

# Market Update



**Waste Services**  
Q3 2019

## Market Insights

M&A activity in the waste services market remains strong across most sub-sectors, and notably in solid waste, wastewater and brokerage. Industry participants, including operators and investors alike, remain optimistic for continued high levels of M&A activity and valuations through the remainder of 2019 and into 2020, supported by favorable debt and equity markets, record levels of capital availability and a favorable macroeconomic environment.

Strategic acquirer activity in the waste services market remains high as companies seek opportunities to augment single-digit organic growth through accretive M&A. The public market waste services providers are trading at or near-52 week highs and an average EV/ EBITDA multiple of over 14x, signifying their ability to pursue targets at outlier valuations where they can achieve service line, geographic or customer synergies, as well as realize cost synergies from route optimizations, technology savings, back-office consolidation, improved purchasing or other operational efficiencies.

Likewise, the waste services market continues to be a priority for private equity funds – especially sub-sectors featuring significant consolidation opportunity (e.g., solid waste) or double-digit growth driven by favorable underlying market dynamics. Moreover, as the current macroeconomic expansion cycle prolongs, the waste services market is increasingly attractive to private equity investors seeking companies where demand for service is recurring or repeat in nature and that have historically proven an ability to grow through all market conditions. Private equity is willing to pay a premium for well-managed, recession-resistant companies experiencing outsized growth.

Lincoln International expects M&A volume and valuations to remain strong for the foreseeable future. We welcome the opportunity to connect with you and discuss your company's strategic alternatives or the waste services market more generally.

Lincoln's Waste Services Stock Index has increased 11.5% year-over-year as of Q3 2019

## The Lincoln International Waste Services Stock Index

The Lincoln Waste Services Stock Index is a market cap-weighted composite stock index similar to the S&P 500 Index. Given the broad scope of waste services, our index is comprised of companies that generate a meaningful portion of revenue from a variety of sub-sectors. A full list of the companies included in our index is provided below.

### Stock Index Change



Source: Capital IQ as of 9/30/2019

### Quarter-over-Quarter Performance

Outperformers	Change
Suez SA	13.7%
Clean Harbors, Inc.	8.6%
Casella Waste Systems, Inc.	8.4%
US Ecology, Inc.	7.4%
Stericycle, Inc.	6.7%
Advanced Disposal Services, Inc.	2.1%

Underperformers	Change
Waste Connections, Inc.	(3.7%)
Covanta Holding Corporation	(3.5%)
Waste Management, Inc.	(0.3%)
Republic Services, Inc.	(0.1%)
Heritage-Crystal Clean, Inc.	0.7%

Based on quarter-over-quarter share price performance relative to the S&P 500 Stock Index, which increased 1.2% quarter-over-quarter in Q3 2019.



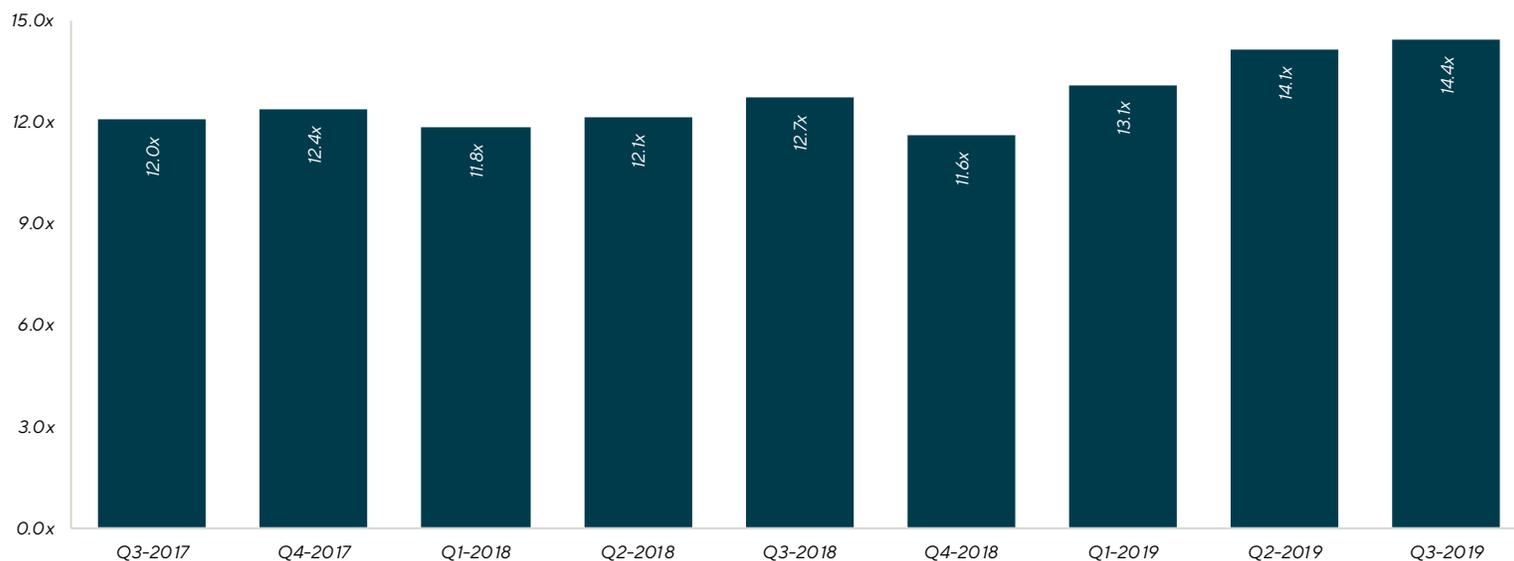
### Waste Services Subsectors

This update tracks valuation metrics and transaction activity for the following waste services subsectors:

- Brokerage
- E-Waste
- Food Waste
- Hazardous Waste
- Industrial Waste
- Liquid Waste
- Medical Waste
- Recycling
- Solid Waste
- Waste-to-Energy
- Wastewater

# Public Company Trading Multiples Increased 0.3x in the Past Quarter, Averaging 14.4x in Q3 2019

## Enterprise Value / LTM EBITDA Multiples



Source: Capital IQ as of 9/30/2019

## Lincoln International Waste Services Stock Index Data

(\$ in millions, except per share data)

Company Name	Current Price	52-Wk High	% of High 52-Wk	Market Cap	Enterprise Value	LTM Rev	LTM EBITDA	EV / LTM			LTM Growth		EBITDA Margin	Net Debt / EBITDA
								Rev	EBITDA	EBIT	Rev	EBITDA		
Advanced Disposal Services, Inc.	\$32.57	\$33.01	98.7%	\$2,897	\$4,798	\$1,599	\$370	3.0x	13.0x	61.0x	3.8%	(7.0%)	23.1%	5.1x
Casella Waste Systems, Inc.	42.94	47.72	90.0%	2,043	2,607	699	129	3.7x	20.3x	48.0x	11.9%	11.8%	18.4%	4.4x
Clean Harbors, Inc.	77.20	80.06	96.4%	4,313	5,821	3,351	501	1.7x	11.6x	29.1x	8.0%	11.7%	14.9%	3.0x
Covanta Holding Corporation	17.29	18.38	94.1%	2,260	4,816	1,876	310	2.6x	15.5x	52.9x	2.2%	(6.6%)	16.5%	8.2x
Heritage-Crystal Clean, Inc	26.50	29.01	91.3%	614	662	428	39	1.5x	17.1x	30.6x	11.7%	(0.5%)	9.1%	1.2x
Republic Services, Inc.	86.55	90.62	95.5%	27,761	36,421	10,172	2,817	3.6x	12.9x	21.2x	1.0%	1.0%	27.7%	3.1x
Stericycle, Inc.	50.93	59.19	86.0%	4,641	7,834	3,384	588	2.3x	13.3x	24.4x	(4.7%)	(20.0%)	17.4%	5.4x
Suez SA	15.73	15.74	99.9%	9,718	24,643	20,069	2,609	1.2x	9.4x	18.8x	3.4%	5.2%	13.0%	4.7x
US Ecology, Inc.	63.94	75.62	84.6%	1,411	1,750	596	123	2.9x	14.3x	23.2x	13.5%	6.8%	20.6%	2.8x
Waste Connections, Inc.	92.00	97.93	93.9%	24,252	28,386	5,157	1,609	5.5x	17.6x	31.9x	8.7%	7.4%	31.2%	2.6x
Waste Management, Inc.	115.00	121.77	94.4%	48,787	59,666	15,306	4,314	3.9x	13.8x	21.4x	4.7%	5.4%	28.2%	2.5x
<b>Mean</b>								<b>2.9x</b>	<b>14.4x</b>	<b>32.9x</b>	<b>5.8%</b>	<b>1.4%</b>	<b>20.0%</b>	<b>3.9x</b>
<b>Median</b>								<b>2.9x</b>	<b>13.8x</b>	<b>29.1x</b>	<b>4.7%</b>	<b>5.2%</b>	<b>18.4%</b>	<b>3.1x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 9/30/2019

# Market Intelligence

Waste Management continues to make progress toward closing its pending acquisition of Advanced Disposal Services during Q1 2020

GFL Environmental, the Canadian-based provider of solid waste management, liquid waste management and infrastructure services, is nearing its IPO

Solid waste players have seen continued strength in collection and disposal prices, as well as volumes, offset by the impact of recycling

Given a downturn in prices for recycled commodities and uncertainty of a near-term reversal, management teams remain focused on restructuring contracts, investing in technology

and enacting cost management strategies to improve recycling segment profitability and insulate their companies from commodity price fluctuations

Companies such as Republic Services and Waste Management continue expanding their fleet of compressed natural gas (CNG) powered vehicles as they look to alternative fuels to decrease greenhouse gas emissions, reduce unwanted noise and drive operational sustainability

Advancements in “smart truck” technologies continue to drive change in the waste services market as companies seek ways to enhance route productivity, operational efficiency and safety

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Substantially All Assets of Industrial Services of America	Buys, processes and markets ferrous and non-ferrous metals and other recyclable commodities	River Metals Recycling
Sep-19	Aces High Trash Service	Provides residential and commercial waste collection	Waste Management
Sep-19	Midwest Waste Services, Panther City Disposal, Riata Disposal, H&L Rural Trash and Triple H Dumpster Service	Five Texas-based companies engaged in residential, commercial, municipal and industrial waste services	Frontier Waste Solutions
Sep-19	Strength Environmental	Provides waste treatment and disposal services, industrial cleaning, facility services, on-site services, professional services and transportation services	Valicor Environmental Services
Sep-19	Windsor Disposal Services	Provides solid waste and recycling services	GFL Environmental
Sep-19	Select Solid Waste Assets of Republic Services	Provides solid waste management services	Casella Waste Systems
Sep-19	West Transfer Station in Missouri	Municipal solid waste transfer station permit known as the West Transfer Station outside of St. Louis, Missouri and related hauling business	Meridian Waste
Aug-19	Contract Assets of Waste Solutions and A&L Waste Removal	Two Augusta, GA haulers	Meridian Waste
Aug-19	Assets of Harbor Carting and Empire Waste Removal	Provides solid waste collection and recycling services	Winters Bros. Waste Systems
Aug-19	Action Environmental	Provide non-hazardous wastewater treatment services to a variety of industries	Valicor Environmental Services
Aug-19	Capital Waste Services	Provides solid waste hauling services for residential, commercial and industrial waste generators	Kinderhook Industries
Aug-19	R.J.G. Enterprises (Chemtron Corporation)	Provides hazardous and non-hazardous waste management services including blending, storage, recycling and transportation	Kinderhook Industries
Aug-19	Lone Star Disposal	Provides municipal solid waste disposal and other environmental services	J.F. Lehman and Company
Aug-19	Jack Herod Trucking	Provides transfer station management and ancillary waste logistics services	Stella Environmental Services
Aug-19	Onsite Environmental	Provides non-hazardous liquid waste hauling and treatment services	American AllWaste
Aug-19	Vancouver Island Solid Waste Operations	Provides residential, commercial and industrial solid waste and recycling collection and hauling	GFL Environmental
Aug-19	Harvest Power Compost Facilities	Operates two compost facilities in California	USA Waste of California
Jul-19	WasteRetriever	Provides doorstep trash and recycling to the multifamily housing industry	Valet Living
Jul-19	Frac-N-Vac Tanks / Duckwater Services	Regional provider of roll-off boxes, transportation, washout and wastewater disposal services	TAS Environmental Services
Jul-19	Harvest New England / Harvest Mid-Atlantic	Operates and manages compost facilities in the United States	Denali Water Solutions

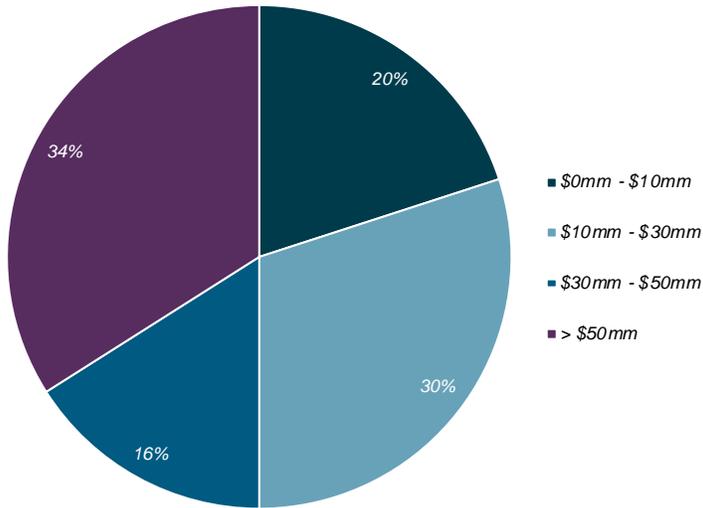
Source: Capital IQ, Mergermarket as of 9/30/2019

# Lincoln Middle Market Index

Lincoln maintains an extensive proprietary database, the Lincoln Middle Market Index (Lincoln MMI), in connection with its quarterly portfolio valuation activities by the firm's Valuations & Opinions Group. The Lincoln MMI contains financial data for a diverse group of companies across ten primary industry segments. It offers a glimpse into the mid-market where reliable data is otherwise limited. Valuation metrics reflect observed transaction multiples. Financial results reflect information available at the end of each calendar quarter (typically, financial statements for one or two months preceding the end of the period). The Lincoln MMI is comprised of information from nearly 800 mid-market companies.

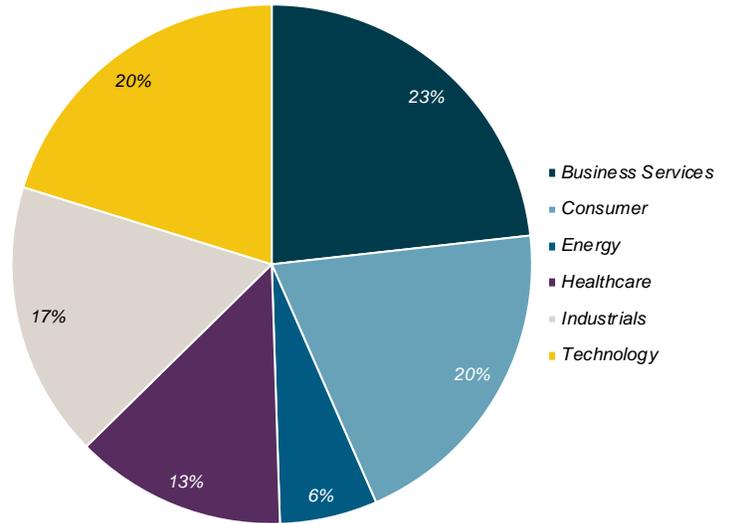
## Q2 2019 Trends by Size (LTM EBITDA)

Distribution by Size

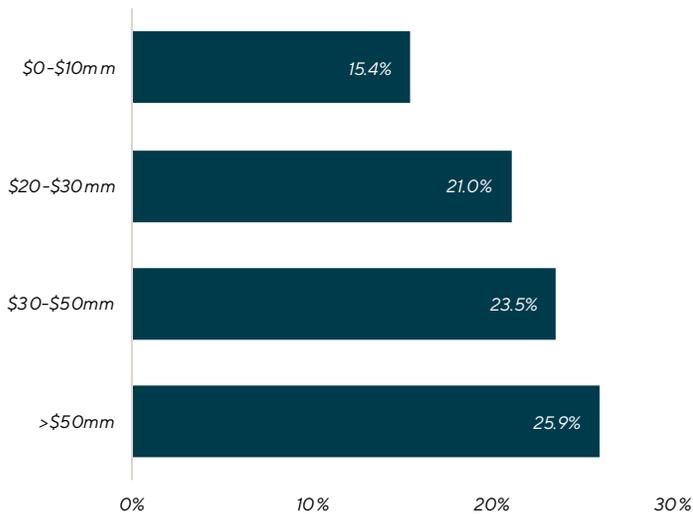


## Q2 2019 Trends by Industry Vertical

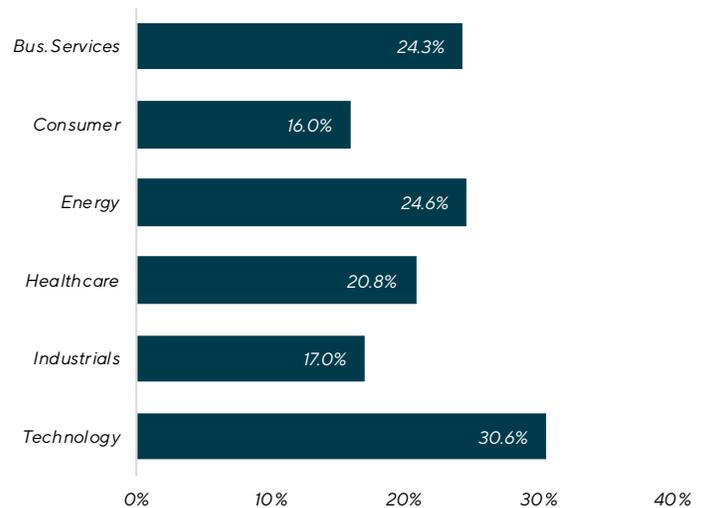
Distribution by Vertical



## Average LTM EBITDA Margin by Size



## Average LTM EBITDA Margin by Vertical

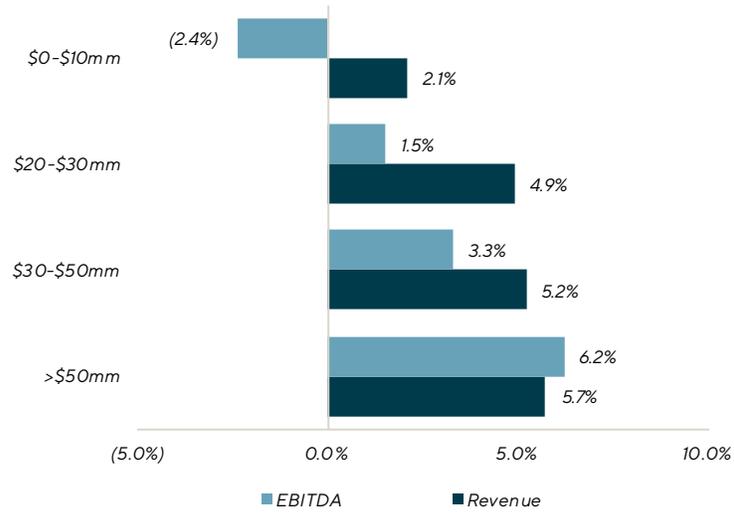


Note: the above charts reflect data from Lincoln's proprietary valuations database as of 6/30/2019

# Lincoln Middle Market Index (cont'd)

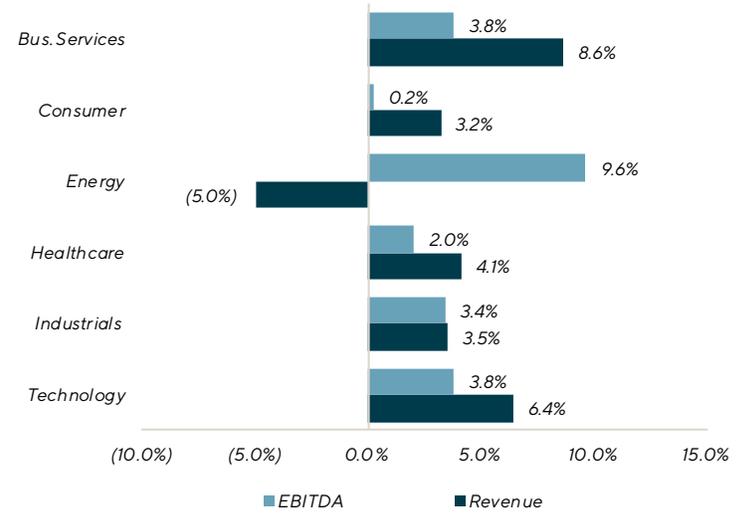
## Q2 2019 Trends by Size (LTM EBITDA)

Quarter over Prior Year Quarter  
Revenue and EBITDA by Size

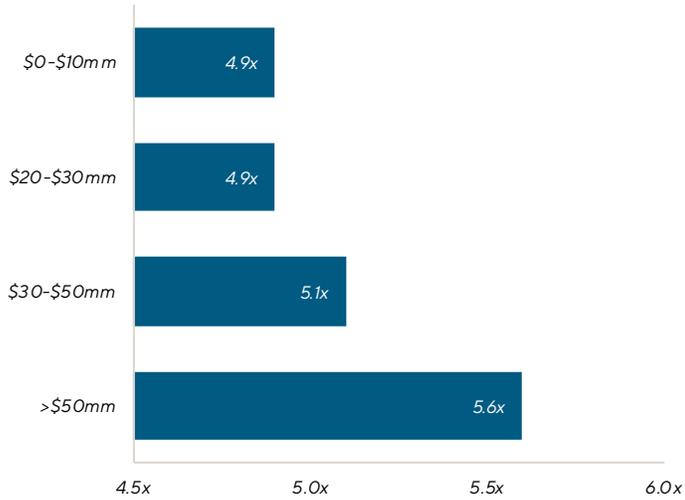


## Q2 2019 Trends by Industry Vertical

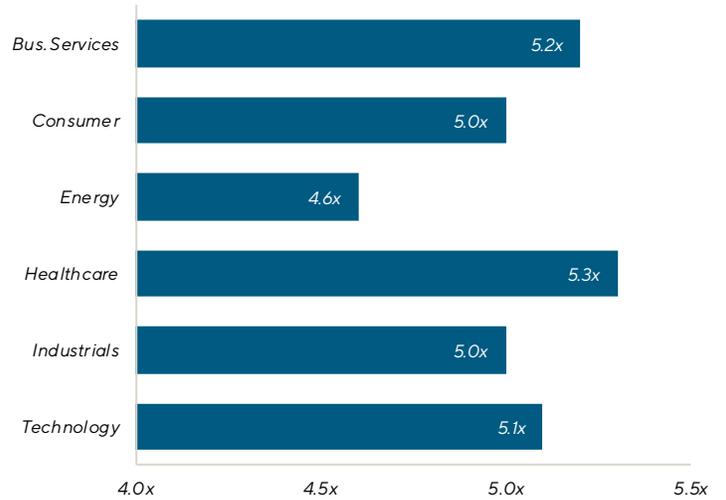
Quarter over Prior Year Quarter  
Revenue and EBITDA by Vertical



## Average Current Leverage by Size



## Average Current Leverage by Vertical



Note: the above charts reflect data from Lincoln's proprietary valuations database as of 6/30/2019



## Lincoln International's Waste Services Focus

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive industry expertise, including in-depth market insights and deep relationships with the most active strategic and financial industry leaders, augmented by our globally integrated resources and tailored process execution, enable Lincoln International to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated waste services team is among the most active M&A advisors in the mid-market. Our senior professionals provide sector-specific expertise, global buyer access and unmatched execution.



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## About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 16 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

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