



ENVIRONMENTAL SERVICES

QUARTERLY SECTOR UPDATE | Q3 2020



Select Environmental Services M&A Transactions

Closed October 1, 2020



GFL Environmental Acquires WCA Waste for \$1.2 billion

Waste Management



- GFL Environmental Inc. (NYSE: GFL), the Vaughan, Ontario-based waste management services company, has acquired WCA Waste Corporation, a Houston, Texas-based solid waste management company, from Macquarie Infrastructure Partners for USD \$1.212bn
- The acquisition is expected to extend GFL's reach into new and adjacent markets and form a base to pursue synergistic tuck-in acquisition opportunities
- The deal was financed using a private placement of USD \$600 million in equity

Closed August 24, 2020



Kleinfelder Group Acquires Garcia & Associates

Environmental Consulting



- The Kleinfelder Group, Inc., a San Diego-based engineering, design, construction management, construction materials inspection & testing, and environmental professional services firm backed by Wind Point Partners, has acquired Garcia & Associates, an environmental firm based in San Anselmo, California
- The transaction is expected to provide integral environmental planning and permitting services to Kleinfelders' West Division
- The acquisition marks the second acquisition by Kleinfelder under the ownership of Wind Point Advisors

Closed September 8, 2020



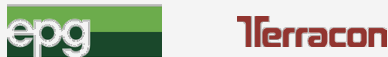
Valicor Environmental Services Acquires Water Depot

Water-Related Services



- Valicor Environmental Services, the Monroe, Ohio-based provider of wastewater treatment services backed by Pritzker Private Capital, has acquired Water Depot, a wastewater treatment plant in Westminster, Maryland
- The transaction is expected to enhance Valicor's service offering within the Mid-Atlantic region
- Valicor is owned by Pritzker Private Capital (PPC) and the acquisition marks the fifth under the ownership of PPC

Closed September 23, 2020



Terracon Acquires Environmental Planning Group

Environmental Consulting



- Terracon, an Olathe, Kansas-based consulting engineering firm, has acquired Phoenix, Arizona-based Environmental Planning Group
- Terracon is an employee-owned consulting engineering firm with more than 5,000 employees providing environmental, facilities, geotechnical, and materials services from more than 150 offices with services available in all 50 states
- EPG offers interdisciplinary services including environmental planning and permitting, landscape architecture planning and design, biological and cultural resources, earth sciences, paleontology, public involvement, geographic information systems, and environmental mitigation and construction support

Public Market Observations¹

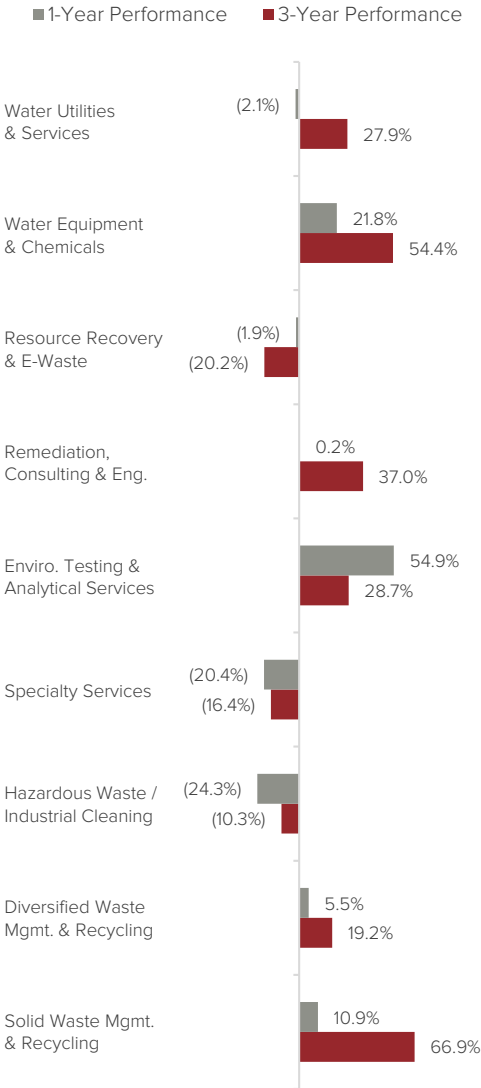
SOLID WASTE MGMT. & RECYCLING	Key Public Comps Enterprise Value / 2019 EBITDA 2020E EBITDA 15.5x 14.2x	Stock Price Performance 	Transaction Spotlight <i>October 1, 2020</i> 	Market Observations <p>Republic Services has been testing the Mack LR Electric, a battery-powered version of Mack's best-selling and noisiest trash truck. With no engine rumble or barking brakes, the Mack LR Electric operates like a muted version of its diesel equivalent. The city of Los Angeles has announced it will transition its fleet of 1,100 trucks to electrics by 2035, and New York City has committed to a 100% electric fleet by 2040.</p> <p>Electric Trash Trucks Are Coming Quietly to Your Town</p>
DIVERSIFIED WASTE MGMT. & RECYCLING	Key Public Comps Enterprise Value / 2019 EBITDA 2020E EBITDA 13.6x 13.7x	Stock Price Performance 	Transaction Spotlight <i>September 2, 2020</i> 	Market Observations <p>Several changes to the tax code during the COVID-19 pandemic are being felt by large corporations across America. Key provisions include relaxation on limits to interest deductions, employee-retention tax credits, and reinstatement of net operating loss carrybacks for immediate tax refunds. Stericycle Inc. expects a \$100 million tax refund from its 2018-2019 losses as a result.</p> <p>Stericycle and Other Companies Reaping Billions of Tax Breaks to Ride Out Economic Slump</p>
HAZARDOUS WASTE / INDUSTRIAL CLEANING	Key Public Comps Enterprise Value / 2019 EBITDA 2020E EBITDA 13.6x 10.3x	Stock Price Performance 	Transaction Spotlight <i>August 25, 2020</i> 	Market Observations <p>Veolia announced it has acquired a 29.9% stake in Suez SA at a price of USD \$21.16 per share, paving the way for a takeover of the water-and-waste management rival. Veolia said it would guarantee job security for all of Suez's employees in France but reiterated its intention for a full takeover. Veolia aims to file a voluntary public takeover bid for the remaining Suez share capital.</p> <p>Veolia takes 29.9% stake in Suez, plans takeover</p>
SPECIALTY SERVICES	Key Public Comps Enterprise Value / 2019 EBITDA 2020E EBITDA 13.6x 11.4x	Stock Price Performance 	Transaction Spotlight <i>September 23, 2020</i> 	Market Observations <p>U.S. Ecology announced its Aerosol Recycling Technology (ART), a 100% sustainable solution for aerosol waste that produces recyclable metal, reusable alternative and liquid fuels, and is landfill free with zero emissions. The ART system completely captures and compresses remaining gas propellant into a recyclable liquid fuel for resale. The can byproducts are also converted into recyclable metal bricks.</p> <p>U.S. Ecology Unveils State-of-the-Art Aerosol Recycling Technology</p>
ENVIRO. TESTING & ANALYTICAL SERVICES	Key Public Comps Enterprise Value / 2019 EBITDA 2020E EBITDA 14.2x 18.0x	Stock Price Performance 	Transaction Spotlight <i>September 2, 2020</i> 	Market Observations <p>Intertek has hired Reckitt Benckiser's Jonathan Timmis as its new finance chief to replace Ross McCluskey, who is transitioning to an operating role within the Company. Timmis plans to join Intertek on or just before April 1, 2021. The transition of McCluskey to an operating role after more than two years as CFO was made with the board's full support.</p> <p>Intertek Hires Jonathan Timmis as new CFO</p>

Public Market Observations¹

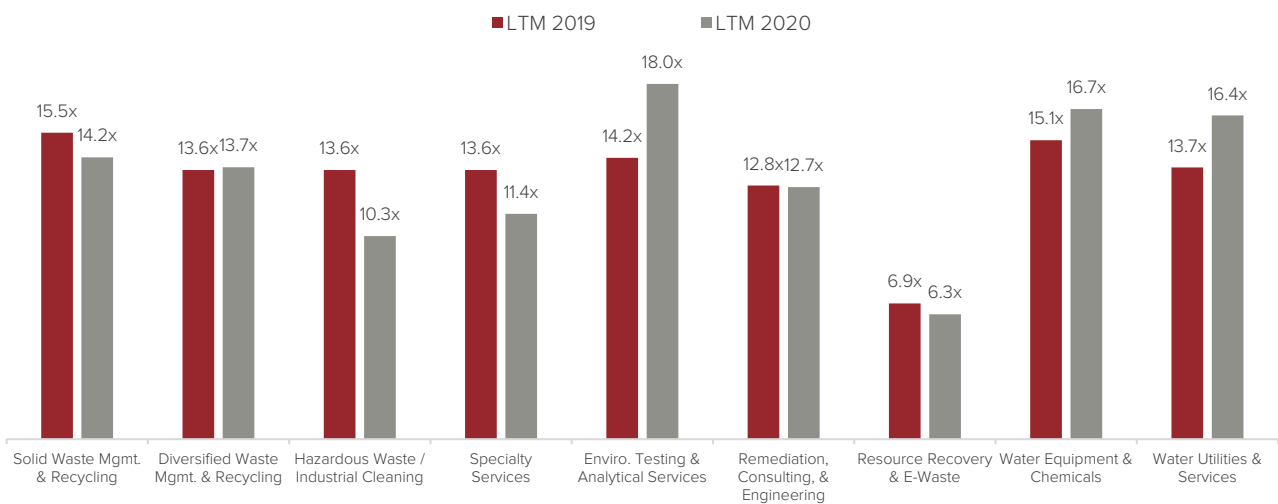
REMEDIAL, CONSULTING & ENG.	<h3>Key Public Comps</h3> <div> </div> <div> </div> <div> Enterprise Value / 2019 EBITDA 2020E EBITDA 12.8x 12.7x </div>	<h3>Stock Price Performance</h3> <p>S&P 500 Remedial, Consulting & Engineering</p>	<h3>Transaction Spotlight</h3> <p>September 1, 2020</p> <div> </div>	<h3>Market Observations</h3> <p>AECOM has integrated its design and consulting services businesses into one global organization as part of the company's phased strategy. The new unit will be led by Lara Poloni, AECOM's president. This initiative further simplifies the operating structure of the company and will enable greater connectivity and collaboration across the enterprise.</p> <p><u>AECOM restructures with integration of design & consulting businesses</u></p>
RESOURCE RECOVERY & E-WASTE	<h3>Key Public Comps</h3> <div> </div> <div> </div> <div> Enterprise Value / 2019 EBITDA 2020E EBITDA 6.9x 6.3x </div>	<h3>Stock Price Performance</h3> <p>S&P 500 Resource Recovery & E-Waste</p>	<h3>Transaction Spotlight</h3> <p>No notable transactions</p>	<h3>Market Observations</h3> <p>U.S. raw steel production for the week ending Oct. 3 was 1.5 million net tons, while the capability utilization rate was 66.6%, according to the American Iron and Steel Institute. That compares with production of 1.8 million net tons for the week ending Oct. 3, 2019, when the capability utilization was 77.7%. Despite the increasing production, some sources believe the ferrous scrap market will move sideways rather than show signs of strength in October, pointing to good supply at yards and high inventory levels at mills.</p> <p><u>US steel production continues to increase</u></p>
WATER EQUIPMENT & CHEMICALS	<h3>Key Public Comps</h3> <div> </div> <div> </div> <div> </div> <div> Enterprise Value / 2019 EBITDA 2020E EBITDA 15.1x 16.7x </div>	<h3>Stock Price Performance</h3> <p>S&P 500 Water Equipment & Chemicals</p>	<h3>Transaction Spotlight</h3> <p>June 23, 2020</p> <div> </div>	<h3>Market Observations</h3> <p>Ecolab, Inc. recently attained product approval from the U.S. Environmental Protection Agency for its peroxide multi-surface cleaner and disinfectant for use against SARS-CoV-2, the virus responsible for COVID-19. This marks the first EPA-registered disinfectant that has been proven to be effective at killing the virus. The approval is expected to provide a significant boost to Ecolab's industrial segment.</p> <p><u>Ecolab Disinfectant Gets EPA Nod for Use Against SARS-CoV-2</u></p>
WATER UTILITIES & SERVICES	<h3>Key Public Comps</h3> <div> </div> <div> </div> <div> Enterprise Value / 2019 EBITDA 2020E EBITDA 13.7x 16.4x </div>	<h3>Stock Price Performance</h3> <p>S&P 500 Water Utilities & Services</p>	<h3>Transaction Spotlight</h3> <p>No notable transactions</p>	<h3>Market Observations</h3> <p>Of the 150,000 public water systems in the U.S., 97% of them serve populations of 10,000 or fewer, the smallest of which only bring in a few thousand dollars of revenue each month. As rural water systems were largely left out of federal and state pandemic relief bills, they are especially vulnerable to economic distress due to non-collection of bills or in the event employees fall ill and require quarantine.</p> <p><u>Strained Rural Water Utilities Buckle Under Pandemic Pressure</u></p>

Public Valuation Multiples by Sector¹

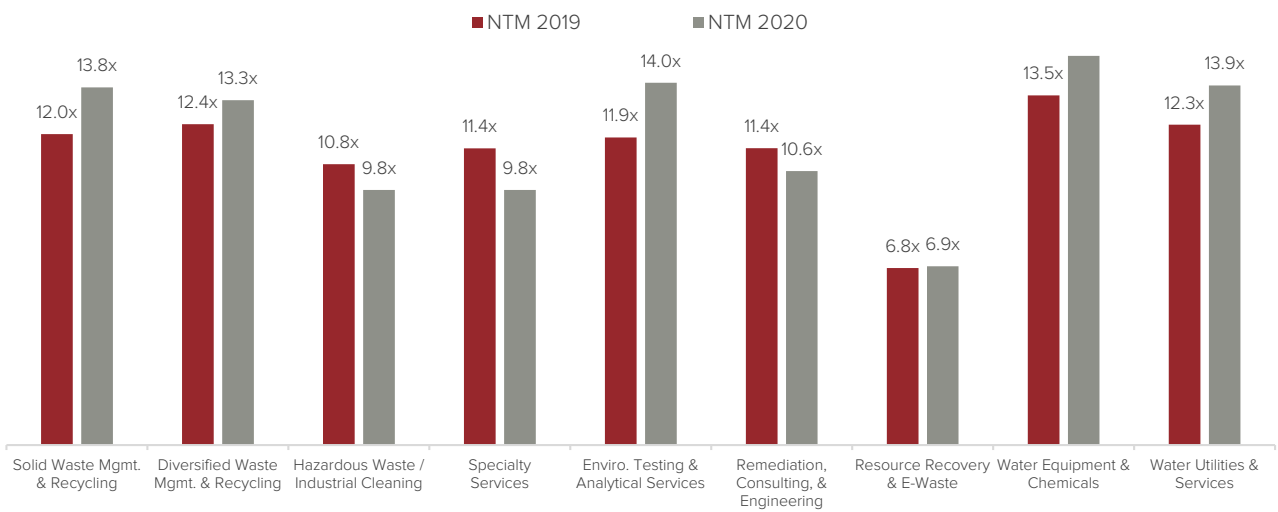
Stock Performance (1- & 3-Year)



LTM EBITDA Multiple Comparison Q3 2019 vs. Q3 2020



NTM EBITDA Multiple Comparison Q3 2019 vs. Q3 2020



What We're Reading

Companies Test a New Type of ESG Bond With Fewer Restrictions

- Finance chiefs are selling a new type of bond designed to attract socially minded investors that costs less and offers more leeway for companies than other types of sustainable debt.
- These instruments, known as sustainability-linked bonds, are similar to traditional debt sales—with one major exception: they are usually structured such that the issuing companies pay a higher interest rate to investors if they fail to achieve a set of environmental and other goals before the maturity date. These differ from green bonds in that the proceeds can be used for any purpose.
- Luxury fashion brand Chanel, pharmaceutical company Novartis AG, and Brazilian paper maker Suzano SA all issued sustainability-linked bonds in September 2020. Italian utility Enel SpA was the first company to issue this type of debt last fall.

[WSJ](#)

JPMorgan Pledges to Push Clients to Align With Paris Climate Agreement

- JPMorgan Chase & Co. is pledging to use its financing weight to push clients to align with the Paris agreement and work toward global net-zero emissions by 2050. The bank said it would invest in technologies that help reduce carbon emissions and will work with clients to cut their own carbon footprints.
- JPMorgan's bankers and advisers hold considerable sway in boardrooms around the globe. The bank plans to argue to clients that combating climate change opens the door to more capital from investors and reduces their risk of becoming outdated.
- The bank plans to measure its clients in new ways, including "carbon intensity" metrics that show emissions as a rate of output and that allow easier comparison.

[WSJ](#)

Nikola Wins Order for 2,500 Electric Garbage Trucks from Republic Services

- Nikola Corp. said Monday it secured an order for 2,500 electric garbage trucks from refuse giant Republic Services Inc.
- The electric-vehicle company has for several years touted robust interest in the electric and fuel-cell trucks it plans to mass produce and sell. Electric and fuel-cell vehicles have long captivated the public's imagination but have had little success without hefty government incentives.
- Founded in 2014, Nikola has drawn comparisons to Tesla. In June, when Nikola went public via a reverse merger, investors quickly drove up its value amid broader enthusiasm about electric vehicles. Tesla's recent string of profits and success expanding production have fueled that exuberance.

[WSJ](#)

Scientists Sound Alarm on Plastic Pollution

- In January 2018, China stopped accepting most plastic recyclables from Western nations. Within days, there was no hiding just how much plastic nations were producing and consuming. Piles of plastic sprang up in the United Kingdom, Canada, the United States, and elsewhere.
- Now a new study shows that despite global commitments to address plastic pollution, growth in plastic waste or "plastics emissions" continues to outpace reduction. What's more, the study shows that even if governments around the world adhere to their ambitious commitments to curb plastic pollution, annual plastic emissions may increase more than sixfold by 2030.
- This is the first global analysis of the magnitude of the plastic pollution problem or an analysis of the relative impact of interventions, like banning plastic bags and straws.

[ENN](#)

Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
9/29/2020	BlueWater Federal Solutions	Provider of IT systems and services that enable customized water, environment, and sustainable infrastructure solutions for federal clients	Tetra Tech
9/23/2020	Synagro	Provider of wastewater biosolids solutions in North America	West Street Infrastructure Partners (Goldman Sachs)
9/23/2020	Environmental Planning Group	Provider of interdisciplinary environmental consulting services to public and private sector clients	Terracon
9/8/2020	Water Depot	Operator of a full-service centralized wastewater treatment plant in Maryland, serving government and private sector clients across the East Coast	Valicor Environmental
9/8/2020	Labrie Environmental	Canadian manufacturer of refuse collection vehicles and related parts for solid waste management	Wynnchurch Capital
9/2/2020	Bureau Veritas - Emissions Monitoring Business	U.S.-based emissions monitoring business unit of Bureau Veritas providing LDAR services throughout North America	Alliance Holdings
9/2/2020	Highway Environmental	Provider of non-hazardous liquid waste transportation services in the Southeast	American AllWaste
9/1/2020	Bodine Services / Weavertown Environmental Group	Two businesses owned by Univar Solutions providing environmental management, remediation, and consulting solutions in the Midwest	EnviroServe
8/25/2020	Path Environmental Technology	Provider of industrial services, including aboveground storage tank and rail tank car cleaning, using proprietary methods	Ara Partners
8/25/2020	Garcia & Associates	Provider of environmental planning and permitting services in the Western U.S.	Kleinfelder Group
8/18/2020	Transwater	Provider of water monitoring solutions for O&G, mining, solid waste, and related industries	Patriot Environmental
8/17/2020	Superior Sanitation	Provider of residential solid waste management services in South Carolina	Capital Waste Services
8/17/2020	EnviroMix	Provider of water and wastewater mixing and process control solutions for municipal and industrial customers	GEF Capital Partners
8/12/2020	WCA Waste	Operator of a vertically integrated network of solid waste assets across the Midwest and Southeast	GFL Environmental
7/21/2020	Extreme Waste Concepts	Provider of doorstep trash collection services in Texas	Valet Living
7/17/2020	Hasa	Manufacturer and distributor of water treatment chemicals and ancillary products in the West and Southwest	GHK Capital Partners
7/15/2020	Aquatic Informatics	Provider of software use for critical water data management, analytics, and compliance	Danaher
7/1/2020	Hulsey McCormick & Wallace	Provider of civil and environmental engineering services for public and private clients	KCI Technologies
6/23/2020	Environmental Dynamics	Manufacturer of diffused aeration systems, specializing in advanced solutions for municipal and industrial wastewater	KKR / XPV Water Partners
6/17/2020	Arrowhead Environmental Partners	Owns and leases disposal infrastructure assets to provide waste-by-rail disposal solutions to solid waste management companies in the Northeast	Clairvest
6/16/2020	Heneghan Wrecking	Provider of wrecking, specialty deconstruction & decommissioning, excavating, and equipment leasing services nationwide	NorthStar Group
6/10/2020	Vexor Technology	Provider of pollution and recycling services in Ohio	Chemtron
6/8/2020	Priority-1 Residential	Provider of residential trash collection services in South Carolina	Capital Waste
6/4/2020	Aerobiology Laboratory Associates	Operator of eight environmental microbiology testing laboratories and two service centers	Pace Analytical Services
6/4/2020	Environmental Integrated Solutions	Manufacturer of air pollution control products including odor control systems and volatile organic compound abatement systems	CECO

Recent Publications

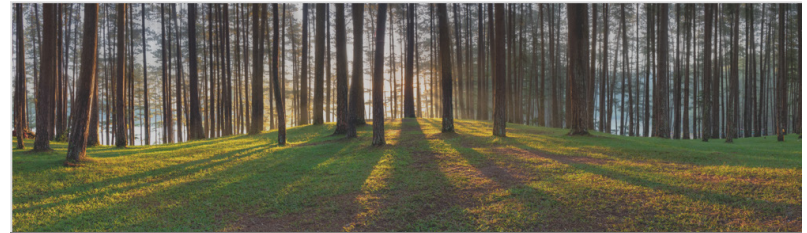
For more information, please see Harris Williams recent publication “Opportunities in Environmental Services,” which provides a detailed breakdown of the industry, recent trends, and market observations.

Opportunities in Environmental Services

Increased focus on environmental, social, and governance (“ESG”) investing is changing the landscape for the environmental services industry and its investors. In the U.S., environmental services is a ~\$400 billion industry with stable and steady growth that’s expected to continue through the next decade. Growth is driven by a dynamic regulatory landscape, increased corporate commitment to sustainability, and a continued emphasis across the U.S. on recycling and reuse.



As we describe in our new report (download below), the industry’s subsectors have a varying level of attractiveness and fragmentation. Water-related services is the largest subsector, followed by solid waste management and recycling. Of comparable size to waste management is specialty services, where growth is projected to be greater than industry average.



OPPORTUNITIES IN ENVIRONMENTAL SERVICES

SEPTEMBER 2020

 Harris Williams

Link: <https://www.harriswilliams.com/industry-update/opportunities-environmental-services>

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With Robust Experience
Across the Globe

3 DECADES

of Providing Award-Winning
M&A Advisory Services

1 UNIFIED TEAM

Bringing Firmwide Dedication
to Every Engagement

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

COLLABORATIVE EFFORTS IN THE SPACE





















Our Energy, Power & Infrastructure Group and Business Services Group have a strong track record of collaborating to advise leading environmental services providers.

Brian Lucas
Managing Director
Business Services Group
blucas@harriswilliams.com
(804) 915-0174

Luke Semple
Managing Director
EPI Group
lsemple@harriswilliams.com
(804) 915-0158

Matt White
Managing Director
EPI Group
mwhite@harriswilliams.com
(804) 915-0131

SELECT, RELEVANT HARRIS WILLIAMS TRANSACTIONS

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

Sources

1. CapIQ

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