



## **Charles “Mickey” Flood**

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CEO IESI*

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*Chief Financial Officer  
BFI Canada*

***Investor Presentation May 2005***



# Safe Harbor Statement

Our remarks and answers to your questions today may contain forward-looking statements relating to the Fund's operations or to the environment in which it operates, which are based on the Fund's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, or are beyond the Fund's control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth in the Fund's Annual Information Form for the period ended December 31, 2004.

Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, the Fund cannot assure unit holders that actual results will be consistent with these forward looking statements, and the Fund 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 in any way to guarantee that we will continue reporting on items or issues that arise either during our presentation or in the discussion that we hope will follow.



# The Business To Watch!



# Our Vision



# CONTINUOUS IMPROVEMENT





# A Common History in Waste Management

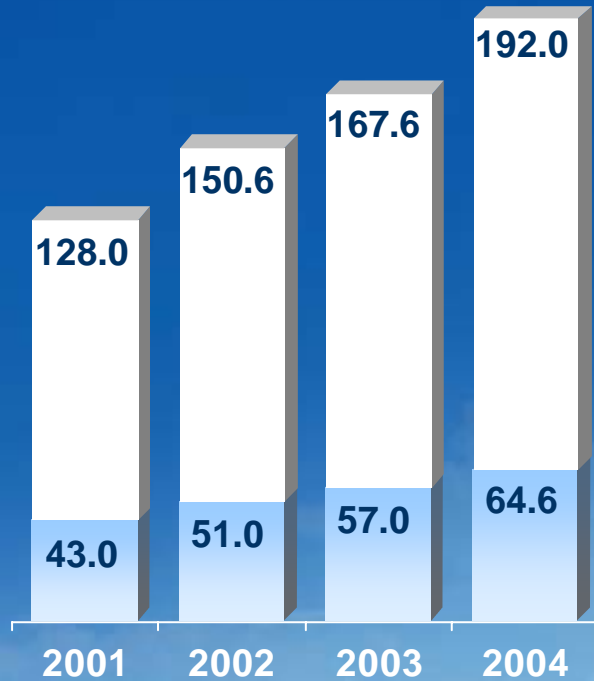
- BFI Canada acquired IESI January 2005
- IESI founded 1995, BFI Canada founded 2000
- Both profitable and growing enterprises
- Operating in different geographic regions with no overlap
- Each achieving high internalization rates with vertically integrated assets
- Each driven by market-focused strategies, entrepreneurial management



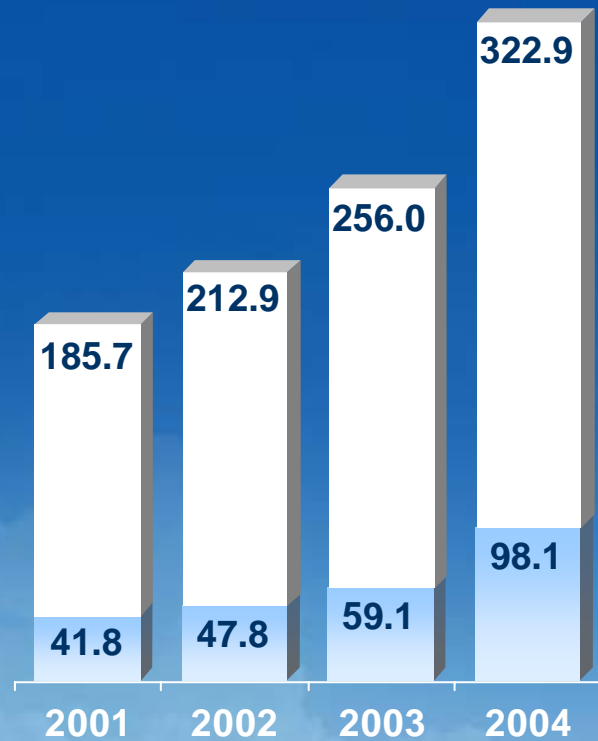


# Historical Revenue and EBITDA

**BFI Canada**  
(C\$ millions)



**IESI**  
(US\$ millions)



■ Revenue  
■ EBITDA

# Proforma Results

**\$630 million**

Revenue

**\$196 million**

EBITDA

- After converting IESI's 2004 results at the average 2004 U.S.-Canadian f/x rate
- Excludes 10 month contribution from CDS in Toronto and three months contribution from Twin Oaks in Hamilton



# Multiple Growth and Improvement Platforms





# Operating Facts

- We now serve almost 1 million customers
- Operate in 56 markets
- 62 solid waste collection operations
- 27 transfer stations
- 22 landfills
- 14 recycling facilities



# Our Competitive Edge

Our people, our intense focus on improvement and our unique business model based on market-focused strategies set us apart.

**Volume  
and  
Route Density**

**Pricing**



# Maximizing Points of Leverage

- Creatively managing collection routes to improve route density, asset usage and revenue per asset hour
- Establishing pricing that reflects our leverage, level of integration
- Adjusting pricing
- Making accretive acquisitions to improve economics and points of leverage in each market





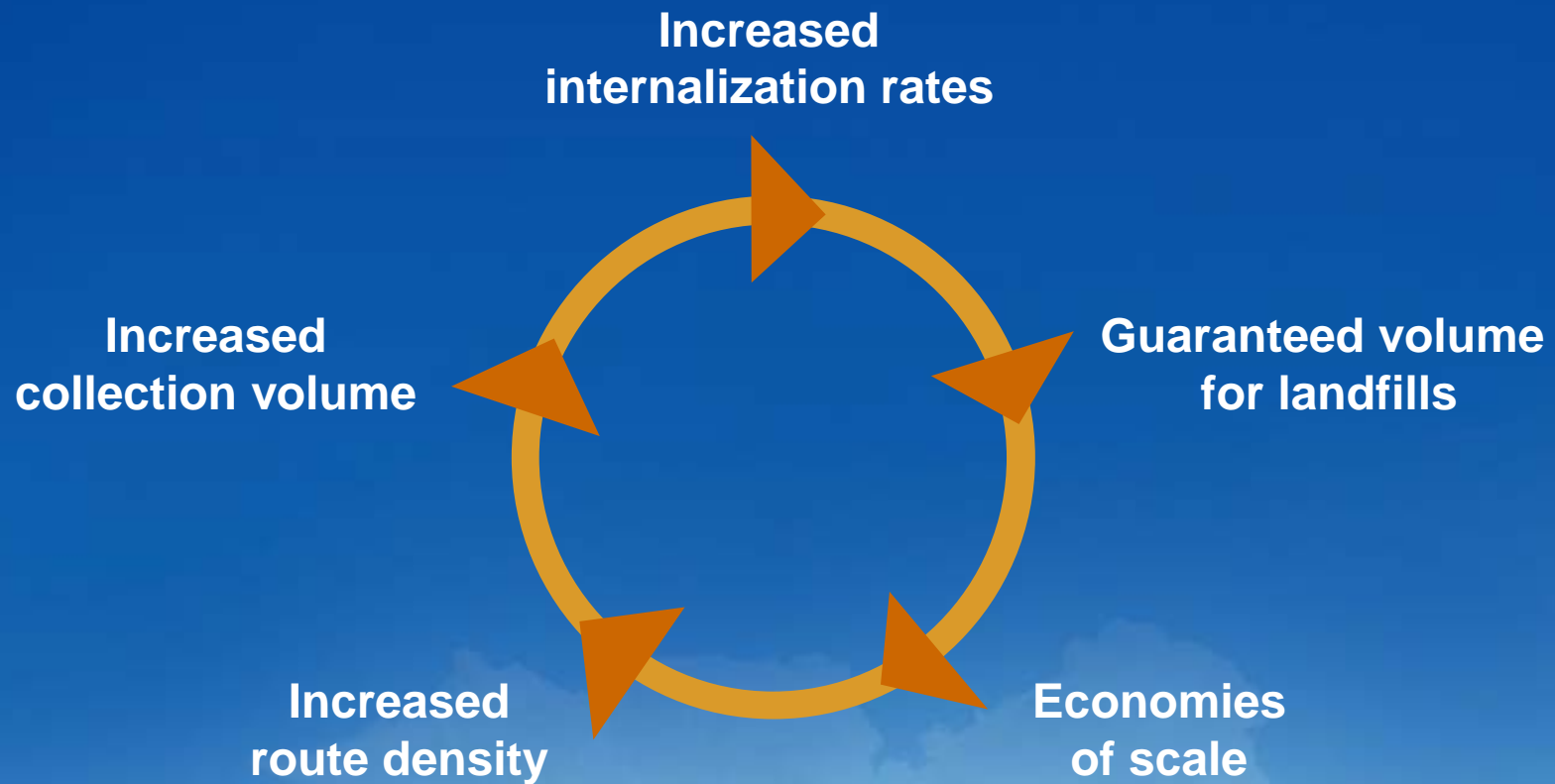
# Acquisition Strategy



- Solid waste collection – 43
- Transfer stations – 23
- Recycling facilities – 7
- Landfills – 17



# Business Model



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**60% Internalization rate**

# Leverage Through Acquisitions

## Market-focused acquisition strategy

- Targeted tuck-in acquisitions
  - instantly improve economics and points of leverage
  - continue to add strength to core platforms
- Platform-building acquisitions
- 30,000 solid waste management companies in North America
- We have increased our ability to find and evaluate potential acquisitions

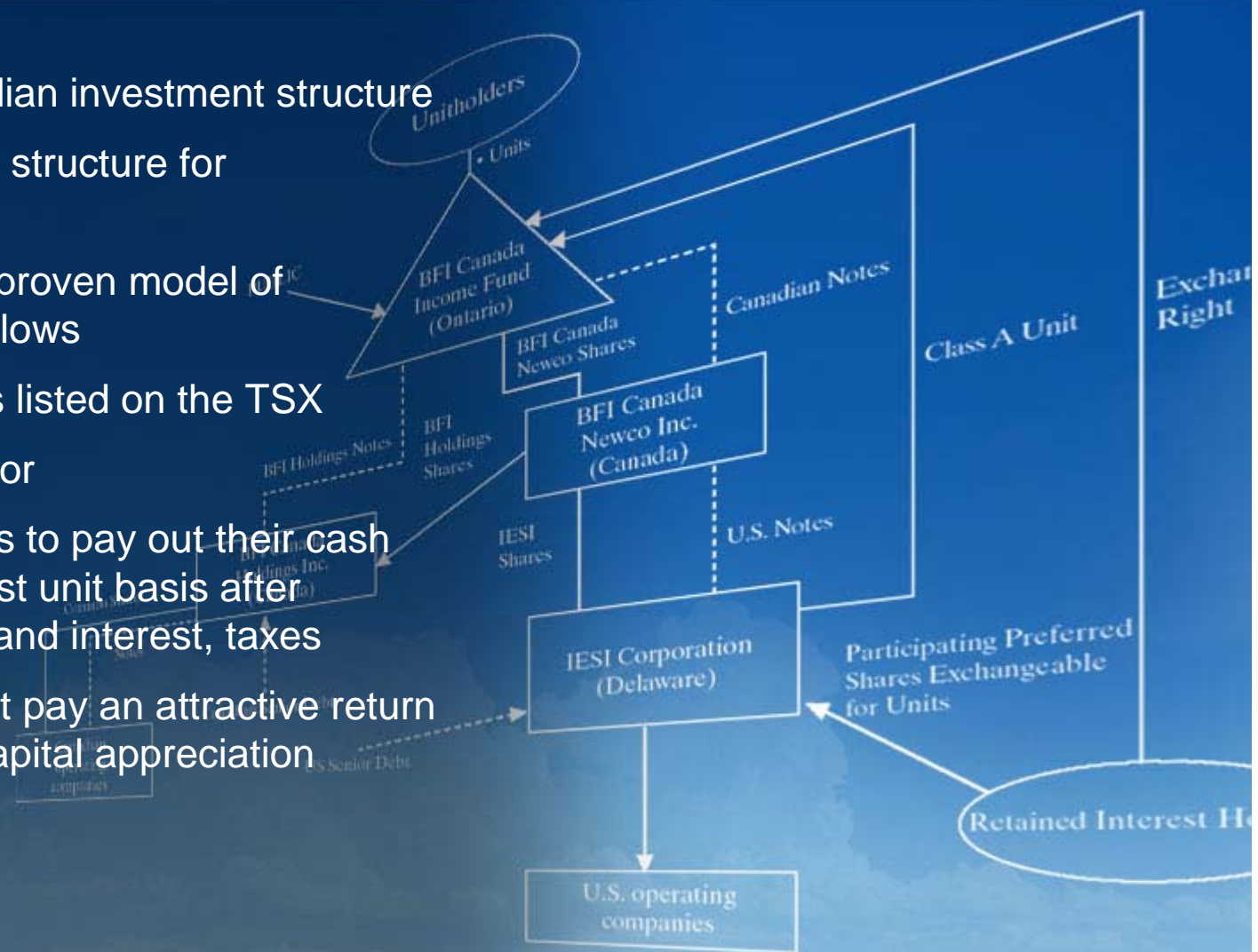
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**Track record of 31 platform acquisitions, 131 tuck-ins.**



# Income Trust Primer

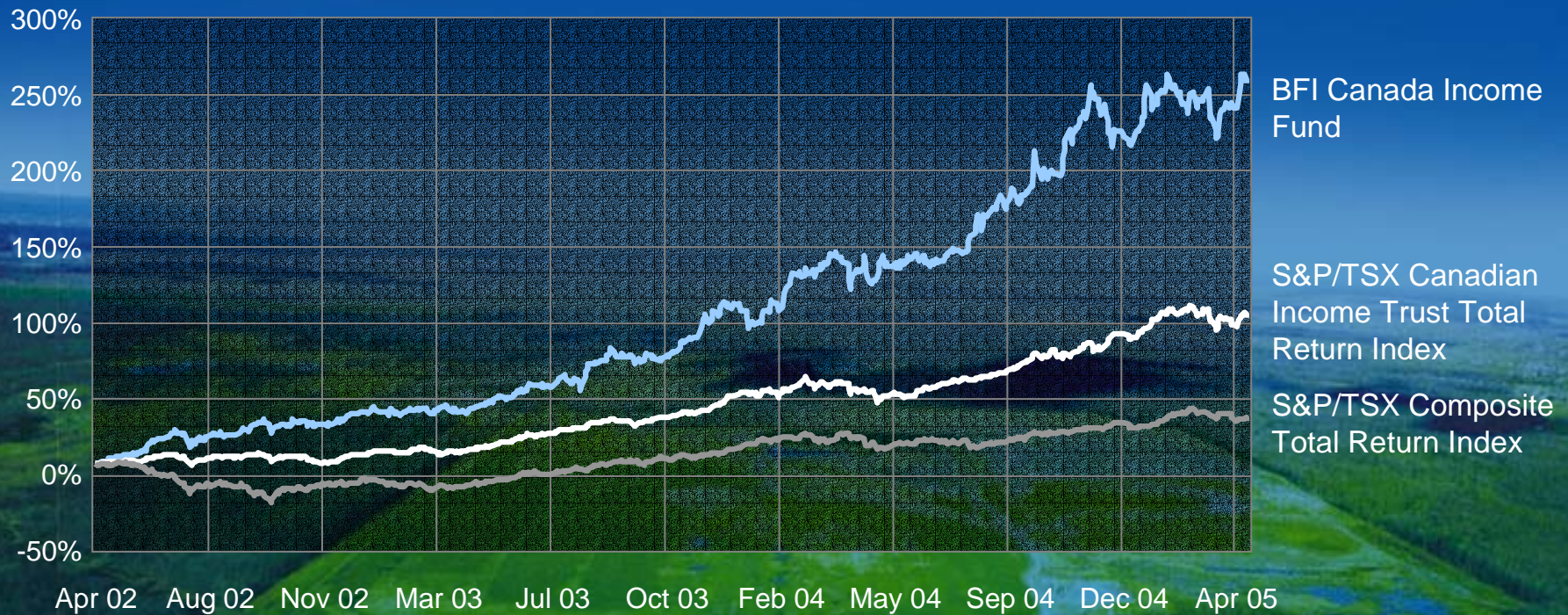
- A uniquely Canadian investment structure
- The most popular structure for Canadian IPOs
- Tax efficient and proven model of distributing cash flows
- 186 income trusts listed on the TSX
- \$130+ billion sector
- Allows businesses to pay out their cash flows on a per trust unit basis after deducting capex and interest, taxes
- Yield vehicles that pay an attractive return and provide for capital appreciation potential





# Total Unitholder Return

Total Return  
**+249%**



April 25, 2002 to April 28, 2005. Includes reinvestment of distributions paid by BFI Canada Income Fund.

# Business Trust of the Year

- Selected at 2004 Canadian Investment Awards
- Based on:
  - Total return over 2 years
  - Risk adjusted returns
  - Growth in distribution rate
  - EBITDA growth
  - Qualitative measures including management, investor relations quality





# Committed Management

- Management and the Board own \$27.5 million of the Fund
- We believe in the power of ownership
- Business model based on strong, empowered local teams





# Generating Customer Value

2, 3 and 5 year  
customer  
contracts

Most  
automatically  
renew

**Through exceptional service, we enjoy**  

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**high retention rates and contract renewals**





# Generating Unitholder Value

(Cdn\$)



Almost **31%** aggregate increase in per unit distributions since our IPO





# Best Practices Operating Agenda

- Maximize value of market-focused strategies in all 56 markets
- Focus on:
  - Increasing productivity
  - Driving return on capital employed
  - Continuous improvement in service quality
- Identify and promote best practices of IESI and BFI Canada

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**Passion for continuous improvement**



# Competitive Advantages

- Market-focused strategies and application
- Vertical integration
- Ownership of coveted landfill assets
- Dedication of our employees





# Outlook and Opportunities

- Outlook positive, markets performing well
- Responsive pricing in a rising interest rate environment
- We are committed to continuing our improvements – with no interruptions

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**Making the most of our  
natural advantages**





**Joe Quarin**

*Chief Financial Officer  
BFI Canada*

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# Combined Performance





# Strong Long-Term Performance



Revenue



EBITDA

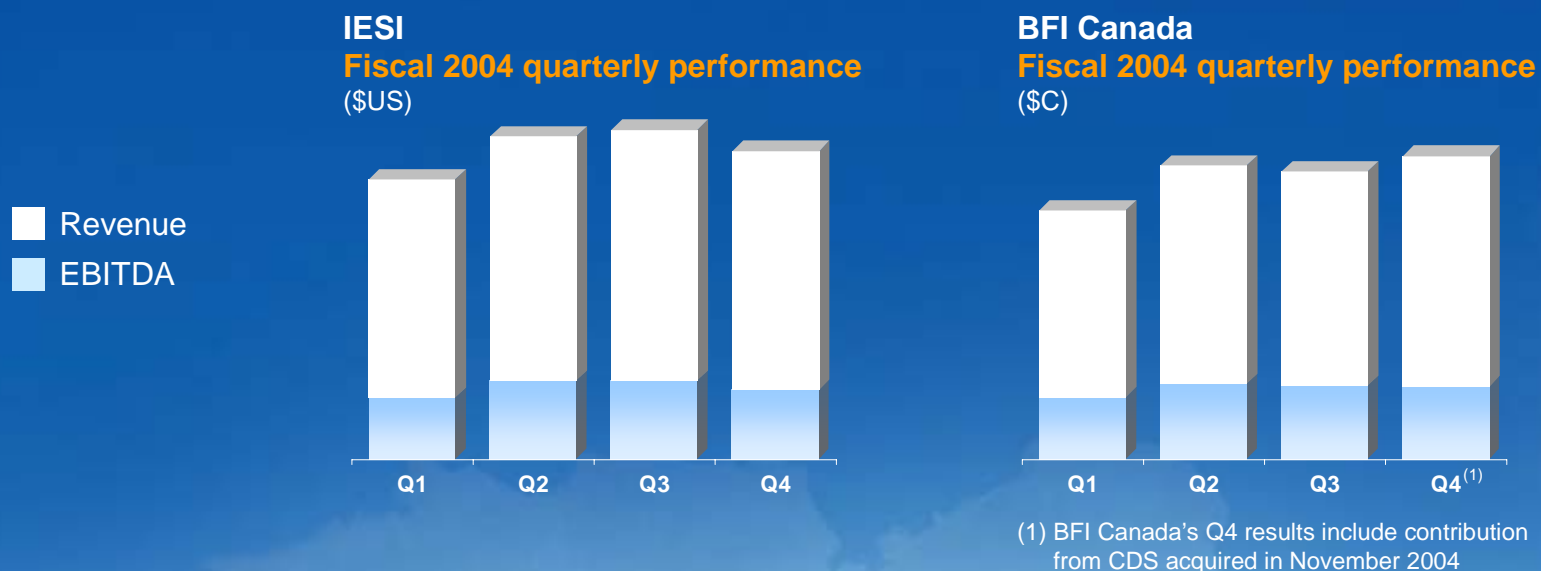


Free cash flow  
available for  
distribution



# Q1 Performance Footnotes

- Q1 is a stub period in that includes the Ridge landfill and only a 70 day contribution from IESI
- Q1 is the seasonally lowest



- Converted IESI's Q1 2005 results to Canadian dollars
- Segmentation now provided by geographic region rather than collection vs landfill



# Q1 Revenue

(\$ millions)



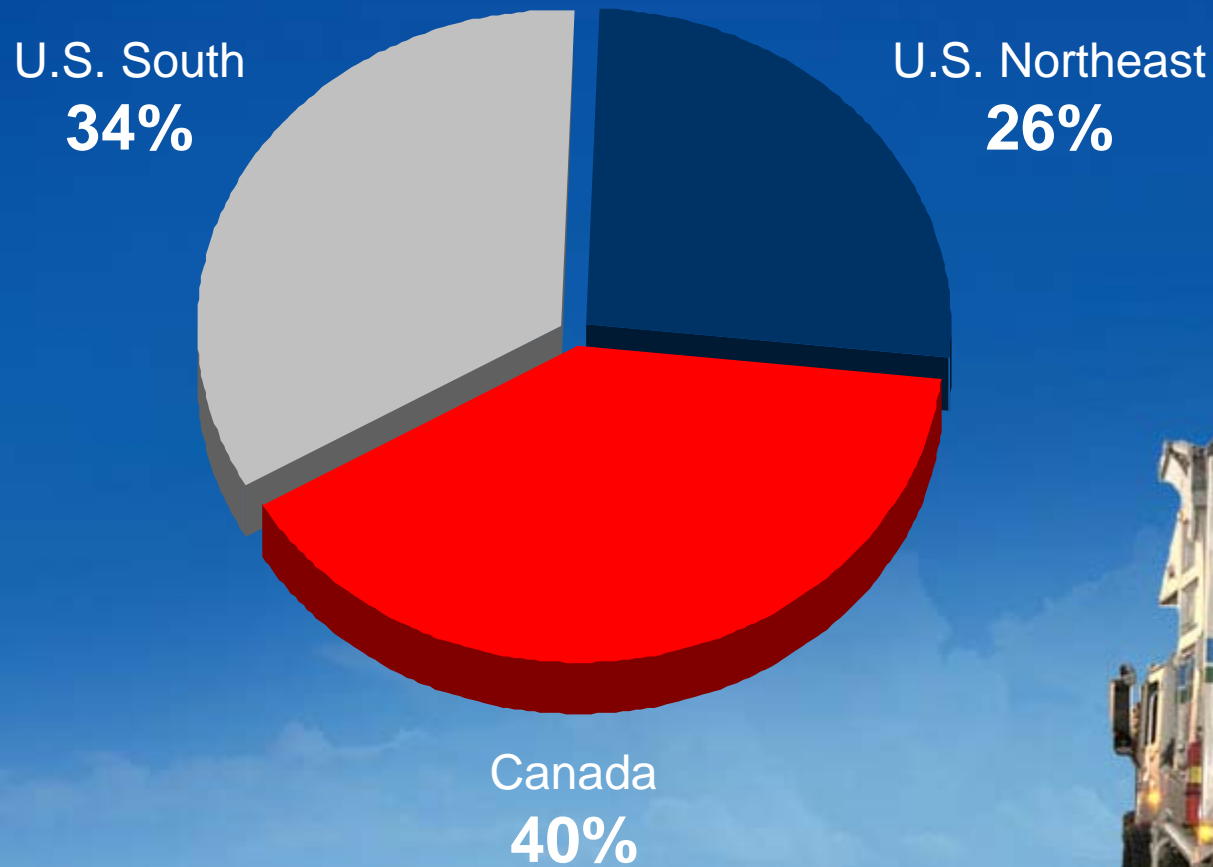
- 219% year-over-year growth
- Drivers:
  - Acquisitions since last year
  - Organic growth of 5.4% from price and volume





# Revenue Contribution by Region

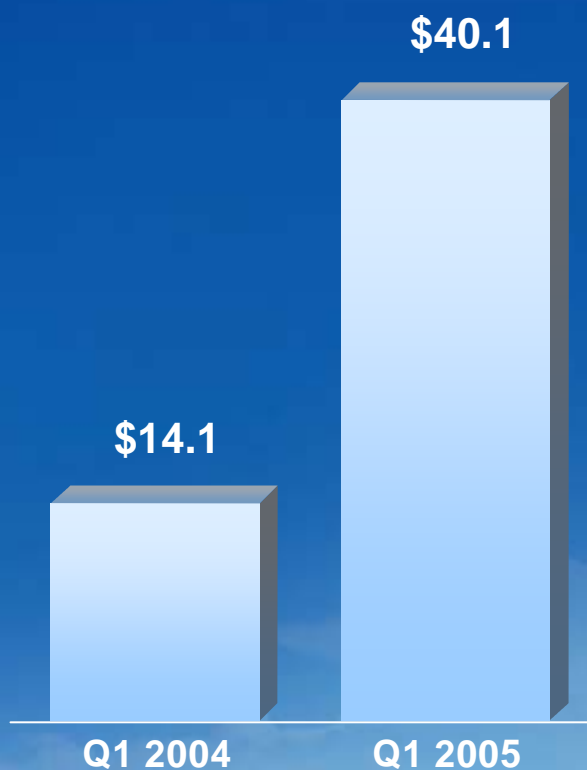
Q1 2005





# Q1 EBITDA

(\$ millions)



- 183.5% year-over-year growth
- 9.4% excluding acquisitions
- Drivers:
  - IESI and other acquisitions
  - Organic volume and price growth
  - Increase in waste accepted at BFI Canada landfills (offset by landfill royalty costs on Lachenaie north expansion)



# Distributions

(C\$ millions)

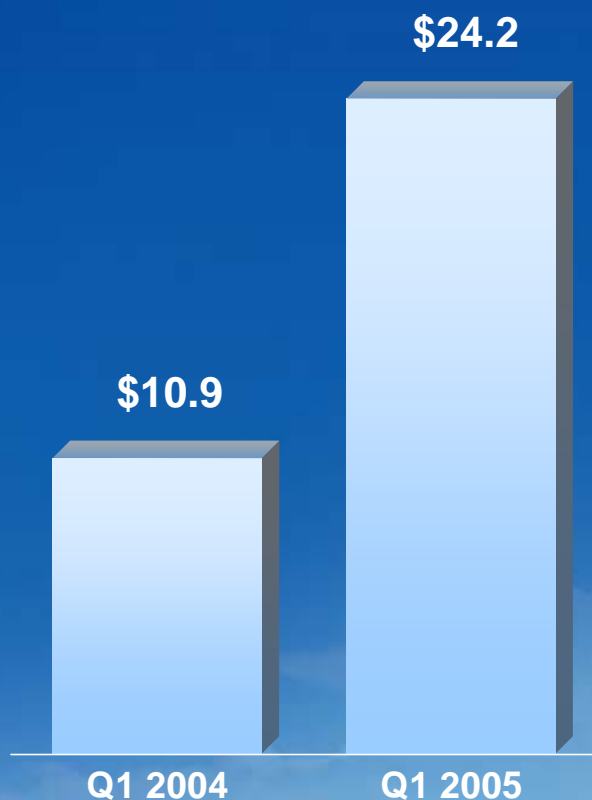
Q1 05

EBITDA:	40.1
Less: - Amortization of closure/post closure costs:	(0.9)
- Interest:	(5.3)
- Current income taxes:	(0.4)
- Management transaction bonuses (other expenses)	(1.1)
- Maintenance capex:	(8.3)
Add: - Effect of foreign currency hedge to support Canadian dollar distributions	0.05
- Amortization of gain on settlement of bond forward contracts	<u>0.06</u>
Free cash flow available for distribution:	24.2
Aggregate distributions declared:	<u>23.2</u>
Free cash flow available for future distribution:	1.0



# Q1 Free Cash Flow Available for Distribution

(\$ millions)



- 122% growth year-over-year
- Drivers
  - Acquisitions
  - Organic growth
  - Higher interest expense
  - Capex variance (timing-related)



# Q1 Distributions

(\$ Cdn)



- 176% growth year-over-year
- 39 cents per unit plus 8 cents per unit to subscription receipt holders
  - Includes participating preferred shares representing the interest of former IESI shareholders
- 91.0% payout ratio
  - Excludes payout on subscription receipts while held in escrow



# Capital Expenditures

## Maintenance:

- replacement of trucks and containers for collection routes
- spending on equipment and facilities at landfills, and
- cell development to replace consumed landfill air space

## Growth:

- Meet demands of acquired or organic growth, or benefit future period
- Vehicles and containers, landfill equipment, future airspace development





# Q1 Capital Expenditures

(\$ millions)

- Maintenance
- Growth



- Both segments up substantially
- Drivers:
  - Our new-found size
  - Timing for maintenance (although predictable annually)
- Maintenance capex target of \$16-\$17 million for Canadian platforms and US\$26-\$27 million for our U.S. platforms

# Management of Foreign Exchange

- Entered three, 3-year single rate hedges
- Allows monthly purchase of \$4.5 million at 1.22
- Hedges provide protection through February 2008
- Intend to periodically roll forward as they mature





# A Sound Financial Position

- Ridge acquisition bridged using credit facility
- Repaid all pre-existing IESI debt at time of acquisition
- Financed IESI/Ridge purchase through:
  - \$374 million subscription receipts offering plus \$385 million IESI credit facility and \$80 million BFI Canada revolving credit facility
- Total long-term debt at March 31, 2005: \$429.8 million
- Conservative leverage ratios of 1.7 and 2.3 times senior debt to EBITDA under Canadian and U.S. credit facilities respectively
- Flexibility for growth through:
  - US\$200 million revolver and C\$80 million revolver for working capital etc.
- Interest rate swaps



# Summary

- Prepared to grow
- Intensely focused on improvement
- Off to a strong start as one company
- Better potential than we've ever had





# The Business to Watch!

- Now one of the largest non-hazardous solid waste management companies in North America
- Excellent portfolio of assets, including many coveted landfills
- Collection routes in 56 markets and some 1 million customers
- Economies of scale, better productivity and efficiency
- Great people





**One Vision. Many Opportunities.**