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Conference Call Transcript

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CORPORATE PARTICIPANTS

Chaya Cooperberg

Progressive Waste Solutions Ltd - VP, IR and Corporate Communications

Keith Carrigan

Progressive Waste Solutions Ltd - CEO

Tom Cowee

Progressive Waste Solutions Ltd - VP & CFO

Joe Quarin

Progressive Waste Solutions Ltd - President & COO

CONFERENCE CALL PARTICIPANTS

Scott Levine

JPMorgan - Analyst

Bill Fisher

Raymond James - Analyst

Walter Spracklin

RBC capital Markets - Analyst

Hamzah Mazari

Credit Suisse - Analyst

Michael Hoffman

Wunderlich Securities - Analyst

Al Kaschalk

Wedbush Securities - Analyst

Chris Murray

PI Financial Corp. - Analyst

Neil Forster

Scotia Capital - Analyst

Michael Willemsse

CIBC - Analyst

Rupert Merer

National Bank Financial - Analyst

Jason Granger

BMO Capital Markets - Analyst

PRESENTATION

Operator

Good morning. My name is Tracy, and I will be your conference operator today. At this time I would like to welcome everyone to the third-quarter 2011 earnings conference call. (Operator Instructions).

Thank you. I would now like to turn the call over to Chaya Cooperberg, Vice President of Investor Relations and Corporate Communications. Please go ahead.

Chaya Cooperberg - Progressive Waste Solutions Ltd - VP, 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 nine months ended September 30, 2011.

Before we get started, I will read our Safe Harbor statement and cover also 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. And please refer to the bottom of our news release yesterday for further information and to our previous filings for a more complete description of the risks affecting our business and our industry.

On this call, we will be discussing 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 definitions 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.

So everyone knows, there is a telephone replay of this conference available until midnight on November 9, and those details are also available in the news release. And with that, I will now turn the call over to Keith.

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

Thank you and good morning, everyone. As you know, this is my last quarterly earnings call with Progressive Waste Solutions, so I'm going to take this final opportunity to start off the call today. Tom will be providing common as usual, and our new management team led by Joe is here to answer your questions during the Q&A portion of the call.

So let me begin, turning to our results. On a comparative basis, we delivered good growth. Total reported revenues were up 12.4% to \$490.5 million. Organic revenues improved 5.8% in Canada and 3.2% in the US. Adjusted EBITDA increased 11.1% to \$141 million. Adjusted net income increased 8% to \$35.1 million, and adjusted earnings per diluted share grew \$0.02 to \$0.29 from the same period one year ago.

We generated \$62.6 million of free cash flow in the quarter and returned cash to shareholders through common stock repurchases and dividends. We also expanded our market presence, completing six tuck-in acquisitions in the quarter for a cash consideration of \$49.5 million. So, on balance, there were several positives to take away in this quarter.

However, we had a number of challenges as well. Higher fuel surcharges passed through to our customers due to higher fuel prices contributed to the increase in quarterly revenues. However, it compressed our adjusted EBITDA margin by 40 basis points. We also had some isolated expenses related to legal and professional service fees.

However, most significantly, we encountered more challenging economic conditions in our US Northeast segment than we had expected. This influenced our price and volume strategies and affected our performance in that region. In other regions, price and volume performed relatively well. I will continue my comments with a review of what we have seen on a regional basis then across our operations.

Beginning with Canada, including impact of FX, reportable revenues grew more than 10% to \$203.4 million, while adjusted EBITDA increased 11.6% to nearly \$76 million. Adjusted EBITDA margins improved 50 basis points to 37.3%. Gross organic revenue growth in Canada was strong at 5.8%, which included a 3.5% improvement in price, a 1.1% increase in fuel surcharges, and a 1.2% improvement in volume. Acquisitions contributed 0.3% to gross revenue growth in Canada.

So we are pleased with the results of our Canadian operations in the quarter. Our activity was fairly vibrant in areas such as Western Canada and Quebec where economic conditions appear to be relatively resilient. The Canadian segment delivered price growth in every service line, and with the exception of industrial volumes, we also enjoyed organic volume improvements across the board. Weather conditions cooperated for the first quarter in this particular year, and therefore, landfill volumes were not affected in the quarter as they were in the first half of the year.

In the US acquisitions contributed 9.2% to gross revenue growth, while we had 3.2% organic growth. Organic improvements included a 1.2% improvement in price, a 1.2% increase in fuel surcharges, and 80 basis point improvement in volume. This performance was driven primarily out of our US subsegment, which has remained a stable operating environment overall. Reportable revenues in the US South increased 17.4% to \$190.5 million, while adjusted EBITDA grew 15.4% to \$53.8 million. Much of this growth came from acquisitions last year, along with tuck-ins completed earlier this year. But higher pricing and volumes also contributed to growth in the quarter.

We had stronger pricing across every service line with the exception of disposal, which was off slightly, and that was really just due to the mix of materials coming in. Just a reminder that when we report pricing, it is a change to average price. We saw volume improvements in our commercial and industrial collection lines of business and a significant increase in recycling volumes.

Turning to the US Northeast, reportable revenues increased nearly 8.4% to \$96.6 million, but adjusted EBITDA was down slightly compared with the same quarter last year. As I mentioned, our US Northeast segment continued to be affected by economic weakness that appears to be intensifying in certain pockets of the region. We did see pricing increase in our landfills and at our recycling facilities, and we saw higher volumes in our transfer stations in our recycling line of business. We were on target with MSW volumes at all our landfill sites in the Northeast, and we saw price increases on MSW year over year. However, we fell below our expectations on special waste volumes in the quarter, and the increasingly sluggish economy in the East Coast markets we serve is having an impact on overall pricing conditions in the area.

As we saw conditions deteriorate in the quarter, we made the tactical decision to maintain volume in this price sensitive environment. When economic conditions in the US Northeast region do recover, we know from previous experience that the pricing environment will quickly improve. We will benefit from an operating leverage lift on a significant base of volume that will translate into higher EBITDA and margins.

So our longer range prospects for the US Northeast are positive, but we are cautious on our near-term expectations for the region and the impact its results will have on our broader performance. As noted from our previous quarter, we did mention this at that time, so this condition did prevail through the last quarter.

Relative to our initial pricing plans for the US Northeast segment in the quarter, our results were light. At the start of the year, our forecast contemplated a full-year 2.5% price increase in our US operations. For the year-to-date, prices improved 1.5%. That delta of about 100 basis points was primarily related to our US Northeast operations.

For the balance of 2011, we expect to perform in line with our plans for our Canadian and US South segments, but anticipate continued pricing and volume weakness in the US Northeast compared with the outlook we provided at the beginning of the year.

As a result, assuming parity between the Canadian and US dollar, we now project that adjusted EBITDA for 2011 will be between \$537 million and \$542 million. We are also updating our outlook for 2011 free cash flow as a result of lower adjusted EBITDA projections and higher capital spending related to tuck-in acquisitions completed in the year. Our expectation for free cash flow is between \$257 million and \$262 million.

Our ability to generate cash continues to remain very strong. Free cash flow margins were 14.3% for the year-to-date period and at September 30. So we are well positioned to continue to create shareholder value through a combination of share repurchases, dividends and investments in future growth.

Under our normal course issuer bid, we purchased approximately 709,000 common shares in the third quarter at a total cost of \$15.6 million. That brings our total spend on share repurchases to more than \$39 million in the year-to-date.

We have also returned more than \$46 million in dividends with a total return of cash to shareholders of \$85.5 million or \$0.71 per share, representing a 3.2% return year-to-date. That is in comparison to \$33.8 million or \$0.33 per share in the same period to date one year ago.

We have also invested nearly \$140 million in 13 tuck-in acquisitions this year. These assets, along with organic price and volume improvement, helped position us for growth in 2012.

While we continue to look at strategic tuck-in opportunities in our expansion markets, we are staying focused on cash returns to shareholders. During the balance of 2011, we expect to continue our repurchase of shares under our existing normal course issuer bid, which authorizes us to buy back up to 4 million shares by mid-August 2012. Between our NCIB and the buyback of 1 million shares we completed in March of this year, we expect to allocate approximately \$60 million towards share repurchases in 2011.

With that, I will now turn the call over to Tom to provide more details on other areas of our financial results in the quarter. Tom?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

Thanks, Keith, and good morning, everyone. I will start with a review of our operating expenses and then move to other items of note on our income statement balance sheet and statement of cash flows.

At 60% of revenues, operating expenses are 60 basis points higher than the same period last year. Acquisition and the business mix from these acquired businesses, along with higher fuel costs, are the primary reasons for the increase. Removing the impact of fuel surcharges from the reportable revenue and a like amount from operating expenses in the current and comparable quarter results in the comparative operating margin improvements of 40 basis points. The higher cost of fuel and third-party transportation, principally in the Northeast region, resulted in a fuel cost drag of approximately \$1.7 million in the quarter that we were not able to pass through or offset through our existing fuel hedges and fuel surcharges.

In the quarter, fuel prices began receding, which should reduce this cost variance in the fourth quarter.

I will point out that in Canada as a percent of our reportable revenues operating expenses declined 40 basis points to 55.3%. The decline is the direct result of operating efficiencies gained from integrating the assets and the operations of WSI. As we spoke about in the previous quarter, the cost of inefficiencies related to the integration that we saw in the second quarter have been addressed.

SG&A expense in the quarter included the recovery of approximately \$5.6 million from the fair value changes in stock options in the quarter. Foreign exchange had a \$1 million impact on SG&A, which partially offset the stock-option recovery.

We also have higher legal and professional services in the quarter of about \$1 million. Adjusted SG&A, which is net of impacts of transaction costs, stock options and restricted share purchased, declined as a percentage of revenue to 11.2% in the quarter compared to 11.5% in the same period a year ago. Amortization expense in the quarter was \$69.4 million, representing approximately 14.1% as a percentage of revenue, and is 14.4% of revenue year-to-date, largely in line with our expectation of 14.5% of revenue for the year.

Interest expense was approximately \$15.3 million in the quarter and represents a sequential decline of \$1.2 million from the second quarter of this year. The decline is due to pricing amendments we made to our credit facilities early in the third quarter and is the primary reason for the decline. Lower overall variable borrowing rates also contributed to this sequential decrease.

We ended the third quarter with \$1,032,000,000 of outstanding debt with a debt to EBITDA ratio assuming FX parity of approximately 2.6 times, which was slightly lower than the 2.64 times at the end of the second quarter of this year.

In light of the solid operating performance, consistent free cash flow generation and improving leverage metrics, S&P recently upgraded its rating on our long-term corporate debt. On September 30th, S&P affirmed its BB plus rating on our Corporation and upgraded its outlook on us from stable to positive. In early October, Moody's also reaffirmed its Ba2 rating on our Corporation with a stable outlook, and DBRS reaffirmed its BBB low rating with a stable outlook on our Canadian business.

Turning to taxes now, cash taxes were approximately \$13.7 million in the quarter and \$38.4 million year-to-date. We expect cash taxes for 2011 to be in line to slightly lower than our cash guidance of \$54 million for the year.

In the quarter our effective tax rate was 35.4%, and now it stands at 37.2% year-to-date, in line with our tax guidance for 2011. But, on an adjusted basis, the year-to-date effective tax rate is 38%.

Looking at CapEx, our spending for replacement and growth totaled \$46.9 million in the quarter. Of this total, replacement capital represented \$37 million, and growth capital represented \$9.9 million.

On a quarter-over-quarter basis, replacement expenditures in Canada were \$6.6 million higher. About \$4.2 million relates to landfill cell construction, and the balance is due to timing and landfill equipment and vehicle purchases.

In the US, replacement spending was also up by about \$5.1 million. Similar to Canada, the increases relate to the timing of sale construction and capital spending.

Our original guidance for CapEx for the year was \$155 million; however, as we previously discussed, there was approximately \$10 million more capital related to acquisitions. This additional capital for the most part was related to one acquisition that required us post-transaction to pay off operating leases and fund a new municipal contract. Operating leases, though assumed as purchase price in our business model, become capital on the cash flow statement when paid off post-transaction.

Aside from capital spent related to these acquisitions, we have not changed our original CapEx outlook. Overall the timing of capital and landfill spending in the quarter affected free cash flow margin, which was 12.8% compared to 14.5% in the same quarter a year ago. However, on a year-to-date basis, free cash flow margins are stable at 14.3%.

That brings me to the end of my comments, and I now ask Keith to provide some additional remarks.

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

Thank you, Tom. So to summarize, this was a mixed quarter for us. Clearly we saw some continued growth in Canada and in the South; however, we did see some further weakness in pockets in the US Northeast economy, which required us to adjust our volume and pricing strategies in the region. However, as mentioned, our Canadian operations continue to lead North American results, and the US South segment remains solid. We are still achieving and continue to pursue overall price and volume improvements in the US and in Canada, which is no small measure, as you know, in this environment.

So to conclude, before I turn the call over to Joe for some comments and Joe will lead the Q&A, let me take a brief moment.

As I mentioned at the start of this call, this will be my last earnings call as CEO of Progressive Waste Solutions, and it seems only right for me to reflect on the support that our shareholders have given the Company over the years.

I know that many of our shareholders have been with us since our IPO in 2002, and I would like to thank you. I would also like to thank our analysts for your ongoing efforts covering our Company and our sector. However, most importantly, I would like to thank you, our employees, who have achieved so much in such a short period. I am confident that Joe, Tom and the rest of the Progressive management team will continue to carry forward the journey with much success.

Joe, I will turn the call over to you now.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Great. Thanks, Keith. I have to tell you all that this is Keith's 38th quarterly earnings call with our Company. I was with him for the first one back in August 2002, shortly after our IPO and about two years after we launched the Company in June 2000.

At the time we were generating around CAD140 million in annual revenue with just over CAD40 million of EBITDA, and we had fewer than 700 employees. Since then, revenues have increased by more than \$1.6 billion, EBITDA has grown by over 1000%, and we now have more than 7500 employees. Under 11 years of Keith's leadership, we evolved from a midsized Canadian waste operator into the third largest solid waste services company in North America. And while our name has changed several times along the way, Keith's vision and enthusiasm for our business remained constant as did his commitment to continuously improving our results.

On behalf of the entire team, I would like to thank Keith for his work in building a great Company.

As you know, I become CEO at the start of 2012. The transition process has started, and I would like to provide some early comments on the year ahead. This is a business that produces significant free cash flow and free cash flow margins through both organic growth and acquisitions. We have consistently achieved among the highest rates of organic growth in our industry, and acquisitions have helped shape a highly strategic network of assets. Even in a low growth economic environment, we can continue to increase EBITDA and free cash flow while delivering a growing cash return to our shareholders. With the contributions from our acquisitions and continued organic growth on our base business, I expect that our performance in 2012 will be characterized by continued adjusted EBITDA and free cash flow growth. Combined with the share repurchase program and our dividend, we are targeting double-digit returns to our shareholders.

In August and September, I spent a fair amount of time on the road meeting with investors and attending investor conferences, and many of you heard me discuss the balanced approach we will take to deploy our free cash flow. Historically we have been extremely active on M&A. Tuck-in acquisitions will continue to play a role in our future. Discipline will continue here, and we will only complete deals that fit our return criteria. While our acquisition pipeline remains solid, it is clear that as we grow larger we will need to direct more of our growing free cash flow to other areas in order to generate returns for our shareholders. We are entering a phase in which a share repurchase program combined with dividends will take on more prominence in our capital allocation plans.

We are currently developing our 2012 market plans and overall business plan. Part of that process involves reviewing our stock repurchase program and our strategy for capital allocation in 2012. We will provide you with an update on our 2012 plans later this year or early in the new year.

With that, I will now ask the operator to open up the call to Q&A.

QUESTION AND ANSWER

Operator

(Operator Instructions). Scott Levine, JPMorgan.

Scott Levine - JPMorgan - Analyst

Keith, best of luck with retirement there, and Joe, good luck in your new role there as well.

So, with regard to the quarter and with regards to new developments in the Northeast here, I was hoping you might be able to provide a little bit of color in terms of maybe where you were seeing pressure and maybe how surprised you might have been relative to what was assumed in your prior guidance for the Northeast, and maybe what gives you confidence that things will improve there both from a price and volume standpoint when the economy improves and that there are broader secular competitive issues within that market that we should be concerned about.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Thanks, Scott. In terms of the Northeast, we were coming into the year, and we are actually tracking reasonably well. We tested different pricing strategies in that market. In the second quarter, we talked about what was happening on Long Island and making sure that we could continue to accept the transfer station volumes there.

Basically the pricing environment got more competitive as we progressed through the third quarter, and while we tested various pricing strategies, we felt that it was more important for us to hold the volume and what that meant is we actually were able to fill our landfills and make sure we hit our targets. We are also very confident that we will be able to hit all of our caps in the Northeast region.

So it is really -- from history we have seen that as the economy starts to turn in the Northeast, volumes start to pick up, and it does start to improve pricing right across the board. However, at this time, there was some push and pulls, and everyone was trying to gain a little more volume, and we made a decision as a management team to hold our volumes and in order to continue to maintain the integrated assets benefit that we have and continue to fill our landfills.

I would like to add that, on the landfills side, our volumes, MSW, was up year over year. In addition, price was also up at the landfills. So that is where we are seeing some positive results, and part of that is also connected to our ability to bring volumes down from Canada into our Seneca Meadows landfill.

So all-in-all we are reasonably pleased on the disposals side of the business, although collection is remaining relatively competitive.

Scott Levine - JPMorgan - Analyst

Got it. And turning to Canada perhaps, it looks like there was strong price growth there, price growth actually improving sequentially, and volumes are still better than what we are seeing in the US, but the gap between the US and Canada seems to be narrowing. Without asking for explicit volume or price guidance geographically, is your expectation that growth in Canada will remain superior to the US going forward? How should we think about macro conditions across your geographic footprint?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Two points I would like to make on that. Number one, we did finish all the integration of WSI late in the second quarter, so that now positioned us to really focus on the sales program and growing the top line again from a volume perspective. So internally we have been able to get a lot of things teed up in order to be able to continue to execute our market strategies.

On the macro side, Western Canada continues to benefit from a resilient energy-driven economy out there. So we are well-positioned to continue to participate in that, and our Quebec operations are also performing quite well, and that economy is quite resilient.

So, from a macro perspective, the only area that we are seeing continued growth would be Ontario, and that is primarily tied to the manufacturing sector and the higher Canadian dollar. But overall we feel fairly bullish on the Canadian operations and our position within our markets in order to continue to grow our business.

Operator

(Operator Instructions). Bill Fisher, Raymond James.

Bill Fisher - Raymond James - Analyst

Congratulations, again, Keith, on the pending retirement. Actually you mentioned the \$50 million spent on the six acquisitions in the quarter, and I know you did The Recycling Foundation, but could you touch on what else you acquired and kind of what region if any it was focused in?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Sure. The recycling foundation was in our South Louisiana market. We also did a couple of acquisitions in a few of our open markets in Texas and then two small deals, one in the Northeast and one in Ontario.

Bill Fisher - Raymond James - Analyst

Okay. And maybe this relates to that, but you mentioned the South did relatively well. But I think the gross margin there fell like 100 basis points sequentially, and you touched on fuel being a drag. Were those acquisitions, did they come in at a lower contribution margin, if you will, and are there some other integration benefits as you roll forward?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

The acquisitions that we completed were all collection, except for The Recycling Foundation, which was a MRF. So there was that. That was the impact, which is really a mixed impact, so it is lower margin. It is going to contribute a little lower. And then, as we mentioned, there was a little bit of fuel as well in the quarter.

Bill Fisher - Raymond James - Analyst

Okay. And then just the guidance is roughly for Q4, you had roughly \$140 million. It is pretty similar to this quarter. I assume you have some seasonality, or are you assuming some better special waste volumes, some cost benefits, or can you touch on that?

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Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Sure. Going late into the third quarter, we did see a deterioration of special waste coming into our sites. However, going into Q4, we have pretty good visibility right now. We have got some projects in hand. So we feel pretty good that we will continue to bring in the special waste going through the fourth quarter to meet our target.

Additionally fuel prices have receded a little bit. We were surprised through the professional fees that came late in the quarter, and then there was a couple of accidents as well. So with those items behind us, we feel pretty confident about our fourth quarter.

Also, on the Canadian side, weather did impact us in the second quarter of this year. The third quarter we did hit our targets up on the Canadian business, and we have got some pretty strong volumes continuing into the fourth quarter. So, again, there is a fair bit of confidence in the contribution from special waste going into the fourth quarter, which allows us to -- you know, if you take out the one-time items, the Q3 should have been a higher result, and then Q4 is a continuation of special waste, which will contribute, coupled with the late quarter acquisitions that we completed in third quarter.

Operator

Walter Spracklin, RBC Capital Markets.

Walter Spracklin - RBC capital Markets - Analyst

I would like to echo as well, Keith, best of luck in all your future endeavors, and it has been quite a pleasure working with you over the years.

Turning now to the weaker than expected results in the Northeast, I guess, and how that -- I'm trying to get a sense of how much of that is going into 2012 and how much you would isolate into as a one-time or isolate into the 2011 results. You mentioned legal fees and all that. But I wonder can you quantify those items that are like legal fees that are kind of one-time to 2011, and then perhaps give us a sense of what drivers you expect to carry on into 2012?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Sure. As we communicated earlier this year, the experience in our Northeast region has really been continuous throughout this year. We had higher targets, and we had plans to achieve better results in this. But, quite honestly, the economic conditions have not cooperated, so that has made it a challenge. So, quite honestly, we are not where we wanted to be from a pricing perspective.

However, the positive is our landfills are on target, and we expect to hit our MSW. The special waste, we have got volumes coming in now and continuing into the fourth quarter. So we do feel pretty good on the disposals side that we will hit our targets for the year.

Going into next year and some of the one-time items, the professional fees were about \$1 million. There was also the fuel impact, which is also about \$1 million up in the Northeast. So those items we do not expect, certainly the professional fees, we don't expect them to repeat. The fuel cost, it is receding right now, so that should also help going into next year.

The other item is the special waste. We expect that to continue, as I said, into the fourth quarter, and then next year we are expecting that the market is not going to change. So that should remain a positive catalyst into the next year.

The last item that impacted the Northeast this year was the recycling facility. That was impacted through the snowstorm there earlier this year. Again, we are not anticipating another snowstorm of that magnitude.

Walter Spracklin - RBC capital Markets - Analyst

That is great color. My second question now is on CapEx. Tom, you mentioned that there was some -- about \$10 million in additional lease payments. Presumably those were kind of unexpected, I guess. But my key question I suppose is, looking at CapEx for next year, is it a good approach to kind of look at the current run rate less perhaps the \$10 million in operating lease amounts as a good number to use for 2012?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

You know, as we mentioned earlier, we are just going through our plans for 2012 right now. On balance, the \$155 million, a little bit of growth through acquisitions, probably feels about right for next year. But we have to go through the complete plans and see if there is any growth opportunities and things like that that may affect that number up or down from a growth standpoint going into 2012.

We do have a few projects that we know are in the future, and whether or not they hit in 2012 or 2013, we have not quite finalized that approach at this point. But obviously there will be additional revenues and EBITDA that come along with any growth projects that we may decide to spend capital on.

But looking at how we -- we put together our capital year over year. In a vacuum, the \$155 million, \$160 million should still be a pretty good number for 2012.

Walter Spracklin - RBC capital Markets - Analyst

And when will you be giving us your 2012 guidance just out of curiosity?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

We typically give our guidance in February, along with our year-end results.

Walter Spracklin - RBC capital Markets - Analyst

Perfect. Okay. That is all my questions.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

I would just add there, just to provide a little bit of color, any projects that we are evaluating we consider those to be akin to acquisitions. The normal CapEx that we have going through our business is really to sustain our organic, kind of the replacement cycle of our assets, coupled with the normal organic growth in our business. Any larger opportunities that we have we will evaluate those similar to any kind of acquisitions, and then we will separately disclose those as contributing after we get the project developed.

Operator

Hamzah Mazari, Credit Suisse.

Hamzah Mazari - Credit Suisse - Analyst

Keith, congratulations on retirement, and I hope to keep in touch, and Joe, I look forward to working with you. Just a question on your Northeast business, I know you talked about it a lot already. But should we be thinking about the margin pressure in this business as entirely driven by the economy, or do you think that structurally there are just too many players in the Northeast market and that this business going forward will just have lower pricing on a structural or normalized basis relative to your other markets? And does this change at all your acquisition strategy in that particular region?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

We have been able to actually maintain our landfill volumes and landfill pricing, so our margins attitude on the disposal side have remained quite healthy. The pressure really is in the local collection markets. We had the transfer stations again earlier that we mentioned, and then there is the collection in order to make sure that we can control as much volume as possible to get into our own sites. Clearly this will influence some of our

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targeted acquisitions that we are going to be looking to try to complete in order to continue to build out our integrated asset base. That, combined with improved pricing, will help the margins improve in that market over time.

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

If I can just jump in there, I mean when you look at the competition in the Northeast competition really is about moving waste from the East Coast further West. So it is a disposal issue, and because we can internalize so much, the landfills are in pretty good shape as reported. The pricing is up on MSW, and we are certainly tracking on volume. So we are in pretty good shape.

The competitive landscape on collection really has not changed much, and quite frankly, we are pretty happy about that. So the pressure is really more of an economic pressure that this economy is feeling as a result of layoffs, etc. So we are seeing that tension on just any price increase right now.

So clearly we see that it couples with consumer confidence and the heavy layoffs in the Northeast, and really we just made a good management decision. To decide at this point to make take the pricing pressure off, maintain volume for the time being, and as we start to see that tension release, then we will apply that pricing back to the market again with the maintained and increased volume. But clearly we are not seeing this as a competitive volume; it is more of an economic price tension that we are seeing in the Northeast.

Hamzah Mazari - Credit Suisse - Analyst

Gotcha. That is helpful. And just the follow-up question, on WSI is there any further efficiencies to be had, or are those assets operating up to par relative to your legacy business? I know most of the synergies are already under your belt.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yes, we have achieved the synergies, and so we are happy with getting all those completed. Going forward the incremental contribution we expect to get out of WSI will be really executing on our process to be able to continue to drive top line growth through our various market strategies, and that is really where the key focus is going forward. So we are quite happy with the assets we have in place, and now we are looking to just continually improve year over year, which is reflective of our EBITDA margins. If you look at our performance in Canada, we actually did improve our year-over-year performance, and that was largely tied to the synergies that were achieved, coupled with starting the execution of our process.

Operator

Michael Hoffman, Wunderlich Securities.

Michael Hoffman - Wunderlich Securities - Analyst

If I could ask just a clarification on somebody else's question, and then I have two others. The CapEx change, when did you spend or if you are spending that incremental \$10 million in the context of quarters?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

It was primarily in the third quarter. I mean actually the operating leases were done in the second quarter, and the capital related to the municipal contract in the third quarter. And, as we did, we did make mention of that in the second-quarter call with everybody.

Michael Hoffman - Wunderlich Securities - Analyst

Right. So this guidance change then, this is all based on that the special waste you were looking for in third quarter to offset some of these pressures did not come through, so that is what has driven the guidance change now versus telling us in the second quarter?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

All we did obviously is updated our EBITDA guidance for the year and then just went back and said, okay, coupled with all that, here is our new free cash flow guidance for the year. So there is pushes and pulls within this whole thing. I mean, look, there is a reduction of EBITDA, but there was also a reduction of capital in the second quarter. Both of those in total are larger than the reduction we did with cash flow.

So we also had some interest pickup. We've also had a little bit of savings on cash taxes and in the area of closure post-closure. So all we were doing was just making sure everybody knew that this is now our new expectation.

Michael Hoffman - Wunderlich Securities - Analyst

And the special waste issue was a Northeast issue, not a whole country issue, right? I'm picking that up in the way you are describing it without saying.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

It was predominantly a Northeast issue, yes. Late in the quarter. It really was a late quarter event, Michael, and then you got the one-time items as well.

Michael Hoffman - Wunderlich Securities - Analyst

Right. But what you are seeing is potentially use it or lose it spending in the fourth quarter, so some of this has picked up again?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yes, our guys jumped on it, and we have locked up some projects already going into the fourth quarter. So we feel pretty good that we will hit our forecast going into the fourth quarter with special waste. The MSW we know that we will hit our cash for the year. It is the special waste that we have got lined up already.

Michael Hoffman - Wunderlich Securities - Analyst

Right. And then in the last quarter, you gave out pro forma enterprise value for your acquisition activity. Do you have that number for the six deals you did in this quarter?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yeah, the six deals really did not move the needle much on the year-to-date valuation. I can tell you that looking out, we are looking at the returns, especially relative to our own valuation. It was really the first-quarter or the second-quarter deals that influenced where our overall valuation is. So it is slightly better, but it did not move the needle a lot year-to-date.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. But, in the second quarter, you basically said you paid like 6.8 times on a pro forma forward basis for those six deals. What is that comparative statement about these -- or the \$100 million you spent in the second quarter for these deals?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

On a year-to-date basis, we actually took down our overall valuation to 6.4.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. So the point being is, while you were buying stock back maybe at a slightly higher valuation, you are doing deals at an even cheaper valuation?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

That is correct.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. That is what I wanted to get clarity on. Is there a TSA issue about when you can get back in the market to buy back stock?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

No. It is actually -- the situation is that we have approved -- we got board approval to do 4 million shares. Really our limit is 10% of our outstanding, which is about 12 million shares. So we can, in fact, up the overall buyback at any time. But you are limited to 10% of your overall market cap in a year, and then you have got just individual kind of daily limits. So, as Keith indicated, we expect to probably buy back about \$60 million this year, and then as part of our 2012 planning process, we are going to evaluate our total return to shareholders, including share buybacks, and we look to make that communication out to everybody probably late in December.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. So, on the landfill caps, if you are having to take or defend volume on the collection side with price, why drive that volume into your landfills at a lower price then and use up valuable air space to lower price? Why worry about the cap?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

We are not, Michael. In fact, our landfill pricing, MSW pricing, is actually up year over year, and part of that is also reflective of the fact that we have been able to continue to move volume down from Canada. So our landfill -- the economics of our landfills are actually quite healthy at this point.

So we are working to hold the volumes in the market. Certainly if it ever makes sense where the economics are much higher without internalizing, that may be something we will look at because we are always looking at free cash flow and maximizing our free cash flow. But at this point we are able to continue to drive the volume into our own landfills and hit our caps. And we are generating higher year-over-year returns on it.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. And then on that vein then, what can you do on the cost side in the Manhattan and Long Island markets to offset this pressure you have had to put on the margins by defending volume?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

We are looking at everything possible. We have looked at surcharges. You have got the long haul trucking, and when field goes up, you have got a little bit of that impact as well. So we are looking to put hedges in place to try to offset any changes in fuel costs. We are trying to take the variability and everything out of there so we can get to as much of a fixed cost structure as possible in that it becomes very much incremental.

Michael Hoffman - Wunderlich Securities - Analyst

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Lastly, are you participating in the Toronto privatization?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

We are not.

Michael Hoffman - Wunderlich Securities - Analyst

Because you are precluded from it or --?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yes, we were precluded on the first wave of this privatization. There is still going to be additional opportunities as they continue to expand across the city, and we expect that we will be able to. If you saw the bids, the winning bid was quite aggressive. And it was only a \$17 million deal overall. So relative to our Company, it is not really something that would have moved the dial anyway.

Michael Hoffman - Wunderlich Securities - Analyst

Okay. Thank you very much. And Keith, I can't expect that you are retiring anytime soon. You will do something else, so good luck in whatever it is.

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

I thank you very much, and you are probably right.

Operator

(Operator Instructions). Al Kaschalk, Wedbush Securities.

Al Kaschalk - Wedbush Securities - Analyst

I just wanted to clarify or go back on the special waste volumes. To the extent that you can address what markets or regions, South or Northeast or Canada, that you have the most special waste in? And then secondly, why wouldn't you set up expectations to maybe exclude contributions from that in terms of the volume on the core business and how that is tracking? Because it seems like you unnecessarily punished yourself this quarter by having some high volumes in there from what could be classified as maybe a one-time or a one period benefit so?

So I guess the question is, what percentage of volumes are special waste? What areas have the most, and where are we at in terms of contribution going forward from your expectations of special volumes?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Basically special waste is actually a part of our business, and depending on the region or the market, it is integral to our operations. We are well positioned, and special waste is part of the volume that we can accept at those facilities. And generally year over year, we have been successful at bringing that in. You do get the odd economic hiccups like we had in late 2008, early 2009 where you do have some capital budget impacts. But generally we are well positioned in the markets that we have, and it is part of our core business.

Special waste really is something that is throughout our footprint. We have got special waste in all our facilities, but the most dramatic impact in this quarter was on the Northeast region. That is where we saw the most significant decline.

Al Kaschalk - Wedbush Securities - Analyst

But, in terms of going forward, we should view that special volumes, special waste volumes will be part of the mix and, therefore, maybe should be more viewed as core?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yes, so going forward I think we will certainly be sensitive to this. Any excessively large projects that come in, we will communicate those as being a contribution in the quarter. But we will try to make sure that our guidance going forward includes the baseline special waste that we feel very comfortable based on our historical experience that we should be able to continue to keep going. So we will try and take out the swing projects that can add a lot of volume and contribution in any one year so that it gets normalized out.

Al Kaschalk - Wedbush Securities - Analyst

Finally, if I heard all of us dance around this issue, but \$155 million includes \$10 million from --?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

No. It is -- so Tom?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

It is \$155 million plus the \$10 million related to the acquisitions, so it is \$165 million now.

Al Kaschalk - Wedbush Securities - Analyst

Okay. Thank you. Best of luck to everybody in the new roles.

Operator

Chris Murray, PI Financial Corp.

Chris Murray - PI Financial Corp. - Analyst

Well, let me echo everybody's other sentiments, Keith, best of luck in whatever you do end up doing. But that also brings me to my first question, Joe.

Just looking, you talked briefly about looking forward on free cash flow, but what about other changes in strategy, either things like urban versus rural mixes and even the types of businesses that you want to be in moving forward. Can you give us some thoughts on how you think that you guys might keep some evolution over the next couple of years?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Sure, Chris. I think to start off that I have been working with Keith now for 11 years. So this is a strategy that we are executing on today, while I have to give Keith the credit for it, working alongside him, and certainly I am all for this strategy, and I think it has done as well up to now.

I think going forward it is really going to be more of the same. There will probably be some evolution in terms of things that are impacting us from a company, as well as an industry perspective. We are always looking at new markets that we can position ourselves in with an integrated asset mix. So that is something that we are looking at.

The other major change that is going to take place will be on the recycling side. We are looking for how we can develop a model for various markets in order to increase our recycling. Recycling facilities are really becoming part of infrastructure similar to landfill disposal facilities, so that is something that you will see us making more investments in.

The other opportunity for us as a company is really what we do in terms of our size and our free cash flow and just continuing to return value to shareholders. So we are going to continue to push the organic growth on the base business. That is right at the core of how we have taken the Company to where it is today, so that is very, very important. Augment that with strategic acquisitions, both tuck-ins, as well as new markets.

You asked whether urban versus rural. We certainly like the urban market. It gives us -- we have a model that we can compete in those large urban markets. But we are not afraid to look at any markets where we can get the right asset base, and then certainly the recycling would be an additional opportunity for us to start to push forward on.

Chris Murray - PI Financial Corp. - Analyst

Sounds great. And then, Tom, just a couple of questions on the free cash flow, and particularly I'm looking at the working capital usage. I think last quarter you indicated that you figured you would be pretty close to working capital neutral for the year, but that implied a pretty hefty pickup in Q4. Should we still think that that is going to be the case, or do you think you may come up a tad short on that?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

Well, the neutral included impacts from FX that was jumping around a little bit and from acquisitions as well. So the neutral number was actually up by roughly \$10 million, if my memory serves me correct, and that was about \$5 million from acquisitions and \$5 million from FX. FX is a little bigger impact in the quarter now and is probably more in the \$5 million, \$6 million, \$7 million range as opposed to pure \$5 million, and we did do a few more acquisitions, so \$5 million is probably now \$6 million.

Our expectation is probably still in that north of \$10 million, maybe \$15 million. I know it is still sitting at about \$38 million, I believe. A lot of that is seasonality of A/R, and so we would expect a good portion, \$15 million, \$20 million reduction just in the A/R area. And then there is always pre-pays and accruals moving around.

So we are still expecting we will call it \$15 million at the end of the year. It is hard for me to exactly peg the exact number, but acquisitions and FX obviously do affect it a bit. If the Canadian dollar continues to strengthen and gets back to a point where it is a little stronger than the US dollar, that number would obviously shrink too, and our expectations could slide down a little bit from that \$15 million down closer to \$10 million or something in that range.

Chris Murray - PI Financial Corp. - Analyst

Okay. But that is all built into your cash flow assumptions at this point?

Tom Cowee - Progressive Waste Solutions Ltd - VP & CFO

That is right. That is our expectation for that to come down.

Operator

Neil Forster, Scotia Capital.

Neil Forster - Scotia Capital - Analyst

I just want to echo everybody's comments. Congratulations, Keith and Joe. I just wanted to ask a quick follow-up to the Northeast. I don't mean to belabor the issue, but was internalization here an issue in that it really needs to be higher in order to drive price? I know during the last

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downturn you guys were overweight on the landfill side. I'm just wondering if that maybe is still an issue, or is the issue just entirely due to fundamental weakness across the board given the sluggish environment?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Yes, the pricing environment is really much more tied to the economy and the economic situation going on in the Northeast right now. As Keith indicated, the competition has not really changed up there. There are different factors, but as the economy gets more challenged, you have got more sluggishness, and everyone is trying to hold their volumes or get a little more aggressive on volume, which is resulting in a little bit of price competition. So we attribute it all to the economy, and then once the economy starts to bounce back, you will start to see volumes improve, and consequently pricing will also improve.

Neil Forster - Scotia Capital - Analyst

So you guys are happy where you are at in terms of internalization there?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Well, I mean our internalization is up over 50% up in the Northeast. We would always like to move that forward, and we will look for any opportunities we can. But we have got to do the right deals. They have got to be obviously accretive and strategic. So we are not going to stop looking for opportunities, and we are continuing to build out our platform. But at this point the assets that we have are performing well, other than the pricing tied to the economy.

And the Northeast is generating a lot of free cash flow for us as a Company. So it is a strong contributor to our overall performance.

Neil Forster - Scotia Capital - Analyst

Great. So just in terms of strategy, in terms of your priorities for free cash flow deployment, so it sounds like the proportion of cash distributed to shareholders will increase moving forward. I'm just wondering if you can give us your pecking order for acquisitions versus dividends versus share buybacks?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

I think it is fair to say that the share repurchases are going to move up in importance, but I would not say it becomes the number one. We are still looking for ways that we can continue to build the Company, and acquisitions is a great way that we can continue to add assets into our profile and continue to expand our base of operations.

So we will continue to do that while maintaining very strict discipline and making sure that we get the right returns. As we get larger, we are generating more and more free cash flow. So we are generating \$260 million a year of free cash and you increase that year-over-year, coupled with any organic EBITDA growth and EBITDA that you acquire, you obviously have got some additional leverage that you can take on of additional.

So we have got in excess of \$300 million a year, and what I don't want is people to think that we are going to go out and just spend \$300 million on acquisitions. It is going to be very much a balanced approach, and we are going to look for ways to continue to grow the Company while doing the share repurchases.

And yes, basically whatever comes our way and wherever we can get the valuation benefit from cash deployment; that is where we are going to look to try to deploy our cash. So, if we can get the higher credit on adjusting our dividend policy, we will definitely look at that as well, coupled with the share repurchases, and then, as I said, we are going to continue to move forward on acquisitions as well.

Neil Forster - Scotia Capital - Analyst

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Okay. So is it fair to say that you still have a relative preference for buybacks over dividends?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Buy-backs offer you flexibility. When you do increase your dividend, obviously that is a commitment, and we are very cognizant of that. We are an income trust going back to 2002. So we are going to take a balanced approach and really look at publically moving both in tandem.

Like I said, when we do have the acquisition opportunities, part of your financing comes from your own free cash flow. So you want to have that flexibility in being able to balance both out.

Neil Forster - Scotia Capital - Analyst

Great. And just finally on the increased focus on recycling, I'm just wondering what that means in terms of margins moving forward?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Actually recycling margins are very healthy and very attractive. So two things. One the margins themselves on your MRFs can be certainly in line with where our overall margins are, but it also offers you the opportunity to internalize volumes into your own facilities. So, on an integrated basis, it is actually a margin enhancer.

Neil Forster - Scotia Capital - Analyst

Okay. And then just a quick one, finally. Can you tell us when in the quarter the six tuck-in were completed? Was it late in the quarter?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

It was really throughout the quarter, but the more significant ones were late in the quarter.

Operator

Michael Willemse, CIBC.

Michael Willemse - CIBC - Analyst

Congrats, again, Keith, on the retirement and congrats to Joe on the move. One more question on the US Northeast, and I apologize. I know you have had many questions. What should we be looking for in the economy to turn around to get some sense that your business would turn around in the US Northeast? Is it just US GDP? Is it housing? Is it the banks? I'm just wondering what it, consumer confidence? I mean what is it about the US Northeast economy that is weak and impacting the sentiment there?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

I think the biggest impact in terms of what is happening in the economy is largely tied to consumer confidence. You have got a lot of activities going on there. You are constantly hearing about layoffs in the financial sector. It is very much a service-driven economy. So once you start to see consumer confidence improve, I think you will get less pushback on pricing up in the Northeast and that it will be an impetus for increased economic activity and, therefore, volumes and pricing. So that is really what we are looking for is improved consumer confidence.

You have got the economy, you probably have some political angles to it, but at the end of the day, we need to see some of that improve throughout the region.

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Michael Willemse - CIBC - Analyst

Yes, so consumer confidence -- that makes sense.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

And we are going to continually test what is going on in terms of consumer confidence and continue to look for different pricing tactics that we can use to try to move some pricing forward up in the Northeast region. But that is really going to come down to consumer confidence as to the acceptance of those price increases.

Michael Willemse - CIBC - Analyst

Okay. And then just next question on 2012. I know you said you can't -- you are not going to provide detailed guidance until next year. But just wondering if you can just highlight what the major drivers we should be thinking of? Is it mostly the economy, consumer confidence, acquisition activity to kind of continue at the current rate? Any big contracts we should keep in mind?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

It is really going to be -- 2012 is probably not a bad reference point as we look at 2013, except for some of the one-time items that have impacted us this year. You had obviously a little bit of weather. You had some of the one-time items. But looking out into next year, I think looking at 2011, coupled with the economic outlook, and we are optimistic on our execution of our market strategies. What we don't know obviously is where is consumer confidence going to go, and that is -- you probably have a little more insight than we do based on people that work at your institution.

Operator

Rupert Merer, National Bank Financial.

Rupert Merer - National Bank Financial - Analyst

I would like to add my congratulations to Keith. All the best in the future.

I know we talked a little bit about the opportunity for acquisitions. I'm just wondering if you could give us a little more color on the acquisition pipeline? Have you seen any changes in the size or the makeup of that pipeline, and has the competitive environment changed at all with the recent economic weakness?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Our pipeline continues to remain quite robust. In fact, it has not changed much from where it has been historically. However, our own outlook in terms of valuation and how we are looking at these deals relative to our own trading multiple and valuation has certainly come down.

So we are going to increase the hurdles that we want to see in getting deals done. But the pipeline itself has not changed much.

Rupert Merer - National Bank Financial - Analyst

Do you get the sense that your competitors have lowered their hurdles as well?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

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Yes, I think everybody in the marketplace has adjusted their valuations on doing deals. That is number one. And number two, it sometimes takes a little bit longer for sellers to acknowledge that their own performance has actually declined as well. So when the two of those come in line, sometimes valuations naturally fall in line, and you can get deals done. So it just takes a little bit of time when this volatility in the economy is happening for people to realize that their business is not worth what it was or there are adjustments in availability of capital, etc.

Rupert Merer - National Bank Financial - Analyst

Okay. Great. And then just quickly you mentioned a lost residential contract in the South. How material is that contract, and are you seeing increased competition in that market as well?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

That was not a huge contract. We have been able to hold most of the contracts that we have out in the marketplace, and we are able to get annual increases. So any increased competition is really coming from some private companies, but we have been able to hold our own business, and that is in residential so far.

Operator

Jason Granger, BMO Capital Markets.

Jason Granger - BMO Capital Markets - Analyst

Saying it one more time here, congrats and all the best, Keith, on the retirement and, Joe, on the new role.

Just a couple of questions here. Going back to the Northeast here, some moving parts there, the economy, the special waste. Keith, I think in your prepared remarks you mentioned that the environment seemed to intensify somewhat in terms of competition in the Northeast as the quarter progressed. If we look at margins going Q3 to Q4, say the EBITDA margin in the Northeast, should we, is it fair to say, be looking for margins to be flat to down slightly Q3 to Q4?

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

As Joe mentioned -- I guess you are addressing this to me from my comments, but, as Joe mentioned, we will expect to see more special waste. Special waste will increase margins in the Northeast. We have some of this business under contract, so we know it is coming in. So you could expect all things being equal that margins would then increase in the Northeast. So expect that to come.

But to clarify the price issue, the price issue is not so much a competitive issue as it is the economic issue that we are seeing at collection companies. And, as we test the market with pricing, we have seen clearly a lot of pushback, and pushback results in customers looking at other suppliers.

So, in this case, we decided to temper the pricing, kind of hold everything. We will continue to test pricing in the Northeast, and when we see more flexibility with the pricing and more elasticity, then we will continue to push that pricing forward. But with the pushback, we just took a pause over the last couple of quarters to hold that pricing, but we will continue to test it and see when it moves up. We know it will. It is just a matter of timing.

Jason Granger - BMO Capital Markets - Analyst

And does it feel like that pushback on pricing, is it -- was it escalating as we went through Q3?

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

We saw it. As I mentioned in the last quarter, we saw it in Q2.

Jason Granger - BMO Capital Markets - Analyst

Yes.

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

And so management in this last quarter made a very good decision just to take a pause for the short-term, and as you know, the one thing about pricing, it reflects directly on the bottom line. But take that pause, hold on to the volume, and we will pick up that pricing as we see that elasticity begin to move. I mean this is not abnormal. We have seen this in our industry, and this is just a good tactical business decision.

Jason Granger - BMO Capital Markets - Analyst

Sure. Okay. I mean if we assume, say, for 2012 the business mix in the Northeast does not change, if the economy there stays where it is now and then you have got a little bit more special waste that you benefit from, is it fair to say that margins are sort of flat on a year-over-year basis in that 22.5% to 23% EBITDA margin range?

Keith Carrigan - Progressive Waste Solutions Ltd - CEO

I think we have always been very successful increasing our pricing relative to the industry. Because, again, we report change to average price, and we have done a pretty good job.

So I would anticipate that we will continue to do that relative to what the economy is giving us, and I would look for the Company to be on the upside of the sector as it relates to pricing ability. The other issue clearly is we will work with some new pricing strategies in this economy, and with those strategies, we anticipate that you will still see a better return as time goes on.

So I think that pricing is key in our industry. I think the major companies understand that. My expectation is that you will continue to see pricing move forward from the major companies going forward.

Jason Granger - BMO Capital Markets - Analyst

Okay. That is good color. I appreciate that. Thanks. And just one other question here, carrying on the theme with price here. So, in your disclosure there, price in Canada up 3.5%, fuel surcharge is another 1.1%, and in the US up 1.2% on price and 1.2% on fuel surcharges. In that price component in Canada and the US, can you break that out for us between core price and recycled commodity prices? Would you be able to give that additional color?

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

I don't have the exact breakdown here, but I can tell you predominately it was core price. The commodity contribution was up to about 0.05% maybe.

Operator

Neil Forster, Scotia Capital.

Neil Forster - Scotia Capital - Analyst

A quick one. I'm wondering what the impact of the closed recycling facility in the Northeast had in terms of lost revenues in the quarter, if it was even material.

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Joe Quarin - Progressive Waste Solutions Ltd - President & COO

It was not material at all. It re-opened early in Jul 1.

Operator

There are no further questions at this time. I turn the call back over to the presenters.

Joe Quarin - Progressive Waste Solutions Ltd - President & COO

Okay. Thank you, everyone, for your time today, and we look forward to reporting results to you again in late February. Have a great day.

Operator

This concludes today's conference. You may now disconnect.

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