

Environmental Services

SECTOR UPDATE | Q2 2021

Select Environmental Services M&A Transactions

Closed April 1, 2021



Curtis Bay Medical Waste Services acquired by Aurora Capital

Hazardous Waste & Industrial Cleaning



- Curtis Bay Medical Waste Services, a Maryland-based provider of medical waste collection, treatment, and disposal services, has been acquired by Aurora Capital Partners
- Curtis Bay is one of the only privately held vertically integrated medical waste solutions providers in the country, allowing it to provide comprehensive cradle-to-grave solutions to thousands of customers
- The investment provides Curtis Bay with access to capital that enhances the company's capacity to pursue growth opportunities

Announced April 1, 2021



Liberty Tire Recycling acquired by ECP

Specialty Services



- Liberty Tire Recycling, a Pennsylvania-based provider of tire recycling services throughout North America, has been acquired by ECP, an investor with a decades-long track record in the environmental and sustainable solutions sector
- Liberty has a network of more than 25 processing plants and flexible collection service offerings nationwide, serving more than 190 million tires per year
- Liberty's partnership with ECP is expected to increase the company's capacity to recycle tires into a wide range of beneficial, eco-friendly products

Closed March 18, 2021



DESOTEC acquired by Blackstone

Specialty Services



- DESOTEC, a European provider of innovative circular filtration solutions for water, air, and soil, has been acquired by Blackstone
- DESOTEC's purification solutions are based mainly on activated carbon technology, and the company operates a fleet of approximately 2,700 mobile filters with emissions, biogas, remediation, wastewater, and chemical applications
- Blackstone invested through its core private equity strategy, which is designed to hold investments in high-quality, market-leading companies for longer periods than traditional private equity

Closed February 3, 2021




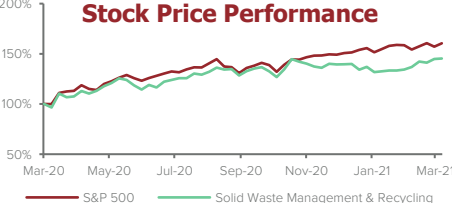

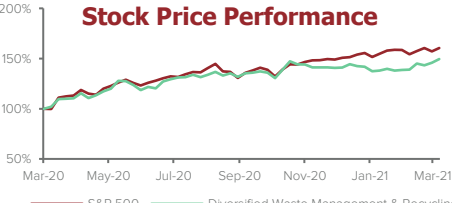


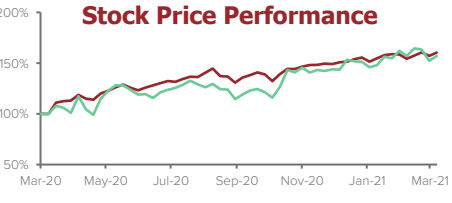


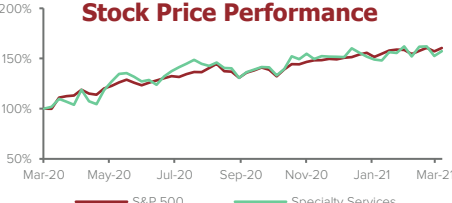


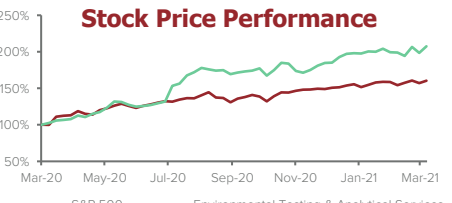

Pacific Trans Environmental Services acquired by VLS

Diversified Waste Management & Recycling


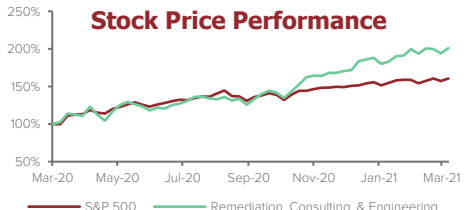


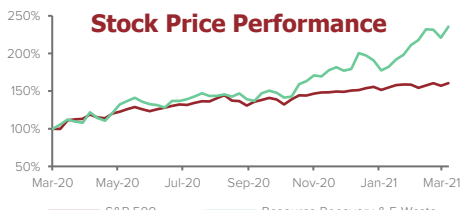

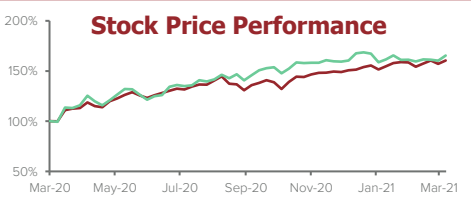


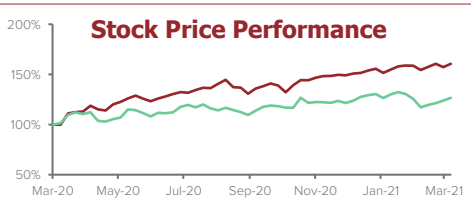


- VLS Recovery Services, a Texas-based provider of waste management, railcar and barge cleaning, and repair services, has acquired Pacific Trans Environmental Services, a California-based provider of waste management, industrial services, and other environmental services to customers in California and Mexico
- Pacific Trans will operate within the waste division of VLS
- Backed by Aurora Capital Partners, this acquisition marks VLS's sixth acquisition under their ownership

Public Market Observations¹

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">SOLID WASTE MGMT. & RECYCLING</p>	<p>Key Public Comps</p>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>15.2x 18.6x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Solid Waste Management & Recycling</p>	<p>Transaction Spotlight</p> <p>No notable transactions</p>	<p>Market Observations</p> <p>Republic Services has released a climate disclosure report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). The report represents the industry's first comprehensive TCFD report and highlights Republic's commitment to environmental leadership and sustainability.</p> <p>REPUBLIC SERVICES RELEASES INAUGURAL ENVIRONMENTAL REPORT ALIGNED WITH TCFD</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">DIVERSIFIED WASTE MGMT. & RECYCLING</p>	<p>Key Public Comps</p>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>13.9x 10.3x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Diversified Waste Management & Recycling</p>	<p>Transaction Spotlight</p> <p>February 3, 2021</p> 	<p>Market Observations</p> <p>Veolia has struck a deal to buy its arch-rival Suez, reshaping the water and waste market and putting an end to one of France's hardest-fought takeover battles in years. After months of bitter conflict as Suez struggled to stay independent, the world's two largest waste and water groups agreed to a deal that values Suez's equity at close to \$15 billion.</p> <p>VEOLIA AGREES TO DEAL FOR ARCH-RIVAL SUEZ</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">HAZARDOUS WASTE/ INDUSTRIAL CLEANING</p>	<p>Key Public Comps</p>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>12.4x 13.6x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Hazardous Waste / Industrial Cleaning</p>	<p>Transaction Spotlight</p> <p>April 1, 2021</p> 	<p>Market Observations</p> <p>The very materials protecting us from COVID-19 infection over the last year could ultimately cause long-term harm to public health and the planet. According to a July 2020 study on China's COVID-19 waste management, the city of Wuhan, where the coronavirus first emerged, generated close to 247 tons of medical waste per day at the peak of the pandemic, nearly six times more than before the virus hit.</p> <p>COVID HAS PRODUCED A 'STAGGERING' AMOUNT OF WASTE. WHERE IS IT ALL GOING?</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">SPECIALTY SERVICES</p>	<p>Key Public Comps</p>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>12.4x 13.6x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Specialty Services</p>	<p>Transaction Spotlight</p> <p>February 17, 2021</p> 	<p>Market Observations</p> <p>Stericycle previously announced a comprehensive multiyear business transformation initiative focused on enhancing long-term operational and financial performance; however a debt-laden balance sheet remains a concern for the company. As of Q4 2020, the company had a cash and cash equivalent balance of \$53.3 million versus long-term debt of \$1.69 billion and short-term debt of \$91 million.</p> <p>STERICYCLE'S DEBT WOES STAY AMID FOCUS ON TRANSFORMATION</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ENVIRO. TESTING & ANALYTICAL SERVICES</p>	<p>Key Public Comps</p>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>16.8x 14.5x</p>	<p>Stock Price Performance</p>  <p>— S&P 500 — Environmental Testing & Analytical Services</p>	<p>Transaction Spotlight</p> <p>April 6, 2021</p> 	<p>Market Observations</p> <p>Bureau Veritas, a world leader in testing, inspection, and certification, and Nexans, a global player in electrification, have signed a partnership agreement to reduce risk and promote best practices for turnkey deliveries of high-voltage power cables used for connecting offshore wind farms to onshore grids.</p> <p>NEXANS AND BUREAU VERITAS PARTNER ON OFFSHORE WIND PROJECTS</p>

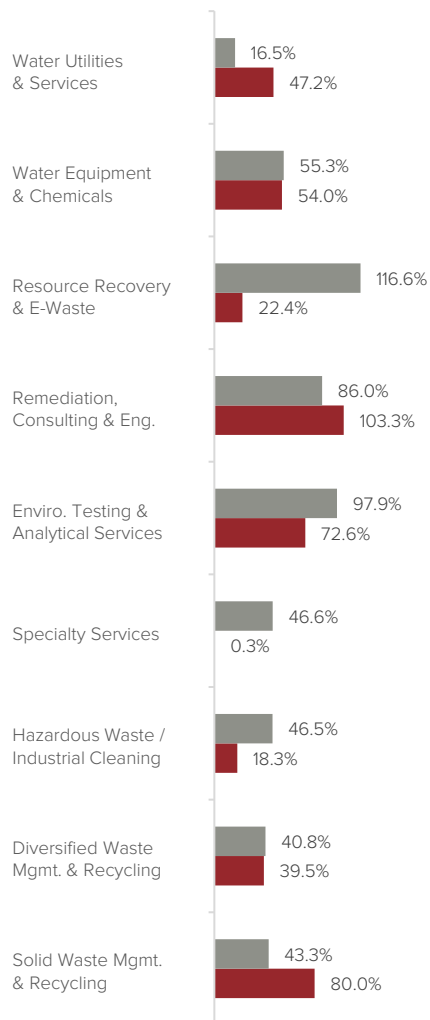
Public Market Observations¹

REMEDIA- TION, CONSULTING, & ENG.	<h3>Key Public Comps</h3>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>13.8x 13.8x</p>	<h3>Stock Price Performance</h3>  <p>— S&P 500 — Remediation, Consulting, & Engineering</p>	<h3>Transaction Spotlight</h3> <p>February 9, 2021</p> 	<h3>Market Observations</h3> <p>A \$48 million contract awarded to AECOM in March to study impacts of widening 34 miles of the most rural southern part of the 117.2-mile New Jersey Turnpike has upset state environmental activists who say the project conflicts with the state's push to combat climate change. The contract is the latest step in the overall \$1.1 billion expansion plan outlined last year.</p> <p>NEW NJ TURNPIKE WIDENING UPSETS ENVIROS AS AECOM WINS STUDY CONTRACT</p>
RESOURCE RECOVERY & E-WASTE	<h3>Key Public Comps</h3>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>7.8x 9.7x</p>	<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>Steel producers are under rising pressure to lower their environmental footprints as investors increasingly focus on ESG issues. Major steel companies worldwide have committed to net-zero emissions by 2050, including ArcelorMittal, Nippon Steel, POSCO, and Baowu Steel Group.</p> <p>STEEL INDUSTRY UNDER RISING PRESSURE TO PRODUCE GREENER PRODUCT</p>
WATER EQUIPMENT & CHEMICALS	<h3>Key Public Comps</h3>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>17.5x 19.9x</p>	<h3>Stock Price Performance</h3>  <p>— S&P 500 — Water Equipment & Chemicals</p>	<h3>Transaction Spotlight</h3> <p>April 6, 2021</p> 	<h3>Market Observations</h3> <p>Ecolab has launched an enhanced version of its Smart Water Navigator to help businesses understand the value of water in their operations and take action to achieve corporate water goals. This enhanced tool comes at a time when rising industrial water use continues to contribute to the world's growing water stress and scarcity challenges.</p> <p>ECOLAB HELPS COMPANIES ADVANCE WATER QUANTITY AND QUALITY GOALS</p>
WATER UTILITIES & SERVICES	<h3>Key Public Comps</h3>  <p>Enterprise Value / 2020 EBITDA 2021E EBITDA</p> <p>15.2x 13.4x</p>	<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>Cybersecurity has arisen as a top concern for local water utilities, following a hacking in Florida earlier this year. One of the biggest hurdles for operators involves the convergence of operational technology ("OT") and IT systems. Traditionally, the OT side of water utilities has not been connected to the internet or outside networks.</p> <p>CYBERSECURITY: THE LATEST CHALLENGE FOR LOCAL WATER UTILITIES</p>

Public Valuation Multiples by Sector¹

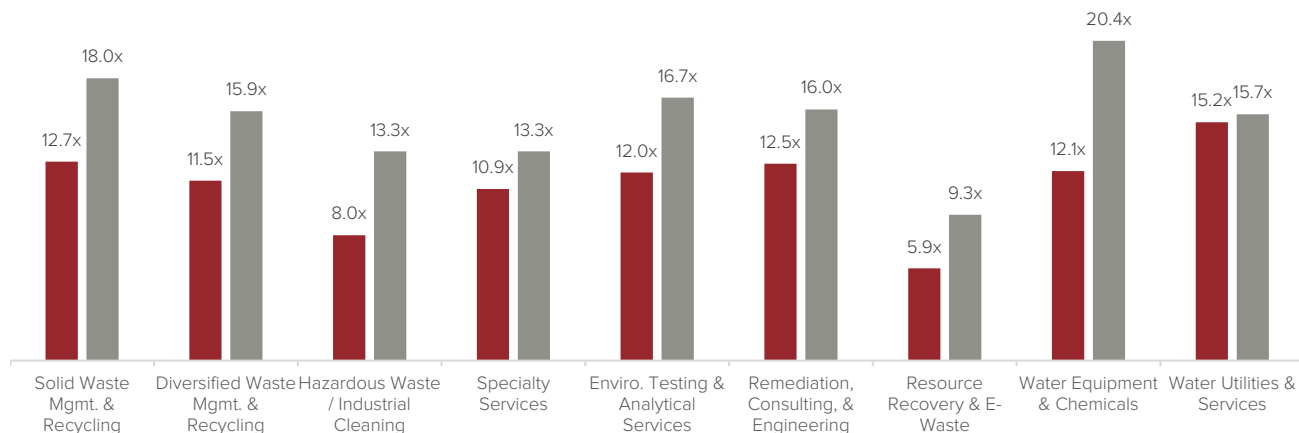
Stock Performance (1- & 3-Year)

■ 1-Year Performance ■ 3-Year Performance



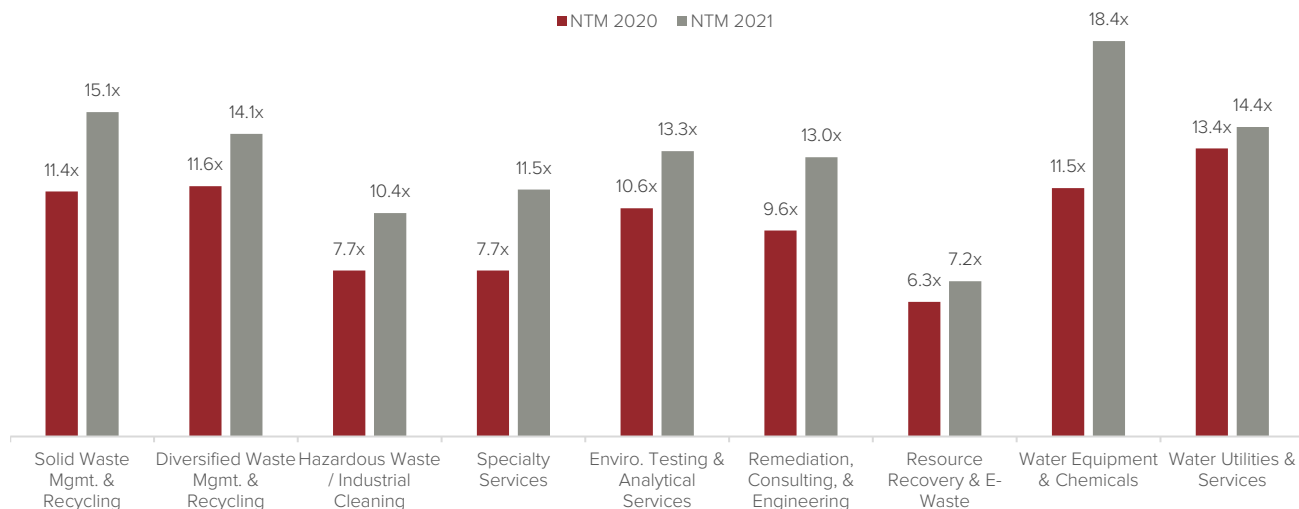
LTM EBITDA Multiple Comparison Q1 2020 vs. Q1 2021

■ LTM 2020 ■ LTM 2021



NTM EBITDA Multiple Comparison Q1 2020 vs. Q1 2021

■ NTM 2020 ■ NTM 2021



What We're Reading

Those Who Worry About CO2 Should Worry About Methane, Too

- About a quarter of the effect of global warming is the consequence of methane, as opposed to CO2. Over the 20 years following its emission, a ton of methane causes 86 times more warming than does a ton of CO2.
- Methane has a half-life in the atmosphere of about a decade, while CO2 lingers for hundreds, or even thousands, of years, meaning that reducing methane emissions can have an outsized impact relatively quickly.
- One major culprit of methane emissions is natural-gas pipeline leaks. A bigger source of emissions, though, is farther up the fossil-fuel supply chain—at the points where natural gas, oil, and coal are extracted from Earth's crust, processed, and moved around the globe.

[The Economist](#)

What Makes an Investment 'Green'? The EU Wants an Answer

- The EU recently began requiring all fund managers that do business within its borders and claim a socially conscious aspect in their offerings to disclose exactly how they address ESG considerations, including board gender diversity and greenhouse-gas emissions. Next, the EU plans to update rules from 2014 governing reporting by all companies—not just financial ones—on nonfinancial ESG issues.
- With all these looming reporting requirements on topics that aren't easily quantified, EU experts from industry, government, NGOs, and other fields are striving to develop methods to measure sustainability, branded as the Green Taxonomy.
- Starting in January, many companies will be required to make general disclosures related to the taxonomy, including how much of their business falls under it. Reporting requirements will increase from 2023, once more details of the taxonomy are adopted.

[WSJ](#)

Governments Should Set Targets to Reduce Methane Emissions

- Methane, sometimes called carbon dioxide on steroids, is responsible for 23% of the rise in temperatures since pre-industrial times. Carbon dioxide gets most of the attention, but unless methane emissions are limited there is little hope of stabilizing the climate.
- After briefly stalling in the early 2000s, atmospheric concentrations of the methane started rising again in 2007, driven primarily by livestock farming, rice cultivation, and the fossil-fuel industry. Agriculture and energy each account for roughly one-third of annual methane emissions.
- If new emissions can be cut to below the rate at which old emissions deplete, the concentration of methane lingering in the atmosphere will soon fall, slowing global warming. The Intergovernmental Panel on Climate Change estimates that, to keep temperatures between 1.5°C and 2°C above pre-industrial levels, human methane emissions must drop to 35% below where they stood in 2010 by mid-century.

[The Economist](#)

Why ESG Investing Is Going from Strength to Strength

- Environmental, social, and governance-based (ESG) spending is gaining momentum as companies devote more of their business plans to the concept – and younger investors increasingly take sustainability into account when deciding where to park their cash.
- According to a study by specialist EIS fund OnePlanetCapital, “investors plan to move funds to support companies with a positive ESG rating or impact.” The study predicts that investments within the ESG market will double in 2021 with more than one in 10 (12%) of investors planning to move to ESG-related funds.
- “ESG is now a key factor for investors when making decisions about their portfolio,” OnePlanetCapital pointed out, where research is “suggesting investors are becoming increasingly concerned about global environmental issues such as climate change.”

[Yahoo Finance](#)

Select Recent M&A Transactions

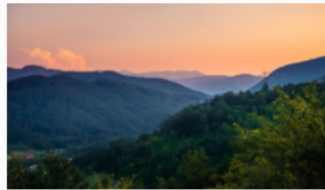
Date	Target	Target Description	Acquirer
4/6/2021	Water Consultant Specialists	Provider of design, manufacturing, and service of industrial high-purity water treatment systems.	Evoqua Water Technologies
4/6/2021	Emission Monitoring Service, Inc. ("EMS")	Provider of leak detection and repair (LDAR) services.	Alliance Holdings
4/1/2021	Curtis Bay Medical Waste Services	Provider of medical waste collection, treatment, and disposal services throughout the U.S.	Aurora Capital
4/1/2021	Liberty Tire Recycling	Provider of tire recycling services across North America.	Energy Capital Partners
3/18/2021	Desotec	Belgian-based provider of mobile, circular filtration solutions applicable to emissions, biogas, remediation, wastewater, and chemicals.	Blackstone
2/26/2021	Earth Consulting Group	Provider of environmental remediation, due diligence, risk assessments, compliance and permitting, and groundwater analytics.	WSP Global
2/17/2021	Hydro Technology	Provider of industrial and environmental emergency response and waste transportation, disposal, and recycling services.	Superior Environmental Solutions
2/9/2021	Applied Ecological Services	Provider of ecological consulting, design, and restoration contracting throughout North America.	Resource Environmental Solutions
2/3/2021	Pacific Trans Environmental Services	Provider of waste management, industrial services, storage, and transfer services in CA and Mexico.	VLS Recovery Services
1/15/2021	SESPE Consulting	CA-based provider of environmental compliance and permitting services.	Trinity Consultants
1/8/2021	Environmental Pest Service	Provider of turnkey commercial and residential pest control services.	Rentokil
1/5/2021	AWN Consulting	Provider of environmental and risk management consulting services throughout Europe.	Trinity Consultants
1/5/2021	Blueway	Provider of ecological mitigation solutions in the SE U.S.	RES
1/4/2021	MSE Group	Provider of environmental assessment, compliance, engineering, and design services.	Montrose Environmental Group
12/21/2020	Inframark, LLC	Provider of outsourced water infrastructure operations and management services.	New Mountain Capital
12/21/2020	Redwing Ecological Services	Provider of ecological assessment, environmental engineering, and NEPA compliance services.	RES
12/21/2020	Ultrapure & Industrial Services	Provider of water purification services and equipment to a broad range of end markets.	Evoqua Water Technologies
12/15/2020	Seminole Septic	Provider of pumping, disposal, and emergency services for septic tanks and grease traps.	Wind River Environmental
12/15/2020	Ajax Environmental & Safety	Supplier of water, air, and soil sampling and analysis equipment.	In-Situ
12/15/2020	Talismark	Provider of custom-designed waste management programs.	Waste Harmonics
12/3/2020	JBR Environmental Services	SC-based waste management, industrial cleaning, and environmental services provider.	VLS Recovery Services
12/1/2020	Almega Environmental	Provider of stack testing services to the metals and renewable energy industries, among others.	Alliance Holdings
11/17/2020	Encino Environmental Partners	Texas-based consulting business enabling compliance with carbon emissions benchmarking and providing mitigation strategies.	BP Energy Partners
11/11/2020	Blue Mountain Environmental Mgmt. Corp. (Emissions Testing Unit)	Emissions testing business of Blue Mountain Environmental Management Corp.	Alliance Holdings

Recent Publications

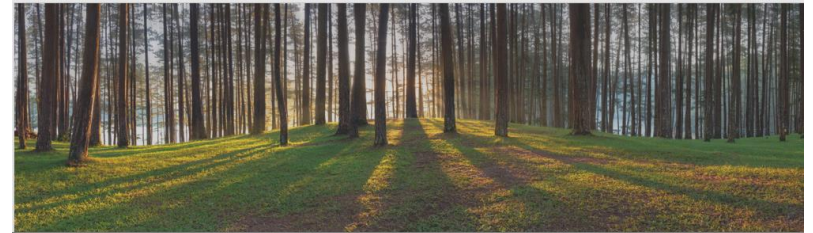
For more information, please see Harris Williams' recent publication "Opportunities in Environmental Services," which provides a detailed breakdown of the industry, recent trends, and market observations.

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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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 HW TRANSACTIONS

 has been acquired by NEW MOUNTAIN CAPITAL LLC	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	 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 	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, and utility end markets	 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

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Sources

1. CapIQ

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