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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Covanta Holding Corporation's Third Quarter 2016 Financial Results Conference Call and Webcast. This call is being recorded and a replay will be available to listen to later this morning. For the replay, please call 877-344-7529 and use the replay conference ID number 10093874. The webcast as well as the transcript will also be archived on www.covanta.com. [Operator Instructions]

At this time, for opening remarks and introductions, I'd like to turn the call over to Alan Katz, Covanta's Vice President of Investor Relations. Please go ahead.

Alan Katz

Vice President-Investor Relations, Covanta Holding Corp.

Thank you, and good morning. Welcome to Covanta's third quarter 2016 conference call. Joining me today on the call will be Steve Jones, our President and CEO; and Brad Helgeson, our CFO. We will provide an operational and business update, review our financial results, and then take your questions.

During their prepared remarks, Steve and Brad will be referencing certain slides that we prepared to supplement the audio portion of this call. Those slides can be accessed now or after the call on the Investor Relations section of our website, www.covanta.com. These prepared remarks should be listened to in conjunction with these slides.

Now on to the Safe Harbor and other preliminary notes. The following discussion may contain forward-looking statements and our actual results may differ materially from these expectations. Information regarding factors that could cause such differences can be found in the company's reports and registration statements filed with the SEC.

The content of this conference call contains time-sensitive information that is only accurate as of the date of this live broadcast, October 26, 2016. We do not assume any obligation to update our forward-looking information unless required by law. Any redistribution, retransmission or rebroadcast of this call in any form, without the express written consent of Covanta, is prohibited.

The information presented includes non-GAAP financial measures. Because these measures are not calculated in accordance with U.S. GAAP, they should not be considered in isolation from our financial statements, which have been prepared in accordance with GAAP.

For more information regarding definitions of our non-GAAP measures and how we use them, as well as limitations as to their usefulness for comparative purposes, please see our press release, which was issued last night and was furnished to the SEC on Form 8-K.

With that, I'd like to now turn the call over to Steve Jones, Covanta's President and CEO. Steve?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

Thanks, Alan, and good morning, everyone. For those of you using the web deck, please turn to slide 3. I'll start off with a quick overview of our financial results.

Q3 adjusted EBITDA was $124 million and free cash flow was $74 million, down by $15 million and $33 million, respectively, from Q3 2015. The largest drivers on the adjusted EBITDA line were the year-over-year impact for accruals for variable incentive compensation and the impact of our China asset sale. Free cash flow was impacted by these same factors as well as working capital. These results are in line with both our original operating plan and our expectations as of our last earnings call. As such, in last night's press release, we reaffirmed our guidance for 2016.

This quarter we completed the sale of our China equity interest, which resulted in $103 million of net cash. We used $52 million to repay revolver borrowings and plan to keep the remaining funds overseas for potential future investments. The Dublin project remains on track and I will discuss this further in a few minutes.

Now I'll get into details on our markets and operations. I'll start with the waste business. Please turn to slide 4. In our waste contract portfolio, we recently extended our service agreement with our Huntsville to 2020 and our waste disposal agreement with our Indianapolis client to 2025. Regarding another upcoming contract expiration, we were notified by our Hennepin client that they elected not to extend our service fee agreement beyond Q1 2018. We're disappointed that Hennepin has chosen to go in a different direction. However, I'll note this contract is on the smaller side and will not have a material impact on our financial results. You should expect us to continue to look to extend contracts in ways that makes sense for both us and our clients.

Our North America EfW same-store volume was up versus the same quarter in 2015 and pricing continued to move higher in the quarter as well. The net result was a 3.4% increase in North America EfW same-store waste and service revenue.

Uncontracted waste pricing continued its upward trend, driven largely by the same two factors that I discussed on the last earnings call. The first one is we continue to benefit from the mix shift from spot waste to profiled and contracted waste. As we drive more profiled waste into our EfW facilities at higher prices, we're displacing lower priced spot waste. In addition, some of the larger MSW waste contracts, including our New York City MTS contract, have further reduced our reliance on spot volumes, particularly in lower-priced markets.

And second, the Northeast waste market continues to remain strong. We saw improvement in spot pricing there year-over-year. Overall, average contracted waste price continues to escalate at about 1%, in line with our expectations at the start of the year. Profiled waste revenue into the Energy-from-Waste facilities grew 13% this quarter compared with Q3 2015.

This past quarter, we began offering new disposal capacity to the regulated medical waste industry through our CES Group. This capacity, which is currently managed at two of our EfW facilities, comes at a time when the industry very much needs additional disposal outlets.

We're paid a rate for these volumes that are significantly higher than our standard MSW prices. While we're not processing large volumes, we provide safe, consistent, and environmentally sustainable capacity, so we provide a unique service offering in the regulated medical waste industry. We're very excited about this area of growth and I'm looking forward to seeing what the team could do to expand this business.

Now let's move on to energy. Please turn to slide 5. The extremely hot summer in PSEG and New England markets provided a benefit to market pricing versus the same quarter last year, and average market pricing for the quarter was $37 per megawatt hour compared with about $31 per megawatt hour in Q3 2015.

Given the year-over-year benefit in Q3, the current forward curves and the benefit of the strong contracted prices under our LIPA collar arrangement, we are increasing our pricing expectations for the full year slightly.

I will note that year-to-date production has been slightly below our expectations, given downtime at our Fairfax facility as well as a few other merchant facilities. We've updated our volume outlook to reflect this.

Looking ahead, we continued hedging for 2017 and 2018 this quarter, as you can see in our energy portfolio detail on slide 15. Our hedges for 2017 are now at an average price of $35.

Let's move on to the metals business on slide 6. The ferrous market remained relatively stable in the third quarter with the HMS #1 Index at $212 per ton, slightly lower than the $219 per ton price in the same quarter last year. Since that time, we've seen the beginning of a pullback from the third quarter prices with the most recent HMS pricing coming in at approximately $175 per ton. This is in line with expectations based on historical seasonality and the strong U.S. dollar. But given how long the index held in above $200 per ton this year, we've revised our outlook for the full year average HMS Index price to be between $180 per ton and $200 per ton. As a result, we expect our average revenue per ton for ferrous to be between $100 and $110 for the full year.

Lower ferrous volume impacted Q3 2016 metals revenue by 21% compared to the third quarter of 2015, primarily as a result of the timing of shipments and the continued impact of cleaning the metal at our Fairless facility. As I've said in the past, our metals sales will be somewhat lumpy depending on how and where we are shipping our products.

Non-ferrous volume increased metals revenue by about 13% versus Q3 2015, driven primarily by investments made to increase recovery at certain facilities. Overall, metals volumes are on track for our full-year expectations.

Pricing for recycled aluminum drove non-ferrous metals revenue down from Q3 2015 by about 19%. The forward recycled aluminum curve have also come down a bit since the last earnings call, but remain in line with our initial expectations.

Now let's move on to operating expense and CapEx. Please turn to slide 7. North America EfW maintenance spend in the quarter, including both expense and CapEx, was up $8 million versus Q3 2015, driven primarily by certain scheduled major maintenance projects. Looking at our full-year outlook, given some additional maintenance and capital improvements required at our Fairfax facility, we now expect full-year maintenance spend to be around the high-end of our initial range.

Since the spend at Fairfax – the Fairfax facility is the single largest driver, I'll give a quick update on where we stand on the work being done at that facility. Our planned work is now underway and is intended to address some production issues that we identified earlier this year as well as reduce future unplanned downtime.

In terms of facility upgrades, we began the installation of the first of four new baghouses at Fairfax earlier this month. We will be undertaking a lot of work on this facility over the next 18 months in order to bring it up to best-in-class standards. Once there, it will be one of the highest contributors in our fleet of assets.

Moving on, North America EfW other plant operating expenses were up 2.7% on a same-store basis this quarter compared with Q3 2015, in line with our expectations. Total North America EfW other plant operating expenses increased by $8 million, which includes same-store wage and benefit escalation, the Fairfax contract transition, and the Durham-York facility coming online.

I'll quickly wrap up with some comments on Dublin, other new business development, and our initial outlook for 2017. Dublin construction is going well and we were more than 75% complete as of the end of the quarter. The facility is on track to achieve first fire by the end of Q1 2017 and to be in commercial operations by the end of Q3.

As we announced last month, we have now signed up 90% of the waste capacity for this facility to long-term contracts with an average length of nine years. Pricing came in right in line with our expectations, so we are on track to deliver the returns that we've discussed in the past.

In terms of other new business projects, after looking at various construction and technology options for the Perth project, we were not able to find a solution that met our risk and return criteria. And as such, we've decided not to pursue this investment at this point in time.

We still like the Australia market, so we expect to remain active in business development there. However, we also remain focused on our development efforts in other geographies, such as Europe and Asia. We will update the Street once we have something more concrete to discuss in terms of other projects.

Overall, I am very pleased with where 2016 is coming out. Results have been very much in line with our initial plan. We are achieving these results in spite of a tough operating environment, for example, commodity prices that impact our business have remained well below their historical levels.

Looking out to 2017, we've previously discussed most of the moving parts for next year, but I will go through them quickly again. We have the initial benefit from about one quarter of contribution from the Dublin facility. But at current forward electricity prices, this will be more than offset by the negative mark-to-market on some of our higher priced energy contracts of about $25 million.

Organically, we expect continued growth in our Environmental Solutions business, our metals business, and from continuous improvement initiatives, all of which will contribute positively to the adjusted EBITDA line next year.

Overall, the puts and takes should generally balance out with the potential for some modest organic growth year-over-year. The swing factor will primarily come from commodity prices. This modest growth on the adjusted EBITDA line will likely be offset by the increased cash interest expense as a result of the project debt associated with the Dublin facility, so free cash flow should be relatively flat next year.

Our employees have been working very hard to deliver on our objectives for this year and I want to thank them for their execution. Also, as we look beyond 2016, we're excited about the many opportunities that exist within our business and markets. The entire team remains focused on taking advantage of these opportunities to grow our business and further create shareholder value.

With that, I'll turn the call over to Brad to discuss the third quarter financial results in more detail.

Bradford J. Helgeson

Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

Thanks, Steve, and good morning, everyone. I'll begin my review of our third quarter 2016 financial performance with revenue on slide 9. Revenue was $421 million, down $1 million versus Q3 2015. North America Energy-from-Waste revenue increased $6 million year-over-year on a same-store basis. Within that amount, waste and service revenue increased by $8 million as continued growth of profiled waste volumes, positive MSW pricing trends in the Northeast, and contract escalations drove higher average revenue per ton.

Energy revenue increased by $1 million, driven by higher power prices in the quarter with a hot summer, so this was offset by lower production and client steam demand at a handful of merchant facilities.

Recycled metal revenue recorded at the EfW facilities declined by $3 million as a result of lower year-over-year market prices, as Steve just discussed. I'll note that this decline was partially offset by the benefit of metals processing operations outside of the EfW line of business but on the consolidated metal revenue line.

North America EfW contract transitions and transactions were net positive $7 million year-over-year, driven by the benefit from our Fairfax facility now operating under a tip fee contract structure, and the Durham-York facility coming online last year, partially offset by lower debt service revenue and power purchase agreement expirations.

Outside of North America EfW operations, the Environmental Solutions business was up $7 million compared with Q3 last year, driven by both acquisitions and organic growth. Higher year-over-year waste volume from the Queens marine transfer station under the New York City MTS contract increased revenue by $2 million.

Biomass operations accounted for an $11 million revenue decline year-over-year as we stopped operating the last of those facilities at the end of the first quarter this year. The China asset swap reduced revenue by $10 million, representing most of the remaining revenue delta.

Moving on to slide 10, adjusted EBITDA was $124 million in Q3 2016 compared to $139 million in Q3 2015. Commodity prices were neutral on this quarter's year-over-year comparable results with higher energy prices offsetting lower recycled metal prices in the North America EfW portfolio. I should note that this is the first quarter since 2014 where we haven't seen a year-over-year headwind from commodity prices.

Contract transitions, primarily related to the Fairfax transition, and new business together added $4 million to adjusted EBITDA in the quarter. The loss of adjusted EBITDA contribution from China following the asset swap was $9 million in the quarter. I'd like to explain a couple of aspects of this impact.

First, this number is higher than what would be implied by the loss of $10 million of revenue that I just mentioned, which is because the $9 million of adjusted EBITDA included not only consolidated revenue and expense from the Taixing facility, but also equity income from unconsolidated project interest.

Second, the impact in this quarter implies a larger annualized contribution that we discussed in the past. Third quarter performance in China was very strong last year, so the year-over-year impact is more pronounced this quarter. However, the full-year contribution from China to adjusted EBITDA in 2015 pro forma for reduced costs in our Shanghai office following the swap was approximately $20 million.

On an enterprise value basis, including project debt, that translates to a sale multiple of approximately seven times. Keep in mind that this multiple reflects selling coal-fired generation in Taixing so it's not necessarily consistent with a typical Energy-from-Waste multiple. Overall, most importantly, we generated a mid-teens IRR on our investments in China.

The normal accrual for employee variable comp this year as compared to the reversal that we booked in Q3 2015 impacted adjusted EBITDA by $10 million on a year-over-year basis.

Turning to slide 11, free cash flow was $74 million in the third quarter compared to $107 million in the prior year. Excluding changes in working capital, free cash flow was down $3 million year-over-year. While adjusted EBITDA was $15 million lower in the quarter, most of that did not translate to cash as the delta included equity income from China, which was non-cash, and the accrual for employee incentive comp, which is offset by a corresponding change in working capital.

Turning to slide 12, our growth investment outlook reflects a modestly higher expectation for organic growth projects, now approximately $50 million in total for 2016, primarily related to metal recovery and processing systems and new equipment for growth in the Environmental Solutions business.

Installation of the new emissions control systems at the Essex County facility is expected to be completed successfully in the fourth quarter and construction of the Dublin project remains on track, as Steve discussed earlier, with our outlook for anticipated spend this year on both of these projects unchanged. As a reminder, we expect to invest total capital of about €500 million on the Dublin project, of which approximately 75% is project financed.

Turning to slide 13, I'll conclude with an overview of our balance sheet and leverage ratios. Net debt came down by approximately $60 million in Q3 to just under $2.6 billion, resulting primarily from paying down revolver borrowings with a portion of the China proceeds, as Steve mentioned, as well as from cash generated by the domestic business. We continue to draw down on the Dublin facility project debt to fund construction, which partially offset the revolver repayment in the consolidated total.

The remaining cash proceeds from the China transaction, or approximately $50 million, is currently held offshore and is available to fund potential future international investments.

The net debt to adjusted EBITDA ratio at the end of Q3 was 6.3 times. Given the continued drawdown of project debt to fund the Dublin investment, we expect leverage to remain elevated at or around this level until next year when the Dublin project becomes operational and begins contributing to earnings and cash flow. With a full-year contribution from Dublin, we expect leverage to return quickly towards 5 times net debt to adjusted EBITDA, all else being equal. Over the long term, we'll target leverage of approximately 4 times, as we discussed in the past.

The calculation of the leverage ratio covenant under our senior secured credit facility was 3.2 times at September 30 versus the covenant limit of 4 times. We expect to see this ratio trend lower by the end of this year and into 2017.

With that, operator, let's open the lines for questions and answers.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Al Kaschalk of Wedbush Securities. Please go ahead.

Al Kaschalk
Analyst, Wedbush Securities, Inc.
Q

Good morning, guys.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.
A

Good morning.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

Good morning, Al.

Alan Katz
Vice President-Investor Relations, Covanta Holding Corp.
A

Good morning, Al.

Al Kaschalk
Analyst, Wedbush Securities, Inc.
Q

Steve, I just wanted to maybe focus on the waste portion of the business, in particular the positive improvements you're seeing on the mix. Can you talk about where you feel you're at in terms of helping to accelerate the continued mix shift away from low spot price MSW? In other words, do you have – well, probably not going to share – a percentage of the business here that you're progressing on that you think can continue to drive the favorable mix going forward.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

Yeah, sure, Al. We're expecting to continue to grow at kind of mid-teens profiled waste growth into the Energy-from-Waste facilities, and that's having a big impact on our waste performance. I think we'll continue to see that as we move into next year. We're starting to get our next year numbers together and that's still looking promising.

I think I've mentioned to a few people over time, we've increased our sales force in the Covanta Environmental Solutions business to go out there and source more profiled waste and that's proving to be effective. We have room in the facilities and so we will continue to trade out kind of lower priced spot waste, MSW waste for a higher priced profiled waste. So I expect we'll continue that trend for – at least into next year and hopefully it will trend even further beyond next year, but it's going pretty well at this point.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

And just in terms of the follow-up, you mentioned the medical waste. Are there things – are there other areas or things [indiscernible] (23:41) you may get more aggressive on from a North America market perspective in terms of capturing some additional share? Or do you feel based on the infrastructure and the fixed asset base, the capacity utilization rates, you are in pretty good shape? Thank you.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah. We'll continue to drive up the percent of profiled waste that goes into facilities. That's one thing we talk about a lot. Quite frankly, from a continuous improvement standpoint, one of the projects we've been working on is take the days – the amount of time it takes us to – when a customer contacts us to getting their waste into the facility, whittling that down. I mean, it was much too high and we are trending down into single-digits on the number of days now. So we've been working hard on that and that will continue to allow us to go out there and basically get more share of the profiled waste business. In the past, it was just taking us too long to meet our customer needs and so we're getting much better at that now.

The other thing too on our regulated medical waste, this is an offering to that industry that wasn't out there before. A lot of times the folks that pick up regulated medical waste didn't have a good disposal option for the waste. And so, we've got two facilities in our fleet now that have permits for regulated medical waste. And although the volumes aren't huge, the pricing is much better than MSW, and so we're going to continue to push that part of the business. That's why I said I'm excited to see where the CES sales team can take that business over the next 12 months here. It should be a significant or kind of a material uptick in our CES business.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Very good. Good luck, guys.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Al.

Operator: The next question comes from Tyler Brown of Raymond James. Please go ahead.

Patrick Tyler Brown
Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning, guys.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Hi, Tyler.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Hey, Tyler. Good morning.

Alan Katz
Vice President-Investor Relations, Covanta Holding Corp.

A

Hi Tyler.

Patrick Tyler Brown
Analyst, Raymond James & Associates, Inc.

Q

Hey, just a couple of questions here. But it looks like you guys are guiding to the top end of the maintenance expense line just given Fairfax. I'm curious, is all that spend expensed or is some of it capitalized? And can you talk about maybe what the associated return would be on that project? For example, can you significantly improve the boiler availability post that deal and would that be more of a 2018 contributor?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Yes, Tyler, if I could, let me split that question into two. I will take the first part and Steve will take the second part. So, the first part in terms of what we're seeing this year relative to our expectation, the uptick at Fairfax has been primarily on the expense line, not necessarily on the capital line. But the work that we are engaging in now, which was, if you recall, at the beginning of the year was planned on baghouse. That's capital work and that's going to extend out here over the next probably 24 months or so.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

And you should see an improvement in that facility fairly quickly. The baghouses there needed to be replaced, and so we're replacing them over the next 24 months. We talked about that at the beginning of the year. We're kind of at midway through the first baghouse replacement we started that earlier a few weeks back, and that will improve the performance of that facility pretty quickly here, so we won't have to wait too long to start to see an uptick.

Realize too the Fairfax facility is in a good market. It's a tip fee facility now, so we're spending money to get that kind of up into the best-of-class service. If you think about a Hempstead, for example, its boilers run in excess of 95%. Fairfax, they're probably below 90%. So, there is an uptick there – as we look at that facility, there is an uptick that we can capture by spending some more money and improving that facility.

Patrick Tyler Brown
Analyst, Raymond James & Associates, Inc.

Q

Yeah. Okay. All right. Perfect. And then just my follow-up. Let me come at waste on another way. I know you guys haven't provided guidance longer term, but you've got a lot of momentum in profiled waste, we've got spot pricing that's moving higher, CPI might be picking up, and you've got the opportunity to reprice some of these bigger contracts longer term. I mean, would it be crazy – I know you haven't given guidance, but would it be crazy to think that you guys could get into, say, a mid $50 average tip fee by, say, the end of the decade?

Bradford J. Helgeson A
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

No. That's not a crazy thought at all.

Stephen J. Jones A
President, Chief Executive Officer & Director, Covanta Holding Corp.

No – yeah, I think that's doable.

Patrick Tyler Brown Q
Analyst, Raymond James & Associates, Inc.

Okay, perfect. Thanks, guys.

Stephen J. Jones A
President, Chief Executive Officer & Director, Covanta Holding Corp.

Thanks, Tyler.

Operator: The next question comes from Noah Kaye of Oppenheimer. Please go ahead.

Noah Kaye Q
Analyst, Oppenheimer & Co., Inc. (Broker)

Thank you. Good morning.

Stephen J. Jones A
President, Chief Executive Officer & Director, Covanta Holding Corp.

Good morning, Noah.

Noah Kaye Q
Analyst, Oppenheimer & Co., Inc. (Broker)

Hi. How are you doing, gentlemen? Can you give us some updated thoughts, just maybe expand a bit, Stephen, on the pipeline and the opportunity set, understand the decision not to go forward with Perth, but how do you feel your positioning is right now and how do you feel the opportunity set looks versus some of the comments you'd had in previous quarters?

Stephen J. Jones A
President, Chief Executive Officer & Director, Covanta Holding Corp.

Yeah. So, if you remember our August Investor Day, Matthew Mulcahy was talking about the fact that my goal – and I kind of put pressure on him to deliver on this obviously is to bring on one new project every other year. And so we've upped our business development activities. And so, you saw in my prepared remarks, we still like the Australia market for a lot of different reasons. Quite frankly, I didn't want to have a repeat of some of the issues we had at Durham-York. And so we wanted the right execution model in Australia and we couldn't get our hands around that.

So, I said, hey, let's sit back here for a minute and see what happens in Australia. But there's opportunities in Asia. You think about China and some of the other countries in the Asia region, but China is going to be a big market. And then Europe – and Europe's probably closer in for us. So I don't – you're probably seeing some of the announcements out there on some of the projects that we're looking at in Europe. I don't want to get into a lot of detail on those at this point, but kind of the next projects that are closest in are probably the European projects at this point.

Noah Kaye
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Okay. Great. And then just switching to the maintenance side. I thought the question was certainly a good one on understanding the return from Fairfax. More broadly, what kind of benefit or improved forecasting ability are you seeing on maintenance spend levels and maintenance CapEx levels from some of the Six Sigma and Lean initiatives? I specifically want to understand how confident you feel now in kind of improved forecasting ability around those spend levels and ability to kind of keep them in check with inflation?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah. I'm feeling pretty good about our visibility into maintenance. We mentioned we think we're going to be at the upper end of the range this year. I think last year we were kind of middle of the range. So, maintenance is lumpy. So it moves around year-to-year, but we have pretty good visibility.

I mean, if you look at what we do, so we're going through the budget process for 2017 now. We get into intimate detail, if you will, on what we need to do at each plant, and there's a lot of work that goes into that. And the timing is all prescribed before we go into a year, so we have a pretty good handle on what needs to be done.

And realize too, these plants – if you stay on top of these plants, because I get this question a lot. If you stay on top of these plants, they'll operate for years. So, for example, we announced last quarter our Union County lease extension or the extension of that deal. We had a third-party come in and look at the Union facility. And basically that facility looks like it will last about 70 years. It's only about 25 or so years old. So, we have a lot of our facilities where we're real comfortable they are going to operate 50-plus years and so – and the thing you need to do is to stay on top of the maintenance and we've been able to do that.

From a Six Sigma or a Lean standpoint, it's really Lean as a tool. What we've been able to do over the last couple of years and we'll continue to do it into next year is to take Lean tools and make sure that we're conducting these outages more efficiently. Because if you think we have a pretty decentralized model early on and so being able to control that more from the center and get more leverage over vendors, so vendors can work on different plants and allow us to reduce our cost there. That's really what the Lean tools are allowing us to do, so we'll continue to do that and we've got plans in place to continue that into 2017.

Noah Kaye
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Great. Thank you. And then maybe just one final one for me.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Sure, Noah.

Noah Kaye
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Thank you for the directional guidance for 2017, it's very helpful. Would it be correct to say that depending a material deterioration in the commodity complex further, you're feeling very confident about the – at least the stability of the dividend. I understand you don't...

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yes.

Noah Kaye
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

...dividend policy until December, okay, so you answered yes.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah. We've talked about this before. When management team will work with the board to set the dividend, we looked at kind of through the commodity cycle, so we're feeling pretty good about the dividend.

Noah Kaye
Analyst, Oppenheimer & Co., Inc. (Broker)

Q

Okay. Thank you very much.

Operator: The next question comes from Ben Kallo of Baird. Please go ahead.

Benjamin Joseph Kallo
Analyst, Robert W. Baird & Co., Inc. (Broker)

Q

Hey guys. Thanks for taking the question.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Hi, Ben.

Benjamin Joseph Kallo
Analyst, Robert W. Baird & Co., Inc. (Broker)

Q

How do you guys – going back to the project development, could you just walk us through how you allocate capital resources to go chases, maybe too harsh of a word, but chase projects? Because in the past, we've had many years ago before you, Steve, we had issues with spending money and then not seeing any fruits from the labor? So maybe walk through that, and then I have one follow-up.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Sure. So, yeah, that's always a tough question, because you can spend a lot of money on business development. So, for Mulcahy's group, I'll set a budget every year based on the projects that we think are coming down the pike on how much we want to spend and we'll stick to that. I actually think this year he's planning to under-run that. He told me he was going to give me some money back, we'll see. We'll see how that plays out. But we set specific budgets every year.

And the one thing we're trying to do is make sure that we utilize more third-parties around business development. So, if you think about Perth, for example, there was a local business developer there that did most of the business development work and then we were basically going to step into the project, and that allows us to reduce the upfront expense. Now, the issue then is that if you're going to step in – you have visibility when you step in, but you might not like all the terms and conditions. So, you don't – you lose a little control, but I think it's probably a more cost-effective way of doing business development. Because we are two times the size of our nearest competitor, we get invited to participate in a lot of different projects, so it's a fairly efficient and effective way to do business development to kind of let someone else pull the laboring or early in the project and then we will step in at the appropriate time.

Benjamin Joseph Kallo
Analyst, Robert W. Baird & Co., Inc. (Broker)

Q

Good. That's good to hear. And then the second question, Brad, on cash tax expense, how should we think about cash tax changing with NOLs maybe next year and then into 2018, not specific guidance obviously, but just what should we be watching out for there?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Yeah. Well, the NOLs, as we see it today, should continue to shield our federal tax at least through 2018. So, what you have seen in recent couple of years and it's come down a bit, as we restructure ourselves organizationally, you've see about $10 million of cash tax, which at this point is essentially state taxes. But that's the ongoing cash tax rate you should expect plus or minus through the period where we are benefiting from the NOL shield.

Benjamin Joseph Kallo
Analyst, Robert W. Baird & Co., Inc. (Broker)

Q

Great. Thank you guys very much.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Ben.

Operator: The next question comes from Michael Hoffman of Stifel. Please go ahead.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hi. Thank you very much, Steve and Brad, for taking my questions. How are you guys doing?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Good morning.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Good morning.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

How are you?

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Can't complain. What's the point anyway?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

There you go.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Can we come back to the maintenance spend and sort of thoughts about the controllable uncontrollable. And the question I have goes back to one of the earlier – ties in one of the earlier questions. I think Lean, Six Sigma should lead to better control on this, but I would like to hear your sort of view on, Steve. Getting to the high-end of your range when we're in the fourth quarter as opposed to thinking you're trending there all year long leads you to go – there are still parts of this that are unpredictable and can be lumpy. How do you get that lumpiness out? So that I don't come into next year thinking, all right, I'm coming at the lower end of the middle and then I find myself normally at the top end just in one quarter.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

I have been dealing with maintenance back from my Air Products days because I've ran the business there that had the most maintenance in. When you have plant issues that come up periodically – we run 130-plus boilers, I mean, there's issues from time to time. And when those issues come up, you have to fix the plant. So that's the uncontrollable part of it.

The controllable part is, as I mentioned earlier, when we go into a year, we have a specific plan for each plant on outages and what work needs to be done because we need to schedule all that. So that part is very much controllable. And, quite frankly, we'll move some of those outages around if there's things that are pushing in the wrong direction, right. So, it's really a function of running a large rotating equipment. I mean, you're going to have issues from time to time.

If you look at the Fairfax facility in July, we had an issue there that brought it down for a number of days. It was basically the instrument error line for the plant, it had depressurized, brought the plant down in a hard way. So we had to bring the plant down fast. And then when we tried to bring it back up again, we had some tube issues. And so you're not going to be able to predict those types of things.

And so, to answer your question, those types of things will come into the equation from time to time. But I'd look at the general matter, what you really do from a Lean standpoint is you're trying to do good things from – positive or tailwind activity so that if you have issues that come up from time to time, you're pushing against them in the other direction with the positive things you're doing.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Well, okay. So let me tease that out a little bit. Because shouldn't – am I wrong to believe that Lean ultimately should reduce the frequency of the volatile unplanneds?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Because...

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

And when is that something that you get to say, hey, I can definitively point to this has happened. Is this two more years, because it takes that long for that type of learning cycle or is it something that happen sooner?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Well, it's probably stable operations, if you will. So, stable operations allows you to take variability out of your plant operations. And so, we've rolled that stable operations out to a few plants right now. So, for example, Essex, Brad mentioned that we're almost through the Essex baghouse construction. Once we get – and I was at the Essex the other day, once we get through the baghouse, we'll put in stable operations there, and it will allow us to reduce the performance variability on that plant. And so it will take another year before we roll it out to most of the major plants and that's really where most of the positive benefit will be. It will be the large tip fee facility. So, I'd say another year as stable operations gets a little more mature in these facilities.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. All right. That's helpful. And then, Brad, if you look at your slide 10 in this presentation, if I'm looking at 4Q, what are the known gray and green bars, like China or bonus or contracts renew? What ones of those can you identify today that are absolutely known? I can understand the variable ones are energy prices and metals prices that you've got to get through the quarter, but the known ones, what are those?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Yeah. This waterfall, when we go through it for the fourth quarter in February, will probably look exactly the same in terms of the categories. I mean, these are the variables through the end of the year. Obviously, we'll still be having anniversary of the China contribution 2015 versus 2016. And also, we're going to have one more quarter here of noise, if you will, from the swing in the incentive comp. The contract transitions, new business contribution, you'll see contribution from those in Q4 as well generally at the same level that you're using in this quarter, plus or minus, and with the swing being commodity prices.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Okay. So, the bonus, what do you think – China, I think you said $20 million, you've done $16 million year-to-date, so that's $4 million in 4Q. What's the bonus in 4Q?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.
A

Yeah. You'll see something ballpark, $4 million, $5 million just off the top of my head for China in Q4. And then the bonus, you'll see – in Q3, the comp is particularly challenging in Q3 because we had a reversal last year going the other way. So, what you'll probably see is something closer to $7 million, probably $6 million, $7 million as a negative in Q4.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

Yeah. That's right.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Okay. And then the contract you think is sort of the same $3-ish million, contract new business $3 million, $4 million?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.
A

Yeah. I don't have that right in front of me, but yeah, it will be in the ballpark.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Okay. All right. That's very helpful. And then, if I may, the last one. Steve, in the second quarter, the reaffirming guidance was at the midpoint. Where are we sort of mentally today? Are we more in likely the lower half of that guidance, given the higher maintenance and the lower energy and metal?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

Yeah. I think we're still generally in that range. I think on the Q2 call, I said we're at the midpoint with a positive bias. We're still generally in that range at the midpoint. If you look at our full-year outlook, we've had some increases on the maintenance line that we talked about in this call, decreases on the energy production line. But these are going to generally be offset by a higher outlook on power, metals prices and on the waste line where we continue, as you've heard, we continue to see strong pricing and volume. So I think we'll likely end up towards the top end of the revenue range on waste and that will put us kind of at that midpoint range for the overall company.

Michael E. Hoffman
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Thank you very much.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Michael.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Thanks.

Operator: The next question comes from Andrew Buscaglia of Credit Suisse. Please go ahead.

Andrew E. Buscaglia
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Hey, guys. Thanks for taking my question.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Hey, Andrew.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Hey, Andrew.

Andrew E. Buscaglia
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Could you just talk, just kind of hopping on Michael's questions, your confidence for free cash flow for the remainder of the year, what's sort of the bridge that gets you to at least the midpoint of that guide? I thought that Q3 I would have expected a little bit higher. Maybe that was just my model. But just give us a little more color on how you get there for the remainder of the year.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

So it's the – obviously, the results – it's Brad. The results for the nine months to-date and you look at that compared to our full-year guidance, which I'll say again, we reaffirmed yesterday, implies strong free cash flow quarter in the fourth quarter, which we're very comfortable with. That's typical seasonally.

Honestly, I think a big portion of the bridge there, if you will, is working capital and just typically what we see in terms of collecting – primarily collecting on receivables from our large municipal clients towards the end of the year. In the context of maintenance, we talk about the chunkiness of some of the maintenance activity in some of the plants. Our working capital can be very much the same way where we have a large municipal client, especially under a service fee contract, those can be highly structured contracts. Those could be big dollars in or out depending on when those invoices are paid.

So that's why you'll see working capital almost being equal to working capital volatility, if you will, or at least would appear that way externally quarter-to-quarter. But it's a trend that we're very comfortable with and that was consistent with what we've always seen is that that's a positive to the reported free cash flow line in the fourth quarter.

Andrew E. Buscaglia
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. All right. That makes sense. And then just sticking with free cash flow. I think, Steve, you made the comment you do expect some EBITDA organic growth in 2017, just from some of the puts and takes you went through. But on free cash flow, did you comment that unless we get some commodities picking up here that that would be most likely flat or did I hear that wrong?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

No, you heard that right. Basically we're going to have increased cash interest, which will likely offset the modest EBITDA growth that we expect to achieve in 2017. So, you're going to have that impact.

Andrew E. Buscaglia
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. But, I guess, where we stand now, it seems like commodities – I mean, you had one of your first positive quarters improvement in that regard for Q3, so maybe we get some momentum into 2017 and that could help you out.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

That's right.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Yeah.

Andrew E. Buscaglia
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. All right. Thanks, guys.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Andrew.

Operator: The next question comes from Jon Windham of Barclays. Please go ahead.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

Hey, good morning, guys.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Good morning, Jon.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Good morning, Jon.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

Hi. I just had a quick specific question on the $51 million that was not repatriated. One, can you just confirm that that money is out of China and unencumbered? And then, two, is there any incremental cash tax implications if you do repatriate the rest of it back into the U.S.?

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Yes, hey Jon, it's Brad. Yes, I can confirm that the cash is out of China. There were a number of hurdles we had to clear from a regulatory standpoint to make that happen, but that is in the rearview mirror. So, the cash is going to be sitting – for the time being is going to be sitting at our international holding company domiciled in Luxembourg. So, that is internationally is then at that point is absolutely free to be moved into whatever geography has a need for capital investment.

If we were to repatriate those funds, we do have some potential valves back to the U.S. related to intercompany loans. But I think probably the best way for you to think about it is, if we were to bring that cash back that, at worst-case, it would utilize NOL capacity if that were to happen over the next three years. Ultimately, without the NOL at some point in the future and if at some point we don't have debt repayment opportunities, that cash would be taxable in the U.S.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

All right. Perfect. Thanks for taking the questions, guys.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thank you, Jon.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Thanks.

Operator: The next question comes from Dan Mannes of Avondale. Please go ahead.

Daniel Mannes
Analyst, Avondale Partners LLC

Q

Hey, good morning, everyone.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Hi, Dan.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Good morning, Dan.

Daniel Mannes
Analyst, Avondale Partners LLC

Q

First, just a quick follow-up. We didn't hear as much discussion on this call as maybe we've heard on some prior calls on Lean initiatives. Any maybe update there in terms of the progress and the potential for some acceleration of benefits to the bottom line as we look forward to 2017 and 2018?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah, sure, Dan. We just reviewed our strategy and our continuous improvement activities with our board at our last board meeting, and we are coming in right in line where I expected. I mentioned kind of 1% cost of goods sold bogey for 2016. And so that's coming along well. It's hard to see it because it's hard to isolate, it's in all different parts of the P&L.

I mentioned we are doing some work around the Covanta Environmental Solutions Group on using Lean and Six Sigma tools to lower the cycle time to bring a new customer in where we've looked very closely at our top five categories of spend. It's about 75% of the spend as a company. We're using some Lean and Six Sigma tools on that. You think about reagents that we use and how to drive that down, and so all those are good benefits.

And then the one thing that I also mentioned is the use of stable operations. So, basically stable operations reduces operational variations, so you maximize plant performance, and so rolling out stable operations to some of our bigger tip fee facilities, which will have the biggest benefit from a shareholder standpoint. And so those are all going quite well.

I mentioned Essex, we're just getting ready to roll that out there. As with the new baghouse on, Essex should become a really high performing plant, and we want to make sure that stable operations gets implemented as we start to utilize the new baghouse. So, again, I've been pretty pleased where things are going from a CI and continuous Lean, Six Sigma standpoint.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

And Dan, I'll jump in for a second. From a disclosure standpoint, what you should expect to be hearing from us as we move into next year and then beyond is talking to the Street in terms of overall organic growth targets for the business, and that organic growth will be fueled by the tools that we have in our toolbox to achieve that. So, continuous improvement would be one, the growth in our Environmental Solutions business is another, metals recovery is another, and so talk about organic growth as a whole in those terms rather than necessarily setting a specific dollar target for CI as an example. Because, as Steve said, the problem with a specific dollar target, which we're talking about this year and we feel comfortable we've achieved it, but the problem is externally it's, I'm going to say, it's difficult to see.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

It's hard to isolate.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.
A

Yeah. It's probably fair to say…

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

We track it internally, but it's hard to isolate.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.
A

Yeah, because it's in production, it's in expenses, it's all over the place. And in our case, some of what continuous improvement is doing is helping to support the growth initiatives for Environmental Solutions. So you have kind of crosspollination, if you will, across these different strategic platforms. So that's how we're going to be increasingly talking about it going forward.

Daniel Mannes
Analyst, Avondale Partners LLC
Q

Got it. One more question and then just two quick clarifications. As it relates to some of the plans in terms of potentially reusing some of the ash, can you talk about maybe any progress you've made on that front?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

Yeah. So we're looking at a newer technology now around ash processing. We're hopeful to kick off a project here shortly. We're working with the technology provider to work out the terms and conditions around utilizing their technology. It's a big potential area of savings for us. If you think about it, we spend roughly $100 million a year on ash disposal, to the extent that we can reuse that ash, and we've done campaigns on a number of tons of ash from five or six different facilities and we think we can reduce that $100 million down significantly. So I've been pushing on the team pretty hard, Dan, to let's get started on this and put this new technology in place. So we'll have more hopefully over the next few months on where we stand on that.

Daniel Mannes
Analyst, Avondale Partners LLC
Q

Got it. And then two quick clarifications. Number one, on development, Steve, when you said Europe, were you meaning UK or were you meaning Mainland Europe?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.
A

I'm using Europe as UK and Europe.

Daniel Mannes
Analyst, Avondale Partners LLC
Q

Okay. [indiscernible] (52:53) right now. I feel like they are part of Europe, but...

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yeah. And that's a fair point. As I said that, I was thinking somewhat of the same thing.

Daniel Mannes
Analyst, Avondale Partners LLC

Q

Got it. And then the last clarification is you did re-up with Indianapolis, was there any update as it relates to the planned Advanced Recycling Facility or is that kind of dead for now?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

I think they are still going through their due diligence. The new Mayor came in and I think they are kind of relooking at what's the best option for them. So, we said, fine, we'll take a pause on it and we'll see what they ultimately are going to do, so nothing concrete at this point.

Daniel Mannes
Analyst, Avondale Partners LLC

Q

Sounds good. Thank you.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Dan.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Thanks.

Operator: We have a question from Barbara Noverini of Morningstar. Please go ahead.

Barbara Noverini
Analyst, Morningstar, Inc. (Research)

Q

Hey, good morning, everybody.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Hi, Barbara.

Bradford J. Helgeson
Chief Financial Officer & Executive Vice President, Covanta Holding Corp.

A

Good morning, Barbara.

Barbara Noverini
Analyst, Morningstar, Inc. (Research)

Q

Hey, Stephen, can you give us a bit of an update as to how you are thinking about leveraging or expanding some of the industrial waste services that you acquired back in 2015? How has that part of the business being contributing to that Environmental Solutions business maybe over the past year or so?

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Yea, sure. We bought six kind of smaller Environmental Solutions businesses. One of the things we have been doing and we took a little bit of a pause because there's more of them out there that we could purchase. But we took a little bit of a pause to make sure that we were achieving the synergies that we had anticipated. And so kind of over the summer timeframe, we've been doing a lot of work around the synergies.

And also, looking at pieces of those businesses that we wanted to push forward, so kind of along your questions, Barbara, it's because some of them do certain services that others don't do and vice versa. So, right now, we are kind of rationalizing or taking the services and what's the most profitable, we're pushing those out amongst the six entities that we bought. So I'd say things are going well there. The synergies – we're seeing the synergies that we wanted to see. And as we move forward, we'll look at how we continue to drive those businesses.

One of the things those businesses really give us access to is profiled waste. And so, you saw this quarter, profiled waste continues to grow kind of in the teens, so 13% profiled waste growth, and that's all enabled by our Environmental Solutions business. So we feel pretty good about those purchases and what capabilities it gives us both for the Energy-from-Waste plants taking in profiled waste and then other services that we can provide.

Barbara Noverini
Analyst, Morningstar, Inc. (Research)

Q

Okay. Great. Thanks a lot.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

A

Thanks, Barbara.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Stephen J. Jones, President, Chief Executive Officer and Director, for any closing remarks.

Stephen J. Jones
President, Chief Executive Officer & Director, Covanta Holding Corp.

All right. Thanks, everyone, for joining us today. As I mentioned, we're going to work hard as we get through the rest of this year. One of the things I have challenged the team on is making sure that we execute, we have obligations to investors, and we're working hard to meet those obligations. And I appreciate the hard work that everyone has put into this and we want to finish this year strong, so we'll continue to work hard for you. Thanks.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.