**Waste Connections, Inc. [WCN]**
**Q4 2017 Earnings Conference Call**
**Thursday, February 15, 2018, 8:30 AM ET**

*Company Representatives:*
*Ronald Mittelstaedt; Chairman of the Board and CEO*
*Worthing Jackman; CFO*
*Steve Bouck; President*

*Analysts:*
*Hamzah Mazari; Macquarie Capital*
*Derek Spronck; RBC Capital Markets*
*Tyler Brown; Raymond James & Associates*
*Michael Hoffman; Stifel Nicolaus*
*Brian Maguire; Goldman Sachs*
*Noah Kaye; Oppenheimer & Co.*
*Corey Greendale; First Analysis Securities*
*Chris Murray; AltaCorp. Capital*
*Devin Dodge; BMO Capital Markets*

***Presentation***

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Waste Connections fourth quarter 2017 earnings conference call. [Operator Instructions] As a reminder, today's conference is being recorded, Thursday, February 15, 2018.

I would now like to turn the conference over to Ronald Mittelstaedt, Chairman of the Board and CEO. Please go ahead, sir.

Ronald Mittelstaedt: Okay. Thank you operator and good morning. I'd like to welcome everyone to this conference call to discuss our fourth quarter 2017 results and provide our financial outlook for both the first quarter and full year 2018. I am joined this morning by Steve Bouck, our president; Worthing Jackman, our CFO; and several other members of our senior management team.

As noted in our earnings release, Q4 capped off another exceptional year for Waste Connections, with better-than-expected solid waste volume growth and E&P waste activity once again driving financial results in the quarter above expectations. Adjusted free cash flow for the full year of approximately $764 million or 16.5% of revenue and 52.3% of adjusted EBITDA continues to reflect the benefits of our differentiated strategy and purposeful focus on both quality of revenue and free cash flow generation.

We are extremely pleased that adjusted free cash flow per share increased more than 20% in

2017 while the number of safety-related incidents in the year declined more than 20% as well.

With our outlook for reported year-over-year EBITDA margin expansion of more than 50 basis points after an expected nearly 50 basis point drag from recycled commodity value reductions and anticipated double-digit free cash flow growth in free cash flow, 2018 is already set up to be another exceptional year.

Recently completed acquisitions with total annualized revenue of approximately $70 million, plus an additional $40 million revenue acquisition signed late yesterday, also provide a strong start to what should be another year of above-average acquisition activity.

Before we get into much more detail, let me turn the call over to Worthing for our forward-looking disclaimer and our other housekeeping items.

Worthing Jackman:  Thank you, Ron, and good morning.

The discussion during today's call includes forward-looking statements made pursuant to the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian securities laws. Actual results could differ materially from those made in such forward-looking statements and information due to various risks and uncertainties. Factors that could cause actual results to differ are discussed both in a cautionary statement beginning on Page 3 of our February 14 earnings release and in greater detail in Waste Connections' filings with the US Securities and Exchange Commission and the securities commissions or similar regulatory authorities in Canada.

You should not place undue reliance on forward-looking statements and information, as there may be additional risks of which we are not presently aware, or that we currently believe are immaterial, which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements and information in order to reflect events or circumstances that may change after today's date.

On the call, we will discuss non-GAAP measures such as adjusted EBITDA, adjusted net income attributable to Waste Connections on both a dollar basis and per diluted share and adjusted free cash flow. Please refer to our earnings release for a reconciliation of such non-GAAP measures to the most comparable GAAP measure. Management uses certain non-GAAP measures to evaluate and monitor the ongoing financial performance of our operations. Other companies may calculate these non-GAAP measures differently.

I will now turn the call back over to Ron.

Ronald Mittelstaedt:  Okay. Thank you, Worthing. In the fourth quarter, solid waste price plus volume growth was 4.3%, exceeding our 3% to 3.5% outlook for the period. Total price of 3.6% on its own beat the upper end of our organic growth outlook for the quarter with volume of 0.7% providing further upside.

Looking at 2018, we expect pricing growth to remain around 3.5%, or up about 30 basis points year-over-year, due to higher CPIs and continuing strength in the underlying economy. Volume growth should start the year negative on a reported basis then turn positive into the second half of the year.

As a reminder, the shedding of low-quality and unsafe-to-service revenue across the former Progressive Waste footprint is expected to continue to be a drive to reported volume growth in the near term, particularly in our Canadian region. This reflects a purposeful price/volume trade-off to improve the quality of revenue, and as a result, margins and free cash flow in these acquired markets. We believe our financial results in 2017 demonstrate the success of this strategic decision.

On a same-store basis in Q4, commercial collection revenue increased about 4% and roll-off revenue increased about 7.5% from the prior year period. Roll-off pulls per day increased a little over 2% with our four US solid waste regions up between 3% and 9%. In Canada, a 5.5% decrease in pulls per day, primarily related to the purposeful shedding of lower quality revenue, was more than offset by an 11% increase in revenue per pull.

Solid waste landfill tonnage in Q4, on a same-store basis, increased 6% over the prior year period with all waste streams improving. MSW tons rose 5%, special waste tons increased 13% and C&D tons increased 1%. The comparatively lower growth in C&D tons was primarily due to limitations imposed by the new conditional use permit at our Chiquita Canyon Landfill in Southern California and the purposeful shedding of some of Progressive's poorly priced roll-off business.

Recycling revenue, excluding acquisitions, was about $26 million in the fourth quarter, down about $3 million, or 10% year-over-year, due to an almost 60% drop in the value for mixed paper. Widely publicized pronouncements by China significantly reduced the value of recycled fiber in early October, particularly mixed paper.

Prices for OCC, or old corrugated containers, recovered some of the decrease during Q4 and were a little better than we had expected for the quarter, averaging about $121 per ton, which was down 3% from the year ago period and 34% sequentially from Q3. OCC prices currently average around $100 per ton, or down about 17 1/2% compared sequentially to Q4's average and down almost 40% from the level we averaged in last year's first quarter.

At current OCC and mixed paper values, we estimate about a $45 million recycling revenue headwind year-over-year in 2018 and a $30 million to $35 million hit to EBITDA or about $0.09 per share to EPS, mostly spread out over the first three quarters of 2018. As suggested by our financial outlook, we expect higher reported pricing growth and increased E&P waste activity to more than offset this potential headwind.

Looking specifically at E&P waste activity, we reported $53.3 million of E&P waste revenue in the fourth quarter, up 66% year-over-year and down 3% sequentially from Q3. Activity held up better than we had expected in the period, as we had anticipated as much as a 10% sequential seasonal dip from Q3. This also provides a higher entry point into 2018.

Looking at acquisition activity, as noted earlier, recently completed acquisitions with total annualized revenue of approximately $70 million provide a strong start to what should be another year of above-average acquisition activity. In early 2018, we acquired Bay Disposal and Recycling, and integrated provider of solid waste collection, recycling, transfer and disposal services to almost 70,000 customers in southeastern Virginia and northeastern North Carolina through 4 collection operations, 5 recycling facilities, 1 transfer station and a C&D landfill. Bay Disposal is the leading service provider in the Norfolk, Hampton and Newport News markets in Virginia. We also completed tuck-ins in New York and Texas, and we believe we are well-positioned to sign or close between an additional $50 million to $100 million of acquired revenue either later this quarter or early next.

We are pleased to report that we got a great head start on this late yesterday when we executed a definitive agreement for an integrated, new-market acquisition with annualized revenue of approximately $40 million in one of the fastest growing parts of the United States. Once completed, this acquisition should contribute approximately $30 million of revenue and $10 million of annualized EBITDA to our full year outlook along with incremental accretion to expected free cash flow.

This transaction and Bay Disposal both provide new market platforms for additional growth opportunities. Both are fully integrated and margin accretive. These are two of the premier private companies in the US in the business today. This brings us to over $110 million of acquired revenue in the first 6 weeks of 2018. We welcome Emmett Moore, his leadership team and all of Bay Disposal's employees to Waste Connections.

As discussed on previous earnings calls, this remains one of the most active deal environments we've seen in years due to a variety of reasons, including record performance at target companies, tax reform and rising reinvestment rates for sale proceeds.

And now, I'd like to pass the call to Worthing to review more in depth the financial highlights of the fourth quarter and provide a detailed outlook for Q1 and full year 2018. I will then wrap up before heading into Q&A.

Worthing Jackman: Thank you, Ron.

In the fourth quarter, revenue was $1.157 billion, up $108.6 million over the prior year period and $32 million above our outlook for the quarter. Acquisitions completed since the year-ago period contributed about $68 million in revenue in the quarter or about $38 million net of divestitures.

Adjusted EBITDA for Q4, as reconciled in our earnings release, was $360.7 million, or almost $11 million above our outlook for the period due to higher than expected revenue. Adjusted EBITDA as a percentage of revenue was 31.2%, or 10 basis points above our margin outlook.

Year-over-year, our adjusted EBITDA margin reported for the fourth quarter increased by 20 basis points. Underlying margin expansion from strong pricing growth and increases in both solid waste, landfill tonnage and E&P waste activity more than offset the dilutive impact of comparably lower margin acquisitions completed since the year-ago period, declines in recycled commodity values and limitations under the new conditional use permit at our Chiquita Canyon landfill, which took effect August 1.

Fuel expense in Q4 was about 3.9% of revenue, and we averaged approximately $2.61 per gallon for diesel in the quarter, which was up about $0.19 and $0.10 per gallon respectively from the year-ago period and sequentially from Q3.

Depreciation and amortization expense for the quarter was 13.9% of revenue, up about 10 basis points year-over-year and about 60 basis points below our outlook due to lower-than-expected amortization expense and the impact of higher-than-expected revenue.

Interest expense in the quarter increased $5.1 million over the prior year period to $32.5 million due to higher average outstanding debt balances and higher interest rates as compared to the prior year period. Net of interest income from invested cash balances interest expense was $3.2 million up year-over-year.

Debt outstanding at quarter end was about $3.9 billion, about 27% of which was floating rate, and our leverage ratio, as defined in our credit agreement, was about 2.5x debt to EBITDA.

Our underlying effective tax rate, net of certain items, for the fourth quarter was about 27.5%. This is masked in the period by an almost $210 million benefit to the provision primarily related to the Tax Cuts and Jobs Act of 2017, enacted in the US in December. Looking at 2018, we currently expect our effective tax rate to be approximately 23% subject to some variability quarter-to-quarter.

GAAP and adjusted net income per diluted share were $1.19 and $0.52 respectively in the fourth quarter. Adjusted net income in Q4 primarily excludes the impact of the tax act, intangibles, amortization and other acquisition-related items and impairments.

Adjusted free cash flow in 2017 was $763.9 million, or 16.5% of revenue. As a percentage of adjusted EBITDA, this represents a conversion rate of 52.3% up from 51.4% in the prior year, reflecting the quality of revenue focus Ron discussed earlier. Further improvement in this conversion rate expected in 2018 will be primarily driven by the tax act.

I will now review our outlook for the first quarter and full year 2018. Before I do, I would like to remind everyone once again that actual results may vary significantly based on risks and uncertainties outlined in our safe harbor statement and filings made with the SEC and the securities commissions or similar regulatory authorities in Canada. We encourage investors to review these factors carefully.

Our outlook assumes no change in the current economic and operating environment. It also excludes any remaining rebranding costs and other items resulting from the Progressive Waste acquisition and any additional acquisitions that may close during the respective periods.

Looking first at full year 2018, revenue in 2018 is estimated to be approximately $4.825 billion.

For solid waste, we expect price of about 3.5% with reported volume growth flat to up 0.5%. Underlying volume trends remain strong with the expected year-over-year reductions in reported volume growth primarily reflecting 3 items. First, the previously discussed purposeful shedding of remaining low quality and unsafe-to-service revenue in the form of Progressive Waste markets.

Second, a decrease in third-party tonnage at our New York City transfer stations as the Department of Sanitation Marine Terminal operations kick in, which may have an approximately 30 basis point impact on volumes. As a reminder, this volume reduction was both expected and deliberate as we supported Progressive Waste's decision to terminate its award of the DOS contract due to concerns about the low margin, logistics intensive nature of this contract and the high CapEx requirements. Moreover, any loss of DOS tonnage will impact reported volume growth. There should be very little impact to EBITDA, as we expect to backfill any such loss with internal tonnage.

Finally, just simply cautious expectations for special waste activity in the year following record-such activity in 2017.

Recycling revenue was discussed earlier. It's expected to decline year-over-year, and E&P waste related revenue should increase double digits on higher drilling activity.

Adjusted EBITDA in 2018, as reconciled in our earnings release, is estimated to be approximately $1.55 billion, or about 32.1% of revenue, up 60 basis points year-over-year.

Adjusted free cash flow in 2018, as reconciled in our earnings release, is expected to be approximately $850 million or about 17.6% of revenue and almost 55% of EBITDA. Timing differences in CapEx and cash tax payments will influence year-over-year quarterly comparisons throughout the year.

Additional acquisitions completed in the year will drive higher free cash flow due to both the incremental contribution from such deals and the related immediate expensing of certain acquired CapEx as provided for in the tax act.

Turning now to our outlook for Q1 2018, revenue in the first quarter is estimated to be between $1.13 billion and $1.135 billion. We expect pricing growth for solid waste to be between 3 1/2% and 4% in Q1, partially offset by volume growth of between -0.5% and -1%.

Recycling revenue is estimated at approximately $26 million in Q1, down, as Ron had mentioned, about $15 million year-over-year.

Adjusted EBITDA in Q1 is estimated to be approximately $353 million, or about 31.1% of revenue.

We are quite pleased with the potential for the 60 basis point year-over-year margin expansion in the upcoming quarter, given the nearly 60 basis point drag from lower recycled commodity values and a negative margin impact from the new Chiquita Canyon Landfill permit.

Depreciation and amortization expense for the first quarter is estimated to be about 14.2% of revenue. Of that amount, amortization of intangibles in the quarter is estimated to be about $26.5 million, or $0.07 per diluted share net of taxes.

Interest expense net of interest income in Q1 is estimated to be approximately $31.5 million.

Our effective tax rate in Q1 is estimated to be about 20%, subject to some variability. The effective rate for the period includes about a $6 million benefit to the provision related to excess tax benefits associated with equity-based compensation.

Finally, noncontrolling interest is expected to reduce net income by about $200,000 in the first quarter.

And now, let me turn the call back over to Ron for some final remarks before Q&A.

Ronald Mittelstaedt: Okay. Thank you, Worthing.

2017 was an exceptional year by almost any metric: safety, financial or positioning for future growth. For that, I'd like to once again thank our more than 15,000 employees for their tireless efforts to deliver such successes. 2017 also marked our company's 20th anniversary and Waste Connections'14th consecutive year of positive shareholder returns. Looking back to our 10th anniversary, we reported almost $1 billion of revenue in 2007 and stated at that time that we believed our next $1 billion of revenue growth should produce greater value [ correlation ] than our first $1 billion, as we had expected higher financial returns per future dollar of capital deployed.

In the 10 years since past, revenue has grown 4.8x while our market equity cap has increased 8.5x. We're as confident looking ahead now as we were back then. Each year brings new challenges and growth opportunities, and 2018 will be no different. Given that our financial outlook already includes EBITDA margin expansion of more than 50 basis points and double-digit percentage growth in free cash flow, our team is once again ready to meet the challenge.

We appreciate your time today. I will now turn the call over to the operator to open up the lines for your questions. Operator?

***Questions & Answers***

Operator: [Operator Instructions] Our first question comes from the line of Hamzah Mazari from Macquarie.

Hamzah Mazari: The first question is just if you could just walk us through the [ ports and digs ] of inflation impacting your business. Clearly you get a benefit on the CPI side. Maybe frame for us how much of the book of business that impacts, and then also how much is sort of being offset by labor inflation and your ability to control that sort of as you flow that down to the margin line?

Ronald Mittelstaedt: Sure. Well, Hamzah, about -- I'm going to round -- but about 42%/43% of our business is indexed to one form or another of CPI, so obviously, as that -- as inflation -- if inflation is occurring, we are getting that, and you saw that in us guiding higher price by over 30 basis points relative to '17, and we commented that, that was in fact due to higher CPIs. So that -- in that 42%/43% of our business, we get it really directly. There's about a 6 month delay, but we get it directly. And then in the balance of our business, we are getting greater than the rate of inflation in price in the competitive piece, so we really believe we will get greater than inflation by 100 basis points or more really no matter what that number is on the revenue line, and the vast majority of that should flow.

I mean, if we are getting between 50 and 75 basis points of price greater than inflation and we are just controlling our costs at the rate of inflation, then we will get a 30 to 40 basis point margin expansion mathematically. And as you saw today, despite a 50 to 60 basis point headwind, we're getting -- we're guiding to 50 basis points of EBITDA expansion, so what that tells you is on the current pricing, we're getting 100 basis points in this environment, even despite commodity. So we feel pretty good about that.

Certainly, you have costs that are growing at greater than a couple of percent a year. Your labor's growing a little faster. Your medical's growing a little faster. Fuel is, right now, growing a little faster, but all in, we feel comfortable today that we can manage our cost structure to at least the CPI or rate of inflation or perhaps a little better, and if we're able to do that, we should be in good shape.

Hamzah Mazari: Great, and then just a question for Worthing. Maybe we missed this, but what's the cash stack savings number from corporate tax reform and then this may be an ignorant question, but have you thought of reinverting back to the US given the tax rates?

Worthing Jackman: Well, I think you said ignorant. I didn't say that, Hamzah. No. Look, it's -- when you look first at the tax act, as we've been saying throughout the fourth quarter and early into this year, the tax act provides nominal savings. Remember, a bulk of the benefit from lower taxes was realized beginning the middle of 2016 when we closed the transaction, but if you fast-forward and look at our cash tax rate relative to our GAAP, our cash tax this year is probably about 70% of our GAAP accrual, and so if our GAAP accrual is again at around 23%, take 70% of that, that's our effective cash taxes, so that's overall down year-over-year some $30 million to $40 million. Modestly, some of that's also from bonus appreciation. Not all of it's from the tax act, and again, as we look at -- as you asked the question about reverting back to the US, that's not on the table. I mean, we still find good benefits from being Canadian domiciled, not only in cash flow, but also investor profile. We've very much enjoyed how we've been embraced in Canada, and that's just not on the table right now.

Hamzah Mazari: Got you. Are there any opportunities on swaps in your system? I know you talked about M&A and the pipeline being strong there, so just any color on swap opportunities.

Ronald Mittelstaedt: Yes, Hamzah, I mean, I think there certainly is. You saw us in Q3 do a fairly large, multi-market swap with RSG that, I believe, is beneficial to both companies, was and is beneficial to both companies. And certainly there are more of those available, not only with RSG, but of course, WM, Advanced Disposal as well as a number of private, regional companies throughout the footprint. Swaps are always a little bit challenging because everybody believes that even their poor companies are better than they actually are, so it takes some time to work through, but we'll -- we did some in '17, and you'll continue to see us do that in '18. I think the industry is rational about that, and everybody is focused on being a strong provider where they are and not just being everywhere.

Worthing Jackman: And last year was a very active year for us in swaps as related to the [ divestiture ] program, but again, we didn't put this detail in the script, but if you step back and just make sure you jot down the impact of divestitures, primarily through the swaps last year, I mean, that's a rollover drag of about $25 million of revenue in the upcoming year that we've incorporated into our outlook for the year.

Operator: Our next question comes from the line of a Derek Spronck with RBC Capital Markets.

Derek Spronck: Just on your 2018 guidance, can you just talk about some of the key assumptions around that OCC pricing FX? And E&P waste you did $200 million in revenue in the E&P waste in 2017. Are you holding that constant or what's your assumption around E&P waste as it relates to your 2018 guidance?

Worthing Jackman: Yes, and a lot of it's -- was in the script in more detail, but I'll try to summarize. First, on OCC, what we said is that the current price is around $100. In time, it's moved down pretty significantly just in the past week alone, and that kind of current spot pricing results, we estimate about a $45 million revenue drag year-over-year. That means recycling revenue overall for us will be down 30% if that plays out, and that's all occurring in the first three quarters, so that's about $15 million in revenue that we've assumed down each of the first three quarters. A little bit of flow-through in Q4 as well. That's all in our guidance. That's about a $30 million to $35 million assumed impact to EBITDA at about $0.09 a share primarily in the first quarter.

With regards to E&P waste activity, we did about $190 million of such activity in 2017. We're exiting, obviously, on a run rate around $210 million, if you look at the second half of the year and annualize that, and that's why we've assumed the double-digit percentage growth in E&P waste activity for the year. And FX. FX has been oscillating $0.79 plus or minus $0.01 on the conversion, and we've had -- we have that same assumption baked into our outlook.

Derek Spronck: And it obviously doesn't include the acquisition you completed last night.

Worthing Jackman: That's correct, so what we said about that is, based on assumptions of when we think the transaction closes, when that transaction closes, that should add another $30 million to reported revenue for the year, so that would take you to $4.855 billion. That would add another $10 million of EBITDA in the year, so that would take you to $1.56 billion, and that would add some incremental benefit to the $850 million of free cash flow both from the flow-through of some of that as well as any associated tax benefits related to that transaction.

Derek Spronck:  Okay, that's great. And just moving on, you indicated there's $50 million to $100 million in acquisition revenue that you're looking to transact on, noting that the deal last night is inclusive of that, but when you do just some simple math around transaction prices, it still looks like you're going to have a pretty good cash build or have cash in excess of the deployment of your anticipated acquisition pipeline. What is your capital deployment expectations?  Are you going to continue to build cash in order to deploy it towards acquisitions because the pipeline might actually come in stronger than anticipated or what you've outlined as that $50 million to $100 million, or would you start considering deploying cash towards share buybacks or other areas?

Worthing Jackman:  Yes. Let me start, and then I'll hand it off to Ron. First, if you look at the outflow, obviously, you didn't see much of the outflow in Q4 because the bulk of the outflow was earlier this year, and look, if we get that $50 million to $100 million that we talked about -- and obviously, we're $40 million on the way there, so we're -- our site line is pretty clear here -- if we just hit the upper end of that between what we've already deployed and if you factor that in, we'll likely spend somewhere north of $500 million given the quality of the acquisitions, the EBITDA margin profile and the cash flow profile, so that alone will be depleting as what we call "the excess cash" that you saw hanging around last year and some of the cash we're generating early this year. And again, that's with over half the year left to go, and so when you look at excess cash flow generation this year, you still have 6 plus months of M&A activity what might close in the year. Share repurchases, obviously, we've been saying that that's on the table. We'll look to restart that as we move through the year, and of course, we'll look at our dividend policy as we get later in the year. Every October, you see us do a double-digit percentage growth in the dividend policy.

Ronald Mittelstaedt:  Yes, and Derek, what I would note is what we said, and if we didn't, forgive me, we said that we have closed $70 million. We expect to do another $50 million to $100 million by the end of the first quarter or the beginning of the second. That was what we said. I mean, that didn't -- so that would put us if we did the $100 million, that would put us at $170 million by April in acquired revenue. I mean, so with 9 months to go, not with 6 months to go. So I want to be clear as you talk about excess capital, I mean, look, again, our first and best use of excess capital is appropriately-priced, strategic M&A opportunities.

We believe we are in, and will be for a period of time, and accelerating M&A environment with the change to tax law. We believe there's a window. That window is probably until the next election, but potentially it could be beyond, but it's probably at least until then, and I think you're going to see not just in our industry but many, a tremendous amount of acquisitions of all sizes as people fully understand how the tax will actually work and the benefits of it under -- in an M&A transaction, so we would keep our powder dry. There's no need to step out and do an accelerated buyback or an outsized dividend when you believe that your best use of capital is growth and that there's a window where that will be most available.

Operator:  Our next question comes from the line of Tyler Brown with Raymond James.

Tyler Brown:  Hey Ron, you mentioned the acquisition last night was a new market entrance. Can you talk about where that market is, can you confirm that there is a landfill involved and do you see a number of tuck-ins around it to kind of build it out, kind of like Groot, I suppose?

Ronald Mittelstaedt: Yes. Let's take the last 2 pieces first, Tyler. Yes, there is a landfill involved, an MSW landfill. This is a very long-lived MSW. This is a fully-integrated company, collection transfers and MSW landfill, and what we said was in one of the fastest growing parts of the US. We are not going to name why, obviously, because we signed it yesterday. We're in the process of filing our [ right to SARD ] filings, and obviously, out of respect to the sellers and their employees who certainly are not aware of this until the seller makes a decision to sit down and communicate with them as we get closer to closing, so that's the only reason why not. And I feel there are substantial growth opportunities over the next several years in and around that transaction.

Tyler Brown: Okay, good color there, and then I'm not sure you gave it, but what was the full year year-over-year change in special waste, C&D and MSW landfill volume?

Worthing Jackman: Hold on. I'll give it to you.

Ronald Mittelstaedt: Just a second. We'll dig it out here.

Tyler Brown: I'm just curious how strong special waste was.

Worthing Jackman: It's on here.

Ronald Mittelstaedt: 13%. Yes, 13% for special waste growth year-over-year.

Tyler Brown: Full year?

Worthing Jackman: Correct.

Ronald Mittelstaedt: Yes. 5% for MSW, year-over-year.

Tyler Brown: Okay. Okay, perfect. And then, Worthing, I'm curious. You mentioned that about 27% of your debt is floating. I think you entered some swaps in '17, as I read through the K, but are you looking to get more aggressive in locking rates in?

Worthing Jackman: We're looking at a handful of things, both swaps as well as additional, long-term notes. There's no rush to do it. I mean, at 27%, that's just about $1 billion of debt that's floating, and obviously, with cash balances, from time to time, you almost have a natural hedge for a pretty good percentage of that floating rate based on invested balances.

Tyler Brown: Okay, and then is a 1% move in LIBOR something like $15 million of pretax, maybe, like, $10 million or so of free cash flow?

Worthing Jackman: Well, again, on about $1 billion of floating-rate debt, a 1% movement, you would think is $10 million, but to the extent that we have a piece of that hedged with cash, it'll -- it shrinks that $10 million.

Tyler Brown: Okay. I think, Ron, there's been some chatter about some recent E&P disposal asset investments, particularly in the Permian. Just curious if you could talk about the competitive dynamics in that market right now.

Ronald Mittelstaedt: Yes. Well, as I'm sure anyone who follows that space is aware, the vast majority of activity from a rig count and a drilling activity is occurring in the Permian Basin. You're still relatively quiet in a number of the other basins such as the Bakken or even up into Oklahoma and even the Eagle Ford, etc., but the Permian is active. We have what we believe is comfortably the best position in both the New Mexico and the Texas Permian. We continue to look at as well as -- look at acquiring as well as potentially developing other sites. There is -- there have been additional sites that have opened over the last few years and into this year. We have not seen any material price or volume erosion in our market area because of that. As rigs move, that's always somewhat of a risk, but we feel very, very comfortable. I mean, as you just saw, we guided upwards today, and the vast majority of that volume is coming out of the Permian.

Worthing Jackman: Hey, Tyler. Real quick. I just got my hands on the full year numbers. Yes. Special waste, the numbers Ron had given out was a repeat of the script which is Q4. Special waste was up 18% in the year. MSW was up 7% in tons, and C&D was about flat.

Operator: [Operator Instructions] Our next question comes from the line of Michael Hoffman with Stifel.

Michael Hoffman: On the volume side, if we stripped away the shedding and 18%, or the unusually above average maybe of whatever's in the 18% of special waste, how do you frame what's happening on a same-store basis, and if we looked at it in the commercial collection market, does that lead to still incremental opportunities for service interval upgrades, and if I threaded it one more, the sort of underlying MSW sustainable trend? I'm trying to understand that in the context of your guide.

Ronald Mittelstaedt: Yes, so Michael I think in the US I think that the underlying MSW volumes are probably, right now, are growing probably around in that 2% to 2 1/2% range. I'm going to -- that's what I -- or that's what we are seeing. Now, of that, obviously we are, as you know, price-focused, so we're not going to get all of that 2 1/2%, except in our exclusive markets, we're going to get more than that with residential volume growth as well. So we're probably getting, I'm going to estimate, around a 1% to a 1 1/2% underlying MSW growth in our competitive system in the US right now, and I would tell you, our service increases in the fourth quarter and in '17 were about 2 1/2x our service decreases. If you were to go back to the '11 through early '14 timeframe, that was almost inverted. It was inverted at one point, meaning decreases outpacing increases by 2 1/2x, and then it became more in the late '13 early '14 timeframe about flat, and it has continued to improve.

So does it get a lot better from a service increase versus decrease standpoint from here? Probably not. I mean, I'd say most markets in the country are healthy, are strong and have been doing certainly well for most of '15, all of '16, all of '17, and accelerated a little in the second half of '17 into present. So again -- but if you look at it, look, we purposefully, again, we purposefully shed between $50 million to $60 million minimum of revenue between unsafe stops, certain national account brokerage-type stops that were low margin, and so that's a 1 1/2 almost underlying volume degradation depending on the timeframe you're measuring that we are battling against, and that's in the US., So that's where you get sort of a reported, flat-ish to nominally down, nominally up number.

Worthing Jackman: But without the related impact to EBITDA, or --

Ronald Mittelstaedt: Right. I mean, the shedding of it improved EBITDA, so again, and improved returns.

Worthing Jackman: I mean, if you look, for example, on the safety side, I mean, if you compare just as we exited 2017, we were down on a run rate basis over 2400 incidents compared to how we exited our pro forma basis 2015. I mean, that's a $30 million to $35 million run rate, not all of which is in the numbers yet, reduction in the cost of safety. We think this is the right decision, both from a quality of revenue standpoint and a safety performance standpoint.

Michael Hoffman: Yes, I get all that. I just wanted to make sure that I understood. There's actually good volume trends and these proactive decisions on your own part over shadow that, and that's what I was trying to draw out.

Ronald Mittelstaedt: Yes, we believe that -- Well, we point to the results because ultimately over time we believe that's what matters.

Michael Hoffman: And just a housekeeping number for you, Worthing, the share count in all of your earnings assumptions that you've given for '18?

Worthing Jackman: Well, we don't give earnings per share assumptions, but look, we exited the year at almost a run rate of 265 million shares. To the extent we implement share buybacks during the year, you you'll see that come down, but again, you'll know. We stick to dollars on the guidance because it's hard to predict share count given timing of repurchases.

Michael Hoffman: It was a nice try.

Worthing Jackman: I know.

Michael Hoffman: Tax rate. As I look at the tax rate trend, given the bonus depreciation sunset, how do I think about, if I modeling multiple years, '18, '19, '20, '21, '23, do I just kind of walk this up from '23 to towards a '25 kind of number?

Worthing Jackman: Yes, but not for the reason you stated. I mean, bonus depreciation doesn't impact the effective rate. That just shows up in cash tax payments, but as we've always said, as you see is continue to improve the former Progressive Waste footprint, especially within the US which is the area of the biggest opportunity, as the US gets more profitable, you'll see our rate bleed up a little bit. Prior to tax reform, we said over kind of a 3 to 5 year period it might bleed up 100 to 200 basis points. I don't see any different right now. In other words, a 23% effective rate, if you're looking out 3 to 5 years, probably bleeds up another 100 to 200 basis points unless a new administration comes in and just changes -- a wholesale changes to the latest tax reform and goes back to where it was last year, but assuming no change in tax code from where we're at right now, it should bleed up just a little bit.

Michael Hoffman: And then you did take a write off, if I read this correctly, on the E&P business for the year. It was for a development project. What region or shale play was that development project in?

Worthing Jackman: No, in the year there wasn't a write off for E&P. That was a strategic, potential greenfield landfill that we were looking to develop where we had another overlapping landfill, and once we deemed that this competing site was no longer needed, then we decided to just walk away currently from that development.

Michael Hoffman: Okay, and then lastly, driver retention is interplayed into your safety program, but it's also been a strong initiative to drive it back down to where pre- [ DO ] Waste Connections was. How were we -- how are you doing on that, and how do we think about that going into the --

Ronald Mittelstaedt: Yes. We made -- Yes, Michael, so let's back up. When we -- so if you backup not quite 2 years ago when we closed the Progressive transaction, Waste Connections was running around 17% to 18% total turnover and -- I'm going to round -- about half of that voluntary and half of that involuntary. So involuntary -- voluntary turnover was in the single digits. Progressive, when we closed, was running 43% to 44% employee turnover and 95% was voluntary. So on day one when you blended those two together, it took us collectively to ride out about 30% turnover, maybe a little north of that.

We exited 2017 down to about 23%, 23% to 23 1/2% and we have that back to 60% voluntary/40% involuntary, so we've made tremendous progress. We still have a ways to go, particularly in the South, which is probably what is distorting our numbers up from that high teens, low 20s. We're very focused on it. It's one of our biggest opportunities. That is also, not coincidentally, where our worst risk performance is and our worst margin performance is, so they all go hand-in-hand, but the South remains an incredibly hot market from a growth standpoint and from, obviously, a labor opportunity standpoint, so it's a challenging environment. But that's what we all -- I mean, we would -- I mean, look, you have two -- any turnover, not any, but I'd say any north of 20% is too much, and we would like to see that voluntary/involuntary split be about half-and-half.

Michael Hoffman: Okay. That's a great help, and based on your hot market comment, I would assume that's where the deal is, is in the South? You don't need to answer that.

Operator: [Operator Instructions] Our next question comes from the line of Brian McCory (sic) [ McGuire ] with Goldman Sachs.

Brian Maguire: Ron, just wanted to come back to your comments about an accelerating period of M&A until maybe the next election. It sounds like a little bit maybe of a longer period than just the sort of opening of the gates ahead of the actual tax law change. I just wanted -- obviously, the conversion of EBITDA to cash flow goes up with the lower tax rates and there's some benefits to bonus depreciation, but I'm just wondering if you could expand more on what you see is the broader benefits of tax reform. Are you kind of expecting volumes to improve? Any sort of stimulus effect on the economy? And sort of related to all this, the bigger question for me is sort of what is happening to M&A multiples in the space in response to that because I'd imagine those are coming up as well, so when you factor at all in, is it still the right decision to make or are the multiples coming up in sort of an efficient way to sort of offset a lot of the benefits you'd get from better conversion of EBITDA to cash flow?

Ronald Mittelstaedt: Yes. Okay. Well, a lot of questions in there. I'll try to touch on each, Brian. First off, we do believe and believe we are seeing the beginning impacts of the change in tax law, or at least the months of talking about the tax law change, to the economy, and we believe you will see it. The bringing back of billions if not trillions of dollars of overseas cash we believe will be spent in a variety of development ways by private companies of all sizes throughout the US. We believe you're going to see additional manufacturing and construction as that money gets put to work.

You are seeing companies of all sizes announced that they will take cash flow or cash tax savings. Some is being distributed to employees, some being -- some is being put to M&A, some is being put into facility redevelopment and new facility development. All of that brings jobs. All of that brings waste, and so us and the industry should be a benefactor of that, and of course, that's without regard to whether or not the federal government does put forth the multi-year infrastructure plan that has been talked about or not. That would be additive, so we do believe that the underlying volumes will continue to improve and that the economy should continue to improve, and that brings with it a higher CPI and the ability to, in the competitive markets, pursue strong pricing.

On the M&A front, look, I think both potential sellers and buyers of all sizes have some benefits through this tax plan, and I think they will, as time goes on and the tax plan is fully understood, they will recognize these were benefits that didn't exist before it and may not exist if it gets changed if there is a party change at the next election or even something that could block it at the midterms for that matter. So I think people will view it as a window and that's why we think there will be quite a bit of accelerated M&A activity. People -- many private companies of all sizes have been waiting to get their companies back to where they were pre-Great Recession. They've been -- they've had low reinvestment rates and high tax rates, and that has all now lined up at the same time, so people look around and say how much better will it get, and it could turn the other way. So I think that's an effect out there.

As far as multiples, Brian, I would tell you that on average multiples are probably up about 1 1/2 to 2 turns of EBITDA, if you look back to sort of, I'll call it, '14/'15 to real-time present, and that is particularly on the larger, higher-margin, integrated-type companies. When you look at the tuck-in acquisitions, those multiples have probably only changed 1/2 a turn, so when you blend everything together that we would do in a year, you would probably see a 1 1/2-type turn in total EBITDA. We've seen a greater multiple expansion than that, and it's another way of saying that a small amount, I think, of the tax benefit gets parlayed to potential sellers, but certainly not the majority. The reality is, is if us or anyone else is giving the majority of this tax benefit into a 10 year model with a 3 year certainty, that's probably not a great long-term decision for shareholders.

Worthing Jackman: I'll say for us, Ron, that blended 1 1/2 turn expansion multiple, probably 1/3 of it is related to the quality of assets based on how the owners have been investing in their business because remember, owners know if they overinvest in their business, they'll get a higher multiple on the way out because it works in the inverse. If you've underinvested in your business, we're put in a position to have to play a lot of -- pay for a lot of catch-up capital. That's going to impact the upfront multiple, and so I'd say the quality of the transactions that we've been seeing, particularly over the last 4 or 5 years, has far outstripped the quality of many of the deals that we saw in the first 15 years from an asset standpoint.

Ronald Mittelstaedt: Correct. And then lastly, Brian, there are just -- there are embedded nuances as you understand this tax plan, which I think we and others are learning as we go because it is so recent, that I think incentivize M&A to an extent because of the immediate expensing of inherited CapEx and growth CapEx in a target company, so that comes out of the cash flow line, goes into the P&L, provides a tax shield and raises free cash flow from doing M&A. So I think as people understand that over the ensuing year and into next year, you're going to see that is a driver as well.

Brian Maguire: Okay. Thanks, that was a great answer. Just want to follow up on sort of related to the tax changes and the better environment for the industry. Just, I know in your protected markets, your exclusive markets, wouldn't expect any increasing in competition, of course, but just in the competitive markets, do you see it changing competitors' behavior in any way, and I'm thinking about just them maybe thinking about adding more trucks or routes or being a little bit more competitive on pricing as a result of after-tax returns on capital going up a little bit in response to tax reform?

Ronald Mittelstaedt: I certainly think it's a potential, Brian. I mean, when the competitive markets as we have always said -- which is why we like the exclusive markets and want to maintain that 40-plus percent position in them of our company -- is that the reality is that the public companies attempt to set price, but the private companies determine where it gets set, and so a public companies live on a 25% plus-type EBITDA margin, and private companies live on, generally, a much lower margin, and that is bankable and financeable, and so to the extent, whether their -- whatever type of incorporation they are, they are seeing a cash flow benefit, I'm sure they will take some of that benefit to themselves, but they will put some of that benefit into obtaining market share in the market. The good news is that in a strong economic environment and a strong GDP environment such as we have, there is so much new business that it's easier for the private companies to pursue the new business at better pricing for themselves than to fight through taking business. So this -- if we were in a more contractionary environment, I think your question would have a bigger -- be a bigger concern, but in this economic environment, I'm less concerned about it.

Worthing Jackman: Yes, because in some cases owners run their business for tax minimization even before tax reform. So if you're already operating the business in a tax minimization environment, the fact that rates fall doesn't really put too much more cash flow in your pocket.

Operator: Our next question comes from the line of Noah Kaye with Oppenheimer.

Noah Kaye: Just on the FX assumption that was a little bit of a tailwind this quarter. What are you thinking about US versus Canadian dollar for 2018?

Worthing Jackman: Again, we're trying to be cautious here and say around $0.79.

Noah Kaye: Okay, great. And then on the CapEx guide of $500 million, so $20 million bump year-over-year, but still pretty fixed as a percentage of sales, so I guess with the bonus depreciation, if you don't deploy all of your excess free cash flow for M&A, could you see that CapEx number maybe moving a bit higher? Are there substantial projects in the hopper with high internal ROI? If so, kind of what would be the main buckets?

Worthing Jackman: I mean, it could. I mean, you saw last year we moved the CapEx higher as we moved through the year. Obviously, we would move it higher and take free cash flow down as a result of that, so let's just see. It's early in the year. Let's see how the year is playing out. To your question about specific, high ROI opportunities, yes, we're always looking at those, and we have a couple we're looking at right now, but as those higher dollar opportunities generally could start any year, but the CapEx outlay could be over 1 or 2 year periods by the time projects like that get built, so that's not a material impact in any one current year.

Operator: Our next question comes from the line of Cory Greendale with First Analysis.

Corey Greendale: On the Q4 results, I understand the headwinds to EBITDA margin expansion that kind of offset the benefits, but could you just say a little bit more about the offsets if you look at it from a guidance perspective, so given the better E&P waste and some of the other positive trends, I would've expected more of a bead on the EBITDA margin in the quarter, just kind of why it wasn't more above your guidance?

Worthing Jackman: Yes. Well, you've got to remember we do a pretty good job of forecasting our business, and so by forecasting a given quarterly guidance, we're taking a lot of these pushes and pulls into account, and by guiding margins up 10 basis points year-over-year, that would've been after overcoming a 40 to 50 basis point headwind from Groot, that would've been from overcoming a 30 to 40 basis point headwind on recycling in the period and that would've been overcoming probably another 30 to 40 basis point impact from Chiquita. So you've got 100 basis points of headwinds from those three things for us to report the up 10 basis points, up 20 basis points or 10 basis points higher than we guided.

Corey Greendale: Okay, and Worthing, just quickly on the guidance. I assume the double-digit increase in E&P revenue, that that is disproportionally weighted towards the first half of the year and particularly Q1?

Worthing Jackman: Well, the highest year-over-year growth you would see starting in Q1, obviously, if crude stays -- gets back above $65, the -- you could see higher -- double digits starting with a 2 versus a 1, right, when it comes to year-over-year growth, but yes, you would see disproportionate percentage growth in the first quarter unless, again, crude starts stabilizing above $65 because what you really need to see to see growth starting with a 2 handle or 20% plus growth in E&P, I think is to see more basins come to the table, which means getting the Bakken really turned back on in particular. So if that were to happen, then that would be a key driver to what I would call 20-plus percent growth, but we've not baked that into our outlook.

Operator: Our next question comes from the line of Chris Murray with AltaCorp Capital.

Chris Murray: So just maybe going back to CapEx. I mean, I guess the guide right now is roughly call it 10% of revenue, which is where you've been, so I guess a couple questions. One, how does the tax changes have you guys thinking about those internal investments, as you said could take some time to do, but are there things when you take tax into impact that that might accelerate? The other two pieces that are around this question. With maybe my number, call it $700 million run rate in acquisitions, how should we think about that CapEx number as well having to change as you acquire? Should that be at very similar rates? And then finally, with recycling, are there any issues you're seeing right now that might need additional investments, and as the capital intensity of that business might increase to maintain the quality levels, is it as attractive a business for you on a go-forward basis?

Worthing Jackman: Well, first off, Chris, when you say $700 million in acquisitions, I assume you're meaning purchase price for outlays over a year, 1.5 years period not acquired revenue.

Chris Murray: Yes. Well, [indiscernible] $170 million times 4, right?

Worthing Jackman: Yes, times 4 not for a full year, obviously. You can't annualize $170 million one quarter times 4, but the -- from a CapEx standpoint, understand bonus depreciation or 100% expensing, that is -- that doesn't change relative to pretax reform how much the value of a piece of equipment you expense on your tax books. It just gets it done earlier, so it's almost like a low-cost loan from the government, so you shouldn't really change how you invest in your business or layout capital in the near term because of that because what -- if you're trying to play the long game here, you're setting yourself up, potentially, to hit a huge wall in an outer a year and watch your cash taxes GAAP up dramatically and your free cash flow GAAP down dramatically year-over-year. So to make near-term decisions based on an accelerated expensing, it's -- I don't think that's particularly appropriate. Now, we are making some investments in our business just in the normal course to focus on what I'll call things that might help employees from a retention standpoint. Ron can get into that more, but bonus depreciation of loans should not impact how you layout capital.

Chris Murray: Okay, and I'm just kind of curious about M&A, like any thoughts on whether or not the capital intensity on stuff you're acquiring will kind of be in line with still that 10% number?

Ronald Mittelstaedt: Yes. I think it will, Chris. I mean, I think, again, there are some nuances to the tax code, the new tax act, that you would actually see that on a reported basis drop, and you would see your CapEx as a percentage of revenue on a reported basis decline the more M&A you do because there is an immediate expensing concurrent with the transaction of CapEx of the target. So it's -- on a reported basis you will see that percentage come in the more M&A that you do.

Chris Murray: Okay, but the -- I guess if you look at your pipeline there's no additional CapEx hit that we should be expecting to have to catch up on the assets.

Worthing Jackman: No, there's no abnormal [indiscernible].

Ronald Mittelstaedt: No. No, and to the question that I think -- forgive us -- that you asked regarding recycling I think was your specific question, and I think your question was as that business becomes more complex and automated, they -- is the capital necessary going up while at the same time that the returns in that business, because of commodity values, are going down. I believe that was your question.

Chris Murray: It was.

Ronald Mittelstaedt: Yes, and the answer is yes, unfortunately. I mean, the reality is and everybody's attacking it a little differently, but I think for the most part the same. It takes time to shift the paradigm, but the reality is, is that I think the recycling model overall is broken. It's broken because it costs about 3x as much to collect and process a ton of recyclables as it does to put it in a landfill, and putting it in the landfill, you'd make a margin. Doing it as recycling, you're going to make a small margin, so it's actually more than 3x, and yet the price charged for it by most providers is a fraction of what's charged for solid waste, so there's a massive disconnect.

So all companies, I believe, are working to change the customer mindset with regard to that model, charge a processing fee that covers their cost and a return for the processing, and then puts more volatility of the commodity on to that customer, be they commercial or municipal and make more of a predictable model allowing for longer and greater capital expenditures into this business -- into that business, meaning the recycling business. I believe all of the major public companies and many private companies are focused on doing exactly that. That is a multi-year, perhaps multi-decade, change to get fully through because it has taken 3 decades to get us to where we are as a sector.

Operator: [Operator Instructions] Our next question comes from the line of Devon Dodge with BMO.

Devin Dodge: Just a couple questions on cost. Just how easily or how quickly can you pass along linehaul costs inflation and how significant have the truckload rate increases been for you recently?

Ronald Mittelstaedt: Well, number one, just again to your inflation – to an inflation cost that was asked earlier, so again, and I'm going to round, in about 40% of our business, there is potentially up to about a 6 month delay because that business is indexed, so it depends where you are in relationship to that next indexing by contract, and then in the other 60%, it's basically on a real-time basis, to answer your question. So and we have seen -- I'm going to round -- between a 4 and a low double-digit increase for third-party transport is what you're asking when you're asking linehaul, from our recycling and our transfer facilities where we use a third party, and that's almost a roughly right now related to fuel. And we have in certain of our contracts, we also have fuel and other materials surcharge recovery mechanisms, so we have not seen yet a material impact from that.

Devin Dodge: Okay, that's helpful. And one of your competitors was offering bonuses to their employees after US tax changes. Do you feel any pressure to offer your own bonus program even though your tax benefits is likely to be substantially less?

Ronald Mittelstaedt: Yes. I mean, first off, we commend any of the companies that are taking a portion of their tax savings and putting it, particularly, to their frontline and their hourly employees. We think that's beneficial. As you commented, we really did not receive, because of our structure and our Canadian domicile, we did not really receive any material tax benefit through the tax act, such as some of our larger, public, US-domiciled companies, but having said that, we did receive some benefit, and we are basically going to do four different type things that benefit employees. One is that all of our employees in the company, which thankfully they're not a lot of, but who are below sort of a $12 an hour rate -- we have some in our system throughout -- they will be increased to a minimum of a $12 per hour rate beginning on 4/1 of this year, and that captures about the lowest 3% to 4% of employees in our system. So we're going to be doing that.

Secondly, we are going to be increasing our employee 401(k) match by about 40% increase, matching dollar for dollar on the first 5%, which is a pretty substantive increase from where we are. That benefits all employees. We are not doing that, because of our plan year and how it works, until January 1, 2019. And then, as we already talked about today, we've increased CapEx by about $15 million, heavily focused on fleet and equipment, again, long-term benefit to our employees based on newer fleet and equipment.

And then, lastly, we are going to allocate about $5 million to $10 million additional per year while this tax act is in place, so that means if it's in place indefinitely, then that's probably indefinitely, roughly split between expense and CapEx for facility improvements of all types for our field employees: new offices, shops, remodels, updates, etc.

So effectively, when you look at it, although we got, I'm going to say, a pretty de minimis benefit, we are allocating, between CapEx and the cash impact, almost all of that impact back to our system in one way or another here between '18 and '19. So I mean, we felt that relative to doing a one-time, smaller cash bonus, that these things were more permanent and multi-year in nature than singular.

Worthing Jackman: Yes, and as I talked earlier about playing the long game, we anticipated some of this in how we pegged CapEx last year because last year we pulled in, as you saw, a higher CapEx end of the year which created an opening to put some of this additional CapEx Ron talked about this year and still try to run the business at about 10 1/2% of CapEx as a percentage of revenue.

Operator: And we are showing no further questions on the audio lines at this time.

Ronald Mittelstaedt: Okay. Well, if there are no further questions, on behalf of our entire management team, we appreciate your listening to and interest in our call today. Both Worthing and Mary Anne Whitney are available to answer any direct questions that we did not cover that we are allowed to answer under Regulation FD and Regulation G.

Thank you again, and we look forward to speaking with you at upcoming investor conferences or on our next earnings call.

Operator: Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation and ask that you kindly disconnect your line.