



HW Harris Williams



Environmental Services

SECTOR UPDATE | Q3 2022

Key Themes

Infrastructure Investment



- Major environmental services companies are expanding to meet demand and have a renewed focus on infrastructure and end markets
- Expecting a significant uptick in waste and environmental services, many of the world's largest players are investing in new composting facilities, treatment facilities, and other infrastructure to capitalize on the opportunity
- M&A is one solution that many companies are employing to rapidly expand their geographic footprints, employee bases, and customer touchpoints to gain market share

Supply Chains May Face Cross-Currents



- Inflationary pressure is likely to ease in the second half of the year as supply chains return to normal despite tightening from the Federal Reserve
- Price pressures have been concentrated in durable goods, especially motor vehicles and electronics. While the supply chain bottlenecks that drove prices higher are finally starting to ease, cross-currents with the geopolitical backdrop may occur
- For commercial waste haulers, inflation is playing an increasingly important role in the evaluation of contract proposals. In New York, coveted 10-year contracts had rate caps raised by 9%, the first time since 2018, and pricing will now make up 40% of the evaluation criteria (up from 35%)¹

Continued Labor Pressure



- Labor-intensive business models are deploying creative strategies to seize growth opportunities amidst a tight labor market
- Across the environmental services landscape, companies are leveraging technology to reduce dependency on certain high-turnover jobs and source new potential hires
- Many have noted that there is additional potential to automate more back-office work, which, it should be noted, is not a major strategic shift, but rather an acceleration of investments in technology stacks
- As the environmental services sector continues to grow, many companies have been hamstrung by hiring, leaving many executives looking for a potential solution

Electric Evolution



- For outsourced services companies, the electric evolution has become increasingly inevitable, from waste and recycling fleets to field technician and engineer trucks
- Throughout a variety of conference sessions and interviews at WasteExpo, vendors cited momentum on ESG values and concerns, broader awareness of and exposure to technology, and a sharp increase in diesel prices as among the factors quickly shifting the narrative on the viability of electric vehicle fleets
- Leaders at the conference doubled down on a key message that came up the previous year: the importance of securing power and infrastructure early in the planning process

ESG Standards



- Investors with over \$130 trillion in assets under management have asked companies to disclose their climate risks, but financial officers must choose from more than a dozen inconsistent reporting frameworks that vary in detail and scope
- Global ESG standard-setting is gaining speed as frameworks, regulators, and other standard-setters are now building a consensus behind uniform rules for gauging sustainability
- Faced with a patchwork of inconsistent standards, the International Sustainability Standards Board is rallying regulators from jurisdictions in the U.S., Europe, Japan, and other countries for consensus on disclosures about climate risk and other environmental, social, and governance issues

What We're Reading

Summer Heat Affects Collection Routes as OSHA Continues Process Toward Workplace Heat Standard

- Waste and recycling workers are among those at risk for heat stress and illness as record-breaking temperature days continue to occur across many regions of the United States
- During a June 2022 heat wave, numerous haulers across the country pushed up collection schedules in an attempt to spare teams from having to work during some of the peak temperature hours throughout the day
- At the federal level, regional variance makes policymaking challenging as OSHA continues to gather information and is actively working to update regulations by reviewing current publications
- Managers at waste and recycling companies are encouraged to monitor industry- and location-specific heat risk forecasts as environmental metrics are becoming increasingly important for outsourced field services businesses to understand

[Waste Dive](#)

Audit and Consulting Firms at Odds Over Who Should Verify Climate Data

- In March, the U.S. securities regulator announced that it wants companies to seek independent certification of certain new disclosures, including estimates of greenhouse-gas emissions from their operations and the energy they consume. The assurance requirement applies to companies with at least \$250 million in publicly traded shares
- It is still unclear for firms that verify businesses' climate data regarding who is qualified to perform the work, a potentially lucrative task under the proposal from the SEC that requires disclosures on the topic
- Per U.S. securities laws, only certified public accountants can audit public companies' financials, but under the SEC's proposal, the attestation report could be prepared not only by external auditors but also by other service providers
- Service providers such as engineering, consulting, and certification firms potentially stand to benefit from new regulations, creating a need for technical expertise and emission reporting capabilities

[WSJ](#)

U.S. Supreme Court Limits Federal Power to Curb Carbon Emissions

- On June 30, the U.S. Supreme Court imposed limits on the federal government's authority to issue regulations to reduce carbon emissions from power plants in a ruling that undermines President Joe Biden's plans to tackle climate change
- The ruling constrained the EPA's authority to regulate greenhouse gas emissions from existing coal- and gas-fired power plants under the Clean Air Act anti-pollution law
- Biden's administration is actively working on new regulations, and the EPA can proceed to issue a new rule that regulates power plant emissions
- The ruling was based on what is called the "major questions" legal doctrine that requires explicit congressional authorization for action on issues of broad societal impact, and outlines the complicated regulatory landscape that impacts companies across the United States

[Reuters](#)

Hurricane-Resistant Construction May Be Undervalued by Billions of Dollars Annually

- Summer months mark the beginning of hurricane season across the Southeastern United States as homeowners and businesses prepare for unpredictable outcomes
- A 2019 Congressional Budget Office report estimated that hurricane-related wind damage causes \$14 billion in losses to the residential sector annually; however, new research led by MIT graduate students suggests that the value of mitigating this wind damage through strong construction methods may be significantly underestimated
- Previous models have failed to recognize the complexity of neighborhood texture (i.e., buildings of different shapes and arrangements, and more importantly, different levels of wind and water exposure) and in doing so, may undervalue strong construction by over 80 percent
- The study recommends that coastal states enhance their building codes, especially in densely built-up areas, potentially providing heightened levels of work for various businesses that operate in these areas

[MIT News](#)

Select Environmental Services M&A Transactions

Announced July 2022



Covanta Expands with Miller Environmental Transfer Acquisition

- Covanta, a premier provider of environmental services backed by EQT Infrastructure, announced its acquisition of Miller Environmental Transfer, a leading provider of transportation and waste treatment services to companies seeking sustainable waste services across the South-Central U.S.
- The transaction supports Covanta's ongoing market repositioning efforts as the Company looks to become a leading sustainable materials management company in North America

Announced June 2022



Heritage-Crystal Clean Signs Definitive Agreement to Acquire Patriot Environmental

- Heritage-Crystal Clean, a leading provider of parts cleaning, used oil refining, and hazardous and non-hazardous waste services, announced it has entered into a definitive agreement to acquire Patriot Environmental Services, a leading provider of emergency response, industrial services, and OSRO spill response
- The acquisition fortifies Heritage-Crystal Clean's presence in the Western United States and allows for some of the field service work that the Company currently outsources to subcontractors to be internalized in an effort to enhance profitability

Announced June 2022



Ares Management Buys SLR Consulting From Charterhouse

- Ares Management has acquired SLR Consulting, a global provider of ESG and sustainability services with over 2,300 employees and more than 100 offices worldwide, from London-based private equity firm Charterhouse Capital Partners
- Ares expects that heightened focus on sustainability and the secular trends supporting the acceleration of the climate transition will continue to provide strong growth opportunities for SLR Consulting

Announced June 2022



VLS Environmental Solutions Acquires Plaquemine Point Shipyard

- VLS Environmental Solutions, a portfolio company of Aurora Capital Partners, expanded its marine services business in Louisiana with the acquisition of Plaquemine Point Shipyard, a full-service barge cleaning and repair business
- The acquisition of Plaquemine Point Shipyard expands VLS' Specialty Cleaning and Repair Services and expands its geographic footprint along the Intracoastal Waterway. Under Aurora Capital's ownership, VLS has expanded its geographic footprint and service offerings


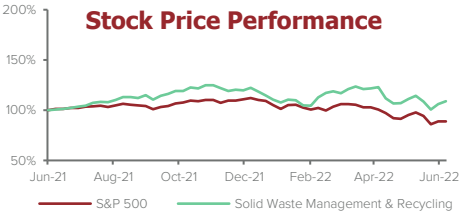


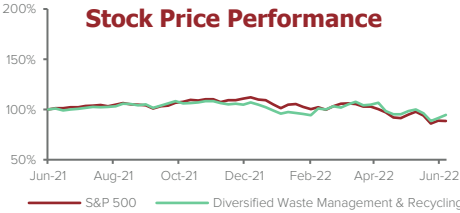


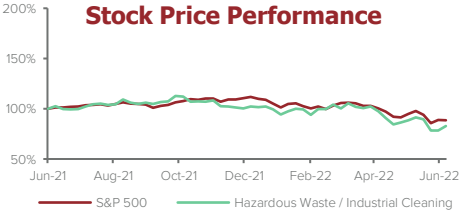


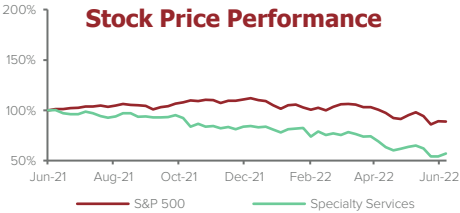


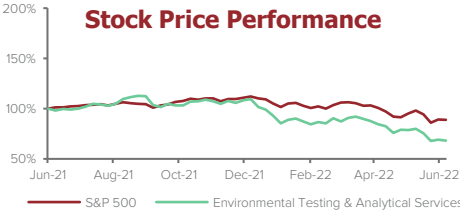

Announced June 2022




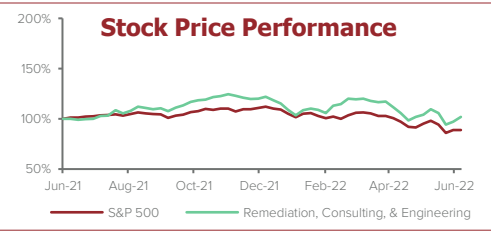


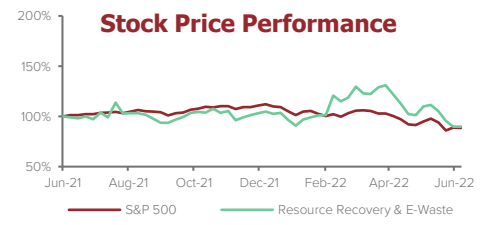


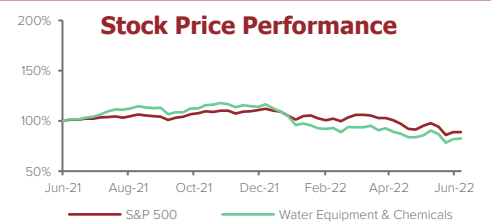


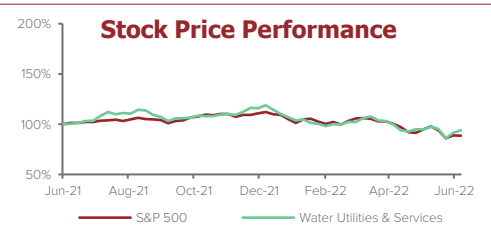

Core & Main Signs Agreement to Acquire Earthsavers Erosion Control

- Core & Main, a leading specialized distributor of water, wastewater, storm drainage and fire protection products and related services, has entered into a definitive agreement to acquire substantially all of the assets of Earthsavers Erosion Control, a full-service provider of geosynthetics products based in northern California
- The strategic acquisition provides additional capacity and enhances Core & Main's erosion control expertise to further serve its customers throughout the Western region of the U.S.

Public Market Observations¹

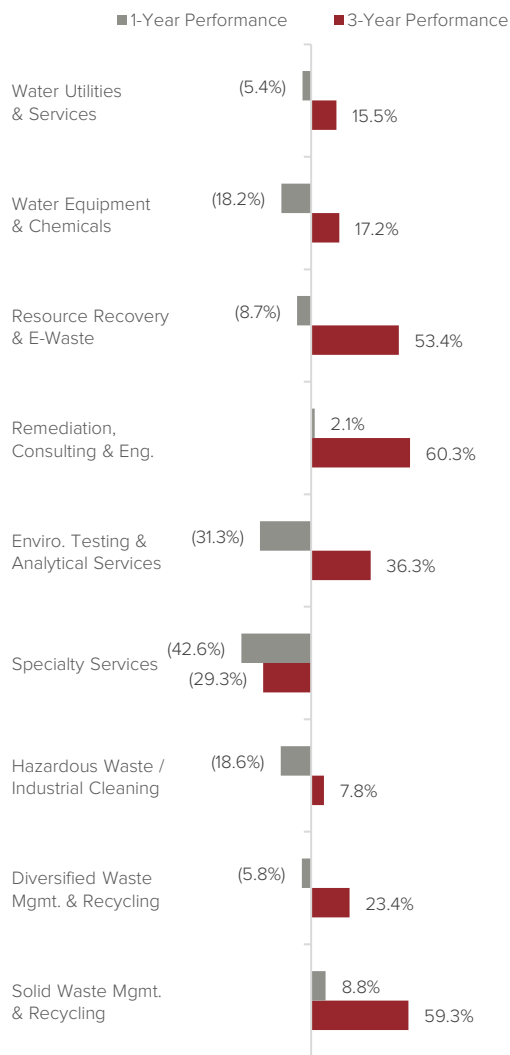
SOLID WASTE MGMT. & RECYCLING	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>19.3x 17.4x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Solid Waste Management & Recycling</p>	<p>Transaction Spotlight May 2, 2022</p> 	<p>Market Observations</p> <p>Republic Services, a leader in the environmental services industry, and Archaee Energy, the industry-leading renewable natural gas (“RNG”) producer in the U.S., announced a joint venture slated to create 39 RNG projects across the U.S. The joint venture marks the largest RNG portfolio build-out to date and is designed to convert landfill gas into pipeline-quality RNG that can be used in a variety of applications to displace gas from fossil fuels.</p> <p>REPUBLIC SERVICES AND ARCHAEE ENERGY LAUNCH JV TO DEVELOP 39 RENEWABLE NATURAL GAS PROJECTS</p>
DIVERSIFIED WASTE MGMT. & RECYCLING	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>16.7x 12.9x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Diversified Waste Management & Recycling</p>	<p>Transaction Spotlight June 9, 2022</p> 	<p>Market Observations</p> <p>WM Organic Growth, a wholly owned subsidiary of Waste Management, and Tailwater Capital announced the closing of a joint venture that provides financial, operational, and commercial support to Continuous Materials, a company that develops and operates manufacturing facilities that upcycle plastic and fiber materials. Continuous Materials’ process reduces landfill waste and will generate significantly lower lifecycle greenhouse gas emissions.</p> <p>WM, TAILWATER CAPITAL ANNOUNCE JV TO GROW CONTINUOUS MATERIALS PRODUCTION FACILITIES</p>
HAZARDOUS WASTE/ INDUSTRIAL CLEANING	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>11.0x 8.5x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Hazardous Waste / Industrial Cleaning</p>	<p>Transaction Spotlight June 30, 2022</p> 	<p>Market Observations</p> <p>The Department of Justice announced a comprehensive enforcement strategy to advance environmental justice in May. The Justice Department and EPA developed a strategy that leverages all available legal tools, including restoring Supplemental Environmental Projects (SEPs), which EPA’s enforcement program will use to secure protections for communities that have been overburdened by pollution and environmental injustices.</p> <p>NEW ENFORCEMENT STRATEGY ADVANCES PRESIDENT BIDEN’S ENVIRONMENTAL JUSTICE AGENDA</p>
SPECIALTY SERVICES	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>14.1x 11.8x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Specialty Services</p>	<p>Transaction Spotlight July 7, 2022</p> 	<p>Market Observations</p> <p>SteelPhalt has introduced the world’s first carbon-negative steel slag aggregate-based asphalt that uses lignin binder product from trees. SteelPhalt’s new product, called SteelSurf ECO+, uses a renewable bio-based substance, an alternative to oil-based bitumen. The use of new input material dramatically reduces the product’s carbon footprint and represents a significant step forward in the Company’s goal to become the world’s most sustainable asphalt supplier</p> <p>STEELPHALT, A HARSCO ENVIRONMENTAL COMPANY, LAUNCHED CARBON-NEGATIVE ASPHALT PRODUCTION</p>
ENVIRO. TESTING & ANALYTICAL SERVICES	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>16.5x 11.4x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Environmental Testing & Analytical Services</p>	<p>Transaction Spotlight June 28, 2022</p> 	<p>Market Observations</p> <p>Bureau Veritas, a global leader in testing, inspection, and certification, announced the acquisition of Advanced Testing Laboratory (ATL), a leader in scientific sourcing services for the North American consumer healthcare products, cosmetics, and medical device markets. The acquisition expands Bureau Veritas’ footprint in North America and adds capabilities, including analytical chemistry, engineering, product safety & regulatory, quality assurance, and regulatory compliance.</p> <p>BUREAU VERITAS ACQUIRES ADVANCED TESTING LABORATORY, A US LEADER IN SCIENTIFIC SOURCING</p>

Public Market Observations¹

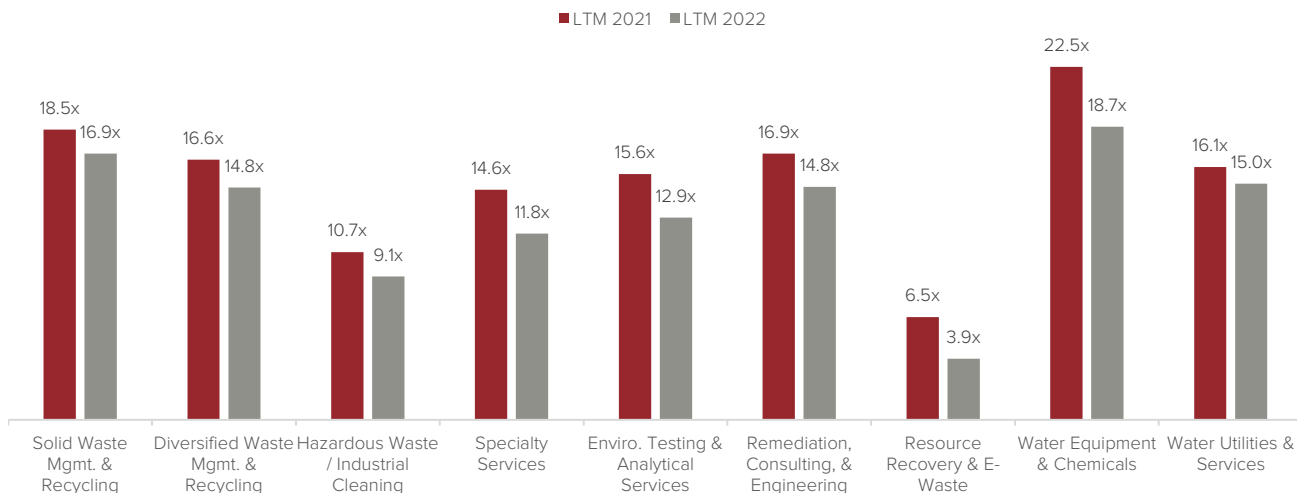
REMEDIA- TION, CONSULTING & ENG.	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>18.5x 14.0x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Remediation, Consulting, & Engineering</p>	<p>Transaction Spotlight</p> <p>June 1, 2022</p> 	<p>Market Observations</p> <p>Jacobs provides guidance on the EPA's new drinking water Health Advisories for four per- and polyfluoroalkyl substances (PFAS): PFOA, PFOS, PFBS, and GenX. Health advisories for PFOA and PFOS are considerably lower and create heightened nuance for utilities. Utilities must understand the state-level maximum contaminant level, creating demand for remediation consulting services to remain in compliance.</p> <p>PFAS: NAVIGATING THE NEW DRINKING WATER HEALTH ADVISORIES</p>
RESOURCE RECOVERY & E-WASTE	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>5.4x 3.9x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Resource Recovery & E-Waste</p>	<p>Transaction Spotlight</p> <p>May 16, 2022</p> 	<p>Market Observations</p> <p>E-waste is a rising health and environmental hazard and is set to rise globally to 75 million metric tons by 2030, from 53.6 million metric tons in 2019, according to the Global E-waste Statistics Partnership, a coalition of the United Nations, World Health Organizations, and other institutions. A Spain-based company, La Hormiga Verde ("the green ant"), has recognized the opportunity and is expecting to increase revenues by as much as 35% from 2021 to 2022.</p> <p>TURNING OLD PHONES INTO FURNITURE TO TACKLE ELECTRONIC WASTE</p>
WATER EQUIPMENT & CHEMICALS	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>24.6x 18.2x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Water Equipment & Chemicals</p>	<p>Transaction Spotlight</p> <p>May 2, 2021</p> 	<p>Market Observations</p> <p>IDEX Corporation announced that it has completed its previously announced acquisition of KZValve, a manufacturer of precision farming components, including waterproof motorized valves, manifolds, controllers, and other accessories. The acquisition complements and expands upon IDEX's current fluid management solutions for the agricultural product market from Banjo Corporation, a business unit of IDEX.</p> <p>IDEX CORPORATION ADDS PRECISION FARMING SOLUTIONS FOR AGRICULTURE & INDUSTRIAL APPLICATIONS</p>
WATER UTILITIES & SERVICES	<p>Key Public Comps</p>  <p>Enterprise Value / 2021 EBITDA 2022E EBITDA</p> <p>18.8x 14.8x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Water Utilities & Services</p>	<p>Transaction Spotlight</p> <p>May 2, 2022</p> 	<p>Market Observations</p> <p>Xylem announced it is sponsoring an innovative new funding mechanism for water utilities to deploy promising new technologies. The partnership with water consultancy Isle Utilities provides water technology innovators access to capital for pilot projects, with an initial focus on technologies that reduce the carbon emissions of water systems.</p> <p>ADVANCED DRAINAGE SYSTEMS ANNOUNCES ACQUISITION OF CULTEC, INC.</p>

Public Valuation Multiples by Sector¹

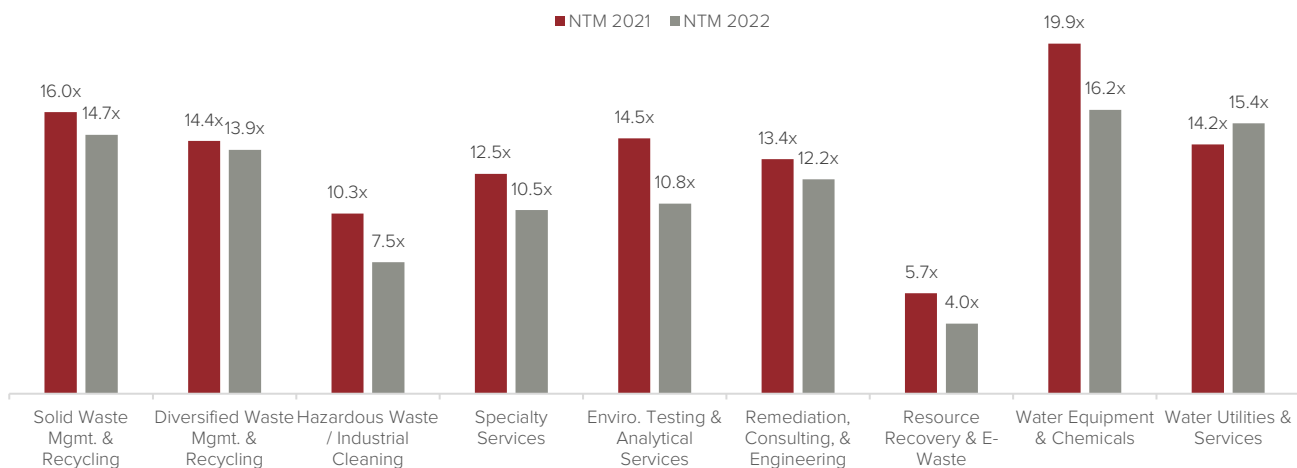
Stock Performance (1- & 3-Year)



LTM EBITDA Multiple Comparison Q1 2021 vs. Q1 2022



NTM EBITDA Multiple Comparison Q1 2021 vs. Q1 2022



Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
7/7/2022	Gainesville Waste & Recycling; Dawsonville Waste & Recycling	U.S.-based premier recycling and composting operations in the Atlanta-metro area.	Waste Eliminator (Allied Industrial Partners)
7/7/2022	Peninsular Pest Control	U.S.-based provider of residential and commercial pest control, termite and landscape services to 30,000 customers throughout Northeast Florida.	Massey Services
7/2/2022	Austin Master Services	U.S.-based full services, comprehensive environmental services firm specializing in radiological waste management solutions.	American Energy Partners
6/30/2022	Patriot Environmental Services	U.S.-based provider of environmental services specializing in a variety of waste services, including emergency response, industrial services, and OSRO spill response.	Heritage-Crystal Clean
6/27/2022	Western Air Ducts	U.K.-based company focused on engineering, manufacturing, and sales of dust extraction and fume extraction solutions.	CECO Environmental
6/21/2022	SLR Consulting	U.K.-based environmental and sustainability consultancy.	Ares Management
6/21/2022	Plaquemine Point Shipyard	U.S.-based provider of full-service barge cleaning and repair along the Mississippi River.	VLS Environmental Solutions (Aurora Capital Partners)
6/16/2022	Streamline Innovations	U.S.-based leader in green solutions for treating hydrogen sulfide (H2S) and other toxic emissions.	Kayne Anderson Capital Advisors
6/10/2022	Berga Recycling	Canada-based recycling solutions provider that is a leader in the purchase and sale of materials for recycling.	BEWI
6/10/2022	Lokimica	Spain-based pest control and treatment company.	Rentokil
6/9/2022	EnviroServ	South Africa-based waste management company that collects, treats, and disposes of general and hazardous waste to treatment and disposal facilities.	Suez; Roy Bafoken Holdings; African Infrastructure Investment Managers
6/7/2022	Earthsavers Erosion	U.S.-based producer and distributor of geosynthetic materials, including straw wattles, erosion control blankets, and a broad array of geotextile products.	Core & Main
6/2/2022	Daly Plastics	Netherlands-based plastics recycling platform focused on producing high-quality recycled low-density polyethylene.	Repeats Group (Ara Partners)
6/1/2022	E&I Business of John Wood Group	Provider of engineering, remediation consulting, environmental permitting, inspection & monitoring, and environmental management services to clients in the government, industrial, infrastructure, oil & gas, power, water, and mining industries.	WSP Global
5/31/2022	Pure Water Solutions of America	One of the largest providers of point-of-use drinking water systems and ice dispensers in the US.``	Quench (BDT Capital Partners)
5/31/2022	ADEV Environment	France-based multidisciplinary environmental consultancy providing environmental expertise to a variety of clients covering everything from biodiversity to sustainable town planning and energy.	RSK Group
5/27/2022	Biowise	U.K.-based organic waste treatment services provider.	Urbaser (Platinum Equity)
5/24/2022	Energy Transition and Environmental Management	U.S.-based firm focused on environmental remediation of coal plants and the repurposing of plant sites to meet the needs of the decarbonizing grid.	Hull Street Energy
5/24/2022	Veolia Industrial Water Treatment	Divestment of Veolia's industrial water treatment services business in France.	Seche Environment
5/18/2022	Blue Whale Materials	U.S.-based lithium-ion batteries recycling company.	Ara Partners
5/16/2022	Lakes Disposal Services	U.S.-based waste and recycling provider serving clients in northern Illinois.	Lakeshore Recycling Systems (Macquarie Infrastructure Partners)
5/16/2022	ROCA	Mexico-based ferrous and nonferrous scrap metals recycling business.	Steel Dynamics
5/13/2022	Radovent	U.S.-based national leader in the environmental consulting and construction industry, with a focus on radon and chemical vapor intrusion management.	Protect Environmental (Rockbridge Growth Equity)
5/11/2022	StormFisher Environmental Services	Canada-based circular economy and decarbonization solutions developer and owner of one of the largest private organic waste-to-energy biogas facilities in Canada.	Generate Capital

Harris Williams Overview



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Across the Globe

3 DECADES

Providing Award-Winning
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Bringing Firmwide Dedication
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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

SELECT HARRIS WILLIAMS TRANSACTIONS

Market-leading provider of closed-loop total oil management solutions

has been acquired by

has been acquired by

Market-leading provider of closed-loop total oil management solutions

has been acquired by

Leading renderer and recycler of animal by-products and waste cooking oil to create renewable resources for various high-quality products

has merged with

Comprehensive provider of water and wastewater infrastructure operations and management services

has been acquired by

Leading provider of outsourced water infrastructure operations and management services

has been acquired by

Comprehensive provider of infrastructure and environmental testing, inspection, and consulting services

Industry-leading environmental, health, safety, and quality software provider offering a unified SaaS platform

has received a growth investment from

Industry-leading environmental, health, safety, and quality software provider offering a unified SaaS platform

has been acquired by

Largest vertically integrated provider of grease trap and related services

has been acquired by

Leading provider of specialized cleaning solutions and wastewater treatment

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, and utility end markets

Our Firm

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.

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TECHNOLOGY

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Sources

1. CapIQ

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