



Waste & Recycling Industry

Q3 2019

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TRANSITUS CAPITAL

Investment Banking Services:

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

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ROBUST M&A ACTIVITY

In the third quarter 2019, the waste industry continued to experience heightened merger and acquisition (M&A) activity, a trend that is consistent with the first half of the year. Publicly traded firms reported that M&A activity remains robust across all aspects of the industry and indicated that the trend will continue well into 2020.

The frenetic pace of M&A activity continued across the solid waste industry, with publicly traded firms reporting significant transactions. Following April's announcement that Waste Management (NYSE: WM) would acquire Advanced Disposal Services (NYSE: ADSW) for \$4.9 billion, one might expect that WM would take a breather on acquisitions; however, WM reported \$513 million in acquisitions in 2019 year-to-date, with \$76 million in Q3 2019 alone. Similarly, Republic Services (NYSE: RSG) spent \$275 million on acquisitions in Q3 2019, bringing the 2019 year-to-date acquisition value to \$448 million. Republic's management team suggested that the spree is not over, as they expect their total acquisition outlay to reach \$550 million by year end.

On an absolute basis, Casella Waste Systems' (NYSE: CWST) acquisition appetite appears to be much smaller, spending \$73 million in acquisitions in 2019 year-to-date. On a relative basis though, this acquisition spend is equivalent to 320% of operating cash flow, a figure that more accurately represents the importance of M&A to their growth strategy. Similar to CWST, Waste Connections (NYSE: WCN) appears to be trailing some of their peers in acquisition pace, spending \$39 million in Q3 for a year-to-date total of \$420 million; however, management indicated on the most recent quarterly call that WCN currently has \$600 million in outstanding acquisition offers.

It appears that the active M&A marketplace is reflected in seller expectations as valuations have continued to rise. The market remains competitive as buyers compete to find acquisition targets. The CEO of Waste Connections, Worthing Jackman, indicated that valuations for acquired companies are near 10.0x EBITDA, an increase of 1.0x – 1.5x EBITDA across the last 2-3 years. Further, Casella revealed that recent acquisitions have added \$55 million in revenue, which would suggest an acquisition price in excess of 1.30x revenue.

This trend is being driven by publicly traded companies as well as the tremendous amount of capital pouring in from Private Equity sponsors. We expect the tremendous amount of dry powder held by Private Equity sponsors and the acquisition objectives of publicly traded firms will continue support of exceptionally high valuations in M&A transactions.

HOUSING AND C&D WASTE

1.26M HOUSING STARTS IN SEPTEMBER

Historically, residential construction activity has had a significant impact on waste volumes. In fact, Republic Services has determined there to be an 88% correlation between single-family housing starts and their overall volumes.

Due to the high correlation between the housing market and waste volumes, recent mixed signals have become a source of consternation among the major haulers. Housing starts declined 9.4% to a seasonally adjusted annual rate of 1.26 million units in September as construction in the volatile multi-family housing segment dropped. The sale of new single-family homes fell in September by .7%, and the average new house price fell to \$310,900 in Q3, a 6.4% decrease from Q3 2018.

Haulers and transfer stations that concentrate in C&D waste are directly impacted by volatility in the housing market. In Q3 2019, Waste Connections reported a 4% drop in C&D volumes (year-over-year) with a decline in every region except the South.

If weakness in the housing market persists, we believe there will be consolidation among pure-play C&D haulers and ancillary firms with significant revenue stream from C&D. This could continue to drive the record M&A activity that we have seen from the major haulers so far in 2019 into 2020 and beyond.

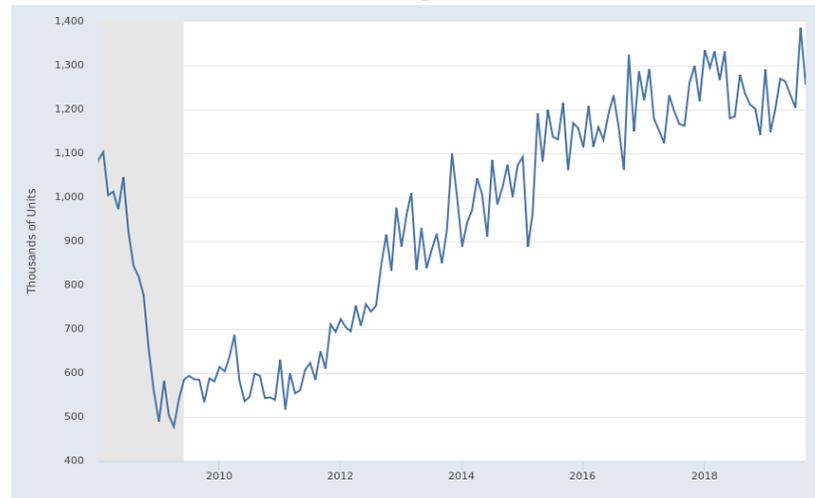
*Housing Data Source: St. Louis Fed

Median Sales Price of Houses Sold in the U.S.



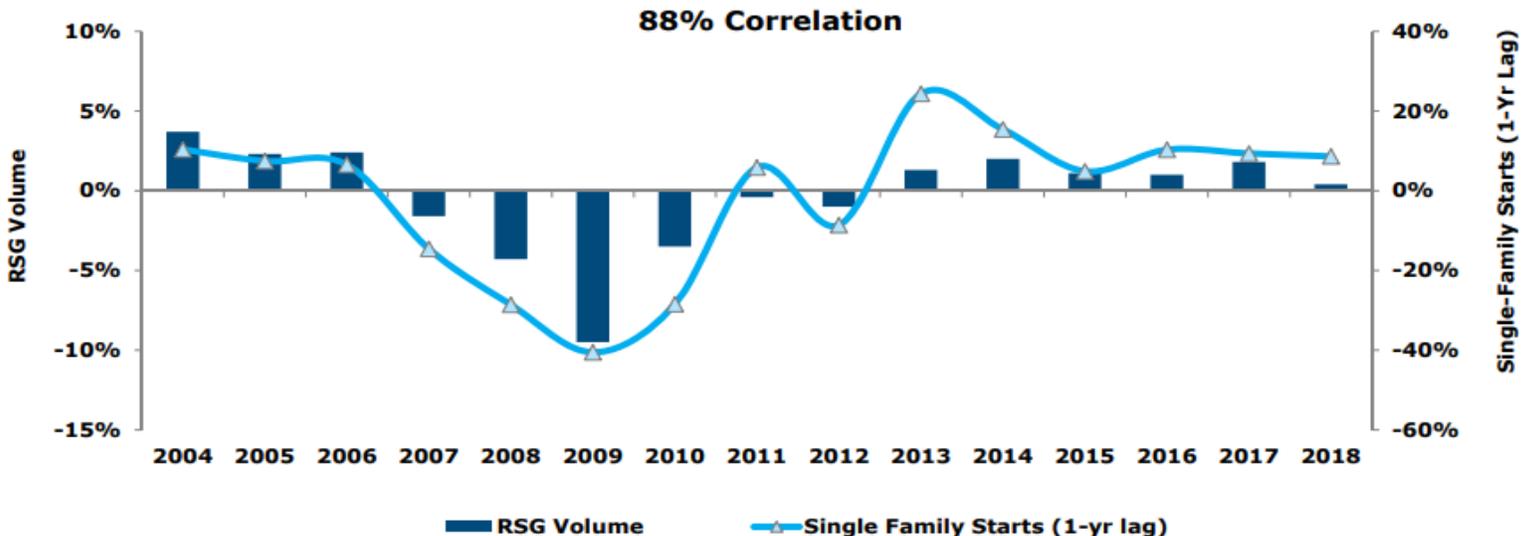
Source: St. Louis Fed

Housing Starts



Source: St. Louis Fed

% Change: RSG Volume vs. Single-Family Housing Starts (1-Yr lag)



Source: U.S. Census Bureau and Department of Housing and Urban Development

Source: Republic Services

NOTABLE TRANSACTIONS

Meridian Waste to acquire several transfer stations and landfills in North Carolina (October 2019, Undisclosed)

Meridian Waste recently made public its agreement to expand into North Carolina by acquiring Shotwell Landfill, Inc.; Shotwell Transfer Station II, Inc.; Capitol Waste Transfer, LLC; Capital Recycling, LLC; and Morrisville Transfer Station LLC.



The Shotwell Companies collectively provide different types of services within the waste management industry – debris & landfill, solid waste transfer stations, hauling assets and disposal facilities. This group acquisition is Meridian’s first transaction in North Carolina, but it is also the eleventh transaction since April 2018.

“The opportunity to purchase a very viable C&D landfill in a dynamic growth market such as Raleigh-Durham...is transformational” said CEO Walter Hall. This large growth by Meridian in the southern United States shows the company’s strength in its operations in six states in the South. In a growing region, these acquisitions will increase Meridian’s margins.

Frontier Waste Solutions announces the completion of 5 acquisitions in Texas (September 2019, Undisclosed)

Frontier Waste Solutions acquired Midwest Waste Services, Panther City Disposal, Riata Disposal, H&L Rural Trash, and Triple H Dumpster Service. Additionally, Frontier was given additional contracts with Newport Municipal Utility District and the city of Marlin, TX.



“The Midwest and Panther City deals will provide support for Frontier’s continued growth in the DFW Metroplex, complementing Frontier’s existing residential, commercial, municipal and industrial waste services,” according to the company. Earlier in the year Frontier also gained control of certain assets from Waste Connections in the College Station area, which as a result granted more contracts for Frontier.

“2019 has been another transformational year,” said John Gustafson, Frontier’s president and CEO, and this shows from all the activity Frontier has been leading in Texas markets, including the recent decision to move to a new facility in Corpus Christi to expand in that area as well.

Meridian Waste acquires the West Transfer Station near St. Louis, MO (September 2019, Undisclosed)

Meridian Waste confirmed its purchase involving the acquisition of the West Transfer Station near St. Louis. Officially, this transfer station is called the Municipal Solid Waste transfer station permit #0418302, which gives additional residential, commercial, and industrial contracts to Meridian.



This transfer station had not been in operation for the past ten years, allowing for Meridian to capitalize on an overlooked transfer station. “This acquisition represents smart, efficient and environmentally beneficial industry best practices in a competitive marketplace resulting in enhanced service performance, consolidated trucking routes and greater internalization into the company’s disposal assets,” said Dave Lavender, Meridian Waste’s chief operating officer,

This marked the tenth purchase by Meridian Waste since the company was bought out by Warren Equity in April of 2018. Dave Lavender also stated that “the marketplace will see continued proactive decisions to shed itself of unprofitable contracts, in particular underperforming residential governmental contracts that restrict the ability to adjust to market conditions and shift toward geographic areas where we can internalize volumes and maximize overall company performance.”

SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue EBITDA	
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	-	-	-
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'	Provider of solid waste collection and recycling services	-	-	-
08/16/19	Lone Star Disposal	J.F. Lehman & Company	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 ancilliary waste logisitcs services in the DFW area	-	-	-
08/06/19	Vancouver Island solid waste operations of Evergreen Industries	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	-	-	-

SELECT TRANSACTIONS (Continued)

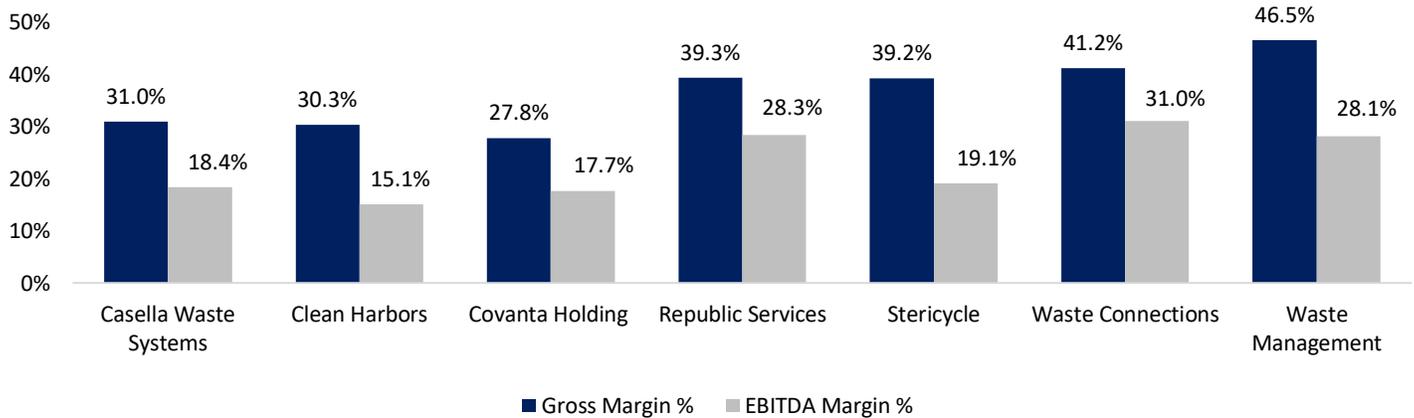
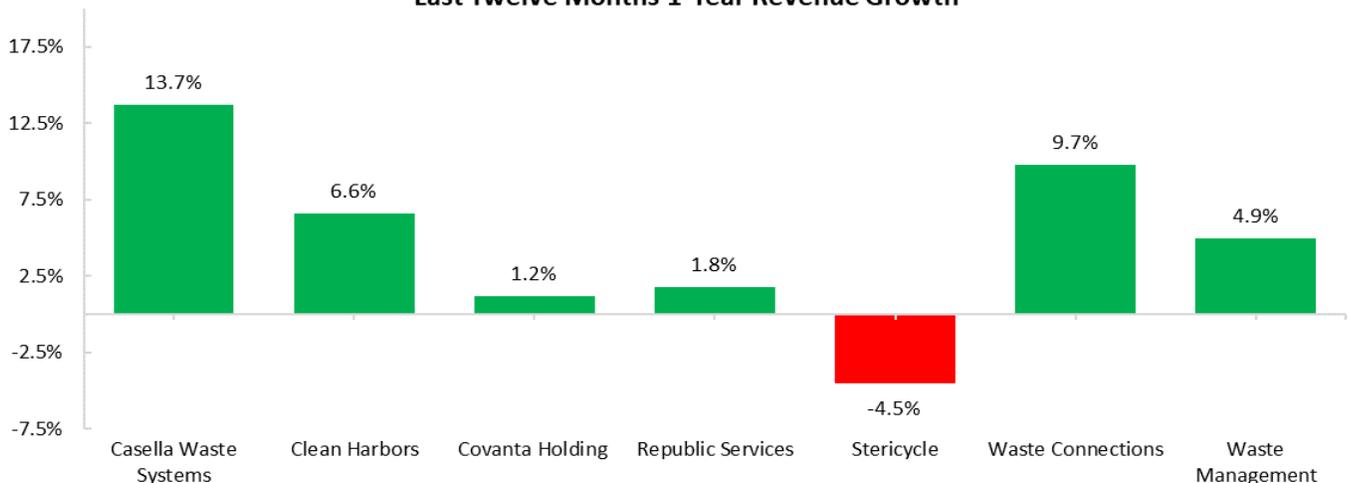
Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	LTM EBITDA
07/08/19	Canada Fibers	GFL Environmental	Provider of recycling processing services to municipal, commercial, and industrial customers across Ontario	-	-	-
06/26/19	Patriot Environmental	Environmental Specialties	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	\$966.0	-	-
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 Solutions	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.	-	-	-
04/10/19	Bestway Disposal	GFL Environmental	Provider of commercial and residential collection services as well as an operator of a transfer station and recycling facility	-	-	-
03/11/19	D & D Sanitation, Outreach Disposal	WCA Waste Corporation	Provides residential and commercial garbage collection services.	-	-	-
03/11/19	Petro Waste Environmental	Waste Management	Offers solid waste disposal and waste processing solutions.	-	-	-
03/06/19	Bend Garbage Company	Republic Services	Provides waste management, recycling, and hauling services in Oregon.	-	-	-
03/04/19	9 Coastal Ladies Carting	Waste Industries USA	Provides recycling, trash collection, roll off dumpster, and waste management services in North Carolina.	-	-	-

PUBLICLY TRADED COMPANY OPERATING DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV/LTM	
	11/01/19	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Casella Waste Systems (CWST)	\$42.19	88.4%	\$2,008.0	\$2,630.0	\$724.4	\$131.48	18.15%	3.6x	20.0x
Clean Harbors (CLH)	\$81.69	95.5%	\$4,570.0	\$6,000.0	\$3,400.0	\$519.86	15.29%	1.8x	11.5x
Covanta Holding Corporation (CVA)	\$14.53	79.1%	\$1,910.0	\$4,430.0	\$1,880.0	\$328.06	17.45%	2.4x	13.5x
Republic Services (RSG)	\$86.68	95.7%	\$27,800.0	\$36,550.0	\$10,250.0	\$2,821.83	27.53%	3.6x	13.0x
Stericycle (SRCL)	\$58.64	98.2%	\$5,340.0	\$8,460.0	\$3,360.0	\$634.03	18.87%	2.5x	13.3x
Waste Connections (WCN)	\$92.01	94.0%	\$24,260.0	\$28,270.0	\$5,290.0	\$1,634.08	30.89%	NM	17.3x
Waste Management (WM)	\$111.23	91.3%	\$47,190.0	\$61,500.0	\$15,450.0	\$4,333.73	28.05%	4.0x	14.2x

EV = Enterprise Value; LTM = Last twelve months
 \$ in Millions, except for per share data
 NM = Not Meaningful

Mean	22.32%	3.0x	14.7x
Median	18.87%	3.0x	13.5x
Harmonic Mean	20.89%	2.7x	14.3x

Last Twelve Months Margin Performance

Last Twelve Months 1-Year Revenue Growth


Source: Yahoo Finance, ETRADE Research

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Powering Today. Protecting Tomorrow.

2019 Q3 EARNINGS OVERVIEW

↑
REVENUE
\$465M
UP 2%

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

ADJUSTED EARNINGS PER DILUTED SHARE
\$0.10

↑
ADJUSTED OPERATING EBITDA
\$125M
2.5% Increase

↑
SAME STORE TIPPING FEES

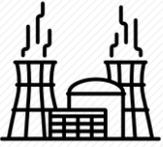
4%

↑ 
VOLUMES
UP 8%
Driven by portfolio expansion and organic growth

DECLARED DIVIDEND PER SHARE

\$.25

↓
CASH FROM OPERATIONS
\$25M
70% Decrease from Q3 2018

↑ 
EFW REVENUE
UP 10%
Excluding Divestitures

↓
FREE CASH FLOW
\$22M
Down from \$85M in Q3 of 2018

"Our third quarter results reflect solid operations and a strong waste market, which drove favorable year-over-year performance. Waste processing and energy production are tracking toward record levels this year, and we continue to push waste pricing, with same store tip fees up 4% in the quarter. While this has been a challenging year from a commodity price perspective, we remain focused on the areas we control, and I am very proud of our continued operational performance, as well as our progress on key strategic initiatives."

-Stephen Jones, President & CEO



2019 Q3 EARNINGS OVERVIEW

WASTE CONNECTIONS, INC.

↑
REVENUE
\$1.41B
UP 10.3%

Revenue growth driven by strong organic growth in solid waste and increase in E&P waste activity

ADJUSTED EARNINGS PER DILUTED SHARE
\$0.60

↑
ADJUSTED OPERATING EBITDA
\$444M
6.5% Increase over Q3 2018

ACQUIRED REVENUE

\$77M

↑ 
VOLUMES UP 1%

↑
QUARTERLY DIVIDEND

\$0.16

↑
CASH FROM OPERATIONS
\$432M
15.8% Increase from Q3 2018

CORE PRICE

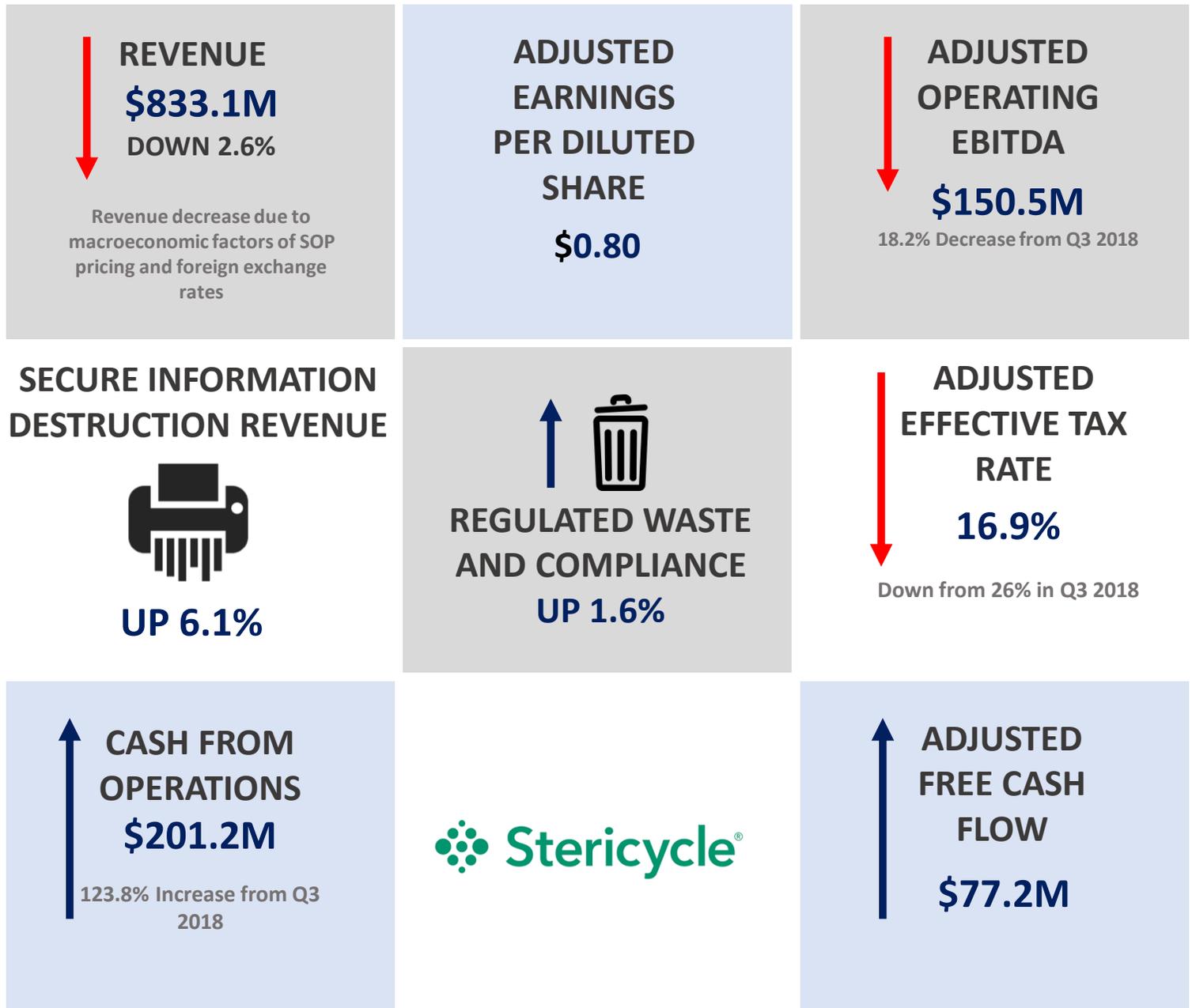
4.8%

↑
ADJUSTED FREE CASH FLOW
\$259M
27.6% Increase from Q3 2018

"Our strong operating performance, free cash flow growth and balance sheet strength positioned us for another double-digit percentage increase in our quarterly cash dividend, while maintaining tremendous financial flexibility. We remain well-positioned to fund expected above average acquisition activity in the near term and increased return of capital to shareholders over the long term. Relatively consistent solid waste organic growth plus the contribution from acquisitions closed year-to-date already sets us up for overall revenue growth in the mid to high single digits and underlying margin expansion in solid waste collection, transfer and disposal in the upcoming year, with additional acquisitions and any potential improvement in commodity-related activities providing further growth."

- **Worthing Jackman, President & CEO**

Stericycle® 2019 Q3 EARNINGS OVERVIEW

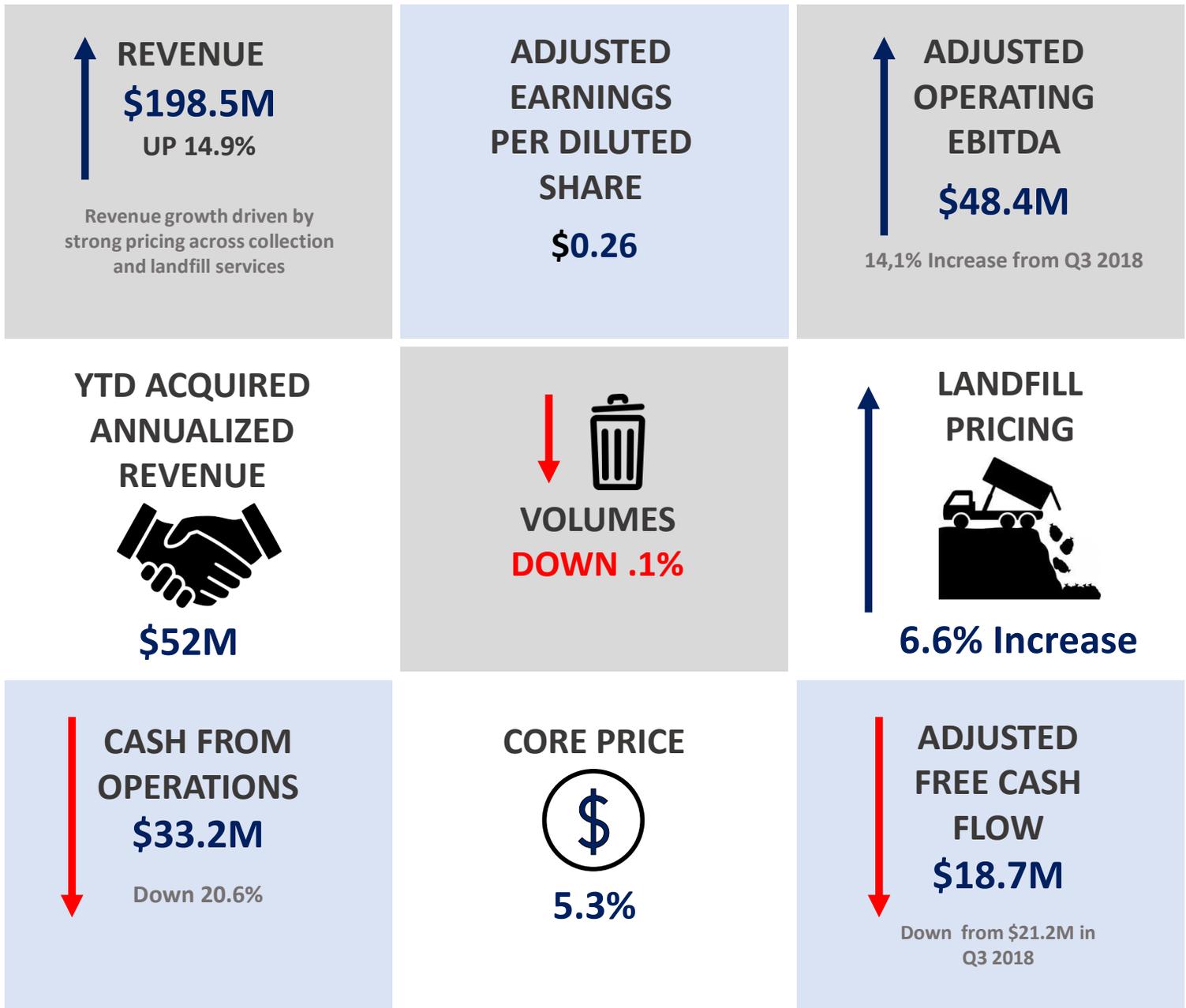


“Our third quarter results reflect the early and positive impact from the execution of our key business priorities. We saw the benefit of our revenue quality initiatives with another quarter of organic revenue growth within our core businesses, and we delivered Adjusted EBITDA improvement over the prior two quarters. We generated strong free cash flow in the quarter, enabling us to make the largest quarterly net debt reduction since the third quarter of 2017. Additionally, we divested of three non-core businesses during October, progressing our portfolio rationalization efforts.”

- Cindy J. Miller, President & CEO



2019 Q3 EARNINGS OVERVIEW



“We had another solid quarter, as we continued to execute well against our key strategies as part of our 2021 plan. We remain focused on driving cash flow growth by increasing landfill returns, improving collection profitability, creating incremental value through resource solutions, using technology to drive profitable growth and efficiencies, and prudently allocating capital for strategic growth. We continue to make substantial progress executing against our strategic growth initiative, as we have acquired approximately \$52 million of annualized revenues year-to-date, including the four acquisitions that we closed on during the third quarter. We are focused on acquiring well run businesses in strategic markets that will drive additional internalization to our landfills and enhance operating synergies.” - **John Casella, CEO**



REPUBLIC
SERVICES

2019 Q3 EARNINGS OVERVIEW



REVENUE

\$2.65B

UP 3.2%

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

**ADJUSTED
EARNINGS
PER DILUTED
SHARE**

\$0.93



**ADJUSTED
OPERATING
EBITDA**

\$752M

4.8% Increase

Driven by an increase in revenue and an EBITDA margin expansion of 60 basis points



**RECYCLING
REVENUE**



DOWN 9.7%



**VOLUMES
UP .1%**

**INVESTMENTS IN
ACQUISITIONS**



\$275M

**CASH FROM
OPERATIONS**
\$651M

17.1% Increase from Q3 2018

CORE PRICE



4.7%



**ADJUSTED
FREE CASH
FLOW**
\$372M

Up from \$289M in Q3 2018

"We are pleased with our third quarter results. The team's continued ability to tightly manage costs and capitalize on favorable solid waste trends enabled us to price in excess of cost inflation and expand underlying EBITDA margin by 60 basis points. During the quarter we invested \$275 million in acquisitions, further strengthening our leading market position and increasing the scale of our operations. We now expect to outperform our original 2019 full-year adjusted EPS guidance and achieve the upper-end of our adjusted free cash flow guidance range. The momentum in our business and stable economic backdrop position us well for continued growth in 2020."

- Donald Slager, CEO



2019 Q3 EARNINGS OVERVIEW



REVENUE
\$3.97B
UP 3.8%

Driven by strong yield and volume growth in the collection and disposal business

ADJUSTED EARNINGS PER DILUTED SHARE
\$1.19

ADJUSTED OPERATING EBITDA
\$1.14B
2.6% Increase

INVESTMENTS IN ACQUISITIONS



\$76M



VOLUMES
UP 2.7%



LANDFILL MUNICIPAL SOLID WASTE YIELD
3.7%



CASH FROM OPERATIONS
\$952M

8.9% Increase

CORE PRICE



5.3%

ADJUSTED FREE CASH FLOW
\$478M

Down from \$480M in Q3 of 2018

“We are pleased with the performance of our collection and disposal business through the first three quarters of the year, which positions us to achieve our full-year goals. Our original 2019 guidance anticipated significantly higher contributions from our commodity-sensitive businesses than we have seen. The strong results from the collection and disposal business have overcome this impact, and we expect to achieve full-year 2019 results within our guidance range of adjusted operating EBITDA of \$4.40 to \$4.45 billion, free cash flow of \$2.025 to \$2.075 billion, and adjusted earnings per diluted share of \$4.28 to \$4.38.”

- 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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