial measures, both United States generally accepted accounting principles (“GAAP”) and non-GAAP, in assessing the overall performance of our business. The non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow and Adjusted EPS, as described and used in this earnings presentation, are not intended as a substitute or as an alternative to net income, cash flow provided by operating activities or diluted earnings per share as indicators of our performance or liquidity or any other measures of performance or liquidity derived in accordance with GAAP. In addition, our non-GAAP financial measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The presentations of Adjusted EBITDA, Free Cash Flow and Adjusted EPS are intended to enhance the usefulness of our financial information by providing measures which management internally use to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business.

Q1 2016 Summary

(Unaudited)

(in millions, except Adjusted EPS)	Q1 2015	Q1 2016	FY 2016 Guidance ⁽¹⁾
Revenue	\$383	\$403	N/A
Adjusted EBITDA	\$79	\$76	\$390 - \$430
Free Cash Flow	\$16	\$(5)	\$140 - \$180
Adjusted EPS	\$(0.13)	\$(0.19)	N/A

- Operating plan and key strategic initiatives on track
- Affirming 2016 full-year outlook

1) Affirmed guidance as of April 26, 2016.

Waste Update

- **Q1 2016 EfW waste processing revenue vs. Q1 2015:**

- Same store price up \$6 million (2.5%); volume approximately flat
- EfW profiled waste up 16% year-over-year

- **Trends and outlook:**

- Profiled waste growth continues to drive higher average uncontracted revenue per ton
- Executing on integration and sales plan for growing Environmental Solutions platform
- Strong overall market volumes supporting spot market pricing
- Contractual inflation-linked escalations remain muted

North America EfW ⁽¹⁾ (in millions, except price)	Q1 2015A	Q1 2016A	(Unaudited) 2016E
Waste & Service Revenue:			
Waste Processing	\$223	\$227	\$935 - \$965
Debt Service	4	2	9
Other ⁽²⁾	<u>2</u>	<u>2</u>	<u>5 - 10</u>
Total	\$229	\$231	\$950 - \$980
Tons: ⁽³⁾			
Contracted ⁽⁴⁾	3.9	4.1	
Uncontracted	<u>0.7</u>	<u>0.6</u>	
Total	4.6	4.6	19.5 - 19.7
Revenue per Ton: ⁽⁵⁾			
Contracted	\$46.65	\$46.75	
Uncontracted	\$56.20	\$64.61	
Average	\$48.11	\$48.97	\$48.00 - \$49.00

1) North America EfW results include only Energy-from-Waste assets.

2) Other includes service revenue not directly related to waste processing.

3) Excludes liquid waste.

4) Includes contracts at transfer stations from which waste is internalized.

5) Calculated for waste and service revenue, excluding debt service and other revenue.

Energy Update

- **Q1 2016 EfW energy revenue drivers vs. Q1 2015:**

- Same store revenue down 3.5%
 - Price down \$2 million
 - Volume down \$1 million
- Fairfax service contract transition providing a positive offset to lower same store energy revenue

- **Trends and outlook:**

- Markets under significant pressure in Q1 due to mild winter weather; natural gas supply expected to limit gas and electricity prices for the balance of 2016
- Uncontracted exposure in 2016 approximately 1.2 million MWh (EfW + biomass)
 - 0.9 million MWh remaining
 - Biomass facilities all shut down as of April 2016

North America EfW (in millions, except price)	Q1 2015A	Q1 2016A	(Unaudited) 2016E
Energy Revenue:			
Energy Sales	\$81	\$83	\$310 - \$330
Capacity	<u>10</u>	<u>10</u>	<u>~40</u>
Total	\$91	\$93	\$350 - \$370
MWh Sold:			
Contracted	0.7	0.7	3.1 - 3.2
Hedged	0.4	0.4	~1.9
Market	<u>0.3</u>	<u>0.2</u>	<u>~1.2</u>
Total	1.4	1.4	6.2 - 6.4
Revenue per MWh: ⁽¹⁾			
Contracted	\$67.21	\$67.65	~\$64
Hedged	\$53.20	\$62.64	~\$41
Market	\$47.12	\$27.91	~\$27
Average	\$59.54	\$59.30	~\$50

1) Excludes capacity revenue.

Recycled Metals Update

- **Q1 2016 revenue drivers vs. Q1 2015:**

- Volume: Ferrous up 9%; non-ferrous up 6%
- Price: Ferrous down 35%; non-ferrous down 22%

- **Market trends and outlook:**

- Completed first overseas bulk shipment of ferrous metals from Fairless Hills, PA processing facility
- Recent ferrous market improvement (#1 HMS Index currently >\$200 per ton) resulting in improved outlook for 2016 full-year average
- Aluminum futures imply 2016 non-ferrous price decline vs. 2015, but relatively stable from current levels

North America (\$ in millions, except price; tons in thousands)	(Unaudited)		
	Q1 2015A	Q1 2016A	2016E
Metals Revenue:			
Ferrous	\$10	\$8	\$25 - \$30
Non-Ferrous	<u>6</u>	<u>5</u>	<u>20 - 25</u>
Total	\$16	\$13	\$45 - \$55
Tons Sold:			
Ferrous	76	86	330 - 340
Non-Ferrous	7	8	32 - 36
Revenue per Ton:			
Ferrous	\$139	\$91	\$80 - \$95
Non-Ferrous	\$799	\$624	~\$600
Average HMS index price ⁽¹⁾	\$255	\$158	\$150 - \$175

1) Q1 2016 and Q1 2015 average #1 Heavy Melt Steel composite index (\$ / gross ton) as published by American Metal Market.

Plant Operating Expense and Maintenance Capex Update

- **Q1 2016 summary:**

- North America EfW plant maintenance expense up 13% vs. Q1 2015 on same store basis, driven by outage schedule
- North America EfW other plant operating expenses down 1% vs. Q1 2015 on same store basis

- **Trends and outlook:**

- 2016 full-year maintenance plan on track

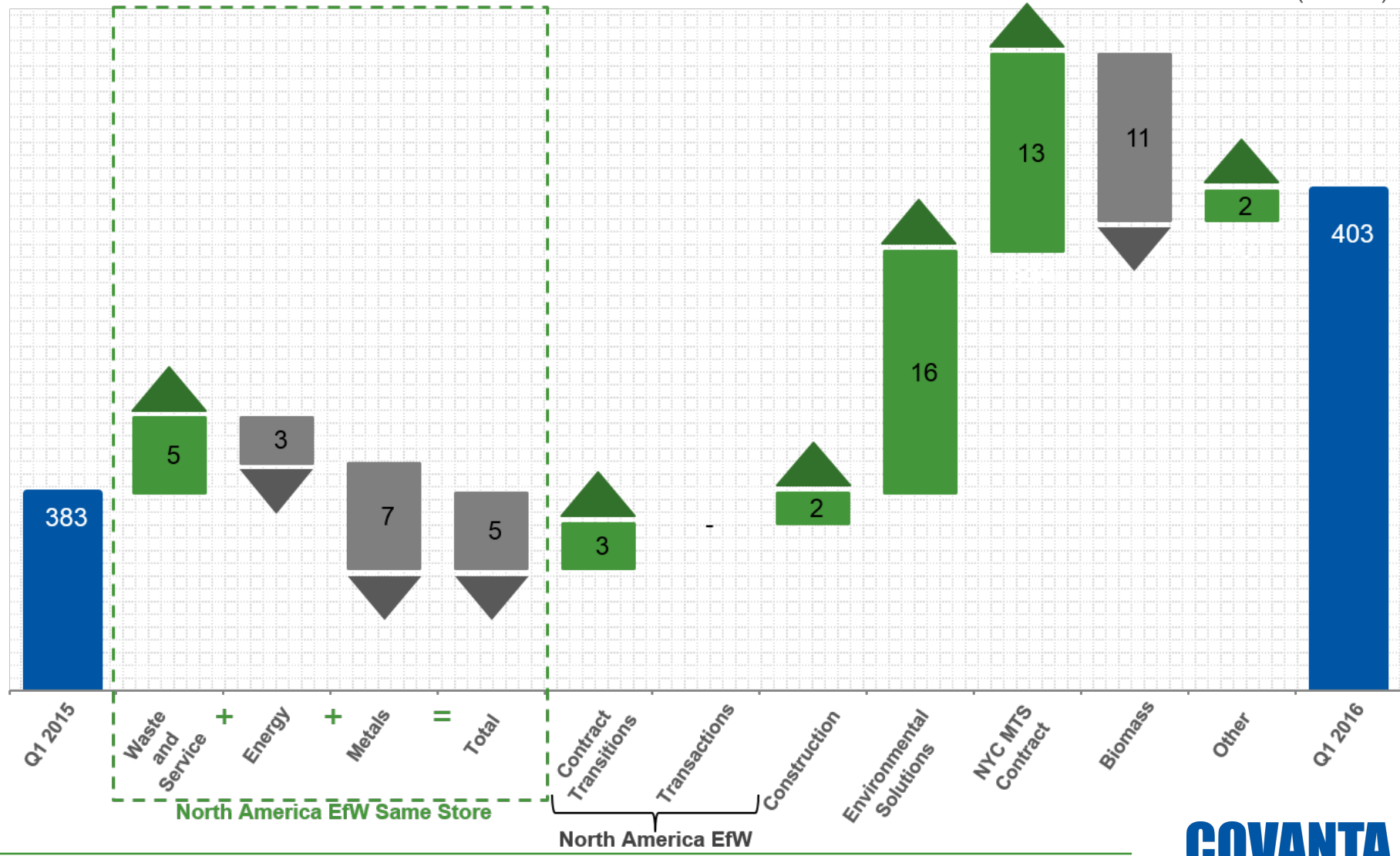
Total Company (in millions)	Q1 2015A	Q1 2016A	(Unaudited) 2016E
Plant Maintenance Expense:			
North America EfW	\$78	\$88	\$265 - \$275
Other	<u>3</u>	<u>1</u>	
Total	\$81	\$89	
Maintenance Capex:			
North America EfW	\$23	\$32	\$85 - \$95
Other	<u>3</u>	<u>4</u>	<u>~20</u>
Total	\$26	\$36	\$105 - \$115
Total EfW Maintenance Spend	\$101	\$120	\$350 - \$370
Other Plant Operating expense:			
North America EfW	\$155	\$156	
Other	<u>53</u>	<u>70</u>	
Total	\$208	\$226	

Financial Overview

Revenue: Q1 2016 vs. Q1 2015

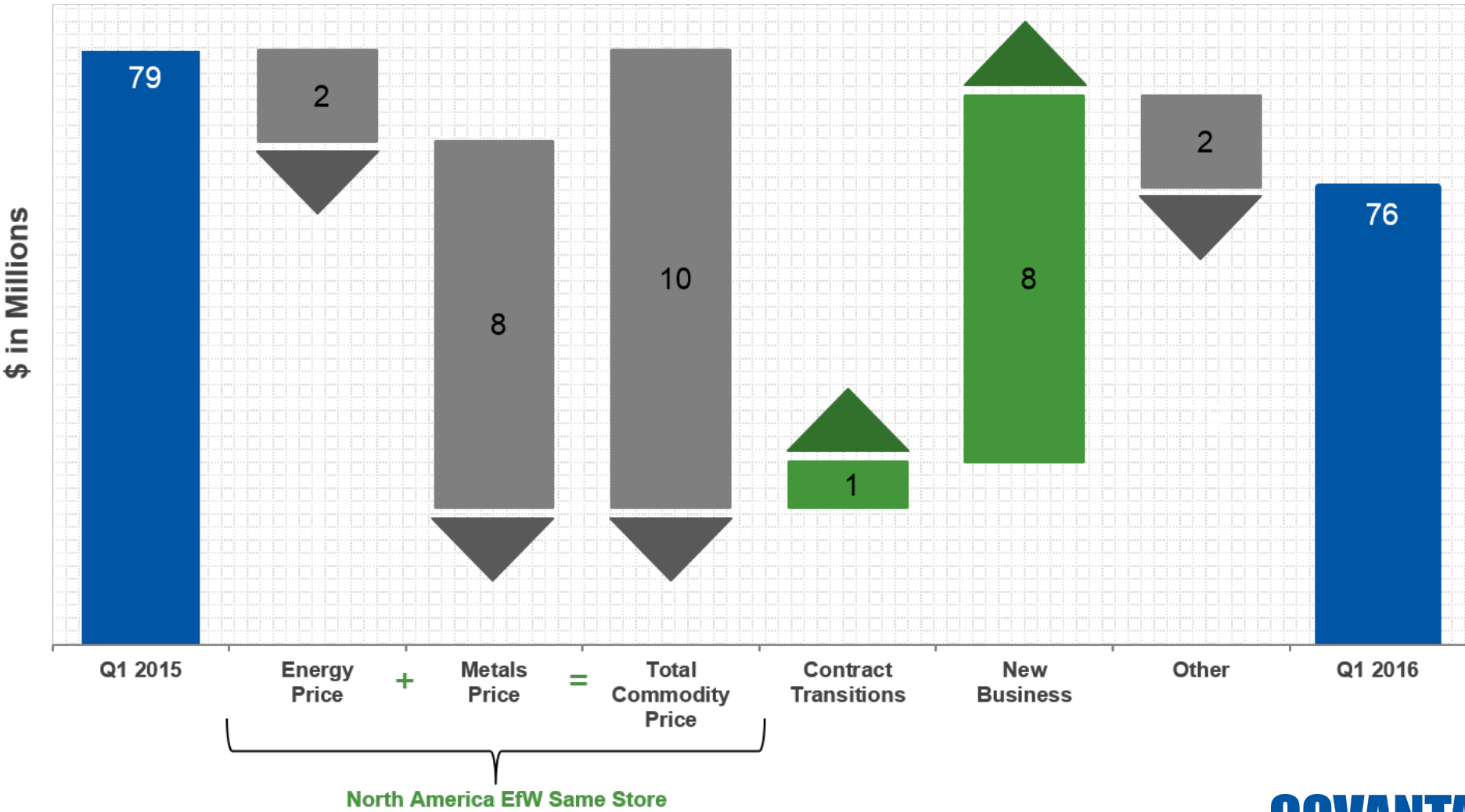
(Unaudited)

\$ in Millions



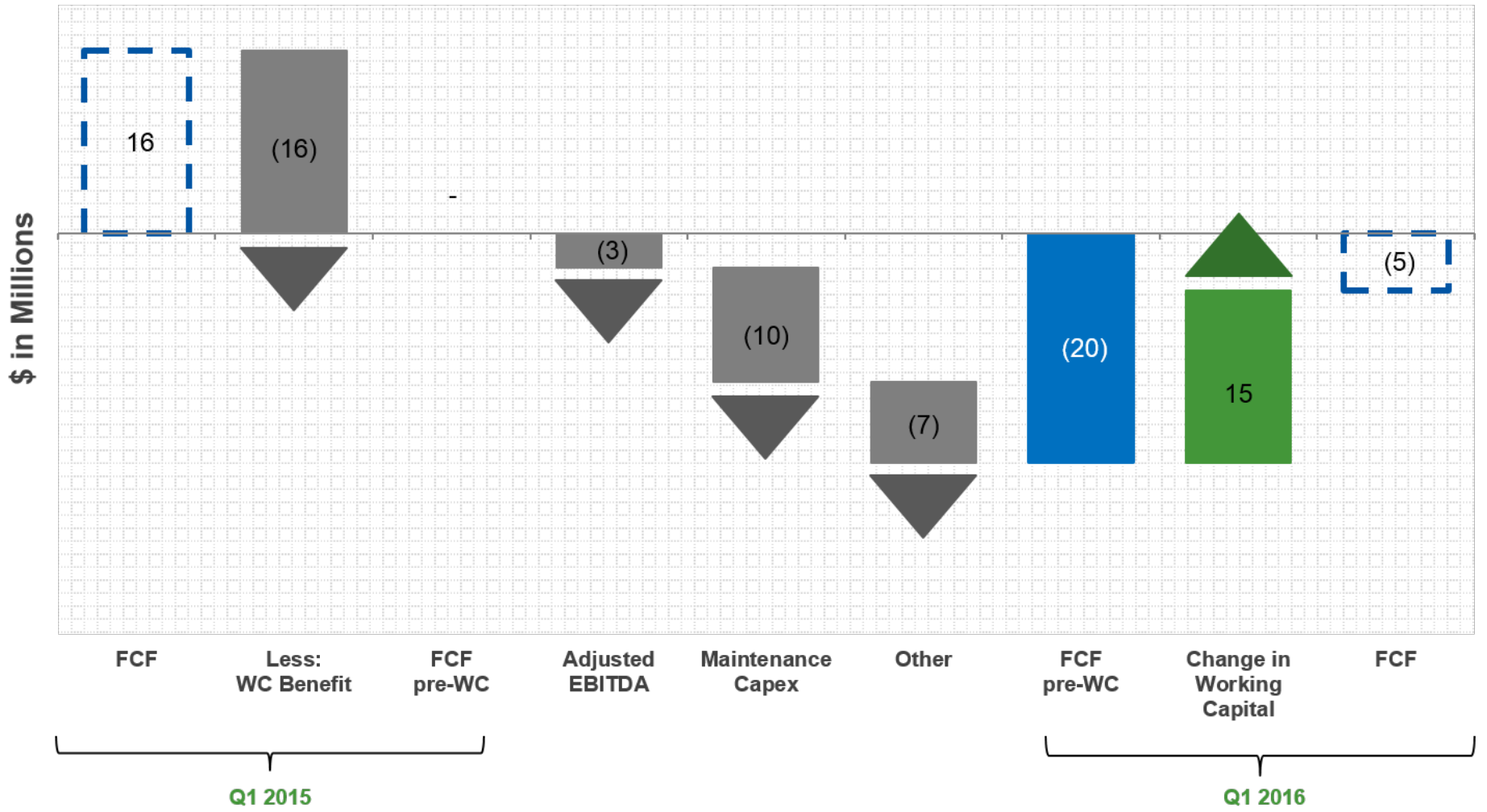
Adjusted EBITDA: Q1 2016 vs. Q1 2015

(Unaudited)



Free Cash Flow: Q1 2016 vs. Q1 2015

(Unaudited)



Growth Investment Outlook

Growth Investments (Unaudited, in millions)	FY 2015 Actual	YTD 3/31/16	FY 2016 Outlook
Organic growth investments ⁽¹⁾	\$34	\$14	~ \$40
New York City contract	30	1	~10
Essex County EfW emissions control system ⁽²⁾	26	10	~35
Acquisitions	<u>72</u>	<u>9</u>	<u>11</u>
Subtotal: Corporate funded	\$162	\$34	~ \$95
Dublin facility construction	<u>184</u>	<u>25</u>	<u>175 - 200</u>
Total growth investments	\$346	\$59	~ \$270 - 295

- Remaining Dublin investment to be funded entirely with project financing – no impact on domestic capital allocation
- Acquisitions to be targeted on an opportunistic basis – potential additional activity not reflected in FY 2016 outlook

1) Organic growth programs are focused primarily on growing waste and metal revenue.

2) Classified as growth investment because cost is reflected in overall economic benefit of contract restructuring completed in 2013.

Capitalization Summary

(Face value; unaudited, in millions)	12/31/2014	12/31/2015	3/31/2016
Cash and Cash Equivalents	\$84	\$94	\$106
Corporate Debt:			
Secured	\$405	\$621	\$701
Unsecured	<u>1,569</u>	<u>1,664</u>	<u>1,664</u>
Total Corporate Debt	\$1,974	\$2,285	\$2,365
Project Debt	<u>225</u>	<u>197</u>	<u>230</u>
Total Debt	\$2,199	\$2,482	\$2,595
Net Debt ⁽¹⁾	\$2,029	\$2,326	\$2,440
Stockholders' Equity	\$784	\$640	\$553
Net Debt / Adjusted EBITDA Ratios:			
Consolidated	4.3x	5.4x	5.7x
Excluding Non-Recourse Construction Debt ⁽²⁾	4.3x	5.3x	5.5x
Senior Credit Facility Leverage Ratio ⁽³⁾	2.1x	2.9x	3.1x

1) Net debt is calculated as total principal amount of debt outstanding less cash and cash equivalents, debt service principal-related restricted funds, and escrowed construction proceeds (\$49 million at March 31, 2016).

2) Excludes \$95 million of net debt (debt of \$98 million less restricted funds of \$3 million) outstanding at March 31, 2016 at Dublin project subsidiary.

3) Leverage ratio as calculated for senior credit facility covenant. Effectively represents leverage at Covanta Energy, LLC and subsidiaries.

Appendix

Long-term Outlook: Debt Service Revenue

Client Payments for Debt Service: (Unaudited, in millions)	2008–2015	2016	2017	2018	2019	2020	Beyond 2020
Debt Service Revenue – Principal	\$352	\$6	\$6	\$5	\$3	\$3	\$39
Debt Service Revenue – Interest	98	4	3	3	2	2	16
Debt Service Billings in Excess of Revenue Recognized	<u>106</u>	<u>4</u>	<u>5</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>4</u>
Client Payments for Debt Service ⁽¹⁾	<u>\$556</u>	<u>\$14</u>	<u>\$14</u>	<u>\$7</u>	<u>\$4</u>	<u>\$4</u>	<u>\$60</u>
Net Change in Debt Service Billings per Period	<u>\$(108)</u>	<u>\$(1)</u>	<u>\$—</u>	<u>\$(7)</u>	<u>\$(3)</u>	<u>\$—</u>	<u>\$—</u>

Project Debt Repayment (Unaudited, in millions):	2008–2015	2016	2017	2018	2019	2020	Beyond 2020
Total Principal Payments	\$909	\$16	\$17	\$18	\$13	\$2	\$75
Total Change in Principal-Related Restricted Funds	<u>(193)</u>	<u>—</u>	<u>—</u>	<u>(5)</u>	<u>(9)</u>	<u>—</u>	<u>(1)</u>
Net Cash Used for Project Debt Principal Repayment	<u>\$716</u>	<u>\$16</u>	<u>\$17</u>	<u>\$13</u>	<u>\$4</u>	<u>\$2</u>	<u>\$74</u>

1) Related to Service Fee facilities only.

Note: North American operations only. Excludes payments related to project debt refinancing.

Long-term Outlook: Energy Detail

North America EfW Facilities (Unaudited, in millions, except price)	2014A	2015A	2016E	2017E	2018E	2019E	2020E
MWh Sold – CVA Share:							
Contracted	3.2	3.0	3.2	2.4	2.0	2.1	2.1
Hedged	1.4	1.4	1.9	1.9	0.1	—	—
Market	<u>1.1</u>	<u>1.4</u>	<u>1.2</u>	<u>2.2</u>	<u>4.4</u>	<u>4.5</u>	<u>4.5</u>
Total MWh Sold	5.6	5.8	~6.3	~6.5	~6.5	~6.6	~6.6
Market Sales (MWh) by Geography:							
PJM East	0.4	0.5	0.5	1.3	2.6	2.7	2.7
NEPOOL	0.3	0.3	0.2	0.4	1.1	1.1	1.1
NYISO	—	0.1	0.1	0.1	0.2	0.2	0.2
Other	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>
Total Market Sales	1.1	1.4	1.2	2.2	4.4	4.5	4.5
Revenue per MWh: ⁽¹⁾							
Contracted	\$67.56	\$65.56	~\$64	Average ~\$57 / MWh on contracts expiring through 2020			
Hedged	\$42.87	\$45.64	~\$41				
Market	\$49.12	\$33.18	~\$27				
Average Revenue per MWh	\$58.06	\$53.17	~\$50				

- Note: Production estimates for 2017 - 2020 are approximated based on historical operating performance and expected contract structures**

Note: hedged generation as presented above reflects only existing hedges.

1) Excludes capacity revenue.

Non-GAAP Reconciliation: Adjusted EBITDA & Free Cash Flow

(Unaudited, in millions)	Q1		Full Year Estimated 2016 ⁽¹⁾
	2016	2015	
Net Loss Attributable to Covanta Holding Corporation	\$(37)	\$(37)	
Depreciation and amortization expense	52	48	
Interest expense, net	34	35	
Income tax (benefit) expense	(10)	10	
Impairment charges	15	—	
Debt service billings in excess of revenue recognized	1	1	
Severance and reorganization costs	1	2	
Non-cash compensation expense	5	8	
Capital type expenditures at service fee operated facilities ⁽²⁾	11	8	
Other	<u>4</u>	<u>4</u>	
Total adjustments	<u>113</u>	<u>116</u>	
Adjusted EBITDA	\$76	\$79	\$390 - \$430
Cash interest payments, net of capitalized interest	(22)	(19)	
Cash taxes	(4)	(2)	
Capital type expenditures at service fee operated facilities ⁽²⁾	(11)	(8)	
Adjustment for working capital and other	<u>(8)</u>	<u>(8)</u>	
Cash flow provided by operating activities from continuing operations	\$31	\$42	\$245 - \$295
Maintenance capital expenditures	<u>(36)</u>	<u>(26)</u>	(105) - (115)
Free Cash Flow	\$(5)	\$16	\$140 - \$180
Weighted Average Diluted Shares Outstanding	129	132	

1) Guidance affirmed as of April 26, 2016.

2) Adjustment for impact of adoption of FASB ASC 853 – *Service Concession Arrangements*.

Non-GAAP Reconciliation: Adjusted EBITDA

(Unaudited, in millions)	Full Year		LTM
	2014	2015	3/31/2016
Net (Loss) Income Attributable to Covanta Holding Corporation	\$(2)	\$68	\$68
Operating loss related to insurance subsidiaries	2	—	—
Depreciation and amortization expense	211	198	202
Debt service expense	147	134	133
Income tax expense (benefit)	15	(84)	(104)
Impairment charges	64	43	58
Loss on extinguishment of debt	2	2	2
Net income attributable to noncontrolling interests in subsidiaries	1	1	1
Debt service billings in excess of revenue recognized	2	1	1
Severance and reorganization costs	9	4	3
Non-cash compensation expense	17	18	15
Capital type expenditures at service fee operated facilities ⁽¹⁾	—	31	34
Other	<u>6</u>	<u>12</u>	<u>12</u>
Total adjustments	<u>476</u>	<u>360</u>	<u>357</u>
Adjusted EBITDA	\$474	\$428	\$425

1) Adjustment for impact of adoption of FASB ASC 853 – *Service Concession Arrangements*.

Note: Adjusted EBITDA results provided to reconcile the denominator of the Net Debt / Adjusted EBITDA ratios on slide 13.

Non-GAAP Reconciliation: Adjusted EPS

(Unaudited, in millions, except per share amounts)	Q1	
	2016	2015
Diluted Loss Per Share	\$(0.29)	\$(0.28)
Reconciling Items	<u>0.10</u>	<u>0.15</u>
Adjusted EPS	<u>\$(0.19)</u>	<u>\$(0.13)</u>
Reconciling Items		
Impairment charges	\$15	\$—
Severance and reorganization costs	1	6
Effect on income of derivative instruments not designated as hedging instruments	4	—
Effect of foreign exchange loss on indebtedness	<u>(1)</u>	<u>2</u>
Total Reconciling Items, pre-tax	19	8
Pro forma income tax impact	(7)	(3)
Legal entity restructuring charge	—	<u>15</u>
Total Reconciling Items, net of tax	<u>\$12</u>	<u>\$20</u>
Diluted Earnings Per Share Impact	<u>\$0.10</u>	<u>\$0.15</u>
Weighted Average Diluted Shares Outstanding	<u>129</u>	<u>132</u>

Non-GAAP Financial Measures

Free Cash Flow

Free Cash Flow is defined as cash flow provided by operating activities, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in construction of new projects, make principal payments on debt, or amounts we can return to our stockholders through dividends and/or stock repurchases. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow for the three months ended March 31, 2016 and 2015, reconciled for each such period to cash flow provided by operating activities, which we believe to be the most directly comparable measure under GAAP.

Adjusted EBITDA

We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in the credit facilities as of March 31, 2016 of our most significant subsidiary, Covanta Energy, LLC ("Covanta Energy"), through which we conduct our core waste and energy services business, and as additional ways of viewing aspects of its operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our core business. The calculation of Adjusted EBITDA is based on the definition in Covanta Energy's credit facilities as of March 31, 2016, which we have guaranteed. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income. Because our business is substantially comprised of that of Covanta Energy, our financial performance is substantially similar to that of Covanta Energy. For this reason, and in order to avoid use of multiple financial measures which are not all from the same entity, the calculation of Adjusted EBITDA and other financial measures presented herein are ours, measured on a consolidated basis. Under the credit facilities as of March 31, 2016, Covanta Energy is required to satisfy certain financial covenants, including certain ratios of which Adjusted EBITDA is an important component. Compliance with such financial covenants is expected to be the principal limiting factor which will affect our ability to engage in a broad range of activities in furtherance of our business, including making certain investments, acquiring businesses and incurring additional debt. Covanta Energy was in compliance with these covenants as of March 31, 2016. Failure to comply with such financial covenants could result in a default under these credit facilities, which default would have a material adverse effect on our financial condition and liquidity.

These financial covenants are measured on a trailing four quarter period basis and the material covenants are as follows:

- maximum Covanta Energy leverage ratio of 4.00 to 1.00, which measures Covanta Energy's Consolidated Adjusted Debt (which is the principal amount of its consolidated debt less certain restricted funds dedicated to repayment of project debt principal and construction costs) to its Adjusted EBITDA (which for purposes of calculating the leverage ratio and interest coverage ratio, is adjusted on a pro forma basis for acquisitions and dispositions made during the relevant period); and
- minimum Covanta Energy interest coverage ratio of 3.00 to 1.00, which measures Covanta Energy's Adjusted EBITDA to its consolidated interest expense plus certain interest expense of ours, to the extent paid by Covanta Energy.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the three months ended March 31, 2016 and 2015, reconciled for each such period to net income and cash flow provided by operating activities, which are believed to be the most directly comparable measures under GAAP. Our projected full year 2016 Adjusted EBITDA is not based on GAAP net income/loss and is anticipated to be adjusted to exclude the effects of events or circumstances in 2016 that are not representative or indicative of our results of operations. Projected GAAP net income/loss for the full year would require inclusion of the projected impact of future excluded items, including items that are not currently determinable, but may be significant, such as asset impairments and one-time items, charges, gains or losses from divestitures, or other items. Due to the uncertainty of the likelihood, amount and timing of any such items, we do not have information available to provide a quantitative reconciliation of full year 2016 projected net income/loss to an Adjusted EBITDA projection.

Adjusted EPS

Adjusted EPS excludes certain income and expense items that are not representative of our ongoing business and operations, which are included in the calculation of Diluted Earnings Per Share in accordance with GAAP. The following items are not all-inclusive, but are examples of reconciling items in prior comparative and future periods. They would include impairment charges, the effect of derivative instruments not designated as hedging instruments, significant gains or losses from the disposition or restructuring of businesses, gains and losses on assets held for sale, transaction-related costs, income and loss on the extinguishment of debt and other significant items that would not be representative of our ongoing business. We will use the non-GAAP measure of Adjusted EPS to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance and highlight trends in the ongoing business. In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EPS for the three months ended March 31, 2016 and 2015, reconciled for each such period to diluted income per share, which is believed to be the most directly comparable measure under GAAP.