



# COVANTA

Powering Today. Protecting Tomorrow.

Bradford Helgeson,  
Chief Financial Officer

## UBS Global Industrials and Transportation Conference

---

NYSE: CVA   JUNE 2019

# Cautionary Statements

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

## Forward-Looking Statements

Certain statements in this press release may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta Holding Corporation and its subsidiaries (“Covanta”) or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Covanta cautions investors that any forward-looking statements made by Covanta are not guarantees or indicative of future performance. Important assumptions and other important factors, risks and uncertainties that could cause actual results to differ materially from those forward-looking statements with respect to Covanta include, but are not limited to: the risks and uncertainties affecting Covanta’s business described in periodic securities filings by Covanta with the SEC. Important factors, risks, and uncertainties that could cause actual results of Covanta and the JV to differ materially from those forward-looking statements include, but are not limited to: seasonal or long-term fluctuations in the prices of energy, waste disposal, scrap metal and commodities, and Covanta’s ability to renew or replace expiring contracts at comparable prices and with other acceptable terms; adoption of new laws and regulations in the United States and abroad, including energy laws, tax laws, environmental laws, labor laws and healthcare laws; advances in technology; difficulties in the operation of our facilities, including fuel supply and energy delivery interruptions, failure to obtain regulatory approvals, equipment failures, labor disputes and work stoppages, and weather interference and catastrophic events; failure to maintain historical performance levels at Covanta’s facilities and Covanta’s ability to retain the rights to operate facilities Covanta does not own; Covanta’s and the joint ventures ability to avoid adverse publicity or reputational damage relating to its business; difficulties in the financing, development and construction of new projects and expansions, including increased construction costs and delays; Covanta’s ability to realize the benefits of long-term business development and bear the costs of business development over time; Covanta’s ability to utilize net operating loss carryforwards; limits of insurance coverage; Covanta’s ability to avoid defaults under its long-term contracts; performance of third parties under its contracts and such third parties’ observance of laws and regulations; concentration of suppliers and customers; geographic concentration of facilities; increased competitiveness in the energy and waste industries; changes in foreign currency exchange rates; limitations imposed by Covanta’s existing indebtedness and its ability to perform its financial obligations and guarantees and to refinance its existing indebtedness; exposure to counterparty credit risk and instability of financial institutions in connection with financing transactions; the scalability of its business; restrictions in its certificate of incorporation and debt documents regarding strategic alternatives; failures of disclosure controls and procedures and internal controls over financial reporting; Covanta’s and the joint ventures ability to attract and retain talented people; general economic conditions in the United States and abroad, including the availability of credit and debt financing; and other risks and uncertainties affecting Covanta’s businesses described periodic securities filings by Covanta with the SEC.

Although Covanta believes that its plans, cost estimates, returns on investments, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Covanta’s and the joint venture’s future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties. The forward-looking statements contained in this press release are made only as of the date hereof and Covanta does not have, or undertake, any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Note: All estimates with respect to 2019 and future periods are as of April 25, 2019. Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

## Discussion of Non-GAAP Financial Measures

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

# Covanta – World Leader in Energy-from-Waste

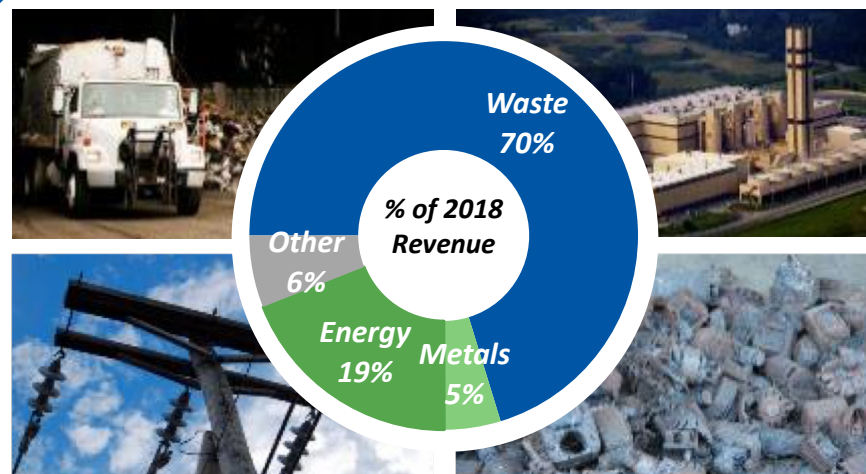


## Waste:

Operate **41** Energy-from-Waste (EfW) facilities

~**21** million tons processed annually → 1:1 tons of CO<sub>2</sub> equivalent offset

**20** material processing facilities



## FY 2019 Guidance:

- **Adjusted EBITDA:**  
\$440 - \$465 million
- **Free Cash Flow:**  
\$120 - \$145 million

**\$1.00 Dividend**

## Energy:

~**10** million MWh generated annually

**1,700+** MW base load capacity

## Metals:

~**600,000** gross tons of ferrous and non-ferrous recovered annually

# Growth Strategy

## Organic Growth

- Leverage critical infrastructure assets and favorable waste market dynamics
- Grow Environmental Solutions business to expand revenue opportunities and attract higher price waste at EfW plants
- Metals recovery and ash processing to grow material sales and reduce cost
- Continuous Improvement / Lean Six Sigma driving record facility production

## UK Expansion

- Strong market fundamentals for EfW development
  - Declining landfill capacity
  - Supportive policy
  - Higher energy prices than US
- Capital-efficient investment model
  - JV with Green Investment Group
  - Pipeline: 2 in construction and 2 in advanced development

## Other Investments

- Opportunistic investments and acquisitions synergistic to core business
- Recent and current activities:
  - Manhattan Marine Transfer Station began operations in March 2019
  - Palm Beach operating contracts purchased in September 2018
  - Pursuing EfW development opportunities in other international markets (e.g., Asia)



**3% to 5% organic growth rate in Adjusted EBITDA**

**\$40 to \$50 million Free Cash Flow contribution from initial 4 projects**

**Attractive returns on invested capital**

**Target \$250 million in Free Cash Flow by mid-next decade**



# Market Leader in the U.S.

~400 Million Tons of  
Waste Annually

64%  
Landfill



7%  
Waste-to-  
Energy



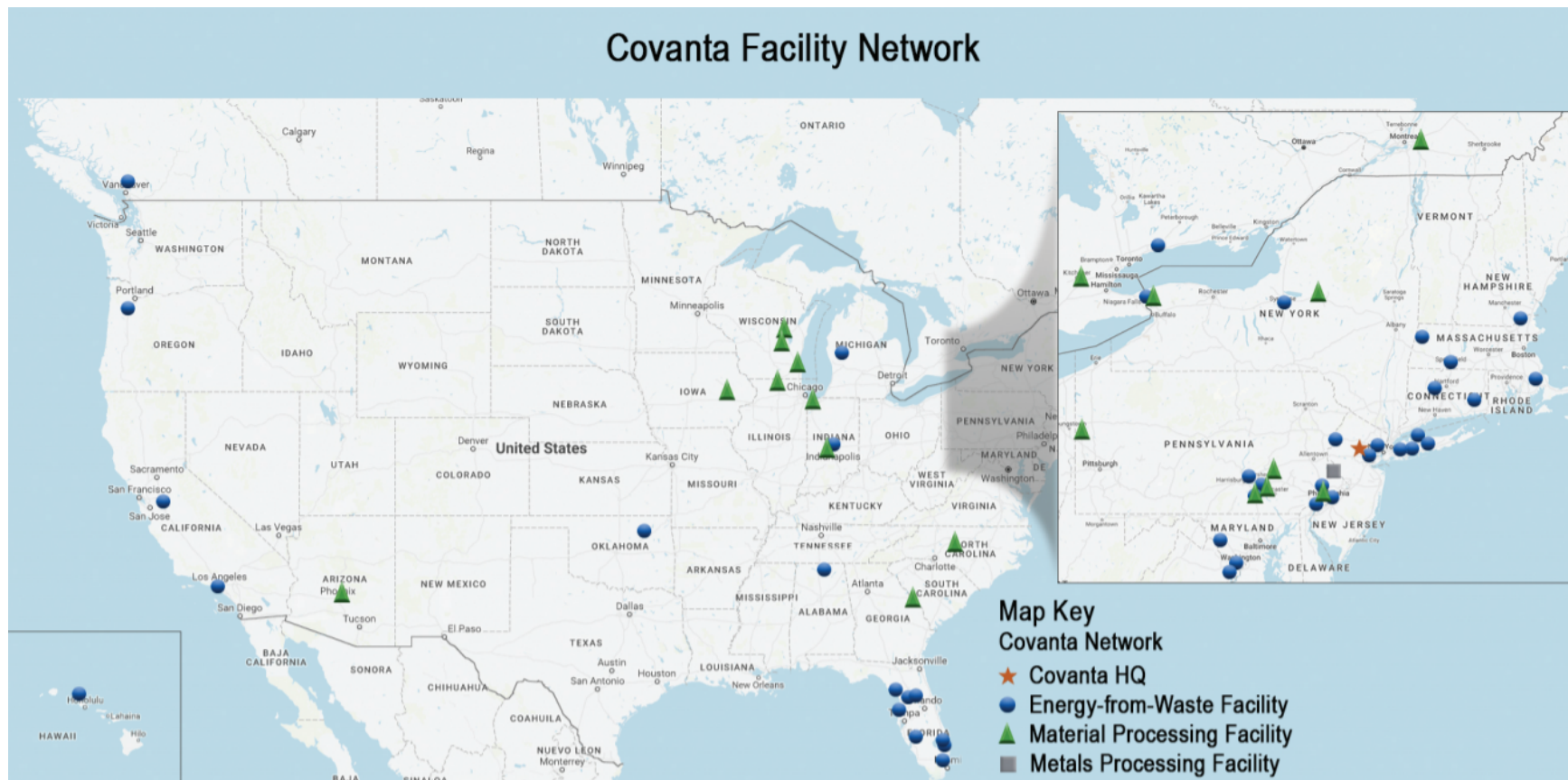
Covanta  
**~75%**  
of this market

29%  
Recycling / Composting

## Benefits of EfW

- Environmentally sustainable waste management
- Renewable energy source
- Combats climate change

# Irreplaceable Infrastructure



## Advantages

- Concentrated in attractive, densely-populated markets
- Continued decline in available proximate landfill capacity
- Cost advantage vs. long haul transfer to landfills
- Electricity sold at high demand points

# Growth Drivers: Environmental Solutions

## EfW Profiled Waste

- Unmatched EfW footprint
- Assured destruction / zero landfill disposal for non-hazardous waste
- Compliant solution for regulated medical waste and pharmaceutical disposal
- Drives higher average waste revenue per ton

**~\$100 million Revenue**  
~50% Adjusted EBITDA margin

+

## Environmental Services

- Network of material processing facilities integrated with EfW plants to drive internalization
- Wide range of solid and liquid waste processing, recycling and field services capabilities
- US industrial economy and corporate sustainability initiatives supporting strong growth rate

**~\$140 million Revenue**  
~20% Adjusted EBITDA margin



***Comprehensive sustainable solutions for government, commercial, industrial and medical / pharmaceutical sectors***

# Growth Drivers: Metal Recovery and Ash Management

## 1. EfW Plant Recovery Systems

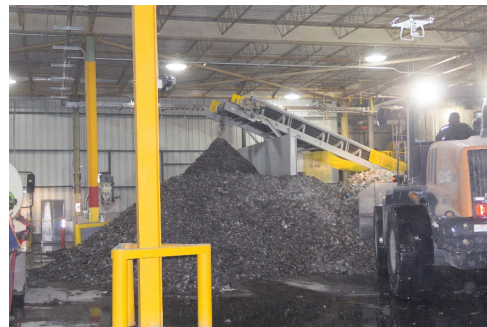
- Significant cumulative growth in recovery: +40% ferrous and +220% non-ferrous since 2012
- Continued focus on optimizing recovery

## 2. Metals Processing for Enhanced Product

- Centralized processing of ferrous and non-ferrous
- Increases product value and marketability
- Non-ferrous processing separates higher value metals and materially increases realized pricing

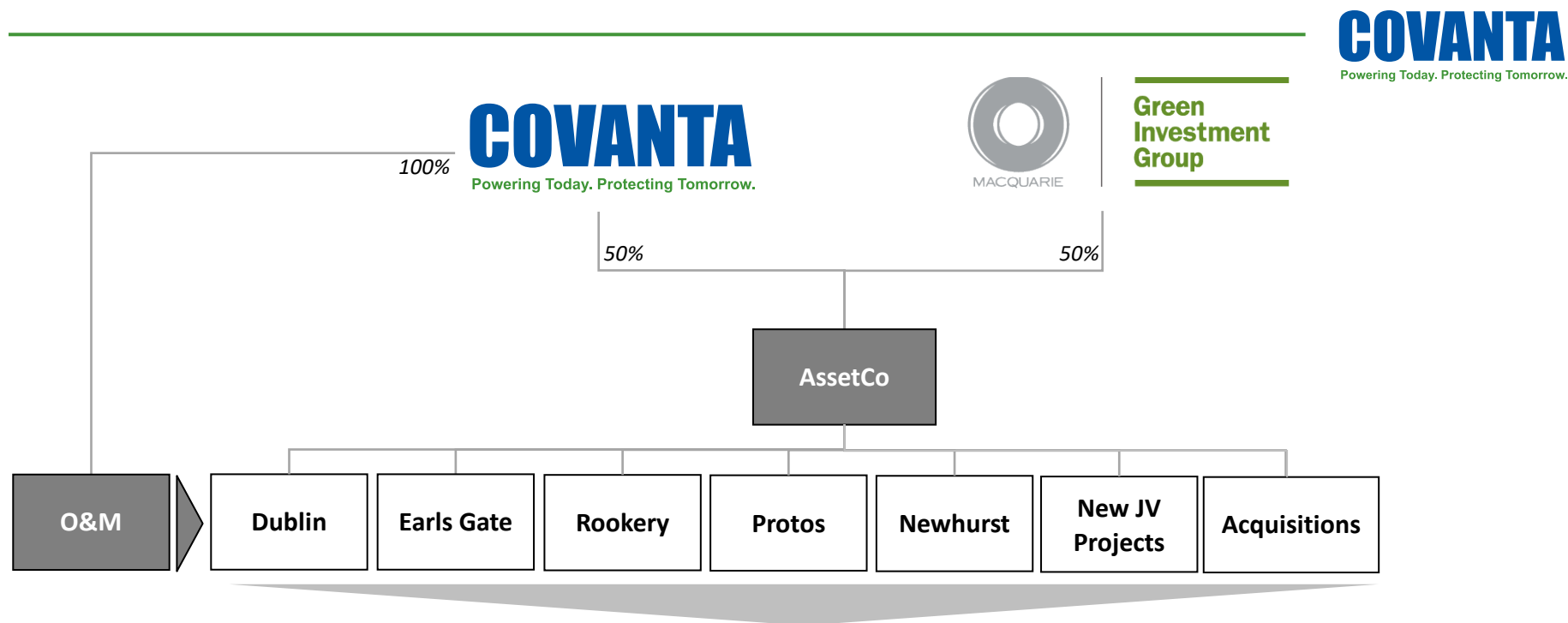
## 3. Enhanced Metal Recovery and Ash Reuse

- First Total Ash Processing System or “TAPS” under construction
- Returns driven by incremental metal recovery, sale of aggregates and 65% reduction in disposal volume
- Target additional site developments once technology commercially proven – both centralized facilities and facility-adjacent





# Growth Drivers: Strategic Partnership with GIG



## Powerful Growth Platform

- Strategic partnership and investment vehicle to capitalize on UK growth opportunities
- Combined resources to develop projects jointly
- Joint (50:50) Investment / ownership upon closing of project financing
- Original developer receives premium at project finance close
- Targeted project equity returns in the low to mid teens
- Covanta to provide contractual O&M services

# Robust Project Development Pipeline

## Earls Gate (GIG Project)

- Location: Grangemouth, Scotland
- 215k tonnes / 21 MW
- Total Investment: £210 million
- Partners: CVA + GIG (50%) / Brockwell Energy (50%)
- Status: In Construction

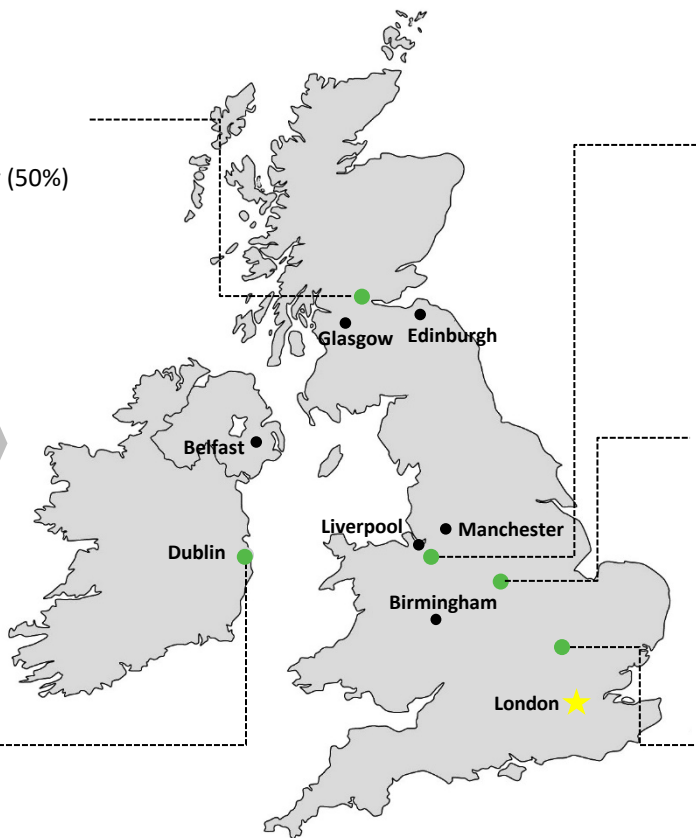
GIG brings portfolio of UK EfW development projects <sup>(1)</sup>



**Green  
Investment  
Group**

## Dublin

- Location: Dublin, Ireland
- 600k tonnes / 60 MW
- Total Investment: €550 million
- Partners: CVA (50%) / GIG (50%)
- Status: Operational



## Protos

- Location: Cheshire, England
- 350k tonnes / 40 MW
- Non-JV Partner: Biffa
- Status: In Development

## Newhurst

- Location: Leicestershire, England
- 350k tonnes / 40 MW
- Non-JV Partner: Biffa
- Status: In Development

## Rookery

- Location: Bedfordshire, England
- 545k tonnes / 60 MW
- Total Investment: £460 million
- Partners: CVA + GIG (80%) / Veolia (20%)
- Status: In Construction

**Combined pipeline of advanced and early stage projects targeting major metro areas and totaling ~2 million tonnes of annual processing capacity**

1) Name and location of early stage GIG projects withheld due to confidentiality and commercial limitations.

# Growth Drivers: Executing on Strategic Investments

## Manhattan Marine Transfer Station

- Adding transportation infrastructure to serve the second Marine Transfer Station under NYC contract
- Incremental 175,000 contracted tons delivered to CVA facilities
- Contracted return on infrastructure investment
- Began operations in March 2019



## Palm Beach O&M Contracts

- Acquired the operating contracts of two EfW facilities located in Palm Beach County, Florida
- Facilities combined process 1.7 million tons per year
- Highly complementary with existing 6 plants owned/operated in Florida
- Closed in September 2018



# Capitalization Summary

- Average debt maturity of ~9 years

(Face value; unaudited, in millions)	3/31/2019	12/31/2018	12/31/2017
Cash and Cash Equivalents	\$88	\$58	\$46
Corporate Debt:			
Secured	\$737	\$671	\$705
Unsecured	<u>1,693</u>	<u>1,694</u>	<u>1,664</u>
Total Corporate Debt	\$2,430	\$2,365	\$2,369
Project Debt	<u>139</u>	<u>150</u>	<u>171</u>
Total Debt	\$2,569	\$2,515	\$2,540
Net Debt <sup>(1)</sup>	\$2,470	\$2,438	\$2,469
Stockholders' Equity	\$454	\$487	\$427
<b><u>Credit Ratios:</u></b>			
Consolidated Leverage Ratio <sup>(1)</sup>	5.9x	5.6x	6.4x
Senior Credit Facility Leverage Ratio <sup>(2)</sup>	2.4x	2.2x	3.6x

1) Consolidated Leverage Ratio is equal to net debt, calculated as total principal amount of debt outstanding less cash and cash equivalents, debt service principal-related restricted funds (\$8 million at March 31, 2019) and escrowed construction financing proceeds (\$3 million at March 31, 2019) divided by Adjusted EBITDA, excluding Dublin project proportional Adjusted EBITDA but including dividends from the Dublin project.

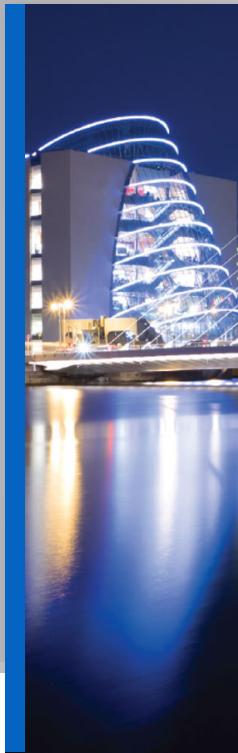
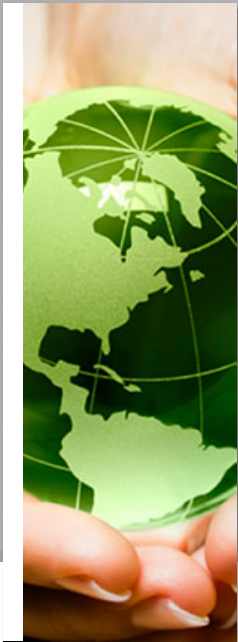
2) Leverage ratio as calculated for senior credit facility covenant. Effectively represents leverage at Covanta Energy, LLC and subsidiaries and ratio is pro forma for acquisitions.



# Key Investment Highlights

<b>Leader in Energy-from-Waste</b>	<ul style="list-style-type: none"><li>• EfW is a unique renewable energy business</li><li>• Compelling environmental benefits</li></ul>
<b>Critical Infrastructure Assets</b>	<ul style="list-style-type: none"><li>• Essential service to host communities</li><li>• Concentrated in attractive markets in Northeast U.S. with high barriers to entry</li></ul>
<b>Attractive Business Model</b>	<ul style="list-style-type: none"><li>• Highly contracted revenue (~75%) with diversified customer base</li><li>• Generates substantial and predictable cash flow</li><li>• Returned a cumulative \$1.6 billion of capital to shareholders since 2010</li></ul>
<b>Strong Growth Outlook</b>	<ul style="list-style-type: none"><li>• 3-5% long-term organic growth rate on EBITDA driven by several initiatives</li><li>• Strategic partnership with GIG to execute robust project development pipeline</li><li>• Target \$250 million Free Cash Flow by mid next decade</li></ul>

**Healthy current dividend with attractive long-term growth profile**



## Appendix

Powering Today. Protecting Tomorrow.

# Waste Update

(Unaudited)

- **Client and New Business Activity**

- Extended Babylon client relationship with new 15-year agreement
- Extended Huntington service contract to 2024 and Montgomery to 2026; amended Long Beach service contract

- **Q1 2019 revenue drivers vs. Q1 2018:**

- Same store EfW tip fee revenue:
  - Price up \$8 million (5%)
  - Volume down \$3 million (2%)
- EfW profiled waste revenue grew 9%
- Lower tip fee revenue due to Dublin deconsolidation
- Higher service fee revenue driven by Palm Beach

- **Trends and outlook:**

- Tip fee volumes to decline modestly on fleet optimization
- Expect 2019 tip fee price growth of over 3%
- Service fee revenue growth driven by Palm Beach
- Covanta Environmental Solutions growth driven by:
  - Profiled waste including regulated medical waste
  - Expanded capacity at material processing facilities
  - New York City MTS driving Municipal Services growth

(in millions, except price)	Q1 2019	Q1 2018	2019E
<b>Waste &amp; Service Revenue:</b>			
EfW Tip Fees	\$149	\$153	\$610 - \$630
EfW Service Fees	117	99	470 - 480
Environmental Services	32	32	145 - 150
Municipal Services	48	45	215 - 220
Other	7	8	35
Intercompany	<u>(26)</u>	<u>(26)</u>	<u>(110)</u>
<b>Total</b>	<b>\$327</b>	<b>\$312</b>	<b>\$1,365 - \$1,405</b>
<b>EfW Tons: <sup>(1)</sup></b>			
Tip Fee Contracted	2.0	2.1	8.5 - 8.7
Tip Fee Uncontracted	0.5	0.7	2.0
Service Fee	<u>2.6</u>	<u>2.1</u>	<u>10.7 - 10.8</u>
<b>Total</b>	<b>5.2</b>	<b>4.8</b>	<b>21.2 - 21.5</b>
<b>EfW Tip Fee Revenue/Ton:</b>			
Contracted	\$52.64	\$53.33	
Uncontracted	\$76.57	\$65.38	
<b>Average Tip Fee</b>	<b>\$57.66</b>	<b>\$56.20</b>	<b>\$58 - \$59</b>

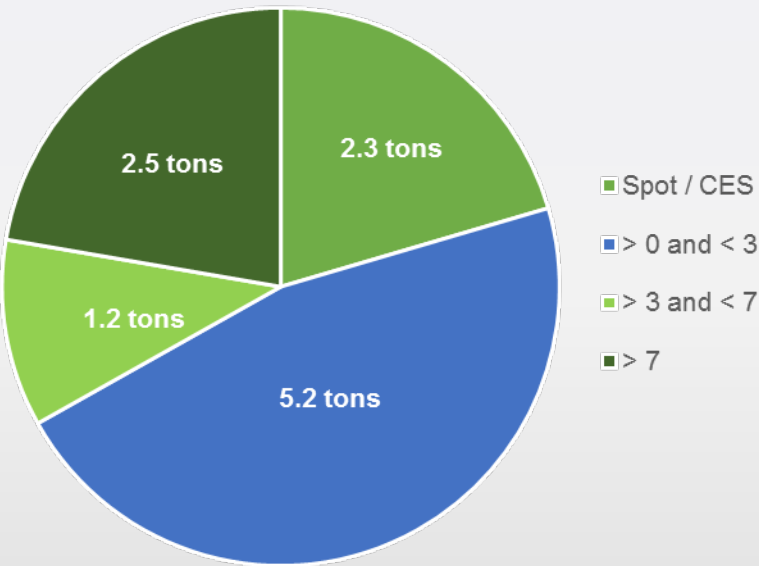
1) Excludes liquid waste.

Note: certain amounts may not total due to rounding.

# Major Waste Contracts

## 2019 Tip Fee Volume by Contract Length

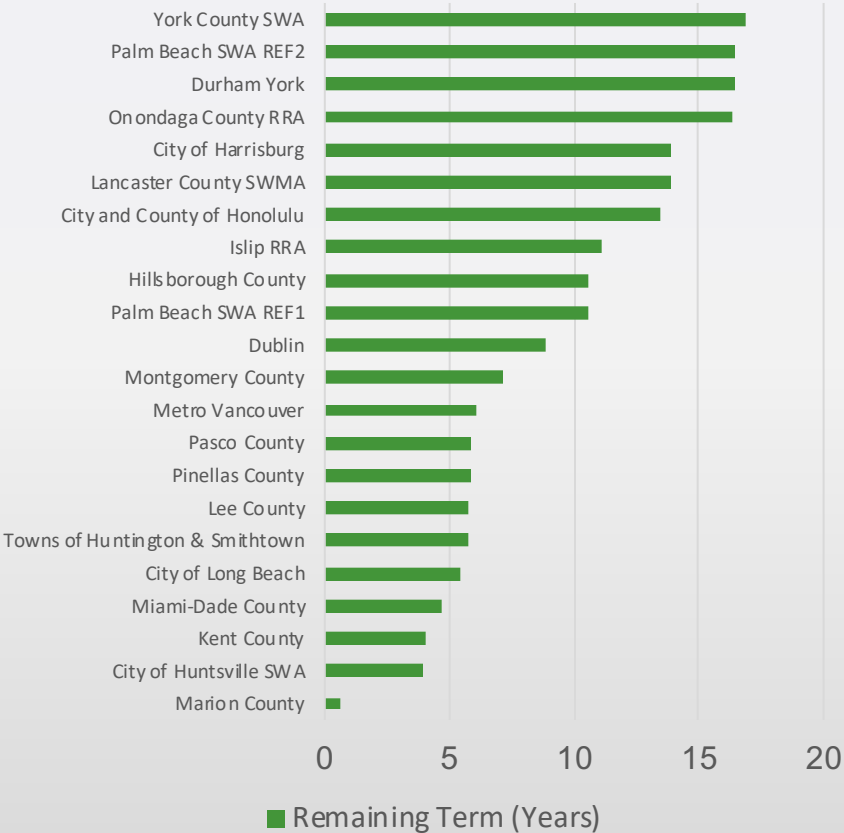
Weighted average contract length: 5 years



Volumes stated in millions.

## Service Fee Facilities by Contract Length

Weighted average contract length: 10 years



Note: Tip fee volume data as of year-end 2018.



# Energy Update

- **Q1 2019 revenue drivers vs. Q1 2018:**

- Same store energy price down \$2 million
- Dublin facility deconsolidation reduced energy revenue by \$4 million

- **Trends and outlook:**

- Energy sales modestly lower in 2019
  - Volumes slightly lower due to fleet optimization
  - Hedged prices improved vs. 2018
  - Forward curve for market is below 2018
  - No meaningful contract transitions until 2024
- Hedge activity:
  - 1.6 million MWh remain exposed in 2019
  - 1.0 million MWh already hedged for 2020

(Unaudited)

(in millions, except price)	Q1 2019	Q1 2018	2019E
<b>Energy Revenue:</b>			
Energy Sales	\$81	\$87	\$270 - \$290
Capacity	<u>13</u>	<u>13</u>	<u>40</u>
<b>Total</b>	<b>\$94</b>	<b>\$100</b>	<b>\$310 - \$330</b>
<b>MWh Sold:</b>			
Contracted	0.5	0.5	2.0
Hedged	0.8	0.8	2.8
Market	<u>0.3</u>	<u>0.3</u>	<u>1.5 - 1.7</u>
<b>Total</b>	<b>1.6</b>	<b>1.6</b>	<b>6.3 - 6.5</b>
<b>Revenue per MWh: <sup>(1)</sup></b>			
Contracted	\$67.33	\$67.86	\$65 - \$66
Hedged	\$49.67	\$50.07	~\$35
Market	\$32.44	\$44.08	\$25 - \$37
<b>Average</b>	<b>\$51.74</b>	<b>\$54.56</b>	<b>\$42 - \$45</b>

1) Excludes capacity revenue.

Note: certain amounts may not total due to rounding.

# Long-term Outlook: Energy Detail

(Unaudited, in millions, except price)	2017A	2018A	2019E	2020E	2021E	2022E	2023E
<b>MWh Sold – CVA Share:</b>							
Contracted	2.5	2.1	2.0	2.1	2.1	2.1	2.0
Hedged	2.7	3.1	2.8	1.0	—	-	-
Market	<u>0.8</u>	<u>1.3</u>	<u>1.6</u>	<u>3.4</u>	<u>4.5</u>	<u>4.5</u>	<u>4.6</u>
<b>Total MWh Sold</b>	<b>6.0</b>	<b>6.5</b>	<b>6.4</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
<b>Market Sales (MWh) by Geography:</b>							
PJM East	0.2	0.6	0.8	2.1	2.7	2.7	2.7
NEPOOL	0.2	0.2	0.4	0.8	1.1	1.1	1.1
NYISO	0.1	0.1	0.1	0.1	0.2	0.3	0.3
Other	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>
<b>Total Market Sales</b>	<b>0.8</b>	<b>1.3</b>	<b>1.6</b>	<b>3.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>
<b>Revenue per MWh: <sup>(1)</sup></b>							
Contracted	\$69.36	\$66.59	~\$65				
Hedged	\$34.92	\$32.88	~\$35				
Market	\$28.84	\$37.12	~\$31				
<b>Average Revenue per MWh</b>	<b>\$48.26</b>	<b>\$44.68</b>	<b>~\$43</b>				
<b>Capacity Revenue <sup>(2)</sup></b>	<b>\$46</b>	<b>\$52</b>	<b>~\$40</b>	<b>~\$40</b>	<b>~\$40</b>		

**Note: Production estimates for 2020 - 2023 are based on assumed operating performance and contract structures**

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

1) Excludes capacity revenue.

2) Capacity revenue is approximate and includes bilateral agreements and only represents full year periods in which auctions have already settled.

# Recycled Metals Update

- **Q1 2019 revenue drivers vs. Q1 2018:**

- Ferrous:
  - Realized pricing down \$5 million (31%) due to lower market price and increased sales directly from plants where transportation and operating cost savings offset lower selling price
  - Same store volume up 3%
- Non-ferrous largely flat; increased higher value sales offset by lower market prices

- **Trends and outlook:**

- Growth in metal recovery
- Ferrous prices stable with HMS pricing at \$295 per ton in April
- Expect improvement in non-ferrous pricing
  - Improved separation and sales of higher value metals more than offsets lower market prices

(\$ in millions, except price;  
tons in thousands)

	Q1 2019	Q1 2018	2019E
<b>Metals Revenue:</b>			
Ferrous	\$11	\$15	\$50 - \$60
Non-Ferrous	<u>9</u>	<u>9</u>	<u>50 - 60</u>
<b>Total</b>	<b>\$21</b>	<b>\$24</b>	<b>\$100 - \$120</b>
<b>Tons Recovered:</b>			
Ferrous	96	102	440 - 450
Non-Ferrous	13	11	50 - 55
<b>Tons Sold:</b>			
Ferrous	84	77	370 - 380
Non-Ferrous	8	7	35 - 40
<b>Revenue per Ton Sold:</b>			
Ferrous	\$137	\$193	\$130 - \$160
Non-Ferrous	\$1,123	\$1,192	\$1,400 - \$1,500
Average HMS index price <sup>(1)</sup>	\$306	\$321	\$250 - \$300
Average Old Cast Aluminum <sup>(2)</sup>	\$0.45	\$0.61	~\$0.46

1) 2018 and 2017 average #1 Heavy Melt Steel composite index (\$ / gross ton) as published by American Metal Market.

2) 2018 and 2017 average Old Cast Aluminum Scrap (\$ / pound) calculated using the high price as published by American Metal Market.

Note: certain amounts may not be totaled due to rounding.

# Maintenance and Operating Expenses



Powering Today. Protecting Tomorrow.

(Unaudited)

- **Q1 2019 revenue drivers vs. Q1 2018:**

- Q1 2019 maintenance plan called for lower spend and relative mix of capex vs. Q1 2018
- Other Plant Operating Expense increased primarily due to the acquisition of Palm Beach

- **Trends and outlook:**

- 2019 maintenance plan on track - no change to full year spend outlook
- 2019 total EfW maintenance spend driven by:
  - Inclusion of Palm Beach, net of facility exits
  - Greater mix of expense vs. capex
- Other Plant Operating Expense drivers:
  - EfW: Palm Beach acquisition
  - Non-EfW: CES growth and NYC MTS

(in millions)	Q1 2019	Q1 2018	2019E
<b>Plant Maintenance Expense:</b>			
EfW	\$93	\$89	\$300 - \$310
Other	<u>2</u>	<u>1</u>	
<b>Total</b>	<b>\$95</b>	<b>\$90</b>	
<b>Maintenance Capex:</b>			
EfW	\$29	\$44	\$105 - \$115
Other	<u>2</u>	<u>1</u>	<u>15</u>
<b>Total</b>	<b>\$31</b>	<b>\$45</b>	<b>\$120 - \$130</b>
<b>Total EfW Maintenance Spend</b>	<b>\$122</b>	<b>\$133</b>	<b>\$405 - \$425</b>
<b>Other Plant Operating Expense:</b>			
EfW	\$185	\$177	
Other	<u>76</u>	<u>78</u>	
<b>Total</b>	<b>\$261</b>	<b>\$255</b>	
<b>Other Operating Expense</b>	<b>\$17</b>	<b>\$8</b>	

Note: Certain amounts may not total due to rounding.



# Growth Investment Outlook

(Unaudited, in millions)	Q1 2019	FY 2018	FY 2019 Outlook
Organic growth investments <sup>(1)</sup>	\$3	\$23	\$25
New York City MTS contract	11	13	20
Total Ash Processing System	1	1	15
UK investments <sup>(2)</sup>	4	21	10
Acquisitions	(2)	50	-
Dublin facility construction	=	<u>22</u>	=
<b>Total growth investments</b>	<b>\$17</b>	<b>\$130</b>	<b>~\$70</b>
<b>Proceeds from asset sales<sup>(3)</sup></b>	<b>\$26</b>	<b>\$198</b>	<b>~\$45</b>

- Net CVA equity investment into Rookery (40% equity stake) expected to be ~\$40 million through 2022
  - Premium and development cost recovery consideration of \$44 million received by CVA at financial close
  - CVA to invest ~\$80 million upon commercial operations, expected in early 2022

Note: 2019 outlook for acquisitions, UK investments and proceeds from asset sales to be updated as transactions are completed.

1) Organic growth programs are focused primarily on growing waste, energy, and metal revenue generated by our existing assets.

2) Includes early site work for Rookery and investments and premium paid on Earls Gate.

3) Includes gross cash received for sales and premiums received for development projects.



## Appendix

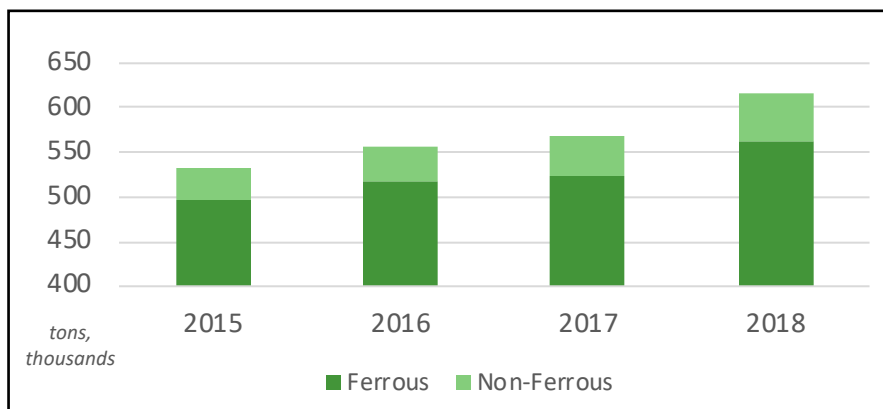
**COVANTA**  
Powering Today. Protecting Tomorrow.

# Commitment to Sustainability

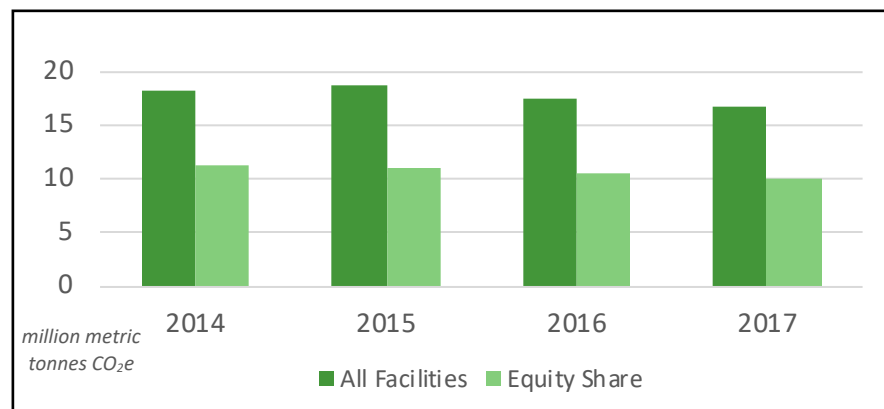
- 21 million tons of waste diverted from landfills annually
- EfW is an internationally-recognized source of GHG mitigation: avoids methane gas emissions from landfill and fossil fuel electricity
- GHG benefit equivalent to pulling more than 4 million cars off the road
- Recover enough energy to power one million homes for a full year
- Over 600,000 tons of metals recovered from waste every year – equivalent to 6 Golden Gate Bridges and 3 billion beverage cans
- Critical component of community and business zero waste to landfill and circular economy efforts



## Gross Metals Recovery & Recycling



## Global EfW Net GHG Avoided



*Covanta is committed to helping communities and organizations solve their sustainability challenges through forward-thinking solutions that divert waste from landfills and use it to generate renewable energy*

# Illustrative JV Accounting

JV Financials		Impact on CVA Statements	
Income Statement			
Revenue	\$110	O&M Revenue	\$30
Operating Expenses	<u>(50)</u>	O&M Expense	<u>(25)</u>
Adjusted EBITDA	\$60	O&M Margin	\$5
D&A	(20)		
Interest	(20)		
Tax	<u>0</u>	Equity in Income	<u>10</u> (50% JV NI)
Net Income	\$20	Net Income	\$15

Covanta nets \$5 million from its O&M contract, as well as a 50% share in the facility's net income, totaling \$15 million in net income to CVA

Adjusted EBITDA			
Net Income	\$20	Net Income	\$15
+ Interest	20	+ Proportional Interest	10
+ D&A	20	+ Proportional D&A	10
+ Taxes	0	+ Proportional Taxes	0
Adjusted EBITDA	\$60	Adjusted EBITDA	\$35

Adding back 50% of JV D&A and Interest results in \$35 million of Adjusted EBITDA to CVA

JV Financials		Impact on CVA Statements	
Cash Flow Statement			
Net Income	\$20	Net Income	\$15
+ D&A	<u>20</u>	- Equity in Income	(10)
Operating Cash Flow	\$40	+ Dividends	<u>8</u> (50% JV Div)
- Maintenance Capex	<u>(5)</u>	Free Cash Flow	\$13
Free Cash Flow	\$35		
- Debt Principal	<u>(20)</u>		
Dividends	\$15		

Subtracting the Equity in Income, which is non-cash, and adding the 50% dividend share results in a \$12.5 million benefit to Free Cash Flow

Balance Sheet			
Assets	\$550	Equity in Unconsolidated	\$50
Debt	450		
Equity	100		

Half of the \$100 million in equity on the facility's balance sheet is recognized on Covanta's balance sheet

# Non-GAAP Reconciliation: Adjusted EBITDA



(Unaudited, in millions)	Q1		Full Year		LTM
	2019	2018	2018	2017	March 31, 2019
<b>Net Income (Loss)</b>	<b>\$8</b>	<b>\$201</b>	<b>\$152</b>	<b>\$57</b>	<b>\$(41)</b>
Depreciation and amortization expense	55	54	218	215	219
Interest expense	36	38	145	147	143
Income tax expense (benefit)	2	(9)	(29)	(191)	(18)
Impairment charges	—	—	86	2	86
Debt service billings in excess of (less than) revenue recognized	—	1	(1)	5	(2)
Severance and reorganization costs	3	2	5	1	6
Stock-based compensation expense	5	9	24	18	20
Capital type expenditures at client owned facilities <sup>(1)</sup>	13	12	37	55	38
Net (Gain) loss on sale of business and other	(50)	(210)	(217)	6	(57)
Loss on extinguishment of debt	—	—	15	84	15
Business development and transaction costs, net	—	2	3	5	1
Property insurance recoveries, net	—	(7)	(18)	(2)	(11)
Adjustments to reflect Adjusted EBITDA from unconsolidated investments <sup>(2)</sup>	6	4	23	—	25
Other	<u>6</u>	<u>3</u>	<u>14</u>	<u>6</u>	<u>17</u>
<b>Total adjustments</b>	<b><u>76</u></b>	<b><u>(101)</u></b>	<b><u>305</u></b>	<b><u>351</u></b>	<b><u>482</u></b>
<b>Adjusted EBITDA</b>	<b>\$84</b>	<b>\$100</b>	<b>\$457</b>	<b>\$408</b>	<b>\$441</b>

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

2) Adjustment beginning in 2018 to the Equity in Income from unconsolidated investments to adjust for the proportional impact of depreciation & amortization, interest expense, and taxes at the unconsolidated subsidiary (Proportional Adjusted EBITDA).

# Non-GAAP Reconciliation: Adjusted EBITDA and Free Cash Flow



(Unaudited, in millions)	Q1			Full Year		Full Year
	2019	2018		2018	2017	Estimated 2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	<b>\$84</b>	<b>\$100</b>		<b>\$457</b>	<b>\$408</b>	<b>\$440 - \$465</b>
Cash paid for interest, net of capitalized interest	(47)	(33)		(136)	(132)	(140)
Cash paid for taxes, net	(1)	—		(2)	—	(5)
Capital type expenditures at client owned facilities <sup>(2)</sup>	(13)	(12)		(37)	(55)	(40)
Equity in net income from unconsolidated investments	—	—		(6)	(1)	(5) - (10)
Adjustments to reflect Adjusted EBITDA from unconsolidated investments <sup>(3)</sup>	(6)	(4)		(23)	—	(20) - (25)
Dividends from unconsolidated investments	—	—		13	2	10
Adjustment for working capital and other	<u>20</u>	<u>(48)</u>		<u>(28)</u>	<u>20</u>	<u>(10) - 10</u>
<b>Net cash provided by operating activities</b>	<b>\$37</b>	<b>\$3</b>		<b>\$238</b>	<b>\$242</b>	<b>\$230 - \$260</b>
Changes in restricted funds - operating <sup>(4)</sup>	—	(10)		4	1	10
Maintenance capital expenditures	<u>(31)</u>	<u>(45)</u>		<u>(142)</u>	<u>(111)</u>	<u>(130) - (120)</u>
<b>Free Cash Flow</b>	<b>\$6</b>	<b>\$(52)</b>		<b>\$100</b>	<b>\$132</b>	<b>\$120 - \$145</b>

1) Guidance as of April 25, 2019.

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

3) Adjustment beginning in 2018 to reconcile the Equity in Income from unconsolidated investments to Proportional Adjusted EBITDA.

4) Adjustment for the impact of the adoption of ASU 2016-18 effective January 1, 2018. As a result of adoption, the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, changes in restricted funds are eliminated in arriving at net cash, cash equivalents, and restricted funds provided by operating activities.



# Non-GAAP Financial Measures

---



## Free Cash Flow

Free Cash Flow is defined as cash flow provided by operating activities, plus changes in restricted funds - operating, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use the non-GAAP measure of Free Cash Flow as criteria of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in construction of new projects, make principal payments on debt, or amounts we can return to our stockholders through dividends and/or stock repurchases.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow for the year ended and three months ended December 31, 2018 and 2017 reconciled for each such period to cash flow provided by operating activities, which we believe to be the most directly comparable measure under GAAP.

## Adjusted EBITDA

We use Adjusted EBITDA to provide additional ways of viewing aspects of operations that, when viewed with the GAAP results provide a more complete understanding of our core business. As we define it, Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income including the effects of impairment losses, gains or losses on sales, dispositions or retirements of assets, adjustments to reflect the Adjusted EBITDA from our unconsolidated investments, adjustments to exclude significant unusual or non-recurring items that are not directly related to our operating performance plus adjustments to capital type expenses for our service fee facilities in line with our credit agreements. We adjust for these items in our Adjusted EBITDA as our management believes that these items would distort their ability to efficiently view and assess our core operating trends. As larger parts of our business is being conducted through unconsolidated entities that we do not control, we are adjusting for our proportionate share of the entities depreciation and amortization, interest expense and taxes in order to improve comparability to the Adjusted EBITDA of our wholly owned entities. In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the year ended and three months ended December 31, 2018 and 2017, reconciled for each such period to net income and cash flow provided by operating activities, which are believed to be the most directly comparable measures under GAAP.

Our projections of the proportional contribution of our interests in the JV to our Adjusted EBITDA and Free Cash Flow are not based on GAAP net income/loss or Cash flow provided by operating activities, respectively, and are anticipated to be adjusted to exclude the effects of events or circumstances in 2018 that are not representative or indicative of our results of operations and that are not currently determinable. Due to the uncertainty of the likelihood, amount and timing of any such adjusting items, we do not have information available to provide a quantitative reconciliation of projected net income/loss to an Adjusted EBITDA projection.