



COVANTA
Powering Today. Protecting Tomorrow.

Raymond James Institutional Investors Conference

NYSE: CVA MARCH 2017

Cautionary Statements



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

Forward-Looking Statements

Certain statements in this presentation may constitute "forward-looking" statements as defined in Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission ("SEC"), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta and its subsidiaries, or general industry or broader economic performance in global markets in which Covanta operates or competes, 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 that could cause actual results to differ materially from those forward-looking statements with respect to Covanta, include, but are not limited to, the risk that Covanta may not successfully grow its business as expected or close its announced or planned acquisitions or projects in development, and those factors, risks and uncertainties that are described in periodic securities filings by Covanta with the SEC. Although Covanta believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Covanta'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 presentation 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 2016 and future periods are as of February 15, 2016. Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Non-GAAP Financial Measures

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

For definitions of each of those non-GAAP financial measures as well as reconciliations to the most relevant GAAP financial measure, please see the February 27, 2016 Q4 Earnings Conference Call Webdeck presentation, which can be found in the Investor Information – Events section of our website at www.covanta.com

Covanta – World Leader in Energy-from-Waste

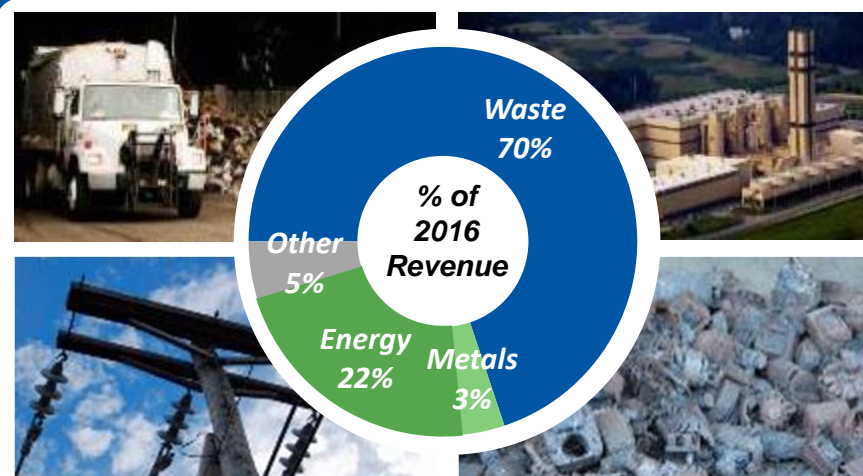


Waste:

42 Energy-from-Waste (EfW) facilities

~20 million tons processed annually → 1:1 tons of CO₂ equivalent offset

15 material processing facilities



FY 2017 Guidance:

- **Adjusted EBITDA:**
\$400 - \$440 million
- **Free Cash Flow:**
\$100 - \$150 million

Energy:

~10 million MWh generated annually

1,400+ MW base load capacity

Metals:

~500,000 gross tons of ferrous and non-ferrous recovered annually

EfW: Unique Renewable Energy Business

Waste



Municipal
Commercial
Industrial

Conversion Process



Technologically
advanced mass-burn
facilities

Energy / Outputs

1 ton of waste yields:

500-650 kWh power



~50lbs recycled metal



Ash: ~10% of
original volume

The only power source that reduces greenhouse gas emissions

Key Investment Highlights



Leader in Energy-from-Waste	<ul style="list-style-type: none">• EfW is a unique renewable energy business• Compelling environmental benefits
Critical Infrastructure Assets	<ul style="list-style-type: none">• Essential service to host communities• Concentrated in attractive markets in Northeast U.S. with high barriers to entry
Attractive Business Model	<ul style="list-style-type: none">• Highly contracted revenue from multiple sources• High Adjusted EBITDA margins (~25%)• Generates substantial and predictable cash flow
Strong Growth Outlook	<ul style="list-style-type: none">• Committed to 3-5% annual organic growth driven by multiple initiatives• Near completion on milestone Dublin facility and actively building new investment pipeline

Robust current dividend with attractive long-term growth profile

Market Leader in the U.S.

**~400 Tons of
Waste Annually**

64%
Landfill



7%
Waste-to-
Energy

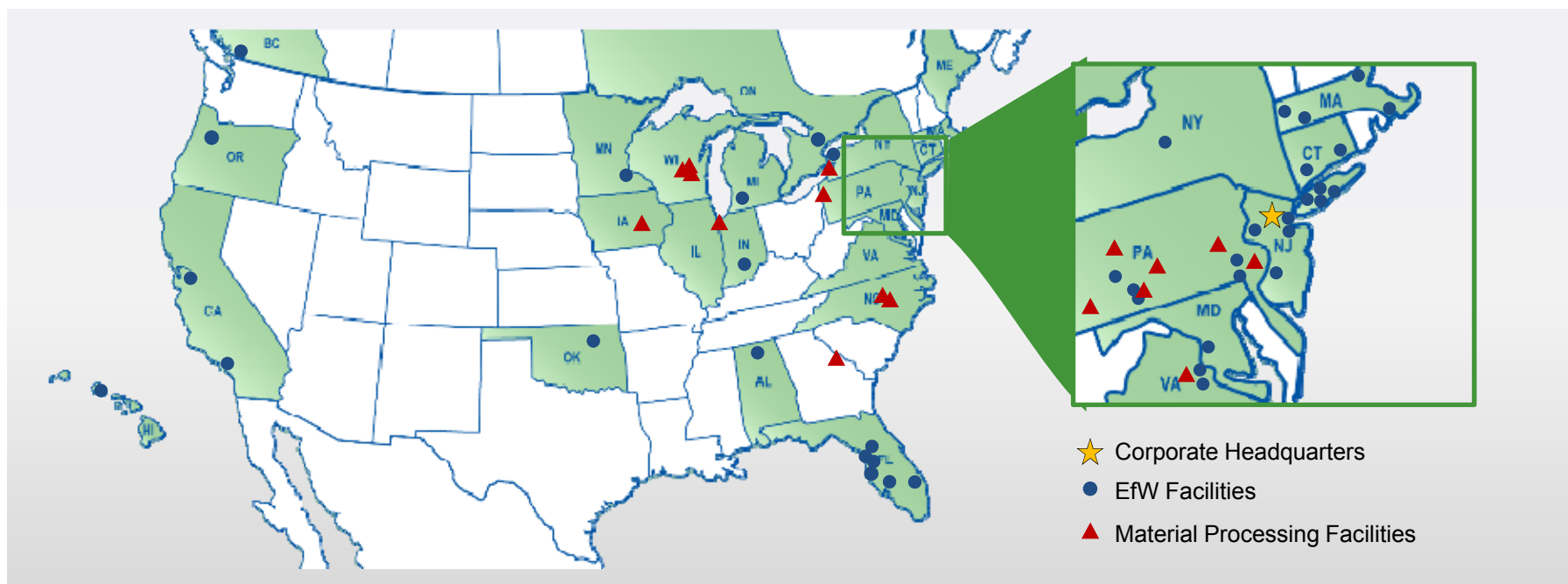
Covanta
~70%
of this market

29%
Recycling / Composting

Benefits of EfW

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

Irreplaceable Infrastructure



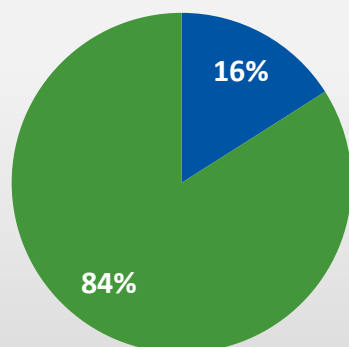
Advantages

- Concentrated in attractive, densely-populated markets
- Limited alternative disposal capacity in metropolitan areas
- Cost advantage vs. long haul transfer to landfills
- Electricity sold at high demand points

Highly Contracted Revenue

Waste & Service

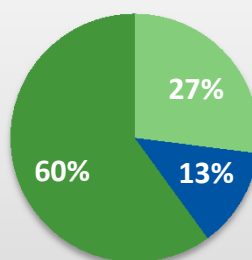
- Paid either per-ton “tip fee” or fixed service fee
- Excellent track record extending long-term contracts



■ Uncontracted ■ Contracted

Energy

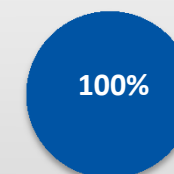
- Long-term contracts with utilities
- Hedge uncontracted generation to manage volatility



■ Hedged ■ Uncontracted
■ Contracted

Metal

- Incremental revenue stream sold at prevailing commodity prices

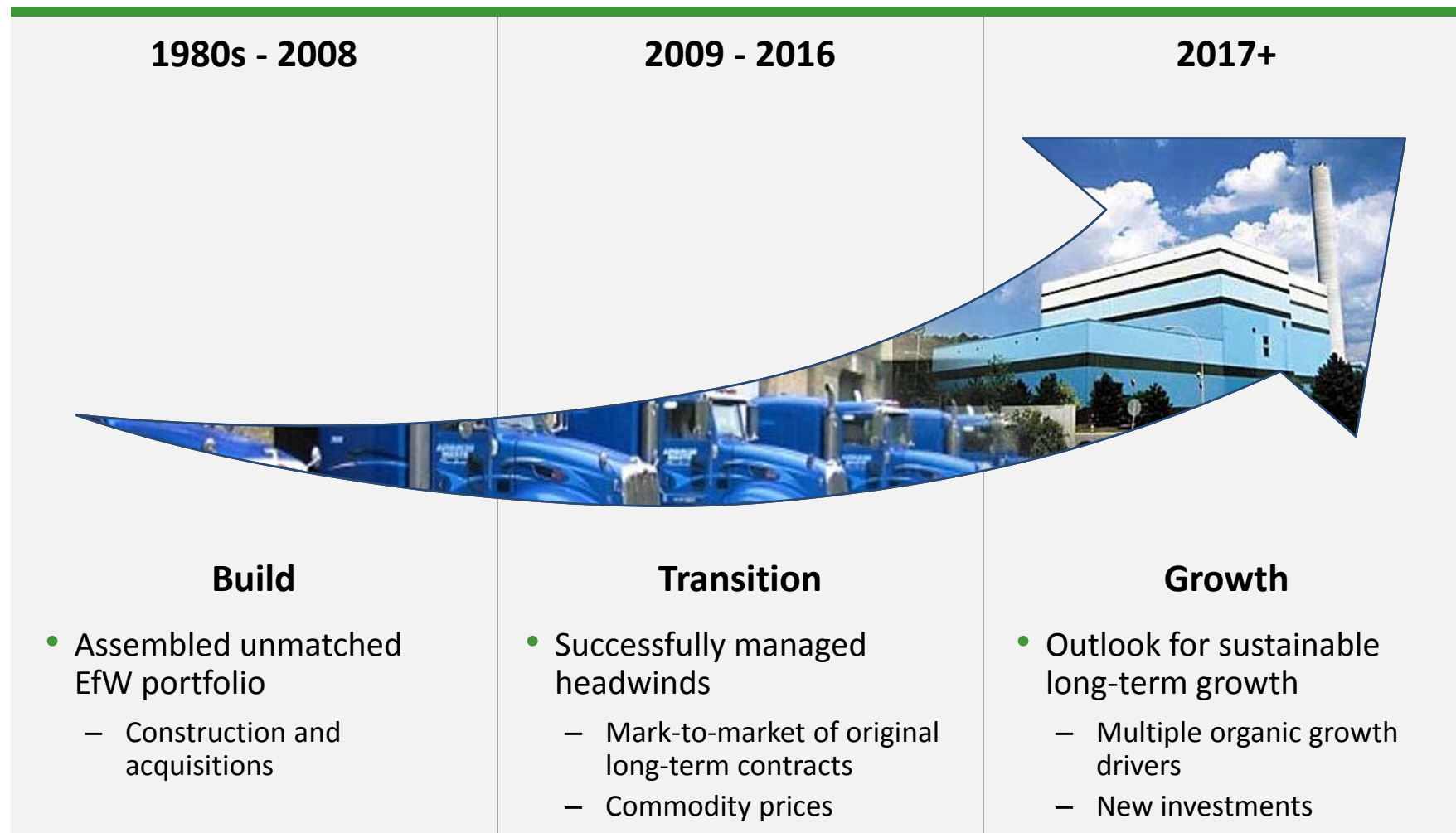


■ Uncontracted

~85% Revenue Contracted or Hedged
~25% Adjusted EBITDA Margin

Note: Figures presented for EfW operations only. Percentages of revenue calculated on 2016 for waste and service and 2017 guidance midpoint for energy. Contracted energy revenue % includes capacity auction revenue.

Entering a New Growth Era



Key Growth Drivers

Organic

Core Business

- **Long-term target 3-5% growth**
 - Environmental Solutions
 - Metals recovery and ash management
 - Continuous Improvement
 - Favorable waste market dynamics

Commodities

- **Significant leverage to commodity market recovery**
 - Metals
 - Energy

Underpins long-term cash flow growth and capital allocation plans

New Investment

- **Execute on projects underway**
 - Dublin, NYC MTS contract
- **EfW project development pipeline**
 - Near-term focus in UK
- **Synergistic acquisitions**
 - Environmental Solutions
 - EfW

Opportunities to invest capital at attractive equity returns

Growth Drivers: Environmental Solutions

EfW Profiled Waste

- Unmatched EfW footprint
- Assured destruction and/or zero landfill disposal for non-hazardous waste
- Drives higher average waste revenue per ton

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

+

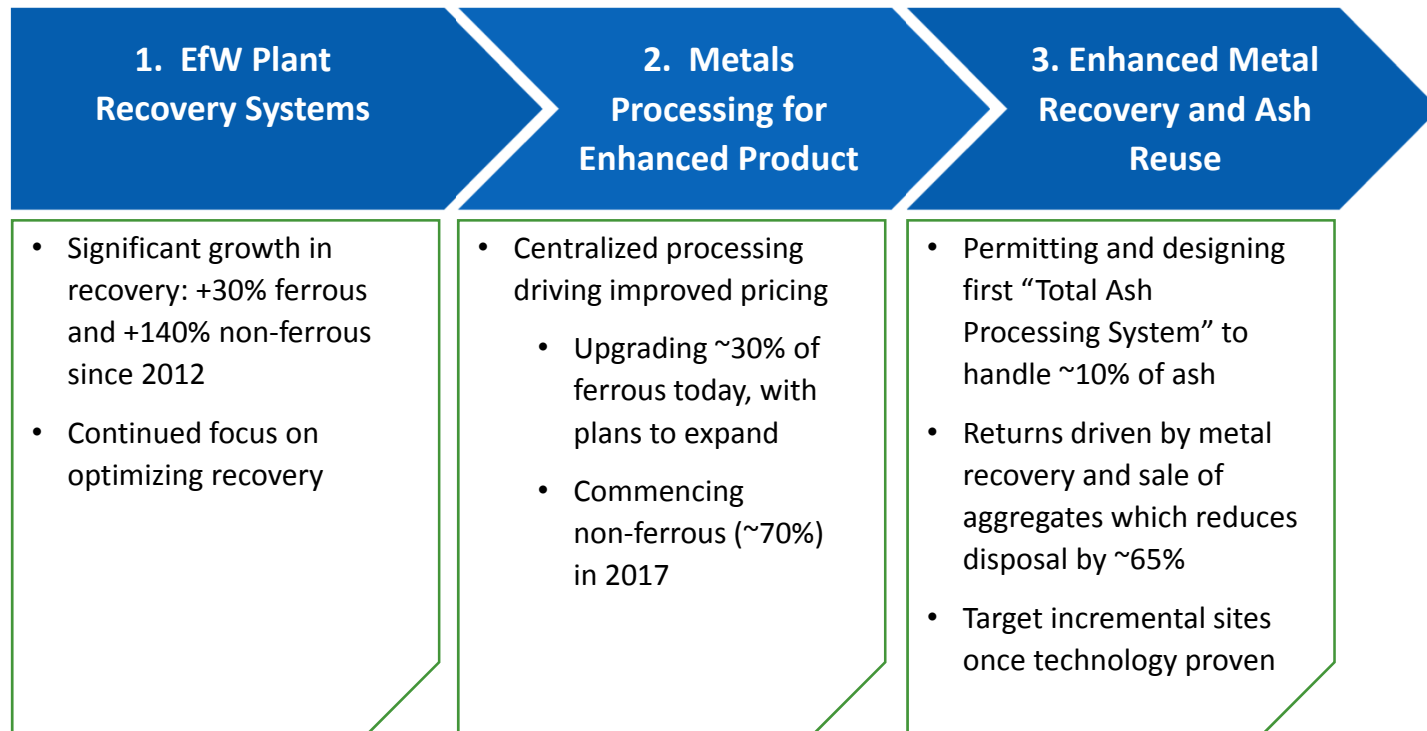
Environmental Services

- Leverage EfW portfolio for new service revenue opportunities
- Recycling, shredding, liquids processing / treatment, transportation and logistics, on-site services

~\$100 million Revenue
~20% Adjusted EBITDA margin



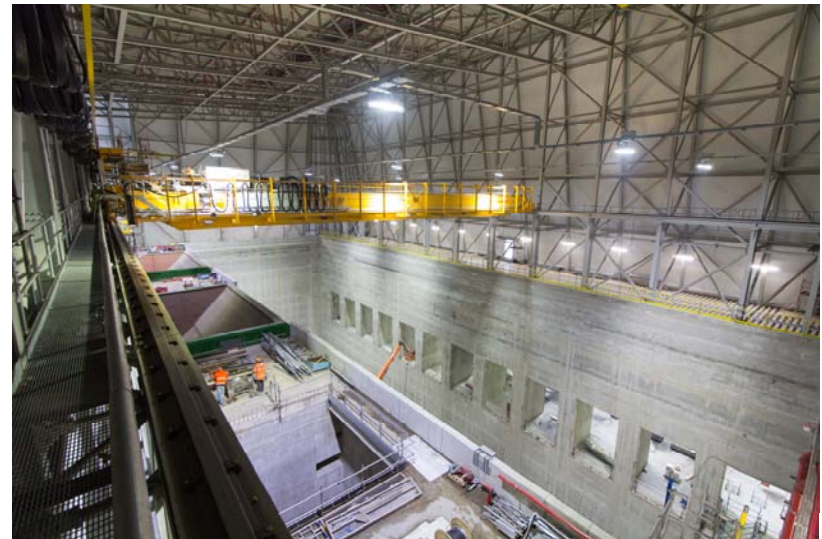
Growth Drivers: Metal Recovery and Ash Management



Growth Drivers: New Investments

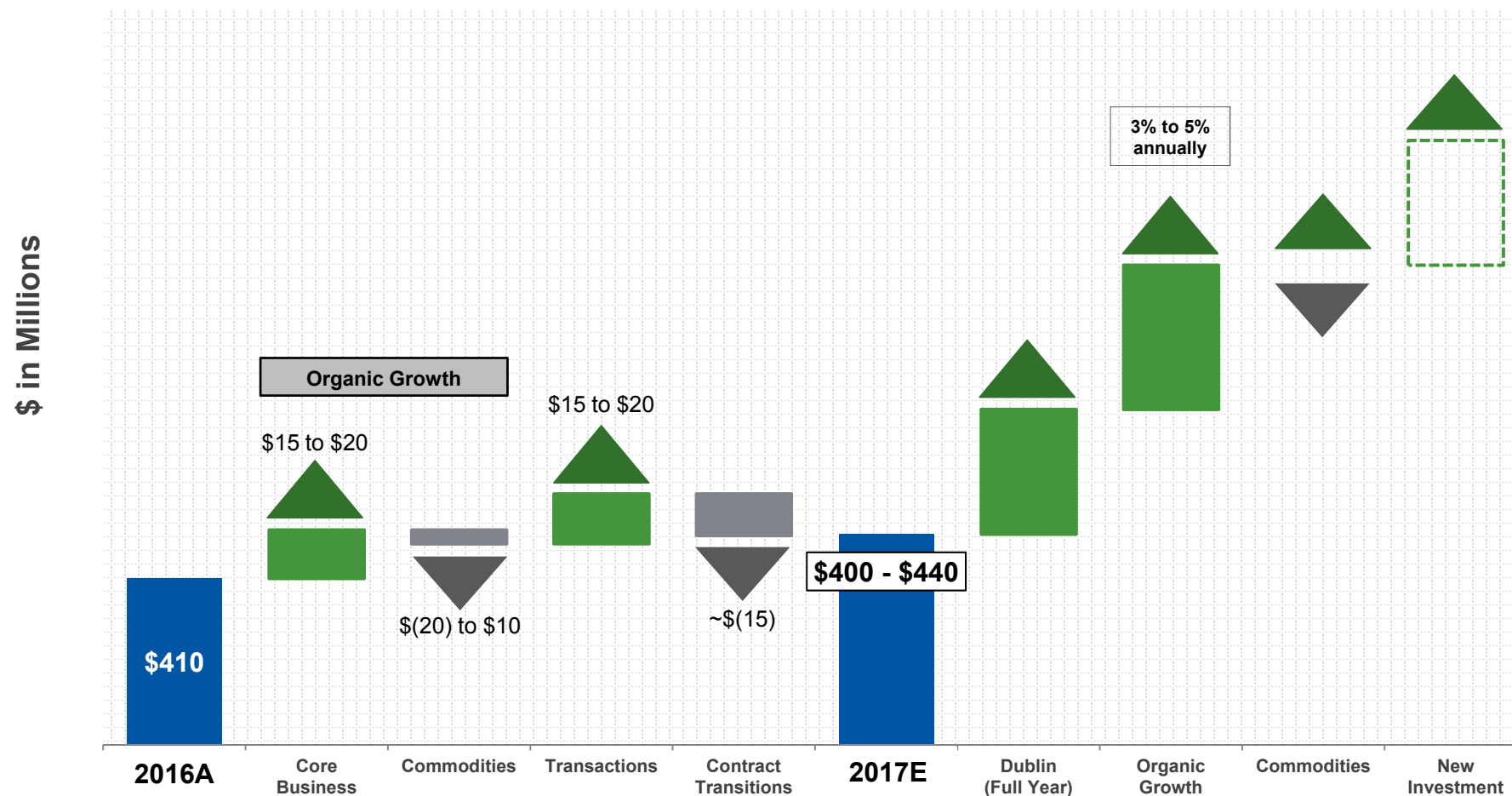
Dublin EfW Facility

- 600,000 annual tons of capacity generating 58 MW
- €500 million total capital investment
- Attractive economics
 - ~\$60 million annual EBITDA contribution
 - 90% of waste under long-term contract
 - 50% of power contracted at premium renewable tariff
- On track for commercial operations by start of Q4 2017



Financial Outlook: Adjusted EBITDA

(Unaudited)



Capital Allocation Policy

Free Cash Flow



Stable and Flexible Balance Sheet



Pro Forma as of 12/31/16

(Face Value; \$ in millions)

Covanta Holding Corporation

New 5.875% Senior Notes due 2025:	\$400
6.375% Senior Notes due 2022:	400
5.875% Senior Notes due 2024:	400

Covanta Energy, LLC

Revolving Credit Facility due 2019-2020: ⁽¹⁾	\$343
Term Loan due 2019:	196
Equipment Leases due 2024-2027:	69
Tax-Exempt Corporate Bonds due 2024-2045: ⁽²⁾	464

International Subsidiaries

Project Debt: \$213

Domestic Subsidiaries

Project Debt: \$193

- Refinancing 7.25% notes due 2020 with new 5.875% notes due 2025
- Weighted average debt maturity of ~9 years, with no material corporate maturities until 2020
- Substantial liquidity with \$501 million availability under revolver at 12/31/16

1) Total facility size of \$1.0 billion (\$50 million due 2019 and \$950 million due 2020), with \$156 million letters of credit outstanding and \$501 million availability at December 31, 2016.

2) The tax-exempt corporate bonds are obligations of Covanta Holding Corporation and are guaranteed by Covanta Energy, and as such are effectively senior in right of payment to the other indebtedness of Covanta Holding Corporation.

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Attractive Business Model	<ul style="list-style-type: none">• Highly contracted revenue from multiple sources• High Adjusted EBITDA margins (~25%)• Generates substantial and predictable cash flow
Strong Growth Outlook	<ul style="list-style-type: none">• Committed to 3-5% annual organic growth driven by multiple initiatives• Near completion on milestone Dublin facility and actively building new investment pipeline

Robust current dividend with attractive long-term growth profile



Appendix

Powering Today. Protecting Tomorrow.

Waste Update



- **Client and new business activity:**

- Extended waste contracts with clients at Indianapolis and Huntsville
- Expanding CES footprint and service offerings

- **2016 waste and service revenue vs. 2015:**

- EfW same store price up \$24 million (2.5%); volume up \$2 million (0.2%)
- EfW profiled waste up 15% year-over-year

- **Trends and outlook:**

- Continued mix shift to profiled waste
- Contractual price escalations running at ~1%
- Dublin facility to contribute ~150,000 tons at over \$100 per ton in Q4

	(Unaudited)		
(in millions, except price)	2015A	2016A	2017E
Waste & Service Revenue:			
EfW Waste Processing	\$929	\$962	\$975 - \$1,005
Environmental Services ⁽¹⁾	56	99	100 - 110
Municipal Services ⁽²⁾	159	186	~200
Other ⁽³⁾	38	36	~30
Intercompany ⁽⁴⁾	<u>(78)</u>	<u>(96)</u>	<u>~ (90)</u>
Total	\$1,104	\$1,187	\$1,215 - \$1,255
EfW Tons: ⁽⁵⁾			
Contracted ⁽⁶⁾	17.2	17.4	
Uncontracted	<u>2.2</u>	<u>2.2</u>	
Total	19.4	19.5	19.5 - 19.7
EfW Revenue per Ton: ⁽⁷⁾			
Contracted	\$45.60	\$46.48	
Uncontracted	\$65.26	\$71.63	
Average	\$47.83	\$49.26	\$50.00 - \$51.00

1) Includes the operation of material processing facilities and related services.

2) Consists of transfer stations and transportation component of NYC MTS contract.

3) Includes waste brokerage, debt service and other revenue unrelated to EfW waste processing.

4) Elimination of intercompany transactions primarily relating to transfer stations.

5) Excludes liquid waste.

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

7) Calculated for EfW waste processing revenue presented above.

Note: certain amounts may not total due to rounding.

Energy Update



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

- Same store revenue down 1.2%
 - Volume down \$5 million driven by Plymouth turbine downtime (insured event)
- Service to tip fee contract transitions (increasing revenue share), net of PPA expirations increased energy revenue by \$20 million

- **Trends and outlook:** 2017 outlook reflects impact of power contract transitions and lower priced hedges

- Hedging activity:
 - 2017 U.S. market exposure hedged to ~1.4 MWh
 - Actively hedging 2018 exposure
- Natural gas storage and supply benefiting 2017 market prices year-over-year
- Dublin facility to contribute ~85k MWh at a blended rate of ~ \$65/MWh in Q4

	(Unaudited)		
(in millions, except price)	2015A	2016A	2017E
Energy Revenue:			
EfW Energy Sales	\$308	\$321	\$280 - \$300
EfW Capacity	38	40	~40
Other ⁽¹⁾	<u>75</u>	<u>9</u>	=
Total	\$421	\$370	\$320 - \$340
EfW MWh Sold:			
Contracted	3.0	3.1	2.3 - 2.5
Hedged	1.4	1.9	~2.5
Market	<u>1.4</u>	<u>1.0</u>	<u>~1.4</u>
Total	5.8	6.1	6.2 - 6.4
EfW Revenue per MWh: ⁽²⁾			
Contracted	\$65.56	\$65.98	\$66 - \$67
Hedged	\$45.64	\$42.77	~ \$36
Market	\$33.18	\$31.35	\$24 - \$36
Average	\$53.17	\$52.70	\$44.00 - \$48.00

1) Includes China and Biomass in 2015 and 2016.

2) Excludes capacity revenue.

Note: certain amounts may not total due to rounding.

Recycled Metals Update



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

- Volume benefiting from enhanced recovery
 - Ferrous same store +1.5% driven by higher recovery (+14%) partially offset by processing
 - Non-ferrous up 11%
- Lower overall realized sale prices
 - Ferrous down 3%
 - Non-ferrous down 12%

- **Market trends and outlook:**

- Reduced Q4 2016 inventory, increasing tons sold
- HMS Index averaged \$268/ton in Jan/Feb showing dramatic year-over-year improvement, but expect softening through 2017
- Centralized non-ferrous processing to drive improved price realization beginning Q2
 - Up to 70% of total company non-ferrous to be processed

(Unaudited)

(\$ in millions, except price; tons in thousands)	2015A	2016A	2017E
Metals Revenue:			
Ferrous	\$38	\$38	\$35 - \$45
Non-Ferrous	<u>23</u>	<u>23</u>	<u>30 - 35</u>
Total	\$61	\$61	\$65 - \$80
Tons Recovered:			
Ferrous	353	401	395 - 400
Non-Ferrous	32	36	35 - 40
Tons Sold:			
Ferrous	330	345	325 - 335
Non-Ferrous	32	36	25 - 30
Revenue per Ton Sold:			
Ferrous	\$116	\$111	\$110 - \$140
Non-Ferrous	\$721	\$632	\$1,100 - \$1,200
Average HMS index price ⁽¹⁾	\$217	\$197	\$200 - \$250
Average Old Cast Aluminum ⁽²⁾	\$0.63	\$0.57	\$0.55 - \$0.61

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

2) 2016 and 2015 average Old Cast Aluminum Scrap (\$ / pound) calculated using the high price as published by American Metal Market.

Maintenance Update



- **2016 summary:**

- Total EfW maintenance spend within expected range
 - Year-over-year increase driven by timing and scope of scheduled maintenance and large projects at Fairfax and Onondaga facilities

- **Trends and outlook:**

- 2017 total EfW maintenance spend range consistent with 2016 (+ inflation)
 - Fairfax baghouse installation continuing through 2018
- 3-year maintenance outlook: annual total EfW spend range of \$365 to \$415 million
 - Range for existing portfolio (with Dublin)
 - Reflects long-term infrastructure investment program and major projects
 - Annual spend to vary within range based on maintenance schedules and project timing

(in millions)	2015A	2016A	2017E
Plant Maintenance Expense:			
EfW	\$256	\$272	\$275 - \$285
Other	<u>14</u>	<u>7</u>	
Total	\$270	\$279	
Maintenance Capex:			
EfW	\$78	\$97	\$90 - \$100
Other	<u>24</u>	<u>13</u>	<u>~20</u>
Total	\$102	\$110	\$110 - \$120
Total EfW Maintenance Spend	\$334	\$369	\$365 - \$385

Growth Investment Outlook



Growth Investments (Unaudited, in millions)	FY 2015 Actual	FY 2016 Actual	FY 2017 Outlook
Organic growth investments ⁽¹⁾	\$34	\$46	~ \$25
New York City contract	30	3	–
Essex County EfW emissions control system ⁽²⁾	26	33	~5
Acquisitions	<u>72</u>	<u>9</u>	<u>~6</u>
Subtotal: Corporate funded	\$162	\$91	~ \$35
Dublin facility construction	<u>184</u>	<u>162</u>	<u>~100</u>
Total growth investments	\$346	\$253	~ \$135

- Remaining Dublin investment to be funded entirely with project financing – no impact on domestic capital allocation
- Acquisitions to be targeted on an opportunistic basis – potential additional activity not reflected in FY 2017 outlook

1) Organic growth programs are focused primarily on growing waste, energy and metal revenue and/or reducing operating costs.

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

Note: certain amounts may not total due to rounding.

Capitalization Summary



(Face value; unaudited, in millions)	12/31/2014	12/31/2015	12/31/2016
Cash and Cash Equivalents	\$84	\$94	\$84
Corporate Debt:			
Secured	\$405	\$621	\$608
Unsecured	<u>1,569</u>	<u>1,664</u>	<u>1,664</u>
Total Corporate Debt	\$1,974	\$2,285	\$2,272
Project Debt	<u>225</u>	<u>197</u>	<u>406</u>
Total Debt	\$2,199	\$2,482	\$2,678
Net Debt ⁽¹⁾	\$2,029	\$2,326	\$2,547
Stockholders' Equity	\$784	\$640	\$472
<u>Credit Ratios:</u>			
Net Debt / Adjusted EBITDA Ratio	4.3x	5.4x	6.2x
Excluding Non-Recourse Construction Debt ⁽²⁾	4.3x	5.3x	5.7x
Senior Credit Facility Leverage Ratio ⁽³⁾	2.1x	2.9x	3.0x

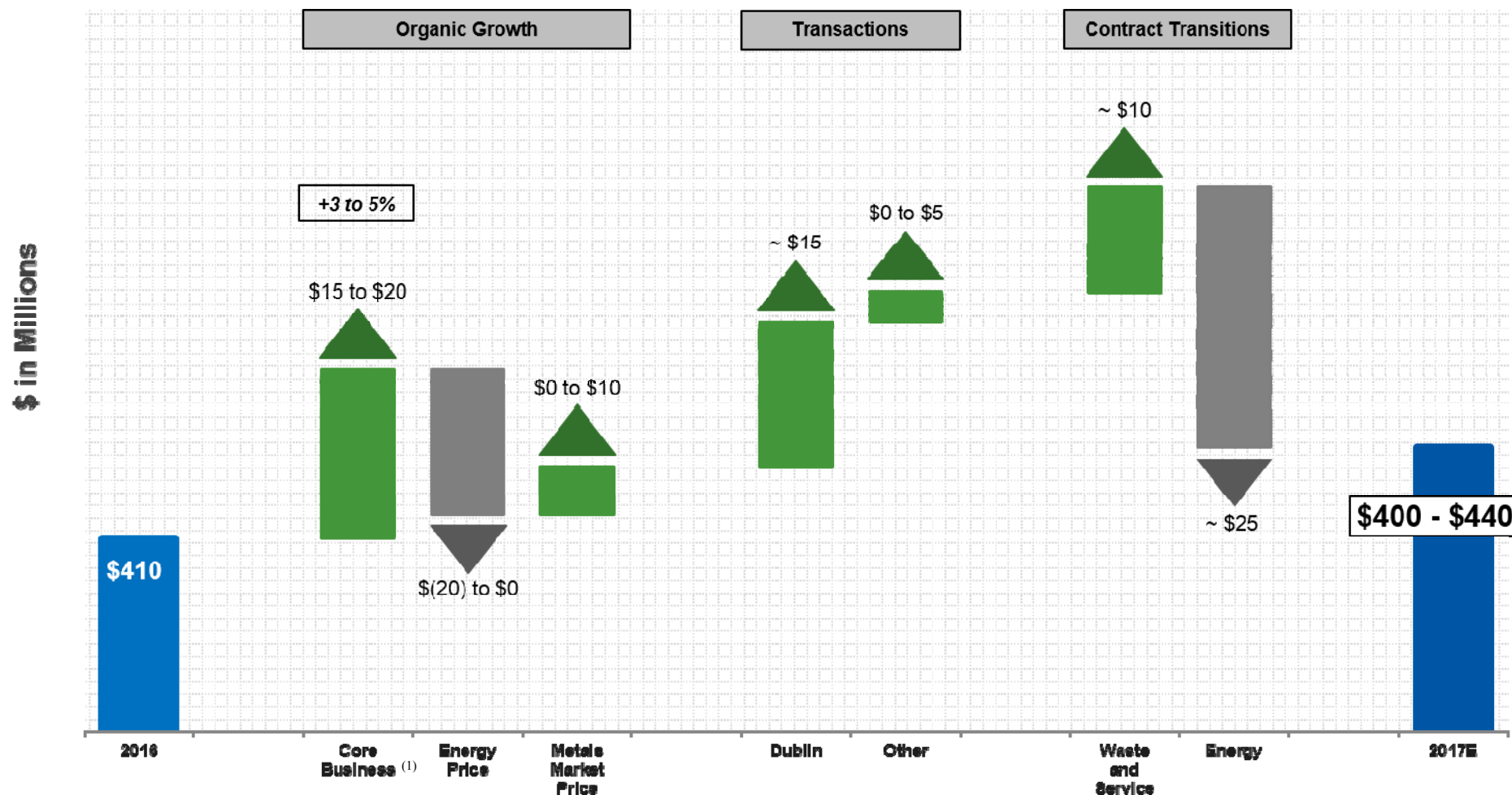
1) Net debt is calculated as total principal amount of debt outstanding less cash and cash equivalents, debt service principal-related restricted funds (\$17 million at December 31, 2016), and escrowed construction financing proceeds (\$30 million at December 31, 2016).

2) Excludes \$206 million of net debt (debt of \$213 million less restricted funds of \$7 million) outstanding at December 31, 2016 at Dublin project subsidiary.

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

Adjusted EBITDA: 2017E vs. 2016

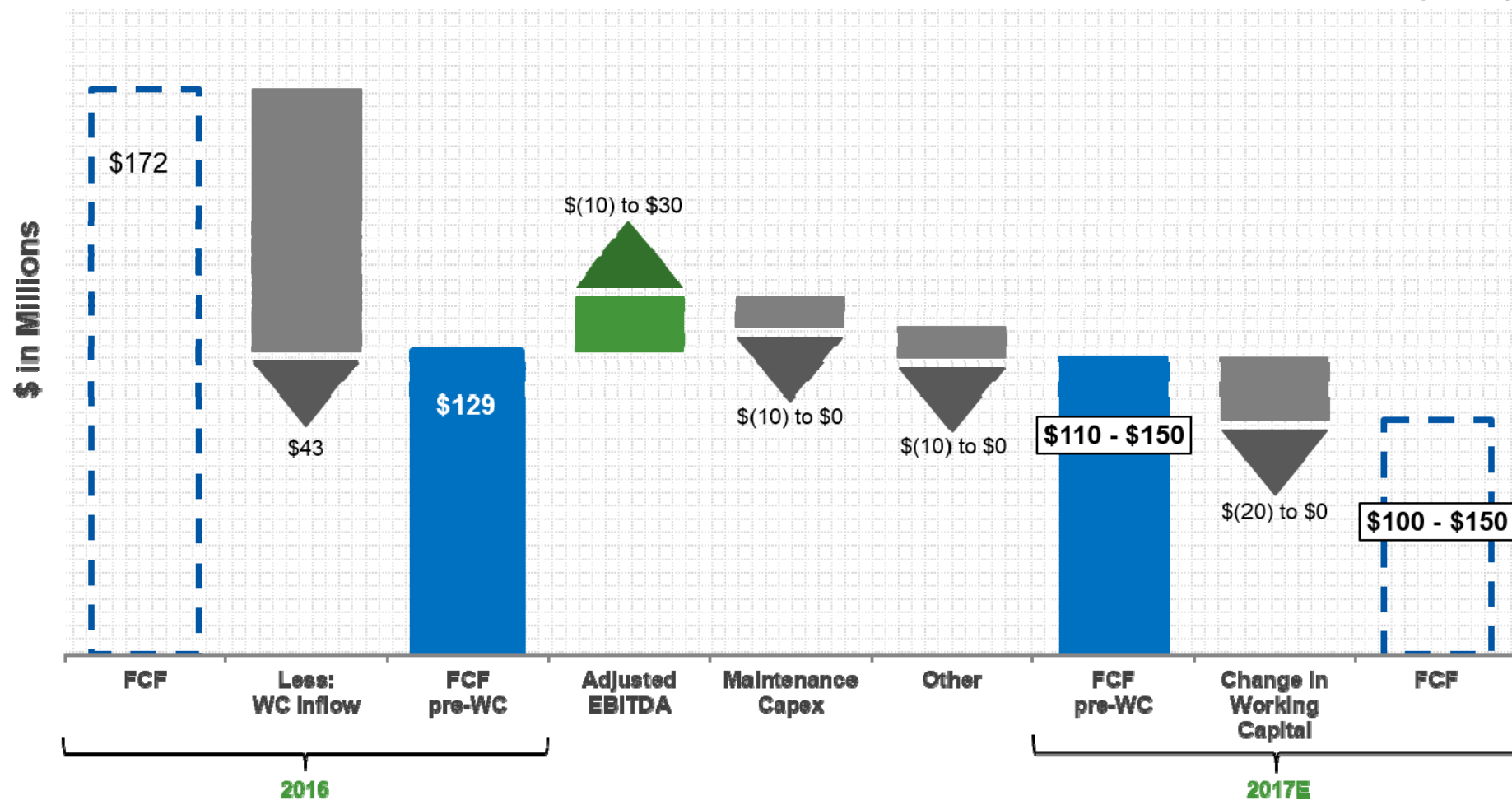
(Unaudited)



1) Driven by waste and service revenue, energy and metals volume, metals processing, plant operating costs, construction activity and overhead.

FCF: 2017E vs. 2016

(Unaudited)



Long-term Outlook: Energy Detail



Consolidated EfW
(Unaudited, in millions, except price)

	2015A	2016A	2017E	2018E	2019E	2020E	2021E
MWh Sold – CVA Share:							
Contracted	3.0	3.1	2.4	2.1	2.1	2.1	2.1
Hedged	1.4	1.9	2.5	1.0	—	—	—
Market	<u>1.4</u>	<u>1.0</u>	<u>1.4</u>	<u>3.7</u>	<u>4.7</u>	<u>4.7</u>	<u>4.7</u>
Total MWh Sold	5.8	6.1	~6.3	~6.8	~6.8	~6.8	~6.8
Market Sales (MWh) by Geography:							
PJM East	0.5	0.3	0.7	2.1	2.7	2.7	2.7
NEPOOL	0.3	0.2	0.4	0.7	1.2	1.2	1.2
NYISO	0.1	0.1	—	0.2	0.2	0.2	0.2
Other	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>
Total Market Sales	1.4	1.0	1.4	3.7	4.7	4.7	4.7
Revenue per MWh: ⁽¹⁾							
Contracted	\$65.56	\$65.98	~\$66				
Hedged	\$45.64	\$42.77	~\$36				
Market	\$33.18	\$31.35	~\$30				
Average Revenue per MWh	\$53.17	\$52.70	~\$46				

- **Note: Production estimates for 2018 - 2021 are approximated based on historical operating performance and expected contract structures**

Note: hedged generation as presented above reflects only existing hedges. Certain amounts may not total due to rounding.

1) Excludes capacity revenue.

EfW Project Structures



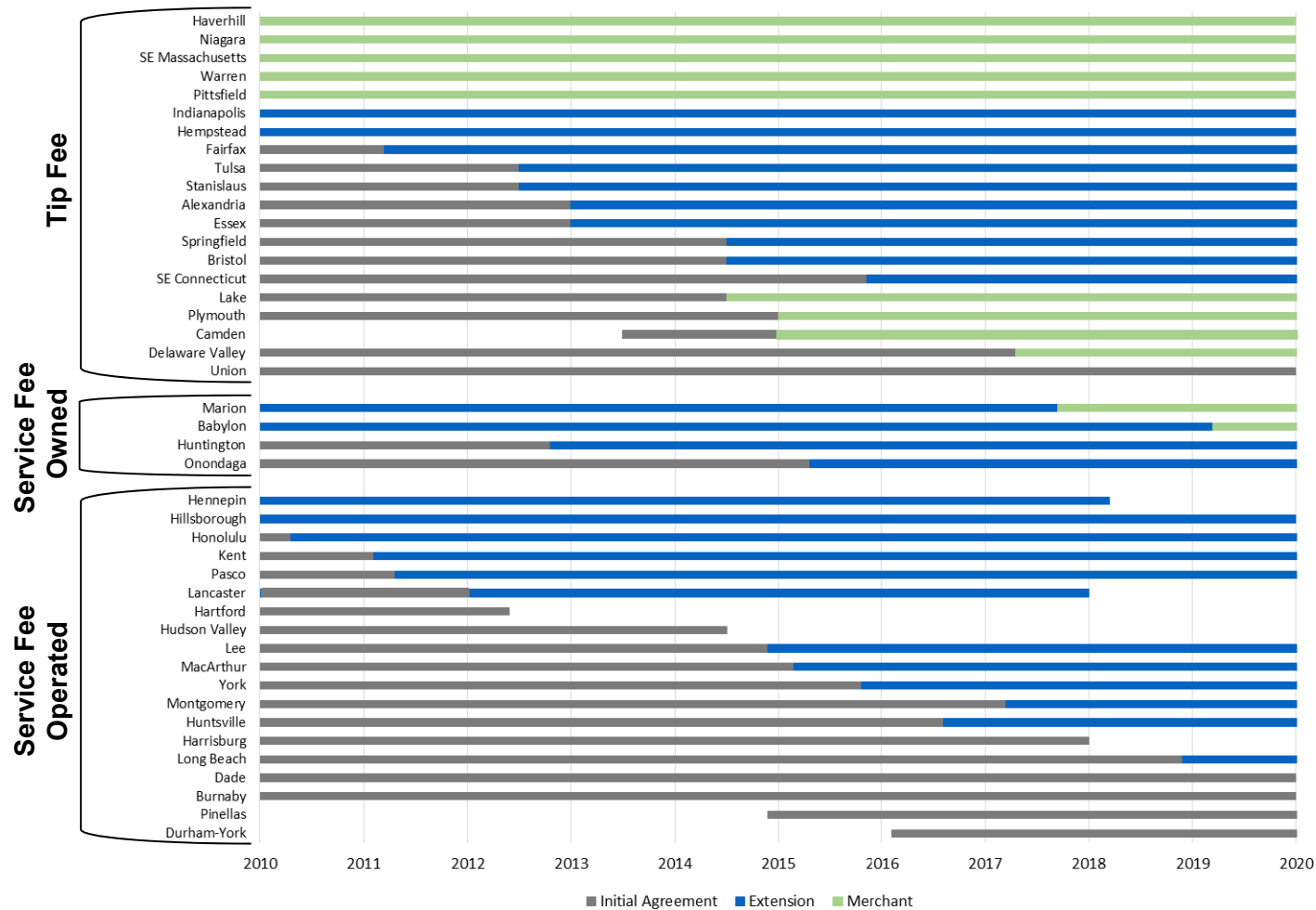
Service Fee

	Tip Fee	Owned	Operated
Number of Facilities ⁽¹⁾	20	4	17
% of Tons Processed	~50%	~7%	~43%
Client(s)	Municipal anchor client; Merchant capacity	Municipal anchor client; Limited merchant capacity	Municipal client
Waste or Service Revenue	Per ton “tipping fee”	Fixed O&M fee (Inflation escalators & incentives)	
Energy Revenue	Covanta retains 100%	Share with client (Covanta retains ~20% on average)	
Metals Revenue	Covanta retains 100%	Share with client (Covanta typically retains ~50%)	
Operating Costs	Covanta responsible for all operating costs	Pass through certain costs to municipal client (e.g., ash disposal)	
Project Debt Service	Covanta responsible; Debt on Covanta books	Client pays as part of service fee; Debt on Covanta books	Covanta not responsible; Debt not on Covanta books
After Service Contract Expiration	N/A	Covanta owns the facility; Facility converts to Tip Fee or remains Service Fee with new terms	Client owns the facility; Client extends with Covanta or tenders for new contract

1) Facilities in North America only.

Major Municipal Waste Contract Transitions

Renewed 34 out of 38 anchor municipal client contracts for average extension of ~10 years



Non-GAAP Reconciliation: Adjusted EBITDA & Free Cash Flow



(Unaudited, in millions)	Q4		Full Year		Full Year
	2015	2016	2015	2016	Estimated 2017
Net Income (Loss) Attributable to Covanta Holding Corporation	\$77	\$8	\$68	\$(4)	
Depreciation and amortization expense	50	52	198	207	
Interest expense, net	32	35	134	138	
Income tax (benefit) expense	(65)	17	(84)	22	
Impairment charges	19	1	43	20	
Gain on asset sales	—	(1)	—	(44)	
Loss on extinguishment of debt	—	—	2	—	
Net income attributable to noncontrolling interests in subsidiaries	1	—	1	—	
Debt service billings in excess of revenue recognized	—	1	1	4	
Severance and reorganization costs	1	—	4	3	
Non-cash compensation expense	3	3	18	16	
Capital type expenditures at service fee operated facilities ⁽²⁾	6	10	31	39	
Other non-cash items	—	1	6	6	
Other	<u>3</u>	<u>1</u>	<u>6</u>	<u>3</u>	
Total adjustments	<u>50</u>	<u>120</u>	<u>360</u>	<u>414</u>	
Adjusted EBITDA ⁽¹⁾	\$127	\$128	\$428	\$410	\$400 - \$440
Cash paid for interest, net of capitalized interest	(48)	(44)	(131)	(135)	
Cash paid for taxes, net	4	1	(2)	(6)	
Capital type expenditures at service fee operated facilities ⁽²⁾	(6)	(10)	(31)	(39)	
Adjustment for working capital and other	<u>18</u>	<u>61</u>	<u>(15)</u>	<u>52</u>	
Net cash provided by operating activities	\$95	\$136	\$249	\$282	\$210 - \$270
Maintenance capital expenditures	<u>(31)</u>	<u>(28)</u>	<u>(102)</u>	<u>(110)</u>	<u>(110) - (120)</u>
Free Cash Flow ⁽¹⁾	<u>\$64</u>	<u>\$108</u>	<u>\$147</u>	<u>\$172</u>	<u>\$100 - \$150</u>
Weighted Average Shares Outstanding	133	131	133	129	

1) Guidance as of February 15, 2017.

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

Non-GAAP Reconciliation: Adjusted EBITDA



(Unaudited, in millions)	Full Year		
	2014	2015	2016
Net (Loss) Income Attributable to Covanta Holding Corporation	\$(2)	\$68	\$(4)
Operating Loss related to insurance subsidiaries	2	—	—
Depreciation and amortization expense	211	198	207
Interest expense, net	147	134	138
Income tax expense (benefit)	15	(84)	22
Impairment charges	—	43	20
Gain on asset sales	64	—	(44)
Loss on extinguishment of debt	2	2	—
Net income attributable to noncontrolling interests in subsidiaries	1	1	—
Debt service billings in excess of revenue recognized	2	1	4
Severance and reorganization costs	9	4	3
Non-cash compensation expense	17	18	16
Capital type expenditures at service fee operated facilities ⁽¹⁾	—	31	39
Other non-cash items	6	6	6
Other	—	6	3
Total adjustments	<u>476</u>	<u>360</u>	<u>414</u>
Adjusted EBITDA	\$474	\$428	\$410

Note: Adjusted EBITDA results provided to reconcile the denominator of the Net Debt / Adjusted EBITDA ratios on slide 20.

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

Non-GAAP Financial Measures



Free Cash Flow

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

Adjusted EBITDA

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

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

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

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the three and twelve months ended December 31, 2016 and 2015, reconciled for each such period to net income and cash flow provided by operating activities, which are believed to be the most directly comparable measures under GAAP. Our projected full year 2017 Adjusted EBITDA is not based on GAAP net income/loss and is anticipated to be adjusted to exclude the effects of events or circumstances in 2017 that are not representative or indicative of our results of operations. Projected GAAP net income/loss for the full year would require inclusion of the projected impact of future excluded items, including items that are not currently determinable, but may be significant, such as asset impairments and one-time items, charges, gains or losses from divestitures, or other items. Due to the uncertainty of the likelihood, amount and timing of any such items, we do not have information available to provide a quantitative reconciliation of full year 2017 projected net income/loss to an Adjusted EBITDA projection.

Adjusted EPS

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