



# INDUSTRY OVERVIEW

## WASTE COLLECTION SERVICES

### Q3 2022

# EXTERNAL INDUSTRY DRIVERS

## INDUSTRIAL PRODUCTION INDEX

- ❑ The manufacturing, mining, electric and gas industries generate a substantial share of national waste. Much of this waste is hazardous, which is costlier to collect and dispose of than nonhazardous waste.
- ❑ As industrial production increases, more waste is produced, increasing demand for industry services. The industrial production index is expected to increase through 2022.

## NUMBER OF BUSINESSES

- ❑ The majority of industry revenue comes from waste collection from businesses, farms, and construction sites.
- ❑ The Covid-19 pandemic has led to a decline in revenue as the number of American businesses shrank, posing a threat to the industry.

## VALUE OF CONSTRUCTION

- ❑ The construction sector produces waste in the form of wood, concrete, rubble, and other bulky waste.
- ❑ Construction activity is expected to increase through 2022, leading to more waste produced. This in turn poses as a potential opportunity for the industry.

## NUMBER OF HOUSEHOLDS

- ❑ Roughly a third of industry revenue comes from residential collection services, making households one of the most important segments for industry operators.
- ❑ The number of households is projected to increase through 2022, posing a potential opportunity for the industry.

# INDUSTRY AT A GLANCE

## Key Statistics



### \$68.0bn Revenue

- Annual Growth 2017 – 2022 2.3%
- Annual Growth 2022 – 2027 1.0%



### \$4.5bn Profit

- Annual Growth 2017 – 2022 1.4%



### 6.6% Profit Margin

- Annual Growth 2017 – 2022 -2.1pp



### 8,352 Businesses

- Annual Growth 2017 – 2022 1.3%
- Annual Growth 2022 – 2027 1.6%



### 250k Employment

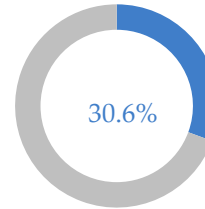
- Annual Growth 2017 – 2022 3.0%
- Annual Growth 2022 – 2027 1.4%



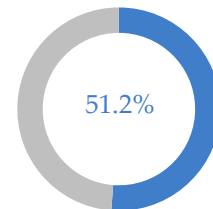
### \$16.4bn Wages

- Annual Growth 2017 – 2022 2.5%
- Annual Growth 2022 – 2027 1.4%

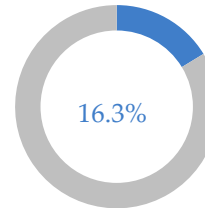
## Segments



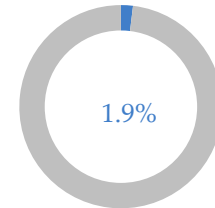
Residential waste collection



Nonresidential waste collection



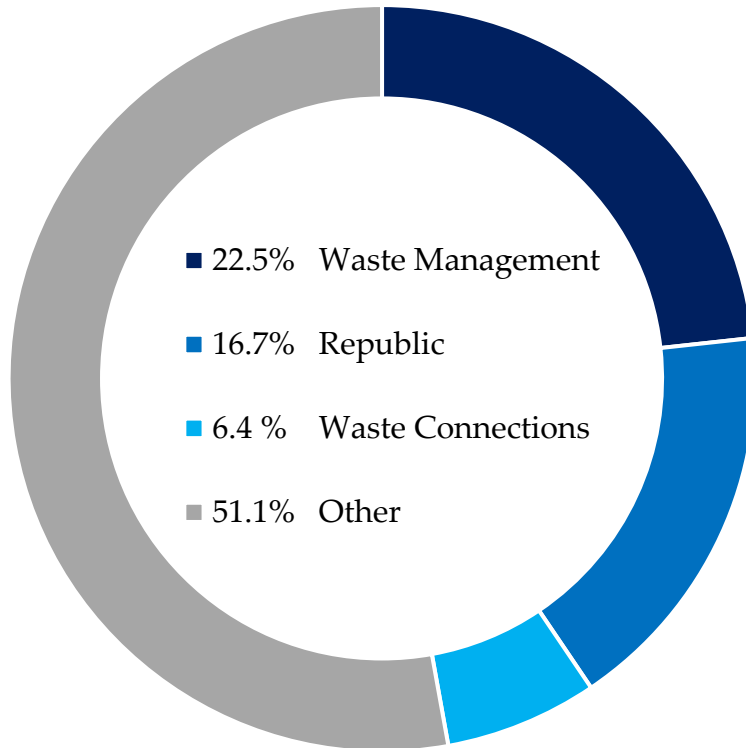
Transfer and storage facility



Hazardous waste collection

# INDUSTRY AT A GLANCE

## Major Players



## SWOT Analysis

### S STRENGTHS

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

### W WEAKNESSES

- Low & Steady Level of Assistance
- High Competition
- High Capital Requirements
- High Product/Service Concentration

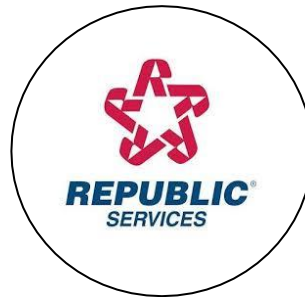
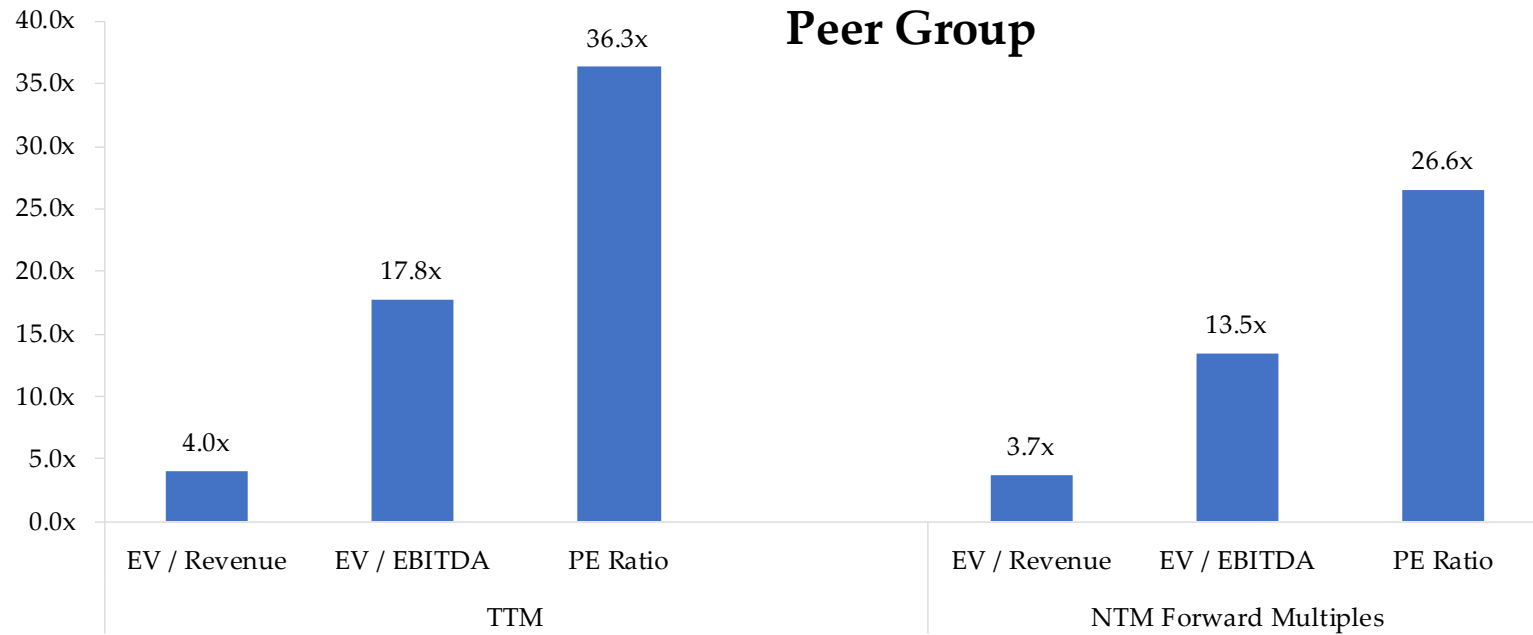
### O OPPORTUNITIES

- High Performance Drivers
- Number of Households

### T THREATS

- Low Revenue Growth (2005-2022)
- Low Revenue Growth (2017-2022)
- Low Outlier Growth

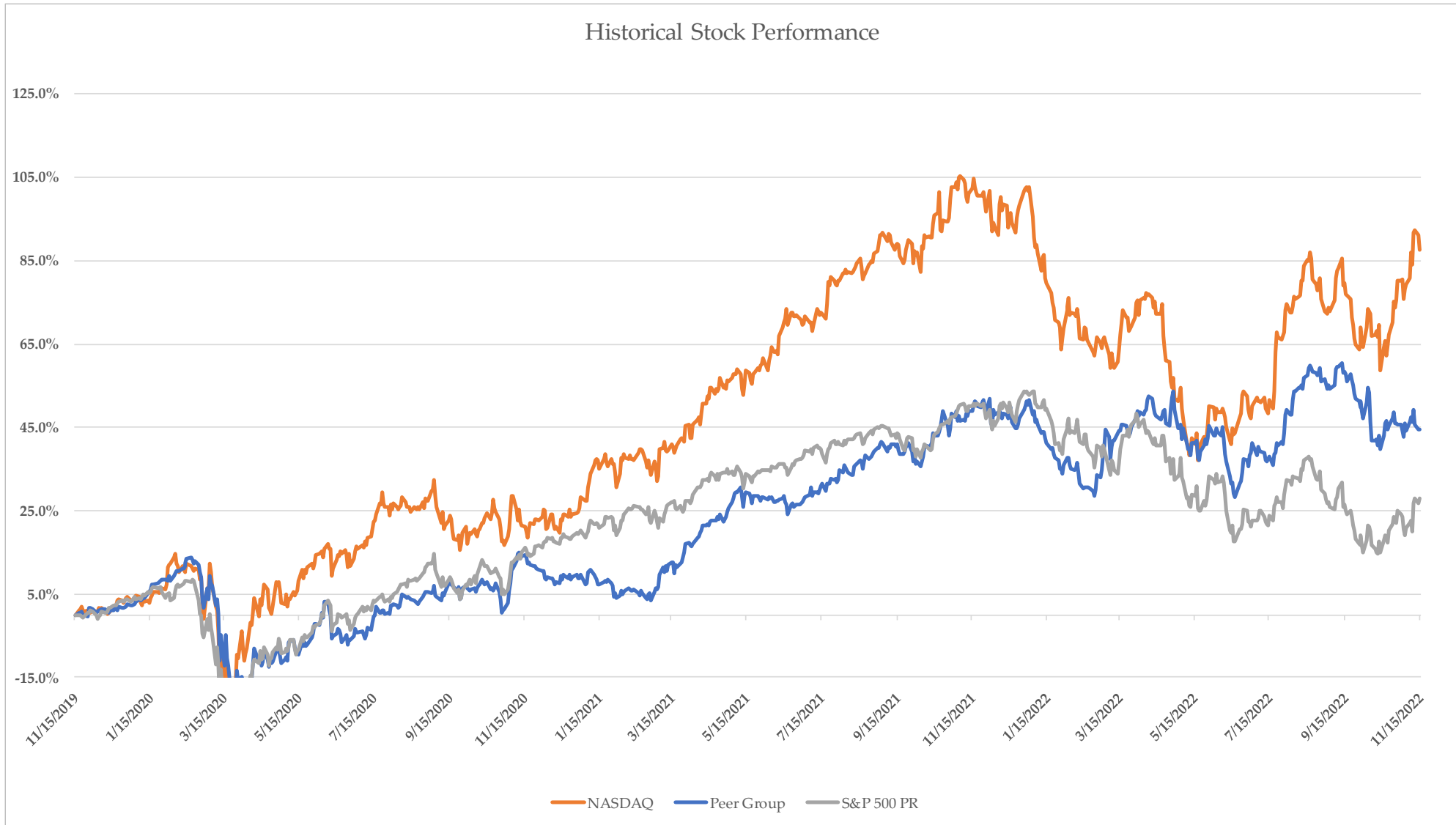
# PUBLIC COMPARABLES



# PUBLIC COMPARABLES

\$ in Millions	Waste Management	Republic Services	Waste Connections	Casella Waste Systems	Stericycle		
Ticker	WM	RSG	WCN	CWST	SRCL		
Total Revenue	\$19,031	\$12,270	\$6,684	\$1,001	\$2,650		
Gross Profit	7,125	4,889	2,680	336	992		
EBIT	3,143	2,031	1,020	84	0		
Net Income	\$2,144	\$1,387	\$685	\$47	(\$87)		
EBITDA (Normalized)	5,238	3,638	2,070	227	388		
Total Debt	14,277	12,230	5,814	649	2,071		
EV	78,410	52,568	41,230	4,732	6,758		
Employees	48,500	35,000	19,998	2,900	15,000		
Ratio Analysis						Median	
Revenue/Employee	\$392,392	\$350,580	\$334,242	\$345,344	\$176,680	\$345,344	
EV/Revenue	4.03x	4.06x	5.92x	4.49x	2.51x	4.06x	
Debt/EBITDA	2.61x	3.13x	2.87x	3.11x	8.82x	3.11x	
EV/EBITDA (Normalized)	14.91x	14.68x	19.91x	20.81x	14.78x	14.91x	
Market Cap/EBITDA	13.13x	12.67x	17.71x	20.49x	16.31x	16.31x	
Market Cap (mm)	64,482	40,707	35,008	4,128	4,726		
Close Price	157.09	128.82	136.11	79.87	51.27		
52 Week Low	138.58	113.57	113.50	63.90	39.63		
52 Week High	175.98	149.17	148.20	92.75	63.07		
Gross Margin	37.4%	39.8%	40.1%	33.6%	37.4%	37.4%	
EBIT	16.5%	16.6%	15.3%	8.4%	0.0%	15.3%	
EBITDA	27.1%	26.4%	28.2%	20.1%	8.7%	26.4%	
Acct. Receivable Days	45	40	39	33	60	40	
Inventory Days	4	4	NM	6	NM	4	
Acct. Payable Days	43	61	37	37	48	43	
Revenue Growth	15.2%	16.3%	16.9%	23.9%	0.7%	16.3%	

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



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



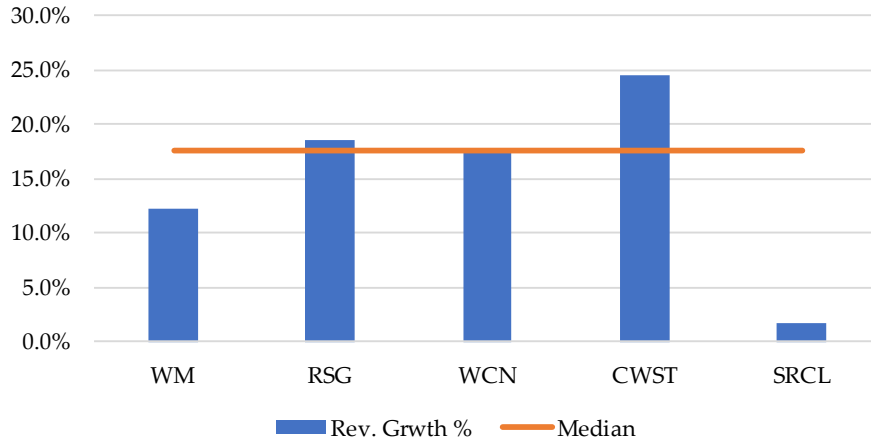
# RECENT TRANSACTIONS

Deal Date	Target Companies	Investors	Deal Synopsis
19-Sep-2022	Harley Hollan Companies	Superior USA Waste	The company was acquired by Superior USA Waste for an undisclosed amount on September 19, 2022. The acquisition will expand superior USA service offering in the Tulsa market while providing employees significant growth opportunities.
01-Sep-2022	Rays Trash Service	Waste Management	The company was acquired by Waste Management (NYS: WM) for an undisclosed amount on September 1, 2022.
01-Aug-2022	Carolina Containers of Beaufort	Pro Disposal (Beaufort)	The company was acquired by Pro Disposal (Beaufort) for an undisclosed amount on August 1, 2022. The acquisition allows Pro Disposal to achieve full vertical integration and positions the company for future growth through geographic expansion and further penetration of the existing region.
04-Aug-2022	Oak Hill Garbage Disposal	Whitecap Waste	The company was acquired by Whitecap Waste for an undisclosed amount on August 4, 2022. Through the acquisition, Whitecap will continue building upon its vision of becoming an integrated waste management provider in the markets they serve.
08-Jul-2022	WasteTrakr	Global Compliance Applications	The company was acquired by Global Compliance Applications (CNQ: APP) for an undisclosed amount on July 8, 2022.

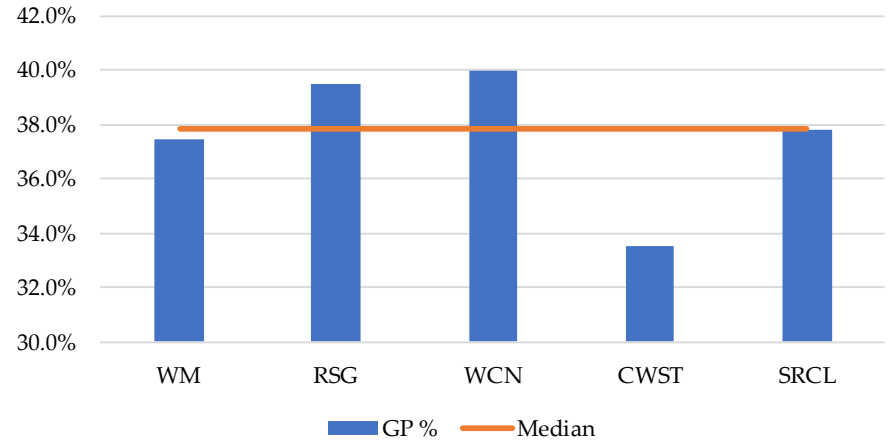


# OPERATING METRICS

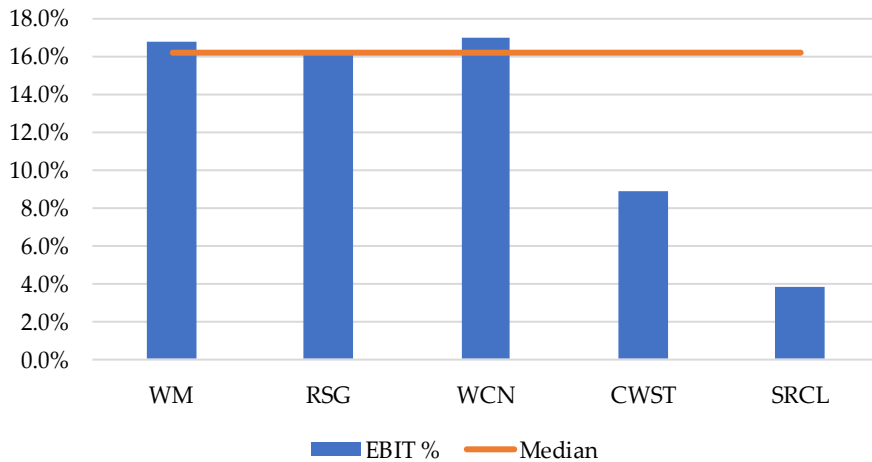
## YoY Revenue Growth



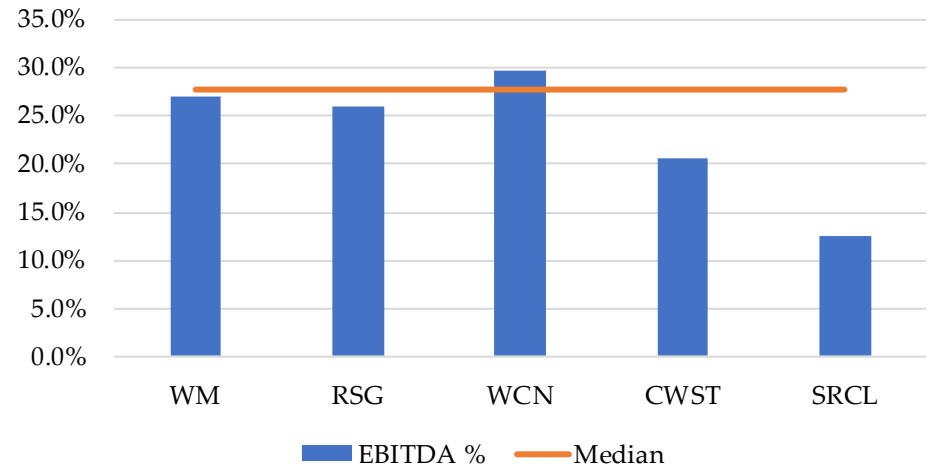
## Gross Profit Margin



## EBIT Margin

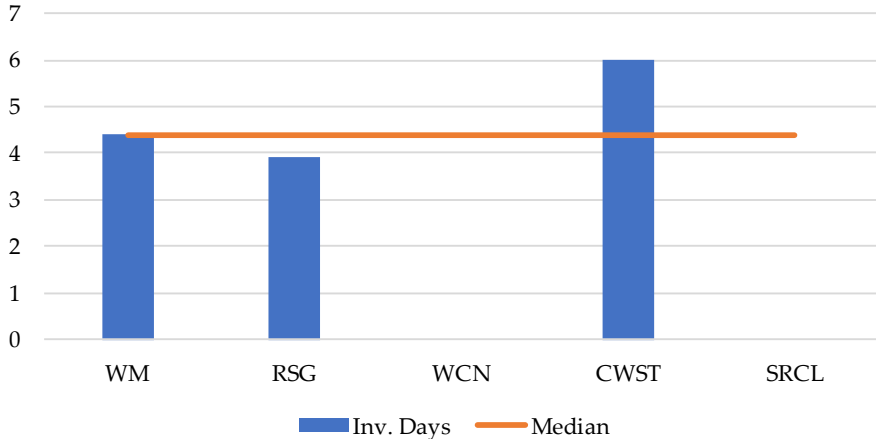


## EBITDA Margin

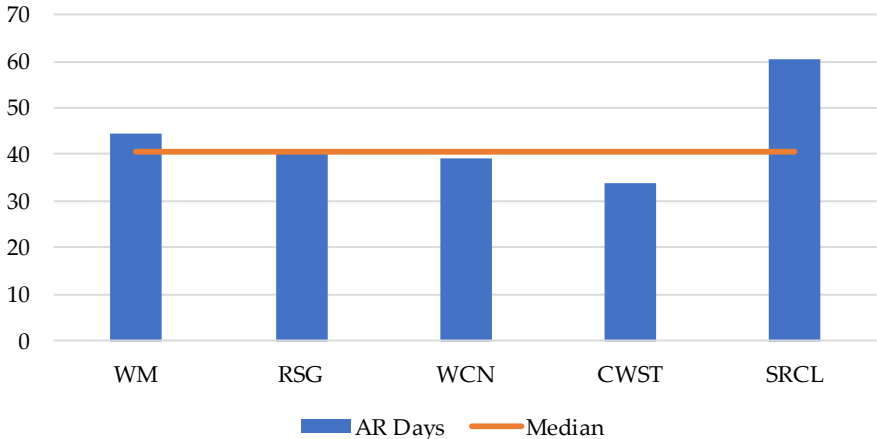


# RATIO ANALYSIS

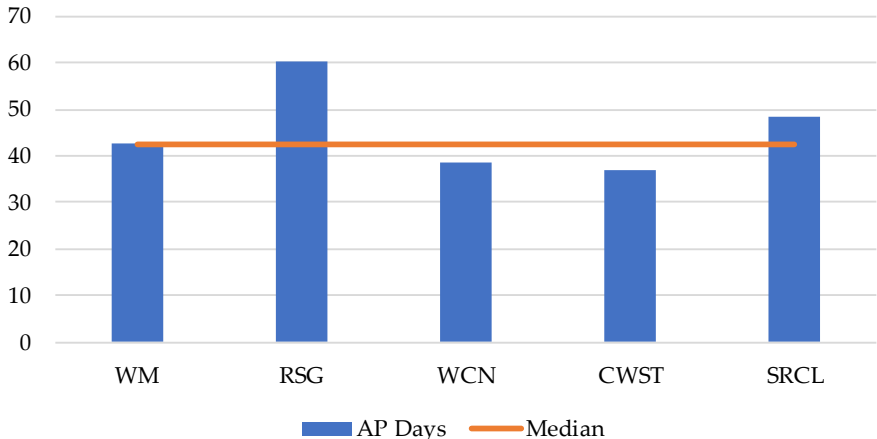
### Inventory Days



### AR Days



### AP Days



# VALUATION TRENDS

		Fundamentals								
		TIM					NTM Estimates			
Ticker	Company	Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
WM	Waste Management	157.09	64,481.85	78,409.85	19,441.00	5,272.00	5.41	20,525.07	5,812.68	5.97
RSG	Republic Services	128.82	40,707.24	52,568.14	12,934.30	3,355.20	4.59	14,322.92	4,155.11	4.81
WCN	Waste Connections	136.11	35,007.68	41,229.56	6,966.88	2,073.06	3.13	7,822.70	2,399.77	4.05
CWST	Casella Waste Systems	79.87	4,127.70	4,731.99	1,054.80	216.40	1.05	1,140.81		1.24
SRCL	Stericycle	51.27	4,726.28	6,757.68	2,691.70	336.50	0.07	2,787.37	499.15	2.34
CLH	Clean Harbors	111.86	6,048.75	8,224.66	5,007.99	945.97	6.97	5,244.40	1,020.47	6.69

		Multiples					
		TIM			NTM Forward Multiples		
Ticker	Company	EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
WM	Waste Management	4.0x	14.9x	29.2x	3.8x	13.5x	26.3x
RSG	Republic Services	4.1x	15.7x	28.1x	3.7x	12.7x	26.8x
WCN	Waste Connections	5.9x	19.9x	43.5x	5.3x	17.2x	33.6x
CWST	Casella Waste Systems	4.5x	21.9x	76.8x	4.1x		64.7x
SRCL	Stericycle	2.5x	20.1x	732.4x	2.4x	13.5x	21.9x
CLH	Clean Harbors	1.6x	8.7x	16.1x	1.6x	8.1x	16.7x

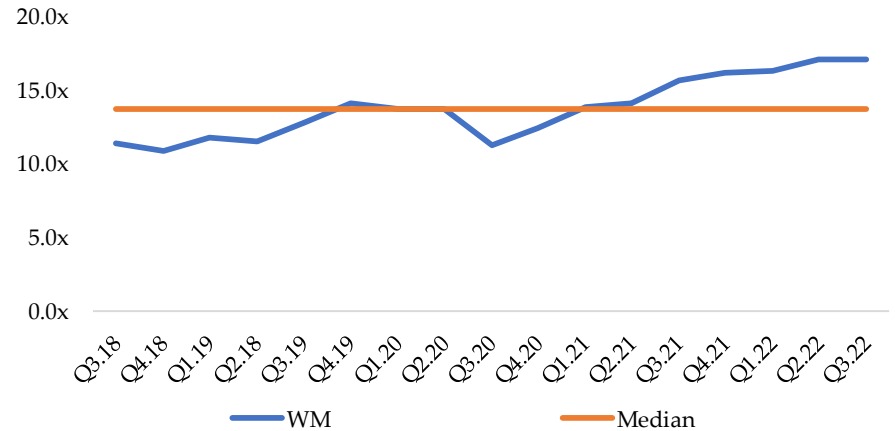
# PUBLIC COMP

## Waste Management (NYSE: WM)

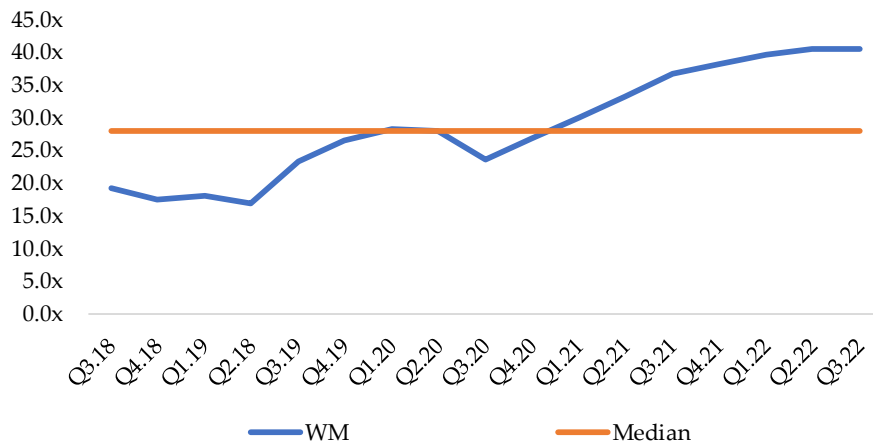
Waste Management is the largest waste-collection company in the United States with over 21% market share. The Houston-based company offers waste collection, disposal, incineration, and other services.



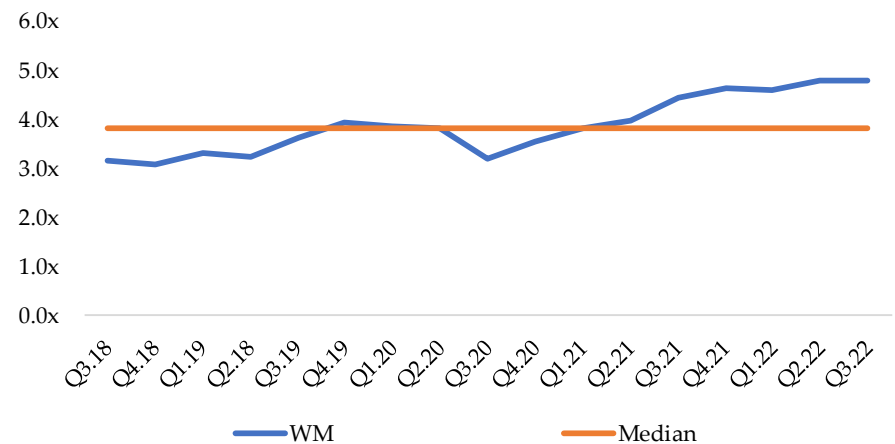
### EV/EBITDA Waste Management



### P/E Waste Management



### EV/Revenue Waste Management



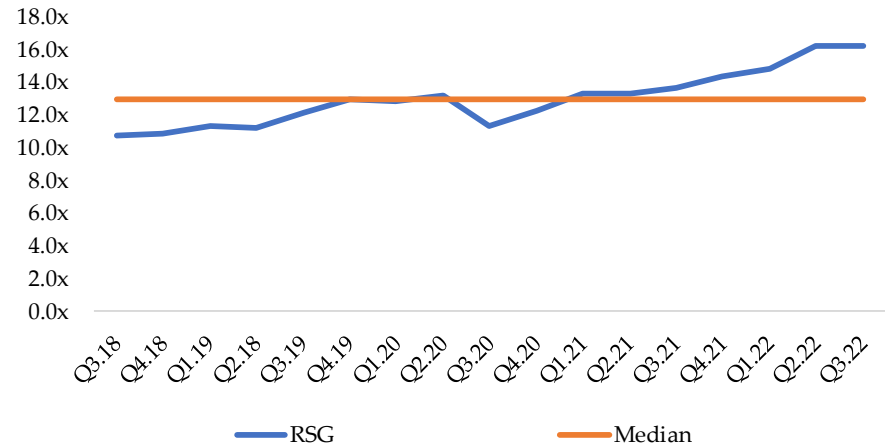
# PUBLIC COMP

## Republic Services (NYSE: RSG)

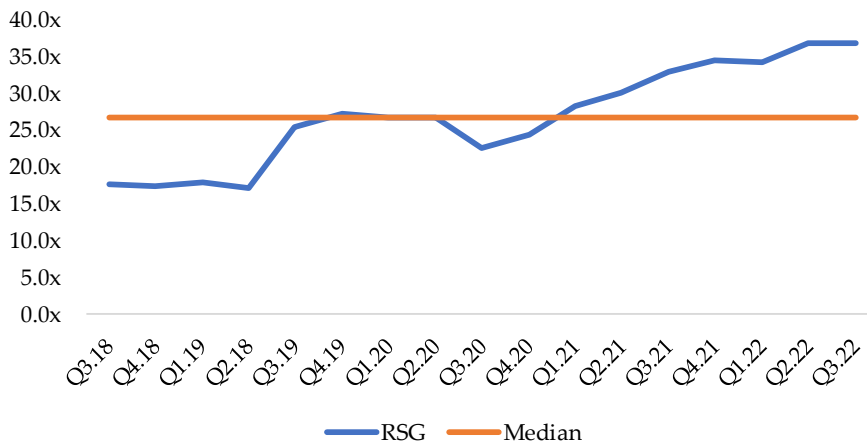
Republic Services is headquartered in Phoenix and is the second-largest waste management firm in the US with 16.9% market share. Company operations include 189 landfills, 79 recycling facilities, 212 transfer stations, and over 16,000 service trucks. The company operates in 41 states and Puerto Rico.

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.

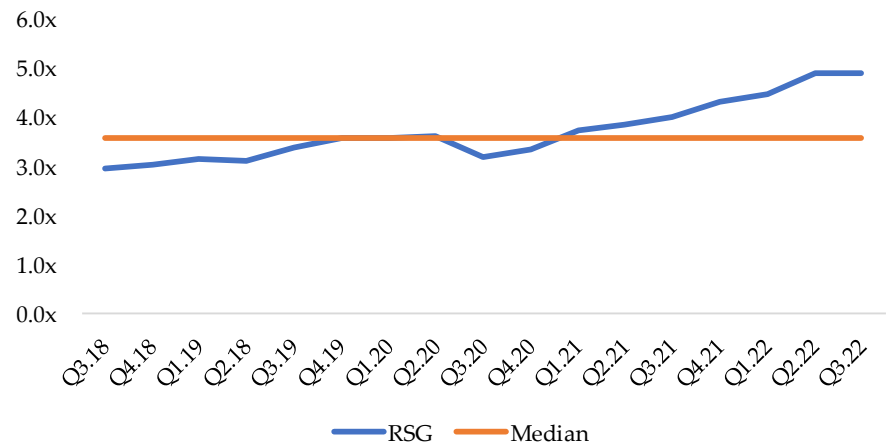
### EV/EBITDA Republic Services



### P/E Republic Services



### EV/Revenue Republic Services



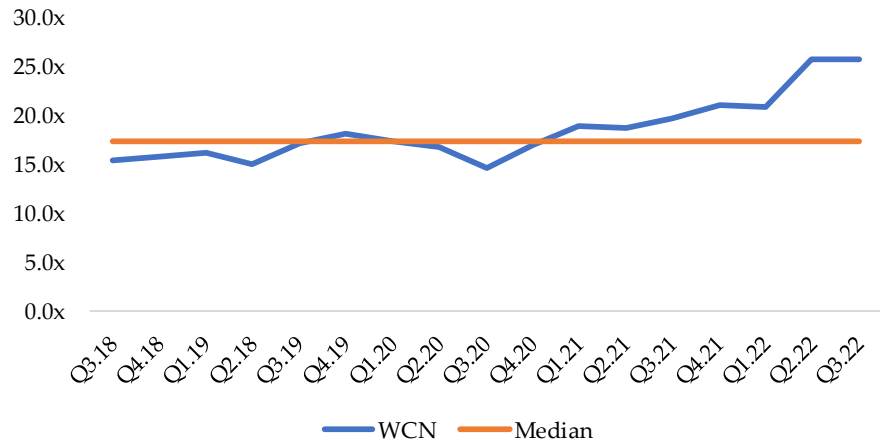
# PUBLIC COMP

## Waste Connections (NYSE: WCN)

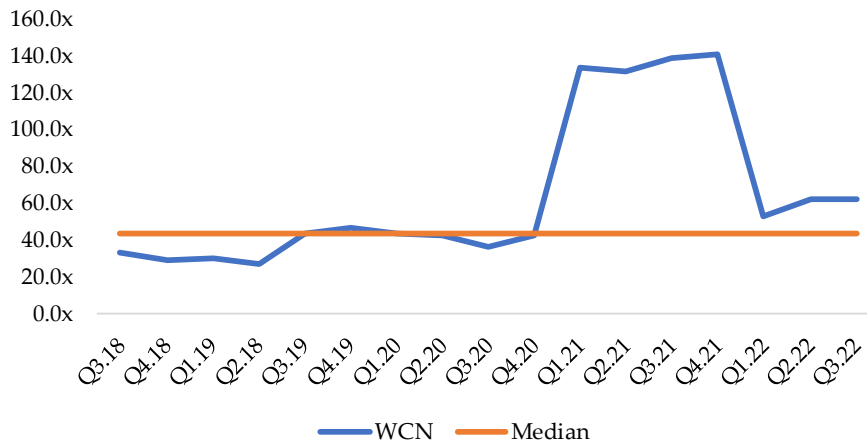
Waste Connections was founded in 1997 and holds 7.5% of the waste collection market share. Services include recycling, transfer, disposal, and solid waste collection in the US and Canada. Waste Connections employs over 18,000 individuals, operates 300 solid waste collection facilities, 87 landfills,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

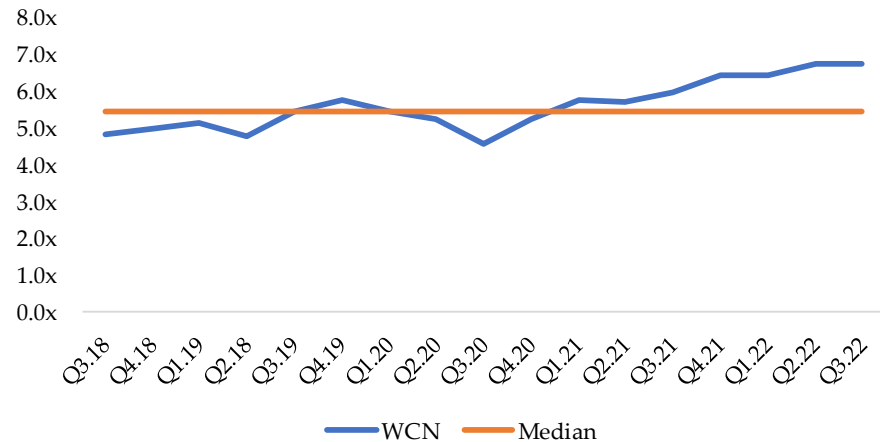
### EV/EBITDA Waste Connections



### P/E Waste Connections



### EV/Revenue Waste Connections

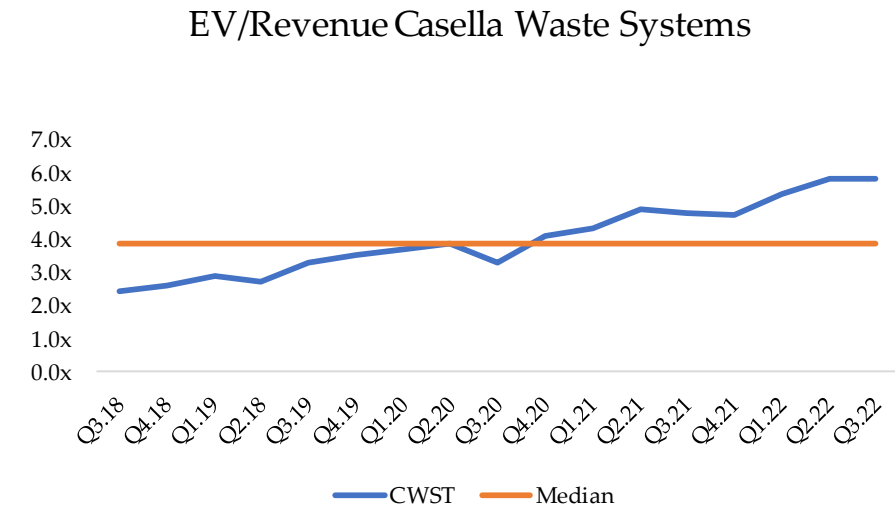
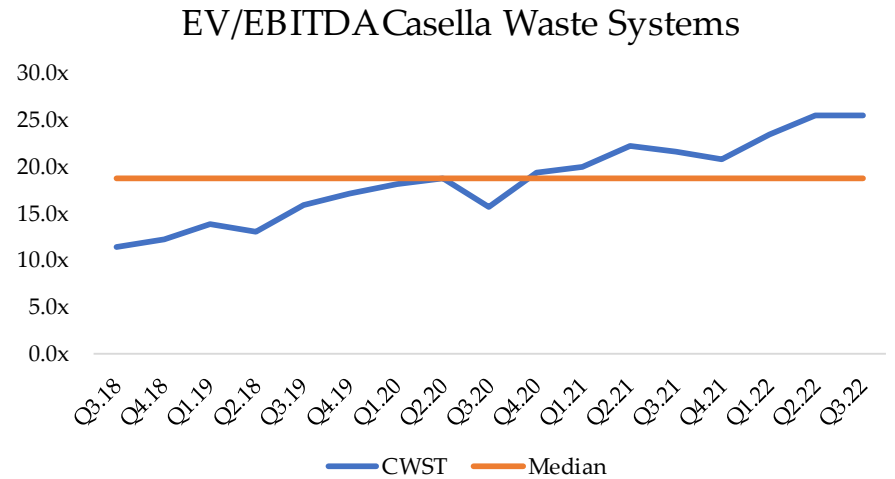
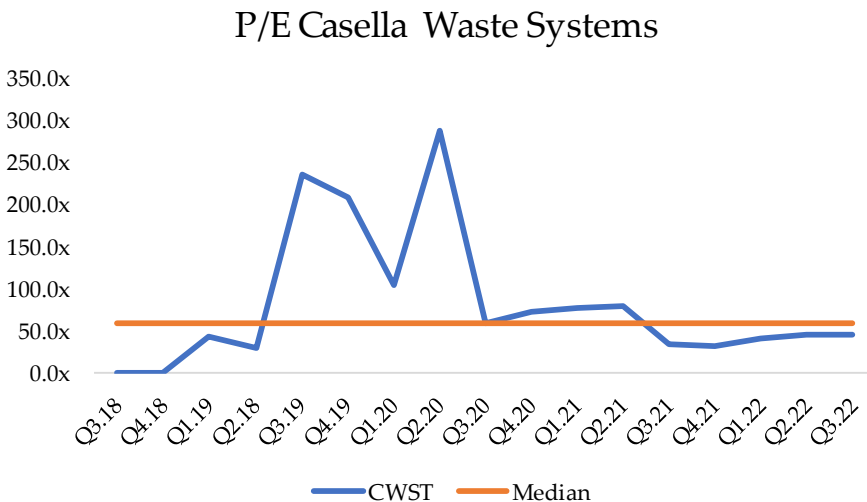


# PUBLIC COMP

## 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.





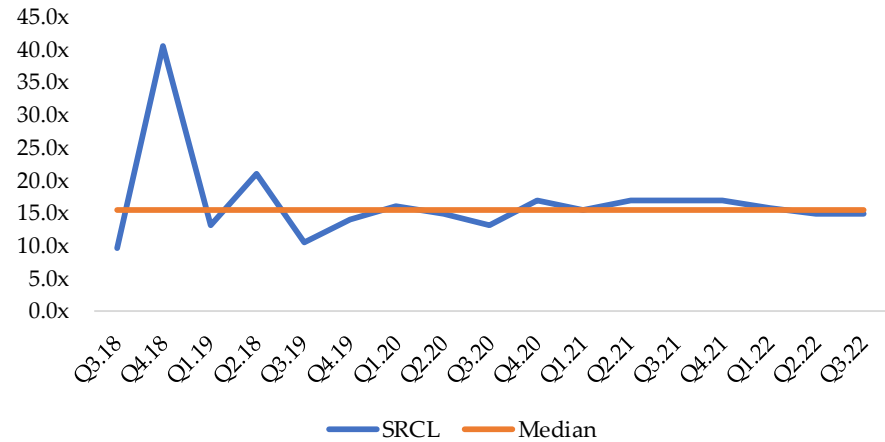
# PUBLIC COMP

## Stericycle (NAS: SRCL)

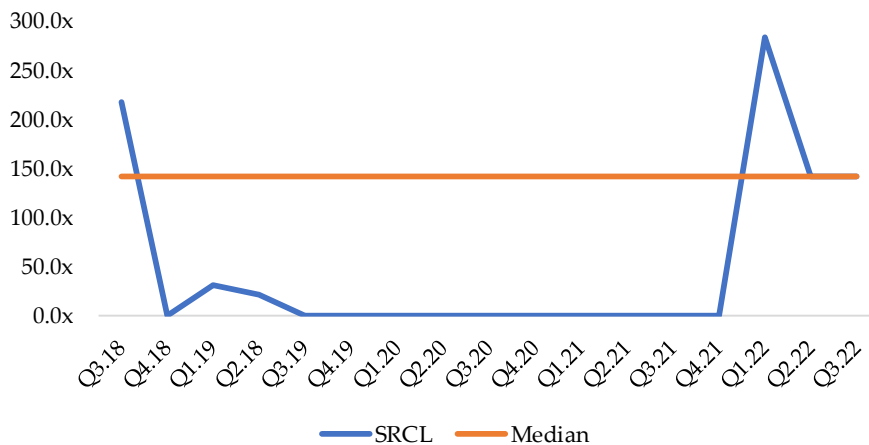
Stericycle headquarters is in Lake Forest, Illinois and is the largest medical waste-management company in the US. Working with hazardous waste is more profitable than working with standard waste; however, there are additional safety factors in operations. The firm focuses on waste in the healthcare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

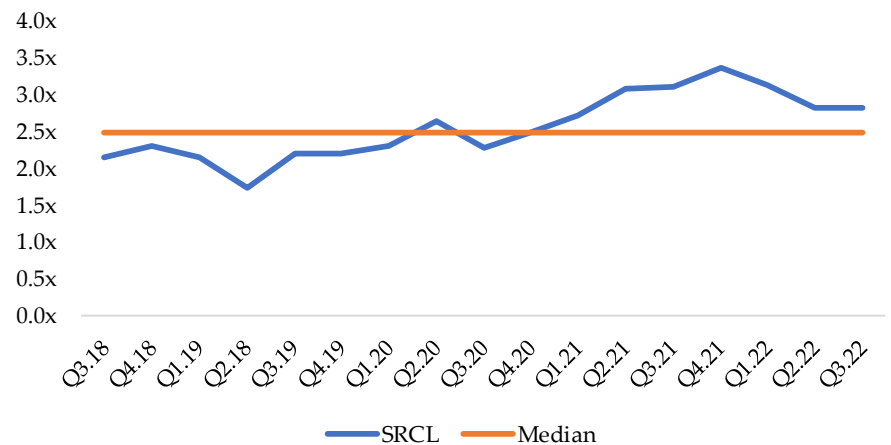
### EV/EBITDA Stericycle



### P/E Stericycle



### EV/Revenue Stericycle



# 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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## **Maxwell Purdy**

### **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

## **Kyle Burnett, Jr.**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Burnett interned with UBS Financial Services, Inc., a Swiss multinational investment bank. He graduated from Northwestern University in 2021 with a Bachelor of Arts in Economics and Political Science.