

# Casella Waste Systems, Inc.

UBS Industrials and Transportation Conference

November 16, 2017



# Safe harbor statement

Certain matters discussed in this presentation, including, but not limited to, the statements regarding financial results and guidance, are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by the context of the statements, including words such as “believe,” “expect,” “anticipate,” “plan,” “may,” “would,” “intend,” “estimate,” “will,” “guidance” and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which the Company operates and management’s beliefs and assumptions. The Company cannot guarantee that it actually will achieve the financial results, plans, intentions, expectations or guidance disclosed in the forward-looking statements made. Such forward-looking statements, and all phases of the Company’s operations, involve a number of risks and uncertainties, any one or more of which could cause actual results to differ materially from those described in its forward-looking statements. Such risks and uncertainties include or relate to, among other things: new policies adopted by China as part of its “National Sword” program that will restrict imports of recyclable materials into China and could have a material impact on the Company’s financial results; costs associated with the planned capping and closure of the Southbridge Landfill and the pending litigation relating to the Southbridge Landfill; adverse weather conditions that have negatively impacted and may continue to negatively impact its revenues and its operating margin; current economic conditions that have adversely affected and may continue to adversely affect its revenues and its operating margin; the Company may be unable to increase volumes at its landfills or improve its route profitability; the Company’s need to service its indebtedness may limit its ability to invest in its business; the Company may be unable to reduce costs or increase pricing or volumes sufficiently to achieve estimated

Adjusted EBITDA and other targets; landfill operations and permit status may be affected by factors outside its control; the Company may be required to incur capital expenditures in excess of its estimates; fluctuations in energy pricing or the commodity pricing of its recyclables may make it more difficult for the Company to predict its results of operations or meet its estimates; the Company may incur environmental charges or asset impairments in the future; and the Company’s credit facility agreement requires it to meet a number of financial ratios and covenants. There are a number of other important risks and uncertainties that could cause the Company’s actual results to differ materially from those indicated by such forward-looking statements. These additional risks and uncertainties include, without limitation, those detailed in Item 1A, “Risk Factors” in the Company’s Form 10-K for the fiscal year ended December 31, 2016 and in our Form 10-Q for the quarterly period ended September 30, 2017, and in other filings that the Company may make with the Securities and Exchange Commission in the future.

The Company undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.



# Casella Waste Systems - Overview

**Casella provides integrated solid waste, recycling and resource services.**

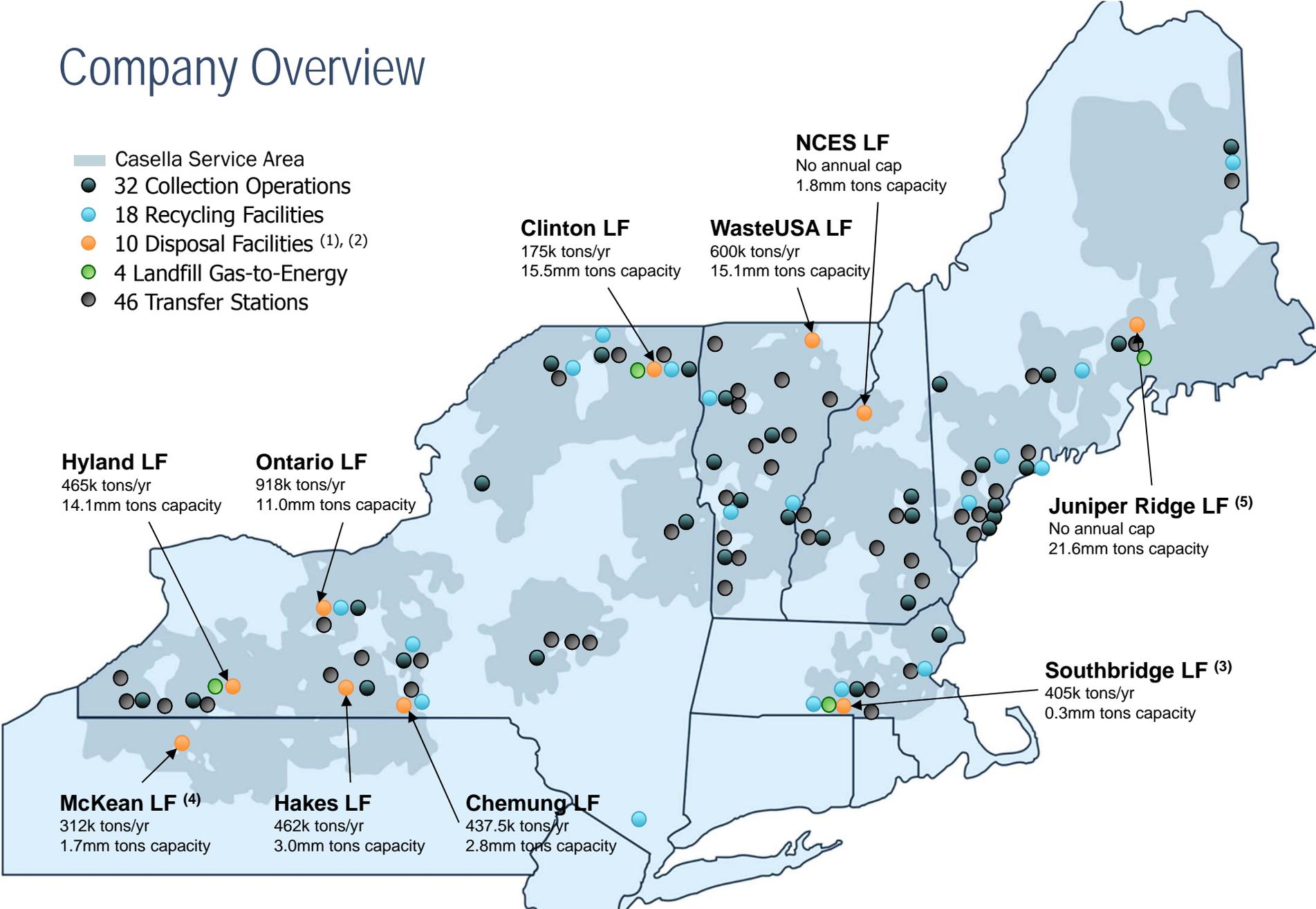
- \$591.9mm of revenues for the 12-months ended 9/30/17.
- Integrated operations located in six northeast states.
- Emphasis on integrated waste operations including: disposal, recycling and Customer Solutions.

**Focused on providing customers with waste and resource solutions.**

- Waste and resource assets are well positioned in the northeast.
- Robust transfer network allows us to effectively move waste and recyclables to our disposal & processing facilities.
- Provide customers with value-added resource solutions through our Recycling, Organics, and Customer Solutions operations.

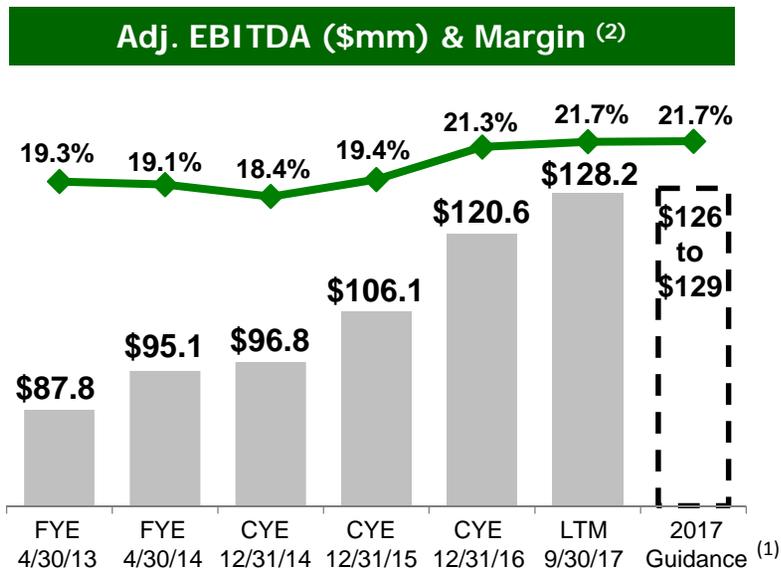
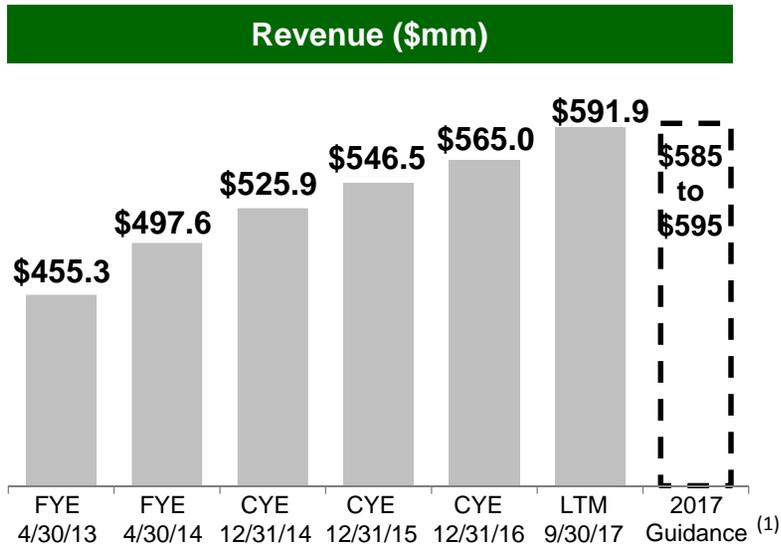


# Company Overview



(1) Includes 9 Subtitle D landfills and 1 landfill permitted to accept construction and demolition materials. (2) Total disposal capacity includes permitted and permittable airspace estimates at each site as of 12/31/16. (3) The Company announced plans to abandon efforts to pursue additional permits at the Southbridge LF on 8/2/17, please refer to the Company's Form 10-Q for the quarter ended 6/30/17; (4) Annual capacity does not include the 1.5mm tons/yr rail permit at McKean LF; (5) Juniper Ridge LF has an annual limit of 81.8k tons/yr of MSW through 3/31/18.

# Results up significantly on strategic execution



## LTM 9/30/17 as compared to FYE 4/30/13:

- Revenue growth +\$136.5mm (or +30.0%) mainly driven by Collection (+\$50.1mm), Disposal (+\$49.4mm)<sup>(3)</sup>, and Customer Solutions (+\$22.8mm).
- Adj. EBITDA up +\$40.3mm (or +45.9%) mainly driven by strong pricing, higher landfill volumes and strategic execution.
- Landfill tons up +758k annually (or +21.3%), while increasing pricing (up +3.2% in LTM Q3 2017).<sup>(3)</sup>
- Collection price increases (up +2.9% in LTM Q3 2017).

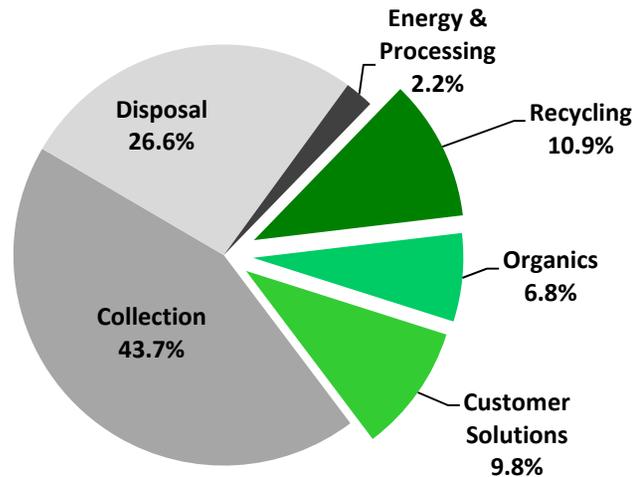
(1) CY 2017 Guidance as provided on 3/1/17 and raised on 11/1/17.

(2) Please refer to the appendix for further information and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, which is net loss. Net loss was (\$54.5mm) for the fiscal year ended 4/30/13, (\$27.4mm) for the fiscal year ended 4/30/14, (\$29.1mm) for the calendar year ended 12/31/14, (\$11.8mm) for the fiscal year ended 12/31/15, (\$6.9mm) for the fiscal year ended 12/31/16, and (\$53.8mm) for the 12 months ended 9/30/17.

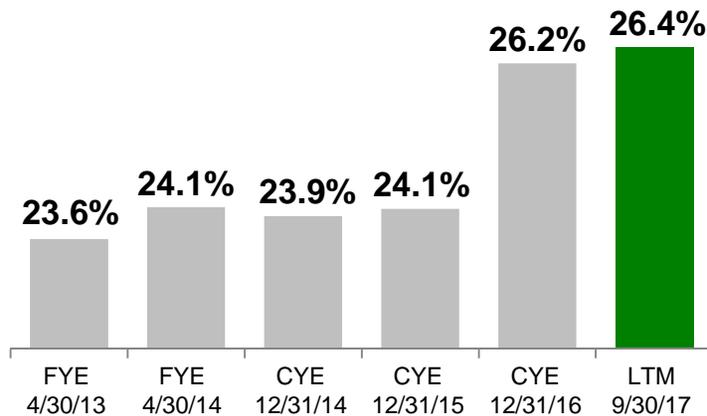
(3) Disposal Revenue includes the impact of Worcester landfill and various acquisitions, whereas landfill volumes excludes the low-priced soils at the Worcester landfill closure project.

# Solid Waste operations driving improving margins

## LTM 9/30/17 – Revenue Splits (1)



## Solid Waste Adjusted EBITDA Margins



## ~73% revenues in Solid Waste.

- Solid Waste consists of integrated collection, transfer, landfill, energy, and processing services.
- Margin improvement driven by higher landfill tons, pricing, cost efficiencies, and asset repositioning.
- Target Adj. EBITDA margins > 29% in CYE 2021.

## ~27% revenues in Resource Solutions. (1)

- Resource Solutions consists of Recycling, Organics, and Customer Solutions operations.
- Recycling business implementation of our SRA Fee, contract resets, and operating efficiencies.
- Organics margins flat; lower margin, higher return business.
- Customer Solutions margins up on industrial services growth and higher G&A leverage.

(1) Resource Solutions includes revenues derived from the Recycling, Organics, and Customer Solutions business units; disclosed as the Recycling and Other segments.

# 2018 Strategic plan has driven significant shareholder value

**In August 2015 we first announced our 2018 strategic plan that focused on 4 key areas to increase free cash flow and to reduce debt leverage:**

- 1 Increasing landfill returns
- 2 Driving additional profitability in collection operations
- 3 Creating incremental value through Resource Solutions
- 4 Improving balance sheet and reducing risk

# 2018 Strategic plan has driven significant shareholder value

	Results before announcing 2018 plan		2018 plan as first announced on 8/11/15		Tracking ahead of multi-year plan	
	CY 2014 Actuals	→	CY 2018 Financial Targets <sup>(1)</sup>		LTM 9/30/17 Actuals	CY 2017 Guidance Ranges <sup>(1)</sup>
Revenues	\$525.9mm	→	\$562mm to \$583mm		\$591.9mm	\$585mm to \$595mm
Adjusted EBITDA <sup>(2)</sup>	\$96.8mm	→	\$122mm to \$132mm		\$128.2mm	\$126mm to \$129mm
Normalized Free Cash Flow <sup>(2)</sup>	\$9.3mm	→	\$30mm to \$40mm		\$46.6mm	\$34mm to \$37mm
Total Debt-to-EBITDA <sup>(3)</sup>	5.42x	→	3.25x to 3.75x		3.71x	N/A

(1) CY 2017 Guidance as announced on 3/1/17 and raised on 11/1/17; CY 2018 Financial Targets as first presented on 8/11/15.

(2) Adjusted EBITDA and Normalized Free Cash Flow as defined in the appendix reconciliation. Casella does not provide reconciling information for forward-looking periods because such information is not available without an unreasonable effort. Casella believes that such information is not significant to an understanding of its non-GAAP measures for forward-looking periods because its methodology for calculating such non-GAAP measures is based on sensitivity analysis at the business unit level rather than on differences from GAAP financial measures.

(3) Total Debt-to-EBITDA as defined as "Consolidated Net Leverage Ratio" in the our Credit Agreement dated as of 10/17/16 ("ABL Revolver"); Total Debt-to-EBITDA as defined as "Consolidated Leverage Ratio" in the our Loan & Security Agreement dated as of 2/27/15 ("ABL Revolver") for CY 2015; and calculated as of last day of each above listed period.

# 2021 Strategic plan expected to further drive shareholder value

**Launched new 2021 plan that focuses on the following strategies to enhance free cash flow growth, while further reducing leverage:**

## Key Strategies

- 1 Increasing landfill returns
- 2 Driving additional profitability in collection operations
- 3 Creating incremental value through Resource Solutions
- 4 Reducing G&A costs and improving efficiencies
- 5 Allocating capital to balance delevering with smart growth

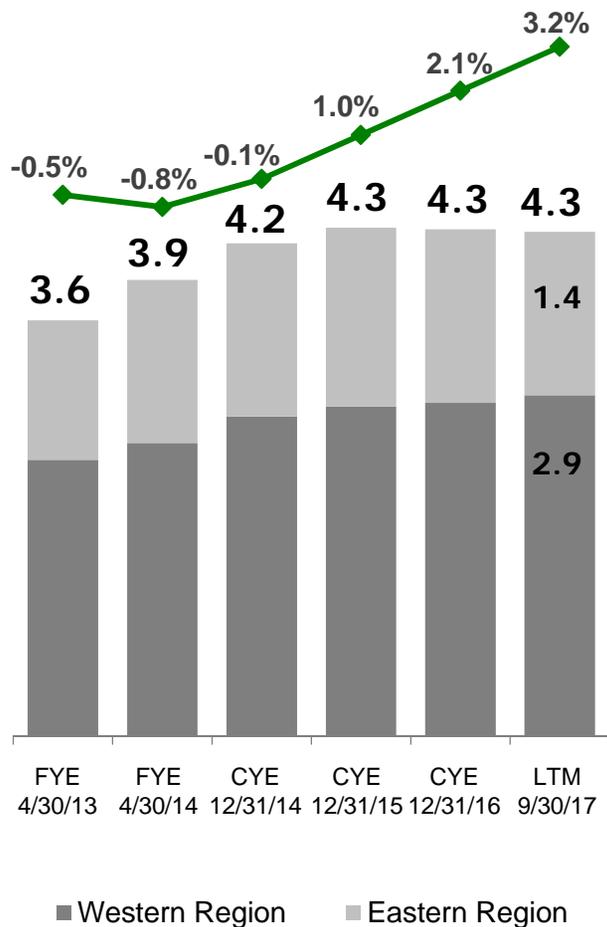
## Financial framework

- Organic revenue growth targeted at +3% to +4% per year (including -2% from the closure of Southbridge landfill).
- \$20mm to \$40mm per year of acquisition or development activity. Opportunistic, not budgeted, with strict capital hurdle rates and process.
- Normalized Free Cash Flow growth of +10% to +15% per year (minimum of \$50mm by 2021).
- Consolidated Net Leverage targeted between 3.00x and 3.25x.

# 1

## Increasing landfill returns

**Annual Landfill Volumes (mm Tons) and Price Growth <sup>(1)</sup>**



### Landfill Highlights:

- Casella controls 10 landfills in strategic locations across the Northeast.
- Total disposal capacity ~90.1mm tons.<sup>(2)</sup>
- Roughly 0.9mm tons/yr of excess annual permitted capacity at 9/30/17.
- Jan 2016 - Hyland LF annual permit increased by +150k tons/yr.
- Jan 2016 - Ontario LF total permitted capacity increased by +15.7mm cyds.
- Jun 2016 - Chemung LF total permitted capacity increased by +8.2mm cyds and increased the annual permit by 237k tons/yr.
- Jun 2017 - Juniper Ridge LF total permitted capacity increased by +9.4mm cyds.
- Aug 2017 – announced plan to abandon permitting activities at Southbridge LF. Site expected to close by 12/31/18.

(1) Annual Landfill Disposal Volumes include amortizable and non-amortizable tons, and exclude low-priced soils at the Worcester landfill closure project.  
 (2) Includes both permitted and permittable airspace at landfills.

## **Strategy capitalizes on improving market and asset positioning to further improve landfill returns.**

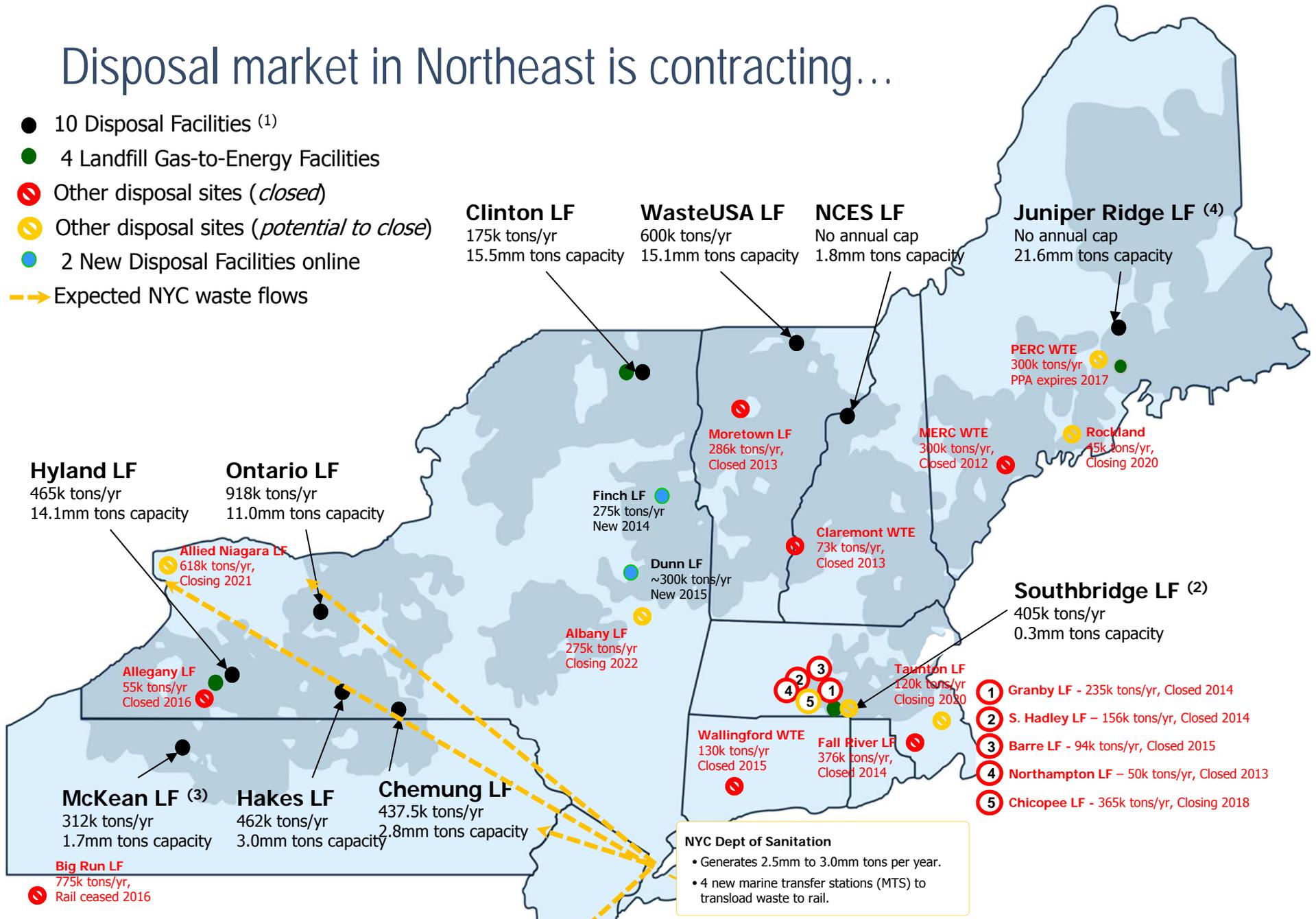
- Eastern Region – focus on pricing; capacity constraints provide tailwind.
  - Q3 2017 price +2.5%, average price per ton +2.0%.
- Western Region – shifted strategy in late CY 2016 to focus on pricing versus higher volumes.
  - Q3 2017 price +4.1%, average price per ton +8.6%.

## **Market dynamics are improving across our footprint area.**

- Disposal site closures (and expected closures) are creating a supply-demand imbalance.
- Within our footprint, roughly 1.7mm tons/yr of disposal capacity has closed since Dec 2012, and an additional 2.2mm tons/yr of disposal capacity is expected to permanently close in the next couple years, offset by 0.4mm tons/yr of new disposal capacity (= net closure of 3.6mm tons/yr).
- NYC Dept. of Sanitation marine transfer stations expected to shift roughly +1.0mm tons/yr of additional waste to competitor landfills in upstate NY (reducing excess capacity in market).

# Disposal market in Northeast is contracting...

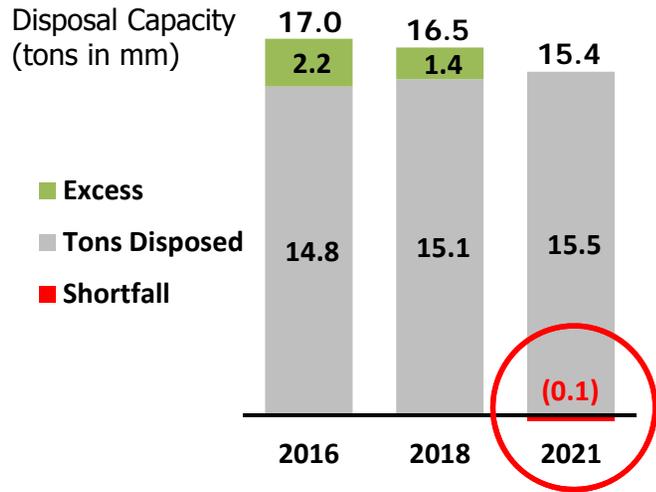
- 10 Disposal Facilities <sup>(1)</sup>
- 4 Landfill Gas-to-Energy Facilities
- ⊘ Other disposal sites (*closed*)
- ⊘ Other disposal sites (*potential to close*)
- 2 New Disposal Facilities online
- Expected NYC waste flows



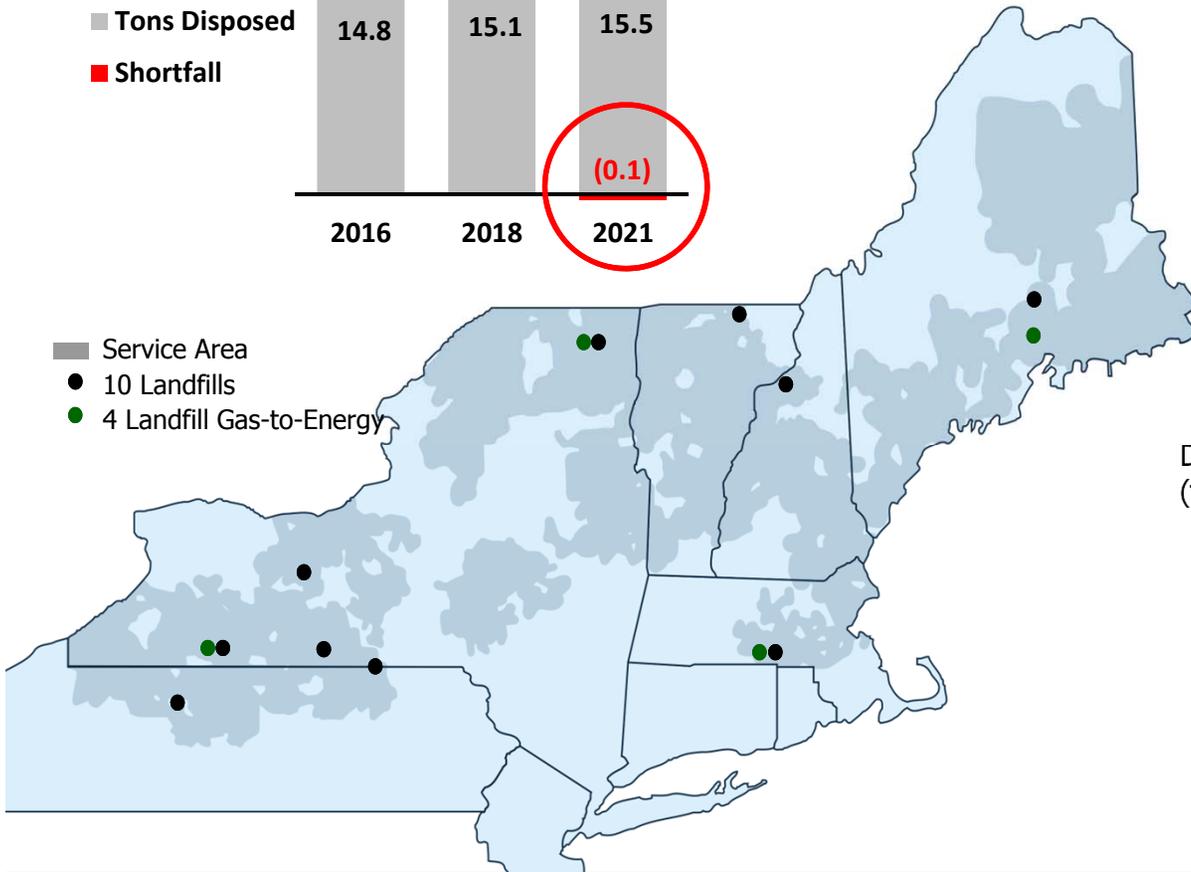
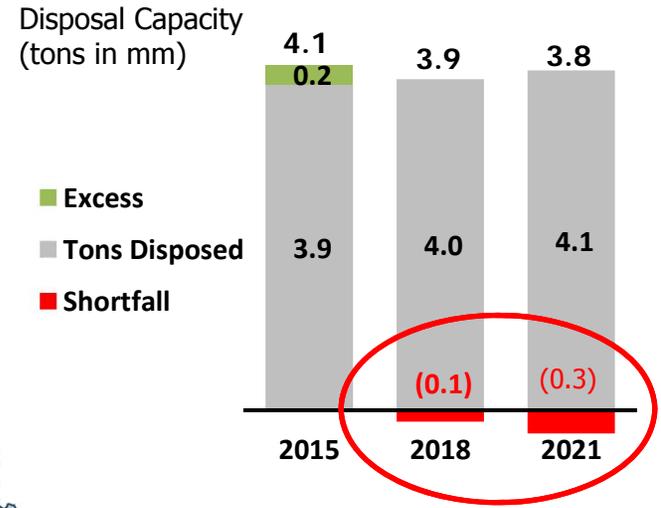
(1) Total disposal capacity includes permitted and permittable airspace estimates at each site as of 12/31/16. (2) The Company announced plans to abandon efforts to pursue additional permits at the Southbridge LF on 8/2/17, please refer to the Company's Form 10-Q for the quarter ended 6/30/17; (3) McKean LF annual capacity does not include the 1.5mm tons/yr rail permit; (4) Juniper Ridge LF has an annual limit of 81.8k tons/yr of MSW through 3/31/18.

# ...creating a supply-demand imbalance

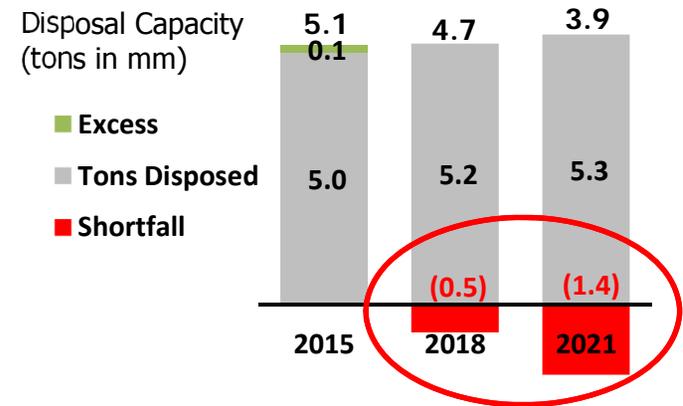
## New York



## Vermont, New Hampshire & Maine

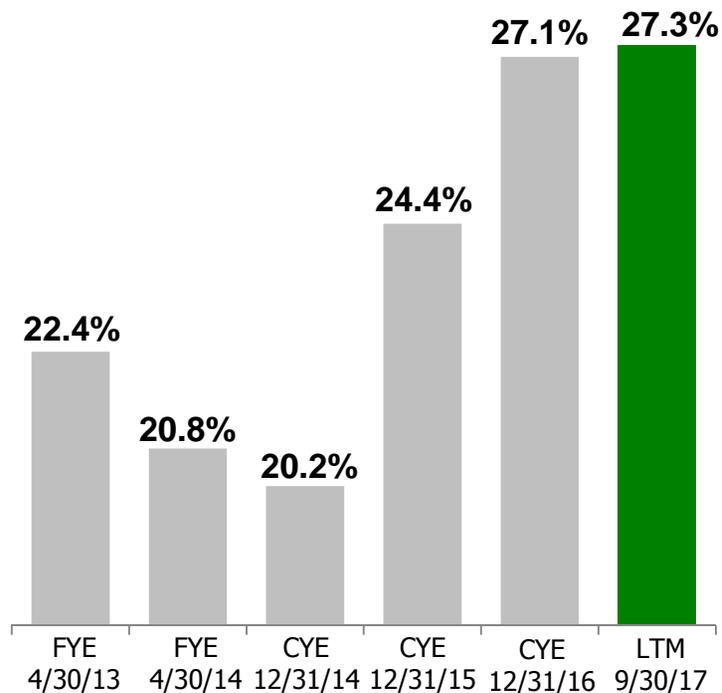


## Massachusetts



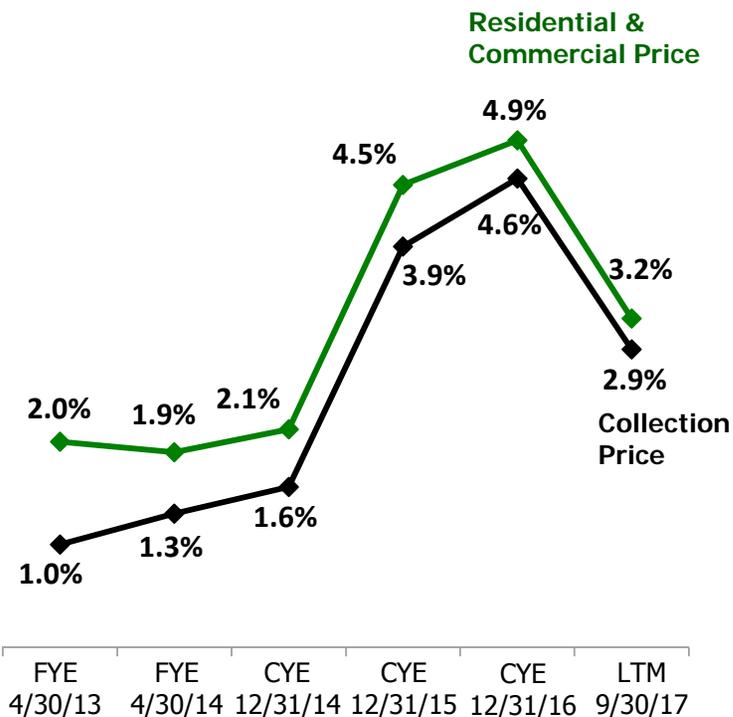
Note: Data collected from active landfill and waste to energy facilities from State Annual Facility Reports for 2015 and 2016, and includes company estimates.

## Collection Adjusted EBITDA Margins

**Strategies to improve Collection margins:**

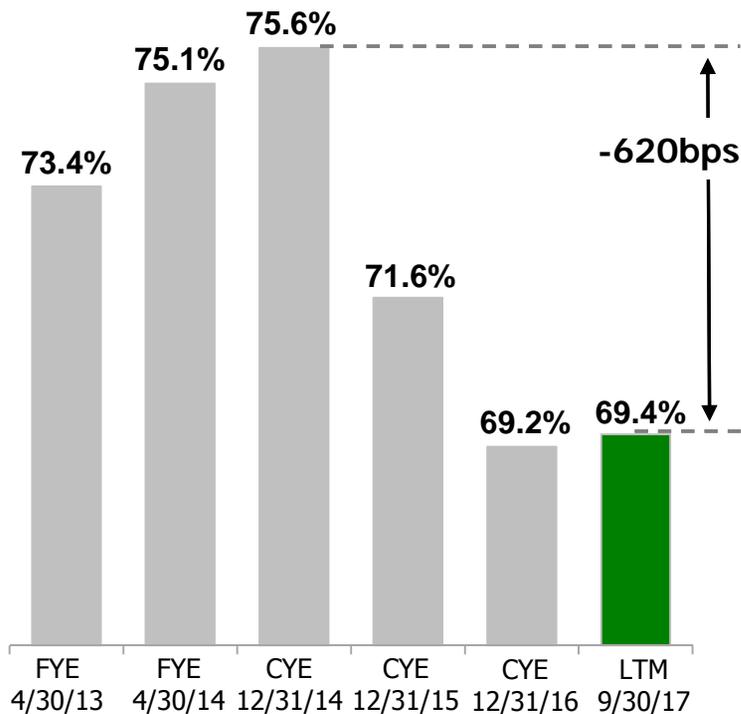
- 1) Pricing over inflation;
- 2) Operating efficiencies; and
- 3) Selling or swapping under-performing routes or operations.

## Collection Price

**(1) Focus on pricing discipline.**

- Residential and commercial pricing up +3.4% YOY in Q3 2017.
- Centralized pricing strategy with a decentralized sales model focused on pricing execution and quality of revenues.
- Launched an Sustainability Recycling Adjustment (“SRA”) fee in Q2 2015 to offset lower recycling commodity values.
- Launched an Energy & Environmental (“E&E”) fee in Q2 2017 to offset fuel volatility and environmental inflation.
- The roll-off market is experiencing positive trends with pricing up +2.2% LTM 9/30/17.

### Collection Cost of Operations as % of Collection Revenues



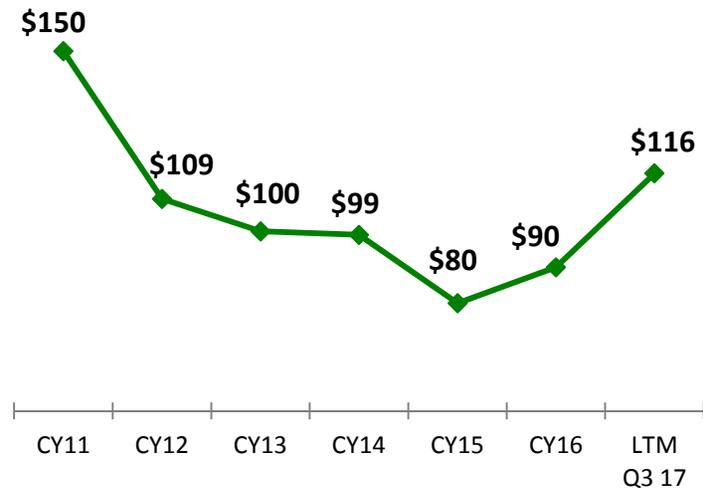
## (2) Focus on operating efficiencies.

- Cost of Operations as a % of revenues down -620bps since CYE 12/31/14.
- Route profitability - improving routing efficiency with new routing tools, on-route marketing for improved route density, and equipment choices.
- Fleet optimization - implementing fleet plan to standardize fleet selection, reducing maintenance costs, reducing spare ratios, and solving lingering fleet issues.
- Reducing volatility by locking in roughly 38% of fuel at fixed forward prices.

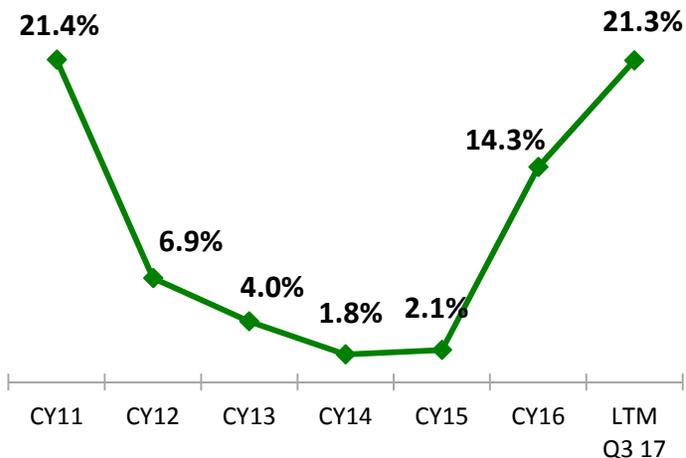
## (3) Focus on selling or swapping under-performing routes.

- Continuous review of opportunities.

## Average Commodity Revenue per ton (ACR)



## Return on Net Assets (RONA)



## Zero-Sort® Recycling

- Casella operates 6 Zero-Sort MRFs in our integrated footprint.

## Reshaped recycling model to improve returns and reduce commodity risk.

- Increased revenue share thresholds for 3rd party recycling customers.
- Introduced the Sustainability Recycling Adjustment fee (SRA) for residential and commercial collection customers.

## Commodity prices down -50% from July to Oct (mainly paper and OCC).

- China's National Sword program has driven decline as China has drastically reduced purchases & reduced contamination standards.
- Fiber prices up >30% from Oct to Nov as China begins buying on extremely low inventories.

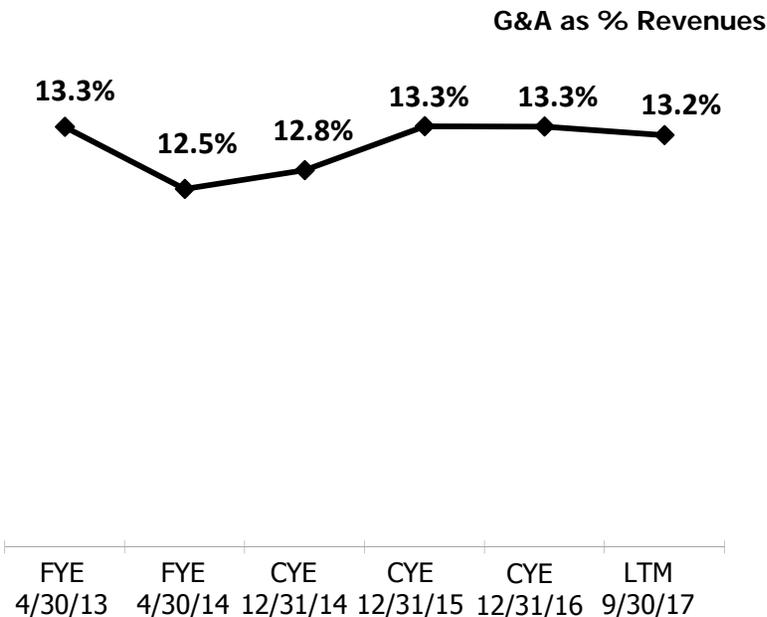
## Casella Organics

- Mainly focused on transforming biosolids into renewable products for fertilization.
- Northeast biosolids market is rapidly becoming capacity constrained due to facility closures and regulatory changes.
- Organics team has facilitated strong collaboration with landfill disposal teams to drive intercompany value.

## Customer Solutions

- Provides services for Industrial, Municipal, Institutional, and multi-location Retail customers.
- Customer Solutions team has facilitated strong collaboration across all lines-of-business to drive value added services for our customers.
- We have strong cross-selling growth opportunities in the industrial segment.

### G&A Costs as % of Revenues



## Strategies to improve G&A costs as a % of revenues by +75 to +100bps through CY2021:

### 1) Update key systems to drive finance and back-office transformation.

- Launched an effort in mid-2015 to update our financial systems and to transform the finance organization. NetSuite chosen as ERP system.
- 5-year technology plan focuses investment into core systems and infrastructure to drive cost efficiencies, customer value, and growth.

### 2) Optimize sales organization and activities.

- Migrated from 5 antiquated CRM systems to Microsoft Dynamics CRM.
- Focused on enhancing opportunity and retention management activities, enhancing cross-selling, and driving higher salesforce effectiveness and efficiency.

**Over the last 5 years we have focused capital strategy on reducing risk, improving the balance sheet, and increasing free cash flow. <sup>(1)</sup>**

- Sold non-core and negative cash flow operations and investments.
- Completed multiple refinancing efforts to reduce cash interest costs, improve financial flexibility, and extend debt maturities. Including most recently:
  - Oct 2016 – refinanced 7.75% Senior Subordinated Notes and ABL Revolver, saving \$11.0mm per year of cash interest.
  - April 2017 – repriced \$350mm Term Loan B, saving \$0.9mm per year of cash interest.
  - Sep 2017 – our Term Loan B interest rate stepped down -25bps to LIBOR+250bps when we lowered our Consolidated Net Leverage Ratio below 3.75x, saving another \$0.9mm per year of cash interest.

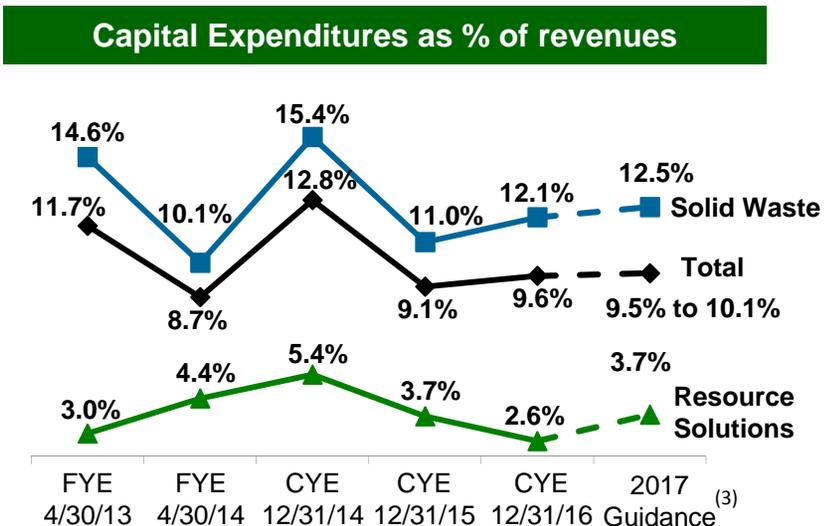
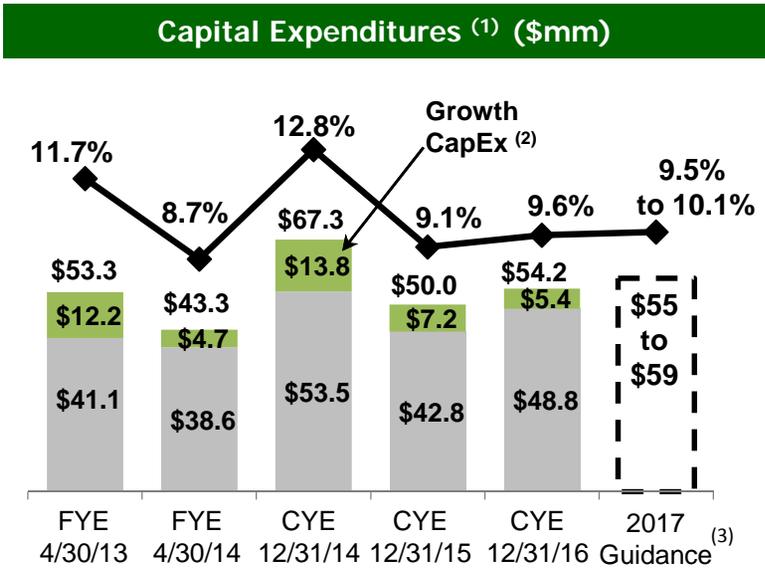
(1) Please see the appendix for additional information on divestitures, closures, and the October 2016 refinancing.

**We pivoted capital strategy in August 2017 to balance delevering with smart acquisition and development growth.**

- Targeted \$20 million to \$40 million of acquisitions or development activity per year.
- Acquisitions or development activity will be opportunistic, and will strictly adhere to our disciplined capital return hurdles and rigorous review process.
- We have identified roughly \$500mm of potential acquisition opportunity in our northeast markets (either tuck-in or could be strategically integrated with our assets).

(1) Please see the appendix for additional information on divestitures, closures, and the October 2016 refinancing.

# Focus on capital discipline driving down capital expenditures



## Disciplined capital strategy driving down capital expenditures.

- Hurdle rates increased to reduce risk and improve return on invested capital.
- Capital expenditures also down due to the sale/closure of under-performing assets.

## Capital expenditures estimated at 9.5% to 10.1% of CY 2017 revenues.

- 73% revenues in integrated Solid Waste and 27% in Resource Solutions (Recycling, Organics, Customer Solutions, and other).
- Solid Waste CapEx at 12.1% as a % of revenues for CY 2016.
- Resource Solutions CapEx at 2.6% as a % of revenues for CY 2016.

(1) Excludes acquisition capital expenditures.

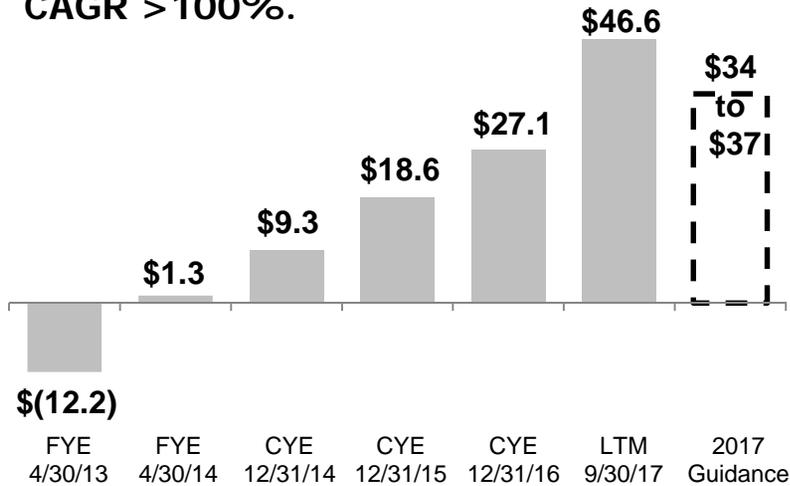
(2) Growth capital expenditures as defined in the Appendix.

(3) CY 2017 Guidance as announced on 3/1/17.

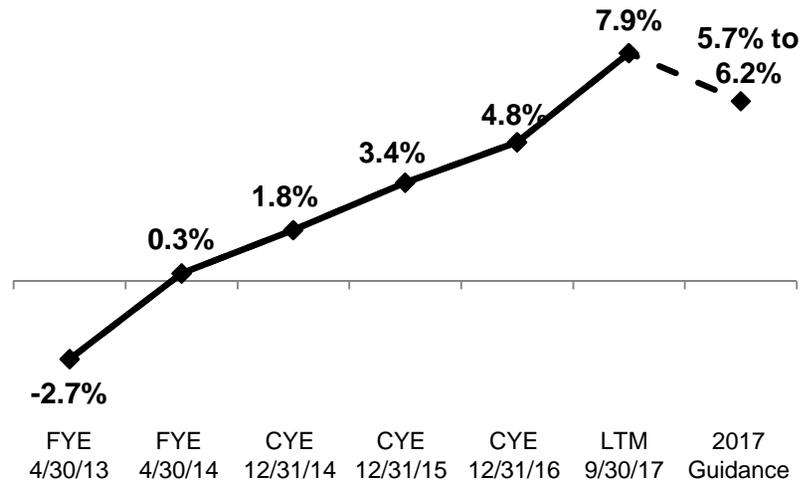
# Strategic execution driving higher Free Cash Flows

## Normalized Free Cash Flow (\$mm) <sup>(1), (2)</sup>

CAGR > 100%.



## Normalized Free Cash Flow Yield (as % of revenues) <sup>(1), (2)</sup>



## Focused on improving Free Cash Flow:

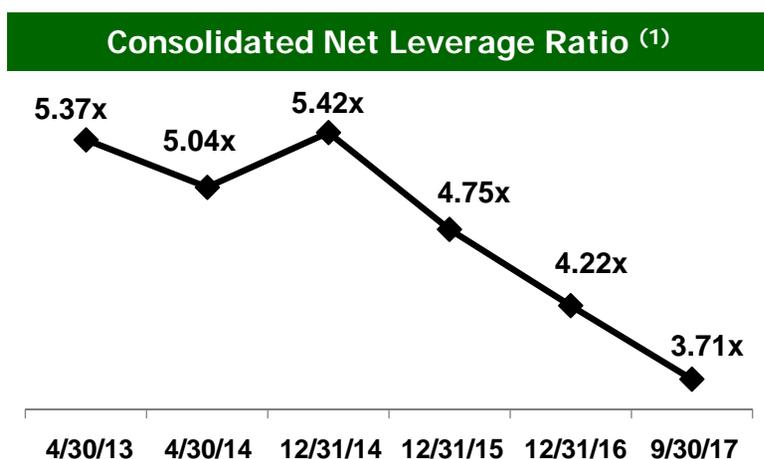
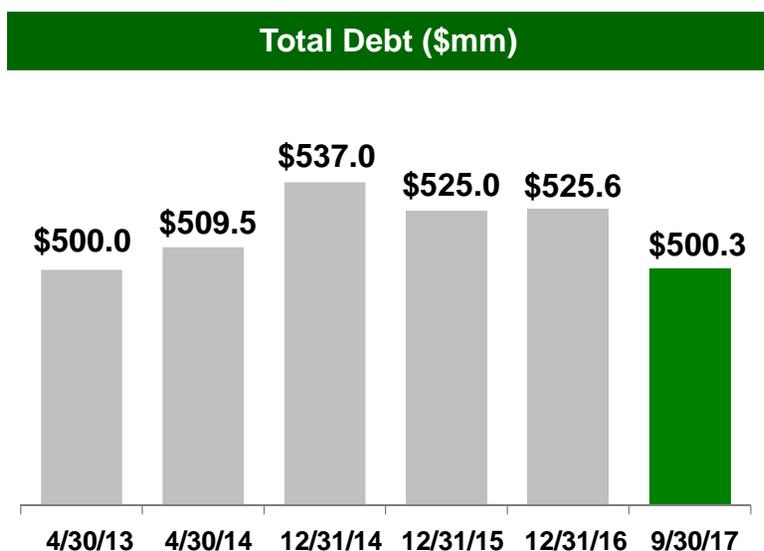
- Goal to grow Free Cash Flow +10% to +15% per year through 2021.
- Normalized FCF +\$46.6mm LTM 9/30/17.
- Strategic actions taken since Dec 2012 have reduced risk and improved free cash flows.
- Plan to use excess cash to repay debt, along with select strategic tuck-in acquisitions or investments.
- Driving higher Free Cash Flow through operating cash flows, lower interest costs, and maintaining strict capital discipline.
- Tax loss carryforwards will help to accelerate delevering (as of 12/31/16, \$106.9mm of Federal NOLs and tax credits).<sup>(3)</sup>

(1) See attached appendix for further information and for a reconciliation of Free Cash Flow and Normalized Free Cash Flow to net cash provided by operating activities, which is the most directly comparable GAAP measure. Net cash provided by operating activities for the periods presented above was \$43.9mm for FYE 4/30/13, \$49.6mm for FYE 4/30/14, \$62.2mm for CYE 12/31/14, \$70.5mm for CYE 12/31/15, \$80.4mm for CYE 12/31/16, and \$103.5mm for LTM 9/30/17.

(2) CY 2017 Guidance as announced on 3/1/17, and raised on 11/1/17.

(3) Total tax carryforwards include \$98.7mm of Federal NOLs and \$8.2mm of Federal tax credits; total tax carry forwards exclude \$110.5mm of State NOLs. This does not include any projected tax losses associated with the Southbridge landfill impairment as announced on 8/2/17.

# Utilizing Free Cash Flow primarily to repay debt



**Targeting Consolidated Net Leverage Ratio of 3.00x to 3.25x by CYE 2021.**

**Capital strategy focused on balancing reducing leverage and smart growth.**

**Reduced leverage by -1.71x and paid down \$36.7mm of debt since 12/31/14.<sup>(1)</sup>**

- Completed the refinancing of our ABL Facility and 7.75% Senior Subordinated Notes with a new \$160.0mm Revolver and \$350.0mm Term Loan B on October 17, 2016. Saves \$11.0mm/yr of cash interest.
- Repriced \$350.0mm Term Loan B on April 17, 2017. Saves \$0.9mm/yr of cash interest.
- Step down in Term Loan B interest rate on Sep 30, 2017. Saves \$0.9mm/yr cash interest.

<sup>(1)</sup> Defined as "Consolidated Net Leverage Ratio" in the our Credit Agreement dated as of 10/17/16 ("ABL Revolver") for 12/31/16 and 3/31/17; Total Debt-to-EBITDA as defined as "Consolidated Leverage Ratio" in the our Loan & Security Agreement dated as of 2/27/15 ("ABL Revolver") for all other periods; see appendix for a reconciliation.

# Casella's value drivers...

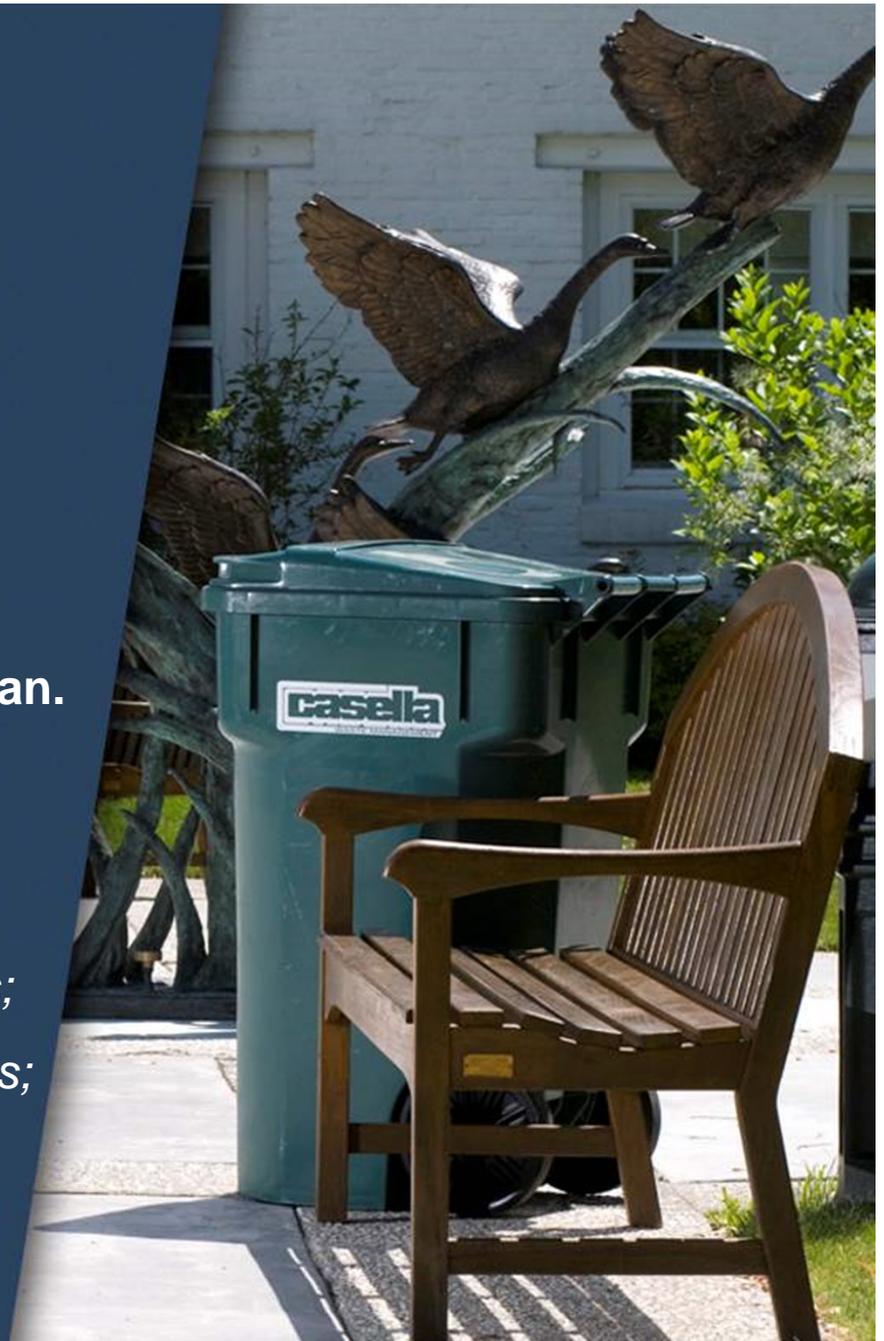
**Valuable integrated solid waste assets in disposal limited Northeast markets.**

**Management focused on increasing Free Cash Flow and reducing debt leverage.**

**Results demonstrate strong execution of plan.**

**Near term focus of team:**

- *Increasing landfill returns;*
- *Driving profitability of collection operations;*
- *Creating value through Resource Solutions;*
- *Reducing G&A costs;*
- *Allocating capital to balance delevering with smart growth.*





# Appendix

# Improving balance sheet and reducing risk

## Focused over last 5 years on reducing risk, improving the balance sheet, and increasing free cash flow:

- Dec 2012 – sold Maine Energy for \$6.7mm; eliminated negative cash flow operation.<sup>(1)</sup>
- July 2013 – sold BioFuels for \$2.0mm; eliminated negative cash flow operation.
- Dec 2013 – sold 50% stake in US GreenFiber resulting in \$3.4mm net cash proceeds; eliminated non-integrated, negative cash flow operation.<sup>(2)</sup>
- Dec 2014 – completed site remediation and closure at three sites.
- Mar 2015 – sold CARES assets and wholly-owned assets/real estate for \$3.1mm net cash proceeds; eliminated non-integrated, negative cash flow operation.
- Jun 2015 – sold low-margin hauling routes for \$0.9mm in total proceeds.
- Sep 2015 to July 2016 – repurchased and permanently retired \$39.4mm of 7.75% Senior Subordinated Notes.
- Oct 2016 – refinanced 7.75% Senior Subordinated Notes and ABL Revolver, saving \$11.0mm per year of cash interest.
- April 2017 – repriced \$350mm Term Loan B, saving \$0.9mm per year of cash interest.

(1) Maine Energy sold for \$6.7mm to the City of Biddeford, ME, with the purchase price to be paid over 21 years. As part of the transaction, we dismantled the facility and remediated the site.

(2) US GreenFiber sold for \$18.0mm gross proceeds, with \$3.4mm net proceeds for our 50% equity interest.

# October 2016 refinancing drives lower cash interest costs

## **Refinanced 7.75% Senior Subordinated Notes due Feb 2019 and ABL Revolver due Mar 2020 with the following:**

- \$160.0mm Revolving Credit Facility - 5-year term, interest rate initially set at LIBOR+300bps.<sup>(1)</sup>
- \$350.0mm Term Loan B - 7-year term, priced at 99.50% of principal amount, interest rate initially set at LIBOR+300bps (with a 1.00% LIBOR floor), adjusted to LIBOR+275bps upon achieving a consolidated net leverage ratio  $\leq 3.75x$ .
- Transaction closed on Oct 17, 2016.

## **Refinancing achieved the following benefits:**

- Reduced cash interest costs by roughly \$11.0 million per year;
- Extended debt maturities 5 to 7 years;
- Term Loan B pre-payable at Par, enabling further debt repayment; and
- Increased financial flexibility.

(1) The interest rate on the Revolving Credit Facility is adjusted based on Consolidated Net Leverage Ratio from LIBOR+250bps to +325bps.

# Reconciliation of Adjusted EBITDA

## Non-GAAP Reconciliation of Adjusted EBITDA to Net Loss (1)

	Fiscal Year ended		12 months ended Dec. 31, 2014	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2016	12 months ended Sep. 30, 2017
	April 30, 2013	2014				
<b>Revenue</b>	<b>\$ 455,335</b>	<b>\$ 497,633</b>	<b>\$ 525,938</b>	<b>\$ 546,500</b>	<b>\$ 565,030</b>	<b>\$ 591,880</b>
Net loss	\$ (54,463)	\$ (27,404)	\$ (29,136)	\$ (11,781)	\$ (6,858)	\$ (53,794)
Loss on disposal of discontinued operations, net	-	378	-	-	-	-
Loss (income) from discontinued operations, net	4,480	(284)	-	-	-	-
Provision for income taxes	(2,526)	1,799	1,340	1,351	494	711
Other income	(1,036)	(1,059)	(1,177)	(1,119)	(1,090)	(960)
Loss on derivative instruments	4,512	280	575	227	-	-
Loss (gain) from equity method investments	4,441	936	(90)	-	-	-
(Gain) loss on sale of equity method investment	-	(593)	221	-	-	-
Impairment of investments	-	-	2,320	2,099	-	-
Loss on debt extinguishment	15,584	-	-	999	13,747	13,528
Interest expense, net	41,429	37,863	38,082	40,090	38,652	28,076
Southbridge landfill closure	-	-	-	-	-	64,868
Gain on settlement of acquisition related contingent consideration	-	(1,058)	(1,058)	-	-	-
Expense from divestiture, acquisition and financing costs	1,410	144	24	-	-	-
Severance and reorganization costs	3,709	586	426	302	-	-
Environmental remediation charge	-	400	950	-	900	900
Development project charge	-	1,394	1,394	-	-	-
Divestiture transactions	-	7,455	6,902	(5,517)	-	-
Contract settlement charge	-	-	-	1,940	-	-
Depreciation and amortization	56,576	60,339	61,206	62,704	61,856	61,733
Fiscal year-end transition costs	-	-	538	-	-	-
Proxy contest costs	-	-	-	1,902	-	-
Depletion of landfill operating lease obligations	9,372	9,948	10,725	9,428	9,295	8,999
Interest accretion on landfill and environmental remediation liabilities	3,675	3,985	3,606	3,449	3,606	4,123
<b>Adjusted EBITDA</b>	<b>\$ 87,842</b>	<b>\$ 95,109</b>	<b>\$ 96,848</b>	<b>\$ 106,074</b>	<b>\$ 120,602</b>	<b>\$ 128,183</b>
Solid Waste	80,824	89,720	92,346	98,086	108,982	113,471
Recycling segment	3,768	1,913	2,609	2,074	6,754	8,996
Other segment	3,250	3,476	1,893	5,914	4,866	5,716
<b>Adjusted EBITDA</b>	<b>\$ 87,842</b>	<b>\$ 95,109</b>	<b>\$ 96,848</b>	<b>\$ 106,074</b>	<b>\$ 120,602</b>	<b>\$ 128,183</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>19.3%</b>	<b>19.1%</b>	<b>18.4%</b>	<b>19.4%</b>	<b>21.3%</b>	<b>21.7%</b>

(1) We present Adjusted EBITDA, a non-GAAP measure, because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of our results. Management uses Adjusted EBITDA to further understand our “core operating performance.” We believe our “core operating performance” is helpful in understanding our ongoing performance in the ordinary course of operations. We believe that providing Adjusted EBITDA to investors, in addition to the corresponding income statement measures, affords investors the benefit of viewing our performance using the same financial metrics that the management team uses in making many key decisions and understanding how the core business and our results of operations have performed. We further believe that providing this information allows our investors greater transparency and a better understanding of our core financial performance. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants.

# Reconciliation of Free Cash Flow and Normalized Free Cash Flow

## Non-GAAP Reconciliation of Free Cash Flow and Normalized Free Cash Flow to Net Cash Provided by Operating Activities (1)

	Fiscal Year ended		12 months ended Dec. 31, 2014	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2016	12 months ended Sep. 30, 2017
	April 30, 2013	2014				
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 43,906</b>	<b>\$ 49,642</b>	<b>\$ 62,158</b>	<b>\$ 70,507</b>	<b>\$ 80,434</b>	<b>\$ 103,463</b>
Capital expenditures (net of acquisition)	(53,281)	(43,326)	(67,252)	(49,995)	(54,200)	(59,995)
Payments on landfill operating lease contracts	(6,261)	(6,505)	(5,440)	(5,385)	(7,249)	(6,169)
Proceeds from sale of property and equipment	883	1,524	815	715	1,362	950
Proceeds from divestiture transactions	-	-	-	5,335	-	-
Proceeds from property insurance settlement	-	-	-	546	-	-
Contributions from (distribution to) noncontrolling interest holders	2,531	-	-	(1,495)	-	-
<b>Free Cash Flow</b>	<b>\$ (12,222)</b>	<b>\$ 1,335</b>	<b>\$ (9,719)</b>	<b>\$ 20,228</b>	<b>\$ 20,347</b>	<b>\$ 38,249</b>
Landfill closure, site improvement and remediation expenditures (i)			7,494	1,447	-	1,583
New contract and project capital expenditures (ii)			11,528	-	-	-
Cash proceeds, net from CARES dissolution (iii)			-	(3,055)	-	-
Interest payment on redemption of senior subordinated notes (iiii)			-	-	6,770	6,770
<b>Normalized Free Cash Flow</b>			<b>\$ 9,303</b>	<b>\$ 18,620</b>	<b>\$ 27,117</b>	<b>\$ 46,602</b>

(i) Includes cash outlays associated with the following identified items: Worcester landfill capping, BioFuels site improvement, Maine Energy decommissioning, demolition and site remediation, and cash outlays associated with the Southbridge landfill closure charge.

(ii) Includes cash outlays related to capital investments associated with certain new contracts and projects, including: the Thiopaq gas treatment system, the Lewiston, ME Zero-Sort material recovery facility, the Rockland, NY material recovery facility, the Concord, NH waste services contract, the City of Boston, MA recycling contract, and the Brookline, MA, Otsego, NY, Tompkins, NY and Schoharie, NY transfer stations.

(iii) Includes cash proceeds and cash distribution associated with the dissolution of CARES.

(iiii) Includes interest payment required upon redemption of the senior subordinated notes.

(1) We present Free Cash Flow, a non-GAAP measure, because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of our results. Management uses Free Cash Flow and Normalized Free Cash Flow to further understand our “core operating performance.” We believe our “core operating performance” is helpful in understanding our ongoing performance in the ordinary course of operations. We believe that providing Free Cash Flow and Normalized Free Cash Flow to investors, in addition to the corresponding cash flow statement measures, affords investors the benefit of viewing our performance using the same financial metrics that the management team uses in making many key decisions and understanding how the core business and our results of operations have performed. We further believe that providing this information allows our investors greater transparency and a better understanding of our core financial performance.

# Reconciliation of Consolidated Leverage Ratio

## Reconciliation of Consolidated EBITDA (as defined by the applicable credit facility agreement) to Net Cash Provided by Operating Activities (1)

	Fiscal Year ended		12 months ended	12 months ended	12 months ended	12 months ended
	April 30,		Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	12 months ended
	2013	2014				Sep. 30, 2017
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 43.9</b>	<b>\$ 49.6</b>	<b>\$ 62.2</b>	<b>\$ 70.5</b>	<b>\$ 80.4</b>	<b>\$ 103.5</b>
Changes in assets and liabilities, net of effects of acquisitions and divestitures	(0.6)	9.2	(2.2)	(5.0)	9.4	4.0
Divestiture transactions	-	(7.5)	(6.9)	5.5	-	-
Gain on sale of property and equipment	0.4	0.8	0.5	0.1	0.6	0.1
Loss on debt extinguishment	(15.6)	-	-	(1.0)	(13.7)	(13.5)
Stock based compensation and related severance expense, net of excess tax benefit	(2.4)	(2.4)	(2.3)	(2.9)	(3.4)	(5.8)
Development project charge	-	(1.4)	(1.4)	-	-	-
Impairment of investments	-	-	(2.3)	(2.1)	-	-
Loss on derivative instruments	(4.5)	(0.3)	(0.6)	(0.2)	-	-
Southbridge landfill non-cash charge	-	-	-	-	-	(63.5)
Interest expense, less amortization of debt issuance costs and discount on long-term debt	40.9	37.9	38.2	40.1	35.1	25.5
Provision for income taxes, net of deferred taxes	1.0	0.2	0.2	0.6	(0.1)	0.3
Gain on settlement of acquisition related contingent consideration	-	1.1	1.1	-	-	-
Environmental remediation charge	-	-	-	-	(0.9)	(0.9)
EBITDA adjustment as allowed by the applicable credit facility agreement	2.8	9.3	7.5	(2.5)	-	-
Other adjustments as allowed by the applicable credit facility agreement	27.1	4.0	5.3	7.4	17.1	84.9
<b>Minimum Consolidated EBITDA</b>	<b>\$ 93.0</b>	<b>\$ 101.1</b>	<b>\$ 99.1</b>	<b>\$ 110.5</b>	<b>\$ 124.5</b>	<b>\$ 134.5</b>
Consolidated Funded Debt (Total Debt)	\$ 500.0	\$ 509.5	\$ 537.0	\$ 525.0	\$ 525.0	\$ 500.3
<b>Consolidated Leverage Ratio (Total Debt-to-EBITDA)</b>	<b>5.37</b>	<b>5.04</b>	<b>5.42</b>	<b>4.75</b>	<b>4.22</b>	<b>3.71</b>

(1) The amortization of debt issuance costs is included as a component of changes in assets and liabilities, net of effects of acquisitions and divestitures and has not been conformed to the 12-months ended June 30, 2016 presentation of interest expense, less the amortization of debt issuance costs and the discount on long-term debt.

# Capital Expenditure Detail

## Capital Expenditure Detail <sup>(1)</sup>

(\$ in thousands)	Fiscal Year ended		12 months ended Dec. 31, 2014	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2016
	April 30, 2013	2014			
<b>Total Growth Capital Expenditures</b>	\$ 12,192	\$ 4,664	\$ 13,789	\$ 7,244	\$ 5,373
<b>Replacement Capital Expenditures:</b>					
Landfill development	29,617	24,019	23,216	18,828	29,666
Vehicles, machinery / equipment and containers	8,552	10,465	25,102	18,866	15,512
Facilities	2,254	3,170	3,605	2,873	2,581
Other	666	1,008	1,540	2,184	1,068
<b>Total Replacement Capital Expenditures</b>	<b>41,089</b>	<b>38,662</b>	<b>53,463</b>	<b>42,751</b>	<b>48,827</b>
<b>Total Capital Expenditures</b>	<b>\$ 53,281</b>	<b>\$ 43,326</b>	<b>\$ 67,252</b>	<b>\$ 49,995</b>	<b>\$ 54,200</b>
Capital Expenditures as % of Revenues	11.7%	8.7%	12.8%	9.1%	9.6%

- (1) Our capital expenditures are broadly defined as pertaining to either growth, replacement or acquisition activities. Growth capital expenditures are defined as costs related to development of new airspace, permit expansions, and new recycling contracts along with incremental costs of equipment and infrastructure added to further such activities. Growth capital expenditures include the cost of equipment added directly as a result of organic business growth as well as expenditures associated with adding infrastructure to increase throughput at transfer stations and recycling facilities. Replacement capital expenditures are defined as landfill cell construction costs not related to expansion airspace, costs for normal permit renewals, and replacement costs for equipment due to age or obsolescence. Acquisition capital expenditures, which are not included in the table above, are defined as costs of equipment added directly as a result of new business growth related to an acquisition.