

A blue-tinted photograph showing a waste collection truck with its rear door open, revealing a large pile of trash. A worker in a high-visibility vest and cap stands next to a large trash bin. The scene is set outdoors, likely at a waste transfer station or recycling center.

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



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

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

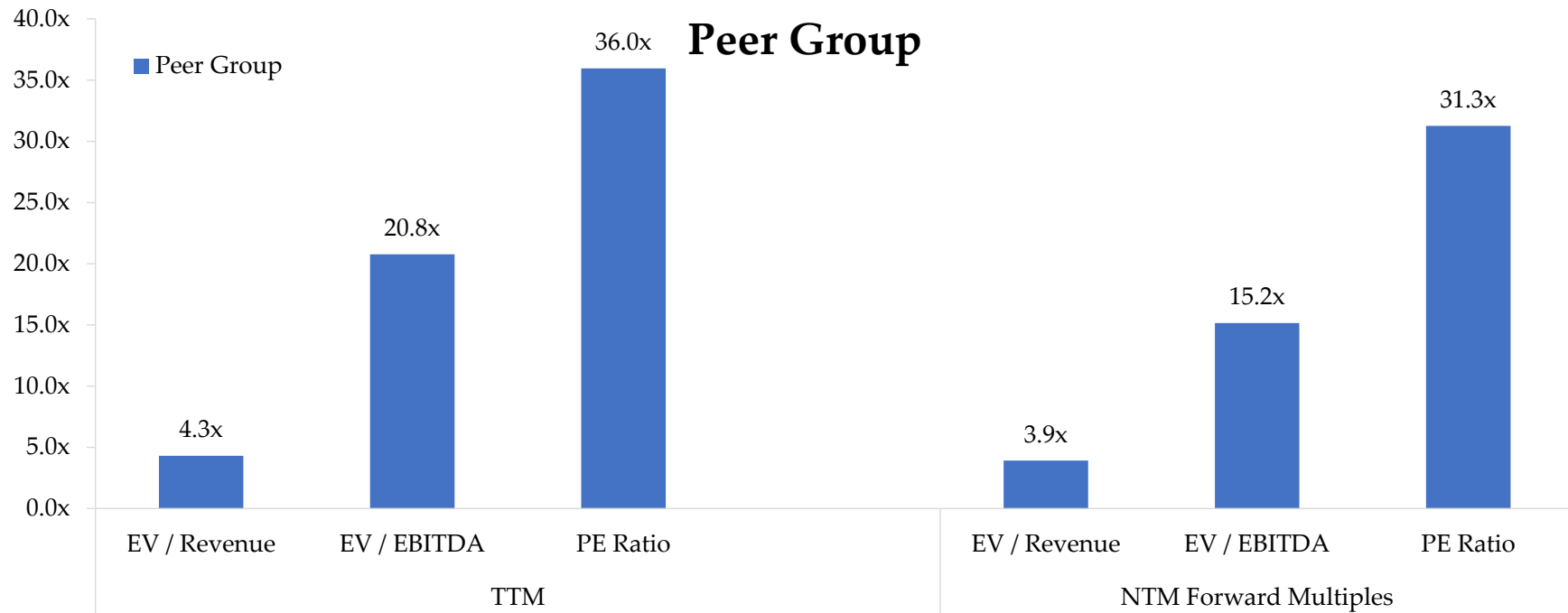
O OPPORTUNITIES

- 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

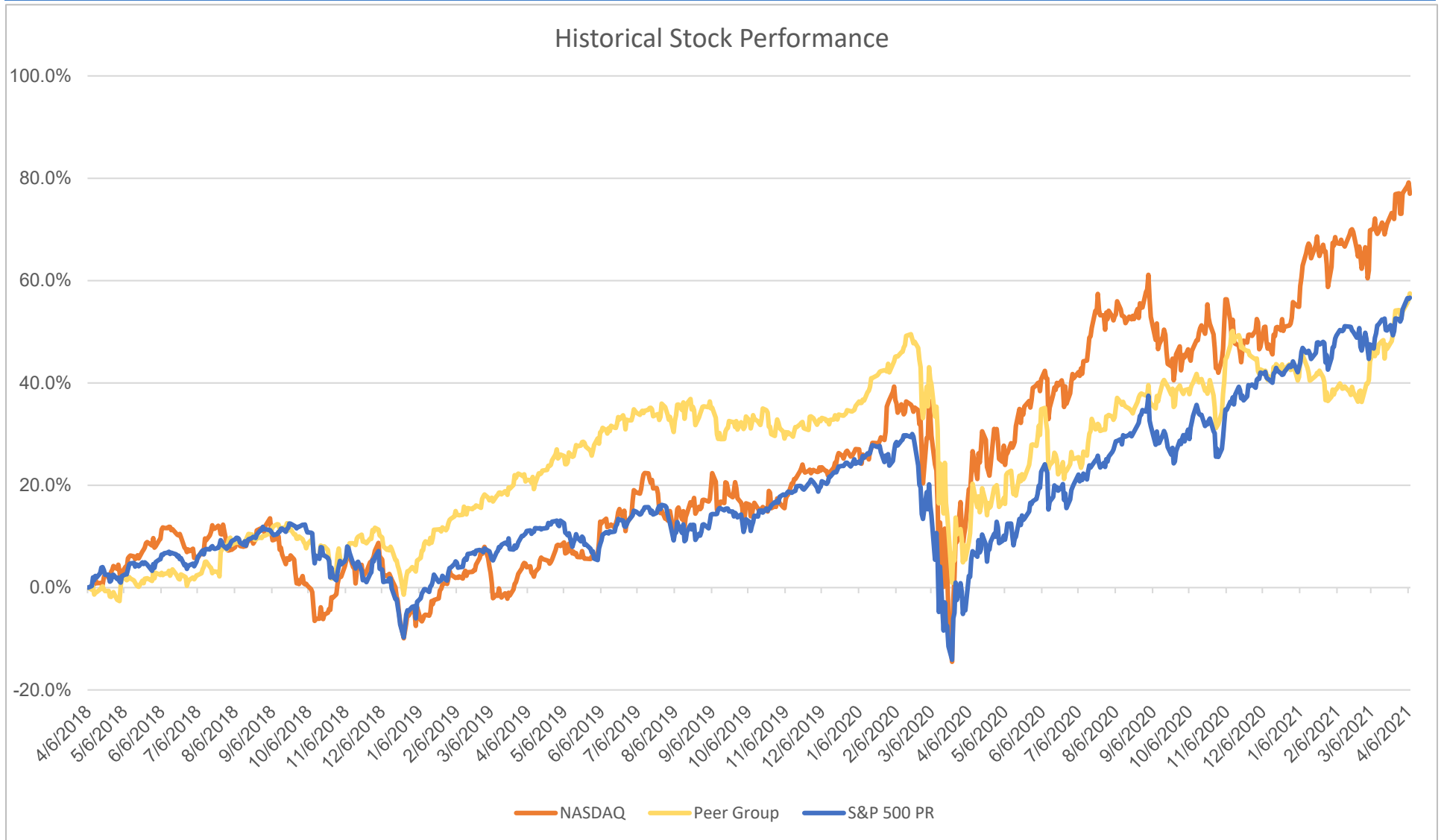


WASTE CONNECTIONS, INC.

PUBLIC COMPARABLES

| As of 12/31/20 | Castella Waste | | | | | | |
|-----------------------|------------------|-------------------|-------------------|-----------|------------|---------------|---------------|
| \$ in Millions | Waste Management | Republic Services | Waste Connections | Sytems | Stericycle | Clean Harbors | |
| Ticker | WM | RSG | WCN | CWST | SRCL | CLH | |
| Total Revenue | \$15,218 | \$10,154 | \$5,446 | \$775 | \$2,676 | \$3,144 | |
| Gross Profit | 5,877 | 4,053 | 2,169 | 259 | 1,053 | 1,006 | |
| EBIT | 2,318 | 1,493 | 411 | 58 | 26 | 248 | |
| Net Income | \$1,496.00 | \$967.20 | \$204.68 | \$91.11 | (\$57.30) | \$134.84 | |
| EBITDA | 3,989 | 2,652 | 1,163 | 156 | 259 | 541 | |
| Total Debt | 13,810 | 9,174 | 4,912 | 609 | 2,165 | 1,708 | |
| EV as of 3.31.21 | 67,711 | 40,824 | 32,615 | 3,703 | 8,301 | 5,743 | |
| Employees | 48,250 | 35,000 | 18,933 | 2,500 | 15,000 | 13,500 | |
| Ratio Analysis | | | | | | | Median |
| Revenue/Employee | \$315,399 | \$290,103 | \$287,645 | \$309,834 | \$178,367 | \$232,896 | \$288,874 |
| EV/Revenue | 4.45x | 4.02x | 5.99x | 4.78x | 3.10x | 1.83x | 4.23x |
| Debt/EBITDA | 3.21x | 3.42x | 4.23x | 3.92x | 10.19x | 3.25x | 3.67x |
| EV/EBITDA | 4.45x | 4.02x | 5.99x | 4.78x | 3.10x | 1.83x | 4.23x |
| Market Cap/EBITDA | 13.65x | 11.95x | 24.34x | 20.79x | 23.84x | 8.52x | 17.22x |
| Market Cap | 54,452 | 31,683 | 28,316 | 3,248 | 6,185 | 4,606 | |
| Close Price | 129.02 | 99.35 | 107.98 | 63.57 | 67.51 | 84.06 | |
| 52 Week Low | 86.90 | 71.32 | 73.29 | 35.18 | 42.08 | 44.36 | |
| 52 Week High | 131.38 | 103.79 | 111.04 | 66.20 | 79.50 | 91.94 | |
| Gross Margin | 38.6% | 39.9% | 39.8% | 33.4% | 39.4% | 32.0% | 39.0% |
| EBIT | 15.2% | 14.7% | 7.5% | 7.4% | 1.0% | 7.9% | 7.7% |
| EBITDA | 26.2% | 26.1% | 21.4% | 20.2% | 9.7% | 17.2% | 20.8% |
| Acct. Receivable Days | 47 | 39 | 42 | 35 | 57 | 72 | 44 |
| Inventory Days | 5 | 3 | NM | 6 | NM | 37 | 5 |
| Acct. Payable Days | 39 | 63 | 43 | 41 | 47 | 50 | 45 |
| Revenue Growth | -1.5% | -1.4% | 1.1% | 4.2% | -19.1% | -7.9% | -1.5% |

DCA WASTE COLLECTION INDEX VS. S&P 500 AND NASDAQ



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 |

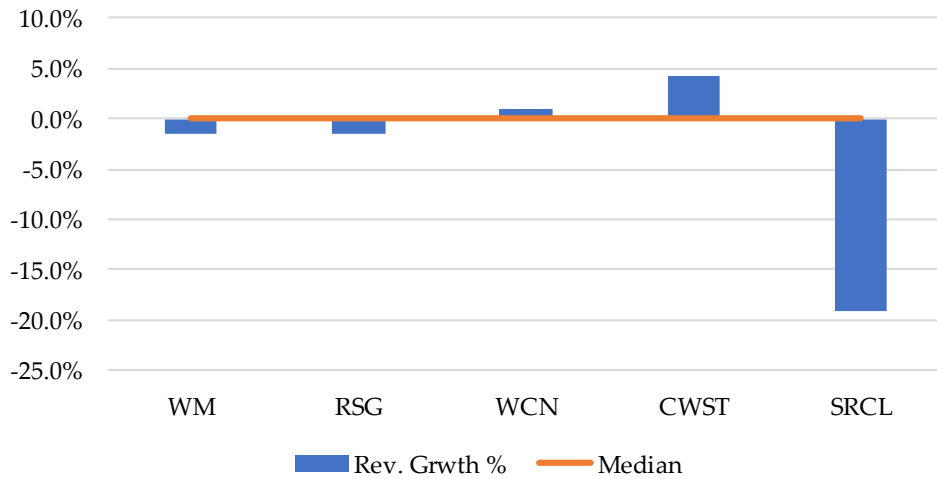
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RECENT PUBLIC TRANSACTIONS

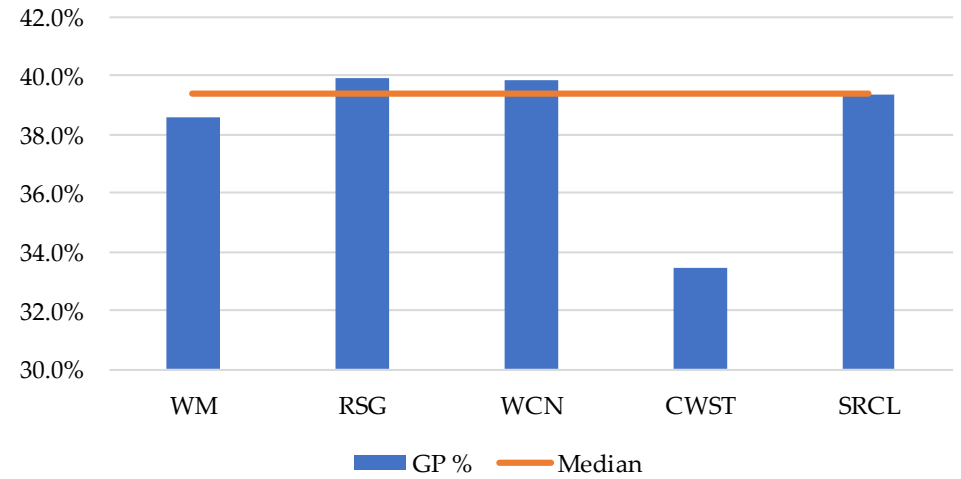
| Deal Date | Investors | Target | Target State | Type | Notes |
|-------------|----------------------------------|---|--------------|-----------------|--|
| 01-Jul-2020 | Valet Living | Skinner Waste Solutions | Florida | Solid Waste | Sinner Waste provides doorstep trash removal and recycling services |
| 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 | Owens 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

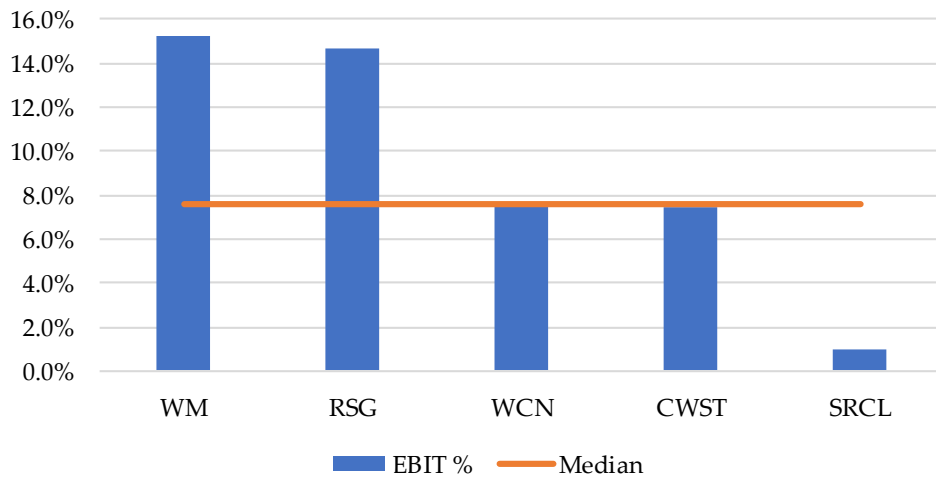
Revenue Growth



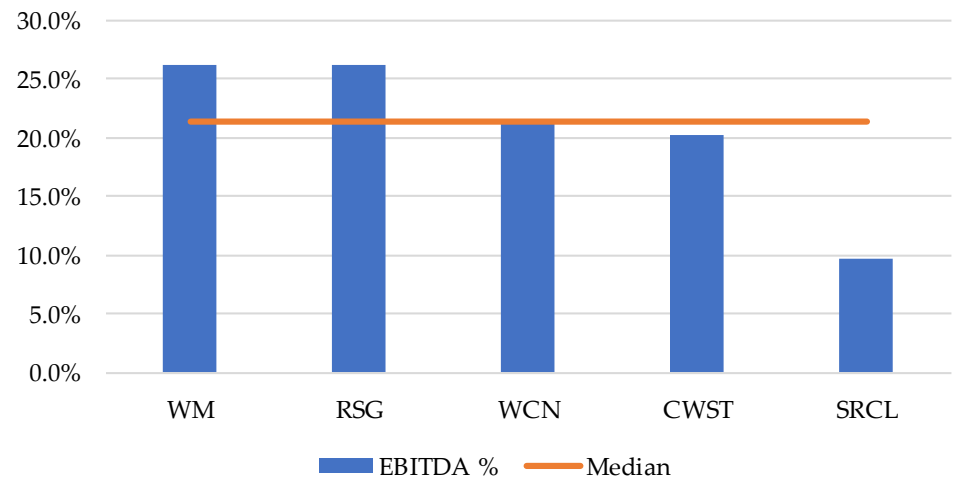
Gross Profit Margin



EBIT Margin

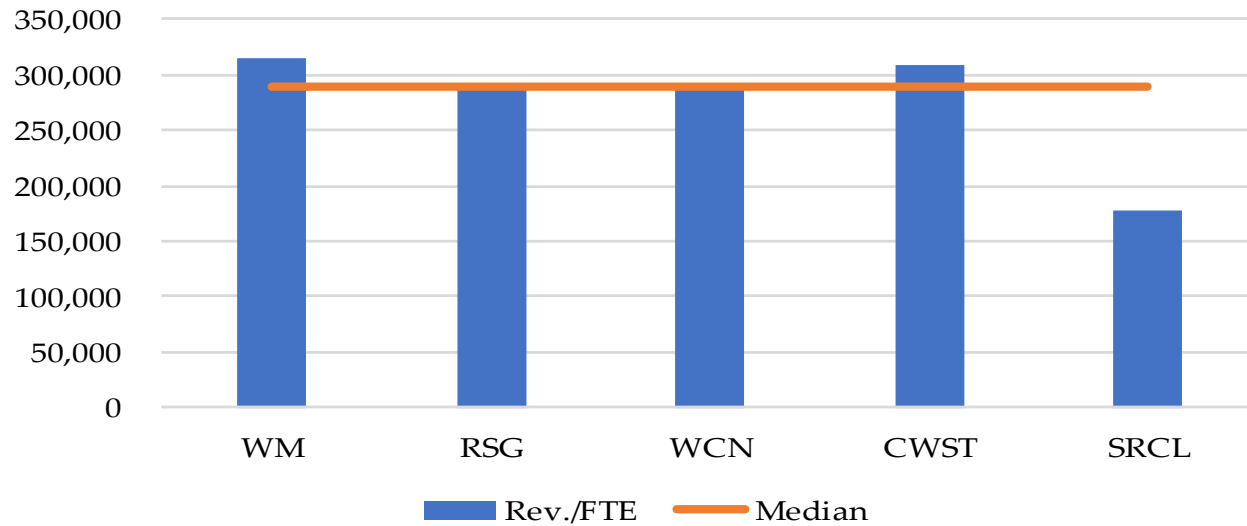


EBITDA Margin

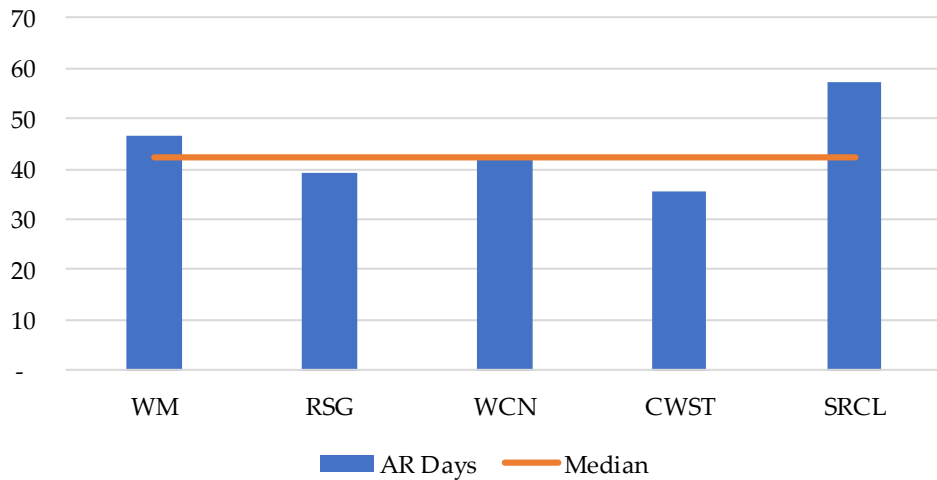


RATIO ANALYSIS

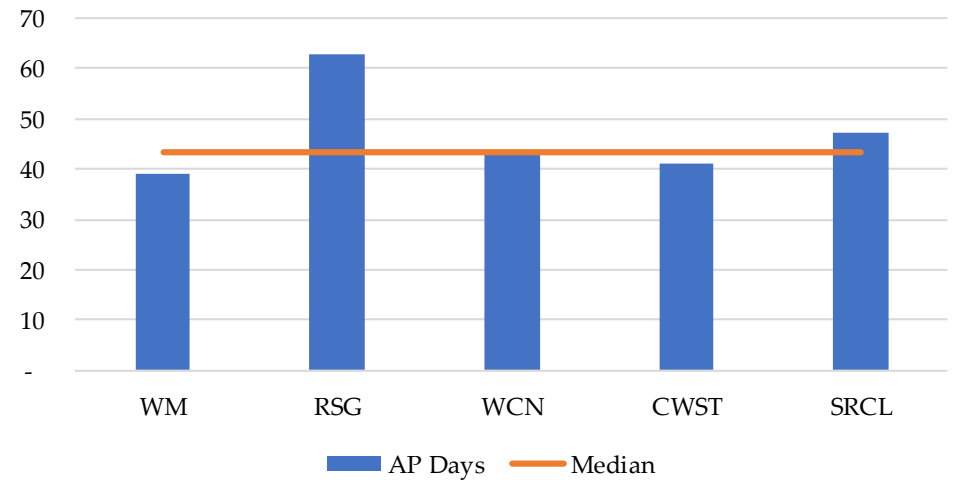
Revenue per Employee



AR Days



AP Days



VALUATION TRENDS

| Ticker | Company | Fundamentals | | | | | | | | |
|-------------------|-----------------------|--------------|------------|------------------|---------------|----------|-----------|---------------|----------|----------------|
| | | TTM | | | | | | NTM Estimates | | |
| | | Close Price | Market Cap | Enterprise Value | Total Revenue | EBITDA | Basic EPS | Total Revenue | EBITDA | Normalized EPS |
| Peer Group | | | | | | | | | | |
| WM | Waste Management | 132.41 | 55,882.39 | 69,141.39 | 15,218.00 | 3,989.00 | 3.54 | 17,086.91 | 4,910.75 | 4.83 |
| RSG | Republic Services | 102.38 | 32,659.11 | 41,800.11 | 10,153.60 | 2,651.90 | 3.03 | 10,912.15 | 3,220.51 | 3.80 |
| WCN | Waste Connections | 112.42 | 29,517.48 | 33,816.27 | 5,445.99 | 1,163.44 | 0.78 | 5,982.53 | 1,855.85 | 3.10 |
| CWST | Casella Waste Systems | 65.03 | 3,322.35 | 3,777.19 | 774.58 | 156.23 | 1.87 | 850.98 | 192.35 | 0.76 |
| SRCL | Stericycle | 67.95 | 6,224.84 | 8,341.14 | 2,675.50 | 259.40 | (0.63) | 2,658.80 | 510.99 | 2.52 |
| CLH | Clean Harbors | 87.01 | 4,767.85 | 5,905.07 | 3,144.10 | 540.59 | 2.43 | 3,336.42 | 567.65 | 2.47 |

| Ticker | Company | Multiples | | | | | |
|-------------------|-----------------------|--------------|-------------|----------|-----------------------|-------------|----------|
| | | TTM | | | NTM Forward Multiples | | |
| | | EV / Revenue | EV / EBITDA | PE Ratio | EV / Revenue | EV / EBITDA | PE Ratio |
| Peer Group | | | | | | | |
| WM | Waste Management | 4.5x | 17.3x | 37.6x | 4.0x | 14.1x | 27.4x |
| RSG | Republic Services | 4.1x | 15.8x | 33.9x | 3.8x | 13.0x | 26.9x |
| WCN | Waste Connections | 6.2x | 29.1x | 144.1x | 5.7x | 18.2x | 36.3x |
| CWST | Casella Waste Systems | 4.9x | 24.2x | 35.0x | 4.4x | 19.6x | 85.1x |
| SRCL | Stericycle | 3.1x | 32.2x | | 3.1x | 16.3x | 26.9x |
| CLH | Clean Harbors | 1.9x | 10.9x | 36.0x | 1.8x | 10.4x | 35.3x |

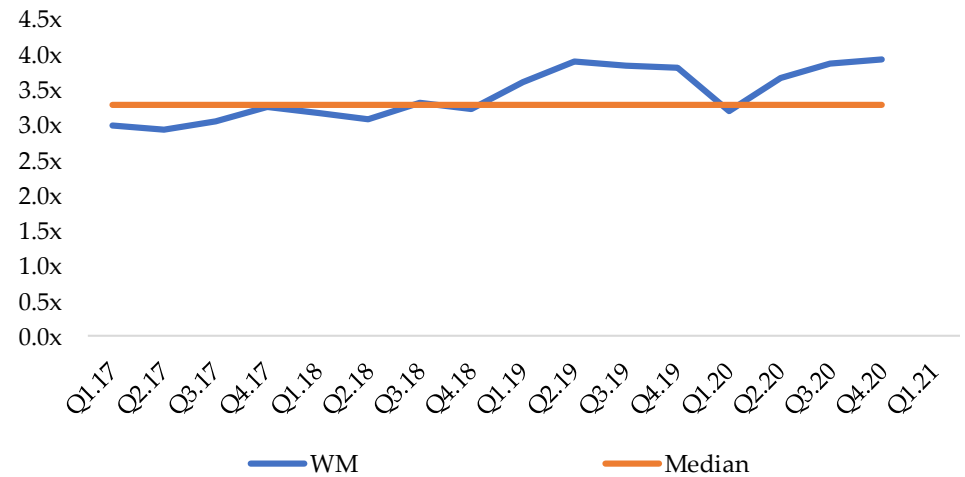
PUBLIC COMP

Waste Management (NYS: WM)

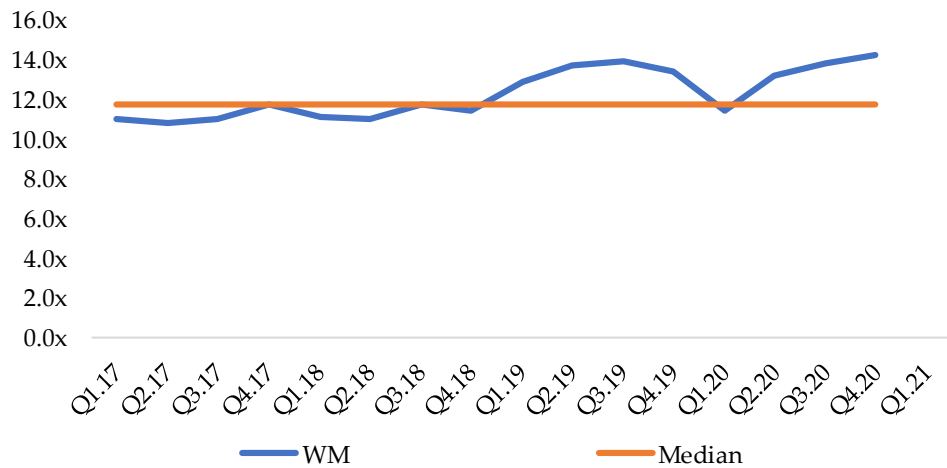
Waste Management is the largest waste-collection company in the United States with over 21% market share. The Houston-based company offers waste collection, disposal, incineration, and other services. The firm's customer base by revenue is 41.3% commercial customers, 28.5% industrial/construction customers, 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.

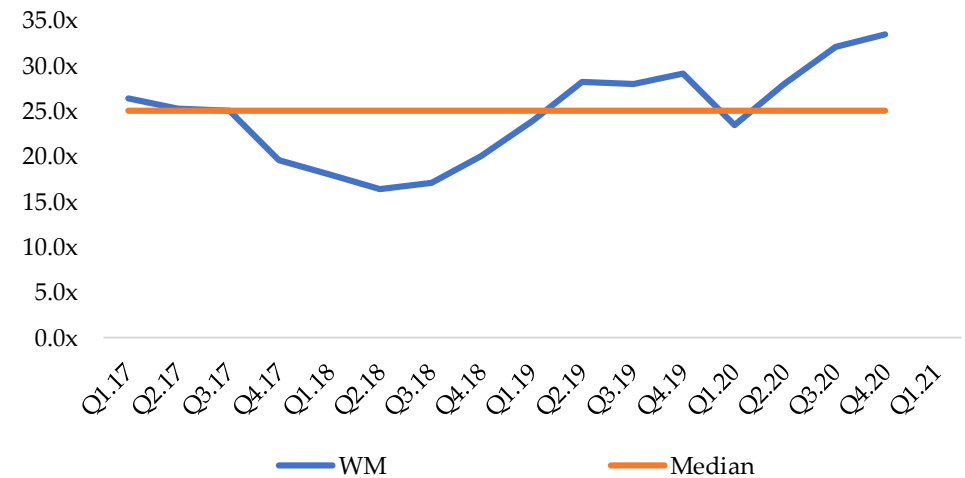
EV/Revenue Waste Management



EV/EBITDA Waste Management



P/E Waste Management



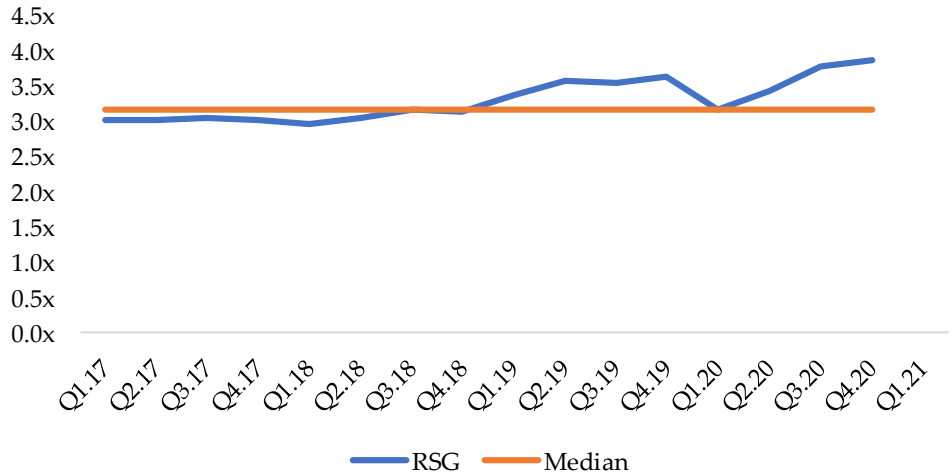
PUBLIC COMP

Republic Services (NYS: RSG)

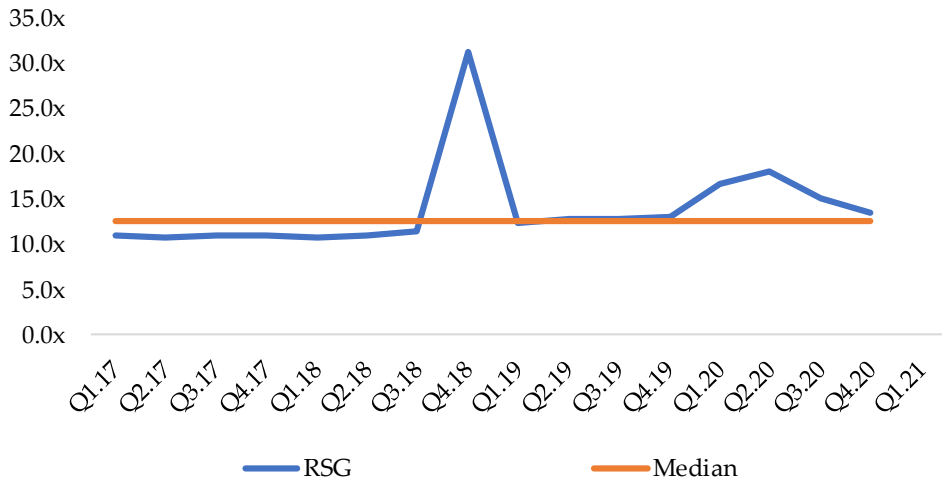
Republic Services is headquartered in Phoenix and is the second-largest waste management firm in the US with 16.9% market share. Company operations include 189 landfills, 79 recycling facilities, 212 transfer stations, and over 16,000 service trucks. The company operates in 41 states and Puerto Rico.

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.

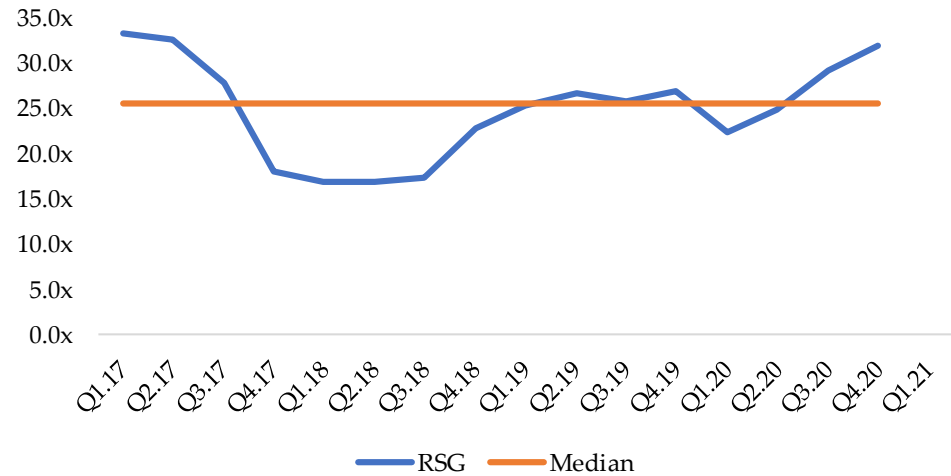
EV/Revenue Republic Services



EV/EBITDA Republic Services



P/E Republic Services



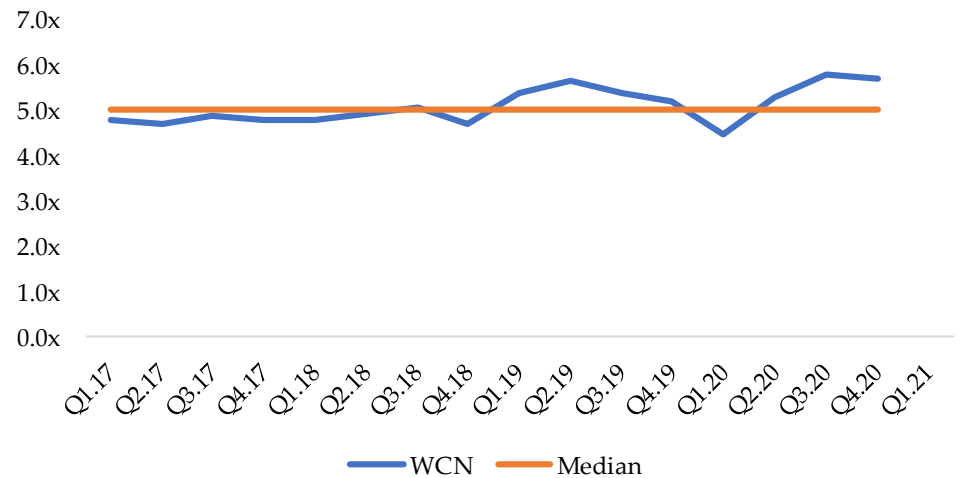
PUBLIC COMP

Waste Connections (NYS: WCN)

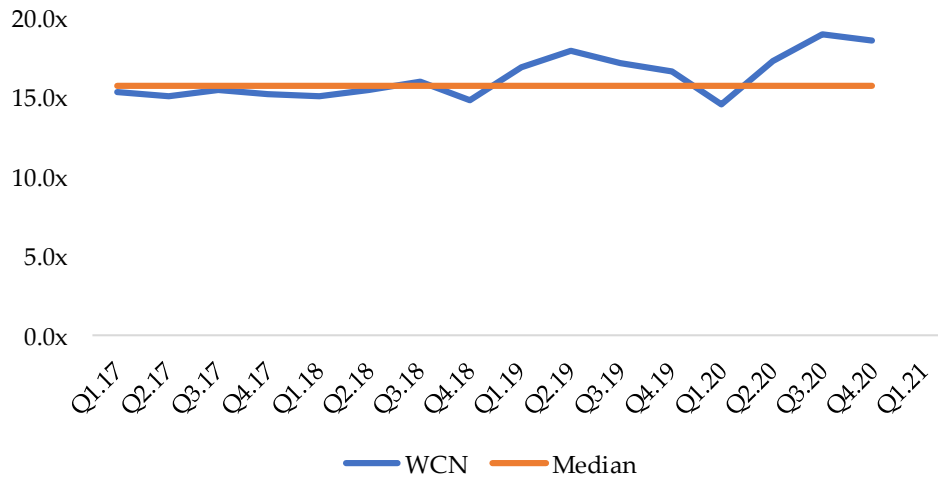
Waste Connections was founded in 1997 and holds 7.5% of the waste collection market share. Services include recycling, transfer, disposal, and solid waste collection in the US and Canada. Waste Connections employs over 18,000 individuals, operates 300 solid waste collection facilities, 87 landfills,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

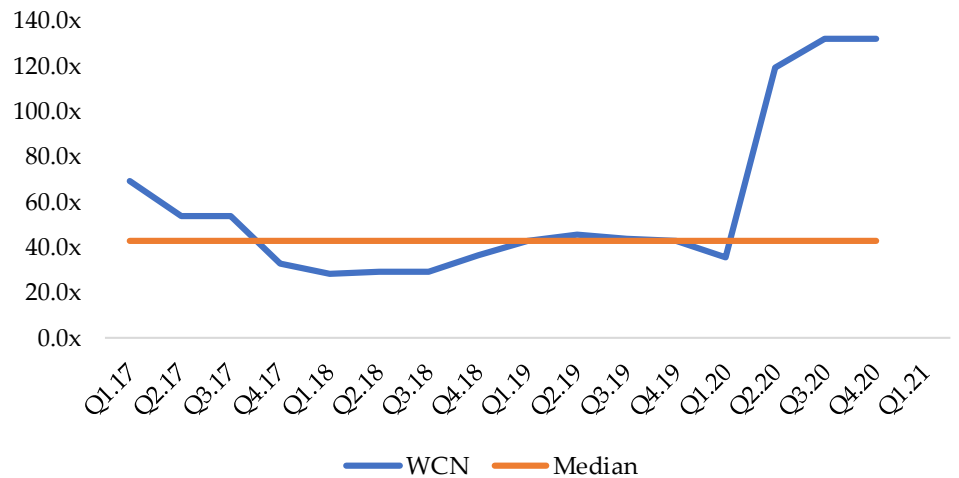
EV/Revenue Waste Connections



EV/EBITDA Waste Connections



P/E Waste Connections



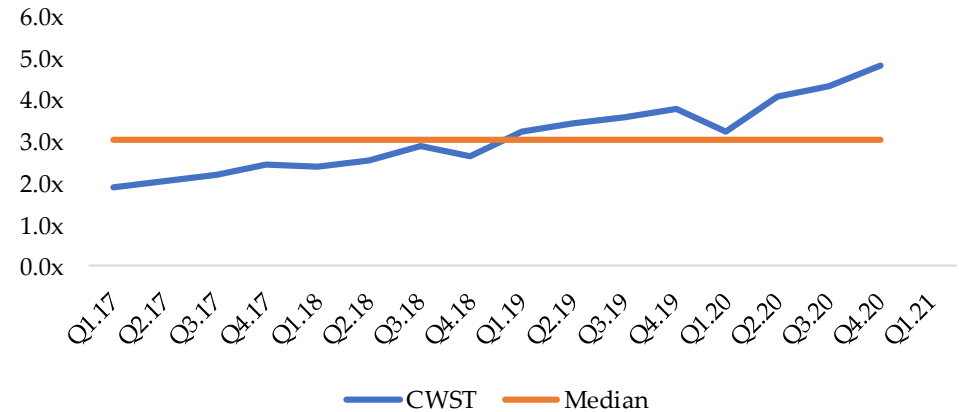
PUBLIC COMP

Casella Waste Systems (NAS: CWST)

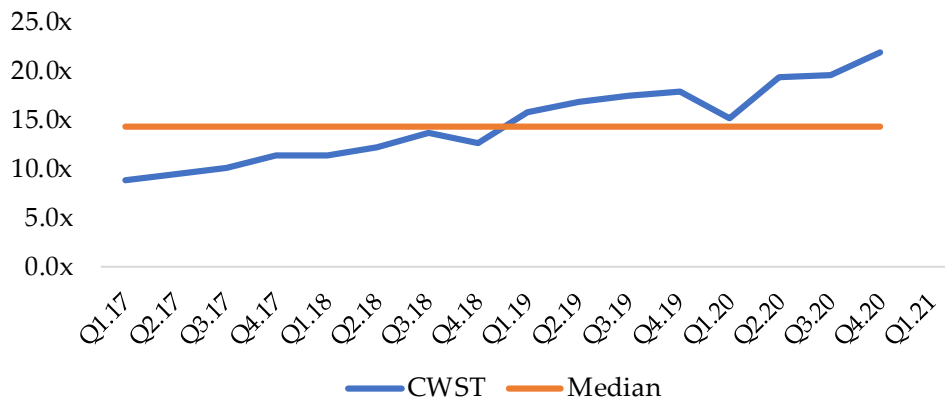
Casella provides solid waste removal for commercial, municipal, industrial, and residential consumers. A few of the company services include recycling, waste collection, and specialty waste services. The firm operates 43 solid waste collection operations, 58 transfer stations, and 20 recycling facilities.

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.

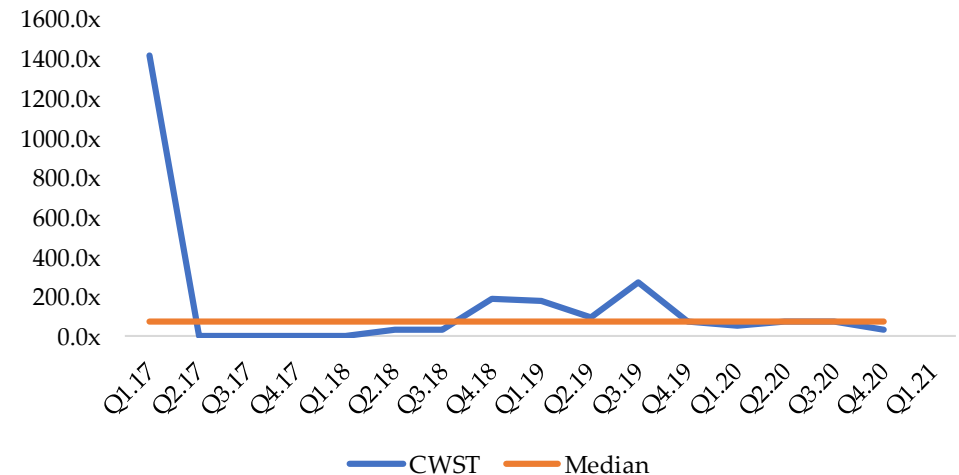
EV/Revenue Castella Waste Systems



EV/EBITDA Castella Waste Systems



P/E Castella Waste Systems



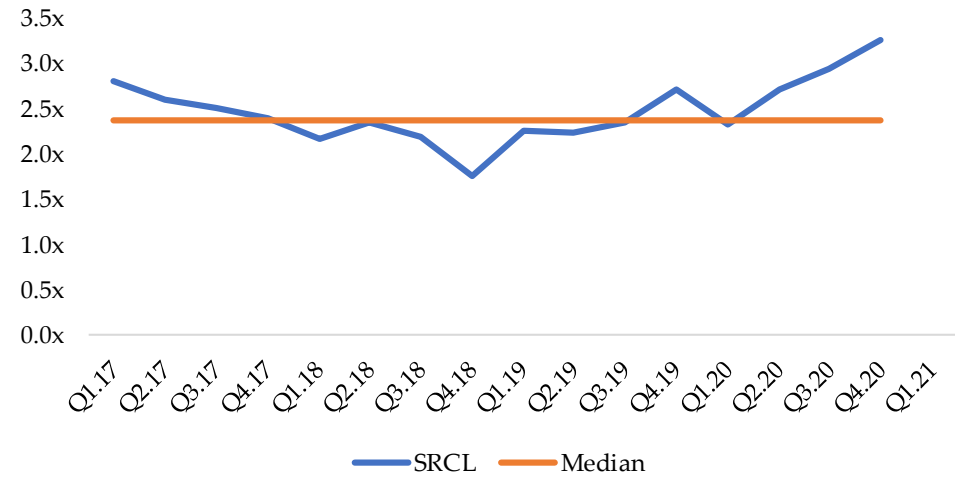
PUBLIC COMP

Stericycle (NAS: SRCL)

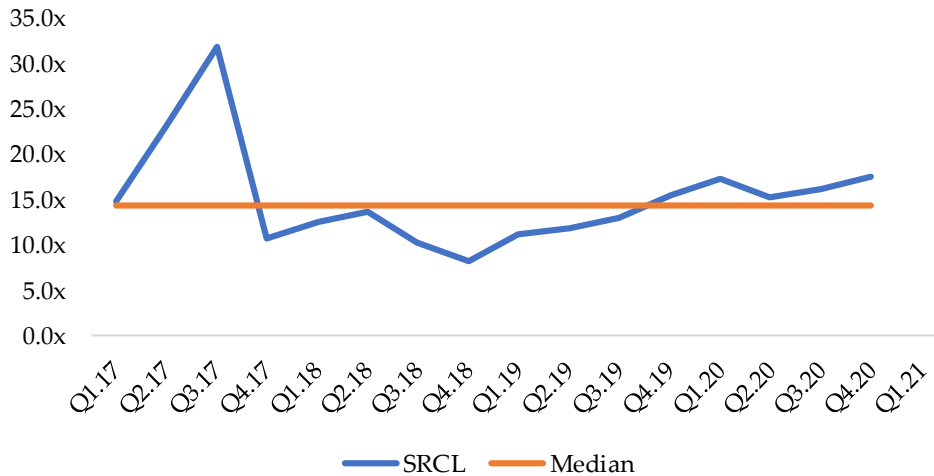
Stericycle headquarters is in Lake Forest, Illinois and is the largest medical waste-management company in the US. Working with hazardous waste is more profitable than working with standard waste; however, there are additional safety factors in operations. The firm focuses on waste in the healthcare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

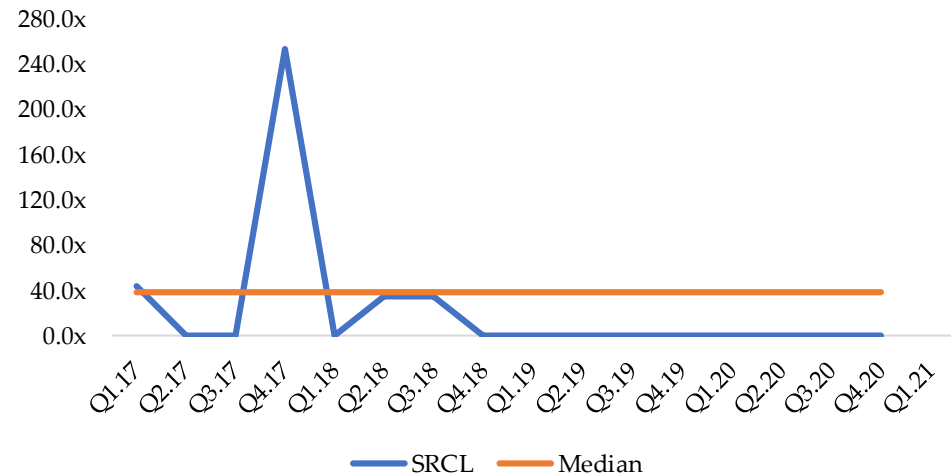
EV/Revenue Stericycle



EV/EBITDA Stericycle



P/E Stericycle



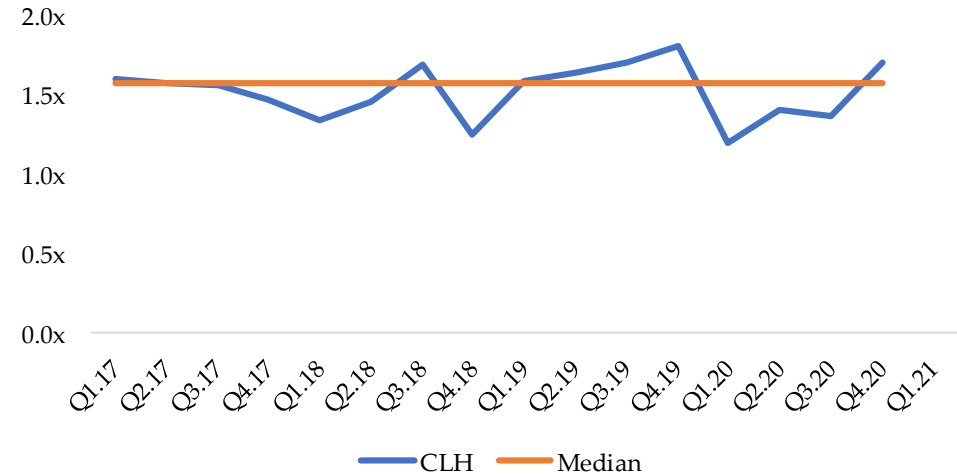
PUBLIC COMP

Clean Harbors (NYS: CLH)

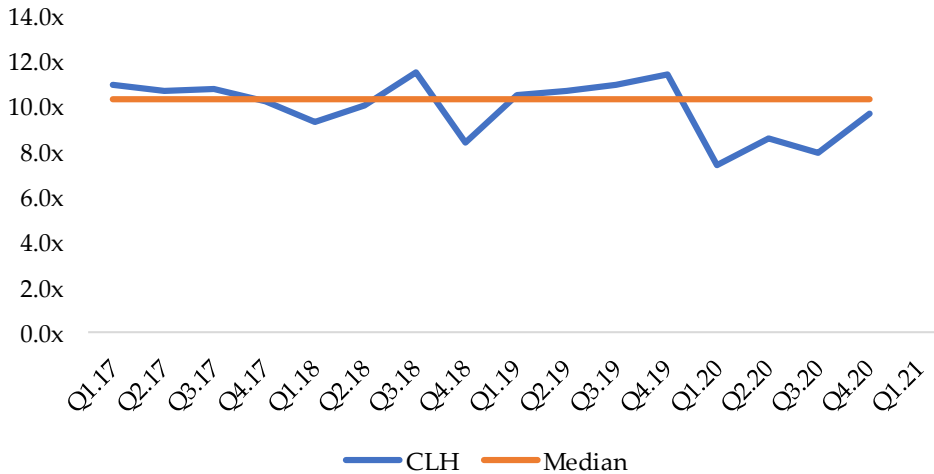
Clean Harbors' operations in the waste collection space accounts for a small portion of the company's total revenue. However, the company is the largest hazardous waste collection, management, and remediation company in the US. Across the US and Canada, the company has over 480 service locations, 9 incinerators,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

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

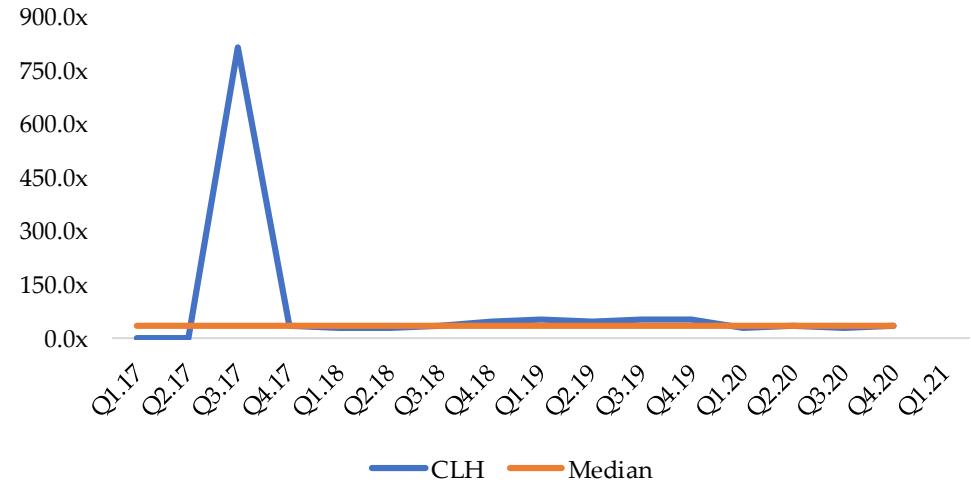
EV/Revenue Clean Harbors



EV/EBITDA Clean Harbors



P/E Clean Harbors



DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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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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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Prior to joining Davidson Capital Advisors in 2021, Mr. Cusick interned with EY Consulting in Atlanta, GA. He graduated from Washington and Lee University in 2020 with a BS in Accounting.

Sawyer Gaffney

Analyst, Investment Banking

Prior to joining Davidson Capital in 2021, Mr. Gaffney interned with Sanitaz Inc as a research analyst. He graduated from Davidson College with a BA in Economics.

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.