

# Market Update



## Waste Services Q4 2018

### Market Insights

2018 was a busy year for M&A in the Waste Services market across a variety of sub-sectors. Strategic acquirer activity was fueled by improved company performance, as well as tax law changes and higher public market valuations among the most active consolidators. Similarly, private equity funds remained active in 2018, including new platform investments and smaller tuck-in acquisitions. M&A valuations for high quality assets remained elevated in 2018, with several notable deals trading at double-digit EBITDA multiples and generating significant investor interest.

Enthusiasm for the Waste Services market remains high headed into 2019. Despite recent macroeconomic uncertainty, M&A activity is expected to be robust, driven by, among other areas: (i) continued strong company performance; (ii) healthy corporate balance sheets and a desire among strategics to augment organic growth through M&A; (iii) significant “dry powder” among private equity firms interested in backing companies with economically resilient business models and strong management teams; and (iv) favorable debt financing markets.

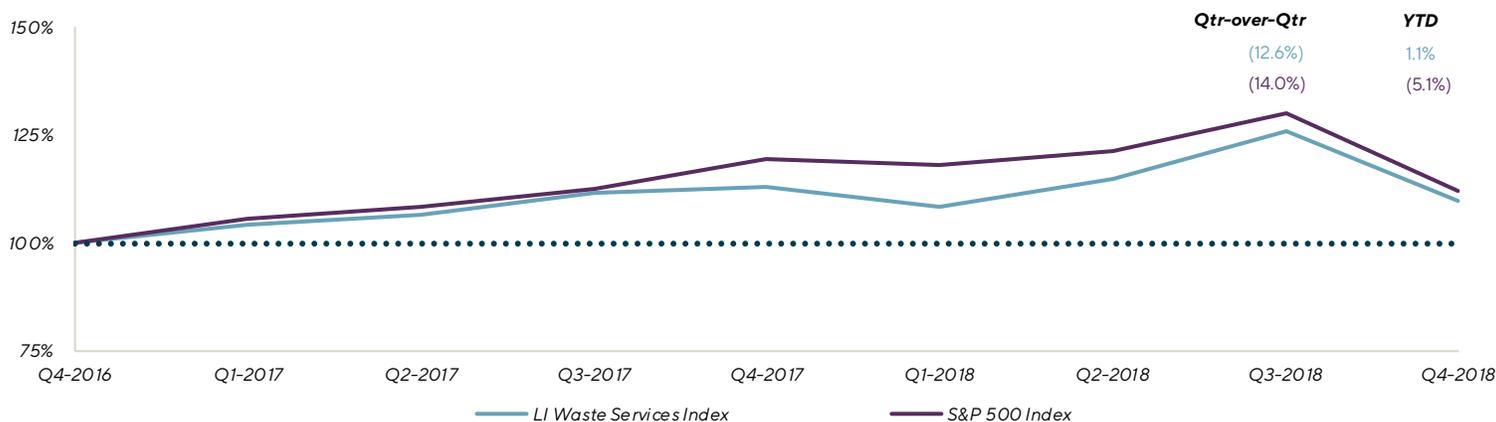
Lincoln International expects M&A activity – and valuations – in the Waste Services market to remain strong in 2019. We would welcome the opportunity to discuss your company’s strategic alternatives or the Waste Services market more generally.

Waste Services Stock Index decreased 12.6% quarter-over-quarter in Q4 2018

## 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 12/31/2018

### Quarter-over-Quarter Performance

Outperformers	Change
Heritage-Crystal Clean, Inc.	7.8%
Republic Services, Inc.	(0.8%)
Waste Management, Inc.	(1.5%)
SUEZ SA	(6.0%)
Waste Connections, Inc.	(6.9%)
Casella Waste Systems, Inc.	(8.3%)
Advanced Disposal Services, Inc.	(11.6%)

Underperformers	Change
Stericycle, Inc.	(37.5%)
Clean Harbors, Inc.	(31.1%)
Covanta Holding Corporation	(17.4%)
US Ecology, Inc.	(14.6%)

\*Based on quarter-over-quarter share price performance relative to the S&P 500 Stock Index, which decreased 14.0% quarter-over-quarter in Q4 2018.



WASTE CONNECTIONS, INC.

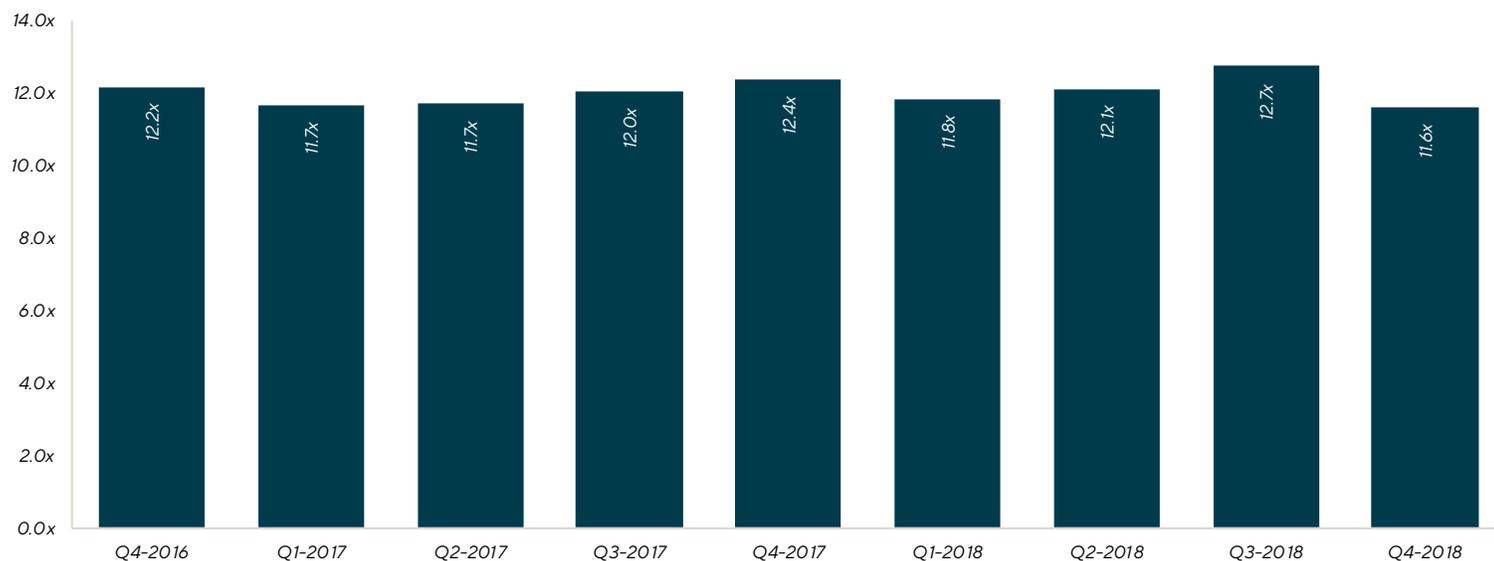
### Waste Services Subsectors

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 decreased 1.1x in the past quarter, averaging 11.6x in Q4 2018

## Enterprise Value<sup>(1)</sup> / LTM EBITDA Multiples



Source: Capital IQ as of 12/31/2018

(1) Enterprise Value is calculated as market capitalization plus total net debt, preferred equity and minority interest

## 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.	\$23.94	\$27.93	86%	\$2,123	\$3,996	\$1,548	\$383	2.6x	10.4x	43.3x	4.9%	(2.7%)	24.7%	4.9x
Casella Waste Systems, Inc.	28.49	34.48	83%	1,223	1,736	637	118	2.7x	14.8x	34.5x	7.6%	2.3%	18.5%	4.4x
Clean Harbors, Inc.	49.35	72.50	68%	2,764	4,135	3,190	467	1.3x	8.8x	23.6x	10.4%	13.5%	14.7%	2.9x
Covanta Holding Corporation	13.42	18.05	74%	1,739	4,182	1,863	341	2.2x	12.3x	35.1x	8.7%	22.2%	18.3%	7.2x
Heritage-Crystal Clean, Inc	23.01	28.71	80%	530	514	399	43	1.3x	11.9x	19.3x	11.8%	6.8%	10.8%	(0.4x)
Republic Services, Inc.	72.09	78.54	92%	23,398	31,570	10,071	2,804	3.1x	11.3x	18.8x	2.1%	2.3%	27.8%	2.9x
Stericycle, Inc.	36.69	76.73	48%	3,324	6,121	3,521	610	1.7x	10.0x	17.7x	(2.2%)	(21.3%)	17.3%	4.6x
SUEZ SA	13.20	17.08	77%	8,132	21,788	19,182	2,520	1.1x	8.6x	17.4x	8.9%	3.9%	13.1%	4.3x
US Ecology, Inc.	62.98	77.15	82%	1,388	1,638	542	123	3.0x	13.3x	19.8x	11.2%	21.2%	22.7%	2.0x
Waste Connections, Inc.	74.25	81.36	91%	19,565	23,083	4,818	1,524	4.8x	15.1x	26.8x	6.6%	6.7%	31.6%	2.3x
Waste Management, Inc.	88.99	95.49	93%	37,941	47,876	14,724	4,139	3.3x	11.6x	17.8x	3.0%	5.8%	28.1%	2.4x
<b>Mean</b>								<b>2.5x</b>	<b>11.7x</b>	<b>24.9x</b>	<b>6.6%</b>	<b>5.5%</b>	<b>20.7%</b>	<b>3.4x</b>
<b>Median</b>								<b>2.6x</b>	<b>11.6x</b>	<b>19.8x</b>	<b>7.6%</b>	<b>5.8%</b>	<b>18.5%</b>	<b>2.9x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 12/31/2018

Strong level of M&A activity in the Waste Services market, including both strategic and financial acquirer transactions

## Market Intelligence

**M&A activity remained strong in 2018** including several major deals such as GFL's acquisition of Waste industries and Macquarie's acquisition of Wheelabrator Technologies, among others

**The industry remains focused on technology** to improve recycling material quality, enhance operating and fleet efficiencies and increase safety

**Opportunities and expected growth in recycling** despite headwinds in 2018 from China's waste import ban and contamination standard changes

**Positive outlook for pricing and volumes in 2019** in the solid waste sector

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Wheelabrator Technologies Holdings Inc.	Develops, owns and operates waste-to-energy facilities	Macquarie Infrastructure Partners Inc.
Dec-18	Tyler's Sanitation, Inc.	Offers residential and commercial waste collection services	Waste Management, Inc.
Dec-18	Alabama Waste Disposal Solutions LLC	Provides waste collection, transportation and disposal services	Advanced Disposal Services South, LLC
Dec-18	American Disposal Services, Inc.	Provides solid waste and recycling services to residential, commercial and industrial customers	Waste Connections, Inc.
Dec-18	MAT & Recycling	Provides waste collection and disposal services and operates a trash transfer station	Santek Waste Services, LLC
Dec-18	Drop Zone Portable Service Inc.	Provides septic tank maintenance services and operates portable toilets	Lakeshore Recycling Systems LLC
Dec-18	Apple Valley Waste Inc.	Provides waste collection and recycling services	BioHiTech Global, Inc.; Gold Medal Services, LLC
Dec-18	Al's Maintenance	Provider of residential and roll-off collection services	Casella Waste Systems, Inc.
Nov-18	FibreK Recycling U.S. Inc.	Provides waste paper processing and recycles bottles, cans and cardboard	ND Paper LLC
Nov-18	Poplar View Landfill and Riverside Landfill	Two construction and demolition landfills	Meridian Waste Services, LLC
Nov-18	Waste Industries USA, Inc.	Provides solid waste and recycling collection services to commercial, industrial and residential customers	GFL Environmental Inc.
Nov-18	Ecoserv Industrial Disposal, LLC	Provides non-hazardous industrial wastewater disposal services	US Ecology, Inc.
Nov-18	Boon & Sons, Inc. and Oceanside Rubbish, Inc.	Provides residential, commercial and roll-off collection services	Casella Waste Systems, Inc.
Oct-18	FASTPace Software	Provides business process software for roll-off companies	So Cal Soft-Pak Inc.
Oct-18	Clearwater Solutions, LLC	Provider of wastewater disposal services for O&G	Nuverra Environmental Solutions, Inc.
Oct-18	Royal Container Service, LLC	Provides dumpsters and recycling programs to residential and commercial customers	Lakeshore Recycling Systems LLC
Oct-18	Grammer Industries, Inc.	Provides transportation services for hazardous waste materials	Stellex Capital Management LP
Oct-18	WeCare Waste & Recycling, LLC and Valley Sanitation	Provides residential and commercial waste collection services	Casella Waste Systems, Inc.

Source: Capital IQ, Mergermarket as of 12/31/2018

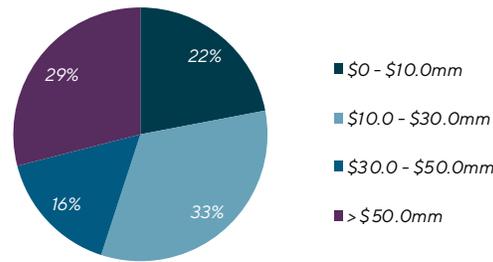
**The Lincoln Valuations and Opinions Group (VOG) Database - Lincoln's Perspectives on the Mid-Market**

Lincoln maintains an extensive proprietary database in connection with its quarterly portfolio valuation activities by the Valuations and Opinions Group, containing financial data for a diverse group of companies across ten primary industry segments. The database 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 database contains nearly 800 mid-market companies.

# The Lincoln Valuations and Opinions Group Database – Lincoln's Perspectives on the Mid-Market for Q3 2018

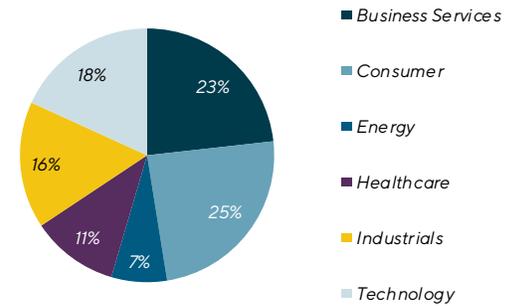
## Trends by Size (LTM EBITDA)

Distribution by Size

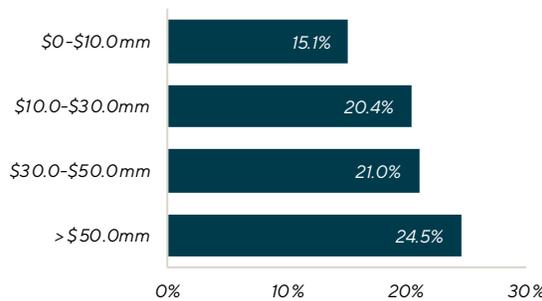


## Trends by Industry Vertical

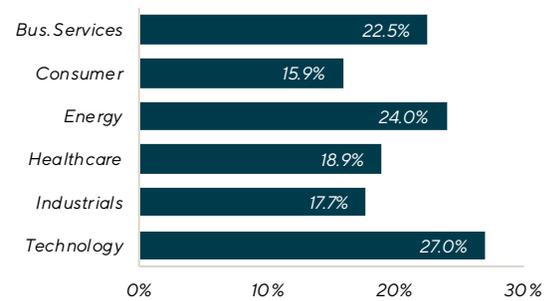
Distribution by Vertical



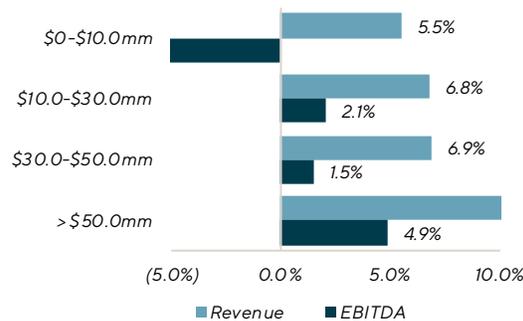
## Average LTM EBITDA Margin by Size



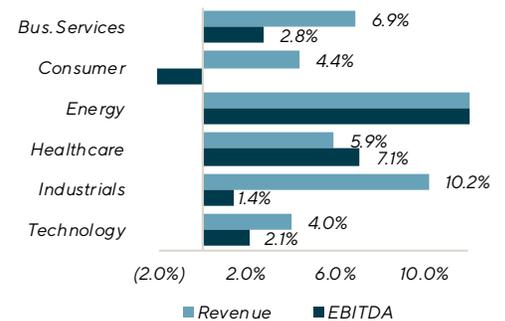
## Average LTM EBITDA Margin by Vertical



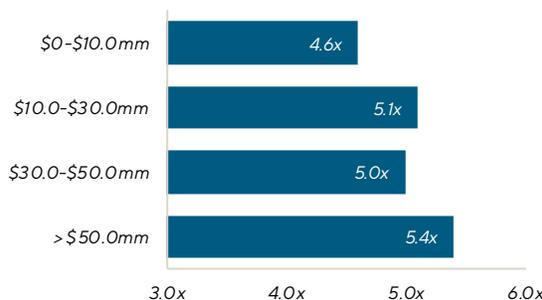
## Quarter over Prior Year Quarter Revenue and EBITDA by Size



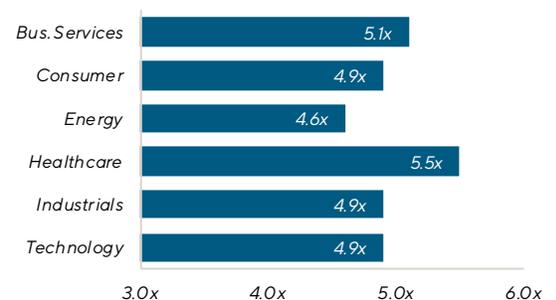
## Quarter over Prior Year Quarter Revenue and EBITDA by Vertical



## Average Current Leverage by Size



## Average Current Leverage by Vertical



Note: the above charts reflect data from Lincoln's proprietary valuations database as of 9/30/2018

# Lincoln International's Waste Services Team

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 partners, augmented by our globally integrated resources and flawless 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 bankers 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, debt advisory, growth equity and restructuring 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 15 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: [www.lincolninternational.com](http://www.lincolninternational.com).

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