



Waste & Recycling Industry

Q4 2019

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TRANSITUS CAPITAL

Investment Banking Services:

- M&A Advisory
- Capital Advisory
- Generational Transfer Finance

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Private Equity in the Waste Industry

The pace of M&A transactions remains strong, with waste industry deal announcements happening on a weekly basis. The acquisitions range in size, from small regional roll-off companies to fully integrated mega-mergers. What is behind the increase in M&A? There are multiple reasons behind the increase in M&A activity, but one significant factor is interest from Private Equity buyers.

What is Private Equity?

Private Equity is often mentioned in media coverage, covered in trade publications, but what is PE? Private Equity groups make investments in the equity of privately held businesses. The last decade has seen a tremendous increase in the number of PE groups and the amount of capital being deployed. The waste industry has directly benefitted from this trend, as a significant number of acquisitions are backed by PE groups. The competition for investment opportunities has driven valuations higher and provided access to capital previously unavailable to lower middle-market waste companies.

Private Equity groups are currently seeking investment opportunities in across the waste and recycling sector – from curbside collection to landfill operators, and every other stage of the waste stream. Valuations in the industry are at historic highs, driven by the stockpiles of cash held by PE investment groups.

PE groups that invest in lower middle-market waste companies are focused on adding value. Often times, the PE investor seeks a partnership with the seller, by acquiring less than 100% of the equity. As a financial sponsor, they are focused on supporting the management team's growth objectives. The typical investment horizon for a PE group is between 5 – 7 years, which is spent growing the company. PE investors will contribute capital, expertise, and a variety of tools to achieve a healthy return on their investment. (cont'd)



Investment Banking for the Waste Industry



Capital

PE groups have the financial resources available to fuel growth in their waste industry targets. Obviously, the seller of the company benefits from selling equity in the company, allowing them to take some chips off the table or retire from the business. However, following an acquisition, a PE investor will drive growth with considerable capital infusion. PE firms may provide capital to buy new equipment, expand the fleet, launch marketing efforts, or make additional tuck-in acquisitions to increase market share.

Strategic Support

In addition to capital, Private equity can supply the talent needed to take your waste company to the next level – offering any type of expertise that may be lacking. Typically, these groups are more operationally focused and support management to achieve growth objectives and maximize company value. It is not uncommon for a group to provide a CFO role, on a fractional basis or full-time, to manage the financial operations of a company. Don't misunderstand this as a full revamp, PE groups seek strong management teams that are doing the right things, and work alongside those teams with limited disruption.

In addition to expertise, PE groups are able to offer strategic connections. These connections may be beneficial vendor relationships or help securing a municipal curbside contract. A more robust PE group may have access to attractive employee benefit packages that small companies are unable to purchase. They effectively open several doors that are often closed to smaller businesses.

Identifying the Right Partner

When considering investment from a Private Equity group, whether a full sale or partial, it is imperative to pick the right partner. There are a multitude of Private Equity groups with an interest in the waste industry, but not all of them represent the right fit for your company.

Start the process with an assessment of your objectives – do you want to capture the tremendous growth from Private Equity partnership, or would you prefer to retire from the business now with a full buyout? Next, look at what your waste company may lack in terms of capital and expertise – are there growth opportunities that would require some additional support to achieve?

Transitus Capital can help you develop a strategic capital plan and identify the optimal partner for the next stage of your company. For a complimentary assessment of market value, please contact Victor Bloede (vbloede@transituscap.com).

NOTABLE TRANSACTIONS



Acquires



TPG growth announced the acquisition of Arkansas-based Denali Water Solutions (January 2020, Undisclosed)

TPG Growth, the middle market and growth equity platform of alternative asset firm TPG, today announced that it has signed a definitive agreement to acquire Russellville, Arkansas-based Denali Water Solutions from the Company's management and The Firmament Group. The transaction is expected to close in early February 2020 and is subject to customary closing conditions. Terms of the acquisition were not disclosed.

Denali is a market-leading provider of specialty waste and environmental recycling and disposal services in the United States, performing mission-critical daily organic waste collection, processing, recycling, and disposal for municipal, industrial food processing and downstream industrial customers. Through an extensive network of permitted farmland and strategically located organic waste processing facilities, Denali provides a strong value proposition to its customers through its easily accessible and cost-effective recycling and disposal methods.

Clairvest completes sixth investment in waste management sector through partnership with DTG Recycle (January 2020, \$32 Million)

Clairvest Group Inc. (TSX: CVG) ("CVG") today announced that it, together with Clairvest Equity Partners V ("CEP V") (together "Clairvest"), led a US\$32 million minority growth equity financing in DTG Recycle ("DTG" or the "Company") in partnership with existing shareholders. CVG's portion of the investment in DTG is US\$8.7 million.

DTG is a leading waste hauling and recycling company with operations concentrated in the greater Seattle-Tacoma area of Washington State. The Company focuses on the collection, recycling and beneficial re-use of material from commercial, construction and industrial customers. Clairvest is partnering with Dan Guimont, the Company's Founder and President, and Tom Vaughn, CEO, to continue DTG's impressive expansion. This investment builds on Clairvest's 14-year investment track record in the environmental services industry.

CLAIRVEST

Makes minority investment in



Prophet Equity Announces Merger of Apex Environmental Resources Holdings II with Interstate Waste Services, Inc. (January 2020, Undisclosed)

Prophet Equity, a Southlake, TX-based private equity firm, has completed the transformative merger of its portfolio company, Apex Environmental Resources Holdings II, with The Action Environmental Group, majority owned by Summer Street Capital Partners. The merged Apex-Action company will conduct operations under the Interstate Waste Services brand. Littlejohn & Co a private investment firm based in Greenwich, CT led the equity financing to facilitate the transaction, while GSO Capital Partners, the credit investment arm of Blackstone, led the debt financing.

Darren Rizzo, President of Apex, and Anthony Rizzo, Apex COO, commented, "The Prophet Equity team was critical in supporting Apex's initial acquisition as well as the organic and acquisition-led growth within the highly attractive northern New Jersey solid waste market. Their partnership has enabled the creation of the vertically integrated solid waste platform at IWS. We could not be more excited about both these accomplishments and our next phase of growth on this platform."



Acquires



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description
02/13/2020	Miller Sanitation	Waste Management	Provider of solid waste collection and recycling services to over 3,000 customers in southwestern and central Minnesota
02/05/2020	Denali	TPG Growth	Backed by Ironwood Capital and sold to TPG Growth, Denali is a provider of speciality waste and recycling services in the U.S.
Q4 2019	Devens Recycling	Republic Services	C&D recycling and waste transfer facility in Northern Massachusetts
Q4 2019	Prinville Disposal	Republic Services	Provider of solid waste disposal services to 7,000 customers in Central Oregon.
Q4 2019	Waste Harmonics	Arcapita	Technology-enabled facility services company that delivers a comprehensive suit of waste management solutions to blue-chip clients throughout North America
Q4 2019	Shotwell Companies	Meridian Waste	Provider of landfill, transfer station, and recycling services throughout the Raleigh, NC marketplace
01/10/2020	GFL Environmental	American Waste	Vertically integrated provider of environmental solutions for a broad base of solid and liquid waste customers
01/07/2020	Trojan Waste Solutions	Valet Living	Provider of doorstep waste and recycling pickup in the San Antonio and Austin Marketplaces
Q4 2019	Penn Waste	Waste Connections	Provider of residential and commercial waste collection across multiple Pennsylvania counties as well as an operator of a single-stream MRF
12/10/2019	County Waste of Virginia	GFL Environmental	Provider of collection, transportation, transfer, recycling, and non-hazardous solid waste disposal to over 400,000 customers in Virginia and Eastern Pennsylvania
11/20/2019	AGI Group	GFL Environmental	Provider of environmental remediation and waste management services in the Kitchener-Waterloo area of Ontario
11/05/2019	Designated Disposal	Meridian Waste	Acquisition of the hauling, container, and contracts assets in Knoxville, TN
Q3 2019	Triple H Dumpster Service	Frontier Waste Solutions	Provider of solid waste disposal services
Q3 2019	H&L Rural Trash	Frontier Waste Solutions	Provider of solid waste disposal services
Q3 2019	Riata Disposal	Frontier Waste Solutions	Provider of solid waste disposal services in Dripping Springs, TX
Q3 2019	Panther City Disposal	Frontier Waste Solutions	Provider of roll off dumpster service in the DFW area
Q3 2019	Midwest Waste Services	Frontier Waste Solutions	Provider of residential and commercial waste disposal services in Azle, TX and surrounding towns
09/05/19	Windsor Disposal Services	GFL Environmental	Provider of solid waste management solutions in Windsor, ON
09/03/19	West Transfer Station - St Louis	Meridian Waste	St. Louis based transfer station that had been non-operational for 10 years
08/30/19	A&L Waste Removal	Meridian Waste	Provider of waste collection and disposal services in Georgia

SELECT TRANSACTIONS (Continued)

Date	Target	Acquirer	Target Business Description
08/30/19	Waste Solutions	Meridian Waste	Provider of waste collection and disposal services in Georgia
08/26/19	Harbor Carting & Empire Waste Removal	Winter Bros ¹	Provider of solid waste collection and recycling services
08/16/19	Lone Star Disposal	J.F. Lehman & Compan	Vertically integrated provider of C&D and MSW disposal and related environmental services in Houston, TX
08/09/19	Jack Herod Trucking	Stella Environmental	Provider of transfer station management and ancillary waste logisitcs services in the DFW area
08/06/19	Vancouver Island solid waste oper:	GFL Environmental	Provider of residential, commercial, and industrial solid waste and recycling collection and hauling
08/01/19	2 Harvest Power California compost facilities	USA Waste of California	Compost Facilities located in Tulane, CA and Lathrop, CA
07/23/19	WasteRetriever	Valet Living	Doorstep trash and recycling collection company
07/09/19	Soil Safe	GFL Environmental	Recycler of non-hazardous contaminated soil for reuse outside of landfills
07/08/19	Canada Fibers	GFL Environmental	Provider of recycling processing services to municipal, commercial, and industrial customers across Ontario
06/26/19	Patriot Environmental	Environmental Specialties	Provider and installer of geosynthetic lining materials for the oil and gas exploration and production industry
06/24/19	NRC Group Holdings	US Ecology	Merger among leaders in industrial and hazardous waste management services
06/21/19	Republic Services Subsidiaries	Casella Waste	Solid waste assets of Republic Services located in Albany, NY and Cheshire, Mass
06/06/19	D&E Rubbish Removal	Casella Waste	Provider of commercial and residential waste removal services in Waterboro, MA
06/06/19	Bin Dump'n Trash	Casella Waste	Provider of residential waste services in Wilbraham, MA
06/06/19	TAM, Inc	Casella Waste	Provider of commercial and residential waste services as well as recycling, demolition, and composting services
06/04/19	Phoenix Technologies	Far Eastern New Century Corp	Bowling Green, OH based PET Recycler
05/17/19	DisposAll	Orion Waste Solution:	All assets of DisposAll of Pinellas County, FL and commercial front load assets of DisposAll of Orlando, FL
04/15/19	Advanced Disposal	Waste Management	Operator of 94 collection services, 73 transfer stations, 41 landfills, and 22 recycling facilities throughout the U.S.

PUBLICLY TRADED COMPANY OPERATING DATA

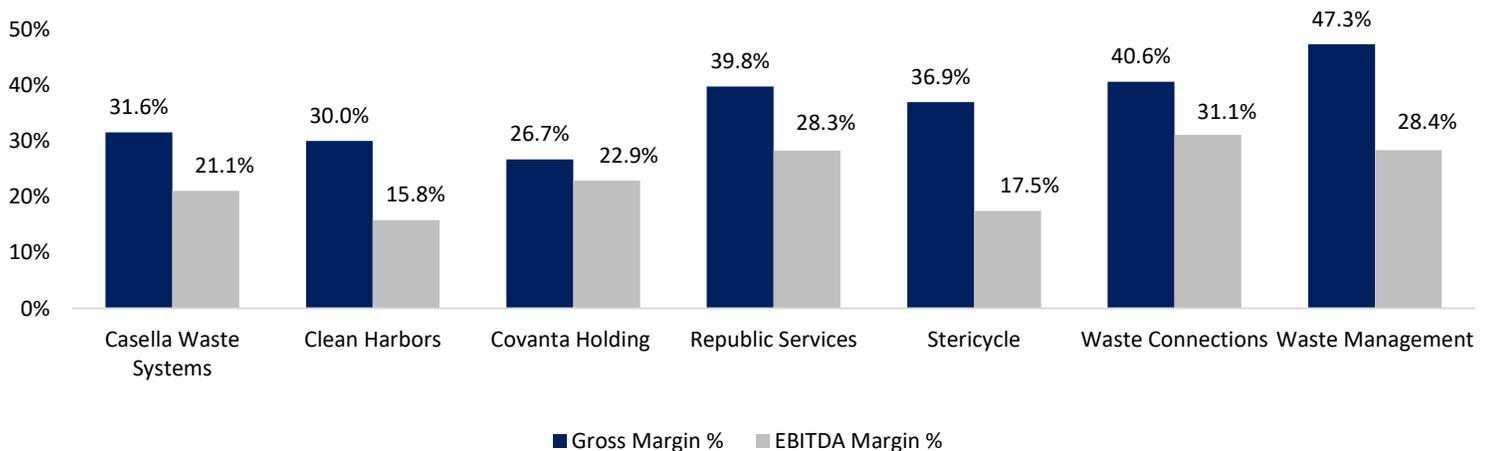
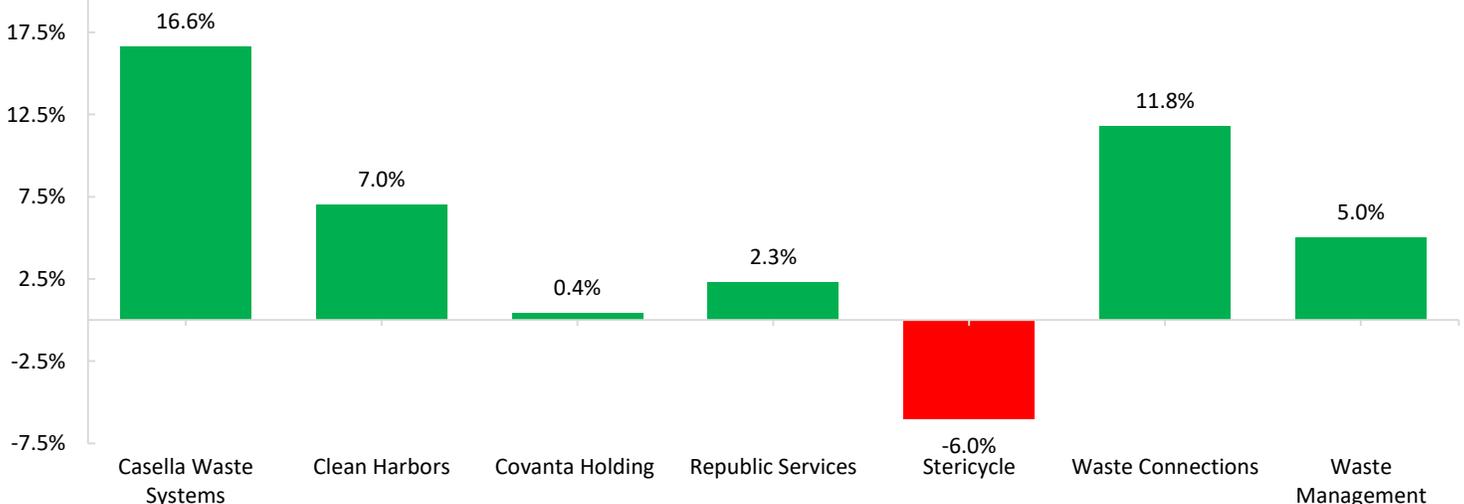
Company	Price 02/27/20	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV/LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
Casella Waste Systems (CWST)	\$50.50	90.0%	\$2,413.0	\$3,000.0	\$743.0	\$156.50	21.06%	4.0x	19.2x
Clean Harbors (CLH)	\$72.77	82.3%	\$4,061.0	\$6,330.0	\$3,412.0	\$540.30	15.84%	1.9x	11.7x
Covanta Holding Corporation (CVA)	\$13.71	74.6%	\$1,802.0	\$4,280.0	\$1,870.0	\$428.00	22.89%	2.3x	10.0x
Republic Services (RSG)	\$91.34	90.5%	\$29,143.0	\$38,050.0	\$10,299.0	\$2,914.00	28.29%	3.7x	13.1x
Stericycle (SRCL)	\$61.43	90.4%	\$5,598.0	\$8,440.0	\$3,309.0	\$577.80	17.46%	2.6x	14.6x
Waste Connections (WCN)	\$95.50	90.8%	\$25,315.0	\$29,420.0	\$5,389.0	\$1,674.00	31.06%	NM	17.6x
Waste Management (WM)	\$113.62	89.6%	\$48,255.0	\$58,450.0	\$15,455.0	\$4,383.00	28.36%	3.8x	13.3x

EV = Enterprise Value; LTM = Last twelve months

\$ in Millions, except for per share data

NM = Not Meaningful

Mean	23.57%	3.0x	14.2x
Median	22.89%	3.1x	13.3x
Harmonic Mean	22.27%	2.8x	13.6x

Last Twelve Months Margin Performance

Last Twelve Months 1-Year Revenue Growth


Source: Yahoo Finance, ETRADE Research

COVANTA®

Powering Today. Protecting Tomorrow.

2019 Q4 EARNINGS OVERVIEW



REVENUE

\$485M

Down 3%

Revenue growth driven by increases in volume, tipping fees, and EFW operations

ADJUSTED
EARNINGS
PER DILUTED
SHARE
\$0.09



ADJUSTED
OPERATING
EBITDA

\$125M

5.3% Decrease from Q4 2018



TIPPING FEES



UP 5%



VOLUMES
UP 8%

Driven by portfolio expansion and organic growth

DECLARED
DIVIDEND PER
SHARE



\$.25



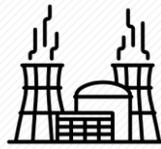
CASH FROM
OPERATIONS

\$114M

25% Increase from Q4 2018



EFW REVENUE



\$354M

Up 1% from Q4 2018



FREE CASH
FLOW

\$91M

Up 122% in Q4 of 2018

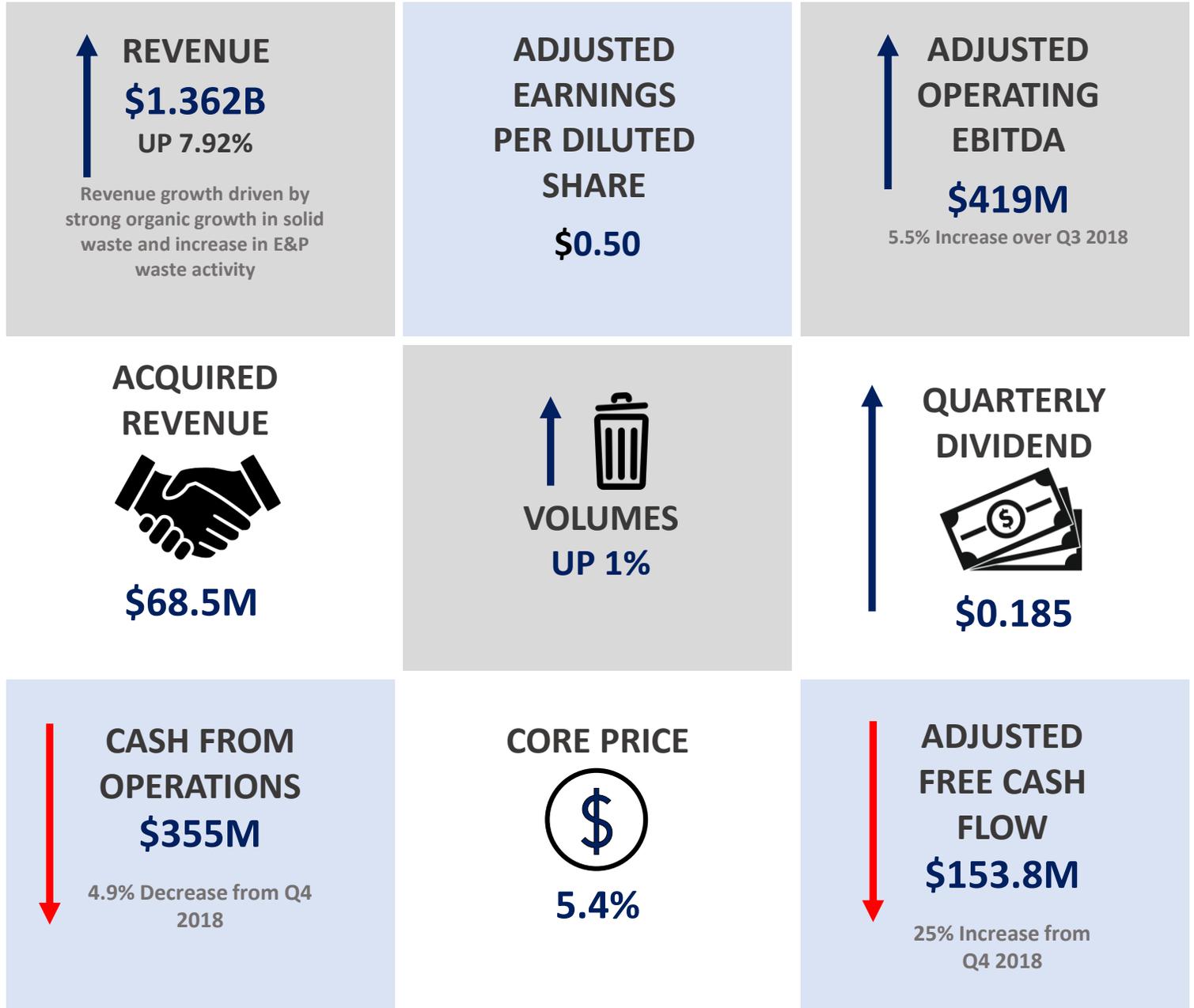
"2019 finished on a positive note, as we saw continued strength in waste pricing and improved processing volume on a year-over-year basis. Our focus on a strong operating culture helped our fleet break multiple processing records. At the same time, our development efforts continue to advance as we progressed our third UK project to financial close. Looking ahead to 2020, we continue to invest in our fleet to drive growth, both domestically and overseas as we help the world meet its growing need for sustainable waste solutions."

-Stephen Jones, President & CEO



2019 Q4 EARNINGS OVERVIEW

WASTE CONNECTIONS, INC.



"2019 ended on a high note, as financial results for the fourth quarter exceeded expectations on better than expected solid waste price growth, E&P waste activity and acquisition contribution. We are also extremely pleased with our results for the full year, as underlying adjusted EBITDA margins in solid waste collection, transfer and disposal expanded by 50 basis points. Moreover, our ability to deliver full year adjusted free cash flow of \$916.8 million or 17.0% of revenue and 54.8% of adjusted EBITDA on a 16.2% increase in capital expenditures as we reinvested in and expanded our business is indicative of our disciplined focus on quality of revenue and free cash flow generation."

- **Worthing Jackman, President & CEO**

Stericycle® 2019 Q4 EARNINGS OVERVIEW

 **REVENUE**
\$799.9M
DOWN 6.2%

Revenue decrease due to macroeconomic factors of SOP pricing and foreign exchange rates as well as divestitures

ADJUSTED EARNINGS PER DILUTED SHARE
\$0.72

 **ADJUSTED OPERATING EBITDA**
\$152.8M
15.3% Decrease from Q4 2018

SECURE INFORMATION DESTRUCTION REVENUE



DOWN 6.7%



REGULATED WASTE AND COMPLIANCE ORGANIC GROWTH
2.0%

 **INTERNATIONAL REVENUE**
139.1M
Down from 152.1 in Q4 2018 due to divestitures

 **CASH FROM OPERATIONS**
\$201.2M
123.8% Increase from Q3 2018



 **ADJUSTED FREE CASH FLOW**
\$13.8M

“I am pleased with the progress we’ve shown since our new leadership team was put into place. Our actions enabled us to hit the highest growth rate in our core regulated medical waste business in over three years and to generate free cash flow in the second half of the year,” said Cindy J. Miller, Chief Executive Officer. “Our fourth quarter results demonstrate that we continue to move in the right direction to drive growth, improve profitability and deliver long-term shareholder value.”

- Cindy J. Miller, President & CEO



2019 Q4 EARNINGS OVERVIEW



REVENUE
\$193.6M
UP 10.8%

Revenue growth driven by strong pricing across collection and disposal services

ADJUSTED EARNINGS PER DILUTED SHARE
\$0.26



ADJUSTED OPERATING EBITDA
\$41.1M

14% Increase from Q4 2018

2019 ACQUIRED ANNUALIZED REVENUE



\$53M



SOLID WASTE VOLUMES
DOWN .9%



LANDFILL PRICING



UP 7.6%



CASH FROM OPERATIONS
\$45.3M

Up 46% from Q4 2018



SOLID WASTE PRICING



5%



ADJUSTED FREE CASH FLOW
\$31.3M

Up from \$9.7M in Q4 2018

“During 2019 we continued to make substantial progress executing against our strategic growth initiative, as we acquired nine businesses with approximately \$53 million of annualized revenues. In early 2020 we have started the year well, completing another two acquisitions with approximately \$6 million of annualized revenues. We expect revenue growth of roughly 4.7% (or \$35 million) in 2020 from the roll-over impact of acquisitions completed in 2019 and those already completed in early 2020. Our acquisition pipeline remains robust, and we believe that there is continued opportunity to drive additional cash flow growth across our footprint through the sustained execution against our disciplined acquisition strategy.”

- John Casella, CEO



REPUBLIC
SERVICES

2019 Q4 EARNINGS OVERVIEW



REVENUE

\$2.57B

UP 1.85%

Revenue growth driven by strong pricing across collection, disposal, and recycling processing businesses

ADJUSTED
EARNINGS
PER DILUTED
SHARE

\$0.90



ADJUSTED
OPERATING
EBITDA

\$652M

10% Decrease from Q4 2018



RECYCLING
REVENUE



DOWN 23%



VOLUMES
DOWN .2%

INVESTMENTS IN
ACQUISITIONS



\$35M

CASH FROM
OPERATIONS

\$565.2M

14% Increase from Q4 2018

CORE PRICE



4.8%



ADJUSTED
FREE CASH
FLOW

\$226M

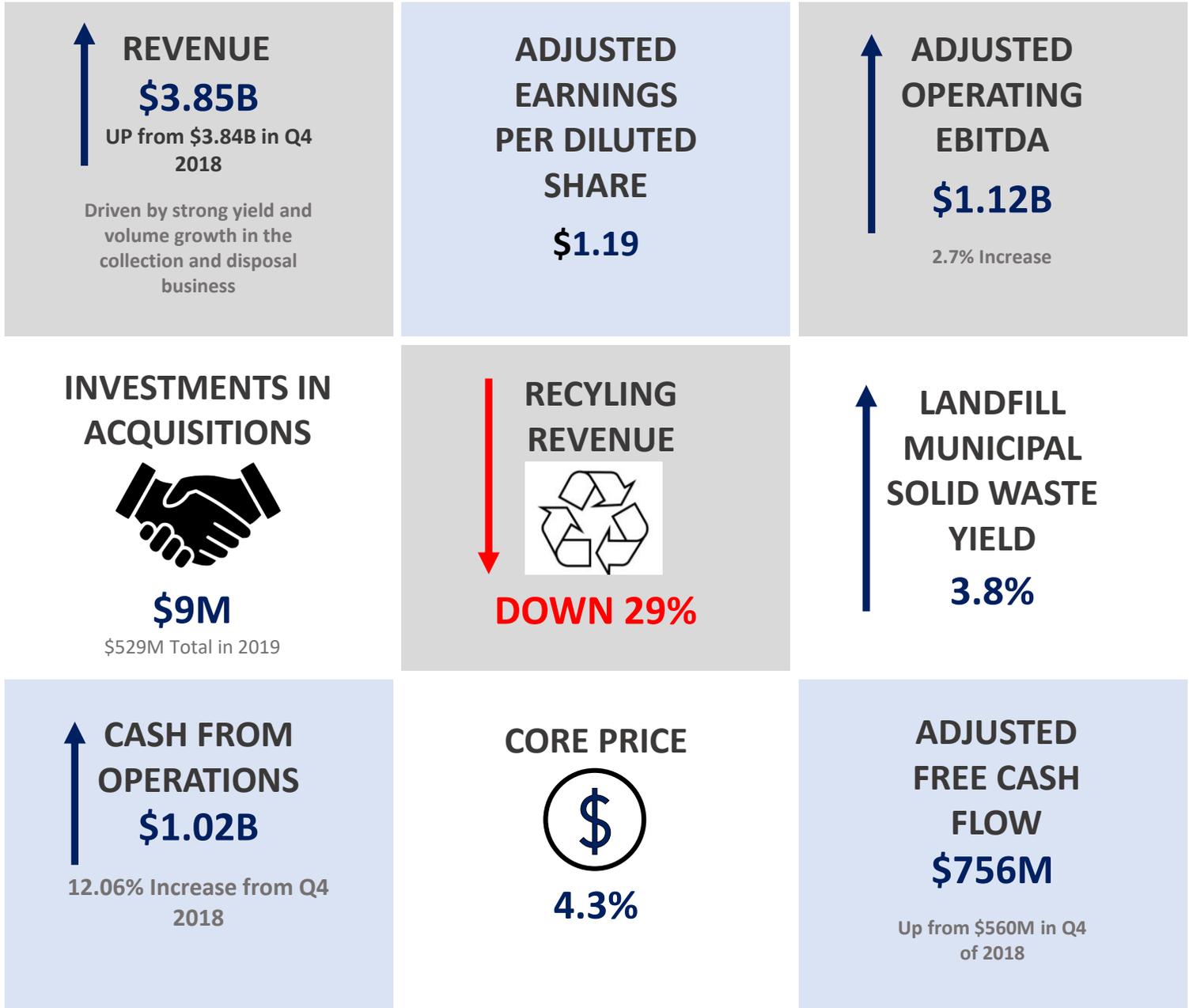
Up from \$210M in Q4
2018

"The Republic Services team finished the year strong, and we are well-positioned for continued success in 2020. By focusing on delivering superior service to our customers and increasing employee engagement, we profitably grew our business and outperformed our adjusted EPS and free cash flow guidance for the year. In 2019, we invested over \$525 million in value-enhancing acquisitions to expand our leading market position and increase the scale of our service offerings. Our acquisition pipeline remains strong, and we could see another outsized year of investment in 2020."

- Donald Slager, CEO



2019 Q4 EARNINGS OVERVIEW



“In 2019, we continued our focus on optimizing our traditional solid waste business, developing our people and investing in technology to better serve our customers. Our strong results demonstrate that we are investing in the right areas. Our collection and disposal business operating EBITDA grew by 8.5% in 2019 and operating EBITDA margin expanded by 70 basis points. This strong operating EBITDA growth translated into an 8.5% increase in net cash provided by operations in 2019.”

- Jim Fish, President & CEO

INVESTMENT BANKING FOR THE MIDDLE-MARKET

WHAT WE DO

Our singular focus on the middle market allows us the opportunity to work closely with waste industry clients to provide top tier guidance throughout the transaction.

Merger & Acquisition – Client Profile

- Revenue \$10+ million
- EBITDA \$1.5+ million
- Enterprise Value \$10+ million
- Sell-side & Buy-side representation

Capital Advisory – Client Requirements

- Seeking \$10+ million
- Debt – Mezzanine/Unitranche/Commercial
- Private Equity
- Recapitalization
- Control & Non-Control Financing

Generational Transfer

- Partnership Buyouts
- Founder Retirement
- Interfamily Transfer

WHO WE ARE

Transitus Capital is dedicated to providing a client centered, prudent approach by seasoned professionals. We provide a level of sophistication that our clients need to meet their varied needs with a full suite of services.

Transitus Capital delivers a true investment banking process by FINRA registered investment banking professionals.

CLIENT PROFILE

Transitus Capital Provides M&A advisory and capital advisory to firms in the waste industry including waste haulers, landfills, recyclers, and ancillary industries i.e. manufacturing.

Our capital solutions and M&A advisory provide clients guidance throughout the process of selling a business and/or raising capital.



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