



# INDUSTRY OVERVIEW

## WASTE COLLECTION SERVICES

# WASTE COLLECTION INDUSTRY KEY TAKEAWAYS

## □ Industry Performance

- The waste collection services industry benefits directly from increasing industrial, construction, and commercial business activity. The primary objective of the industry is to collect and transport waste of consumers; hence the industry's revenue depends on the amount of waste produced. Residential waste during the pandemic has remained relatively stable, while commercial business activity has slowed due to COVID-19.
- Communities have pushed for landfill sites located further from urban centers. Thus, more fuel consumption is required to transport waste and has ultimately reduced earnings. Vehicles for waste collection are among the least efficient forms of transportation. Alternative sources such as natural gas, biofuels, and battery electric technology have come into play to reduce fuel costs.
- The total industry revenue is \$51.7B as of 2020 with an operating margin of 8.3%. There are an estimated 8,051 waste collection businesses in the U.S. The CAGR of the industry over the next 5 years is 1.4%.

## □ Trends

- Government regulation and consumer opinion has pushed for greater capabilities in recycling services. Recycled solid waste grew from 28.5% in 2000 to 35.2% in 2017.
- A rebounding economy will boost consumer and business spending and therefore will increase demand for waste services.
- Operating costs are likely to increase as companies transition to sustainable processes.
- Industry heavy weights have looked to reduce labor costs by transitioning to single-driver trucks equipped with an automated side loader (ASL).

## □ Market Outlook

- The industry is expected to grow in the coming years as waste generation increases in residential and commercial sectors. Additionally, anticipated implementation of more sustainable operations and joint efforts with recycling and renewable energy affiliates will occur. These practices will allow companies to raise prices for their services and retain a higher profit after costly installation.

# INDUSTRY AT A GLANCE

## Key Statistics

**\$51.7bn**  
Revenue



**\$4.3bn**  
Profit



**8.3%**  
Profit Margin



**\$13.6bn**  
Wages



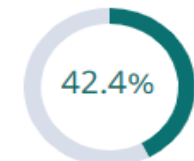
**219k**  
Employment



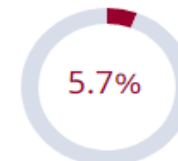
**8,051**  
Businesses



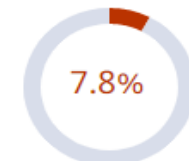
## Products and Services Segmentation



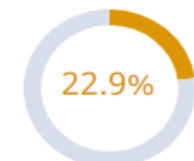
Residential waste collection



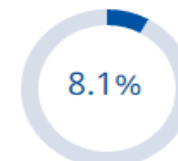
Recyclable material collection



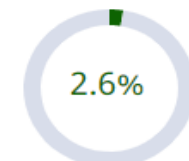
Transfer and storage facility



Nonresidential waste collection



Hazardous waste collection



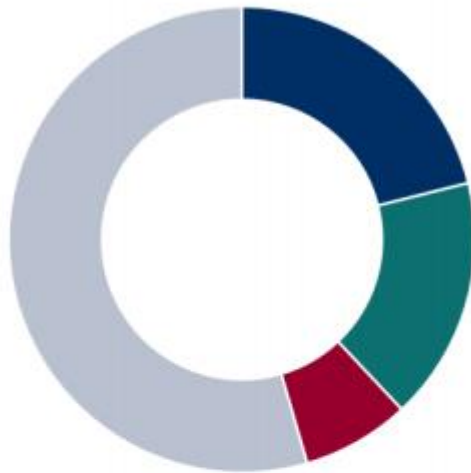
Construction and demolition site waste collection

Waste Collection Services  
Source: IBISWorld

# INDUSTRY AT A GLANCE

## Major Players

% = share of industry revenue



- 21.1% Waste Management
- 16.9% Republic
- 7.5% Waste Connections
- 54.5% Other

Waste Collection Services

Source: IBISWorld

## SWOT

### S STRENGTHS

- Low Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration
- High Revenue per Employee

### W WEAKNESSES

- Low & Steady Level of Assistance
- High Competition
- High Capital Requirements

### O OPPORTUNITIES

- High Revenue Growth (2020-2025)
- Price of diesel

### T THREATS

- Low Revenue Growth (2005-2020)
- Low Revenue Growth (2015-2020)
- Low Outlier Growth
- Low Performance Drivers
- Population



# PUBLIC COMPARABLES

Company Name	Share Price	52 Week Range	Market Cap	Enterprise Value	Multiples	
					TTM EV/ Sales	TTM EV/ EBITDA
Waste Management	\$ 113.90	85.34-126.79	\$ 48,750,000	\$ 58,470,000	3.8x	14.3x
Republic Services	\$ 93.11	65.37-103.79	\$ 29,900,000	\$ 38,520,000	3.8x	13.7x
Waste Connections	\$ 101.40	70.87-111.04	\$ 27,070,000	\$ 31,070,000	5.7x	26.8x
Casella Waste Systems	\$ 57.66	34.35-63.58	\$ 2,800,000	\$ 3,390,000	4.6x	24.3x
Stericycle	\$ 69.03	67.01-69.24	\$ 6,310,000	\$ 8,650,000	2.6x	305.7x
Clean Harbors	\$ 80.96	80.51-82.00	\$ 4,630,000	\$ 5,800,000	1.7x	11.3x
			Low	\$ 3,390,000	1.7x	11.3x
			Median	\$ 19,860,000	3.8x	19.3x
			High	\$ 58,470,000	5.7x	305.7x

\*All values in thousands, except for share prices and multiples.

\*Share price and 52-week range as of 1/26/21

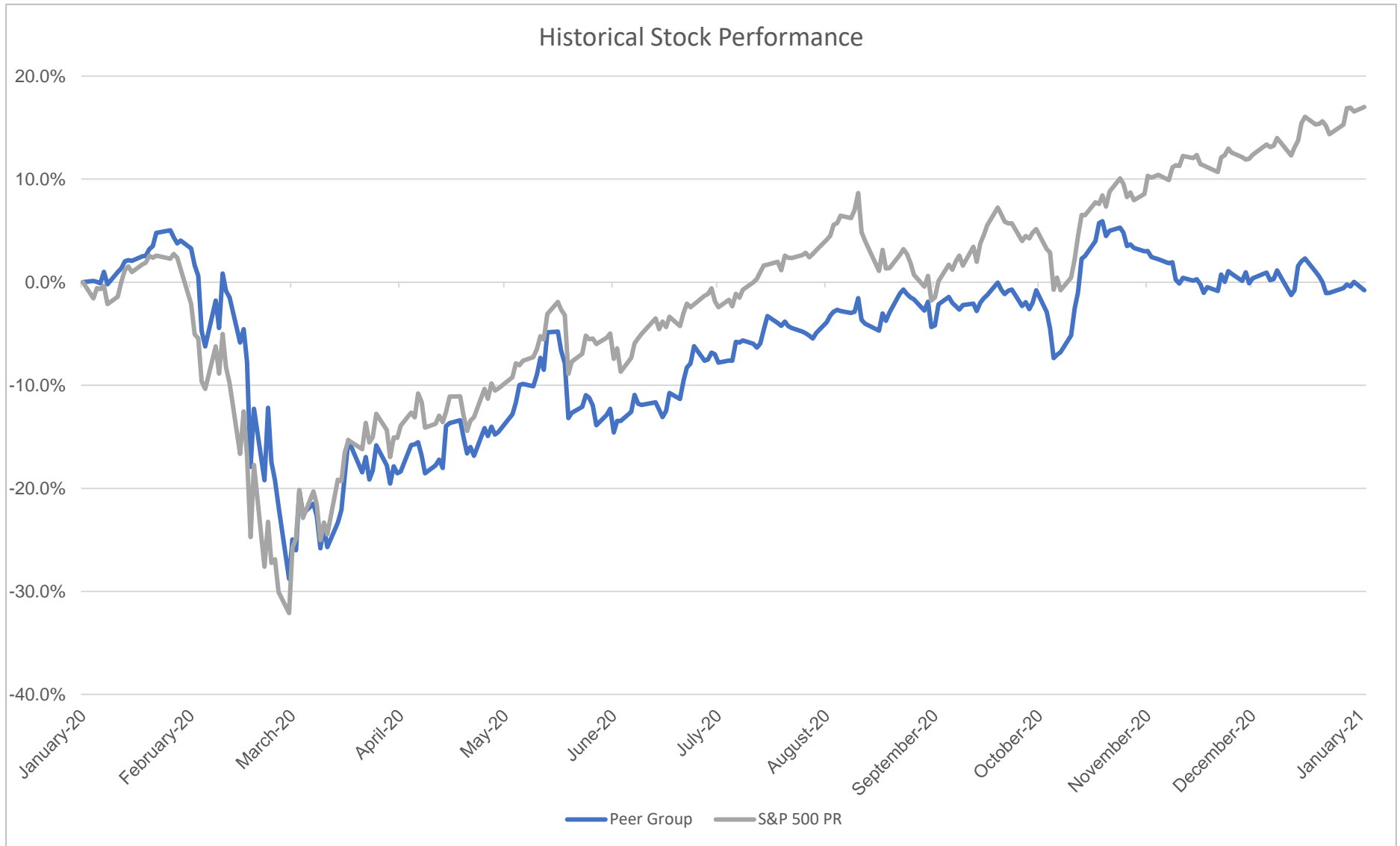


# PUBLIC COMPARABLES

Company Name	TTM Data							
	Sales	EBITDA	Gross Margin	EBIT Margin	EBITDA Margin	Revenue Growth%	Full-Time Employees	Revenue/FTE
Waste Management	\$ 15,455,000	\$4,090,000	38.6%	16.3%	26.5%	-2.9%	44,900	\$ 344.21
Republic Services	\$ 10,157,100	\$2,810,200	39.4%	15.7%	27.7%	-0.9%	36,000	\$ 282.14
Waste Connections	\$ 5,409,699	\$1,158,735	40.0%	7.7%	21.4%	2.3%	18,204	\$ 297.17
Casella Waste Systems	\$ 743,290	\$ 139,570	31.6%	7.0%	18.8%	6.0%	2,500	\$ 297.32
Stericycle	\$ 3,308,900	\$ 28,300	35.5%	-7.4%	0.9%	-16.1%	19,500	\$ 169.69
Clean Harbors	\$ 3,399,389	\$ 515,547	30.2%	6.3%	15.2%	-5.3%	14,400	\$ 236.07
<b>Low</b>	<b>\$ 743,290</b>	<b>\$ 28,300</b>	<b>30.2%</b>	<b>-7.4%</b>	<b>0.9%</b>	<b>-16.1%</b>	<b>2,500</b>	<b>\$ 169.69</b>
<b>Median</b>	<b>\$ 4,404,544</b>	<b>\$ 837,141</b>	<b>37.0%</b>	<b>7.3%</b>	<b>20.1%</b>	<b>-1.9%</b>	<b>18,852</b>	<b>\$ 289.66</b>
<b>High</b>	<b>\$ 15,455,000</b>	<b>\$ 4,090,000</b>	<b>40.0%</b>	<b>16.3%</b>	<b>27.7%</b>	<b>6.0%</b>	<b>44,900</b>	<b>\$ 344.21</b>

*All values in thousands, except for Full-Time Employees*

# DCA WASTE COLLECTION INDEX VS. S&P 500



DCA Waste Collection Index: WM, WCN, CWST, SRCL, CLH, RSG

# RECENT PRIVATE TRANSACTIONS

Date	Target Description	Deal Value	EBITDA	Revenue	DV/EBITDA	DV/Revenue
16-Jun-2020	Scrap Metal and Waste Hauling	\$750,000	\$137,031	\$3,837,169	5.5x	0.2x
05-May-2020	Dumpster Roll-Off Rental Business	160,000	86,580	151,127	1.8x	1.1x
29-Sep-2017	Trash Hauling	169,000	57,882	136,604	2.9x	1.2x
15-Feb-2017	Garbage and Recycling Disposal Service	40,852,000	7,537,867	20,782,287	5.4x	2.0x
11-Mar-2016	Truck Hauling	1,000,000	538,776	3,836,125	1.9x	0.3x
			Low	\$ 136,604	1.8x	0.2x
			Median	\$ 3,836,125	2.9x	1.1x
			High	\$ 20,782,287	5.5x	2.0x

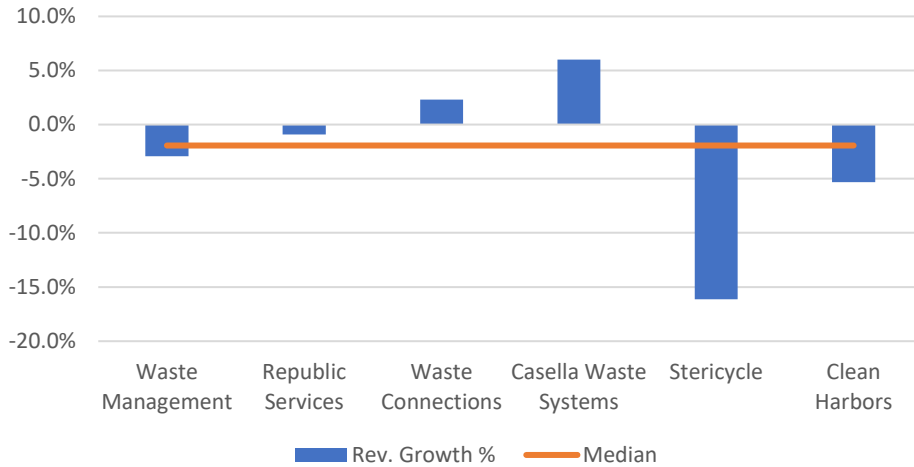


# RECENT PUBLIC TRANSACTIONS

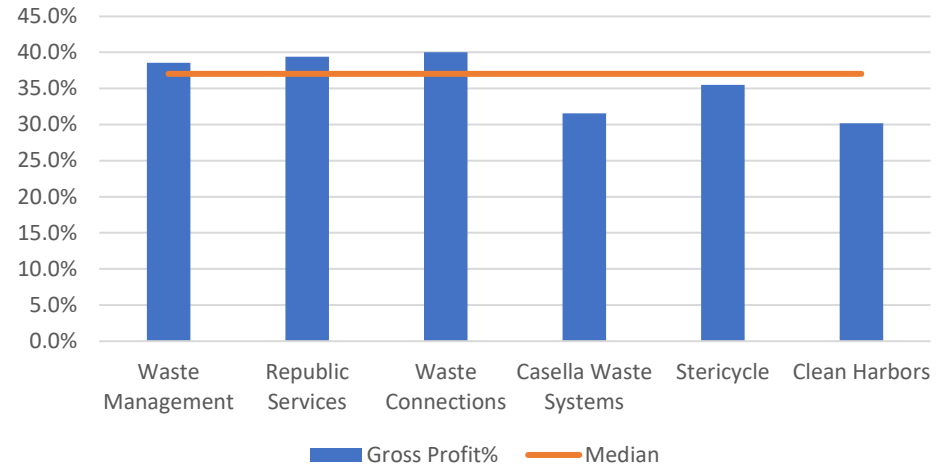
Deal Date	Investors	Target	Target State	Type	Notes
01-Jul-2020	Valet Living	Skinner Waste Solutions	Florida	Solid Waste	Sinner Waste provides doorstep trash removal and recycling services
29-Jun-2020	Modern Disposal Services	Republic Services (Western New York Operations)	New York	Solid Waste	Republic Services' Western NY operations service over 2,000 customers
24-Jun-2020	GFL Environmental	Waste Management (Divestitures)	Texas	Solid Waste	The divestitures are expected requirements by the DOJ due to WM's acquisition of Advanced Disposal
17-Jun-2020	Clairvest	Arrowhead Environmental Partners	Alabama	Specialty Waste	Owns and leases disposal infrastructure assets for waste-by-rail disposal solutions
12-Jun-2020	Kinderhook Industries	EcoSouth Services	Alabama	Solid Waste	EcoSouth provides transpiration and disposal services for non-hazardous solid and liquid industrial waste in Mississippi, Alabama, and Florida
10-Jun-2020	Chemtron	Vexor Technology	Ohio	Specialty Waste	Provides non-hazardous waste processing services for alternative energy products
06-Apr-2020	Harsco	Stericycle (Environmental Solutions Business)	Illinois	Specialty Waste	Environmental Solutions business operates waste transportation and processing solutions
04-Mar-2020	Waste Pro	Resourceful Environmental Services	Mississippi	Solid Waste	Based out of Ripley, MS, provides solid waste services
13-Feb-2020	Waste Management	Miller Sanitation	Minnesota	Solid Waste	Provides waste collection services southwestern and central Minnesota
03-Feb-2020	Republic Services	Prineville Disposal	Oregon	Solid Waste	Prineville Disposal services about 7,000 customers in central Oregon
08-Jan-2020	TAS & BluePoint Capital Partners	Specialized Waste Systems	Texas	Specialty Waste	Provider of waste management solutions in Channelview, TX
04-Dec-2019	Indorama Ventures	Green Fiber International (GFI)	California	Specialty Waste	GFI is a recycling provider, focusing on polyethylene terephthalate (PET)

# OPERATING METRICS

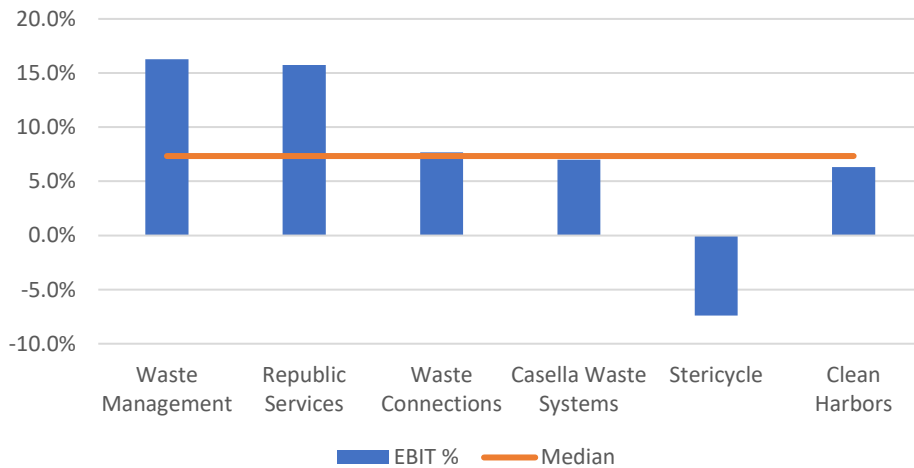
## Revenue Growth



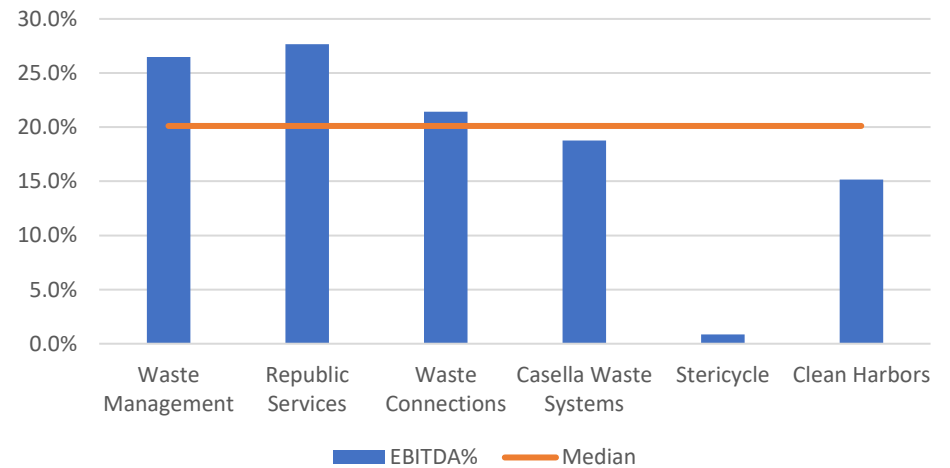
## Gross Profit



## EBIT

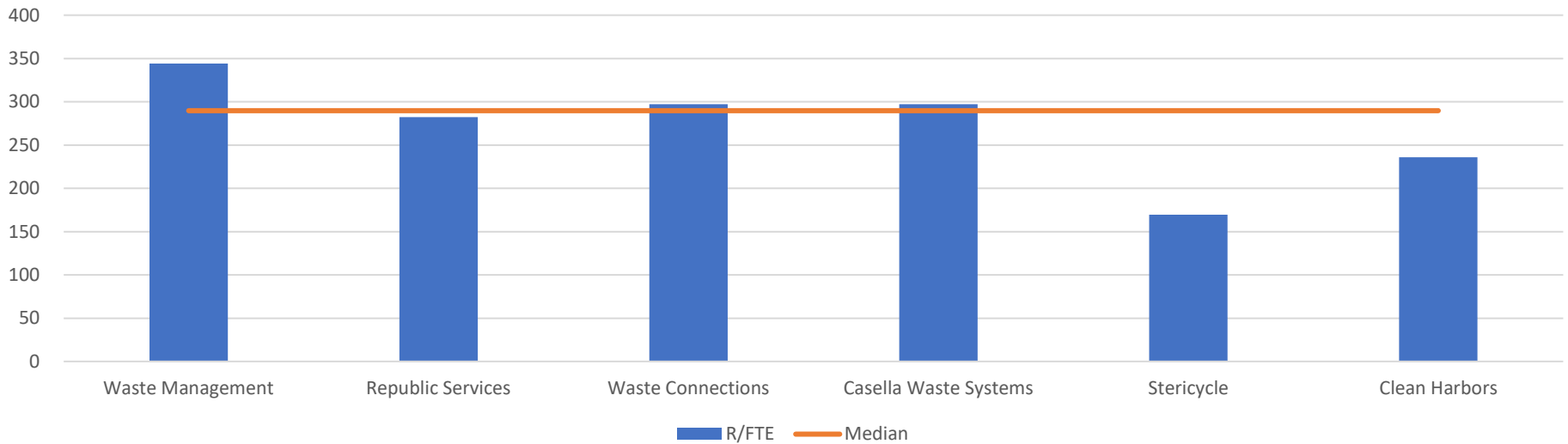


## EBITDA

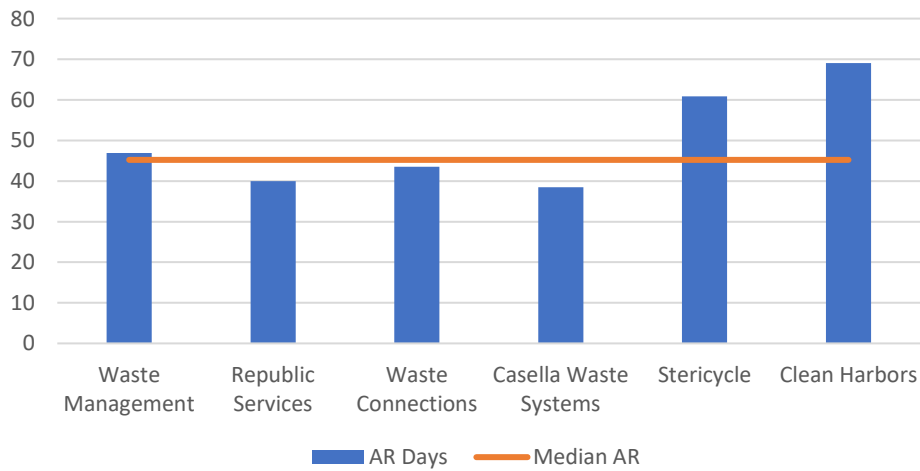


# RATIO ANALYSIS

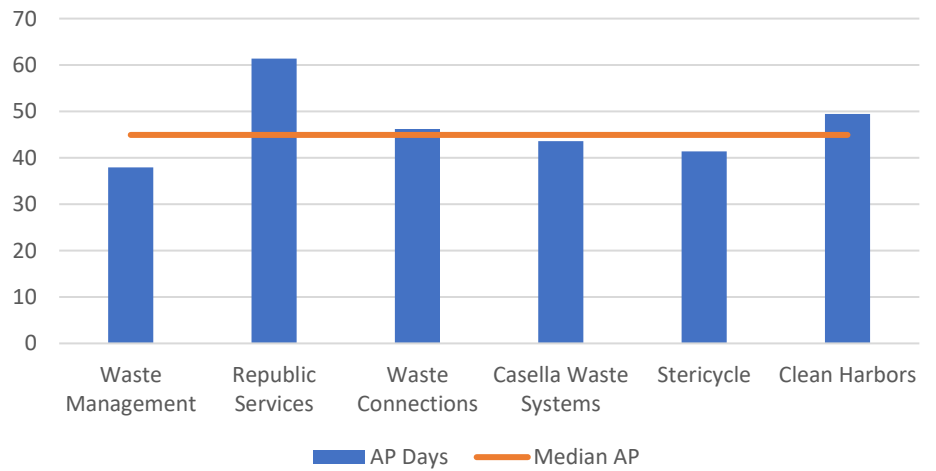
## Revenue per Employee <sup>1</sup>



## AR Days

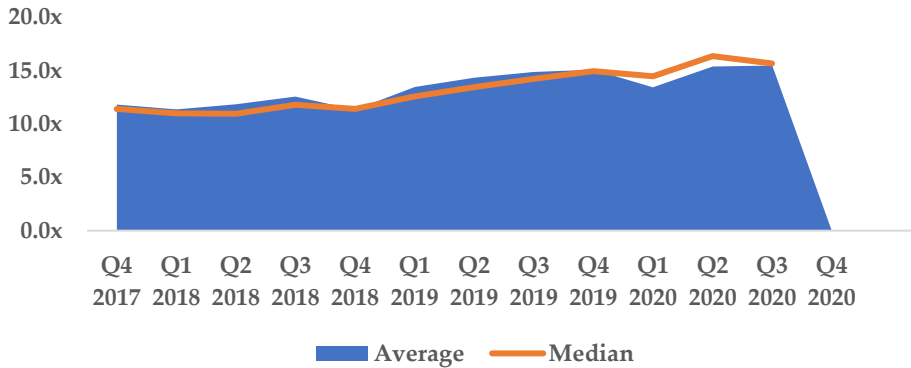


## AP Days

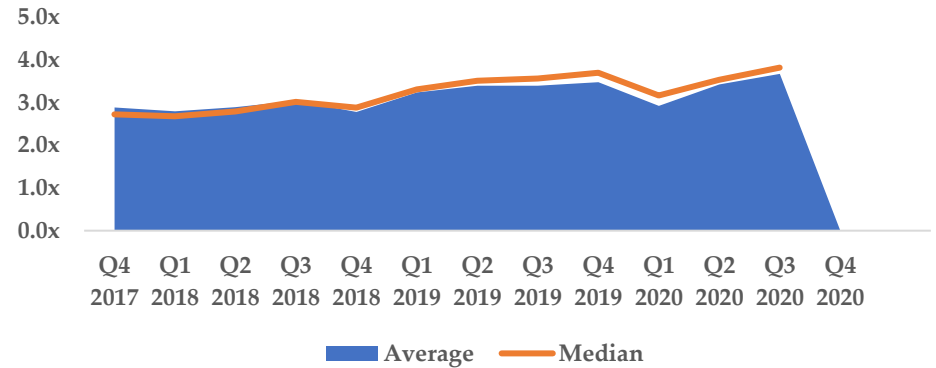


# VALUATION TRENDS

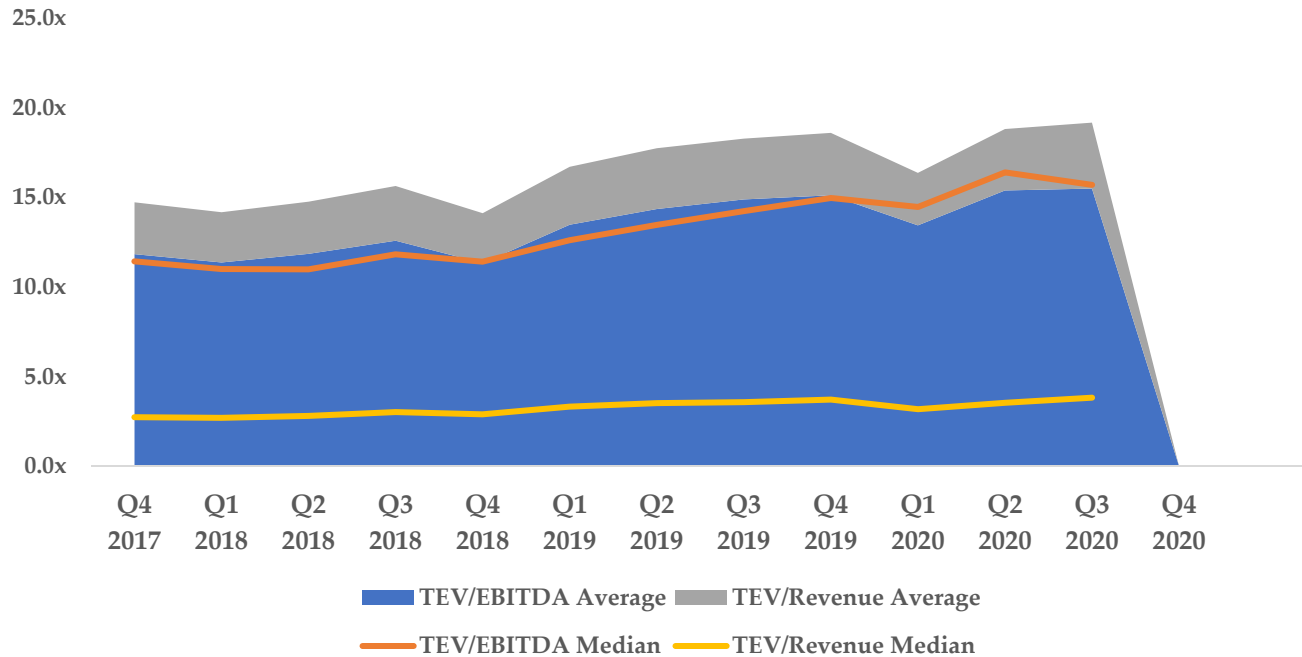
## Public EBITDA Multiples Over Time



## Public Revenue Multiples Over Time



## Public Comps Valuation Trends



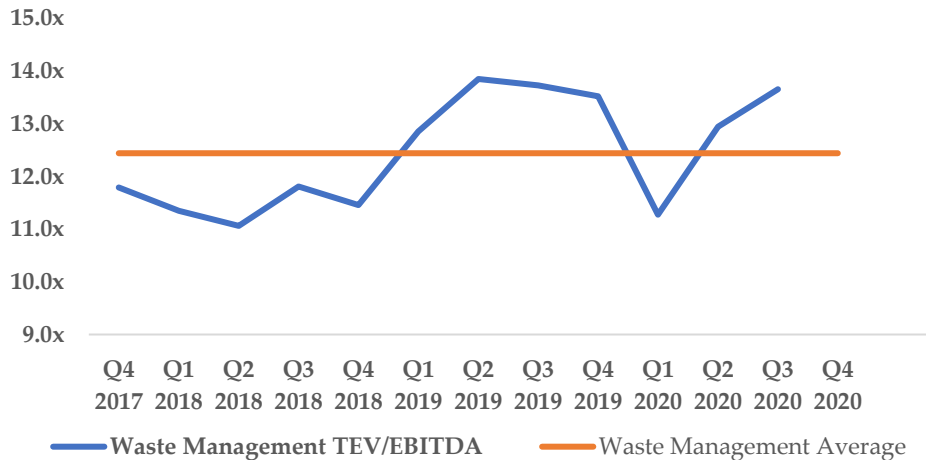
# PUBLIC COMP

## Waste Management (NYS: WM)

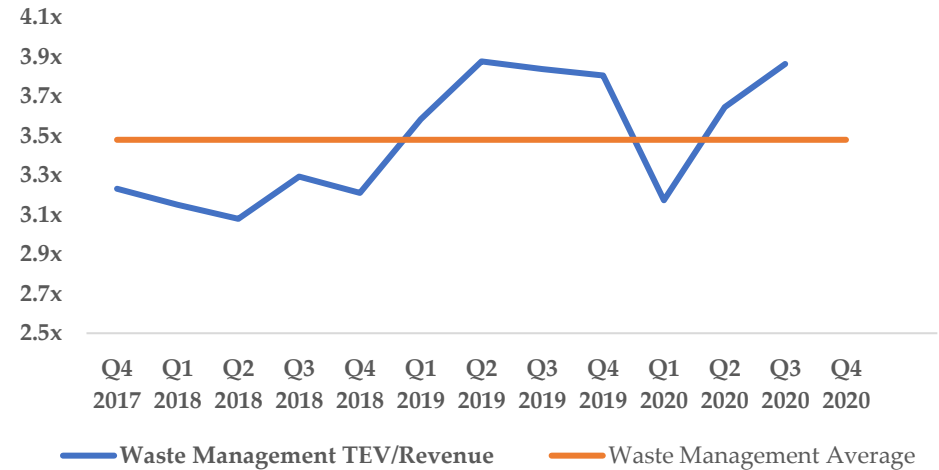
Waste Management is the largest waste-collection company in the United States with over 21% market share. The Houston-based company offers waste collection, disposal, incineration, and other services. The firm's customer base by revenue is 41.3% commercial customers, 28.5% industrial/construction customers, and 15.5% residential customers, and waste collection accounted for 66.3% of its total revenue in 2019. The company operates over 200 landfill sites and over 300 transfer and storage facilities.

Waste Management has been active in the M&A market in recent years. The firm acquired Deffenbaugh Industries in March of 2015 and acquired Advanced Disposal in April 2019 for \$4.57B.

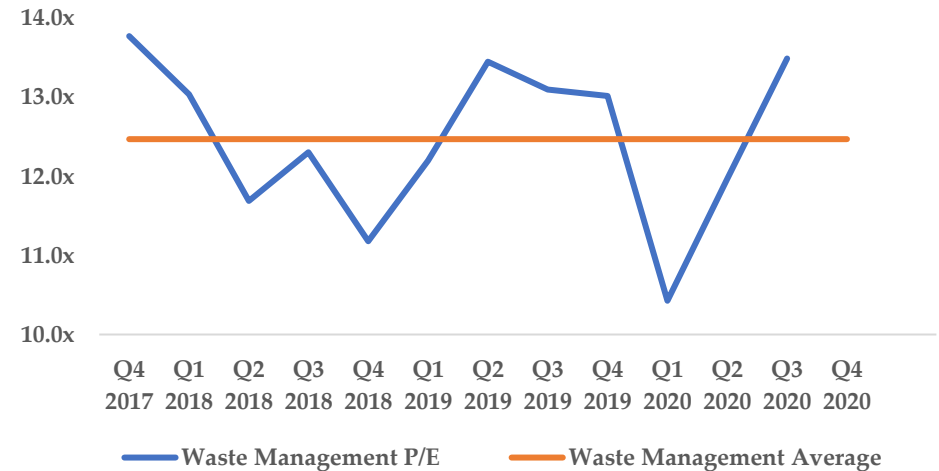
### EBITDA Multiples - Waste Management



### Revenue Multiples - Waste Management



### P/E Multiples - Waste Management



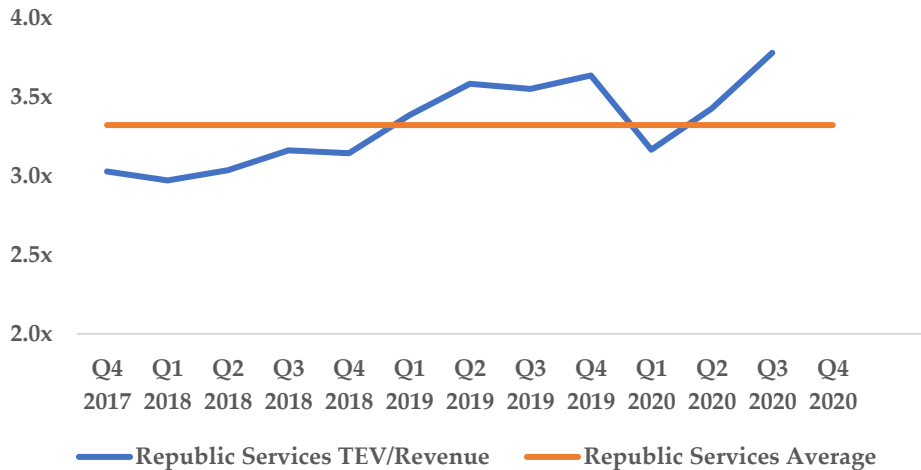
# PUBLIC COMP

## Republic Services (NYS: RSG)

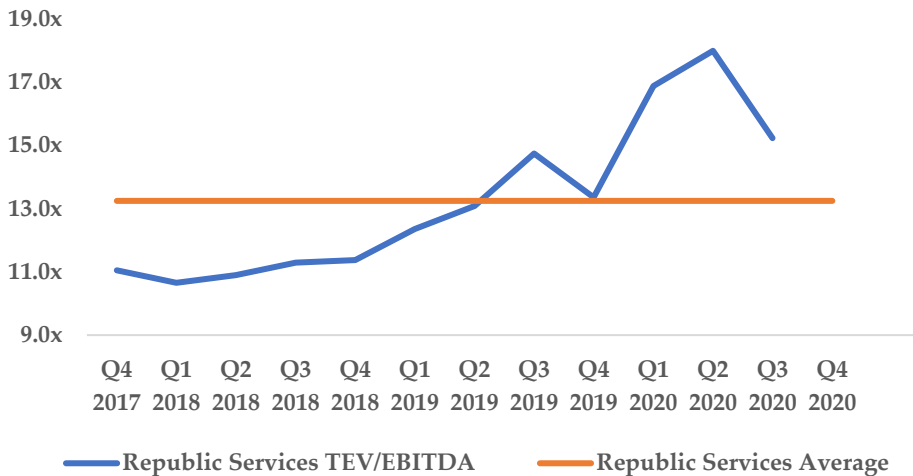
Republic Services is headquartered in Phoenix and is the second-largest waste management firm in the US with 16.9% market share. Company operations include 189 landfills, 79 recycling facilities, 212 transfer stations, and over 16,000 service trucks. The company operates in 41 states and Puerto Rico.

In February 2015, the company acquired Tervita's US-based operations, and acquired ReCommunity Holdings II (recycling and processing services) in October 2017. The company spent \$463.6M on acquisitions in 2019.

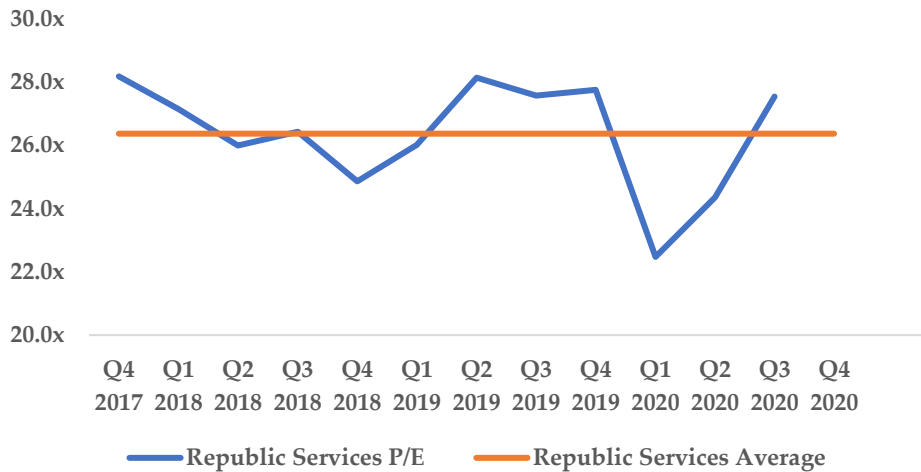
### Revenue Multiples - Republic Service



### EBITDA Multiples - Republic Service



### P/E Multiples - Republic Service





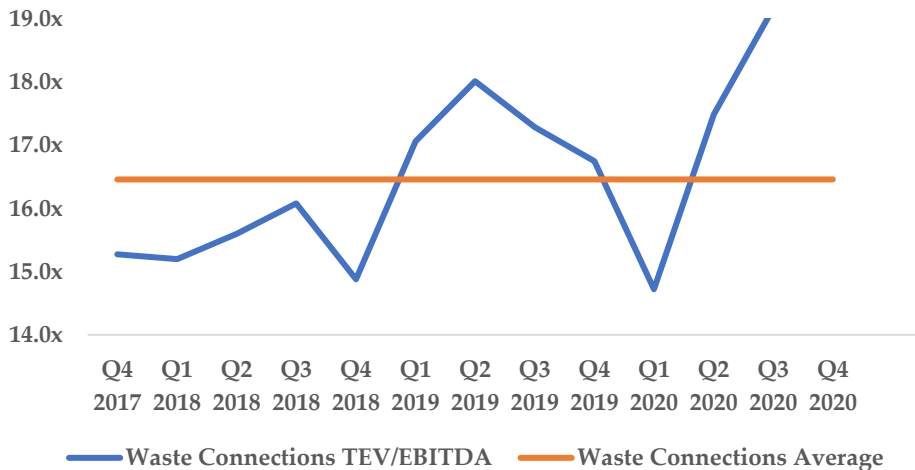
# PUBLIC COMP

## Waste Connections (NYS: WCN)

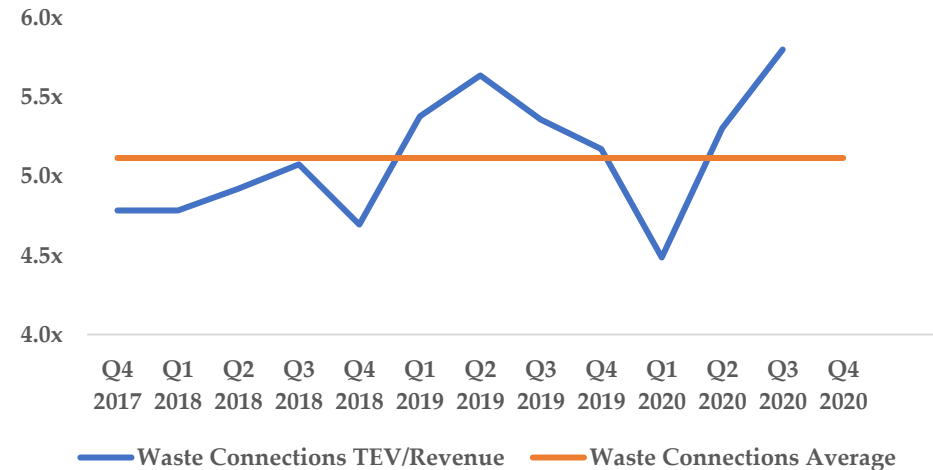
Waste Connections was founded in 1997 and holds 7.5% of the waste collection market share. Services include recycling, transfer, disposal, and solid waste collection in the US and Canada. Waste Connections employs over 18,000 individuals, operates 300 solid waste collection facilities, 87 landfills, and 66 recycling facilities.

The company's revenue has 20.6% from 2015-2020 due to the acquisition of Progressive Waste Solutions in June 2016. Waste Connections acquired American Disposal Services in December 2018, adding an additional 400,000 customers in Colorado, Georgia, Maryland, and Virginia.

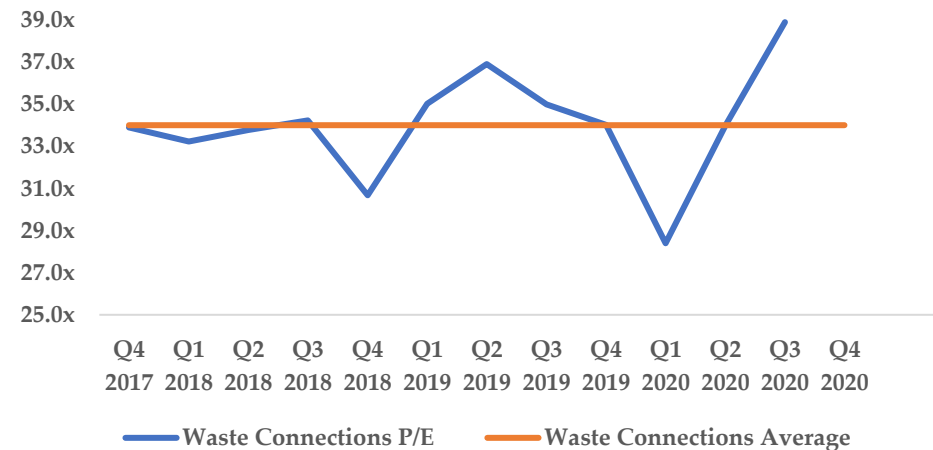
### EBITDA Multiples - Waste Connections



### Revenue Multiples - Waste Connections



### P/E Multiples - Waste Connections



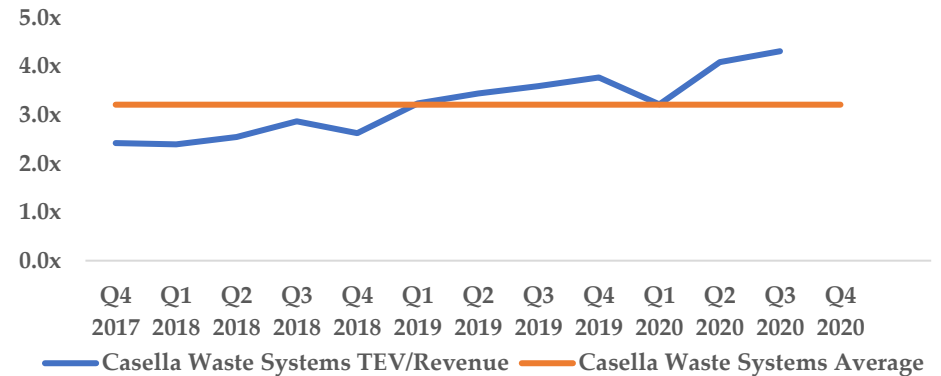
# PUBLIC COMP

## Casella Waste Systems (NAS: CWST)

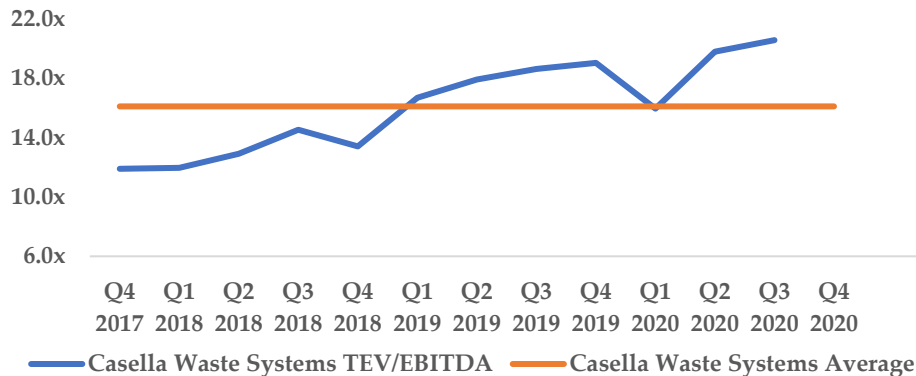
Casella provides solid waste removal for commercial, municipal, industrial, and residential consumers. A few of the company services include recycling, waste collection, and specialty waste services. The firm operates 43 solid waste collection operations, 58 transfer stations, and 20 recycling facilities.

The company has grown through acquisitions, spending \$82.2M on 9 acquisitions in 2019. In January 2019, Casella raised \$91.5M in a secondary public offering.

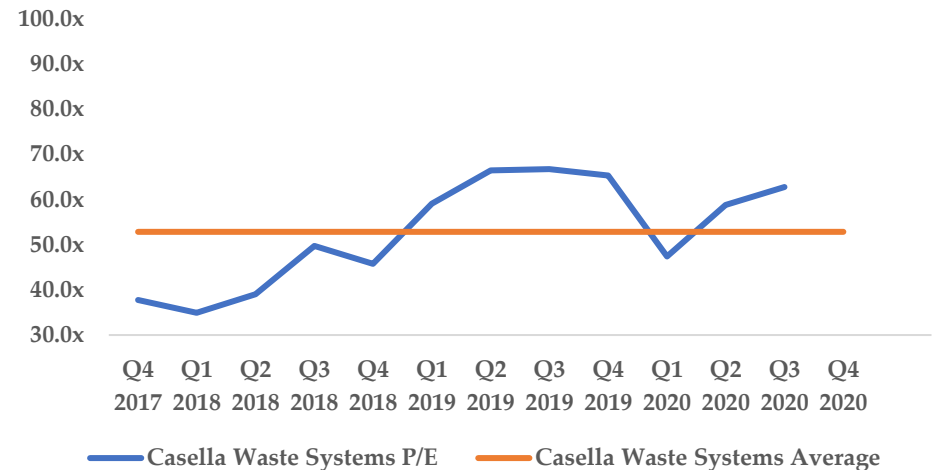
### Revenue Multiples - Casella Waste Revenue



### EBITDA Multiples - Casella Waste Systems



### P/E Multiples - Casella Waste Systems



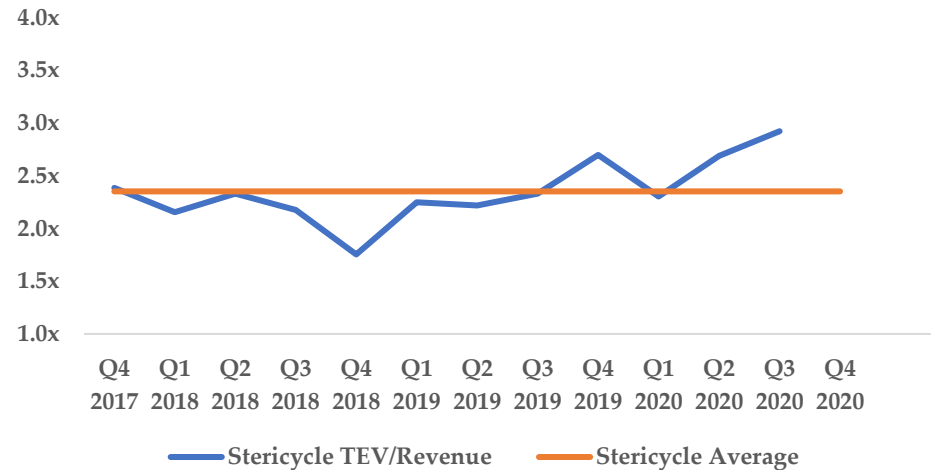
# PUBLIC COMP

## Stericycle (NAS: SRCL)

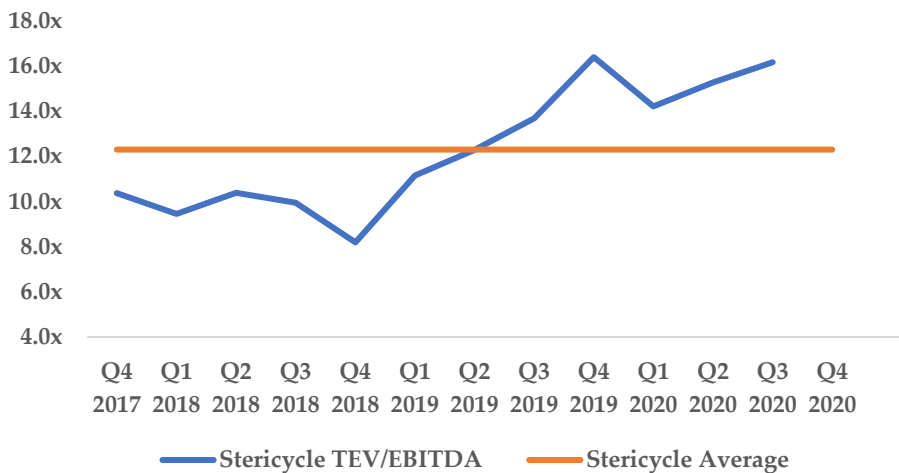
Stericycle headquarters is in Lake Forest, Illinois and is the largest medical waste-management company in the US. Working with hazardous waste is more profitable than working with standard waste; however, there are additional safety factors in operations. The firm focuses on waste in the healthcare industry and primarily hospitals and physician offices.

Stericycle has grown predominately through acquisition. In 2016, the company acquired 31 companies, and in 2018, the company acquired an additional 21 independent firms.

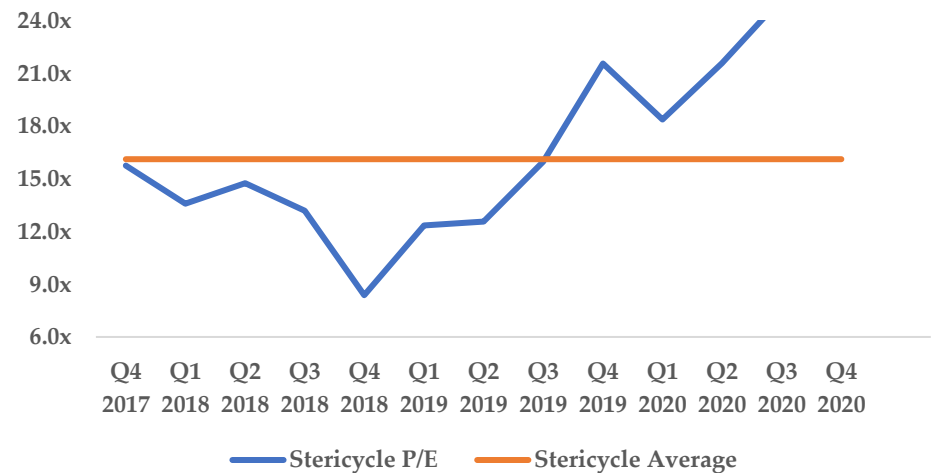
### Revenue Multiples - Stericycle



### EBITDA Multiples - Stericycle



### P/E Multiples - Stericycle



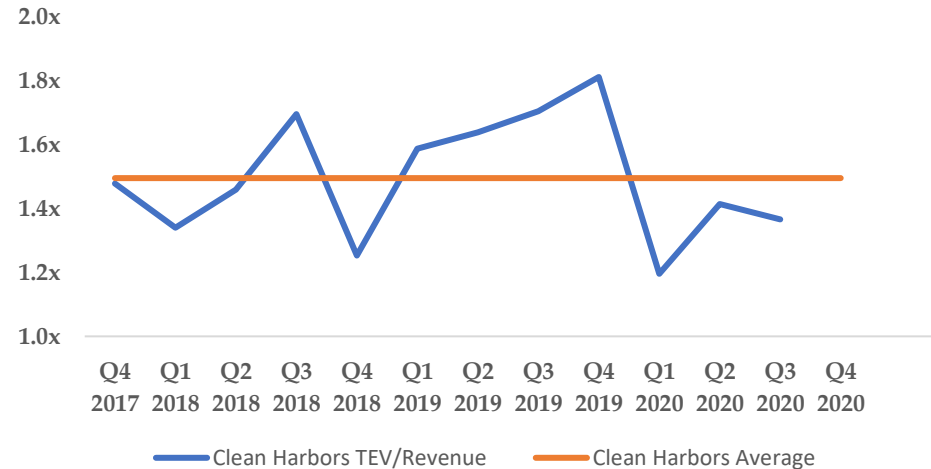
# PUBLIC COMP

## Clean Harbors (NYS: CLH)

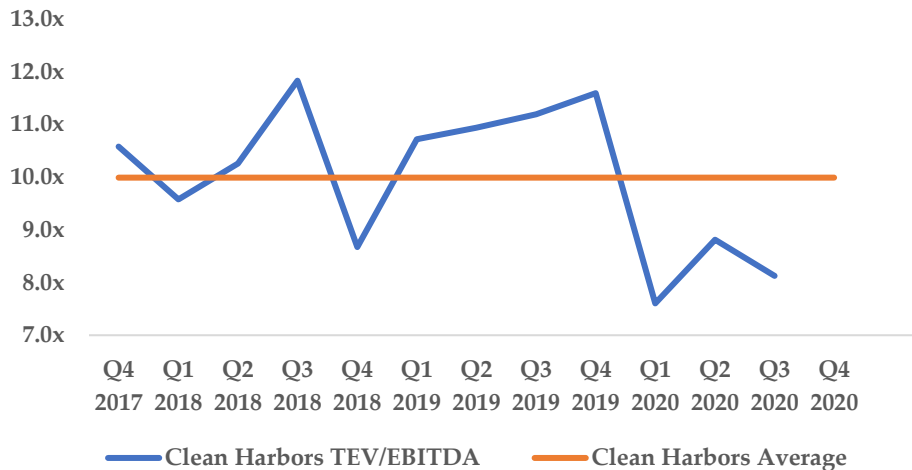
Clean Harbors' operations in the waste collection space accounts for a small portion of the company's total revenue. However, the company is the largest hazardous waste collection, management, and remediation company in the US. Across the US and Canada, the company has over 480 service locations, 9 incinerators, and 9 commercial landfills.

Clean Harbors acquired Cyn Environmental Services in August 2018 and Veolia North America for \$120M in February 2018.

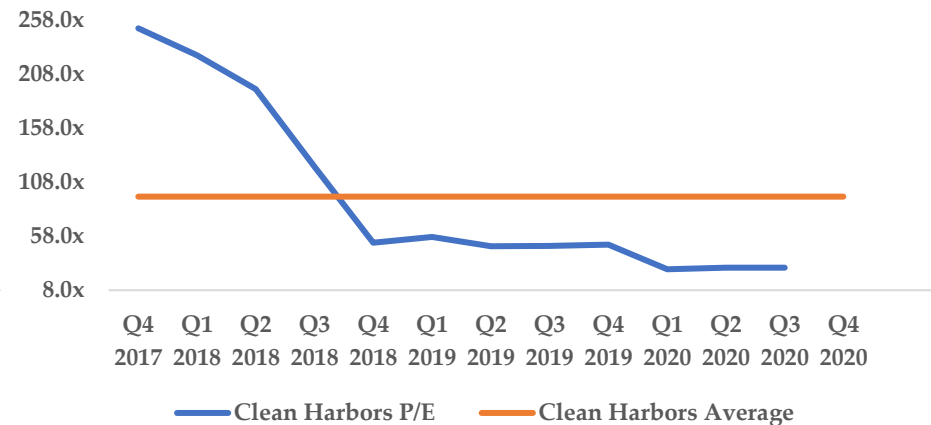
### Revenue Multiples - Clean Harbors



### EBITDA Multiples - Clean Harbors



### P/E Multiples - Clean Harbors



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Robert S. Cashion** **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Elizabeth Folger** **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

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## **Neil Lavietes**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2020, Mr. Lavietes interned with Sherman and Company for the summer of 2019. He graduated from The University of Georgia in 2020 with a Bachelor of Business Administration with a major in Finance and Risk Management Insurance.

## **Jacob Dailey**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Dailey interned with International Electric Power in Pittsburgh, PA. He graduated from Wake Forest University in 2019 with a BA in Economics.

## **Matthew Torres**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital in 2020, Mr. Torres worked with Sustainable Opportunities Acquisition Corp. He graduated from University of Virginia with a Masters in Commerce with a concentration in Finance.