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PRESENTATION

Operator

Good morning. My name is Michelle and I will be your conference operator today. At this time, I would like to welcome everyone to the second-quarter earnings results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions).

I would now like to introduce Ms. Chaya Cooperberg, Vice President of Investor Relations and Corporate Communications. Please go ahead, Ms. Cooperberg.

Chaya Cooperberg - *Progressive Waste Solutions Ltd. - VP of IR and Corporate Communications*

Thank you, and thank you all for joining us today. With me on the call are Keith Carrigan, Vice Chairman and Chief Executive Officer; Tom Cowee, Vice President and Chief Financial Officer; and Joe Quarin, President and Chief Operating Officer. We will be providing comments on our results for the three and six months ended June 30, 2011. Before we get started, I'll read our Safe Harbor statement and I'll also cover [out] some housekeeping items.

Our remarks and answers to your questions today may contain forward-looking information about future events or the Company's future performance. Although forward-looking statements are based on what management believes to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with these forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

We also do not commit to continue reporting on items or issues that arise either during our presentation or in the discussion that will follow, except as required by applicable securities laws. This information by its nature is subject to risks and uncertainties that may cause actual events or results to differ materially. Please refer to our press release from yesterday for further information and to our previous filings for a more complete description of all the risks affecting our business and our industry.

On this call, we will discuss non-GAAP measures such as adjusted operating income, adjusted EBITDA, adjusted net income, and free cash flow. Please refer to our press release for our definition of such non-GAAP measures. Management uses non-GAAP measures to evaluate and monitor the ongoing performance of its operations, and other companies may calculate these non-GAAP measures differently. A telephone replay of this conference will be available until midnight on August 10. Details for this replay are available in the news release.

And with that, I'll now turn the call over to Keith.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Thank you, Chaya, and good morning, everyone, and welcome to our call today. Well, we had a solid performance in the second quarter with strong organic growth rates for our base business. There were many positives in the quarter that boosted our top line, which was in line with consensus estimates. And that was despite the continued impact of weather in our Canadian segment, of which I will provide more color.

Acquisitions were, of course, a significant part of our total performance, which included the contributions from Waste Services and the 13 tuck-in acquisitions we completed in 2010. We added six more acquisitions to our portfolio in the second quarter, bringing the total to seven so far this year, which will contribute to our performance throughout the balance of 2011.

Year-to-date, we invested $92 million in acquisitions plus $11 million in related new capital that really counts toward total purchase price, reflecting an average EBITDA multiple of approximately 6.8 times on a pro forma basis -- pro forma first-year basis. Remember, this is in addition to the $23.5 million we invested in the Company in March, with the repurchase of 1 million of our Company's shares.

Acquisitions are a cornerstone of our continuous improvement strategy, which allows us to layer future organic growth on the assets we purchase today. Our active deal pipeline is sizable and continues to percolate. The opportunity relative to our book of business is even more meaningful. I'll provide some more color on recent acquisition activities and expectations in this call, but I'll first review some of the highlights of our quarter and also speak to some of the challenges that we faced during this last period.

To begin, here are some of the quarter's highlights. Revenues increased nearly 57% to $469.5 million. We achieved consolidated organic gross revenue growth of 3.4%. Organic growth included about 1.5% improvement in core price and 0.4% increase from commodities and 1.2% from fuel surcharges. We also had 0.3% volume growth across our operations.

Adjusted EBITDA increased nearly 48% to $136.3 million. Free cash flow grew nearly 47% to $64.8 million, representing 13.8% of reportable revenue, even in a quarter of higher replacement capital spending. And we achieved adjusted earnings per share of $0.28 compared to $0.25 in the year-ago quarter period.

As our organic growth rates indicate, we continue to roll through price increases. In the US and in Canada, core price, excluding fuel surcharges and commodities, rose 1.2% and 1.9% in the quarter, respectively. We saw pricing increases in every line of business in each of our geographic segments, with the one exception being our US Northeast segment, where rollout price was down, but just slightly. As a reminder, we calculate core price growth as price increases minus the impact of rollbacks and every other factor that changes average price.

So it was a strong pricing environment for recycled materials in the quarter, as you well know, as the average price for OCC and paper held steady or increased. However, any gains we enjoyed from commodity pricing were really offset by the temporary closure of our core recycling facility in New York. As we explained in our first-quarter call, the roof of this leased building was damaged during a winter storm and we had to divert recycle materials to third parties. We expect the facility to be fully operational throughout the month of August.

Higher fuel prices contributed to topline growth in the quarter, adding 120 basis points as a percentage of consolidated gross revenue. Fuel is largely a passthrough in our business, covered by surcharges to our customers, and we also have fuel hedges in place to offset those areas where we have direct and additional exposure.

And while higher fuel costs generally translate to an increase in revenues, they also, as you well know, compress margins. Excluding the incremental increase in fuel surcharge revenue in the quarter, adjusted EBITDA margins would have been 40 basis points higher at 29.4%.

So, overall, we're pleased with the progress of revenues in the quarter. However, as I mentioned earlier, we did experience some headwinds. We saw harsh weather in Canada continue into the second quarter, which delayed the typical seasonal uptick in our high-margin landfill volumes. We are seeing these volumes return through late June and July, and expect to recover this quarterly shortfall through the balance of the year.

We also had a delay realizing some efficiencies related to weather and the consolidation of certain of the WSI operations with our existing collection locations in Canada. We expect that these costs will not run over for the balance of the year. Therefore, in total, we saw that these headwinds had an EBITDA impact of roughly $4.9 million in the quarter, of which we will recover $1.7 million of EBITDA related to landfill volume in the last two quarters.

I'll also mention the sluggish economy that persists along the US East Coast, which is creating a more competitive price and volume environment, particularly for our Northeast transfer stations. We estimate the net impact of the economic weakness in the US Northeast operations was approximately a $1 million drag on our expectations for adjusted EBITDA in the quarter. However, we expect to offset the negative economic influence throughout the balance of the year in other areas.

In other geographies, we really have not been affected to the same extent by the economy or the weather conditions. For example, in our US South operations, volumes have risen in our transfer and disposal service lines. Although our industrial volumes are flat in the South for the quarter, it was a positive sign that we started to see a pickup in June, most notably in Texas.

Now, as I mentioned at the start of the call, acquisitions are a critical component of our continuous improvement strategy and we continue to have a sizable active pipeline. Last year was a record year for us, as you recall, with more than $1 billion of transaction value, including the purchase of the Fred Weber assets in the St. Louis market in December.

Although we completed only one acquisition in the first quarter of this year, we continue to actively work on our targets and added six highly attractive companies during the second quarter. The two most sizable were in our US South segment -- the first in Miami, completed on April 20, and the second in New Orleans, completed on June 2.

In Miami, the acquisition of General Hauling is a great tuck-in to our existing collection assets, and will allow us to improve density and productivity of our routes. General was the largest private commercial and industrial hauler in the Miami/Dade area. This deal enhances our market presence, primarily in our commercial line of business, which is highly accretive, and which is a service line, again, that returns the highest return on capital. We are bringing General's volume to our existing MRF and transfer station location assets in Dade County, and also internalizing volume at our J.E.D. landfill.

The acquisition of SDT Waste and Debris Services in New Orleans gives us a strong platform in that market and adds to our strong presence throughout the state of Louisiana. SDT was one of the largest independently-owned waste collection companies in Louisiana, servicing 24 cities and parishes.

We have continued to be highly disciplined buyers and the collection assets we purchase are highly accretive. As I mentioned earlier, the total purchase price including the cost of new capital translated to $103 million with a 6.8 times multiple on a pro forma first-year, fully loaded basis. Like always, we applied our strict purchase methodology to these acquisitions. Every opportunity, no matter how strategic, within our target book of business, must be generating positive free cash flow on the purchase -- based on, once again, a fully loaded capital structure model, including the cost of leverage, CapEx, and tax.

Our IRR hurdle is based on a five-year model that requires a fully leveraged, after-tax return of 14% or better. Our M&A group continues to identify tuck-in targets in our existing markets and platform candidates in contiguous areas. There are many attractive opportunities that we believe will meet our return requirements, particularly in the densely-populated open markets we operate in, which tend to be quite fragmented. So this leads me to a discussion of our capacity for further acquisitions this year and to a broader comment on our plans for the allocation of capital.

Given our model for acquisitions and the follow-on organic growth that takes effect on acquired assets, acquisitions do remain the priority for our deployment of capital. With our debt to LTM EBITDA leverage of 2.64 times at the end of June, we are within our target range of 2.3 to 2.7 times. We have a lot of capacity on our balance sheet to finance growth, particularly with our recent credit facility refinancing, which Tom will address in his comments.

So between our expectations for free cash flow after the payment of dividends and the capacity on our balance sheet, we can potentially invest upwards of $350 million this year. As always, I will caution that the timing of acquisitions can and usually is lumpy, and we will look forward at other methods of deploying free cash flow this year if these acquisition opportunities slip out of the year or slip certainly beyond our return requirements.

However, let me be very clear -- as long as we remain within our target dividend yield range and within our target debt leverage range, our priority for capital is going to be acquisitions, that we will generate strong future free cash flow in other areas of our existing business that we know can deliver similar or better returns.

And if the returns we're remodeling on these investments do not meet our investment criteria, our next priority would be to opportunistically repurchase shares, looking at today's valuation environment, as this would also be a highly accretive use of our free cash flow. With our steady topline improvement, our stable EBITDA and free cash flow outlook, and our disciplined M&A program, we do feel confident as we enter the second half of 2011. We have a clear path to create continuing value for shareholders.

With that, I will now turn the call over to Tom to provide more detail on certain areas of our financial results in the second quarter.

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

Thanks, Keith, and good morning, everyone. Total operating expenses increased 120 basis points compared with the second quarter of 2010 to 59.5% of revenue. The rising price of fuel contributed to the higher level operating expenses relative to revenues quarter-over-quarter. Our cost of fuel increased approximately $6 million, removing the impact of fuel surcharges from reportable revenues and a like amount from our operating expenses in the current quarter and the comparable quarter, results in the comparative operating margin improvement of 60 basis points.

The impact of fuel was partially mitigated by our multi-year hedging program. We entered into more hedging agreements in the second quarter and now have approximately 30% of our fuel hedged. On a monthly basis, we have 500,000 gallons of diesel hedged in the US and 950,000 liters of diesel hedged in Canada. Excluding the impact of fuel, operating expenses were slightly higher than expected in the current quarter, partially related to the delay in efficiencies of the consolidation in Canada. As Keith said earlier, we believe we have effectively addressed these inefficiencies, and we don't expect them to repeat in the third and fourth quarters of the year.

SG&A expense in the quarter includes a recovery of approximately $3.8 million from fair value exchanges in stock options in the quarter. Note that on a year-to-date basis, we have recognized an expense of about $1.5 million related to stock options. Adjusting for this recovery, SG&A expenses as a percent of revenues declined to 11.4% in the quarter, compared to 12.2% in the same period a year ago. Amortization expense in the quarter was $66.5 million, representing approximately 14.2% as a percentage of revenue, which is a little lower than our guidance of 14.5%. On a year-to-date basis, we are in line with our guidance and continue to expect to be at 14.5% for the year.

Interest expense was approximately $16.5 million, which was consistent with our first quarter of 2011. We ended the second quarter with approximately $1,330,000,000 of outstanding debt, with a debt to EBITDA ratio assuming FX parity of approximately 2.64 times. In July, we amended both our US and Canadian credit facilities, slightly increasing the size of our US revolver's commitments, and amending the pricing in both US and Canada.

In the US, total commitments increased to [$1,122,500,000] from [$1,077,500,000]. Additionally, the accordion available on the US facility is now [$255 million]. Further, had the amended facility been in place prior to the end of the second quarter, available capacity in the US would have been [$154 million].

In amending both our credit facilities, we took advantage of the low interest rate environment by improving pricing on advances drawn under the facilities, letters in credits, and standby fees. We had an across-the-grid pricing reduction on monies borrowed at 75 basis points in the US facility and 62.5 basis points in the Canadian facility. On a pure interest savings basis, cash interest expense will be lower by $4 million to $5 million over the balance of this year.

There was no change to the term in either the US or Canadian credit facilities. Both expire in June of 2014. Fees paid related to both of these amendments were approximately $4 million.

Our income tax expense in the quarter was $19.9 million, bringing the total to $34.2 million year-to-date. Our effective tax rate for the quarter was 35%, slightly below our guidance for the year. Year-to-date, our effective tax rate is 38%. Our cash taxes were approximately $13 million in the quarter and $25 million year-to-date, and we continue to be on track for our annual cash guidance of $54 million.

Turning to CapEx, our spending for replacement and growth capital totaled $44.4 million in the quarter. Of this total, replacement capital represented $30 million and growth capital represented $11.4 million. On a quarter-over-quarter basis, we had higher replacement expenditures in Canada, partially due to the purchase of a facility that we'd previously leased, at a cost of approximately $7 million.

Lastly, I'd like also to mention that our working capital use in the quarter looks a little high, primarily due to the postal strike in Canada that lasted for several weeks in June. Approximately $15 million net of this use related to AR and AP will come back to us in the third quarter now that the postal strike has been resolved.

Other items affecting working capital in the quarter related to FX change, seasonality, and AR related to the acquisitions completed in the quarter. As always, we expect working capital to be unchanged on a year-over-year basis, excluding the impact of net new business, acquisition-related AR, and FX.

That brings me to the end of my comments and I now turn -- or I now ask Keith to provide some closing remarks. Thank you.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, thank you, Tom. And so, to summarize, we're pleased with our revenue performance, certainly, in the second quarter, with strong organic growth, particularly viewing some of the headwinds with weather and the economy, and in our base business and, certainly, contributions from the acquisitions.

Thanks to the refinancing of our credit facilities, we've gained more flexibility in pricing efficiency. And combined with our strong free cash flow profile, we think that we're in great shape to continue to execute our growth strategies and create further value for our shareholders. Already, just to remind you, this year, we've committed more than $100 million of our free cash flow to acquisitions, and returned nearly $54 million to shareholders, or 2.9% of our market cap, through a stock repurchase program in the first quarter and through dividends.

So, that wraps up my formal portion of today's remarks. I'll now turn the call over to the Operator and answer any questions that you may have. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Walter Spracklin, RBC Capital Markets.

Walter Spracklin - *RBC Capital Markets - Analyst*

So my first question, I guess, will be with regards to your pricing. And you noted good positive pricing. But just curious to view your view on what you consider to be your own inflation rate. So, in your industry, where are you seeing inflation? And is the less than 2% hovering off that inflation? And if not, like, are you -- do you see down the road an improving pricing environment that we can get that back up above your inflation rate?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I think the answer is yes. When we look at our inflation rate, we'll view it really along two lines here, if you'd like. We'll view it along capital expenditure lines and expense.

I think, clearly, when we look at our expense lines, our inflation within our industry is certainly within our price increase range, so we are accretive as it relates to price. We can also, obviously, factor in the fact that we're considerably more productive as a result of these acquisitions and the synergies related to them. So, when you look at, for example, the revenue per hour that we generated on our assets on a year-over-year basis, it far exceeds the value of inflation as well. So we're seeing some real accretion as it relates to return on capital from a P&L point of view.

Certainly, from a CapEx point of view, we tend to see movements of capital spending related more particularly to oil. So, for example, our [self] development costs as it relates to liner costs will tag in more with oil costs. And so they may or may not be, depending on where oil is at any given time, related to -- or we're catching up with inflation or exceeding inflation. But I will tell you in light of the accretion that we have with all of these aspects, I can tell you that we're -- that we are certainly well ahead of inflation.

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Walter Spracklin - *RBC Capital Markets - Analyst*

Okay, that's great. Second question now relates to your -- an update on some of the contracts that I guess you're working at pretty hard behind the scenes. Can you give us an update around three of those? The New York City contract, the Calgary landfill, where we might be progressing there, and the Toronto bid -- those three, if you could just give us a quick update.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, the Toronto bid right now is, I think the City is formulating their plans and their documents. So there's really not a lot to say as it relates to the City at this stage.

You know, I would say when we characterize New York, the negotiations are progressing extremely well. We're very optimistic that, assuming that the plan is carried out, that we're going to be a participant in that plan. And you know it's -- you're probably talking about a year or two down the road, but we're very happy with our presence and working with the City of New York.

Now with Calgary, we have introduced a new site. We are in the process regarding a new site that is just south of the city of Calgary. As you know, our existing site was granted an extension through [2000] or -- at some period through 2013. And in addition to that, we are -- currently have received permits for a transfer operation within the city of Calgary as well. So we'll be proceeding there.

So we had a lot of coverage. One way or another, waste will continue to move either to our existing site in Calgary, to our Coronation site that is east of Calgary, or to our new site. And optimistically, we would like to see, certainly, the new site dovetail into the closing of our existing site.

Walter Spracklin - *RBC Capital Markets - Analyst*

That's great news on the new site. Congratulations there. I hope it proceeds well. That's all my questions. Thanks very much.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Thanks, Walter. (multiple speakers)

Operator

Scott Levine, JPMorgan.

Scott Levine - *JPMorgan - Analyst*

So it sounds like in Canada things have returned to normal, weather-wise over, call it, the past month. I was just kind of hoping for a little bit more color since the clouds have parted. Have the seasonal uptick in volumes -- how does that compare maybe with your initial expectations? Is it kind of a normal seasonal uptick? Is there any pent-up demand that's driving increased volumes? What are your observations there?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, you know, definitely, Scott. For some of the people who have covered us for 10 years or so, as a public company, we've been impacted by these types of weather conditions before. So we really know what to expect. And this -- we're seeing this as being pretty typical of what we have seen in the past. So let me give you a little bit more color.

The impact just on our landfills added roughly about a $1.7 million impact that we know that we're going to pick up through the balance of the year. More particularly, it obviously has some MSW relationships. So, for example, spring clean-up began a lot later this year. So, particularly in our residential areas where those volumes come to our own landfills. So we didn't see that until later in the year but we will recover that type of volume.

In addition to that, our existing landfills are typically closest to the market. So there's always a volume demand. And as you know, our landfills have always achieved our capacity -- we achieved our permanent capacity on a year-over-year basis. So we don't really see a change.

We are seeing, however -- and this definitely relates to weather -- special waste, usually we don't see that move when the weather is inclement. So we are seeing now -- with much better weather -- we are seeing our special waste volumes up in -- it started in late June and, certainly, through July. And we have contracts going forward now -- some new contracts going forward through this quarter and the fourth quarter. So this is typical. And again, I would say to you that that had about a $1.7 million EBITDA impact that we expect that we'll recover through the balance of the year.

And then, obviously, there is inefficiency impacts related to weather. And particularly, we were still consolidating some routes, as I mentioned in my last call in the last quarter. So that gets delayed as well. So overall, when you factor those issues in, they had about a $4.9 million impact, of which we'll recover about $1.7 million of that, of landfill EBITDA through the balance of the year. Does that answer your question?

Scott Levine - *JPMorgan - Analyst*

It does, thanks. That's clear. And then, secondly, I guess, with regard to the M&A plans and the balance sheet, and the cash flow, just wanted to make sure I understood -- so you're [at] 2.64 times levered as a company; you're within the range. If you continue to have strong activity on the M&A front in closings in Q3, Q4, you push above that range, how should we think about your appetite for M&A as you push those upper bounds? Do you take your foot off the gas for a quarter or two? Or do you kind of continue to evaluate things? How would you characterize your activity under that scenario?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Alright, well, you know, I'll tell you what. I'll let Tom speak to the leverage issue and -- but certainly, Scott, we're obviously looking at our trading multiple today. We, clearly, as I'm sure some of the other CEOs feel, that our sector is certainly under-valued as we look at those multiples today. So certainly, that really would change the criteria as it relates to using equity going forward as it relates to acquisitions. So we're really talking at this stage, I would say, about using our free cash flow and using our existing debt facilities going forward this year.

So, that will really, I would say to you, be the focus. Unless, obviously, we're doing deals that are four times multiple, then our valuation is still relevant. So when I say four, four to five or lower, lower valuation.

So on that note, I'll pass it over to Tom and he'll address the leverage issue.

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

Sure. And Scott, obviously, we're monitoring that. We do expect to be picking up some debt paydown related to the working capital situation as well. So we do -- we think our effective total funded debt to EBITDA is probably a little lower than that, as we move through the balance of the year from the working capital. And of course, we also expect to have very similar cash flow impacts here in the -- through the normal course of the business in the second half of the year.

So we think we have a very good appetite to handle most of that acquisition. If a larger acquisition comes along, we'll have to take a look at that. Just because Keith said that we had that significant ability to do $300 million-plus worth of acquisitions doesn't mean that that actually will occur.

So we're watching it. We're paying close attention -- if we go to slightly over [2-7] for a time period, we'll effectively look at that and make sure that we will be able to continue handling the acquisitions as we move forward. But we'll just have to play that by ear and see how it comes to fruition.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

And by the way, Scott, as you well know, timing is not just the seller's timing; it's the purchaser's timing as well. So we can always move timing around a little bit as it relates to complementing our free cash flow use of proceeds from free cash flow as well.

Scott Levine - *JPMorgan - Analyst*

Understood. Thanks, guys.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

You're welcome.

Operator

Michael Hoffman, Wunderlich Securities.

Michael Hoffman - *Wunderlich Securities - Analyst*

I may come back to the deal question, I'm not sure I understood everything you said, but let's ask about guidance. You had guidance out there of $1.8 billion on sales; [550] on adjusted EBITDA; [270] on free cash; you're halfway through the year. Can you frame for us sort of the -- are we a little bit more, a little bit less in line on each of those line items as you look through the remainder of the year?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

I think -- or to answer the question -- and good morning, Michael (multiple speakers) -- to answer the question, when you tally up the impact of weather, for example, what I just went through, you would probably say that they're somewhere of about a $2 million to $3 million EBITDA impact that would not be recoverable through the balance of the year. [It's be loss]-- it's just a weather loss and we're just not going to make that up through the balance of the year.

The rest, of course, we're going to make up through the balance of the year. So you can look at it as a one-time adjustment to our [$550 million] approximately of EBITDA. However, there is always some positive pushes as well and pulls through the balance of the year. So on $2 million to $3 million, we're going to continue to forecast and confirm our guidance that we gave earlier in the year. So we don't really see any adjustments. And obviously, our folks are looking to, right now, to deploy some strategies that returns that couple of million dollars. So overall, it's not material so we feel pretty good about that going forward.

Michael Hoffman - *Wunderlich Securities - Analyst*

In terms of your revenue and free cash, I think that's also consistent. We're going to continue to hold with our prior guidance at [$1.8 billion] and [270]. In fact, if you look at our quarter on the revenue line, and you just take that and extrapolate it out, we should be able to clear the [$1.8 billion] without any issues.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

I'd also just remind you that, Michael, that when you factor in the multiple that we gave for the acquisitions -- in fact, I thought maybe you would be asking the question do you want us to raise the guidance on EBITDA for the balance --?

Michael Hoffman - *Wunderlich Securities - Analyst*

Well, it was a leading question, (laughter) so I don't think I was going to get that.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, the answer is, we've obviously given that in and I'm just giving you the balance on our forecast-based business through the balance of the year. And I'll leave it up to you folks. We gave you the multiple and the deal costs of the acquisition, so you can certainly extrapolate the value of the EBITDA. It's roughly between $7 million and $8 million through the second half of the year and -- that we expect to receive through these acquisitions.

Michael Hoffman - *Wunderlich Securities - Analyst*

Okay. That's terrific on that. Back to the deal side, if you follow the math you've been using on a pro forma, full-year, fully-loaded -- so the [6.8], use the [6.8], say you use that as a consistent (multiple speakers) --

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Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes. Yes.

Michael Hoffman - *Wunderlich Securities - Analyst*

-- you know, you're talking about sort of roughly $46 million of incremental EBITDA. It takes the leverage up to just under three times. But I mean, that isn't necessarily a bad thing. I mean, I -- that's sort of a step to operating leverage going forward. And so we wouldn't -- I guess what I'm really asking is there's no real need to use equity. This is -- you could do this off the balance sheet and then work the leverage (multiple speakers) right down through generating free cash.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I think --

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

Absolutely.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, you're absolutely right. (multiple speakers)

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

Yes, we're not contemplating equity.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I mean -- yes, clearly, Michael, we look at how -- what our free cash flow projections are for the balance of the year. Obviously, we will continue to use pro forma debt or leverage with our acquisitions going forward. So when we factor that in, we now give our M&A group the timing as we receive this free cash flow and balance out with other spending in the Company. So that, clearly, we're moving leverage; we're moving free cash flow in unison with our spend on acquisitions.

Michael Hoffman - *Wunderlich Securities - Analyst*

Okay. That's great. There's some chatter running around the Street about interstate and there's a deal out there in stock. And I just didn't think stock was part of your equation at this point. So that's why I wanted to hear.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, you know, we certainly feel like, once again, that the sector -- we feel particularly that we're undervalued at this point. So, certainly at this stage probably would not be the best use of proceeds.

Michael Hoffman - *Wunderlich Securities - Analyst*

Right. Thank you.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Thanks.

Operator

Hamzah Mazari, Credit Suisse.

Hamzah Mazari - *Credit Suisse - Analyst*

(multiple speakers) I'm just out of the country so I hope you can hear me. My first question is just surrounding where you guys are just in terms being aggressive on landfill pricing. I know you've had some ups and downs on the volume side with weather, but given the underlying volume growth that you guys are seeing, how aggressive are you? Are you guys going to get more aggressive? Are you seeing the sector be more aggressive on the landfill side?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I would say certainly in Canada, we were able, as I mentioned in our call, to move up our pricing I would say fairly significantly. We're very happy with our ability to do that. So we see that continuing going forward. the south again -- we believe that we're going to continue to be able to move pricing. We're seeing some increased volumes now. And certainly as the volumes increase, then obviously, it gives us an opportunity to move pricing in the South. So we feel pretty good about that.

If I had a concern, Hamzah, my concern would be along the East Coast or the Northeast. Without a doubt, we're seeing some pricing pressure from the waste energy plants on the Northeast. Clearly, they're looking for more volume. There's a little bit of a -- certainly a tussle moving waste out to Ohio by rail. So all of these are putting pricing pressure on particularly our Long Island asset. So, if I was going to characterize all of our locations, I would tell you we feel very good about moving landfill pricing everywhere but directly along the East Coast, and more particularly, in the Long Island area.

Hamzah Mazari - *Credit Suisse - Analyst*

All right, that's very hopeful. And just last question on acquisitions, maybe if you could just frame for us -- we all know your acquisition pipeline is robust -- maybe if you can frame for us how many acquisitions you are looking at right now? What does that mean in terms of revenue? And what fits your pipeline? You talk about one of your competitors was very quantitatively telling you what fits their pipeline. Maybe if you could do the same or just tell us what you're looking at right now.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, you know, when you look at pipeline and then you look at -- you have a wish list and then you have the actual folks that you're targeting, I think if we look at our actual target right now -- and this does not -- I don't want to give any characterization on timing of these issues, because again, we don't know when timing occurs; nor can I tell you to confirm that these will occur -- but I can tell you on direct activity, we have about $600 million of purchase price that we are working and talking to people about.

And again, I want to make it very clear, that's not assuming that they will happen this year or, in fact, that they will happen at all. And then, obviously, above and beyond that, we have more of a long-term list that we see becoming available at some point, about another $2.3 billion (multiple speakers) [purchase price].

Hamzah Mazari - *Credit Suisse - Analyst*

(multiple speakers)

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Did you get that, Hamzah Mazari?

Hamzah Mazari - *Credit Suisse - Analyst*

Yes, I got that.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

$2.3 billion of purchase price. So that gives you a sense, a direct sense, of where there's activity today and what we see more of a long range opportunity.

Hamzah Mazari - *Credit Suisse - Analyst*

That's helpful. I appreciate it. Thank you.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

You're welcome.

Operator

Bill Fisher, Raymond James.

Bill Fisher - *Raymond James & Associates - Analyst*

Just two quick ones. First just to close up on that working capital maybe for Tom -- I think it was a $50-some-million use in the first half and you mentioned some of the things in Q3. But do you think by the end of the year, factoring in acquisitions and whatnot, what would be your net use that you're targeting for '11? Or do the AR days come down, et cetera?

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

At the end of the second quarter, you kind of frame it for the total year, there's probably about $20 million in there in terms of seasonality. Then you've got the $15 million of the postal strike. Both of those should come back to us by the end of the year. And then there's probably $10 million, $11 million, $12 million related to FX and acquisitions. We don't know what's going to happen with FX, but if it stays exactly where it is, that impact of $10 million to $12 million will stay unchanged.

And then there's probably a little bit -- $3 million, $4 millions, $5 million in prepaid related to insurance that we pay at the beginning of the year and pay down throughout the year. So as we sit here today, I mean, within a range -- it's always hard to hit exactly, because you don't know what receivables are going to do or payables exactly at the end of the year -- but we would think that that would be down around $10 million, $12 million plus or minus $5 million -- something like that.

Bill Fisher - *Raymond James & Associates - Analyst*

Okay. Great. And then you actually gave a lot of color on acquisitions, but just on the acquisitions you did in the quarter, particularly, I guess, General and SDT, do you have a rough number for the annualized revenue you acquired during the quarter? Obviously, some of that was intra-quarter, if you will. So just was trying to get a better handle on what you did acquire in the quarter.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Revenue would have been about $67 million year-to-date.

Bill Fisher - *Raymond James & Associates - Analyst*

Okay. Annualized. Okay. But that was heavily weighted to Q2?

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

No, (multiple speakers) in the quarter, you're just over -- [about] $46 million and a little over $20 million in the first quarter.

Bill Fisher - *Raymond James & Associates - Analyst*

Okay. Perfect. Thank you.

Operator

Al Kaschalk, Wedbush Securities.

Al Kaschalk - *Wedbush Securities - Analyst*

I just wanted to follow-through, Keith, on the pricing comment, which I think you've signaled as being fairly strong. In terms of our view, in terms of looking at it, it doesn't seem as if the pullthrough is coming through on the margin as a result of that. And I'm aware of, obviously, some of the volume shortfalls are timing, but could you comment on that?

And then, secondly, my follow-up to that would be -- could you comment maybe on these efficiencies that didn't materialize in the quarter, and what's still left in terms of a quantified number from the Waste Services acquisition?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes. I think, you know, Al, if we look at, first of all, just the impact of some of the impacts through the -- that I just mentioned, with weather and with landfill, et cetera, for example, and just to put everything in perspective, if you look at Canada alone, for example -- and we report this in the -- in, certainly, in the MD&A as well as in the press release -- you'll see that -- and factor in the increase of fuel expense -- you'd see that our EBITDA margin in Canada would have actually been about 40%. It would have been actually higher on a comparable year-over-year basis.

So overall, we think the plan is trending, other than [well within] these headwinds that I was speaking of. In addition to that, by the way, just to give you a sense, those issues would have pushed our corporate EBITDA margins over 30% as well.

So, let's get back to talking about the pricing environment. So we think that the pricing environment certainly has been there. We're seeing it in most of our operating lines. I would say without a doubt that higher fuel costs go, effectively, we're pushing that through to the market, where we're recovering basically all of our increased fuel costs. But that is a price increase to customers. The customer is paying for it.

So, clearly, there's two issues that we see affect price overall, and our ability to get aggressive as we move price forward through the balance of this year and into next year. And that is that the effect of fuel surcharges, how much they are, in other words -- are they increasing total price to customers? That's certainly one of the issues.

And then, clearly, there is an economic issue related as well. So, for example, in Canada, we are seeing somewhat of a compressed confidence level with consumers in Canada. So although that focused in, however, we believe that the plans that we have laid forward, we will have the ability to execute through the balance of the year. We feel very strongly about that. In fact, quite frankly, a lot of the plans have already been put in place and now we're just riding through -- we'll ride through the benefits of those through the balance of the year.

(multiple speakers) Does that give you enough color or would you like to add on to that?

Al Kaschalk - *Wedbush Securities - Analyst*

We'll leave it there. I just -- some of this I think is clearly one-time or you can make up, but most of it (multiple speakers) [tier] in terms of the quarter and to hit to that 30.5%, 31% margin target that you laid out for us -- I'm just trying to appreciate how you're going to get that pulled through.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, you know, again, when you factor that the EBITDA -- we lost $1.7 million of EBITDA related to landfill. That's high-margin business that we certainly lost in Canada. Typically, in Canada, by the way, the third quarter is the highest quarter. And so -- and it is highest because we typically will see higher landfill volumes in the quarter; higher margin business occurs in that quarter as well. And that's been typical of Canada throughout our public company experience. So, expect to see that being a higher margin quarter regardless, and as well as you'll see the price increasing continues through the balance of the year.

Tom Cowee - *Progressive Waste Solutions Ltd. - VP and CFO*

One thing I will add, Al, I mean, obviously, I mean, we -- the guidance, I think, was [30.6] for the year in fuel surcharges, as we said in the quarter, pushed our margin in the second quarter down [0.4]. So I mean that could translate throughout the balance of the year for sure. So [30.6] could be [30.2] or even lower, depending on pricing of fuel goes.

Al Kaschalk - *Wedbush Securities - Analyst*

And then just on the delays in the efficiencies with Waste Services, but also comment, if you would, or tie that to -- it's not clear, not only for you but for others, some of the offsets, the economic weakness in terms of margin performance that can help the business. So, that's more of a macro question there, but maybe you can address the delays in efficiencies in Waste Services.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Sure. The delays and the efficiencies with Waste Services, when the weather certainly didn't cooperate, it delayed combining routes, basically. And so we had a number, particularly of our larger markets, where those routes were not consolidated. So we had additional -- and this was what I was referring to in the additional cost -- additional labor costs and additional maintenance costs, as we were running essentially more vehicles than we would -- than we are today, because we have those routes consolidated today.

Okay? Hello, Al? (multiple speakers)

Operator

He seems to have (multiple speakers) --

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

I think we lost him.

THOMSON REUTERS

Operator

Yes, he released. Your next question comes from Neil Forster from Scotia Capital. Your line is open.

Neil Forster - *Scotia Capital - Analyst*

Just a follow-up on the inefficiencies related to WSI, and that's pretty good color in terms of the additional costs there. I'm also wondering if -- how moving price on that business is going and whether you experienced pricing-related inefficiencies? And also maybe if you could comment in terms of what you're seeing on inefficiencies related to volumes?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I -- price is moving well. When we gave the guidance and we gave the year-over-year, Neil, we gave that including the WSI business. So when we talk about all the lines of business, it includes that WSI business as if we owned it last year. So effectively, when we announced that we're getting pricing in almost all our lines of business, that effectively does include WSI.

Now we will have had that business, enjoyed that business now for a little over one year. And typically, with acquisitions, you have -- it's not unusual to have a little more pricing power on new customers after you have had them for a year. We typically get a little more sensitive with pricing new customers when we bring them in on an acquisition. So we've now enjoyed them for a year; they've now been integrated into the progressive family of companies. So we now -- you could assume that we might have even a little more pricing power as we go through the back half of the year.

Neil Forster - *Scotia Capital - Analyst*

Is there anything that you can do there to squeeze out volume -- more volume efficiencies, I mean (multiple speakers) --?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, we always will. Now that we've kind of gotten over all of the integration and we've really -- in June, we refocused, for example, all of our sales staff, particularly in those areas where we had a lot of integration in Canada. We refocused our sales staff to get back more on our program now, which is a balance, volume, and price program, going forward through the second half of the year.

So, you know, we now look at our Company and say it's really business as usual going through the second half of the year. And clearly, then we're hopeful that we'll see some more volume.

Neil Forster - *Scotia Capital - Analyst*

Okay. And my second question is just on core pricing in Canada. Just wanted to check, if I'm not mistaken, you said it was up 1.9% in Canada and 1.2% in the US?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

That's correct.

Neil Forster - *Scotia Capital - Analyst*

Okay. So we're seeing a bit of a sequential decline in the year-over-year volume growth over the last few quarters. Is that more of economic conditions softening a little bit? Or is competition increasing in Canada? Just wondering if you could provide a bit more color on that.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Yes, I would clearly say that probably the biggest influence, if you're speaking specifically about our Canadian operations, it would be the WSI acquisition. Our people were highly engaged in bringing in -- converting the customers over to our systems; getting new sales orders put in place. And so that automatically or immediately takes the focus off the normalized sales program, and particularly as it relates to driving specific volume strategies in marketplaces.

We also had, in some certain marketplaces, some restrictions in terms of -- with the Competition Bureau of being able to market new volume through this period -- those retire, by the way, basically in the third quarter of this year, third and fourth quarter of this year in those particular markets. So I would say to you that WSI has had the biggest impact.

Clearly, on a regional basis, I think you would look at Canada and you would say that there would be some volume tension related to certain regions more so than others. So if we were to look out West, we're still seeing some growth out West. Unemployment continues to be relatively low out West, in the 5% range. So if we think about Alberta and certainly the commodity-related geographies. So in those areas, we feel pretty good about moving, continuing to move price volume, et cetera.

Once you get into the core of Canada, we're seeing a little more stress as it relates to FX between the Canadian and US dollars, and more particularly as it relates to manufacturing. So clearly, I would say to you that, although we believe that we have growth opportunities there, we think the majority of it will probably be in those areas where there's better economic conditions that [proceed]. We're seeing -- we're still seeing some good construction, by the way, certainly in Quebec. So -- and we're taking advantage of some of that as well.

Neil Forster - *Scotia Capital - Analyst*

Okay. That's very helpful. If I can just squeeze out a quick one on your MRF facility in the New York/New Jersey area. I think at the time of the Q1 call, you said that you expected to be back in that facility within a couple of weeks. I'm just wondering why the delay?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, it -- first of all, let me be clear -- we do not own this building. And when they're doing the reconstruction of it, there was some additional concerns as it related to the roofing structure. So, basically, they had to go back and redo some work on that facility. It's pretty much completed now, though.

Neil Forster - *Scotia Capital - Analyst*

Okay. Great. Thanks very much.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

You're welcome.

Operator

(Operator Instructions). Chris Murray, PI Financial.

Chris Murray - *PI Financial - Analyst*

I guess, just maybe following on a little bit with the US Northeast segment -- can we delve a little bit into some of the costs I think you saw which had some margin impact more in detail?

And can you give us some indications of -- if some of those, including the Special Waste, are sort of short-term in nature? Or is that something that's going to continue particularly with the revised mix of business? And if you can quantify numerically what the impact of having the MRF facility down really was.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Wow. You -- this is like doing a review -- a monthly review (laughter) with our Company, with the questions you've asked. But sure, I'd be happy to add a little more color to you.

When you look at the weather conditions, for example, the weather conditions -- we saw a lot of wet weather and rain through April -- March, April and May, that not only was in Southern Ontario, but as you know, our landfill is just about 60 miles south of Lake Ontario. So -- the Seneca landfill. So we saw a lot of rain volume certainly in that area. So our leachate costs were normally up close to about $0.5 million of additional leachate costs, which now the head is down to a normal level, so we don't expect that we'll see that going -- the leachate head going forward. So, certainly we had an impact as it related to that.

In addition, the core facility would have been -- by not operating, would have had an impact of about $600,000 in the quarter as well. And then if I go to that -- the pricing issue that I was speaking about earlier, related to pricing pressure, particularly in the Long Island area -- we're not seeing pricing pressure as it relates to our collection companies. In fact, we're happy with the way price is moving on our collection companies. However, we are experiencing pricing pressure from third party use of our transfer stations.

So, to maintain volume and compete with the waste energy plants and rail hall, we've had to move price down for third parties in those facilities. And that impact has had had slightly under about a $1 million impact on overall third party transfer pricing out of that marketplace.

So there's very specific answers for you. Does that answer it, Chris?

Chris Murray - *PI Financial - Analyst*

Yes, it does. And then, I guess, just the last piece of that, you talked a little bit about Special Waste volumes and some delays there (multiple speakers) --?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

No. No, I'm not saying there's Special Waste delay volumes. When you look at Special Waste, Special Waste always has a little timing impact attached to it. So if I look at our year-over-year, we're doing fine as it relates to Special Waste in our landfills. And as we look at the back half of the year, I think, certainly, we're looking to -- you know, the shale projects to be -- to participate in that going forward through the balance of the year.

So, at this stage, we know where the opportunities are with the Special Waste. So we feel fine about that going through the balance of the year.

Chris Murray - *PI Financial - Analyst*

Okay, great. And then I guess my second question -- and maybe it just helps us frame thinking about dividends a little bit. I mean, you're fairly clear about the order of priority and the use of free cash flows, but one of the things that you mentioned a little bit was about maybe targeting either a dividend yield or some sort of range. Can you give us some expectations or help frame those expectations for us on your thoughts on setting dividend levels, and what we should think about moving forward?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Sure, I'd be happy to. Without a doubt, let me be very clear so that everyone understands it -- our first use of capital is to reinvest in the Company. So, we're looking -- going to continue to look at acquisitions. The second area, and particularly when we look at our multiple today, I think, clearly, a share buyback -- if we had excess cash, we would be biased to a share buyback at this time, without a doubt.

However, I also would recognize to you that we recognize that the world is changing. We're learning a lot more about the value of dividends going forward. It's projected -- we all understand that there's a projection that we're going to be in a fairly -- or we could be in a very flat growth economy over the next few years. And as boomers certainly retire, they're going to be looking for more dividend.

So we feel there's a reward there at the end of the day. We're paying attention to that. We're watching a lot of studies right now as it relates to the value of dividends. So I just want to keep everybody advised that we are paying attention to the dividend story. And as we project and progress through years, if we see that we can create value for our shareholders as it relates to yield with dividend, it's certainly something we're going to pay attention to. But I would tell you right now, as we look at use of proceeds, that would be number three on our hierarchy chart.

Chris Murray - *PI Financial - Analyst*

Okay. Fair enough. But I think in your earlier comments you indicated similar to how you look at debt levels and stuff like that, you have a tendency to look at dividend yields within a range, just internally. Any thoughts on what that -- how we should think about what that range may look at?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

No, I wouldn't look at it in a range today because, again, I think the world of dividends is changing. So, to give a yield number today and say this is a range, I think would be misleading people. I think we all need to watch that very carefully over the next [few] years particularly, and see where the value is to that yield.

Chris Murray - *PI Financial - Analyst*

Okay. Great. Thanks.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

You're welcome.

Operator

Your next question comes from Chris Bowes -- actually, your final question for the day comes from Chris Bowes from Canaccord Genuity. Your line is open.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Good morning, Chris.

Chris Bowes - *Canaccord Genuity - Analyst*

Good morning. I'll try to keep it very quick. I think everything has been mostly answered. First question on the volume change in the US. I'm wondering if it's possible to break out what the facility in New Jersey, the impact of that was on volumes?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, we -- you know, I just kind of gave an impact -- value that was roughly about $600,000 of related EBITDA. And it really is not so much volume; it's really a price issue, quite frankly, Chris. Because by not having our own facility, we're taking it to somebody else's facility who's making the margin, you know, essentially. So effectively, it's not volume; it's all price.

Chris Bowes - *Canaccord Genuity - Analyst*

Okay.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Okay?

Chris Bowes - *Canaccord Genuity - Analyst*

Fair enough. And then another quick one. You flagged two of the acquisitions that you did in the quarter and the regions they were in. I'm hoping you can let us know where the other four were.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

They were small and they were tuck-in. They were all in the South. So, we're basically just tucking into existing operations.

Chris Bowes - *Canaccord Genuity - Analyst*

Can you let us know what states?

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

We don't give that -- we haven't given it.

Chris Bowes - *Canaccord Genuity - Analyst*

Okay. Well, thank you very much.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

You're welcome.

Operator

That concludes our question-and-answer period today. I would like to turn the call over to Mr. Carrigan for closing remarks.

Keith Carrigan - *Progressive Waste Solutions Ltd. - CEO*

Well, I'd like to thank everyone for joining us. It was -- on the call, it was certainly an active quarter with the continued assimilation of the WSI. Once again, I'll reaffirm our guidance going forward -- reaffirm our -- we're certainly pleased with the acquisitions that we've managed to acquire over this last year. And certainly, into the first half of this year, they're going to help us tremendously as we move forward and create more accretive value for our shareholders.

So, overall, we're very, very pleased. And now that we have some weather headwinds behind us and, certainly, it's been good weather just about everywhere in North America, we feel pretty good about the balance of the year. So, thank you for joining us and we'll look forward to speaking with you on our next quarterly call. Thank you, Operator.

Operator

You're welcome. This concludes today's conference call. You may now disconnect.