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Conference Call Transcript

BIN.TO - Q1 2011 IESI-BFC Ltd Earnings Conference Call

Event Date/Time: Apr 29, 2011 / 12:00PM GMT



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Operator

Good morning, my name is Christa and I'll be your conference operator today. At this time I would like to welcome everyone to the first-quarter results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (Operator Instructions). Thank you. Miss Chaya Cooperberg, you may begin the conference.

Chaya Cooperberg - IESI-BFC Ltd. - VP, IR & Corporate Communications

Thank you, Christa, and thank you all for joining us this morning. With me on the call I have Keith Carrigan, Chief Executive Officer, and Tom Cowee, Vice President and Chief Financial Officer, and Joe Quarin as well, President. We will be providing comments on our results for the three months ended March 31, 2011.

But before we get started I'm going to read our Safe Harbor statement and I'll also just cover off some housekeeping items. Our remarks and answers to your questions today may contain forward-looking information about future events or the Company's future performance. Although forward-looking statements are based on what management believes to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with these forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. We also do not commit to continue reporting on items or issues that arise either during our presentation or in the discussion that will follow except as required by applicable securities laws.

This information by its nature is subject to risks and uncertainties that may cause actual events or results to differ materially. Please refer to the bottom of yesterday's news release 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 discuss non-GAAP measures such as adjusted operating income, adjusted EBITDA, adjusted net income and free cash flow. Please refer to our press release for a definition of such non-GAAP measures. Management uses non-GAAP measures to evaluate and monitor the ongoing performance of our operations and other companies may calculate these non-GAAP measures differently.

A telephone replay of this conference will be available until midnight on May 13 and details for the replay are available in the news release. And with that I will turn the call over to Keith Carrigan, Chief Executive Officer.

Keith Carrigan - IESI-BFC Ltd. - CEO

Thank you, Chaya, and good morning, everyone; welcome to our call today. This quarter marked a strong start to the year and confirms our business decisions from the past year. 2010 was a milestone year for IESI-BFC with acquisitions leading the way. In 2010 we laid the groundwork for a promising 2011 with the cornerstone acquisition of WSI as well as three other sizable and strategic tuck-ins.

As mentioned, we are pleased that we've been able to effectively integrate these acquisitions and realize the synergies we expected. And while there is still some work to be done and synergies to be realized, I want to thank all of our people and management teams for the hard work required to bring several of these companies together as one.

Our first-quarter highlights include a significant improvement in revenues with total revenue growth of 60.1% and consolidated organic gross revenue growth of 3.9%. Adjusted EBITDA margins expanded by 30 basis points to 29.1%; adjusted operating income grew 69.1% and we continue to generate solid free cash flow.

Through the impact of synergies related to the WSI acquisition on the cost side we saw a reduction in adjusted SG&A expenses to 12.5% of revenue, that is a 150 basis point decline from the same quarter last year.

While our first quarter was strong we did experience certain headwinds. First off, our first-quarter performance was delivered against a backdrop of some challenges related to weather. In the quarter we, along with other waste companies, faced especially harsh winter weather conditions in certain parts of the United States and Canada.

In Canada the harsh weather was most notable in March while the US Northeast experienced harsher comparative weather conditions in the first two months of the quarter. If we were to exclude the impact of the severe weather we experienced in March, gross revenues would have been 150 basis points higher in the US and 90 basis points higher in Canada.

Also during the quarter we saw an increase in our operating expenses as a percentage of revenue. I will provide more context on the impact of higher operating expenses in our geographical segment performance review.

On a fundamental basis our underlying results were in line with expectations and our outlook for the balance of the year has not changed from our 2011 guidance we provided two months ago. So now I'll provide a summary of our consolidated results.

The Company turned in a record first quarter with reported revenues of \$422.9 million, an increase of \$158.8 million or 60.1% from \$264 million in the first quarter of 2010. The bulk of this growth was due of course to the contribution of Waste Services, which we acquired in July 2010, as well as other notable acquisitions including Fred Weber, SWDI and York Disposal.

Organic gross revenue grew 3.9% on a consolidated basis and is comprised of volume growth of 0.6% and total price growth of 3.3%. Total price consists of core price growth of 1.7%, recycling and other of 0.6% and an increase in fuel surcharges of 1%. Note, consistent with previous periods since our acquisition of WSI, price and volume growth has been prepared on a comparable basis as if WSI's operations were combined with our own in both the current and comparable quarter.

We are satisfied with how our organic gross revenue growth is tracking for the year considering the harsh weather headwind. Our organic growth strategy continues to deliver market share gains while our acquisitions are performing well with integration efforts going as planned. Other strategic tuck-in acquisitions contributed 7% to gross revenue growth sequentially.

Strong revenue growth translated into strong adjusted EBITDA and operating income growth. Adjusted EBITDA was \$123.1 million or 62.1% higher in the first quarter of 2011 versus the \$75.9 million we turned in the same quarter one year ago. Our first-quarter adjusted EBITDA margin was 29.1% compared to 28.8% in the first quarter of 2010.

Adjusted operating income was \$61.7 million or 69.1% higher in the quarter versus the \$36.5 million in the same period last year. We also generated higher adjusted net income quarter over quarter. Adjusted net income for the first quarter was \$28.1 million or \$0.23 per share compared to \$18.7 million or \$0.20 per diluted share last year.

We achieved this result despite the issuance of additional shares related to the purchase of WSI and also the repurchase of 1 million of common shares from a secondary offering by an existing shareholder which closed in March. These results translated into higher free cash flow. In the quarter free cash flow totaled \$70.6 million, an increase of 68.6% over the \$41.9 million achieved in the same period last year.

Additionally, capital and landfill purchases were lower than the comparable period due in large part to the timing of spend and contract wins. At this time we are not changing our 2011 guidance for capital or landfill spending.

Our free cash flow margin was 16.7% in the quarter compared to 15.9% in the first quarter of 2010. So overall we are pleased, our key performance metrics are moving in the right direction and are underpinned by our commitment to remain a leader in our industry. Now I'll review our price and volume at a more granular level and discuss some of the trends we are seeing by geographical segment.

First turning to Canada -- total price and volume improvements in Canada were 4.2% and 0.7% respectively. Total price consisted of core price growth of 2.2%, recycling and other growth of 0.8%, and an increase in fuel surcharges of 1.2%.

Our pricing growth in Canada was solid. However, we did experience harsh winter weather, most notably in March, which was a primary headwind to lower landfill, special and municipal waste volumes during the quarter. We expect to fully recoup these volumes as the spring seasonal cycle and additional organic sales activities take effect, which we expect will result in a stronger volume performance over the balance of the year.

All other service lines in Canada delivered solid volume growth through a combination of both organic and acquisition growth with industrial volumes remaining essentially flat. During the quarter pricing in Canada also increased across all business lines except for industrial which was flat on a comparable basis.

I want to pause for a moment and comment specifically on the topic of expenses. While Tom will provide some more context on this later, I'd like to point out that in total operating expenses as a percentage of revenues there was an improvement of 100 basis points on a sequential basis. However, on a comparative basis operating expenses as a percentage of reportable revenue expanded 3.7%.

We attribute this increase to the mix of revenues we acquired from our acquisition of WSI and other tuck-in acquisitions. This mix also impacted operating expenses in our US south segment. However, unlike Canada, the impact was favorable.

Operating expenses in our northeast segment as a percentage of revenue also increased; however, this increase was the result of higher comparative trucking and disposal costs due in part to higher comparable volumes at our landfill coupled with higher commodity rebates and higher vehicle operating costs.

Now turning to the US, total price and volume improvements were 2.6% and 0.5% respectively. Total price consisted of core price growth of 1.3%, recycling and other growth of 0.4% and fuel surcharges of 0.9%. The US northeast segment also had its share of harsh winter weather

conditions, as mentioned, but our landfill volumes were strong thanks to higher special waste and MSW volumes in the quarter. Tuck-in acquisitions also supported growth in this segment's industrial and commercial service lines.

In terms of price in our US northeast segment, landfill pricing was higher relative to a year ago which also helped to drive land fill revenue growth. We experienced pricing that was relatively flat on the collection side of the business with commodity pricing demonstrating continued resilience over 2010 year.

In the US south segment gross revenue increased thanks to acquisitions and volume growth across all service lines, except for residential which was only slightly lower. While we gained volume through several tuck-in acquisitions, we closed in this segment in 2010; we will be looking to execute our market focused strategies to move price in these markets going forward.

On the subject of acquisitions, we completed one tuck-in during the first quarter for a total cash consideration of \$14.4 million. The company acquired (inaudible) Collection Company located in our US northeast segment. Even though 2010 was an active year for acquisitions, we continue to maintain a very robust pipeline.

There are attractive opportunities that still exist, particularly in the US markets we operate in. Although the solid waste industry has been consolidating for many years, as we have previously mentioned, it is still fragmented and a good portion of the industry's revenues are still in the hands of independent operators and some municipalities.

With our active M&A group we continue to identify tuck-in targets in our existing markets and platform candidates in contiguous areas. We have a disciplined due diligence process and we will not chase any acquisitions that do not meet our strict return criteria.

We are very careful to apply our capital in the most accretive manner possible and we will target valuation multiples that do not stretch the IRR beyond our return model. That said, we believe there are a good number of companies in our pipeline that will in fact meet these requirements. As always, the timing of acquisitions can be lumpy and we will look at all means of deploying our free cash flow this year to deliver optimal returns to our shareholders.

So this was a strong quarter with solid returns consistent with our anticipated revenue, adjusted EBITDA and earnings per share in spite of weather headwinds. The performance of the business, again despite these headwinds, we believe sets us up well in terms of delivering our guidance for 2011.

So fundamentally our view has not changed. While the economy is still recovering and the current environment is still a challenge, our model has clearly shown an ability to deliver in this challenging environment. We are well positioned to continue to invest in order to strengthen our position for the future. With that I'd like to turn the call over to Tom to provide more details and color on our financial results for the first quarter. Tom?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

Thank you, Keith, and good morning, everyone. I'm going to start with a discussion of our performance by segment for the first quarter. In the quarter reportable revenue in our Canadian segment was approximately \$172 million representing an increase of \$71.8 million or 71.8% over the year ago period. Net of the impact of FX the increase in our revenues was approximately \$63 million or 62.7% increase over the same period last year.

In our US south segment revenue was \$168.2 million, an increase of approximately \$80 million or 91.5% over the first quarter last year. And in our US northeast segment revenue was \$82.8 million, an increase of approximately \$6.6 million or 8.7% over the first quarter last year.

In the area of expenses in the quarter, operating costs were \$246.8 million, which represents an increase of 63.4% versus the same quarter last year. The comparative increase is due principally to our mix of business attributable to our acquisition of WSI and other tuck-in acquisitions with contributions from higher collected waste volumes in our existing base business, FX and higher fuel costs.

In total higher disposal, labor, vehicle operating and insurance costs were the largest components of the increase. The rising price of fuel contributed to higher level of operating expenses relative to revenues quarter over quarter. Our cost of fuel increased approximately \$5 million compared to the same period last year which resulted in a 10 basis point drag on EBITDA margin.

In addition, we saw higher commodity rebates due to higher commodity pricing. The increasing commodity rebates was most notable in our US northeast and Canada segments where we have more active recycling service lines.

As Keith mentioned, at 58.4% of revenue operating expenses improved 100 basis points sequentially from the fourth quarter in 2010 in spite of rising fuel costs which increased a percentage of operating cost relative to revenues on a comparable basis.

SG&A expenses were \$58.6 million, an increase of 47.3% over a year ago period. On an adjusted basis SG&A expenses rose 43% comparatively. Excluding the impact of FX, the increase in SG&A expense is due to the acquisition of WSI, other tuck-in acquisitions and organic growth. The increase is primarily attributable to higher salaries, facility and other SG&A costs.

In our corporate SG&A we experienced changes in fair value of stock options and additional costs resulting from our WSI acquisition causing higher salaries, facility and office costs. However, these increases were partially offset by lower professional fees.

Amortization expense in the quarter was \$62.8 million, an increase of \$23.3 million from a year ago period. For the quarter amortization as a percent of revenue was approximately 14.9% which was a little higher than our guidance of 14.5% and caused by the seasonally lower revenue in the first quarter. We expect amortization expense to be in line with our guidance for 2011.

Interest expense was approximately \$16.5 million and represented an increase of \$8.6 million compared to the first quarter a year ago. Higher debt levels, primarily resulting from the acquisition of WSI and other acquisitions closed after the first quarter of 2010, along with higher interest rates and interest rate spreads related to the replacing of both the US and Canadian facility in tandem with the WSI transaction were the principal reasons for the increase in the quarter.

Looking at taxes in the quarter, our income tax expense was \$17.3 million compared to \$9.5 million in the same period a year ago. Our effective tax rate in the quarter was 37.8% adjusting for non-deductible stock option expense of \$5.3 million which is consistent with the approach we took in our guidance and how we have reported our effective tax rate in the past.

We did have a one-time withholding tax expense in connection with our share repurchase in the quarter which was approximately \$1.2 million. This amount was not contemplated in our full-year guidance. If we adjust for that one item as well our effective tax rate would have been 35.2% which was slightly below our guidance for the year. In the quarter our cash taxes were \$11.7 million.

Turning to our capital and landfill purchases -- our spending for replacement and growth capital totaled \$25.4 million in the quarter. Of this total, replacement capital represented \$18 million and growth capital represented \$7.4 million.

Turning to our balance sheet, in March, as part of the secondary offering to sell the shares of an existing shareholder, we purchased 1 million shares of our stock for \$23.5 million and canceled these shares. As a result of this repurchase our outstanding share count is now at 120.7 million shares.

At the end of the quarter long-term debt stood at \$1.290 billion. As of March 31 advances under the US facility were \$777 million and total letters of credit outstanding amounted to approximately \$144.8 million. Availability under the credit facility is \$155.7 million and our funded debt to EBITDA ratio was 3.21 times.

As of March 31 advances under the Canadian facility were CAN328 million and total letters of credit outstanding amounted to approximately CAD54.1 million. Available capacity under the revolver is CAD142.9 million and our funded debt to EBITDA ratio on March 31 was 1.9 times. On March 31 our company-wide funded debt to EBITDA ratio prepared on a combined basis and assuming FX parity was approximately 2.6 times.

To sum up, we are very pleased with our performance in the quarter. Against a backdrop of challenging weather conditions we continue to improve our EBITDA, EBITDA margins, free cash flow and net income. As Keith said earlier in the call, we believe we're on track with our stated outlook for 2011. That brings me to the end my comments and I now ask Keith to provide some closing remarks.

Keith Carrigan - IESI-BFC Ltd. - CEO

Thanks, Tom. So with that we're off to a good start in 2011 with record revenue growth in the quarter, strong performance, as mentioned from all our segments, and a robust pipeline with attractive opportunities. We're confident that we're going to be able to achieve our anticipated targets

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this year as we are well positioned to continue to execute on our business model to deliver sustainable long-term growth and optimal return to our shareholders.

So with that I wrap up my formal portion of today's remarks. And now I'll turn the call over to the operator and be available to answer any questions that you may have. Thank you. Operator? Hello, operator.

QUESTION AND ANSWER

Operator

(Operator Instructions). Jonathan Ellis, Bank of America.

Jonathan Ellis - Bank of America - Analyst

Thank you and good morning, guys. First question is if you can help me to understand -- I'm looking at this on more of a sequential basis now than a year-over-year basis. But I thought what was curious is that gross margins were done sequentially in the northeast despite I think you referenced improving landfill volumes, and yet in Canada gross margins were up sequentially despite landfill volume weakness.

And my thought being that obviously landfill volumes carry much higher margins. So I would have thought that that should drive sequential changes in margin. So can you help us understand why there was so much sequential gross margin weakness in the northeast and gross margin gains in Canada despite the different trends in landfill volumes?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, the Canada answer is probably the easiest answer to give you and that simply is that when you factor in the synergies it's a reaffirmation, if you would like, that we've achieved the synergies and that translates more into margin increase.

In fact when you look at the Canadian piece, John, as the year goes on and we even bring in more volumes, you will see those margins move even greater with those synergies related to the Canadian business segment. And that's typical as it relates to how weather affects the Canadian market. So you would have seen that on a normal basis without a doubt. So that's one thing that you want to look at.

The other issue is when you look at the mix of volumes, we had an increase both in MSW waste coming into our sites as well as an increase in C&D and related special waste coming into our sites, more special waste obviously in the northeast. Some of that comes in at different pricing clearly, and so the pricing is also going to affect the margins on a year-over-year basis.

I would say that fuel obviously would have played a role. You get a lot of fuel obviously and a lot of trucking in the northeast, so the fuel would be up sequentially higher in the -- on a quarter-over-quarter basis. Also as commodity pricing has moved up obviously our rebates -- as you know, in New York there is a direct correlation between rebates and commodity pricing. So when you factor all those issues into the northeast they're going to influence margins in the northeast.

Jonathan Ellis - Bank of America - Analyst

Okay, great, that's helpful. Second question is sort of a nice segue in terms of recycling. I guess I was a little bit -- it was curious to me that your contribution of revenue growth from recycling in the US was only 0.4% for the first quarter, that's down from the contribution in the fourth quarter of 1%. Just given that recycled material prices have actually gone higher not lower, can you help us understand why the contribution to revenue growth declined?

Keith Carrigan - IESI-BFC Ltd. - CEO

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Yes, although we mentioned the effect of weather in the US at 150 basis points, I will tell you that we had another event that even played a more significant role as it relates to pricing on our commodities in the northeast. And that is that our major facility in the New York, New Jersey area had a significant snow event in that the roof collapsed on our building and we, quite frankly, have had to vacate the building.

So we're using -- been using third parties, which have affected the pricing in the northeast for that period of time. Good news is that in the next couple of weeks we anticipate that we'll be back into our facility, the roof is repaired and we'll be back. So you should anticipate [assumingly] in the second quarter an increase in commodity pricing under the northeast.

Jonathan Ellis - Bank of America - Analyst

Okay, great. And then if I could just sneak one final one in. Just, Tom, can you help us understand your effective tax rate for the year if you were to include stock option expense in the calculation for pre-tax? Do you have an effective tax rate if we were to include the stock option expense in our numbers?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

I do not have one specifically handy, obviously. We've been consistently, as you see in the reconciliation of net income, removing stock option expense, we just haven't really made that calculation specific. At the end of the day obviously we could do that and we could probably give some additional guidance related to that into the future, but at the current time I don't have it.

I mean obviously our share price has been tracking up -- has been tracking up for quite a while and it does put a lot of burden on the share price amount and the stock option expense. But in the future I guess we could give out a little bit more guidance for everybody.

Jonathan Ellis - Bank of America - Analyst

I'm just trying to create some consistency across the Company, which is why I was asking the question.

Tom Cowee - IESI-BFC Ltd. - VP & CFO

I understand.

Jonathan Ellis - Bank of America - Analyst

I appreciate it. All right, thank you, guys.

Operator

Walter Spracklin, RBC Capital.

Walter Spracklin - RBC Capital Markets - Analyst

Thanks very much. Good morning, everyone. So my first question here is on the cost side. Obviously Keith, when you issued your guidance we've had a run up in fuel cost, we've had some weather, but nevertheless you're holding your guidance which is impressive.

You mentioned 150 basis points in the US, 90 into Canada, expect to recoup that. I guess my question is around do you expect to recoup 100% of that? And has the fuel cost environment played a role here or did you have enough flex built into your guidance to be able to account for the higher fuel costs?

Keith Carrigan - IESI-BFC Ltd. - CEO

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Yes, we obviously did. I'll make it very clear and I probably should do that, that we are right on target in terms related to our guidance for the year. So in spite of these headwinds we managed to overcome the headwinds in terms of our own plans, and so we're exactly on guidance in virtually every area for the balance of the year.

So getting then back to your question, Walter, as it relates to -- and I'll talk Canada first. In the Canadian area, as I mentioned earlier, the headwind related to weather was landfill volumes and for the folks that have followed us for 10 years up in the -- or better, in the Canadian markets, you know that this has happened before where we will get an elongated winter. But because our landfills are so well-positioned we always hit our capacity, our regulated capacity.

We also know that the spring cleanup in Canada is quite a significant waste generation event. And we know that spring cleanup happens every year, it never leaves. So we anticipate again that this will be what we've always seen in our industry and that we'll recover those volumes.

So I guess you could look at that in respect that we have hit our targets for the first quarter to say that clearly in Canada there is some upside through the balance of the year because we fully expect to recover those volumes in our landfills.

As it relates to the US piece, the majority of the weather-related piece was in collection-related activities. So we have seen a little bit of movement since then. We anticipate again that once the weather picks up that we'll see waste that's generated to those outside activities which always occur and you could call that the spring cleanup events as well. We'll see some benefit from that, it's just elongated from the first quarter to the second quarter.

So we anticipate that we will see some collection-related benefits to that. And of course, as I just mentioned on the previous question, we anticipate clearly that we will see some benefits related to commodities with the reopening of our core facility. So in spite of the fact, again, that we've hit our targets, clearly these are upsides through the balance of the year as it relates to the first quarter's earnings.

Walter Spracklin - RBC Capital Markets - Analyst

That's great. Second question here is on acquisitions. You mentioned the pipeline is still attractive. Can you give us a sense what you consider to be your acquisition capacity given your free cash flow guidance for this year? And what markets are looking most attractive to you in terms of if you could choose what regions you wanted to do, either platform or tuck-ins, where would you be focusing that capital?

Keith Carrigan - IESI-BFC Ltd. - CEO

Well, if you just look at our credit facilities in terms of if we layered on volume acquisitions with a 2.5 times multiple, you probably would say that we have facilities that would give us -- bring us and about \$400 million purchasing power in about that area. So we'll call it \$350 million to \$400 million of purchasing power.

So clearly we're in good shape in terms of our credit facilities as we look at this year. Having said that, and I'll let Tom just comment on the debt markets as well, we're always looking at our facilities as it relates to our pipeline and it relates to keeping our facilities currently priced and applying the best pricing to our facilities.

So all of those always factor in so that we're well positioned with enough powder to fulfill not just our pipeline but what we anticipate for future years going forward. Tom, maybe you want to comment a little (multiple speakers).

Tom Cowee - IESI-BFC Ltd. - VP & CFO

Yes, I agree with Keith. The credit markets are very strong right now and talking with our bank groups, either one of them, there's plenty of additional capacity that we can tap at any time should we need to increase our credit capacity. We're just choosing at this point not to pay for the standby capacity. But that availability to upside the credit facility exists should we want to.

And of course we all see the high-yield market is very strong as well. So I mean there are plenty of different areas out there to tap in to additional credit should we need it. But as Keith said, we do feel like we're actively managing that very well, we keep very close tabs on what the future pipeline looks like versus what the availabilities are in the existing credit facilities.

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Walter Spracklin - RBC Capital Markets - Analyst

And, Keith, the target areas?

Keith Carrigan - IESI-BFC Ltd. - CEO

Obviously we still continue to look to expand and to grow within our northeast segments. There are a few new platforms that we are currently looking at today; obviously I don't identify those particular platforms. And obviously, once again, there are still some areas in Florida that we would like to look to expand our operations.

And certainly as we have in the south in our south-central area through Louisiana and through Missouri there are absolutely tuck-ins that we can be looking in those areas as well. So we have -- as I mentioned on previous calls, we have more feet on the ground today than ever and we're looking at pieces in all of the areas that I just mentioned.

Walter Spracklin - RBC Capital Markets - Analyst

Great. If I could have just one housekeeping. Tom, is there any more restructuring cost to book assuming no further acquisitions for this year?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

I don't ever want to say it's zero, but it's less than \$1 million.

Walter Spracklin - RBC Capital Markets - Analyst

Okay, okay. Thanks very much, guys.

Operator

(Operator Instructions). Scott Levine, JPMorgan.

Scott Levine - JPMorgan - Analyst

Hey, guys. A question on cash flow. You indicated the earnings came in relatively in line with internal expectations. Could you comment on whether the same was true of cash flow? And as a tack on to that, whether you guys -- how much consideration you're giving to either additional buybacks? I know you mentioned 1 million shares in the recent offering as well as potential increases in the dividend.

Keith Carrigan - IESI-BFC Ltd. - CEO

Sure. Well -- I think we could -- if we talk about the cash piece, as I mentioned previously, we hit our targets of expected EBITDA. Obviously we understood what our cost to debt was, Scott. With respect to capital spending, there's always a relationship of volumes and landfills as it relates to capital spending, cell development, etc. And part of that is the seasonal portion.

So as I mentioned in my talk earlier, we are remaining with the level of guidance that we gave earlier on at \$155 million of capital spending for the year. So there is going to be some timeliness attached to that, probably a little -- as typical with the seasonal type business, a little more in the second and third quarters. So again, you are going to see that on a relative basis going forward.

With respect to stock buybacks, obviously there was a great opportunity related to the offering that they are offering. We always felt that that was -- that offering was an overhang on the price, and I guess it's -- hopefully, it has proven to be a fact. So that was a great opportunity for us to participate, number one, in that creative opportunity.

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But secondary to that, I think certainly it demonstrated the confidence that we have that our valuation was too low at the time, and it was a good opportunity for us strategically to take advantage of that. We had certainly the cash available, the cash flow available. So it was a real accretive decision for us.

However, getting back to where we believe we can generate the highest return will be on continuing to do accretive acquisitions and maintaining the level of discipline that we have had in the past. So expect to see more of that.

As it relates to dividends, as I always mention we try to stay abreast in terms of what we are seeing shareholders rewarding companies for increases of dividends. And we try to apply that as we review that with the proceeds, use of proceeds, with our board on a quarterly basis to give them, again, a flavor of what would be the best use of cash -- capital as we move forward on a quarter-over-quarter basis.

So at this time, we are not seeing any great increase in value as it relates to dividend and, again, as it relates to the use of capital for either acquisitions or as indicated in the first quarter for the use of a share buyback.

Scott Levine - JPMorgan - Analyst

Got it. Okay, and as my second question, was hoping for maybe a little bit more color on Canada, specifically with respect to the macro backdrop including a regional breakdown, West versus East within your footprint; what you are seeing there and whether there have been any changes since the last call?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, I think Canada -- I think if we looked earlier in the year and even going back into the end of the fourth quarter of 2010, Canada was operating virtually at all cylinders. I believe the projections for gross domestic product early in the year were running about 5%; since then there's been a moderation. We're still obviously pretty happy because it's exceeding 3% going forward. So overall just from a macro basis we still see Canada moving ahead.

Clearly in the areas of commodities, so if you look at western Canada, for example, we're seeing unemployment being significantly reduced. Obviously with a strong Canadian dollar that's promoting -- and the demand for commodities, we anticipate we'll see quite a bit of activity out in the western portion of the country, probably some moderating effect I would anticipate in the middle of the country with the higher Canadian dollar.

However, the center of the country is still expecting GDP in that 3% area. So overall there's -- I would say from the first month or two you've seen a little bit of slowing, but certainly as we look forward through the balance of the year it looks pretty good for the balance of Canada. So again, we did have winter affect us everywhere across Canada, unfortunately it wasn't centered just to one area. So it's difficult to say at this stage how we'll see an industrial volumes increase through the balance of the year out west.

So we haven't seen that really fire up yet other than the last week or two we started to see some improvement in weather. But clearly all indications point that we'll see some robust activity particularly as it relates to western Canada.

A couple of pieces that I will give you on the economic relationships though that we are seeing our weight per cubic yard commercially up in both the US and in Canada. So that's typically a good sign that there is some improvement, albeit it's a marginal improvement, slightly over the weight per cubic yard, slightly over 100 to 200 basis points depending on the region.

But that's certainly a good indication that we're seeing some economic activity occurring and particularly when you have poor weather. Poor weather usually influences that weight down on a per cubic basis, not up. So in spite of the fact we did see it up I think that's probably a good sign economically both in the US and Canada. Does that answer your question, Scott?

Scott Levine - JPMorgan - Analyst

It does, thanks, good color, thank you.

Operator

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Al Kaschalk, Wedbush Securities.

Al Kaschalk - Wedbush Securities - Analyst

Good morning, thank you. Can you help -- I appreciate the color on a lot of the areas, but could you help us appreciate why in the US the collection activities is more impacted from weather and then Canada it's the landfill volumes? And is that more of a function of mix of the various revenues?

And then secondly, are there activities or special projects, special waste that you were expecting that gives you a great degree of confidence about the balance of the year? And I think in your -- in the press release you used the word recoup or recover that volume as you move into Q2 and Q3?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, sure, thanks, Al. When you look at the weather-related to the northeast, I mean if we had not acquired WSI that would have had an influence on our municipal MSW volumes. Our MSW volumes are up also significantly on a year-over-year basis. Sequentially after we did WSI we continued to move waste into those facilities. So sequentially they're not up as much, but on a year-over-year basis they clearly are.

And again we planned for that to happen. So more internalization or as I mentioned earlier in last quarter, our internalization is exceeding 50% now whereas it used to be about 38%. So that means that there is waste that has re-entered or entered the northeast corridor that was not there roughly a year ago. So that's going to provide certainly some increase in volume and we were able to truck that in and get it to the facilities.

So the second piece on the landfill volume, as I mentioned earlier, is the C&D volumes were up on a year-over-year basis, certainly some of that has translated to shale movements, we do anticipate that occurring through the balance of the year into the facility. But we look to see that also as we projected our revenues for this area. So we're really right on the targets that we thought we would be as it related to the soil and the special waste as well.

Now when it gets to the weather impact on collection, it really then just became a matter of New York is a very interesting place; it seems when weather hits it and waste disappears I don't know whether it's because people just don't come into town on bad weather days, but clearly there is a reduction in the waste stream particularly out of New York City on bad weather days. This is not uncommon, we did have more than our share of bad weather days in the New York, New Jersey, Long Island area for the first quarter.

So some of that, as I mentioned earlier, will come back again because some of it translates to material recovery, pricing and volumes which, again, just opening the core facility will increase that. So really the weather had a number of events or affects on the -- on our collection opportunities, which is to be expected. It's not -- once we see the weather we know what the expectation will be with the collection piece. Okay?

Al Kaschalk - Wedbush Securities - Analyst

Thank you much.

Operator

Neil Forster, Scotia Capital.

Neil Forster - Scotia Capital - Analyst

Good morning, guys. Just a quick follow-up on margins in the northeast. I'm wondering if the tuck-in that you guys did there had any impact in terms of margins?

Keith Carrigan - IESI-BFC Ltd. - CEO

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Yes, it would be -- it wouldn't be material, Neil.

Neil Forster - Scotia Capital - Analyst

Not material, okay. Can you quantify the impact of the recycling and commodity price issue that you guys had with the facility being out of commission in terms of basis points?

Keith Carrigan - IESI-BFC Ltd. - CEO

We can probably do that, I mean typically -- we mentioned that we had a 150 basis points impact. And I could get finite with it, I don't have the finite number, but clearly you're going to estimate that roughly one-third of that would be related to the pricing -- to the core facility.

Neil Forster - Scotia Capital - Analyst

Okay, that's helpful. And then just quickly on a follow-up, two other impacts in the northeast being on the collection side. Is this mainly an MSW issue or are there industrial and C&D volumes factored into that as well?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, I mean, it's specifically MSW related, yes, absolutely.

Neil Forster - Scotia Capital - Analyst

Okay. Can I ask one quick one?

Keith Carrigan - IESI-BFC Ltd. - CEO

All right, go quickly.

Neil Forster - Scotia Capital - Analyst

Okay. In terms of the outlook saying that you expect to make up lost volumes in future quarters and that in the past in Canada you guys have -- when weather has been an issue that you've ended up hitting your capacity limits. I wonder if you can just help me understand how this works in the context of daily cap volumes in the northeast and in Canada.

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, it's pretty simple. When you look at our major facilities, if you look at the Montreal facility and these are the facilities that had the material impacts related to weather. So when you look at Montreal, we have in Montreal the closest facility to the market so it has the highest demand. Obviously from a productivity point of view people want to use that facility.

The other impact in the Montreal facility for example as it relates to weather is we handle a lot of residential collected waste into that site and spring cleanup did not occur in the Montreal area. So just to give you a sense of the balance, if you looked at volumes, residential volumes and you said we'll call average volume through the year at 100%, in the winter we collect about 78% of that. Once spring cleanup hits it goes over 130%.

So you have a 50% swing when spring cleanup occurs; it has not occurred in Canada in March where it typically occurs. So you had a big reduction and yet we know that spring cleanup comes every year. So we're going to get spring cleanup into our sites. Now when you look at the Ontario site, a very significant site, there is far more waste that bypasses us going to Michigan than to our sites.

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So our site, again, would be a desirous site to use, so we always will hit our volumes because of sites again. And then when you look at sites such as our Calgary site, once again strategically located site, relatively -- nicely priced relative to the competitive market. So again, there are competitive reasons in all of these sites to be for -- not only ourselves but for third parties to be using the sites. So that's why every year we hit our volumes.

Neil Forster - Scotia Capital - Analyst

So it sounds like weather caused maybe some waste that normally gets diverted to (multiple speakers) home?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes.

Neil Forster - Scotia Capital - Analyst

Okay, perfect, thanks, guys.

Operator

Michael Hoffman, Wunderlich.

Michael Hoffman - Wunderlich - Analyst

Good morning. On the free cash flow side you got a little help -- you spent a little bit less in capital spending and then you had a working capital bump. And I guess as you referred your capital spending target so that will just be spread out through the year. So working capital bump was -- we thought you had used more working capital in the quarter than you did. Is that a permanent change? Are you going to be able to hold on to that?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

Michael, obviously lots of times as we come out of the end of the year you see some -- a lot of compensation expense paid, that will normalize throughout the year. And a lot of times we have a rush to finish up quite a few of our capital projects for the year, so that will tend to normalize.

We've analyzed that because we did notice that the working capital changed quite a bit in the first quarter and that's consistent with what occurred in 2010. Now it's bigger because we are a bigger company this year, but I think based off of our analysis it will tend to normalize throughout the year and be pretty close to back to zero.

Michael Hoffman - Wunderlich - Analyst

Okay. And then on the landfill subject matter since I'm trying to manage to get four questions into one here. So under landfills as a topic -- Fred Weber as a site was known for being a price clearer, that's just -- that was an old landfill, old quarry and turned it into a landfill and it's just a cash machine for that family. Have you all been able to affect pricing in that market?

And then the other side of that landfill question on volume -- the cold weather, that kept all the activity in the Oil Sands really, really robust in Alberta. So I'm assuming that market did great while places like Montreal and parts of Ontario suffered because of weather?

Keith Carrigan - IESI-BFC Ltd. - CEO

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Well, you did, you got a lot of questions in there, Michael. As it relates to the St. Louis market, you're absolutely right. Fred Weber we believed was a price maker in the marketplace. We have moved some pricing in that particular market, there were some contracts, third-party contracts that carried over and through our acquisition, which obviously we will honor.

But without a doubt, knowing that Fred Weber was the market maker and I guess you can say then we have the opportunity to be the market maker, we'll anticipate -- we anticipate that we'll take advantage of that opportunity. And then I'm sorry, I missed your question on the Canadian, would you go through that again?

Michael Hoffman - Wunderlich - Analyst

So the Canadian -- when you say landfill (inaudible) down in Canada, I mean it's more regional, like you shared with us Montreal got hit, Ontario hit, but I have to assume that the Alberta market was pretty good for fracking sands and the like because (multiple speakers) the energy market.

Keith Carrigan - IESI-BFC Ltd. - CEO

No, no, (multiple speakers) robust. Weather hit us virtually across the board in Canada. So we saw that out in that particular area as well. Now we're beginning to see weather is breaking there and we're beginning to see the orders picking up again, as it relates to the soil that you're referring to. So it clearly was weather driven without a doubt in our sites in Canada.

Michael Hoffman - Wunderlich - Analyst

Okay, thanks.

Operator

Chris Murray, PI Financial Corp.

Chris Murray - PI Financial Corp. - Analyst

Thank you. Good morning. Just maybe if we can talk a little bit about the Canadian side and EBITDA margins. Why we've seen some pickup I guess sequentially quarter over quarter and I think you talked a little bit about that being driven by synergies. I guess at one point do we see EBITDA improvements driven by synergies sort of hit a plateau and then does it become more a function of asset mix or portfolio shaping in order to drive those forward? Or is it more volume? Can you maybe give us some idea how we should think about evolving over the next little while?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, good question, Chris. Without a doubt the mix will influence the margins, without a doubt. And with the WSI acquisition the majority of the assets that we acquired in Canada were collection assets we typically have a lower margin. So we did have obviously margin adjustment on a year-over-year basis as it relates to more collection, less landfill. Having said that, we also experienced less landfill related to weather headwind as well.

So if you factor in that weather-related issue, then that would have -- you would have had an increase in margin attached to that. So then you get to the first quarter where typically margins are the lowest because once again you're generating overall less volume in your landfill on a quarterly basis. So margins will pick up naturally just because of weather in Canada through the second and third quarter, meaning there's more of a balance. So you can look to see that happen through the balance of the year.

Now increasing margins going forward on the same business on a year-over-year basis. Without a doubt there are still some synergy opportunities we expect to pick up through the WSI acquisition. Roughly, for example, with the amalgamation of and full opportunity of getting productivity

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improvements you could look at that and say there's roughly about \$3 million to \$4 million more that we would look to achieve as a run rate at the end of the year.

So that's going to happen through the year. And we're actively pursuing that through our companies right now. So you can anticipate that coming. Also as I mentioned -- we mentioned in previous quarters, there's some cash flow benefit as it relates to CapEx amalgamating routes. So anticipate some of that going forward as well.

Now that we have a larger base and a more balanced base by line of business because we've been able to increase our commercial lines of business, that typically has a most accretive ability in terms of pricing and volume increases on a year-over-year basis. So we've actually, because of our balance of business, strengthened up our opportunity we hope through the balance of the year as it relates to organic growth related to these combinations of business.

Again more collection volumes, that's where price gets flow-through and volume, clearly because there are no restrictions on collection companies for volume, that's where you can pick up more accretive value as well. So overall the mix will promote more accretive organic volume on a year-over-year basis, which in effect increases margins as well. So the acquisitions really play a strategic part in future accretion of an asset base and we like what's happened in Canada.

Chris Murray - PI Financial Corp. - Analyst

Okay. Do you think you need to add or shift either more landfill or more collection capacity or do think you have sort of the right mix now after you've done some of the divestitures?

Keith Carrigan - IESI-BFC Ltd. - CEO

Well, it's always whenever you can internalize more waste into your landfill it probably promotes a lot of good conditions happening in those particular marketplaces for accretion. So we'll always look to see if we can increase that internalization rate into our landfills, assuming that there's no loss on productivity related to collections. So overall we'll continue to pursue that going forward. So there are still opportunities left in Canada to be more accretive with the existing asset bases.

Chris Murray - PI Financial Corp. - Analyst

Okay, great. And then just one quick one. Tom, you mentioned some higher insurance costs in your corporate SG&A. Was any of that related to any sort of self insurance with the failure of the facility in the northeast?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

It had nothing to do with the failure of the facility in the northeast. That facility was rented, so therefore the landlord has to repair the roof.

Chris Murray - PI Financial Corp. - Analyst

Good. Thanks very much, guys.

Operator

Michael Willemse, CIBC.

Michael Willemse - CIBC - Analyst

Thank you, good morning, thanks for taking my call. The first question just on rising fuel prices. Are you looking at or considering a meaningful replacement of the -- I guess the trucks in your collection force, maybe looking at more hybrid engines, more natural gas engines? And any sense of what the capital costs would be around that or is it just too early to do that kind of assessment?

Keith Carrigan - IESI-BFC Ltd. - CEO

The answer is that we really have been doing that assessment all the way through. And so we do clearly pay attention to that. The real issue is looking at how we -- what is the most efficient way to get a return on capital -- and obviously we clearly pay attention to the environmental considerations. Certainly that's just as important.

So when we look at the fuel, or diesel fuel combusted engines today, we know that the environmental considerations and conditions have improved significantly over the balance of the last few years. And so we're pretty happy from an environmental point of view. We also look at what are the pass-through capabilities and then clearly the return on capital as it relates to natural gas, etc.

And so all of those things go into the mix. There are obviously productivity issues related to operating vehicles with natural gas opposed to diesel fuel. And then we try to project obviously what the long term -- because once you make this investment then you're in it for the long term as well. So we need to look at contracts, forward priced contracts so that we can put some certainty on to what our -- if we're making a change what the certainty will be as it relates to, for example, going from diesel to a natural gas type commitment.

So the answer is, all of those things are being considered on an ongoing basis. And up until now obviously the right thing to do looking at it all has been to carry on with the diesel component in light of the terrific environmental changes that have been made with diesel combustion engines over the last while. That doesn't necessarily mean that that will be the way of the future. We will continue to look at and we are looking at natural gas and a commitment, we look at it from an environmental, again, productivity and return on capital basis.

Michael Willemse - CIBC - Analyst

Okay. And then just one more question and I'll leave it to two. And this might come out of left field, but there's another company listed in Canada, it's more involved in cleaning services that made an acquisition of a waste management company.

When you look at your acquisition pipeline, and I assume it's pretty full on the waste management side, do you see any opportunities in other industries, maybe cleaning services or something somewhat related? Or are you pretty focused on sticking to waste management?

Keith Carrigan - IESI-BFC Ltd. - CEO

The answer is that we're very focused just on the waste management business. When you vary off any other type of a business you really -- there are three key elements I think, Mike, that we want to look at any business. Is the productivity higher in this other business? Is pricing on a relative basis per unit basis higher? And how much volume growth exist within that particular segment?

So when you put all those three things together what we're really looking at is what is the revenue that we could generate in that particular type of business relative to investing dollars in our existing business. And as you know, we can generate a pretty good free cash flow yield in our business, so most businesses we look at, we never see that type of free cash flow yield. And it all goes back to the relative utilization of assets.

So unless we see something that is contiguous or ties in with our business and exceeds our investment criteria, in other words we can generate more free cash flow than we do with our existing business, then you can be pretty sure we're going to stick with where or invest capital -- continue investing capital in our business. And to date we have not seen a business mix that will generate that type of return -- a new business mix.

Michael Willemse - CIBC - Analyst

That makes sense to me. Thank you.

Operator

Damir Gunja, TD Securities.

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Damir Gunja - TC Securities - Analyst

Thank you, good morning. Everything has pretty been much been covered off here, but Michael touched on it briefly. I just wanted to get an update on the Fred Weber and the St. Louis assets and how they're tracking relative to your expectations operationally?

Keith Carrigan - IESI-BFC Ltd. - CEO

We're well over plan.

Damir Gunja - TC Securities - Analyst

Okay, that's very concise. All right. Actually (multiple speakers).

Keith Carrigan - IESI-BFC Ltd. - CEO

We're very happy with the returns. But again, I think as Michael mentioned, these assets were price makers. As I described the St. Louis market going back, really you have the river which influences the transportation and productivity in the St. Louis area that kind of cuts through -- it's not quite the center, in fact it leans a little further to the east.

The Fred Weber assets are typically on the west side of the river, they are the dominant landfill on the river, therefore they should be the price maker, which they have been and there's also some additional benefit to this landfill in that the material being extracted has value as well. So that's obviously is very helpful in terms of the return on capital on the site.

And so needless to say when you look at that you look at the fact that we have now a lot of the collection assets on the west side that it's framed up as a very nice piece for us. And I should mention to you that we have some new gas revenues that we expect in 2012 will come online as it relates to the site. So overall we're very, very pleased, we're getting a great return from this acquisition. And quite frankly we just see it getting better over subsequent years when some of these fixed-rate contracts fall off it gives us more accretive opportunity in the marketplace.

Damir Gunja - TC Securities - Analyst

Are those contracts a small proportion of the overall business there or --?

Keith Carrigan - IESI-BFC Ltd. - CEO

They're a small proportion, but when you're dealing with contracts into landfill, they do have some material component attached to them. And because that typically starts to set the tone on pricing in a marketplace. So once you get those things moving up then you find that it has a material benefit to the whole marketplace.

Damir Gunja - TC Securities - Analyst

Okay, thanks for your time.

Operator

Rupert Merer, National Bank Financial.

Rupert Merer - National Bank Financial - Analyst

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Good morning, everyone. Just a couple of quick follow-ups. Can you remind us what percentage of your fuel costs are covered either by hedges or surcharges? And what should we expect from the cost of fuel, how is it going to impact results for the remainder of the year if it stays at current levels?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, well, we've been very fortunate at this stage between our hedges and between what we've managed to recover out of the marketplace. In spite of the fact that we've seen some aggressive fuel cost increases in the quarter, we're right on our target of 100% recovery. So at the end of the day we feel confident that we're going to be able to carry that forward. Tom, maybe you want to speak about the hedges?

Tom Cowee - IESI-BFC Ltd. - VP & CFO

Yes, right now we've got about 20% of our fuel covered in hedges on a full-year basis.

Rupert Merer - National Bank Financial - Analyst

Okay, great. And then just one other relatively quick follow-up. You've already talked a bit about your price and volume strategy again. But if we look at your core price growth, it does seem to be at the low end of peers while your volume growth of course is at the high end of peers.

Is it fair to say that we're giving up some pricing to get volumes in the near term? And how does this trade-off unfold for you? In the near term does the higher route density you can get from higher volumes more than make up for price as far as driving margins? And in the long run, how long before you see pricing start to catch up with your peers?

Keith Carrigan - IESI-BFC Ltd. - CEO

Well, I think -- everybody seems to report price different. But let me be very clear, the methodology that we use, which differs slightly from our peer group as we report price. And that is that excluding acquisitions -- although in this we have mentioned that this year we are including WSI as if we owned it for the full year -- we look at price, the difference in total price as it relates to our total revenue on a year-over-year basis.

So it's not just price increase less rollbacks on that price increase, we're reporting every change to price whether it be effects of bankruptcy, churn, etc. So that you can have a look and see how price will be projected going forward in our Company. So all of those issues translate to movement of price. And quite frankly, the areas that we factor in exclusive to us typically will move price down, they will not move price up.

So churn in our industry moves price down, it does not move price up. So you're getting actual price on a year-over-year basis excluding, again, acquisitions with us. Now as it translates to volume, obviously we do look to understand what that relationship will be between pricing and volume. And then in every market we're making decisions.

The effect though is that we want -- if we're giving up any price as it relates to volume, we want that to be reflected in productivity gains which effectively increases our revenue per asset, not decreases our revenue per asset, if there is any price reduction on the new business. So it needs to have an accretive effect and so on balance we are looking for the benefit related to price and volume on a given asset.

Rupert Merer - National Bank Financial - Analyst

Okay, so pricing is based on a route-to-route analysis?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, really probably market by market would be the best way to look at it.

Rupert Merer - National Bank Financial - Analyst

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Just a follow-up to that then, so what do you think is the difference in the way you account for price versus your peers? How material is it? Are you (multiple speakers)?

Keith Carrigan - IESI-BFC Ltd. - CEO

I don't know because I couldn't answer that question. Quite frankly -- I tell you how we do it, that's how we manage our business, we watch our average price every day in all our companies. We hope all our managers are looking at that and we ask them on an ongoing basis literally how is that average price moving every single day.

Because again, when you look at what creates value in our business, it's that average price times the amount of work you do that generates the revenue. And so average price we believe is really the key component in understanding value and strategies and marketplaces.

Rupert Merer - National Bank Financial - Analyst

Okay, thanks for the color.

Operator

Chris Bowes, Canaccord Genuity.

Chris Bowes - Canaccord Genuity - Analyst

Hi, good morning. I'm just hoping to get a quick update on progress and timing on the New York City renewals and if possible the Calgary landfill?

Keith Carrigan - IESI-BFC Ltd. - CEO

Okay. Calgary will start -- begin with the Calgary landfill. The existing landfill will continue to operate through 2013, through June 2013. So there's not really a lot more I'll say about that. As it relates to New York City, it's an ongoing process right now.

There's been some scoping or narrowing of the number of people that they are dealing with and we are on the short -- we'll call it the short, short, short list right now with New York City. And so we're pretty optimistic that we'll be part of that long-term solution.

Chris Bowes - Canaccord Genuity - Analyst

Do you have any sense of the timing of when a decision will be made?

Keith Carrigan - IESI-BFC Ltd. - CEO

No, I think we've spoken about it before. There's some speculation that before the balance of the year we're going to hear something in terms of what the long-term decisions are going to be made. And so I'll just leave it at that. We have an understanding that we'll know something before the end of this year.

Chris Bowes - Canaccord Genuity - Analyst

Perfect, thank you very much.

Operator

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Michael Hoffman, Wunderlich.

Michael Hoffman - Wunderlich - Analyst

To follow-up on the price question, just to be clear, you're not using price to take someone else's business? If price is less it's for new volume coming into the market?

Keith Carrigan - IESI-BFC Ltd. - CEO

Yes, that's very clear, Michael. And I'm glad you brought that up. It's clear if you just look at for some of the folks maybe who are covering us or covering the industry that have been covering it for a long period of time. Typically as you know and you follow our industry on an ongoing basis, particularly over the last decade, if we have a customer that's been with us for 10 years, we've looked to recover price on that customer for 10 years at the cost of living.

So that price is going up on an ongoing basis. But clearly as new volume comes onto the market it won't have the effect of all of those price increases for the 10 years. So it typically comes in normally at a lower price than your base business. So I hope that provides a clarification.

Michael Hoffman - Wunderlich - Analyst

Yes, that helps a lot. And then this is more on the side. Do you really think New York City will finally actually make a decision? They haven't made one for 10 years.

Keith Carrigan - IESI-BFC Ltd. - CEO

I hate to speculate whatever what politicians are going to do, Michael, as you know. We've been around for a long time. But without a doubt they have taken some serious steps as it relates to this issue; they spent a lot of money on it. And quite frankly, when you look at the plan that we've proposed and I'm going to assume that other people have proposed, without a doubt we can understand the political and the social benefits to execution of these plans, without a doubt.

So on balance you look at it and you say probably there's a pretty good chance of it happening. And I can tell you without a doubt New York is extremely serious about this happening. So I would say the chances are better than not that it will happen.

Michael Hoffman - Wunderlich - Analyst

Okay. Thank you.

Operator

There are no further questions in queue at this time. I turn the call back over to the presenters for any closing remarks.

Keith Carrigan - IESI-BFC Ltd. - CEO

Well thank you, ladies and gentlemen. Once again, I tell you we're very, very pleased with the first-quarter results. We are on our plan, again, as in virtually all areas as we translate it back to giving guidance earlier in the year and that's in spite of the headwinds.

So we think there's some opportunity going forward to develop a little bit of accretion also in the model as it relates, for example, to the volumes in landfills in Canada. And obviously, as I mentioned earlier, we believe that there are still certainly some synergies to pick up.

So we like the position we're in right now, we like the progress we're making in our US operations. Our southern operations have moved very, very nicely, as you can see, over the balance of this last year, we're very, very pleased with that. And we're very optimistic in terms of the balance

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of the year. So I would like to thank you again for joining us on the call and we'll look forward to speaking with you on our next call in a few months. Thank you, Operator.

Operator

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

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