

# Market Update



## Market Insights

M&A activity in the waste services market remains strong and Lincoln International expects the high pace of consolidation activity to continue in 2020 given strong underlying industry fundamentals, continued growth in the broader economy, low capital gains rates and borrower-friendly credit markets. M&A and public market valuations in the waste services market also remain at record levels.

Strategic buyer acquisition activity has remained elevated in recent months as large consolidators continue to pursue M&A to augment single-digit organic growth. Recent examples include GFL Environmental's acquisitions of AGI Environmental, County Waste of Virginia and American Waste, Waste Connections' acquisition of Penn Waste and Republic Services' acquisition of Devens Recycling. Generally speaking, these deals will enable the acquiror to achieve geographic expansion, broaden service capabilities, add new customers and secure talent, and will result in meaningful revenue and cost synergies.

Valuations of large public waste services companies remain high, supporting the ability to complete acquisitions at accretive prices. At year-end 2019, the public market waste services providers were trading, on average, at approximately 92% of their 52-week highs and an EV / EBITDA multiple of over 14.5x. Republic Services announced plans to spend \$200 million on acquisitions in 2020, down from 2019 but signaling another strong year compared to more typical levels of around \$100 million. Further, Waste Connections reported in October that it had extended acquisition bids worth more than \$600 million since July, a portion

## Waste Services Q4 2019

of which was expected to be completed in 2020. Based on expectations of large industry players and the pending deal by Waste Management to acquire Advanced Disposal Services, many industry observers expect the pace of strategic acquisitions to remain high and to exceed 2019 levels.

Similarly, the waste services market remains highly attractive to private equity funds as they look to invest in sectors with acyclical or non-discretionary demand drivers, especially given the potential slowdown of an economy that has seen the longest period of expansion in history. Further, private equity funds in pursuit of buy-and-build strategies are expected to remain active given the highly fragmented nature of the waste services market and ample opportunities for geographic or service offering expansion. Private equity will continue to pay a premium for well-managed, recession-resistant companies experiencing outsized growth. Notable recent private equity acquisitions include TPG Growth's acquisition of Denali Water Solutions and Arcapita's acquisition of Waste Harmonics.

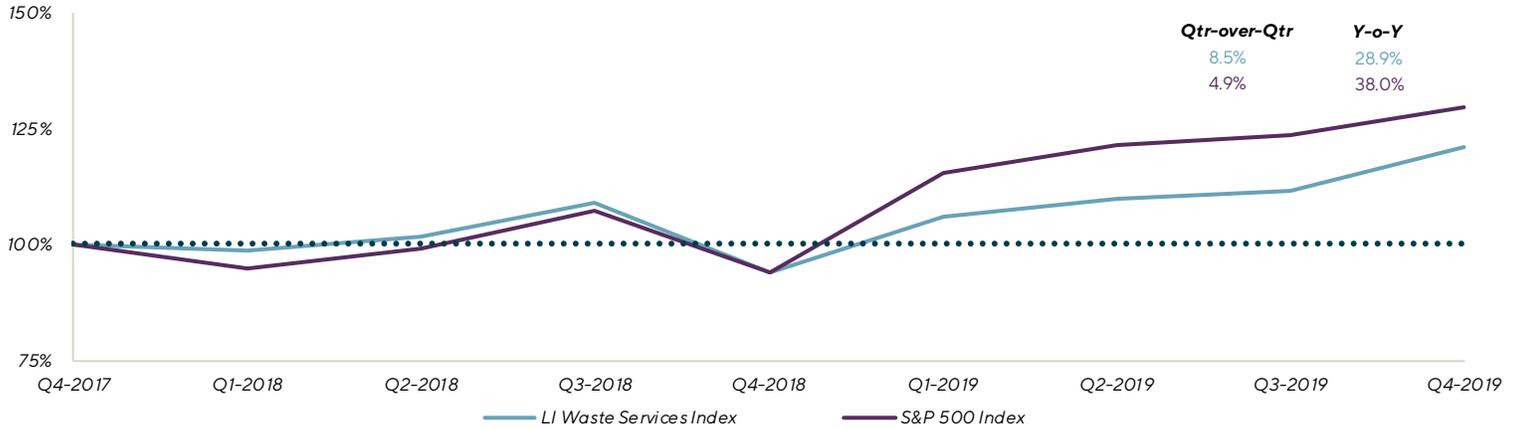
Lincoln International expects M&A volume and valuations to remain strong for the foreseeable future. We welcome the opportunity to connect with you and discuss your company's strategic alternatives or the waste services market more generally.

Lincoln's Waste Services Stock Index has increased 28.9% year-over-year as of Q4 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 12/31/2019

### Quarter-over-Quarter Performance

Outperformers	Change
Stericycle, Inc.	25.3%
Heritage-Crystal Clean, Inc	18.4%
Clean Harbors, Inc.	11.1%
Casella Waste Systems, Inc.	7.2%

Underperformers	Change
Covanta Holding Corporation	(14.2%)
US Ecology, Inc.	(9.4%)
Suez SA	(6.5%)
Waste Connections, Inc.	(1.3%)
Waste Management, Inc.	(0.9%)
Advanced Disposal Services, Inc.	0.9%
Republic Services, Inc.	3.6%

Based on quarter-over-quarter share price performance relative to the S&P 500 Stock Index, which increased 4.9% quarter-over-quarter in Q4 2019.



WASTE CONNECTIONS, INC.



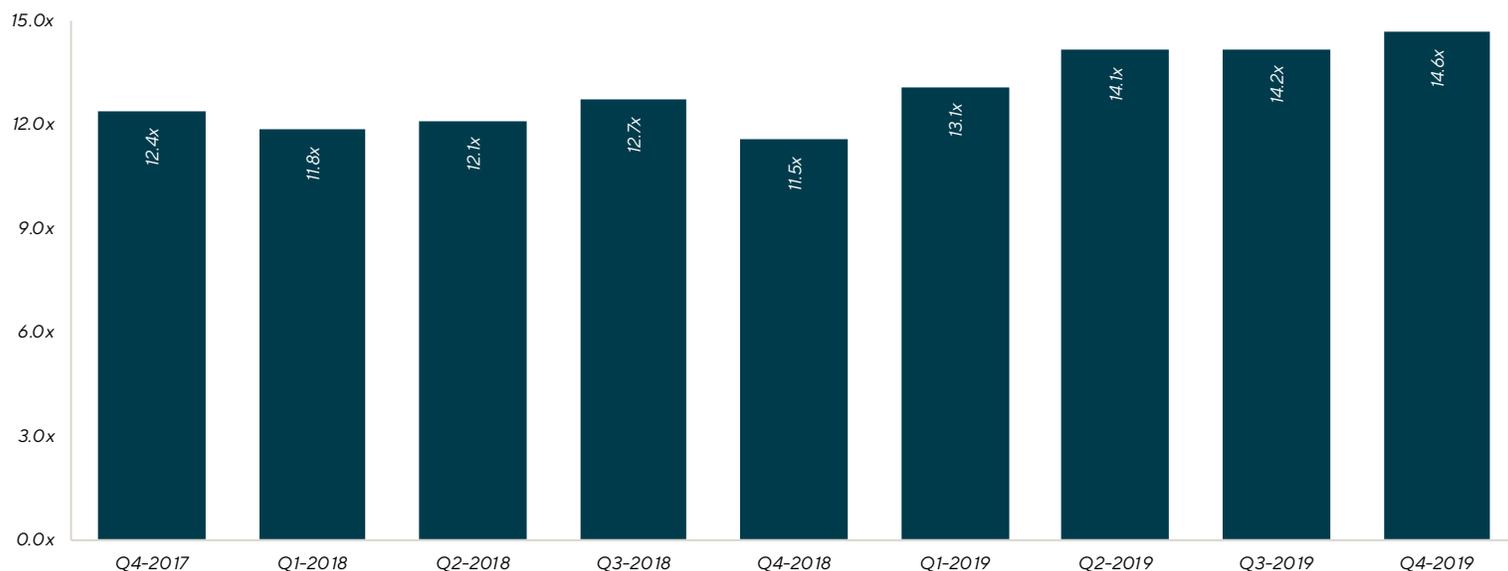
### Waste Services Subsectors

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 Increased 0.4x in the Past Quarter, Averaging 14.6x in Q4 2019

## Enterprise Value / LTM EBITDA Multiples



Source: Capital IQ as of 12/31/2019

## 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.	\$32.87	\$33.01	99.6%	\$2,939	\$4,831	\$1,617	\$385	3.0x	12.5x	52.5x	4.5%	0.3%	23.8%	4.9x
Casella Waste Systems, Inc.	46.03	47.72	96.5%	2,199	2,809	724	132	3.9x	21.3x	51.4x	13.7%	11.9%	18.2%	4.6x
Clean Harbors, Inc.	85.75	88.01	97.4%	4,786	6,216	3,399	516	1.8x	12.1x	29.0x	6.6%	10.4%	15.2%	2.8x
Covanta Holding Corporation	14.84	18.38	80.7%	1,940	4,535	1,885	314	2.4x	14.4x	48.8x	1.2%	(8.7%)	16.7%	8.3x
Heritage-Crystal Clean, Inc	31.37	32.58	96.3%	727	778	433	39	1.8x	19.8x	35.4x	8.5%	(9.1%)	9.1%	1.3x
Republic Services, Inc.	89.63	90.62	98.9%	28,605	37,487	10,253	2,839	3.7x	13.2x	22.5x	1.8%	2.2%	27.7%	3.1x
Stericycle, Inc.	63.81	66.60	95.8%	5,815	8,930	3,362	759	2.7x	11.8x	22.3x	(4.5%)	16.2%	22.6%	4.1x
Suez SA	14.84	15.91	93.3%	9,167	24,229	19,406	2,736	1.2x	8.9x	16.3x	5.4%	4.0%	14.1%	4.3x
US Ecology, Inc.	57.91	67.24	86.1%	1,825	2,181	612	130	3.6x	16.8x	29.3x	12.9%	5.2%	21.2%	2.7x
Waste Connections, Inc.	90.79	97.93	92.7%	23,941	27,952	5,288	1,680	5.3x	16.6x	31.0x	9.8%	10.0%	31.8%	2.4x
Waste Management, Inc.	113.96	121.77	93.6%	48,347	59,270	15,451	4,387	3.8x	13.5x	21.7x	4.9%	7.1%	28.4%	2.5x
<b>Mean</b>								<b>3.0x</b>	<b>14.6x</b>	<b>32.8x</b>	<b>5.9%</b>	<b>4.5%</b>	<b>20.8%</b>	<b>3.7x</b>
<b>Median</b>								<b>3.0x</b>	<b>13.5x</b>	<b>29.3x</b>	<b>5.4%</b>	<b>5.2%</b>	<b>21.2%</b>	<b>3.1x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 12/31/2019

## Market Intelligence

Given antitrust scrutiny expected for Waste Management's \$4.9 billion pending acquisition of Advanced Disposal Services, both parties have agreed to sell assets that would reduce combined annual revenue by up to \$200 million if required

GFL Environmental, the Canadian-based provider of solid waste management, announced in November 2019 that it would cancel its previously anticipated IPO after failing to receive institutional investor support at a price in line with shareholders' views of fair value

FCC Environmental Services, one of the world's largest waste management and recycling companies, which first established a presence in the U.S. in 2014, announced that it will be seeking U.S. acquisitions located in the South, Southeast and Midwest regions

Municipal solid waste pricing increased over the course of 2019 and is expected to remain stable in 2020, supported by higher landfill costs, while solid waste volumes are expected to be flat-to-up

While recycled commodity prices fell during 2019, prices stabilized during the second half and into January 2020, though industry participants are hesitant to predict a rebound just yet

Two complementary recycling-related bills aimed at bringing additional funding to materials recovery initiatives were introduced in November 2019 – Recycling Enhancements to Collection and Yield through Customer Learning and Education Act (RECYCLE) and Realizing the Economic Opportunities and Values of Expanding Recycling Act (RECOVER) – both of which have gained support from groups in the waste and recycling, plastics and glass industries

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Dec-19	County Waste	Provides residential, commercial, industrial, and construction and demolition waste collection and trash disposal services	GFL Environmental
Dec-19	Specialized Waste Systems	Provides hazardous and non-hazardous waste management, waste transportation and disposal and washout services	TAS Environmental Services
Dec-19	TROO Clean Environmental	Industrial wastewater recycling center that focuses on oil and gas produced water	Empire Pipeline
Dec-19	Substantially All Assets of Industrial Services of America	Buys, processes and markets ferrous and non-ferrous metals and other recyclable commodities	River Metals Recycling
Dec-19	On Point Oilfield Partners	Provides piping, handling, treating and disposing of oilfield wastewater	Gravity Oilfield Services
Nov-19	Green Planet 21	Provides recycling services and equipment	Federal International Recycling And Waste
Nov-19	AGI Environmental	Provides environmental remediation and waste management services	GFL Environmental
Nov-19	Electronics Recycling Solutions	Provides electronics recycling services for corporations, businesses, government and non-profit organizations	Health Connect America
Nov-19	Hauling, Container and Contract Assets of Designated Disposal	Hauling, container and contract assets in Knoxville, TN	Meridian Waste Services
Nov-19	NRC Group Holdings	Provides various environmental, compliance and waste management services	US Ecology
Oct-19	Reym	Provides waste management, transport and industrial cleaning services	REMONDIS
Oct-19	Hillstone Environmental Partners	Provides water management solutions for the oil and gas industry	NGL Water Solutions Permian
Oct-19	PERC Water	Develops wastewater treatment facilities	Consolidated Water Co.
Oct-19	Snyder Environmental	Provides asbestos abatement, mold remediation and infrastructure services	1 Priority Environmental Services; Earth Services & Abatement
Oct-19	Recyclebank	Operates rewards programs that motivate people to recycle	Recycle Track Systems
Oct-19	Balcones Resources	Recycling, shredding, and waste management service provider	Closed Loop Partners

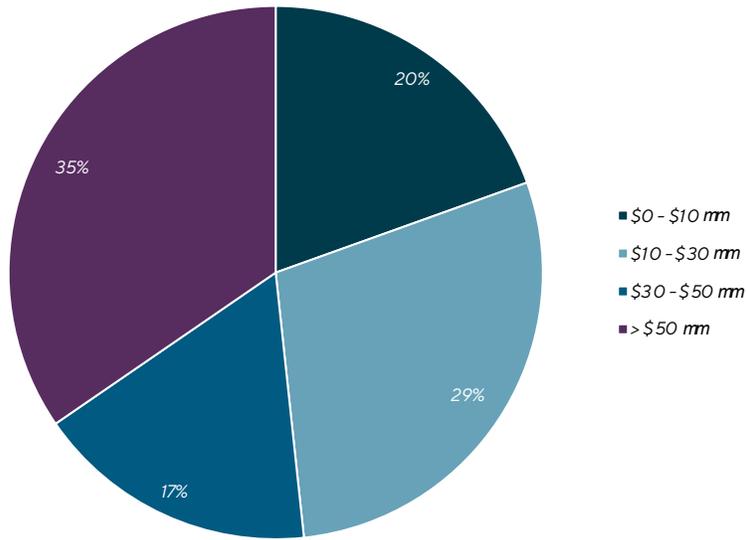
Source: Capital IQ, Mergermarket as of 12/31/2019

# 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 more than 1,300 mid-market companies.

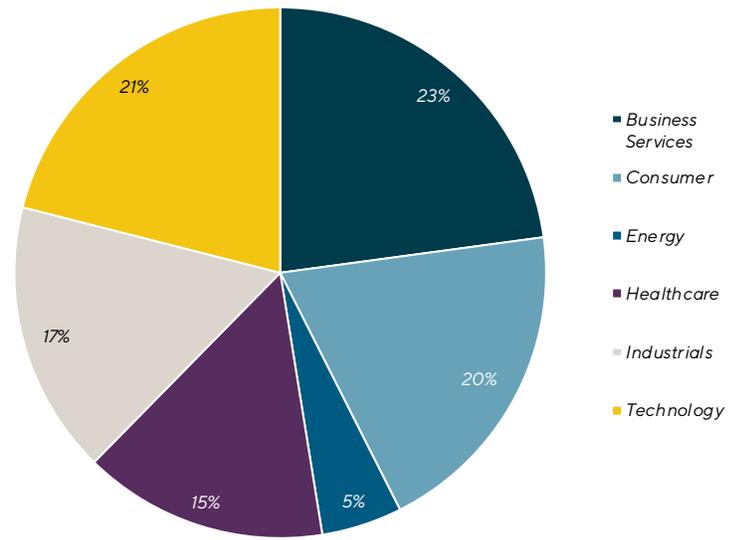
## Q3 2019 Trends by Size (LTM EBITDA)

Distribution by Size

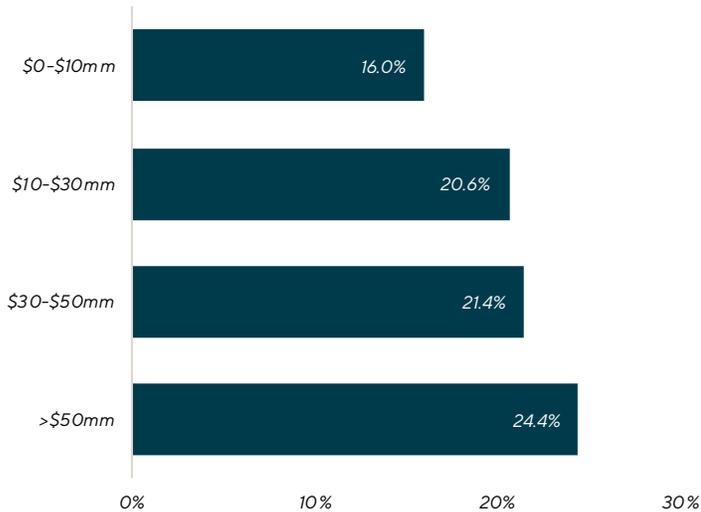


## Q3 2019 Trends by Industry Vertical

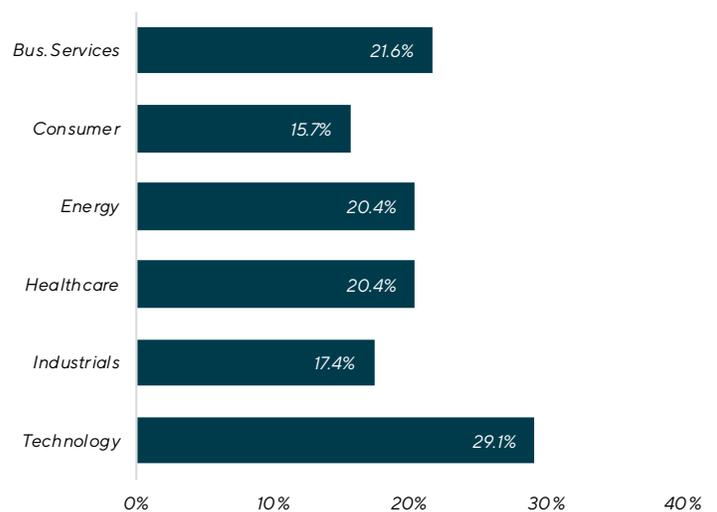
Distribution by Vertical



## Average LTM EBITDA Margin by Size



## Average LTM EBITDA Margin by Vertical

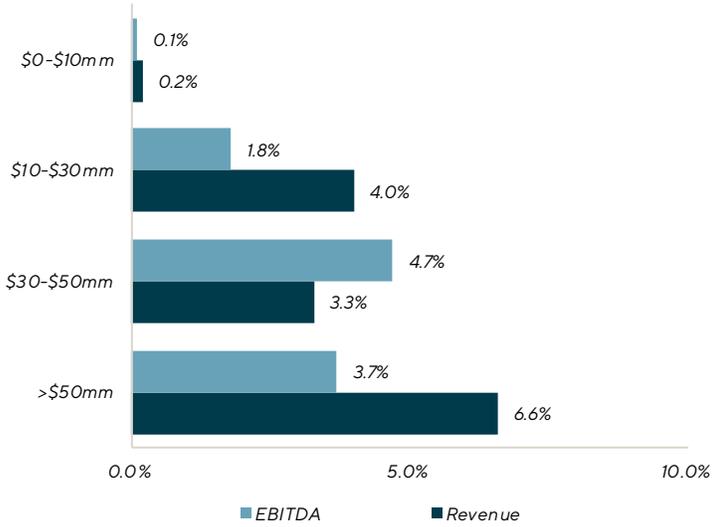


Note: the above charts reflect data from Lincoln's proprietary valuations database as of 9/30/2019

# Lincoln Middle Market Index (cont'd)

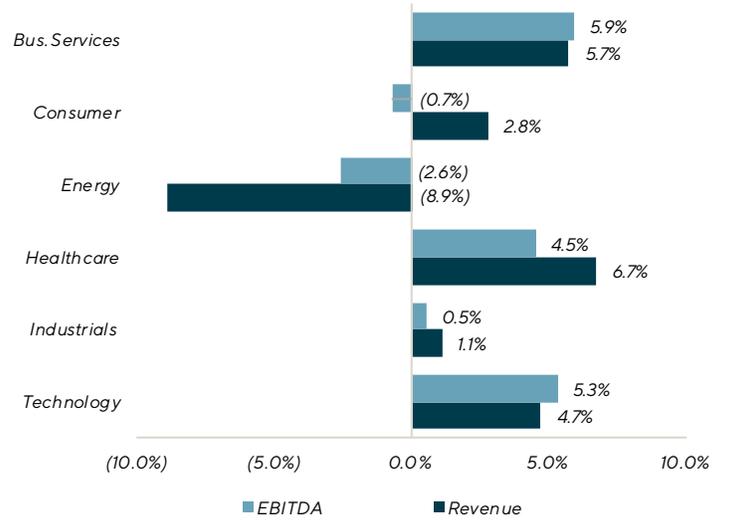
## Q3 2019 Trends by Size (LTM EBITDA)

Quarter over Prior Year Quarter  
Revenue and EBITDA by Size

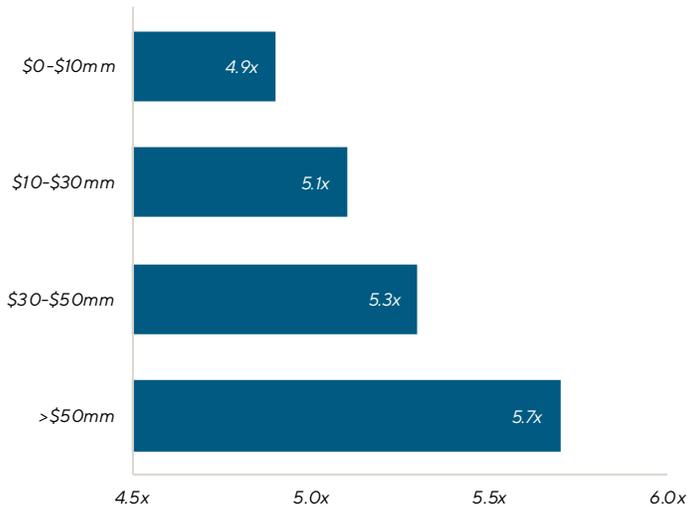


## Q3 2019 Trends by Industry Vertical

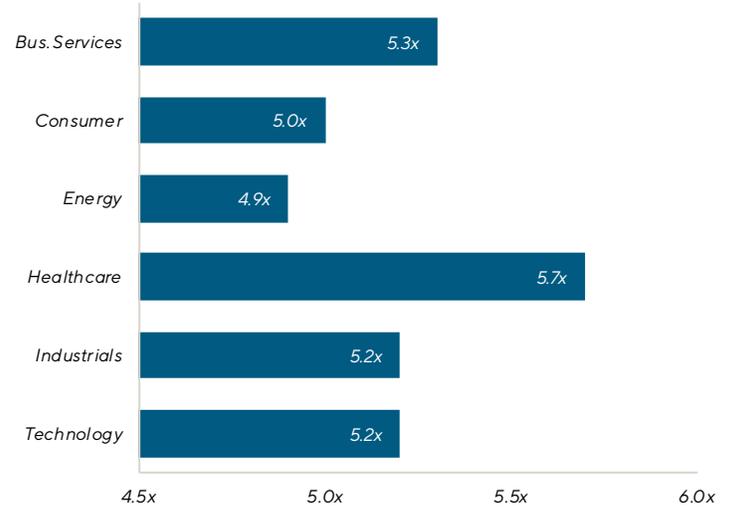
Quarter over Prior Year Quarter  
Revenue and EBITDA by Vertical



## Average Current Leverage by Size



## Average Current Leverage by Vertical



Note: the above charts reflect data from Lincoln's proprietary valuations database as of 9/30/2019



## 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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