

FINAL TRANSCRIPT

Thomson StreetEventsSM

BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Event Date/Time: Feb. 27. 2009 / 8:30AM ET

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Chaya Cooperberg

BFI Canada Inc. - Director of IR and Corporate Communications

Keith Carrigan

BFI Canada Inc. - Vice Chairman and CEO

Tom Cowee

BFI Canada Inc. - Vice President and CFO

CONFERENCE CALL PARTICIPANTS

Sophia Taylor

TD Newcrest - Analyst

Nav Malik

Scotia Capital - Analyst

Usefa Bood

Claris Securities - Analyst

Bob Gibson

Octagon Capital - Analyst

Aleem Israel

Cormark Securities - Analyst

PRESENTATION

Operator

Welcome to the BFI Canada Limited fourth quarter conference call. (Operator Instructions) I'd like to remind everyone that this conference call is being recorded on Friday, February 27th, 2009 at 8:30 a.m. eastern time.

I'll now turn the conference to Chaya Cooperberg, Director of Investor Relations and Corporate Communications. Please go ahead.

Chaya Cooperberg - *BFI Canada Inc. - Director of IR and Corporate Communications*

Thank you. Good morning, everyone, and thank you for joining us today. On the office is Keith Carrigan, Vice Chairman and Chief Executive Officer, and Tom Cowee, Vice President and Chief Financial Officer, both of whom will be providing comments on the results of our three and twelve month and end December 31st, 2008. Also on the call are Mickey Flood, President, and Joe Quarin, Executive Vice President and Canadian Chief Operating Officer. Both of whom will be available to answer questions during the question-and-answer period.

Before we get started, let me just remind you that our remarks and answers to your questions today may contain forward-looking information about events or the Companies' 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 on 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 the

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

bottom of our news release yesterday for further information and to our annual information form for more a more complete description of the risks affecting our business and industry. By now we hope you have had a chance to review the news release that we issued yesterday. You can log onto our website to get a copy at www.BFIcanada.com, and we'll have a telephone replay of this conference call available until midnight on March 13 and you can dial into 416-640-1917 or 877-289-8525, reservation number 21295852. These details are also available on our news release.

I would now like to turn the call over to Keith Carrigan, Vice-Chairman and CEO.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Thank you, Chaya, and good morning, and welcome everyone. I'd like to begin today's discussion by indicating that first we're very pleased with our performance. We continue to be strong despite a difficult economic climate, record fuel prices throughout most of the year and the decline in recycling commodity prices in the fourth quarter.

Our revenue and EBITDA growth rates are still setting the pace within the solid waste services sector. The level of organic growth in our business and the high EBITDA margins we have maintained place us in the top tier performers once again within our industry. Our results demonstrate that our market-focused strategies remain effective even during periods of general economic weakness. Before Tom provides a detailed review of our financial results, I'll provide some color on the performance for the quarter and the year as well as our outlook for 2009. I'll also discuss our recent bought deal transaction.

Turning to our financial results first. Revenues in the quarter grew more than 19% to CAD298.9 million. For the year we reached a financial milestone with revenues over CAD1.1 billion, an increase of 21.8% over the prior year. In Canada, organic revenue growth was 5.9% quarter-over-quarter and 9.7% year-over-year. In our US segment organic revenues declined 4% quarter-over-quarter but increased 2.4% year-over-year. Organic growth excludes acquisitions and fuel and environmental surcharges.

These results are driven by a combination of core price and volume strategies, and we're benefiting from applying these same strategies to acquisitions we have made in prior years. In the quarter, for Canada, we have positive gains with volume increasing 2.5% and price increasing 4%, offset by a commodity pricing decline of 0.6%. In the US the decline of organic revenues was due in large part to a decline in volumes of 4.6% for price in the US increased two price offset by a commodity pricing decline of 1.4%.

Our organic revenues in the US and particularly in the northeast segment were affected by falling commodity prices in our recycling business during the quarter. Sudden drop in recycling commodity prices was a headwind for us in the quarter as it was in the broader waste services sector and as we indicated it would be in our third-quarter call.

Fortunately during the quarter we fully mitigated the impact in the US south and in Canada with only a brief lag of approximately one month. This is very similar to the time lag we typically had seen with our fuel surcharges.

There was a negative impact to EBITDA of approximately CAD2.5 million in the US northeast in the fourth quarter as it took more time to plow through the increased material processing costs within that region. However, we expect to recover the monthly shortfall in the first quarter of this year through price increases.

We are starting to see commodity prices for materials such as OCC recover from their lows in the past quarter. Pricing appears to be moving moderately higher and volumes are slowly picking up as manufacturers in countries such as China start to restock on recycled materials. In any case, we expect any continuing commodity pricing weakness to be offset going forward.

Our financial performance reflects our ability to adjust quickly to address the challenging environment that we face. EBITDA reached CAD83.2 million in the quarter, an increase of 19.9% and CAD310.2 million in 2008, an increase of 12.6%. If we exclude

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

the impact of foreign exchange, EBITDA increased 5.9% in the fourth quarter and 13% in 2008. Once again, removing the impact of foreign exchange in our reported financials along with one-time items related mainly to compensation expense, I'm very pleased to announce our EBITDA was in excess of CAD300 million in 2008.

Our net income increased 120% to CAD10.8 million in the quarter and 47% to CAD46.6 million for the year. This resulted in fully diluted earnings-per-share of CAD0.19 in the quarter and CAD0.81 for the year. Our free cash flow which includes a deduction of both replacement and growth capital was CAD22.5 million in the quarter, an increase of 319% and CAD102.5 million in 2008, an increase of 54%.

Our cash earnings-per-share on a fully diluted basis was CAD0.33 in the quarter and CAD1.49 for the year. This record level of free cash flow in the face of deteriorating economic climate really highlights the effectiveness of our business model of accretive acquisition and organic growth strategies. We are cash flow positive in both our US and Canadian operations and have the ability to fund our replacement and growth capital requirement,, our dividend commitments and also to service our debt through the use of internally generated cash flow. We further anticipate additional excess free cash flow to be available for uses that we will determine as the year progresses.

Our conversion from an income trust to a corporation on October 1st, 2008, and the introduction of our new dividend policy were very important steps in positioning ourselves for the future and providing us with a stable source of cash flow to sustain our business model.

Looking at our financial results by operating segment, we do see different trends at work, however. Both our US south and Canadian segments closed the year on a strong note which helped to offset the lingering economy-related weakness in our US northeast segment. In the fourth quarter, revenues in Canada increased 11.3% while EBITDA increased 11.1%. For the year, revenue growth in Canada was 16.2% and EBITDA growth was 11.1%. In the US south, revenues grew nearly 31% and EBITDA grew 64% quarter-over-quarter respectively.

For the year, revenues in the south segment increased 14.7% and EBITDA increased 24%. Both our Canadian and US south segments are improving as a result of our price and volume strategies on the collection side of the business while landfills in both regions are also maintaining price and volume strength.

In our northeast US segment revenues increased 16.4% in the quarter and 37.2% in the year while EBITDA grew about 1% in the quarter and 5.4% in the year. The decline in diesel fuel prices did help reduce some of our operating expenses in the last month of the quarter in the US northeast where we had the most exposure given our use of third parties collectors. However, economic conditions in the US northeast continue to be weak in the fourth quarter affecting volumes at our landfill sites and transfer stations in the regions.

As I mentioned earlier, the decline in recycling commodity prices also affected us the most in the US northeast as we are unable to pass through the pricing changes as quickly as we could in our other two segments. We expect to see an improvement n first quarter in this area versus the fourth quarter of 2008 as the pricing strategies we have introduced to offset the reduction in the price of recycled materials sold take effect in the US northeast.

Across our three operating segments our focus is to continue the productivity of our assets by targeting new customers and increasing collection volume in each route Our asset utilization is improving. Our competitive position in our markets are strong and we expect to continue to use price and volume as tools for growth in 2009.

Given our discussion of the impact of the economic environment on our business operations, we would like to provide some additional information on our revenues by business line. This will offer further clarity on how each line of business may perform moving forward. We will provide this information by country.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

In Canada, based on 2008 gross revenues, the revenues by business line on a percentage basis are as follows. Commercial collection represents 33.9%. Industrial collection is 17.9%. Residential collection is 13.8%. Transfer and disposal is 27.8%. Recycling and other is 6.6%. Gross revenue in Canada totaled CAD437.6 million. In the US, in US dollars, gross revenue by business line on a percentage basis is as follows, Commercial collection represents 22.7%. Industrial collection is 15%. Residential collection is 19.3%. Transfer and disposal is 36.8%. Recycling and other is 6.2%. Gross revenue in the US totaled \$784.1 million. I hope you find this business line information helpful as you project results going forward.

Now moving on to acquisitions completed during the first quarter and the year. In the fourth quarter, we made two small accretive tuck-in acquisitions for aggregate cash consideration of CAD2.9 million. Overall in 2008, we had a slower pace of acquisition activity than is usual for us with eight acquisitions comprised of seven tuck-ins and one new market entry. As you know, the world's financial and economic changes in the second half of the year made it very difficult to value companies which, in turn, slowed our acquisition pace. Throughout 2009 we will maintain a disciplined approach to acquisition growth carefully monitoring our return on capital deployed and only looking at potential acquisitions that are highly strategic and accretive.

As we moved into 2009, we felt it was essential that we delever our balance sheet in our US business which in turn would enhance our Company's attractive balance sheet. Therefore, on February 12, we entered into a bought deal transaction. The transaction will close on March 6, 2009. The offering was for 8.5 million common shares of BFI Canada Limited at a price of CAD9.50 per share providing us with aggregate gross proceeds of approximately CAD81 million. The potential sale of an additional 1.27 million common shares, the 15% over allotment option in the transaction also at a price of CAD9.50 per share brings the aggregate gross proceeds of the offering to approximately CAD93 million. The net proceeds will be moved across the border into the US as equity repaying a portion of the outstanding borrowing under our US senior credit facility.

I'll let Tom fill in more details on the credit facilities but I can tell you that applying the net proceeds including the over allotment reduces our leverage in the US business to the 3.5 times range immediately removing the risk associated with the US covenanted adjustment which goes into effect March 31st, 2009. By delevering our balance sheet we are in a position to focus our efforts on the business and the future opportunities. It appears that the US and Canadian economies will take time to recover from this economic downturn and 2009 will not be an easy year. However with our stable balance sheet, positive free cash flow in Canada and the US, and the recession-resilient nature of our business we're well-positioned for the year ahead.

Now I'll provide our outlook for capital expenditures and free cash flow in 2009. This guidance is based on our current anticipated business without any assumption for large contracts that may require additional capital. Our forecasts are also based on today's economic conditions. For the purpose of these estimates we're assuming a US and Canadian dollar at parity.

Total capital expenditures including both replacement and growth capital are expected to be CAD20 million to CAD30 million less in 2009 compared to 2008. The lower level of expected spending is primarily due to lower internal growth expectations as a result of the economic slowdown in North America. Our quarterly regular and special dividends as previously announced are unchanged.

In 2009 we plan to pay a regular dividend totally CAD0.50 per share for the year. We will also pay a special dividend on a quarterly basis totaling an additional CAD0.50 for the year. Excess free cash flow after dividends paid will be in the CAD40 million to CAD50 million range. We believe that in the current economic conditions it is extremely important to focus on growing accretively with emphasis on improving cash flow and improving the overall quality of the balance sheet.

I'll now turn the call over to Tom for additional comments on the financial results of the quarter and the year. Thanks. Go

Tom Cowee - BFI Canada Inc. - Vice President and CFO

Thanks, Keith and good morning, everyone. I'll begin with a review of our annual income statement and begin our discussions with operating expenses.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Total operating expenses were up 26.4% year-over-year and our attributable to the additional operating costs necessary to service higher collected waste volumes on a year-over-year basis as a result of acquisitions and organic growth. The balance of the change for the year was principally due to higher vehicle operating costs through the first 10 months of 2008. The impact of increasing fuel prices was most pronounced at our Seneca Meadows Landfill. Fuel and lubricants consumed to operate the landfill together with the fuel increases charged by third-party carriers of waste to the landfills were absorbed by the Company which is a direct result of the market operating conditions in the year.

SG&A expenses increased CAD24.6 million year-over-year or 22%. Higher total salaries and compensation expense represented CAD11.6 million of the total cost increase. Acquisition and organic growth were the primary reasons for this increase. Also as a result of our acquisition and organic growth, we saw higher facility and office caught of approximately CAD5.1 million during the year and higher professional and corporate development costs as well. Amortization expense increased CAD17.7 million in 2008. Higher intangible and capital asset amortization is due mainly to the acquisitions and growth expenditures through 2007 and 2008.

Interest on long-term debt increased CAD10.8 million year-over-year primarily due to the financing of the Winter Bros. acquisition through debt in 2007 and I will note, however, that we also saw a substantial decline in the variable lending rate in 2008 which offset the increase of the financing of the growth expenditures, working capital and acquisitions.

We had CAD3.5 million of financing costs in 2008 in connection with amendments made to both our Canadian and US senior credit facilities as well as the conversion of an IRB from a floating to fixed rate facility. We also incurred CAD3.3 million in conversion costs mainly representing professional fees related to our conversion from an income trust to a corporation.

Turning to our balance sheet, at the end of the year long-term debt stood at CAD1.02 billion up from CAD802 million recorded at the end of the prior year. The increase was largely related to the impact of foreign currency translation of our US debt which accounted for CAD184.3 million of the year-over-year increase. As we've explained before, the credit facilities in our Company are country-specific. We have two separate leverage covenants, one in Canada and one in the US. The funded debt-to-EBITDA for Canada as of December 31st, 2008 and as defined and calculated in accordance with the underlying Canadian senior credit facility was 2.1 times versus a maximum funded debt-to-EBITDA covenant of 2.75 times. In the US, the funded debt-to-EBITDA as of December 31st, 2008, and as defined and calculated in accordance with the underlying senior credit facility was 3.93 times versus a maximum funded debt-to-EBITDA covenant of 4.25 times.

As we discussed in our third-quarter call, we are permitted by our Canadian credit facilities to move certain funds to the US. Therefore, prior to December 31st, 2008, we moved approximately CAD18 million from the Canadian revolving credit facility into the US as equity in reducing borrowings under our US credit senior facility. The cash was moved into the US to fund a potential accretive acquisition in one of our existing markets.

In addition, the bought deal financing discussed by Keith earlier is scheduled to close on March 6th. This transaction will substantially reduce our US total funded debt leverage adding stability and improving the overall quality of our balance sheet both in the US and for the total Company.

Applying the new equity on a pro forma basis as if the new equity was in our US balance sheet as of December 31st, 2008, the net proceeds from the transaction including the over allotment option and adjusted by the impacts of FX reduces our US total funded debt EBITDA leverage to approximately 3.5 times. This is significantly below the scheduled decrease in the total funded debt covenant in our US senior credit from 4.25 times to four times at March 31st, 2009. On a consolidated basis in calculating both the year and outstanding debt balance, and our 2008 EBITDA as if the Canadian and US dollars are always at par the total funded debt-to-EBITDA ratio at December 31, 2008 was 3.08 times. Applying the net proceeds from the bought deal transaction in the same manner discussed in the US calculation, the total Company leverage on a pro forma basis as of December 31st, 2008 was 2.84 times.

Feb. 27, 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

As a reminder, the only debt coming due in 2009 is our \$47 million Series A debentures in Canada which comes due on June 26, 2009. As we have stated before, we are positioned to absorb this expiring debt obligation within our current Canadian senior credit facility capacity. Therefore, the transaction will be seamless.

Our total available debt capacity as of December 31st, 2008 between our two senior credit facilities was approximately CAD223 million with an additional CAD81.5 million potentially available between the Accordian features in both facilities. In addition, once closed the bought deal transaction will add approximately CAD70 million more of additional credit capacity in our US operation.

Now turning to our capital landfill purchases in 2008. Our spending for replacement and growth capital totaled CAD148 million in the year. Of this, total replacement capital represented CAD89.5 million and growth capital represented CAD58.5 million.

Historically we have given guidance related to maintenance capital in the income trust structure. For 2008, maintenance capital in Canada was CAD20.8 million and in the US maintenance capital was in US dollars, \$37.9 million both in line with the guidance we provided at the beginning of the year. The primary differences between the old presentation of capital as an income trust and now as a corporation is in the area of landfill capital. As an income trust, all landfill construction capital at existing landfills was included in growth capital and then allocated back to maintenance capital on a per-ton-received cost. Now, as a corporation, all landfill construction capital is classified as replacement capital and capital for new permits and construction capital related to initial first sell of a greenfill landfill continues to be classified as growth capital.

That brings me to the end of my comments. Again, we are very pleased with the year that we just have completed. We are proud of the milestone of CAD1.1 billion in revenues we achieved in 2008. And we look forward to the continuing to grow in 2009. With the addition of the new equity, we are now very well positioned with one of the stronger balance sheets within the solid waste services sector. We are well prepared to handle the tough economic environment we now face and we are positioned to execute our business strategy.

Thank you for listening and now I'd like to ask the operator to open the lines for

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from Sophia Taylor from TD Newcrest. Please go ahead.

Sophia Taylor - TD Newcrest - Analyst

Good morning. My first question has to do with the US northeast. I'm trying to piece together some of the swinging parts that were commented on in your prepared commentary. The negative CAD2.5 million that was, I think, described as the impact of the commodity pricing in Q4 '08 for the US northeast, are we then to assume that based on pricing increases that are now effective since the end-of-the-year that on a quarterly basis going forward that segment will benefit from about the same magnitude going forward?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Well, Sophia, it's Keith and good morning. There was obviously a very, very unique situation that the market collapsed within a couple of days. Went from combined average price in well excess of CAD100 to no market, period, and no market really means two things. It wasn't just a pricing market. It also meant that there was -- they were not accepting any commodities. So, in other words, there was no location to take commodities at all which incurred two issues.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

One issue was a pricing issue, the second issue was, in fact, that our disposal in that area increased as well where it normally would not have. So let me say that obviously those same materials today, there are a market for. In the US, and I say this on a broad basis because there's many commodities but today we're looking at pricing that's slightly under CAD100 in aggregate and on average. And so as a result, and there is a market. So, having said that, on the price side of the market, we feel that we have recovered. The price impact and clearly the disposal that was related to that volume no longer exists because we're now selling the material opposed to disposing of that material. So, you could look at clearly that CAD2.5 million as a one-time adjusted event.

Sophia Taylor - TD Newcrest - Analyst

Okay. Great. Thank you. And then continuing on in the US northeast, there was mention of fuel having benefited this segment only in the last month. Wondering if - I suppose we were to extrapolate that to a quarterly basis or annual going forward to the extent that these prices obviously remain somewhat in some predictable range. Can you quantify, I suppose, the benefit is what I'm getting after there.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

That's kind of a moving target because it moves with the volume that the third parties bring to the sites. So, relative to seasonality and relative to the economy will determine what that amount is. So, for me to give you a defined number I wouldn't be able to clarify that for you to give you advice that you could firmly take on a quarter-by-quarter basis going forward.

Sophia Taylor - TD Newcrest - Analyst

Fair enough, fair enough. And then just overall, I guess, more high level the US northeast experienced. What is the risk that that experience can be seen for the other segments going forward?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Sure. I hope everybody appreciates that we try to help everybody along today by giving you revenues by line of business. And I'll add - perhaps I'll add a little more color in for you in terms of how the economy is affecting these lines of business today.

The commercial line of business, which you can see is a very heavy sector, both in our Canada and in the US, and, by the way, I would say to you that typically generates one of the better return on capital aspect line of businesses in our sector, in our business. It is holding its own. It's holding its own in price. And it's holding its own in volume both in the US and in Canada. And I say that across both areas of the US

Residential collection, of course, and typically in downturns does not change a whole lot. The majority of it is under contract business, and so again representing about 14% in Canada and nearly 20% of our revenue in the US, that will remain consistent going forward.

The industrial collection is the area that carries really two pieces. It carries the construction and demolition which you all had heard had been turning softer as the year went through in 2008. And more particularly in the US northeast. So I think we probably, at least we hope we've hit somewhat of a bottom. I'm not sure there's much more a bottom to be found, period, in the northeast in that particular area of the sector. But I also indicated in the third quarter we're seeing some downturn in the heavy industrial area of MSW that we saw in the northeast last quarter. As we enter 2009, we are seeing a lag in that area as well. You'll note again that that sector represents roughly about 18% in Canada and roughly about 15% in the US I would say to you that typically that line of business is not one of the higher return on capital lines of business in our sector.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Transfer and disposal, with a little bit of a downturn in that industrial sector, it does turn down slightly the transfer and disposal. Where we have more transfer and disposal, then we get an effect in both the transfer side and the disposal side. So the northeast will -- or you would have seen what you did see in 2008, more of a combined effect because when volumes in the industrial and C&D sector it affects the transfer and the disposal sector. In Canada we do not have a lot of transfers so it's typically disposal. And we saw in 2008 that pretty much that we were on our target as far as volumes and price were concerned.

The recycling business, as indicated, we in Canada and the US south, we have fully recovered price. Although look at it the same way you looked at fuel surcharges. It's typically we'll lag one month so there was a little bit of lag as reported in my call script. For example, in Canada related to that particular price, that's just the one-month lag that obviously we pick up, but we are fully recovering pricing in that area as we are in the US as of 2009. So in other words, the northeast we are recovering in 2009 and that was because we had the ability, as you may recall, to price granted by New York City later in the last quarter which we were unable to begin pricing in January.

So I hope that that gives you a flavor of how the downturn in an economy affects our business in much more detail.

Sophia Taylor - TD Newcrest - Analyst

Great detail, thank you.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Good.

Sophia Taylor - TD Newcrest - Analyst

Last question for me is simply you've commented in the past on your acquisition pipeline, the size of it. Wondering if you could please update us on that front?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Well, I mean, clearly we are still in the business of growing. Growing today is a much more difficult prospect than it was going back a year or so ago. We're obviously watching the Capital Markets. We're looking for the most efficient way to deal with our balance sheet. Without a doubt, I would say to you that the purchase price of acquisitions have come down, but I would say that as a buyer we are right now less driven to be running out and acquiring. And sellers are holding right now as well. So to summarize that, we have discussions. The pipeline that we have is still there. We would like to be able to move into that pipeline on a more efficient basis so we are watching conditions very, very carefully. And if we see the right conditions, then I would suggest we address growth by acquisition at that time.

Sophia Taylor - TD Newcrest - Analyst

Okay, thank you.

Operator

And your next question comes from Nav Malik from Scotia Capital. Please go ahead.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Nav Malik - Scotia Capital - Analyst

Great. Thanks very much Good morning.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Good morning, Nav.

Nav Malik - Scotia Capital - Analyst

I just wanted to ask on the debt. I know with the equity issue you did repay some of the US debt. But it's still probably still a bit higher than maybe what your target range is. Do you have any thoughts on the near term in terms of further initiatives towards debt repayment?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Yes, well, I indicated that we anticipate to be in a range of having excess of free cash flow and I defined free cash flow after dividends and other uses as an opportunity if we choose to pay down debt. We have an ability to fully fund our dividends out of Canada so as we incur free cash flow, we have the ability if we choose to pay down debt. But let me state that contrary now, we're quite happy, quite frankly, where our debt is, our US debt right now. I mean, right now we're sitting at overall leverage that even if you apply it on an LPM basis, overall leverage is roughly around 2 point, 7.28 times.

So the corporation is in a great leverage position. We believe our US facilities are in a very, very good position. I've always stated that our overall goal was to be roughly the corporation at 2.5 times. If you look at it application of free cash flow, you probably would say if I applied it there going into the future, then clearly we would be at 2.5 times. So I'd suggest to you that we're right on the target that we've always said we'd like to be. And we feel very, very good about our balance sheet right now.

Nav Malik - Scotia Capital - Analyst

But I guess pursuing additional acquisitions and I know you're focused on tuck-in acquisitions but doing anything sizeable, I guess you're probably first focused first more on the debt side?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Yes, let me just address. We've always had a policy in the Company that when we acquire companies, we will do them on an accretive basis to free cash flow. So clearly when opportunities that we feel are important opportunities come forward and we can acquire those opportunities on a free cash flow basis, then clearly I think we just demonstrated that we do have access to the markets today. And we expect that we will have access going forward. And if we are using that capital accretively, then we'll always be in a position to manage the balance sheet with equity on a positive free cash flow basis.

Nav Malik - Scotia Capital - Analyst

I was also going to ask if you could give us an update on the US listing. Are you still pursuing that or - -

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Yes, I mean, the answer is we believe that it's important that we will be [comped] to our peers. At this stage, I think we've struggled a little bit to get that comped because clearly if you look at the metrics of our Company today relative to our peers and how we're valued in price today relative to our peers, there's an absolute disconnect.

Nav Malik - Scotia Capital - Analyst

Yes.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

So clearly we believe that ultimately it's going to be important that we establish our ability to comp ourselves so I would suggest to you that you would see in the future that we would put ourselves in that position.

Nav Malik - Scotia Capital - Analyst

Any timing though, any idea on --

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

The world's moving very quickly. What happens two weeks ago and how we look at the world today, certainly, seem to be changing. So let me just that we're watching -- we are monitoring conditions very, very carefully obviously both in Canada and in the US, and at the appropriate time relative to a use of capital as well that we'll make a decision at that

Nav Malik - Scotia Capital - Analyst

Okay. In terms of -- I know you provided some guidance on some metrics earlier in your prepared comments. But are you going to be providing or can you provide maybe organic growth guidance for the two regions or -- ?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Well, we haven't -- we haven't given organic growth at this stage. We're obviously, again, watching the market. What we really try to do and I hope we did that and gave a lot of clarity on it today is to indicate that in most of our important lines of business, we talked, we spoke about commercial. And we indicated that we are continuing to see commercial be a very stable line of business.

At this stage, we have -- I guess I certainly could tell you that we have been able to price in the commercial markets as well as seeing volume in both the US and in Canada. We've obviously, in the residential market, we've been able to price as well. In that particular sector and certainly in select landfill areas there's been pricing power as well. So -- and then we are seeing some softness in the heavy industrial area. And that will be a little bit of softness in price and in volume in the industrial area. So, again, that is a smaller area and has less return on capital than some of other sectors. So that should, I hope, give enough guidance to be able to pull your models together.

Nav Malik - Scotia Capital - Analyst

Okay great. Thanks very much.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Great.

Operator

The next question comes from [Usefa Bood] of Claris Securities Please go ahead.

Usefa Bood - Claris Securities - Analyst

Good morning.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Good morning, Usefa.

Usefa Bood - Claris Securities - Analyst

Going forward you mentioned that most of the businesses except for the heavy industrial are still seeing some good aspect on the volume and pricing. Now last year -- last quarter, with the price increase I think for Canada 4%, US 2%. Are we going to see this going forward in terms of it -- would you be continue to raise your prices in line with this level or is going to slow down a little bit?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Well, again, just going back to the last answer. Really, there's pieces to the question you ask. Let me address the US issue for one moment. With commodity prices declining and volume in the recycling area declining, that had an effect on the overall US pricing. So consequently, you'd want to have a look at that, that last quarter.

The second step would be to not give you a specific number because we don't issue that, but again I just reiterate that we have seen some good pricing power in the -- continue in the commercial area and in select landfill areas. We've received our typical and expect to receive our typical increases in the recycling area. In terms of commodity pricing, we have the ability to recover that pricing to 2008 levels which we have done. And so consequently really the area that one would look at today would be in terms of softness would be just the industrial area.

Usefa Bood - Claris Securities - Analyst

Okay. Thank you. And the other question is recently the public they bought, they sold some landfill I think to Waste Connection in Texas. There's a new ownership there. Have you seen a change in the competitive landscape due to the change in the ownership of this landfill in Texas?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

No. No, they're not. I think you're probably referring to the Waste Connection's landfills. Waste Connection, that's been typically about their southern extent. They're already in those markets so clearly, and we are not. So, we don't see any change to that

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

landscape whatsoever. And in terms of just to address, in terms of discussions that we have as you all know, we had been involved in discussions. We're part of a list that Republic has and I really don't want to comment on those at this time.

Usefa Bood - *Claris Securities - Analyst*

Okay, great. One last question, maybe Tom, can you clarify regarding the covenant calculation. You said the debt-to-EBITDA is using the stable FX rate over the last twelve months. Can you a little bit elaborate on that? Which FX rates you use?

Tom Cowee - *BFI Canada Inc. - Vice President and CFO*

I'm assuming you're talking about the Company-wide covenant calculation. We assumed, since both those credit facilities are separate credit facilities.

Usefa Bood - *Claris Securities - Analyst*

Right.

Tom Cowee - *BFI Canada Inc. - Vice President and CFO*

And done in the dollar denomination in each country, we gave you a 3.08 and with the bought deal 284 covenant numbers. Those were at par. Those were at both dollar denominations at par.

Usefa Bood - *Claris Securities - Analyst*

Right. Okay. Thank you very much.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Thank you Useffa.

Operator

And your next question comes from Bob Gibson from Octagon Capital. Please go ahead.

Bob Gibson - *Octagon Capital - Analyst*

Good morning, everybody.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Good morning, Bob. How are you?

Bob Gibson - *Octagon Capital - Analyst*

Good. Can you give me a little more color on what's happening with getting a new Calgary landfill?

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Sure, I'd be happy to. First of all, let's just talk about our current situation. We indicated that the current landfill has the ability under provincial permit to run through 2017. We expect that our existing landfill will be running a few more years at this stage. I won't go into detail regarding the new site, but we are proceeding along the path on the new site and at this stage we feel pretty good about it. I don't want to give more detail because detail usually leads to problems. And we lose control of the management of the process once we give more detail. And it's very important when we permit landfills that we retain the control of the process as we move forward.

Bob Gibson - Octagon Capital - Analyst

Okay. Then maybe you can just tell me typically what would be the timeline for start to actually getting the landfill up and running? How long --

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

We're in that process now. We've been in the process a while. So clearly from the time you start a process I suppose to the time you end it, you would say it's two years but let me just say we've been in the process for quite a while now.

Bob Gibson - Octagon Capital - Analyst

So well before 2007?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Oh, yes, we feel very good that there will be no overlap in terms of -- or concern regarding an overlap from the closing of one site to the opening of another.

Bob Gibson - Octagon Capital - Analyst

Beautiful. Could I get a little bit more color on the Brooklyn Transfer contracts that you just signed?

Tom Cowee - BFI Canada Inc. - Vice President and CFO

Sure. That's the third time we've signed a contract with the city of New York City. It's for their delivery of residential volume into our transfer stations in Brooklyn. It's a very similar contract to the last time in that it's for three years with two one-year renewal options at the city's option. And that new contract went into effect November 1st, 2008.

Bob Gibson - Octagon Capital - Analyst

And so you're very happy with that?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

We had a price increase on them, and we're very pleased.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Unidentified Company Representative - *BFI Canada Inc.*

Beauty.

Bob Gibson - *Octagon Capital - Analyst*

One - - I hate to say this. One subject that seems to be in vogue right now is pension assets and potential pension expenses. Are there any concerns or potential increase in your pension expense going forward?

Unidentified Company Representative - *BFI Canada Inc.*

There's no concern. Our plan as very small plan. I think there is only 10 or 11 participants in it and the total assets in there is like half million dollars or something like that. So it's a very small plan limited to one of our small collection districts.

Bob Gibson - *Octagon Capital - Analyst*

It's not significant at all?

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

It's not material at all to the corporation.

Unidentified Company Representative - *BFI Canada Inc.*

Our plans are all defined contribution plans.

Bob Gibson - *Octagon Capital - Analyst*

Okay. Thank you.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

You're welcome.

Operator

Ladies and gentlemen, (Operator Instructions) The next question comes from Aleem Israel of Cormark Securities. Please go ahead.

Aleem Israel - *Cormark Securities - Analyst*

Good morning,.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Good morning, Aleem, how are you?

Aleem Israel - Cormark Securities - Analyst

Good. Just on the equity financing to start off. I noticed in the press release that you convert the proceeds at CAD0.80 to assume the payment on the US facility. Have you actually hedged that payment yet?

Tom Cowee - BFI Canada Inc. - Vice President and CFO

Yes.

Aleem Israel - Cormark Securities - Analyst

And is it hedged at that CAD0.80 rate?

Tom Cowee - BFI Canada Inc. - Vice President and CFO

Right in that range, yes.

Aleem Israel - Cormark Securities - Analyst

And then in the US, I noticed you pulled your shelf filing down there. Can you just touch on that?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Yes, it was really just some efficiency planning. It was easier and more cost-effective to let the first shelf expire and file a new shelf opposed to carrying on with the old shelf. Essentially we would have been from an accounting point of view would have restating two quarters. By filing a new shelf we only have to state one quarter in US GAAP, so it saved us accounting efficiencies.

Aleem Israel - Cormark Securities - Analyst

Okay. So we should expect (inaudible) filing.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Don't look at it as anything material.

Aleem Israel - Cormark Securities - Analyst

Okay. Just on the CapEx, Keith, you mentioned that '09 CapEx would be 20 to CAD30 million lower than '08.

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

That's correct.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Aleem Israel - *Cormark Securities - Analyst*

Can we assume, that reduction doesn't change very much compared to '08 and that reduction is coming from the growth side of things?

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

You are absolutely correct. Replacement will not and has not changed an iota. We still, we believe that we probably have the newest fleet in the sector, and we'll continue to do that. Productivity is obviously a key driver in our model and part of having productivity is to have very efficient equipment on the road so that will never change, and so you can expect that we will continue at the same replacement pace that we have adopted in the past.

Aleem Israel - *Cormark Securities - Analyst*

Okay. The - - now I think one of the assumptions in that guidance was that the rates were at parity. If I hold of the similar proportion of US versus Canadian spending at the current exchange rates, I guess we could see that CapEx number and see dollars relatively unchanged then year-to-year if you were to run that assumption at CAD0.80.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Yes. Yes, the answer is yes.

Aleem Israel - *Cormark Securities - Analyst*

Okay. And then just moving to the free cash flow, the 40 to CAD50 million, are you running all of the translation there in terms of your US operations at parity?

Tom Cowee - *BFI Canada Inc. - Vice President and CFO*

Yes, Keith's comment said that both was at parity.

Aleem Israel - *Cormark Securities - Analyst*

That was at parity as well? Thanks, that's all I had.

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Thank you.

Aleem Israel - *Cormark Securities - Analyst*

Thank you,.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Operator

(Operator Instructions) We have more questions from Aleem Israel of Cormark Securities. Please go ahead.

Aleem Israel - Cormark Securities - Analyst

One more question. The US northeast and Canada, I think we understand where the margins are going there. But in the US south, your EBITDA margins were up about 500 basis points and in Q4. Can you talk about what's driving that?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Yes. I think, essentially part of our strategies that we believe that when we acquired IESI that we had an ability to increase obviously profitability, return on capital. And clearly one of the indicators that you see when that occurs is that margins are increasing as well. So, we felt that we had the ability to increase that in all of our lines of business opposed to, for example, landfills will typically -- are margin increases more than other lines of business. But let me just say that we have the ability to increase those margins going forward in virtually all of our lines of business in the south particularly. And we remain -- we still believe that there's opportunity in the south as well for further increases.

Aleem Israel - Cormark Securities - Analyst

Okay. So given it was kind of the first quarter where we're really seeing such a significant year-on-year increase, do you think we'd continue to see that for the first couple quarters of 09?

Keith Carrigan - BFI Canada Inc. - Vice Chairman and CEO

Again, certainly I've been in the industry for 30 odd years, and I can tell you that through several recessions and I've not seen economic conditions that we're seeing out there today. So the one aspect that I would tell you that -- and I hope you -- we've indicated that succinctly today that we have the ability in our Company to adjust very, very quickly. I think you've seen that we've been able to adjust with fuel. We have been able to adjust with commodity pricing very, very quickly on an efficient basis.

Clearly the toughest thing probably to deal with is pure lack of volume. But when you take that out of the equation, we have the ability to adjust very quickly. And I will tell you, even with lack of volume, we have an ability to adjust. It just takes us a little longer to adjust to volume declines than it does to all these other areas. So we have the ability, we feel very, very good about the Company going forward. We expect that we will retain our position relative to our peers going forward. And in spite of what we're seeing out there in economic conditions.

Aleem Israel - Cormark Securities - Analyst

Okay. Thanks again.

Operator

Mr. Carrigan, there are no further questions at this time. Please continue.

Feb. 27. 2009 / 8:30AM, BFC.TO - Q4 2008 BFI Canada Inc. Earnings Conference Call

Keith Carrigan - *BFI Canada Inc. - Vice Chairman and CEO*

Well, thank you very much. In light of what we have seen, certainly, in the economy and in 2008, we would like to certainly thank our people that are out there making these adjustments on a day-to-day basis that are producing these strong results for the Company. They remain the strength of our Company. And we expect their performance to continue in these very difficult times going forward.

We look for as well as a good and strong 2008, we continue to look for good results going forward in 2009. So we want to thank everyone for joining us today, and we'll look forward to speaking with you on our next call in the next quarter. Thank you once again.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect your lines.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2009, Thomson Financial. All Rights Reserved.