



# ENVIRONMENTAL SERVICES

QUARTERLY SECTOR UPDATE | Q2 2020



# Select Environmental Services M&A Transactions

*Announced February 7, 2020*



## Harsco announces acquisition of Stericycle's Environmental Solutions Business

Hazardous Waste & Industrial Cleaning



- Stericycle's Environmental Solutions business ("ESOL") provides a comprehensive portfolio of disposal solutions to customers across the industrial, retail, and healthcare markets, with a focus on hazardous waste disposal
- Harsco is a global provider of environmental solutions for industrial & specialty waste streams and innovative technologies for the rail sector; the company will combine ESOL with its Clean Earth business, which also focuses on hazardous waste
- The transaction is expected to enhance Harsco's service offerings across the industrial waste value chain, expand the scale & footprint of the company's hazardous waste processing facilities across the U.S., broaden customer relationships across industries, and generate meaningful cost & revenue synergies; the transaction is accretive to Harsco's earnings

*Closed February 1, 2020*



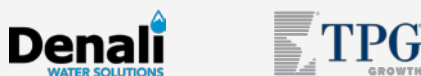
## GFL Environmental acquires American Waste

Diversified Waste Management & Recycling



- American Waste is a vertically-integrated provider of a range of solid & liquid waste solutions to the Michigan and Pennsylvania markets
- GFL Environmental is the fourth largest diversified environmental services company in North America, providing a comprehensive line of non-hazardous solid & liquid waste management and infrastructure & soil remediation services across the U.S. and Canada
- The acquisition provides GFL with excess landfill capacity in both Michigan and upstate New York, allowing the company to offer competitive pricing for the large volume of solid waste the company controls through local collection networks
- The transaction adds to GFL's solid & liquid waste capabilities, creating a more complete service offering for customers

*Closed January 29, 2020*



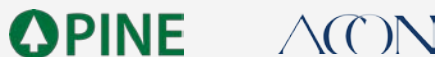
## TPG Growth acquires Denali Water Solutions

Specialty Services



- Denali Water Solutions is a leading provider of specialty waste, environmental recycling, and disposal services in the U.S., with a focus on wastewater residuals management
- The company services a variety of municipal, industrial food processing, and downstream industrial clients, with its value proposition stemming from accessible & cost-effective disposal solutions underpinned by an extensive network of permitted farmland and organic waste processing facilities
- TPG Growth is the middle-market & growth equity investment platform of TPG, a global alternative asset management firm
- Denali is expected to leverage TPG's deep sector knowledge and experience to drive value creation and growth

*Closed January 7, 2020*



## ACON Investment acquires Pine Environmental Services

Environmental Testing & Analytical Services



- Pine Environmental Services is the largest independent provider of environmental test & measurement equipment solutions in North America
- The company serves a highly diversified customer base, including environmental consulting firms, offering rental, sales, and service solutions for project and equipment needs
- ACON Investments is a private equity firm located in Washington, D.C.
- Pine's partnership will leverage ACON Investments' professional networks to drive continued growth and market expansion, as well as to pursue accretive acquisitions

# Public Market Observations<sup>1</sup>

<b>SOLID WASTE MGMT. &amp; RECYCLING</b>	<b>Key Public Comps</b>  Enterprise Value / 2019 EBITDA      2020E EBITDA 15.5x                  11.2x	<b>Stock Price Performance</b>  — S&P 500      — Solid Waste Management & Recycling	<b>Transaction Spotlight</b> <i>February 17, 2020</i> 	<b>Market Observations</b> <p>Coronavirus has had a profound impact on the solid waste and recycling industry. Many service providers have changed employee guidelines, only collecting material from carts and suspending collection of bulky waste and yard waste. Curbside recycling programs have been suspended in approximately 30 municipalities, and policies surrounding bottle redemption have been affected in eight of the 10 states with such. Long-term impacts are still being understood.</p> <p><a href="#">How coronavirus is disrupting US waste &amp; recycling</a></p>
<b>DIVERSIFIED WASTE MGMT. &amp; RECYCLING</b>	<b>Key Public Comps</b>  Enterprise Value / 2019 EBITDA      2020E EBITDA 14.4x                  11.5x	<b>Stock Price Performance</b>  — S&P 500      — Diversified Waste Management & Recycling	<b>Transaction Spotlight</b> <i>February 1, 2020</i> 	<b>Market Observations</b> <p>Selin Hoboy, a vice president with Stericycle, is urging medical waste companies to monitor fast-changing regulatory guidance for the new coronavirus. Concerns persist about worker safety, as access to personal protective equipment has been limited in some cases. Medical waste volumes thus far have not been as high as compared to Ebola, but Hoboy warned against the over-classification of municipal solid waste as medical waste, burdening the medical waste stream.</p> <p><a href="#">Medical waste volumes not as high as Ebola so far</a></p>
<b>HAZARDOUS WASTE / INDUSTRIAL CLEANING</b>	<b>Key Public Comps</b>  Enterprise Value / 2019 EBITDA      2020E EBITDA 15.4x                  8.8x	<b>Stock Price Performance</b>  — S&P 500      — Hazardous Waste / Industrial Cleaning	<b>Transaction Spotlight</b> <i>February 7, 2020</i> 	<b>Market Observations</b> <p>According to a recent report by Transparency Market Research, the growing development of nuclear power plants in various countries is expected to help the global hazardous waste management market have substantial growth over the coming decade.</p> <p>The global hazardous waste management market is expected to experience a 5% CAGR between 2019 and 2027, reaching a value of ~\$19 billion by YE2027.</p> <p><a href="#">Hazardous waste management expected to grow</a></p>
<b>SPECIALTY SERVICES</b>	<b>Key Public Comps</b>  Enterprise Value / 2019 EBITDA      2020E EBITDA 15.4x                  11.7x	<b>Stock Price Performance</b>  — S&P 500      — Specialty Services	<b>Transaction Spotlight</b> <i>January 29, 2020</i> 	<b>Market Observations</b> <p>Rentokil is introducing a disinfection service to the food, beverage, foodservice, and retail industries designed to protect employees and customers from the transmission of viruses, bacteria, fungi, and mold. The service uses ultra-volume disinfection foggers to disperse an environmentally friendly and hypoallergenic disinfectant. The foggers create small disinfectant droplets, which treat such surfaces as floors, handrails and doorknobs, and large areas in a short time frame.</p> <p><a href="#">Rentokil introducing disinfection service</a></p>
<b>ENVIRO. TESTING &amp; ANALYTICAL SERVICES</b>	<b>Key Public Comps</b>  Enterprise Value / 2019 EBITDA      2020E EBITDA 15.1x                  10.3x	<b>Stock Price Performance</b>  — S&P 500      — Environmental Testing & Analytical Services	<b>Transaction Spotlight</b> <i>January 7, 2020</i> 	<b>Market Observations</b> <p>The EPA has modified its enforcement policies to give power plants and other regulated entities more leeway on pollution control measures. Under the relaxed standards, the regulated facility operator would have to prove that any violation of current water or air quality regulations was directly tied to a lack of manpower or some other disruption due to the novel coronavirus.</p> <p><a href="#">EPA gives regulated entities pollution compliance flexibility, citing COVID-19 concerns</a></p>

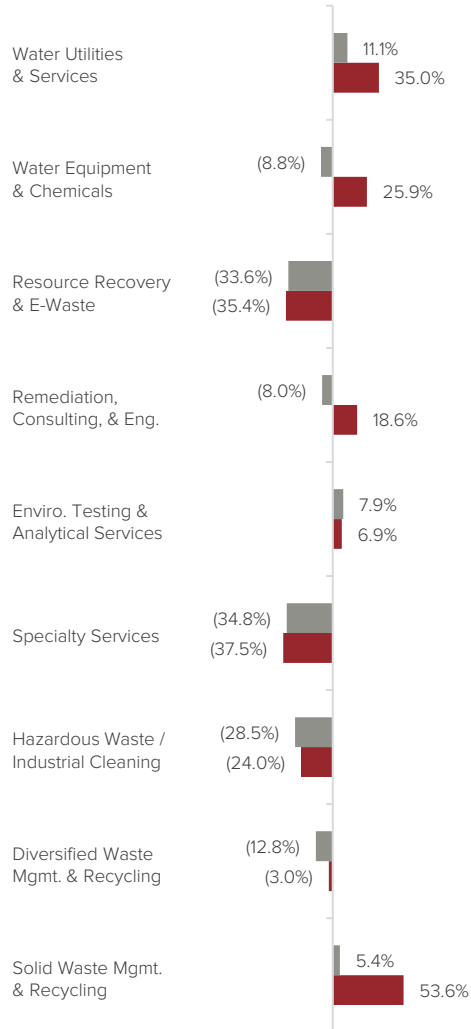
# Public Market Observations<sup>1</sup>

REMEDIAL, CONSULTING, & ENG.	<p><b>Key Public Comps</b></p> <p>AECOM PARCADIS CleanHarbor Jacobs</p> <p>NV5 Stantec TETRA TECH WSP</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA</p> <p>12.5x 9.2x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500 — Remedial, Consulting, &amp; Engineering</p>	<p><b>Transaction Spotlight</b></p> <p>February 26, 2020</p> <p>BEI JS HELD</p> <p>BRENNAN ENVIRONMENTAL, INC.</p>	<p><b>Market Observations</b></p> <p>Canada's WSP is moving ahead with talks to acquire rival engineering services firm AECOM. Recent market volatility has added uncertainty to the negotiations, and discussions could drag on further or fall apart, according to people familiar with the matter. AECOM, which was targeted by activist investor Starboard Value last year, agreed at the time to sell its management services division to private equity. WSP has been expanding aggressively through deals, acquiring Ecology &amp; Environment and Elton Consulting Group late last year.</p> <p><u>WSP Global progresses in discussions to buy AECOM</u></p>
RESOURCE RECOVERY & E-WASTE	<p><b>Key Public Comps</b></p> <p>Commercial Metals DOWA Schnitzer</p> <p>Steel Dynamics, Inc.</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA</p> <p>6.6x 4.9x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500 — Resource Recovery &amp; E-Waste</p>	<p><b>Transaction Spotlight</b></p> <p>No notable transactions</p>	<p><b>Market Observations</b></p> <p>China is the world's top producer of steel and aluminum. With factories closed and the movement of people restricted, China's demand for metals has plummeted. But many of the country's steel mills have continued to operate because stopping and starting the equipment is expensive and risky. "We could see China swamp the entire world with steel," said Scott Barrett, director of domestic trading for ProTrade Steel Co., an Ohio-based scrap-steel broker.</p> <p><u>Coronavirus epidemic exacerbates metals glut</u></p>
WATER EQUIPMENT & CHEMICALS	<p><b>Key Public Comps</b></p> <p>DANAHER ECOLAB EVOQUA</p> <p>IPX CORPORATION Mueller Water Products PENTAIR</p> <p>SUEZ WATTS xylem</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA</p> <p>16.7x 11.4x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500 — Water Equipment &amp; Chemicals</p>	<p><b>Transaction Spotlight</b></p> <p>No notable transactions</p>	<p><b>Market Observations</b></p> <p>The widespread use of non-biodegradable products for the past 50+ years has contaminated many water supplies across America with synthetic chemicals known as per- and polyfluoroalkyl substances (PFASs). These are notoriously difficult to break down, earning the nickname "forever chemicals." In a promising breakthrough, engineers at UC Riverside have shown in recent experiments that using excess electrons shatters the carbon-fluorine bond of PFASs in water.</p> <p><u>Pollution: A possible end to 'forever' chemicals</u></p>
WATER UTILITIES & SERVICES	<p><b>Key Public Comps</b></p> <p>AEGION American States AMERICAN BRITA</p> <p>Essential</p> <p>Pennon BEVERLY TRENT SUEZ United Utilities VEOLIA</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA</p> <p>15.3x 12.9x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500 — Water Utilities &amp; Services</p>	<p><b>Transaction Spotlight</b></p> <p>February 24, 2020</p> <p>AUTAS Valicor</p> <p>AMERICAN UTILITY TECHNOLOGIES ENVIRONMENTAL SERVICES</p>	<p><b>Market Observations</b></p> <p>In a letter to governors in all 50 states, territories, and Washington, D.C., EPA Administrator Andrew Wheeler asked states to ensure that drinking water and wastewater employees are considered essential workers. Wheeler held teleconferences with water sector stakeholders to acknowledge the importance of their work and identify ways that EPA and its partners can support the sector during COVID-19.</p> <p><u>EPA urges states to support water, wastewater operations during COVID-19</u></p>

# Public Valuation Multiples by Sector<sup>1</sup>

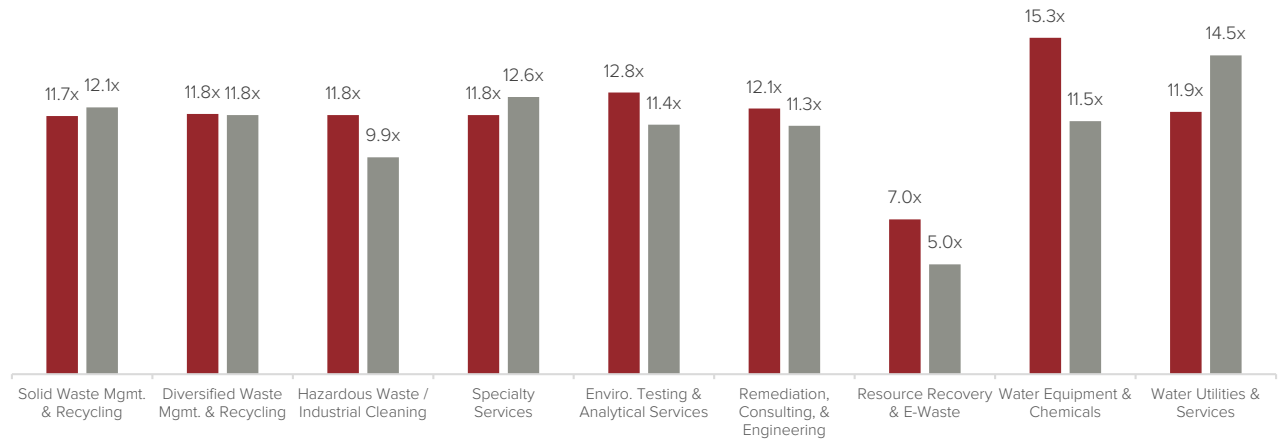
## Stock Performance (1- & 3-Year)

■ 1-Year Performance ■ 3-Year Performance



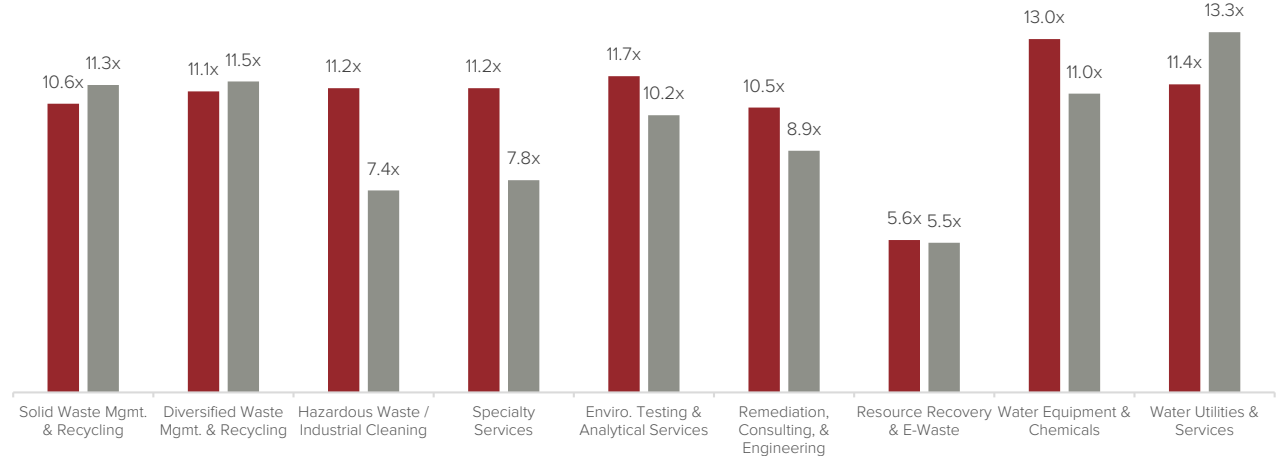
## EBITDA Multiple Comparison Q1 2019 vs. Q1 2020

■ Q1 2019 ■ Q1 2020



## EBITDA Multiple Comparison NTM Q1 2019 vs. NTM Q1 2020

■ NTM 2019 ■ NTM 2020





# What We're Reading

## Trash Industry Braces for Potential Deluge of Coronavirus Waste

As coronavirus spreads across the U.S., the trash industry is girding for a potential rise in infectious waste while grappling with concerns about workers' exposure to the pathogen. Waste-treatment companies say hospitals are already generating more trash that needs to be specially treated, while the pandemic is also challenging regular household collection. Stericycle Inc., one of the country's largest medical waste providers, says that coronavirus waste should be manageable, partly because of an expected drop in waste from elective procedures and dentist visits, and that it can run extra shifts at facilities. Coronavirus also generates much less waste than previous crises such as Ebola, in which patients' body fluids were a big contributor. Still, a Stericycle spokeswoman cautioned that "the environment is rapidly changing, and forecasting volumes is challenging." When the virus first emerged, some states recommended classifying any coronavirus-related waste as medical waste, but federal regulators have since issued guidance that only a small amount of this waste requires such classification and treatment.

[WSJ](#)

## How Sewage Could Reveal the True Scale of Coronavirus Outbreak

More than a dozen research groups worldwide have started analyzing wastewater for the new coronavirus as a way to estimate the total number of infections in a community, given that most people will not be tested. This method could also be used to detect the coronavirus if it returns to communities, say scientists. One treatment plant can capture wastewater from more than one million people, says Gertjan Medema, a microbiologist at KWR Water Research Institute in Nieuwegein, the Netherlands. Monitoring influent at this scale could provide better estimates for how widespread the coronavirus is than testing, because wastewater surveillance can account for those who have not been tested and have only mild or no symptoms. Studies have also shown that SARS-CoV-2 can appear in human waste within three days of infection, which is much sooner than the time taken for people to develop symptoms severe enough for them to seek hospital care — up to two weeks. Earlier identification of the virus's arrival in a community might limit the health and economic damage caused by COVID-19, especially if it comes back next year, says Bibby.

[Nature](#)

## Verdantix Says Spending on EHS Software Will Reach \$2 billion in 2025, Reflecting a 10% Growth Rate

The global market for Environmental, Health & Safety ("EHS") software will grow from \$1.35 billion in 2020 to \$2.2 billion in 2025 according to a new study from independent research firm Verdantix. The forecasted compound annual growth rate of 10% will be driven by private equity and growing customer demands for innovation. Vendors positioned to benefit from this growth include EHS software players such as Enablon, Intelex, Isometrix and Sphera, as well as private equity funds including Frog Capital, Goldman Sachs, Summa Equity, and Thoma Bravo. "The market has seen an influx of private equity firms injecting new money into EHS software vendors, which is fueling product development," commented Verdantix Senior Analyst Bill Pennington. "With EHS functions increasingly focusing on innovation, such as the continued shift from on-premise to SaaS deployment and an increased presence of dedicated IoT safety platforms, this is driving the appetite for spending on EHS technologies."

[Verdantix](#)

## A Challenging Time for Recyclers: First, China's Ban. Now, Coronavirus

Two years ago, China decided to ban imports of mixed paper and plastic and introduced limits for scrap metal, upending global recycling markets. China's shift has removed a major source of demand for recyclables, driving down their prices. It also resulted in higher processing costs, as many countries around the world followed the Chinese example and set higher quality standards for imports of recycled goods. The industry has responded by asking municipalities to pay more for recycling services, the so-called fee-for-service strategy.

With that transition still in progress, coronavirus struck, which has transferred waste away from commercial customers toward residential customers, which tend to operate under long-term contracts. The industry is hoping that the current economic environment will increase demand for recycled goods and drive up commodity prices.

[WSJ](#)

# Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
4/15/2020	CTEH	Scientific consulting firm focused on emergency preparedness, response, and recovery	Montrose Environmental
4/9/2020	Ascension Wastewater Treatment	Largest private sewer utility owner-operator in Louisiana, operating approximately 230 lift-stations and sewer treatment plants	Bernhard Capital Partners
4/7/2020	Kleenco	Provider of stormwater and lift station services throughout the central U.S.	Aqualis Stormwater
3/30/2020	Seven Seas Water	Developer, owner, and operator of water and wastewater treatment plants and businesses providing outsourced treatment & reuse services	Morgan Stanley Infrastructure
3/17/2020	M.J. Bradley & Associates	Specialist energy, climate change, and sustainability advisory company providing strategic policy & regulatory advice	ERM
3/10/2020	Mahoney Environmental	Collector and recycler of used cooking oil throughout the U.S.	Neste
2/28/2020	Infratech Sewer & Water Services	Provider of sewer & pipe inspection, maintenance, and repair services to municipalities, utility companies, and industrial clients in Ontario	Environmental 360 Solutions
2/26/2020	Brennan Environmental	Provider of environmental consulting, due diligence, remediation design & oversight, regulatory compliance, and health services	J.S. Held
2/24/2020	Affiliated Wastewater	Operates a centralized wastewater treatment facility that can process both oily and metals-bearing wastewater	Valicor Environmental Services
2/20/2020	HydroStraw	Manufacturer of straw based erosion control products including hydraulic mulches, equipment, and seeds	Profile Products
2/18/2020	Simpson Environmental Partners	Provider of environmental remediation & abatement services in the Southeastern U.S.	EIS Holdings
2/17/2020	Daley & Sons Trucking	Provider of full-service recycling & waste management services in the Northeast U.S.	Casella Waste Systems
2/10/2020	METCO Environmental	Provider of source emissions (or stack) testing services to customers primarily in the TX and Gulf regions	Alliance Source Testing
2/7/2020	Stericycle (Environmental Solutions Business)	Divestiture comprises of Stericycle's manufacturing and industrial services divisions, as well as the retail portion of hazardous waste services	Harsco Corp.
2/5/2020	BLOC Environmental Solutions	Provider of health, safety, and environmental compliance services that ensure compliance with state and federal requirements	ERI Solutions
2/4/2020	Evergreen AES Environmental	Regional provider of remediation, emergency response, and environmental services	HEPACO
1/31/2020	GK Industrial Refuse Systems	Provider of sales and service for recycling and solid waste compaction systems	National Waste Partners
1/23/2020	Denali Water Solutions	Leading provider of specialty waste and environmental recycling and disposal services domestically	TPG Growth
1/22/2020	Apex Environmental	Handler of municipal solid, construction, demolition, and O&G waste	Action Environmental Group
1/10/2020	American Waste	Provider of environmental solutions for solid and liquid waste customers in Michigan and Pennsylvania	GFL Environmental
1/9/2020	Environmental Products & Services of Vermont	Provider of emergency response, remediation, and environmental services	Miller Environmental
1/8/2020	Environmental Waste Services	Provider of hazardous and non-hazardous waste management, transportation, and washout services	TAS Environmental Services
1/7/2020	Pine Environmental Services	Provider of rental equipment used for air, liquid, and other environmental testing services	ACON Investments

# Harris Williams Overview

## GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 350+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 10 dedicated industry groups



## ENVIRONMENTAL SERVICES FOCUS AREAS

- Solid Waste Mgmt. & Recycling
- Diversified Waste Mgmt. & Recycling
- Hazardous Waste / Industrial Cleaning
- Specialty Services
- Testing & Analytical Services
- Remediation, Consulting, & Engineering
- Resource Recovery & E-Waste
- Water Equipment & Chemicals
- Water Utilities & Services

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## SELECT HW TRANSACTIONS

 Comprehensive provider of infrastructure and environmental testing, inspection, & consulting services has been acquired by 	 Industry leading environmental, health, safety, & quality software provider offering a unified SaaS platform has received a growth investment from 	 Largest vertically integrated provider of grease trap and related services has been acquired by 	 Leading provider of specialized cleaning solutions & wastewater treatment has been acquired by 	 Market-leading provider of closed-loop total oil management solutions has been acquired by 
 National provider of post-construction stormwater management services has been acquired by 	 North America's largest provider of industrial cleaning and environmental services to the energy, industrial, & utility end markets has been acquired by 	 Leading provider of contract cleaning & high sanitation services to the North American food industry has been acquired by 	 Comprehensive provider of environmental consulting services across the globe, with a focus on intelligent solutions has been acquired by 	 Provider of comprehensive contaminated material services across a wide variety of end markets has been acquired by 



Harris Williams, a global investment bank specializing in M&A advisory services, advocates for sellers and buyers of companies worldwide through critical milestones and provides thoughtful advice during the lives of their businesses. With 10 dedicated Industry Groups, we help our clients achieve outcomes that support their objectives and create value. For more information, visit [harriswilliams.com](https://www.harriswilliams.com).

Industry Group Expertise

<u>AEROSPACE, DEFENSE &amp; GOVERNMENT SERVICES</u>	<u>BUSINESS SERVICES</u>	<u>ENERGY, POWER &amp; INFRASTRUCTURE</u>	<u>SPECIALTY DISTRIBUTION</u>	<u>TRANSPORTATION &amp; LOGISTICS</u>
<u>BUILDING PRODUCTS &amp; MATERIALS</u>	<u>CONSUMER</u>	<u>HEALTHCARE &amp; LIFE SCIENCES</u>	<u>INDUSTRIALS</u>	<u>TECHNOLOGY, MEDIA &amp; TELECOM</u>

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## Sources

1. CapIQ

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