

Market Update

Waste Services August 2020



Market Insights and COVID-19 Perspectives

Q2 2020 presented unprecedented changes for waste services businesses due to the rise of COVID-19. The essential nature of waste services provided resiliency relative to many other businesses affected by the shutdown, but nonetheless there were impacts to both operations and financial earnings.

Costs were higher for waste companies in Q2 2020, as more PPE equipment and extra pay to frontline workers outweighed cuts to overtime and non-essential travel. In terms of volume, most companies saw April as the hardest hit (with only residential business remaining stable) before mild recovery in May and June. Companies remain cautious in their 2020 outlook and expect moderate volume recovery in some industrial markets, while noting significant uncertainty in large end markets such as education and commercial that will be driven by a return to schools and offices.

M&A activity resumed for public strategics, including Waste Connections, Casella Waste Systems and GFL Environmental – all of which completed acquisitions during Q2 2020. Further, in August, GFL announced a transformative purchase of WCA Waste for \$1.2 billion on the heels of acquiring \$863m of assets from Advanced Disposal Services in June. Across the board, strategic acquirers have noted stable purchase price multiples, strong acquisition pipelines, ample dry powder and a desire to continue completing deals in the near-term.

Private equity interest in both the solid waste and specialty waste segments remains strong, with many groups aiming to invest with seasoned executives to roll-up assets in regional markets, particularly those with specialized service capabilities. Investor appetite has been further enhanced by the industry's resiliency and essential services model, along with the ability to deploy capital and build platforms with economies of scale to create incremental value.

Lincoln International expects the waste industry's resiliency and strong long-term fundamentals will continue driving investor interest. We welcome the opportunity to connect with you and discuss your company's strategic alternatives or the waste services market more generally.



Selected Waste Services Company Updates

Company Name	Pre-COVID-19 Financials ⁽¹⁾	Post-COVID-19 Financials ⁽²⁾	Valuation & Leverage Multiples ⁽³⁾	Latest Developments
 REPUBLIC SERVICES (NYSE:RSG)	Market Cap: \$31.9b LTM Revenue: \$10.3b LTM EBITDA: \$2.9b 2020 Revenue: \$10.8b 2020 EBITDA: \$3.1b	Market Cap: \$28.6b LTM Revenue: \$10.1b LTM EBITDA: \$2.9b 2020 Revenue: \$10.1b 2020 EBITDA: \$2.9b	EV / EBITDA: 13.0x Debt / EBITDA: 3.0x	<ul style="list-style-type: none"> Q2 adjusted EBITDA margin was 29.6% and increased 170 basis points over the prior year, which included a 110 basis point benefit from higher recycled commodity prices and lower fuel costs YTD cash flow invested in acquisitions was \$124 million or \$95 million net of divestitures – the company expects to invest \$600 to \$650 million in acquisitions for the full year Reinstated its full-year 2020 adjusted free cash flow guidance, expecting to generate \$1.1 billion to \$1.18 billion of adjusted free cash flow, as compared to pre-COVID guidance of \$1.18 billion to \$1.23 billion
 WASTE CONNECTIONS, INC. (NYSE:WCN)	Market Cap: \$27.1b LTM Revenue: \$5.4b LTM EBITDA: \$1.7b 2020 Revenue: \$5.8b 2020 EBITDA: \$1.8b	Market Cap: \$26.3b LTM Revenue: \$5.3b LTM EBITDA: \$1.6b 2020 Revenue: \$5.3b 2020 EBITDA: \$1.6b	EV / EBITDA: 18.1x Debt / EBITDA: 3.0x	<ul style="list-style-type: none"> Strong operational execution and continued recovery in solid waste volumes drove better than expected results, with adjusted EBITDA of \$394.3 million, or 30.2% of revenue, and revenue of \$1.3 billion, both exceeding preliminary expectations 53% of solid waste commercial customers and 42% of associated revenue in competitive markets which previously suspended or reduced service requested a resumption in service or increase in frequency, up from 12% and 9%, respectively, in early May In July, revenue on a reported basis declined approximately 1.9% year-over-year and adjusted EBITDA margin declined an estimated 70 basis points year-over-year
 WASTE MANAGEMENT (NYSE:WM)	Market Cap: \$53.2b LTM Revenue: \$15.5b LTM EBITDA: \$4.4b 2020 Revenue: \$16.1b 2020 EBITDA: \$4.7b	Market Cap: \$46.8b LTM Revenue: \$15.5b LTM EBITDA: \$4.3b 2020 Revenue: \$14.8b 2020 EBITDA: \$4.2b	EV / EBITDA: 13.8x Debt / EBITDA: 3.0x	<ul style="list-style-type: none"> Reported declines in overall company volumes of 10.3%, driven by an 11% reduction for commercial, 16% for industrial and 13% for landfill volume, offset by the more resilient municipal solid waste and residential volumes Continues to maintain the strong liquidity position it held in Q1, recently entering a supplemental \$3 billion revolving credit facility maturing July 27, 2021 Projects annual revenue for 2020 to be down 4-5% and anticipates annual free cash flow (excluding costs associated with Advanced Disposal acquisition) to approach \$2 billion, as compared to pre-COVID guidance of \$2.15 to \$2.25 billion

Sources: Press releases, earnings reports, credit rating reports, Capital IQ

Notes: (1) Pre-COVID-19 Market Cap as of February 19, 2020; LTM metrics as of December 31, 2019; LTM EBITDA calculation reflects company determination and is in line with the definition used for financial covenant calculations; 2020 revenue and EBITDA estimates based on analyst consensus mean as of February 19, 2020

(2) Post-COVID-19 Market Cap as of August 18, 2020; LTM metrics as of June 30, 2020; LTM EBITDA calculation reflects company determination and is in line with the definition used for financial covenant calculations; 2020 revenue and EBITDA estimates based on analyst consensus mean as of June 30, 2020

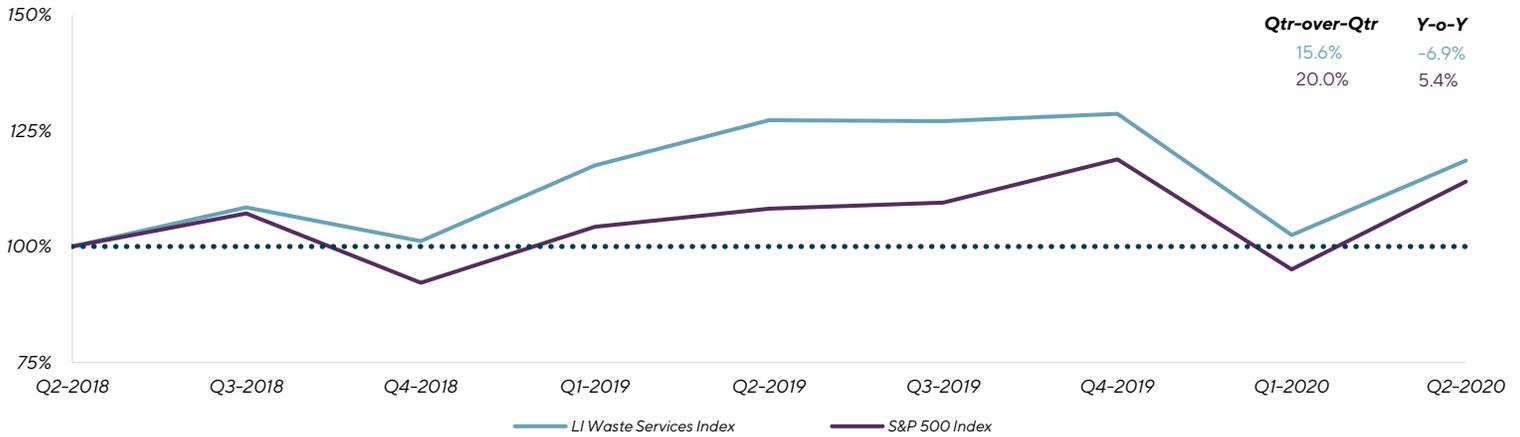
(3) Calculated based on latest LTM statistics available

Lincoln's Waste Services Stock Index has increased 15.6% Qtr-over-Qtr as of Q2 2020

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 – Q2 2018 to Q2 2020



Source: Capital IQ as of 6/30/2020

Quarter-over-Quarter Performance – Q2 2020

Outperformers	Change
Harsco Corporation	93.8%
Casella Waste Systems, Inc.	33.4%
Waste Connections, Inc.	21.0%

Underperformers	Change
Heritage-Crystal Clean, Inc.	7.5%
Republic Services, Inc.	9.3%
US Ecology, Inc.	11.4%
Covanta Holding Corporation	12.2%
Suez SA	12.5%
Waste Management, Inc.	14.4%
Stericycle, Inc.	15.2%
Clean Harbors, Inc.	16.8%
GFL Environmental Inc.	17.1%

Based on quarter-over-quarter share price performance relative to the S&P 500 Stock Index, which increased 20% quarter-over-quarter in Q2 2020.



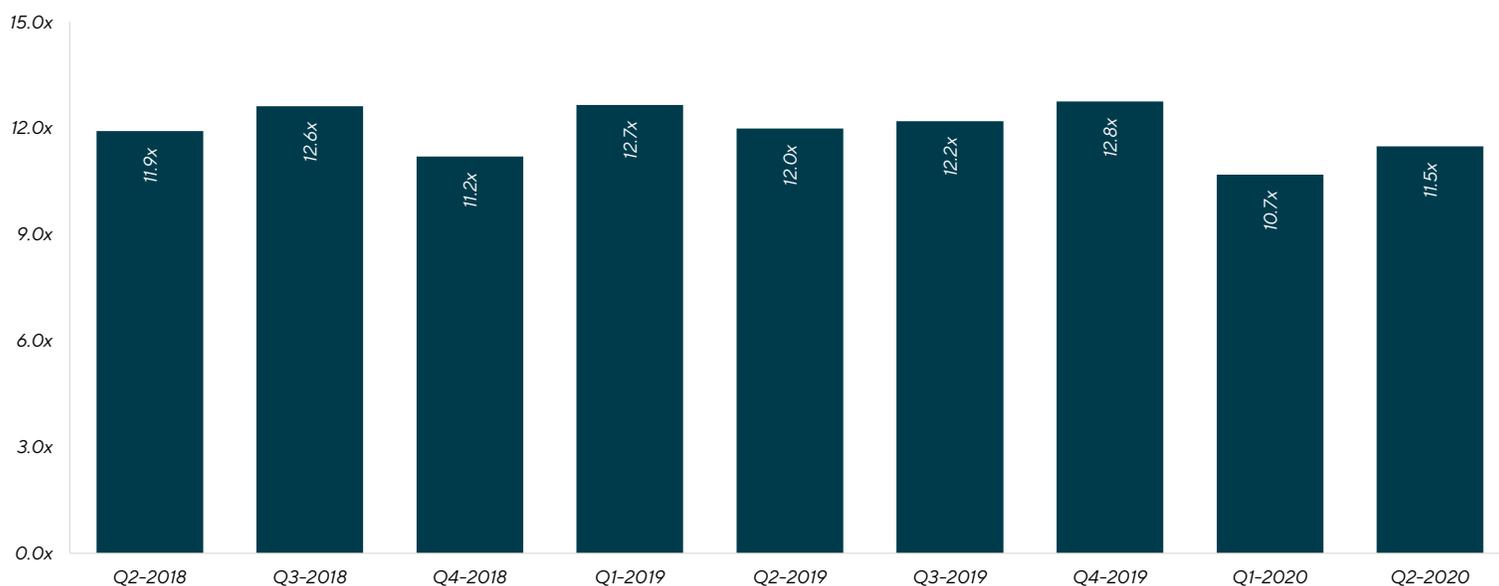
Waste Services Subsectors

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 0.8x in Q2 2020, Averaging 11.5x EBITDA

Enterprise Value / LTM EBITDA Multiples – Q2 2018 to Q2 2020



Source: Capital IQ as of 6/30/2020

Lincoln International Waste Services Stock Index Data – Q2 2020

(\$ 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		
Casella Waste Systems, Inc.	\$52.12	\$56.14	92.8%	\$2,518	\$3,138	\$763	\$167	4.1x	18.8x	51.1x	12.7%	15.4%	21.9%	3.7x
Clean Harbors, Inc.	59.98	88.40	67.9%	3,334	4,749	3,490	700	1.4x	6.8x	18.9x	4.8%	11.6%	20.1%	2.0x
Covanta Holding Corporation	9.59	18.11	52.9%	1,263	3,840	1,885	340	2.0x	11.3x	33.1x	1.2%	(1.7%)	18.0%	7.6x
GFL Environmental Inc.	19.32	21.65	89.3%	6,308	9,964	2,697	578	3.7x	17.2x	nmf	n/a	n/a	21.4%	6.3x
Harsco Corporation	13.51	27.36	49.4%	1,066	1,902	1,573	296	1.2x	6.4x	17.0x	(10.7%)	(19.1%)	18.8%	2.7x
Heritage-Crystal Clean, Inc	17.46	32.58	53.6%	406	468	456	92	1.0x	5.1x	12.7x	7.8%	30.8%	20.1%	0.7x
Republic Services, Inc.	82.05	100.91	81.3%	26,100	35,155	10,383	2,873	3.4x	12.2x	21.1x	3.0%	1.1%	27.7%	3.2x
Stericycle, Inc.	55.98	67.94	82.4%	5,118	8,110	3,264	653	2.5x	12.4x	29.8x	(4.6%)	(15.2%)	20.0%	4.6x
Suez SA	12.36	18.99	65.1%	7,727	23,282	21,340	3,373	1.1x	6.9x	14.2x	3.9%	16.0%	15.8%	3.6x
US Ecology, Inc.	33.88	67.24	50.4%	1,053	1,891	795	174	2.4x	10.9x	22.7x	37.8%	37.6%	21.8%	4.8x
Waste Connections, Inc.	93.79	105.17	89.2%	24,649	28,917	5,496	1,712	5.3x	16.9x	31.0x	9.3%	4.1%	31.2%	2.5x
Waste Management, Inc.	105.91	126.79	83.5%	44,697	55,026	15,488	4,258	3.6x	12.9x	20.8x	2.6%	(1.3%)	27.5%	2.4x
Mean								2.6x	11.5x	24.8x	6.2%	7.2%	22.0%	3.7x
Median								2.4x	11.8x	21.1x	3.9%	4.1%	20.8%	3.4x

Sources: Capital IQ as of 6/30/2020

Market Intelligence

In acquisition updates, after more than a year without approval, Waste Management has announced revisions to its deal to acquire Advanced Disposal Services. These changes include lowering the transaction value and reducing the assets Waste Management will own. While the acquisition was previously valued at \$3 billion for \$33.15 per share, plus net debt of \$1.9 billion for a total purchase price of \$4.9 billion, Waste Management has now agreed to sell off a fraction of Advanced Disposal Services' assets worth approximately \$860 million to GFL Environmental. Through the revision, the company will now acquire Advanced Disposal for \$30.30 per share, valuing the firm's equity at \$2.7 billion, or an enterprise value of \$4.6 billion inclusive of net debt of \$1.8 billion. The transaction is expected to close in late Q3 2020.

Private equity and private companies remained active in Q2 2020 as well, with Kinderhook Capital acquiring a new platform EcoSouth, an Alabama-based integrated waste company and Integrated Waste Solutions (led by former Advanced Disposal Services CEO Charlie Appleby) making its first two acquisitions of Central Texas Refuse and 130 Environmental Park landfill.

On the regulatory front, to combat COVID-19's impact on the increase of dependency on the trucking fleet for the collection and disposal of waste and recycling, the National Waste & Recycling Association (NWRA), as well as other state and national trade associations and private companies, have asked President Trump to suspend the 12% Federal Excise Tax (FET) on new heavy-duty trucks and trailers until the end of 2021. The FET currently adds \$30,000 to the cost of a truck – the NWRA believes that suspending the FET will increase the sale of new trucks and save or bring back almost 8 million jobs.

Additionally, in July, New York Legislature passed a bill on "Closing the Hazardous Waste Loophole," which aims to reclassify all hydrofracking-related waste as hazardous. If signed by Governor Cuomo, the bill will subject all fracking waste to regulations requiring "compliance inspections, permits and for facilities that treat, store or dispose of hazardous waste, it means taking corrective action" (Bill S.3392 (May)/A.2655). According to the Environmental Advocates of New York, the state accepted at least 609,000 tons and 23,000 barrels of fracking waste between 2010-2017.

Selected M&A Transaction Recap – through August 15, 2020

Closed	Target Company	Target Description	Acquiring Company
Announced	WCA Waste Corporation	Provides non-hazardous solid waste collection, transfer, processing and disposal services	GFL Environmental
Aug-20	Superior Sanitation	Offers residential garbage collection services	Capital Waste Services
Jul-20	Extreme Waste Concepts	Provides doorstep trash collection amenity services	Valet Living
Jul-20	AmeriSouth Recycling's business in Atlanta, GA	Provides industrial recycling	Waste Pro USA
Jul-20	Knight's Hauling	Offers trainer and waste hauling services	Trash Tech
Jul-20	Charles George Companies	Provides solid waste disposal and recycling services	Wheelabrator Technologies
Jul-20	Angie's Disposal Service	Offers garbage collection services	Waste Pro USA
Jul-20	RE: Group (UK)	Provides waste collection services for garage, industrial and marine services	Slicker Recycling
Jun-20	EcoSouth Services of Mobile	Provides non-hazardous solid and liquid transportation and disposal services	Kinderhook Industries
Jun-20	Priority-1 Residential	Offers solid waste collection, transportation and disposal services	Capital Waste Services
Jul-20	FCC Bulgaria EOOD	Provides waste collection and transportation services	Waste Solutions
Jun-20	Eco Baltia	Processes solid and other forms of waste	UAB BSGF Salvus
Apr-20	Central Texas Refuse	Operates a full-service waste and recycling company	Integrated Waste Solutions Group

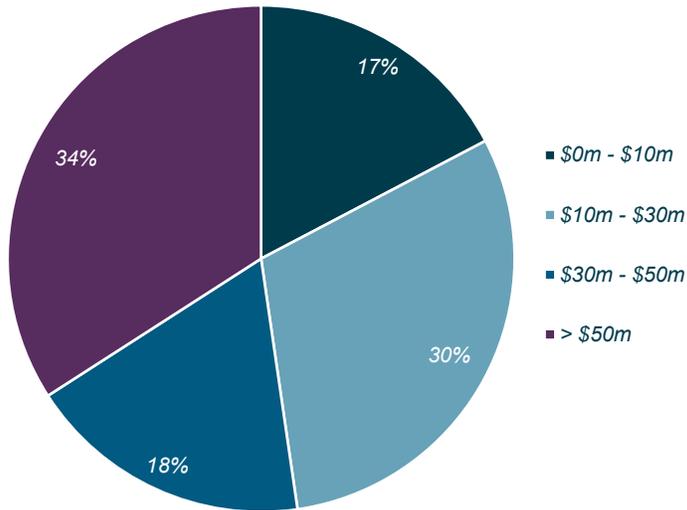
Source: Capital IQ, Mergermarket as of 6/30/2020

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 1,600 mid-market companies.

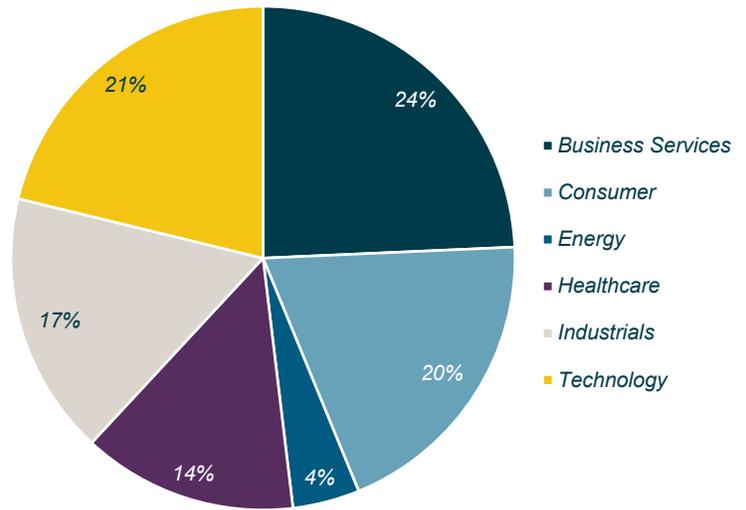
Q2 2020 Trends by Size (LTM EBITDA)

Distribution by Size

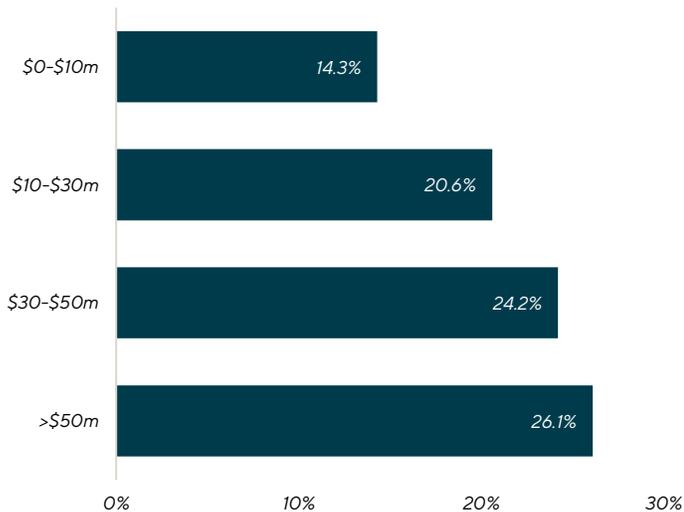


Q2 2020 Trends by Industry Vertical

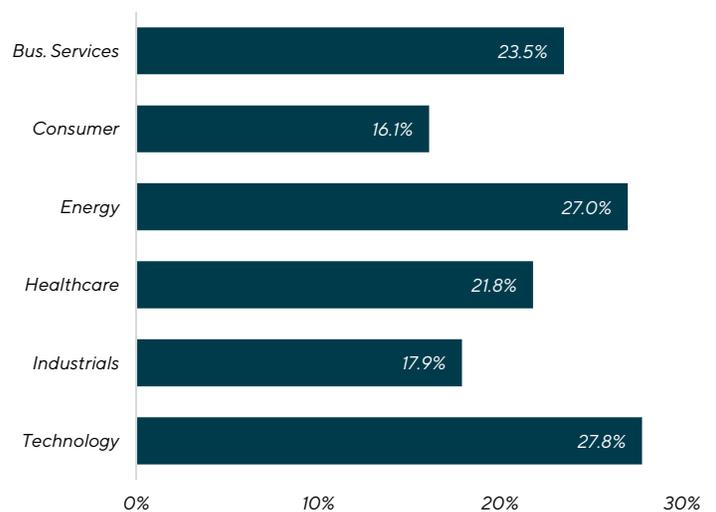
Distribution by Vertical



Average LTM EBITDA Margin by Size



Average LTM EBITDA Margin by Vertical

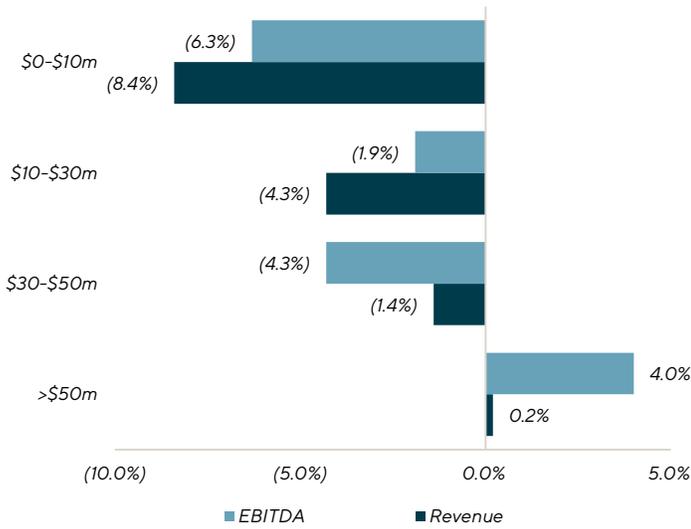


Note: the above charts reflect data from Lincoln's proprietary valuations database as of 6/30/2020

Lincoln Middle Market Index (cont'd)

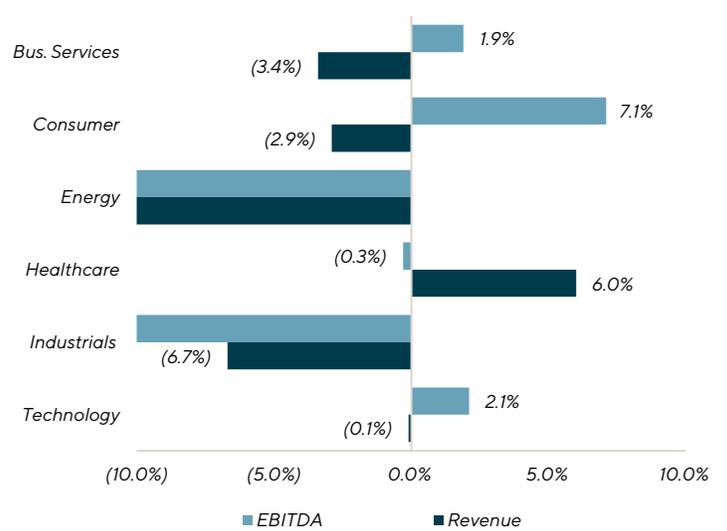
Q2 2020 Trends by Size (LTM EBITDA)

Quarter over Prior Year Quarter
Revenue and EBITDA by Size

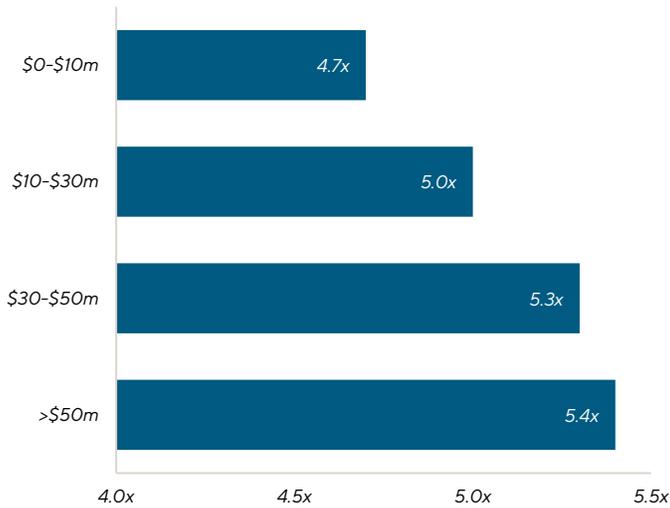


Q2 2020 Trends by Industry Vertical

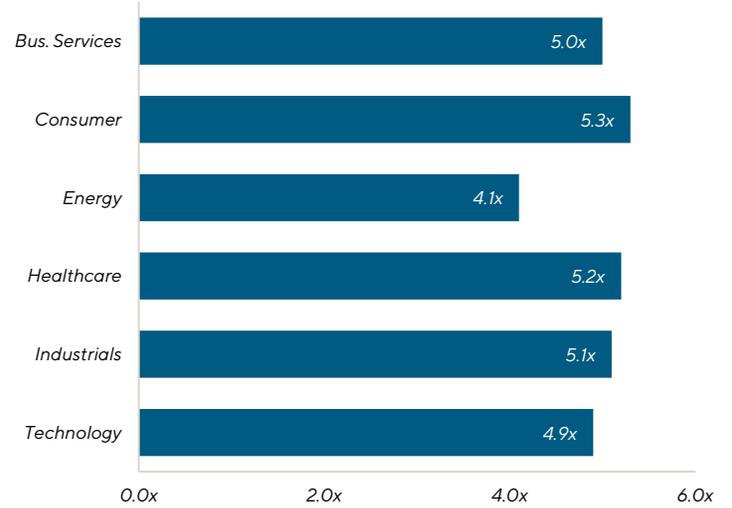
Quarter over Prior Year Quarter
Revenue and EBITDA by Vertical



Average Current Leverage by Size



Average Current Leverage by Vertical



Note: the above charts reflect data from Lincoln's proprietary valuations database as of 6/30/2020



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 600 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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