16-Feb-2017

Covanta Holding Corp. (CVA)

Q4 2016 Earnings Call

Copyright © 2001-2017 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Daniel Mannes
Vice President of Investor Relations, Covanta Holding Corp.

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

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

OTHER PARTICIPANTS

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

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

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

Jon Windham
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Covanta Holding Corporation's Fourth Quarter 2016 Financial Results Conference Call and Webcast. An archived webcast will be available two hours after the end of the conference call and can be accessed through the Investor Relations section of the Covanta website at www.covanta.com. The transcript will also be archived on the company's website.

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

Daniel Mannes
Vice President of Investor Relations, Covanta Holding Corp.

Thank you, and good morning. Welcome to Covanta's fourth quarter 2016 conference call. Joining on the call today 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 those 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, February 16, 2017. We do not assume any obligation to update our forward-looking

Copyright © 2001-2017 FactSet CallStreet, LLC

information unless required by law. Any redistribution, retransmission or rebroadcast of this call in any form, without the expressed 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 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, Dan and good morning, everyone. For those of you using the web deck, I'd ask you to please turn to slide three. I'll provide a brief overview of our 2016 financial results along with an update of some of our strategic initiatives. Then I'll get into the details on the waste, energy and metals revenue line and our maintenance activities. Lastly, I'll close out with a longer term view on our business outlook and strategic objectives.

In 2016, we finished the year with $410 million of adjusted EBITDA and $172 million of free cash flow. We're initiating 2017 guidance of adjusted EBITDA between $400 million and $440 million and free cash flow between $100 million and $150 million.

As discussed on our third quarter call, we expect modest year-over-year growth in adjusted EBITDA in 2017, which our guidance range reflects. We also just discussed an expectation for relatively flat free cash flow year-over-year in 2017. This remains our outlook before changes in working capital. However, we saw very strong cash flow from working capital in the fourth quarter, which we expect to reverse in 2017 impacting our free cash flow guidance range.

Brad will go through the factors that drove our 2016 results in more detail, but I'll quickly highlight a few things. We ended the year at the midpoint of our adjusted EBITDA guidance range. As expected, we had a normal level of seasonality with less maintenance leading to stronger adjusted EBITDA and free cash flow in the second half of the year. Fourth quarter adjusted EBITDA of $128 million improved year-over-year and sequentially, which indicates positive momentum into 2017.

We're also pleased with these results, particularly in a year that had its share of challenges. Our team did a great job finishing the year strong. We continue to advance the Dublin project, which is now nearly 90% complete and remains on track for our target of full commercial operations by the beginning of the fourth quarter. This project represents our single biggest driver of increased profitability in the near future. We're intensely focused on bringing a state-of-the-art project to completion and look forward to its financial contribution in 2017 and beyond.

On the third quarter call, we announced that we had closed the sale of the majority of our interest in China. Subsequently, we repatriated the vast majority of the proceeds to pay down debt in line with our long-term plans to improve our balance sheet metrics. We made solid progress in 2016 across our organic growth initiatives. We continue to expand our Environmental Solutions platform and integrate the new capabilities of these businesses with our EfW assets. We're now accepting regulated medical waste at two of our EfW facilities and achieved record fourth quarter and full year profiled waste revenue yet again. We're investing in key facilities to drive organic growth in this area and could selectively make small acquisitions to further supplement our capabilities.

Copyright © 2001-2017 FactSet CallStreet, LLC

On metals, recovered volumes grew over 10% and the centralized processing facility at Fairless Hills provides flexibility both to receive better net pricing, to optimize logistics and shipping costs. We completed our first full year of continuous improvement efforts using Lean and Six Sigma tools and we're excited about the progress and long-term opportunities. We hit our $10 million budget target for benefits in the first year, which impacted us across the P&L. Remember that these efforts are not fully focused on reducing costs and the benefits of these programs will also be seen in areas like improved output and increased profiled waste.

Before moving on to our 2016 performance in more detail, I'd like to address two recent events at facilities in our Mid-Atlantic region, where we had waste fires occur on the tipping floors, that damaged the plants and forced us to divert waste.

First of all, and most importantly, no one was hurt. While these types of events can be extremely challenging, I'm very proud of how our teams have responded in both cases and how we have worked together effectively with our client communities in the response and recovery. In the first incident in early December, we had a fire at the EfW plant that we operate in Montgomery County, Maryland, and the facility would return to full service in nine days.

Bear in mind, prior to the December fire, we had significant downtime at the facility earlier in the year for unrelated reasons, and had already started making investments with the goal of returning it to appropriate operating levels. Our 2017 plan fully includes these expenditures. Given the 2016 spend; the year-over-year impact to 2017 is not material.

The second incident a fire at our facility in Fairfax County, Virginia, caused more damage largely to the waste receiving areas including the tipping hall roof and the overhead waste cranes. However, due to the effective fire response, the major process equipment was spared material damage. We've completed the process of removing waste from the storage bunker to minimal levels, by the way which was holding approximately 12,000 tons when the fire started. And we're working towards resuming limited operations as soon as possible.

The facility is not likely to resume full operations for a few months. Of course, this was an insured event. Our 2017 guidance reflects the expected impact from the fire and related downtime and the associated insurance recovery. While the plant's down, we're proactively bringing forward some planned maintenance including accelerating work on one of the baghouse replacements which was planned for later this year.

These events can attract significant media coverage, and these two in particular occurred in relatively close proximity which could lead one to draw conclusions about broader risks. First of all, waste fires are not uncommon in the waste business generally, not just EfW facilities and the vast majority of fires drive minimal operational impacts. However, we're going to be proactive here and we'll be looking at what improvements we can make either utilizing new technology or revising operating procedures to reduce this risk going forward.

Overall, while it's our goal to minimize unplanned downtime, with a fleet of over 40 plants, issues will arise. It's the nature of our business. And as always, our full year guidance range takes events like this into account, both known and the unknown including their impact on waste processing, power generation and maintenance costs.

Now let's move on to the markets and operations. I'll start with the waste business. Please turn to slide four. This has been an active year for client contract negotiations, and we've previously announced the important extensions of our Indianapolis and Huntsville contracts. As always, there are proactive discussions ongoing with a number of clients regarding long-term contract extensions, and we expect to announce several new agreements in 2017.

Copyright © 2001-2017 FactSet CallStreet, LLC

From a waste, price and volume perspective, 2016 came near the high end of our expectations with 2.8% year-over-year growth in the EfW waste processing revenue on a same-store basis. Volumes were flattish year-over-year, but same-store pricing increased 2.5% in 2016 as a result of continued growth in higher price profiled waste, improved uncontracted waste pricing and contracted waste escalators, though inflation escalation remains muted at approximately 1% on average.

On the profiled waste side, Q4 was another record quarter, and we finished the year with 15% year-over-year revenue growth. Looking to 2017, we are again targeting double-digit revenue growth from profiled waste. Combined with approximately 1% growth on our contracted tons, we expect our overall EfW revenue per ton to grow by 2% to 3% including the benefit of one quarter of contribution from the Dublin facility where pricing is approximately $100 per ton. We forecast total EfW tons processed at 19.5 million to 19.7 million with the benefit from one quarter of full operations at Dublin, partially offset by downtime at Fairfax here in the first quarter.

Now let's discuss energy. Please turn to slide five. 2016 EfW energy revenue was 1.2% lower on a same-store basis compared to the prior year, primarily due to reduced production at a few of our merchant facilities, most notably our Plymouth facility. Contract transitions benefited energy revenue by approximately $20 million overall with the elimination of client revenue sharing at Fairfax, partially offset by the negative mark-to-market on certain expiring power contracts.

To give you a bit of color on our Plymouth facility, earlier in the year we experienced the turbine generator outage. For much of 2016, the facility processed waste without generating electricity. Electricity sales resumed at full load earlier this quarter following replacement of the damaged equipment. This was an insured event subject to deductibles. So while it noticeably impacted our energy revenue line, the business interruption insurance recoveries came back as a credit to expense.

Looking at the market, following significant volatility in natural gas prices, power prices in our key markets are up modestly year-over-year. We see some positives giving the year-over-year decline in natural gas storage and slow down in natural gas production, though power prices in our key markets have lagged natural gas price gains and remain at low levels on a historical basis.

Taking into account the current forward curves, the previously discussed impact of PPA expirations and the lower hedge prices for 2017, we expect an average realized price of $44 to $48 per megawatt hour for 2017. We anticipate some recovery in output in 2017 as we benefit from one quarter of contribution from Dublin and resumed normal operation at Plymouth. However, these will be partially offset by the expected downtime at Fairfax.

For Dublin, specifically, during the fourth quarter, we expect to generate approximately 85,000 megawatt hours at a blended rate of around $65 per megawatt hour. As you think about the long-term outlook for this plant, roughly 50% of the output is sold under a renewable power at close to $90 per megawatt hour with the balance at the market rate in Ireland.

In line with our policy, we hedged over 60% of our 2017 open position last year and begun to reduce the market risk in 2018 with 1 million megawatt hours already hedged. Over the course of 2017, we will continue to execute our disciplined hedging strategy to reduce near-term volatility.

As a reminder, we're no longer operating any biomass generation. We sold several of our plants in the fourth quarter for a nominal amount, and while we have retained to plants in Central California, neither are expected to

Copyright © 2001-2017 FactSet CallStreet, LLC

operate in 2017. We'll have the opportunity to revisit those assets if the underlying economics improve as well as explore other options to extract value from the sites and existing infrastructure.

Let's turn to the metals business. I'm now on slide six. In aggregate, metals revenue was flat year-over-year. However, this result understates the positive strides we continue to make on recovery and net material management, which will pay larger dividends in 2017 and beyond. We increased recovery of ferrous and non-ferrous volume by 14% and 11%, respectively. After the effects of processing, volume drove 5% higher revenue, though this was offset by 6% lower realized revenue against a backdrop of 10% lower market index prices for both ferrous and non-ferrous.

For the full year, the ferrous scrap HMS Index was $197 per ton versus $217 per ton in 2015 and the full year average ended up towards the high end of the full year range provided on the Q3 earnings call. Pricing began to improve materially late in 2016 and this has accelerated into the New Year. The February HMS #1 Index pricing just came in at $260 per ton, which while $17 per ton lower than January levels, represents a significant premium to 2016 price realization.

We're cautious that prices may see seasonal pressure as well as reduced demand from key export markets such as Turkey due to the impact of the strong dollar. As such, we expect the full year HMS price to average between $200 per ton and $250 per ton which is lower than January and February levels, but stronger year-on-year.

On the volume side, 2016 highlights our continued success in recovery rates. In 2016 ferrous volumes sold reflect the impact of the centralized processing facility and its benefit to realized pricing. From an operational standpoint, we focused on managing inventory, and during the fourth quarter, we sold a significant volume of ferrous to reduce inventories heading into 2017.

On the non-ferrous side, forward prices of recycled aluminum indicate pricing will be around $0.58 per pound in 2017, up slightly compared with 2016 but relatively flat with where the market's been over the past month or so. Unlike ferrous, which has seen strong pricing of late, the realized pricing for recycled non-ferrous scrap has not been quite as strong and has lagged aluminum prices.

We expect our non-ferrous processing system to be up and running during the second quarter. Similar to the impact of the ferrous processing, this will reduce the volume of material sold but improve the pricing and our net profit. One key difference is that while we process roughly 35% of our ferrous volumes at the centralized processing facility, we'll process as much as 70% of our non-ferrous recovered tons there.

So the impact of volume and realized price will be more noticeable. Consistent with our history of investing in enhanced metal recovery, this project is financially attractive with an IRR in the mid-teens regardless of the underlying market prices. Given the anticipated impact in non-ferrous processing system, we forecast realized non-ferrous prices in the $1,100 per ton to $1,200 per ton range in 2017, which is a near doubling of realized prices on a year-over-year basis even with a flat market price. This will come with a corresponding 25% decrease in volumes sold due to processing.

Let's move on to maintenance expense and CapEx. Please turn to slide seven. Total EfW maintenance spend in 2016 including, both expense and CapEx, was 10% higher compared to 2015. This was driven by increased planned spend on major projects like the Fairfax baghouse as well as higher maintenance expense at a few service fee operating facilities and the full year inclusion of new facilities like Durham York. We ended the year within our guidance range, though towards the higher end, which was expected and discussed on the Q3 call.

Copyright © 2001-2017 FactSet CallStreet, LLC

For 2017, we expect total EfW maintenance spend to be in a similar range as 2016 when factoring in normal cost escalation and annual variability. Work on Onondaga and Fairfax facilities will continue through 2018. As you recall, work on Onondaga is primarily funded by the client while Fairfax is a large tip fee facility where we fund the work. We spent nearly $15 million of capital on the baghouses at Fairfax in 2016 and expect to spend a similar amount in 2017. The benefit of this spend and higher throughput at the plant was already evident in late 2016 and we expect Fairfax to ultimately be a top 10 plant in terms of profitability.

Looking at beyond 2017, our long-term EfW maintenance plan calls for annual spend including both expense and capital of between $365 million and $415 million over the next three years. We expect annual spend to vary within this range based on long-term maintenance schedules and the specific timing of large projects. According to our current schedule, we expect 2018 to be towards the higher end of the range before moving back down towards the middle of the range in 2019. We expect to update you on this outlook annually.

For more color on our historical spend and a bridge to our current and forecasted long-term maintenance, please turn to slide eight. In 2012, our total EfW maintenance spend including CapEx is $283 million. Since then we added a few facilities to the portfolio, which increased spend by $10 million to $15 million on annual basis. A normal cost inflation has increased spend by $20 million to $25 million over this period or roughly 1.5% to 2% per year. A more visible step change occurred when we initiated a series of long-term infrastructure investment programs for fleet wide upgrades and replacement of key equipment and systems that were approaching the end of their original useful lives.

These programs, which we've discussed in the past and began four or five years ago in some cases, include investments in boiler reliability, turbine generators, electrical infrastructure, instrument and controls, cranes, water and high pressure piping, rotating equipment and plant buildings and structures. These represent spending of $20 million to $30 million per year as compared to 2012. We will continue to make these investments where they make sense in order to maintain high levels availability across the fleet and improve overall operating performance long into the future.

Finally, over the last year, we started two major capital projects; the client funded Onondaga refurbishment and the Fairfax baghouse upgrade. These two projects are not indicative of fleet-wide needs. While both projects are expected to be completed in 2018, we anticipate that there will be other large discrete projects that will make sense for us to invest in over time.

As we look forward, maintenance spend will be driven by portfolio changes like the addition of Dublin, inflation and year-to-year variability of long-term maintenance schedules and timing of discrete projects. We plan to partially offset spend increases where possible with the outage optimization initiatives.

Before I turn the call over to Brad, I wanted to recap our long-term expectation and growth initiatives. Please turn to slide nine. For a number of years, we've worked very hard to grow our business and overcome the impact of both commodity headwinds and contract transitions. These efforts on both the revenue and cost line have positioned our company show much stronger results in an environment free of these headwinds.

I wanted to take the time to provide an update on the opportunities and initiatives we focused on and talk about how we see those translating into sustainable long-term growth. The majority of our initiatives can be characterized as organic growth, as a target maximizing adjusted EBITDA and free cash flow from our existing assets and we see a long runway for all of these.

Copyright © 2001-2017 FactSet CallStreet, LLC

Key among these drivers is our continuous improvement initiative which really got underway in 2016 and where we see meaningful fleet-wide opportunities to improve cost and drive more consistent production. Also our Covanta Environmental Solutions business is expanding and driving higher volumes of profiled waste into our EfW facilities and we continue to see double-digit annual growth in this business.

In 2017 our metals group will start up the centralized non-ferrous processing plant and we continue to evaluate incremental regional ferrous processing, which can further improve pricing and shipment flexibility. We're currently permitting and designing our first total ash processing system or TAPS. Once permits are in hand and engineering is complete potentially later this year, we will adjust our capital spend outlook to reflect this compelling investment and provide more color on the financial aspects of the opportunity.

Assuming permitting and construction progress as expected, we would anticipate startup sometime in late 2018. At that point, approximately 10% of our ash will be processed with a greater recovery of high value metal and a significant amount of ash redirected for beneficial use and thus displacing our cost to landfill the ash. This will be the first step towards meaningfully reducing our ash disposal over time which today represents $80 million to $90 million in annual costs. If all goes as planned, we'd expect to build more of these facilities over the coming years. More to come on this as the project progresses.

Lastly we see an increasing constraint on landfill capacity in Northeast over the medium-term. Combined with higher overall waste volumes driven by economic activity, both supporting a stronger waste market for the plants in our key regions. In the aggregate, we see these opportunities as meaningful and we expect them to drive sustainable adjusted EBITDA growth of 3% to 5% annually excluding any impact from commodity prices.

The exact breakout of the contribution will obviously vary year-to-year, but this growth is expected to be above and beyond any inflationary cost increases. Including the maintenance cost, which I previously discussed. Outside of these controllable items, we also maintained significant leverage to an eventual recovery in energy and metals markets and will continue to mitigate near-term volatility from commodities particularly on power through hedging.

In addition to our organic initiatives, we're working to develop new facilities. Our first major investment is the Dublin facility, the product of a decade of hard work which headlines our development program. We're entering the final stages of construction now and achieving commercial operations by the start of the fourth quarter is a top priority.

While no other projects are at a construction stage as of yet, we're building a pipeline of opportunity overseas, particularly in the UK, which we expect to yield attractive investment opportunities over the next several years. We look forward to sharing more with you in the coming quarters, but rest assured we're focused on a development strategy plays to our strength as a world leading operating company that manages risks and minimizes development cost burn.

In the past, the benefits of our organic growth have not always been easily recognizable due to contract transitions. While 2017 will still feel the impact of a step-down in energy as a series of high priced legacy power contracts end, we're finally nearing the end of these transitions.

In summary, I'm very pleased with a strong finish to 2016 and the progress we made throughout the year on our key initiatives. In 2017 we'll show modest adjusted EBITDA growth at current commodity prices and serve as a platform for future improvements given the benefit of Dublin, the execution of organic growth initiatives and the dissipation of contract transition headwinds.

Copyright © 2001-2017 FactSet CallStreet, LLC

Our team here at Covanta has worked very hard to fight through the challenges we have faced and I continue to be impressed by their diligence and creativity in finding new ways to improve operations. I want to again thank the team for all their efforts as we look forward to improving bottom-line results.

With that, I'll turn the call to Brad to discuss full year financial results and the financial outlook in more detail.

Bradford J. Helgeson

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

Thanks, Steve. Good morning, everyone. I'll start by addressing a few housekeeping items. First off, I'd like to welcome Dan Mannes to the team. Many of you already know Dan from his previous role as the longest tenured sell-side analyst in our coverage group, having covered Covanta for over a decade, longer than I've been with the company. As expected, given his experience and knowledge of our business, his transition has been seamless, and the perspective that he brings coming from the analyst community will add significant value to our investor communications.

Before we get into the numbers, I wanted to highlight a few areas where we've revised and enhanced our disclosures to better represent our business as it's evolved. We're always looking to improve the information we provide in order to help transparency and clarity of message. You notice that we're now providing revenue detail for the entire company, not just North America Energy-from-Waste operations. So our 2017 line item forecasts on slides four through seven include the Dublin facility, for example.

Within waste revenue in particular, we've broken out the revenue for Environmental Services, which includes our material processing facilities and on-site services as well as for municipal services, which consists of our transfer stations and the New York City MTS contract.

EfW waste processing revenue is the same as we've always disclosed for the Energy-from-Waste business and is essentially the waste and service revenue generated at EfW facilities excluding revenue that isn't directly tied to facility operations like debt service revenue. This line includes the revenue from profiled waste received at our EfW facilities, which was approximately $100 million in 2016 and the waste disposal piece of the New York City contract. Intercompany activities such as internalizing waste from transfer stations is eliminated.

We've also revised how we explain our period-over-period results to align with the key drivers of our business, as Steve discussed, and as laid out on slide nine. These drivers are: organic growth, transactions and long-term contract transitions. Any and all business factors impacting our results can be categorized under one of these three.

Within organic growth, we'll break out the impact of commodity market price changes, which we don't control, from the organic growth of what we'll call the core business which we can control. Organic growth in the core business, excluding commodity price movements, is where the company is focused on generating sustainable long-term growth. It's where Steve laid out a long-term target of 3% to 5% annually and where I'll measure our performance on these calls going forward.

Now I'll begin my review of our 2016 financial performance with revenue on slide 11. Revenue was $1.7 billion in 2016, up $54 million over 2015. Organic growth represented $51 million of the increase, while our core business activities, excluding commodity price changes, generated $56 million year-over-year. Key drivers included EfW waste price of $24 million or 2.5%, which reflected the benefit of profiled waste growth, a $12 million increase in

Copyright © 2001-2017 FactSet CallStreet, LLC

Environmental Services revenue as we continued the expansion of our Covanta Environmental Solutions business and $23 million in higher construction revenue, primarily related to activity at Pinellas County facility.

Energy volumes were lower by $5 million primarily due to downtime at our Plymouth facility, as Steve discussed, while metals recovery volume benefited core business growth by $3 million. Commodity prices represented a modest headwind year-over-year in dramatic contrast with last year. The benefit of higher same-store energy price including capacity was $1 million, offset by $6 million from lower metals market index prices year-over-year.

Transactions overall reduced revenue by $13 million year-over-year as a contribution from Environmental Solutions acquisitions and new business, including the commencement of operations at the Durham York facility and a full year contribution from the Queens MTS under the New York City contract, were offset by our sale of interest from China and the shutdown of our biomass operations. Contract transitions increased revenue by $16 million year-over-year. With a $22 million benefit from waste and service contract transitions, driven by increased energy share at the Fairfax County facility, partially offset by a $6 million headwind from long-term power contract expirations.

Moving on to slide 12. Adjusted EBITDA was $410 million in 2016 compared to $428 million in 2015. Organic growth netted to an adjusted EBITDA decline of $29 million resulting from a $31 million increase in employee incentive compensation expense. As we've explained over the past year, the company's financial results in 2015 relative to internal targets resulted in no accrual for employee bonuses, while 2016 reflects a normalized expense level, causing a significant swing in year-over-year results.

Excluding this variance, core business activities including commodity prices contributed $7 million or about 1.5% year-over-year. Benefits from waste price, profiled waste and Environmental Services growth, metals recovery, continuous improvement initiatives and the commencement of operations at Durham York were partially offset by operational issues at the Fairfax facility in the first half, in addition to reserves that we took at the end of the year relating to outstanding disputes with our Durham York construction contractor.

Transactions represented a net headwind, with the impact of the China swap and sale offsetting the contributions from Environmental Services acquisitions and new business. Contract transitions benefited adjusted EBITDA by $15 million year-over-year with a $21 million benefit from waste and service contract transitions, primarily the increased energy share at the Fairfax County facility, partially offset by a $6 million headwind of long-term power contract expirations.

Turning to slide 13. Free cash flow was $172 million in 2016 compared to $147 million in the prior year. Focusing on free cash flow prior to changes in working capital, which can introduce some variability in any particular period, the year-over-year decline was $40 million from $169 million in 2015 to $129 million in 2016.

Much of this decline was driven by the same factors that impacted adjusted EBITDA. In addition, we saw an $8 million increase in maintenance CapEx on a year-over-year basis with higher cash taxes in interest expense and lower cash amounts released from restricted funds explaining the majority of the remaining delta. Free cash flow benefited materially from $43 million in working capital inflows and ended at the high end of our expectations.

The majority of this working capital benefit was due to the fact that we accrued for a normal level of incentive compensation in 2016, but did not pay out any for the prior year, as previously discussed. We also benefited in 2016 from a favorable positioning of receivables and payables at year-end, though this makes for a bit more challenging comparison for 2017.

Copyright © 2001-2017 FactSet CallStreet, LLC

Now I'll move on to our growth investment activity and outlook. Please turn to slide 14. We invested $46 million in organic growth projects in 2016, which primarily consisted of metal recovery systems, relatively small investments in facilities and equipment for growing the Environmental Solutions business and also CapEx related to continuous improvement projects. Installation of the new emissions control system at the Essex County facility was completed successfully in the fourth quarter. That investment has tailed off heading into 2017 with final payments related to that project hitting in the first quarter.

We completed two acquisitions in the Environmental Solutions space for a total of $9 million in 2016 and we invested $162 million in the Dublin facility construction last year. As Steve discussed, that project is progressing on schedule and we still expect the total project costs to be about €500 million. In 2017 we're expecting to allocate approximately $135 million towards committed or currently identified growth investments. The substantial majority of which is for completing the Dublin project construction. As a reminder, remaining investment in Dublin will be funded through existing project financing.

Overall, our anticipated growth spend is significantly lower in 2017 with less than $40 million forecasted to be funded on the corporate balance sheet. However, this forecast could change to the extent that we're successful in advancing other attractive investment opportunities such as a new EfW development from our pipeline or the first top system. Note that we closed one Environmental Services acquisition earlier this year for $6 million, which has reflected in the 2017 outlook and we'll continue to look for strategic bolt-on acquisitions in that area, though our activity is likely to be limited again in 2017.

Turning to slide 15, I'll provide an overview of our balance sheet at year-end and highlight some key points regarding our capital structure. Net debt was approximately $2.5 billion as of December 31 and our net debt to adjusted EBITDA ratio was at 6.2 times. As Steve mentioned, we repatriated the vast majority of the proceeds from the China sale to repay revolver balances. This included approximately $50 million initially upon the closing of the sale, but then also an additional $46 million in Q4 that had initially been held offshore as we were able to repatriate the second tranche tax efficiently.

With the pending completion and commercial operation of the Dublin facility later this year, we expect that our consolidated ratios will remain elevated through 2017, but the leverage should begin to trend down as we exit this year. Our long-term target remains a net debt to adjusted EBITDA ratio of approximately four times. Though given the near-term outlook for commodity prices, it will likely take some time before we achieve that level.

While we believe that it makes sense to carry lower leverage on long-term basis and we are reprioritizing capital discipline and debt reduction to achieve this, I'd nonetheless like to point out that there's no urgency for us to do so. We have no meaningful debt maturities until 2020. As I've discussed in the past, we've made a concerted effort to prioritize long-term fixed-rate financing and our capital structure provides us with the long-term stability and flexibility that is particularly valuable in times of commodity and capital market volatility.

We'll continue to look for opportunities to refinance our debt to both extend the term and lower the cost. Our liquidity is very strong with approximately $500 million of availability under our revolving credit facility at year-end. Regarding debt covenants, which are really only relevant for our senior secured credit facility, we're at three times leverage ratio at December 31 versus our covenant of four times. This ratio is not impacted by the increased leverage from Dublin as that non-recourse debt is excluded from the calculation during facility construction.

Even though our consolidated metrics remain elevated, we have no debt covenant pressures whatsoever. As it relates to our growth spend, all of the capital required to complete the Dublin construction has already been committed on a non-recourse project subsidiary basis. Given our anticipated level of free cash flow in 2017 and

 Copyright © 2001-2017 FactSet CallStreet, LLC

our meaningful dividend payout, we expect to modestly add leverage this year in order to fund additional high return growth investments, which we believe, to be in the best interests of both shareholders and our debt holders.

Let's move on to our 2017 guidance ranges. I'm now moving to slide 16. We expect to be in the range of $400 million to $440 million of adjusted EBITDA for 2017. This represents modest growth at the midpoint, which is in line with our previous comments in October. We expect our core business, excluding commodity prices to produce organic growth of $15 million to $20 million in 2017 or 3% to 5% growth driven by waste prices profiled waste in Environmental Services growth, metals processing, continuous improvement and better overall plant production.

This organic growth is net of any cost increases including higher maintenance costs. While forward power prices are higher in the Northeast versus 2016, we expect our same-store pricing to be in a range from flat to down $20 million given our mix of market exposures and a step down in hedged prices from where we've been able to hedge in 2016.

We're currently forecasting scrap metal market prices to be flat to modestly positive on a full year basis potentially benefiting adjusted EBITDA by up to $10 million. Note that this refers only to the underlying commodity market prices not the benefits of processing on our realized sale prices. In other words, our percentage of the underlying index which is included in the core business category.

The key driver for 2017 is the expected start up of the Dublin facility by the beginning of the fourth quarter, which we expect to add $15 million of adjusted EBITDA before reaching full year run rate contribution next year. In addition, we expect another few million dollars from other investments, including small Environmental Services acquisitions and the elimination of carrying costs on the biomass facilities that we sold.

Lastly, contract transitions are expected to represent approximately $15 million net headwind. As we flagged many times in the past, we'll see an impact of about $25 million from the expiration of high priced legacy power purchase agreements, which consist of four separate contracts. However, this will be partially offset by better pricing on a few long-term waste contract renewals and increased energy share as another service fee contract transitions to tip fee.

I'll take this opportunity to remind you that our business has significant seasonality and we anticipate as usual a higher level of maintenance activity in the first half of the year. Metals prices are beginning the year above our expected full year average so that should help the first quarter a bit. However, we're only expecting Dublin to benefit the fourth quarter.

The impact of contract transitions, which I've discussed in terms of full year impact, should be relatively consistent across the year. Investors and analysts should calibrate their models for a typically heavily second half weighted year where the first quarter produces the lowest quarterly adjusted EBITDA and free cash flow.

Moving on to our outlook for free cash flow, please turn to slide 17. We expect free cash flow which includes the impact of working capital to be in the range of $100 million to $150 million in 2017. Excluding working capital and looking through the numerous factors impacting the business in both directions, free cash flow is essentially flat year-over-year at the midpoint, as the uplift in adjusted EBITDA is offset by slightly higher maintenance CapEx and higher interest, which primarily relates to beginning to expense the project debt interest at Dublin when the facility begins operations.

Copyright © 2001-2017 FactSet CallStreet, LLC

In 2016, free cash flow benefited materially from favorable working capital movements, especially in the fourth quarter. Conversely, we expect working capital to require outflows in 2017 driven largely by construction related payments and the startup of the Dublin facility. Again, I'd like to focus your attention on free cash flow before working capital movements as a better proxy for ongoing cash flow. If you step back and look at free cash flow as an average across 2016 and 2017, which smoothes out the working capital movements, we're at approximately $150 million assuming the midpoint of 2017 guidance.

I'd also point out that while it's premature to provide explicit guidance, we expect the free cash flow will be materially higher in 2018 given known items, including the full year contribution from Dublin and our expectations for organic growth.

To wrap up, I'd like to spend a minute on our capital allocation priorities. Maintaining and supporting our current dividend while investing in high return projects to drive long-term growth are our top capital priorities. Nothing has changed in this regard, but when and under what circumstances we'll look to grow the dividend is a common investor question.

As all of you likely saw in December we decided to maintain the dividend payout at its rate of $0.25 per quarter or $1 on an annualized basis. At the current stock price, this payout represents a very attractive 6.5% yield.

Given our outlook for free cash flow in 2017 and the timeline for completion of Dublin, we didn't see a compelling reason to increase the dividend this year. The fact that our balance sheet leverage is elevated as we work through this phase in our investment cycle also plays into our thinking. We're committed to bending the trajectory of leverage back down.

As we've said consistently, our goal is to grow the dividend over time as we grow cash flow in a sustainable manner. The returns generated from our long-term investments such as the Dublin project and our core business organic growth, excluding commodity prices, will be the drivers of this sustainable cash flow growth. So our success there will indicate our capacity to resume growing shareholder payouts.

You'll note that I explicitly left out commodity price recovery among the drivers of future dividend growth. Our dividend is based on the solid bedrock of cash flow that this business generates regardless of period-to-period commodity price swings. So obviously, we won't rely on commodity prices returning to a certain level to justify dividend increases.

In the event of a material commodity price rally, we view that as excess cash flow to be allocated opportunistically towards investing back in the business for more sustainable growth or debt reduction. It's the non-commodity growth that will support higher dividend payouts over time.

Regarding leverage, I'll note that we do not have a specific leverage target that must be met before increasing the dividend. Our dividend decisions are based on a comprehensive analysis of the business, our outlook and the balance sheet. Ultimately, we think the best approach for our shareholders is to retain the flexibility to make the best decision at the time based on our overall assessment of all relevant factors. The bottom-line is, as we grow free cash flow sustainably, dividend growth will follow.

With that, operator, we'd like to move to the Q&A portion.

 Copyright © 2001-2017 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Thank you. Your first question comes from the line of Tyler Brown with Raymond James. Your line is open.

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

Good morning.

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

Good morning.

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

Hey, Brad I'm just curious on how CPI works for you guys. So if I look at the last couple of months, CPI has been tracking nicely above 2% year-over-year. It looks like you guys are guiding at 1% increase in the contract portfolio. Can you just talk about how mechanics of that CPI does flow back through the book?

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

Sure. I'll make some generalizations here across the portfolio. All the contracts are or many of them are slightly different, but first of all, the escalator resets typically annually. Then the important point, I think, to keep in mind as far as 1% versus maybe what you're seeing at the beginning of this year is that many of the contracts aligned with municipal year-ends. So we'll have a contract escalation that'll kick in at the end of June. So when we talk about 1% expectation for this year, a lot of that's already baked in the cake based on where escalation was last June, but to the extent that you're seeing CPI tick up here over the first half, you might see that benefit us in the second half as we're resetting over the summer.

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

Okay. That's very helpful. And then just my follow-up. Steve, I may have missed it, but you noted that 2017 maintenance spend would be $365 million to $385 million, but then I heard you say or I thought I did that 2018 would be towards the higher end of that three-year average and then 2019 would come back down. Is that correct?

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

Yeah. That's correct.

Copyright © 2001-2017 FactSet CallStreet, LLC

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

Q

And if so, what's the driver of the 2018, 2019 changes?

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

A

We just have more scheduled maintenance in 2018. Well, I was trying to give you a little bit of – because the range of $365 million to $415 million, I wanted to give you a little bit of shape of what that looks like. So 2018, because of what we currently have scheduled now, is going to be in the higher side and then 2019 comes back to the middle of the range.

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

Q

Middle range. Okay. Perfect. Thanks.

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

A

Sure.

Operator: Your next question comes from the line of Noah Kaye with Oppenheimer & Company. Your line is open.

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Thank you, and good morning. I guess, let's start off with Dublin, since you talked about this being a benefit in 2017. Can you just talk about what gives you confidence in the ability to hit that ramp and maybe some of the lessons you've learned from ramping recent facilities and what milestones we should be really thinking about over the course of the year?

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

A

Sure. It's not lost on us that our Durham York project did not go as well as we would have liked. Dublin has a different contracting structure. So in Dublin, we're utilizing Hitachi Zosen, which is a world leader in building Energy-from-Waste plants. We have an EPC contract with them. So they're putting together kind of shoot to stack engineering and doing the project. So it's different.

In Durham York, we played that role. In Dublin, Hitachi is playing that role. So the risk is different for us, and quite frankly, as I mentioned, Hitachi builds a lot of these plants. So we're comfortable with their capabilities. So we've effectively changed the execution model around construction when you look at Dublin versus Durham York.

And then moving forward, I mean we're looking – what we're really focused on, and we're really focused on this, is getting the plant up and running by the start of the fourth quarter. So that's a big focus for us now. I'm spending a lot of time on that, as is Mike de Castro, and we'll continue to work towards that as we go through this year.

Copyright © 2001-2017 FactSet CallStreet, LLC

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Great. And then, how should we be thinking just about modeling the cadence of the Fairfax impact over the year, and can you put an estimate on kind of how to think about net debt to EBITDA impact for 2017, understanding that this was insured?

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

A

Yeah. It's Brad. We're not going to get real precise with the specific impact. I'll tell you it's a few million dollars net of the insurance recoveries, but I think the important point in terms of modeling the core is what you've touched on, which is that we'll be taking the pain, if you will, of that financially here while the plant is down and then recovering for the business interruption later in the year. It's really impossible frankly for me give you real precise estimate on when those insurance recoveries will come in, but I think safe to say it's going to be pain in the first half and then recoveries at some point in the second half.

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Thanks very much. I'll take the rest offline.

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

A

Thanks.

Operator: Your next question comes from the line of Al Kaschalk with Wedbush Securities. Your line is open.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Hi. Good morning, guys.

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

A

Hi, Al.

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

A

Good morning, Al.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

I just wanted to clarify, was there a comment about there would be more expense related to the Durham contract or that was a bridge from 2016 to 2017?

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

A

Copyright © 2001-2017 FactSet CallStreet, LLC

Yeah. Al, this is Brad. There was some additional expense in the fourth quarter in the form of an increase to our reserve against the outstanding dispute that we have with our subcontractor, which we've talked about in the past. So the construction is, of course, completed. The facility's been operational since the beginning of last year, but this just relates to ultimately the cleanup of that outstanding dispute.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Okay. I appreciate all the detail. I'm still struggling on slide 17 with the free cash flow. If we look at sort of an expectation of being flat going into 2017 versus 2016, what's the piece that I'm not picking up correctly or not thinking about? I mean, is there something incremental that is it – is it Fairfax, is there some spend that has come up that's going to cause you to be down relative to being sort of a flattish type of expectation?

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

A

It's really just working capital. So if you look at the free cash flow before working capital, it's in the midpoint of our guidance. It's essentially flat. Essentially working capital exceeded our expectations at the end of the year, and that's just going to turn around in the beginning part of this year. So stepping back, like I said in the prepared remarks, if you look at it as an average across the two at our midpoint, we're $150 million, and we expect it to be – candidly we expect it to be closer to that $150 million level in 2016, which would have left us closer to $150 million or flat in 2017, and we just had a little bit more in 2016 at the expense of the early part of 2017. It's just the way that the flow has worked.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Great. If I may sneak one more tie-up in here, a cleanup item. Project expense in Dublin you said kicks in in the fourth quarter I guess?

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

A

Yep.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Could you give us a magnitude of whether that'd be annualized or not? I realize there may be a rate we can calculate that on but just in terms of expectations?

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

A

Yeah. In terms of the impact, just high level, and I think offline we could certainly take you through all the rates and all that, but it'll be between $5 million and $10 million impact on a free cash flow basis.

Al Kaschalk
Analyst, Wedbush Securities, Inc.

Q

Okay. Great. Good luck, guys.

Copyright © 2001-2017 FactSet CallStreet, LLC

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

Thanks, Al.

Operator: Your next question comes from the line of Michael Hoffman with Stifel. Your line is open.

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

Thank you for taking my question. I have a sense that we should've seen a little bit more operating leverage given the slightly better revs from electricity and metals. And yet that didn't work its way through the model and given all the changes in the way of the presentation is like – unfortunately, I may not be able to get into the nuances of this yet. So maybe you can help us understand why wasn't there a little bit more operating leverage in the model in the quarter?

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

Yeah. So a couple of factors. The first one – I mean we've been talking about it all year. I assume this is reflected in your model is that the drag, if you will, on a year-over-year basis of the change in the incentive comp. Luckily, I think this is the last. As this is now fully anniversaried, I think it's the last quarter where we're going to have to talk about it, but the piece that you wouldn't have picked up is the – I was just referring to...

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

You just mentioned in this, year.

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

Yeah. The additional accrual that we took related to the Durham York contractor dispute.

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

And that is how much?

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

Given the situation we're in right now, it's active litigation. We can't, for probably obvious reasons, we can't give a specific number but it certainly impacted the results.

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

Yeah. We're in the midst of arbitration there, Michael. So, I don't want to say too much about that reserve, but we're in arbitration. We're hoping that to get finalized or completed in 2017. So we -

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

Copyright © 2001-2017 FactSet CallStreet, LLC

Fair enough. Where am I looking for it in income statement, so like be in your G&A?

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

A

That'll be in other expense.

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

Q

Other expense. Okay. Okay. And then the other part of that question is, is you started from a premise that the plant structure models of this business should be highly predictable and yet the free cash flow variability, sort of, swings and it leaves you thinking it's not as predictable. So how do we get comfortable with your entering a phase of repeatable predictability?

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

A

Well, I guess, I'd first point our – where we ended up the year on adjusted EBITDA. I mean, we hit the sprinkler head down in middle of the fairway on the guidance range in beginning of the year. And on the free cash flow, the working capital particularly when we have large construction projects and we've talked about this many times before, you could have some big variability around those when you have chunky payments. So on a free cash flow base, I think the reality is that whether you look at it before working capital changes to look at kind of the underlying trends or you take, kind of, multiyear averages again to smooth through that, I think you're left with a picture that implies much greater predictability and stability than what would be implied by comparing our 2015 to our 2016 cash flow.

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

Q

Okay. If I could tease out a little bit, so sitting in the middle of the fourth quarter when you're reporting 3Q and telling us about the end of the year, so you've had six or seven weeks left, you couldn't see this working capital happening.

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

A

Well, there's some natural variability to it, but if you want our guidance range for the year, we reaffirmed and we didn't narrow, we didn't guide within it and we ended up within that range or candidly we ended up higher within the range than what we and I think the Street expected, and that again was just due to the timing of some of their working capital. Though frankly, you don't necessarily know exactly where that ends up until sometimes literally the last week of the year. It's just based on the way that the payments work, so.

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

A

We did a particularly good job of collecting on accounts receivable at the end of 2016. So I'm pleased by that. I'd rather get the cash in more quickly. So benefit to 2016 it's going to create a little bit of a challenge in 2017, but we got the money in the door. So net-net I think that's probably a good thing.

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

Q

Copyright © 2001-2017 FactSet CallStreet, LLC

Okay. Thanks.

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

A

Thank you.

Operator: [Operator Instructions] Your next question comes from the line of Jon Windham with Barclays. Your line is open.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

Hey, thanks guys. Maybe I'll sneak in a quick one here at the end.

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

A

Sure, Jon.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

Can you remind me on Dublin, when some of you talked in the past about the potential annual contribution from that facility. Was there an exchange rate you had in mind. And if so, has that changed given the move in currency over the past two months or three months? And then secondly, can you just remind me if there's any financial hedges in place for the currency or contracted hedges?

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

A

Sure. We haven't explicitly given, in U.S. dollar terms, an expected contribution from the plant. What we've talked about as we move through 2017 and we're looking at 2018 and talking about that publicly, we'll be saying more about this certainly, but what we said was that the total investment is approximately €500 million and that investors should expect a contribution in euro terms to imply an investment multiple of nine times or less. So that puts you to about €60 million and how that would translate in the U.S. dollars, obviously would've declined here over the course of the last couple of years as the dollar has appreciated. We haven't yet hedged and don't necessarily have plans to, to the extent that we change this approach. We'll certainly talk about it, but we haven't hedged any of the future earnings from a translation standpoint from the Dublin facility.

Jon Windham
Analyst, Barclays Capital, Inc.

Q

Awesome. Thanks, Brad. Crystal clear.

Operator: There are no further questions at this time. I will turn the call back over to CEO, Steve Jones.

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

Copyright © 2001-2017 FactSet CallStreet, LLC

Everyone, thanks for joining us. We really appreciate taking the time to be able to talk about our business. We know you're all busy. So really do appreciate you getting on the call and I hope everyone has a great day. So thanks again and we'll talk to you at the end of the next quarter. Thanks.

Operator: This completes today's conference call. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2017 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.