

Market Update

Waste Services May 2020





Market Insights and COVID-19 Perspectives

The COVID-19 pandemic has caused significant economic disruption and volatility on a global scale, resulting in a challenging business environment across most sectors, waste services included. While Q1 2020 financial results were released in the late-April through mid-May period, the impact to revenue and earnings has thus far been fairly muted, as the primary disruptions in the U.S. market had only been felt for a period of a little more than two weeks in Q1 2020. As a result, most market participants expect the full effects of the pandemic to be reflected in Q2 2020.

Although the operations of waste services providers have been deemed essential while shelter-in-place and business closure requirements have kept individuals and nonessential businesses from continuing in normal course, they too have felt the effects of the pandemic. For instance, medical waste services providers saw decreased revenues due to the postponement of preventative care and elective surgeries and the temporary closure of smaller independent health care practices. Likewise, commercial collection and disposal services providers have experienced reduced demand due to office building closures. Despite the challenges created, COVID-19 has presented opportunities for industry participants to provide decontamination and infectious waste services, as well as waste services for quarantine and temporary testing facilities.




In response to business disruptions caused by COVID-19, market participants in the waste service industry have taken significant measures since mid-March to safely service customers and communities and limit the cash flow impact. Such actions include management salary reductions; employee furlough and workshare programs; reductions in discretionary expenses and CapEx spending; and temporary hiring freezes. In addition, anticipating financial conditions will worsen in Q2 2020, businesses have bolstered their liquidity and strengthened their balance sheets through new debt issuances, upsized commitments and revolver drawdowns.

M&A activity in the waste services sector is expected to be suppressed in the short-term as due diligence timelines are extended due to travel restrictions and companies focus on protecting their own bottom lines. Lincoln expects consolidation activity to recover as the broader economy and financial markets stabilize. While some industry players such as Clean Harbors and Heritage-Crystal have reported a suspension or low likelihood of completing acquisitions in the near-term, others such as Republic Services have noted that their M&A pipeline remains robust and acquisition plans remain largely intact for the year. Further, Waste Management continues making progress and currently anticipates receiving final antitrust regulatory approval and closing the acquisition of Advanced Disposal by the end of Q2 2020.

While there may be a dip in waste management services during COVID-19, residences and businesses still need access to this essential service. This relatively non-discretionary demand should enable waste services firms to outperform other sectors, both in the near-term and over the longer-term.

Lincoln International expects the waste industry's resiliency and strong long-term fundamentals will continue driving investor interest, especially once the debt financing markets fully stabilize and the U.S. economy further reopens. We welcome the opportunity to connect with you and discuss your company's strategic alternatives or the waste services market more generally.

COVID-19 Impact on Selected Public Companies

Company Name	Pre-COVID-19 Financials ⁽¹⁾	Post-COVID-19 Financials ⁽²⁾	Valuation & Leverage Multiples ⁽³⁾	Latest Developments
 REPUBLIC SERVICES (NYSE:RSG)	Market Cap: \$31.9b LTM Revenue: \$10.3b LTM EBITDA: \$2.9b 2020 Revenue: \$10.8b 2020 EBITDA: \$3.1b	Market Cap: \$25.2b LTM Revenue: \$10.4b LTM EBITDA: \$2.9b 2020 Revenue: \$9.9b 2020 EBITDA: \$2.7b	EV / EBITDA: 11.9x Debt / EBITDA: 3.1x	<ul style="list-style-type: none"> Despite pandemic impacts in March, the company increased revenue by 3.4% and expanded EBITDA margin by 30 basis points Strong liquidity with \$282m of cash and \$1.6b of undrawn credit lines Even under assumptions that recent trends continue, the company expects to generate over \$1b of adjusted free cash flow in 2020 Invested over \$60m in acquisitions in Q1 2020 with deal pipeline remaining strong and conversations with potential sellers continuing to be active
 WASTE CONNECTIONS, INC. (NYSE:WCN)	Market Cap: \$27.1b LTM Revenue: \$5.4b LTM EBITDA: \$1.7b 2020 Revenue: \$5.8b 2020 EBITDA: \$1.8b	Market Cap: \$23.9b LTM Revenue: \$5.5b LTM EBITDA: \$1.7b 2020 Revenue: \$5.3b 2020 EBITDA: \$1.6b	EV / EBITDA: 16.6x Debt / EBITDA: 2.5x	<ul style="list-style-type: none"> Assuming April properly reflects COVID-19 impact, revenue on a reported basis for the month declined 6.0% YoY, or 1.4% excluding Canada and the Northeast U.S., which are the hardest hit areas Offsetting decrease in commercial collection activity through a 20% reduction in budgeted capital expenditures for 2020 Positive outlook on the level of M&A activity for the future, noting that "quality companies are quality companies" regardless of the pandemic, but expects a delay in pace of closing by two to three months at a minimum Strong liquidity with \$1.2b of cash and \$763m of undrawn credit lines as of March 31, 2020; subsequently paid down \$500m of outstanding borrowings and had over \$1.2b in remaining borrowing capacity as of May 1, 2020 The company observed solid waste trends improving in April and early May
 WASTE MANAGEMENT (NYSE:WM)	Market Cap: \$53.2b LTM Revenue: \$15.5b LTM EBITDA: \$4.4b 2020 Revenue: \$16.1b 2020 EBITDA: \$4.7b	Market Cap: \$40.7b LTM Revenue: \$15.5b LTM EBITDA: \$4.4b 2020 Revenue: \$14.5b 2020 EBITDA: \$4.0b	EV / EBITDA: 11.6x Debt / EBITDA: 2.3x	<ul style="list-style-type: none"> Managing costs and capital spending by limiting hiring, reducing discretionary travel costs and reducing incentive compensation costs Advanced Disposal acquisition, originally intended to close in March, now expected to close late Q2 2020; the company expects to pay previously stated terms regardless of COVID-19 impact Strongest liquidity in company history, enhanced by recent upsizing of the company's revolving credit facility to \$3.5b in November 2019; \$3.1b of cash and \$3.1b of undrawn credit lines Anticipates a sharp decrease in 2020 revenue from previous forecasts as a result of COVID-19, driven by volume declines in landfill, industrial and commercial collection businesses

Sources: Press releases, earnings reports, Capital IQ

Notes: (1) Pre-COVID-19 Market Cap as of February 19, 2020; LTM metrics as of December 31, 2019; LTM EBITDA calculation reflects company determination and is in line with the definition used for financial covenant calculations; 2020 revenue and EBITDA estimates based on analyst consensus mean as of February 19, 2020

(2) Post-COVID-19 Market Cap as of May 13, 2020; LTM metrics as of March 31, 2020; LTM EBITDA calculation reflects company determination and is in line with the definition used for financial covenant calculations; 2020 revenue and EBITDA estimates based on analyst consensus mean as of May 13, 2020

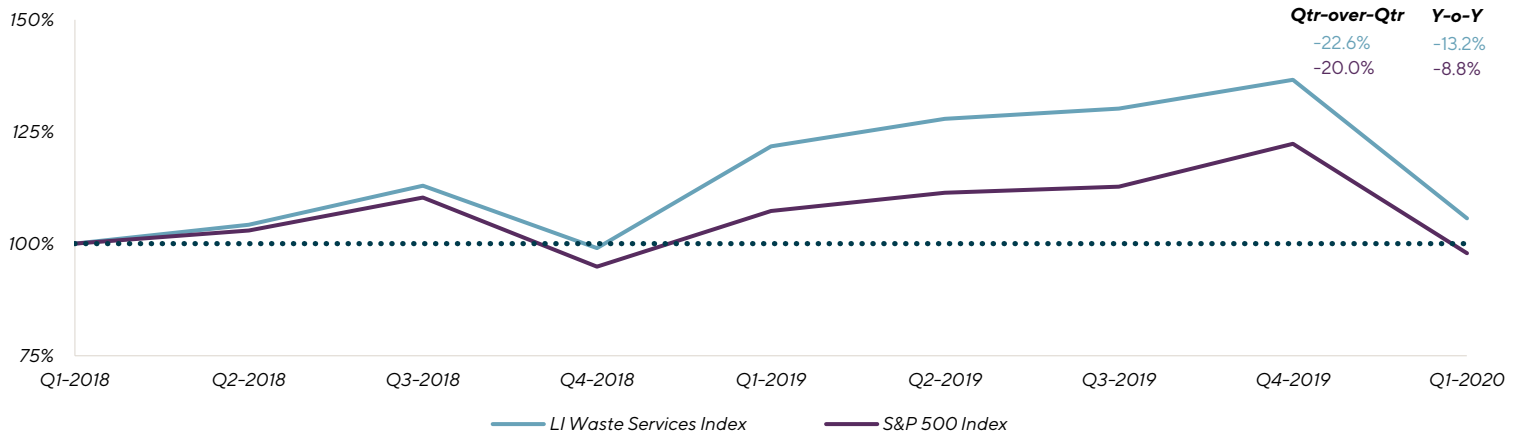
(3) Calculated based on latest LTM statistics available

Lincoln's Waste Services Stock Index has decreased 13.2% year-over-year as of Q1 2020

The Lincoln International Waste Services Stock Index

The Lincoln Waste Services Stock Index is a market cap-weighted composite stock index similar to the S&P 500 Index. Given the broad scope of waste services, our index is comprised of companies that generate a meaningful portion of revenue from a variety of sub-sectors. A full list of the companies included in our index is provided below.

Stock Index Change – Q1 2018 to Q1 2020



Source: Capital IQ as of 3/31/2020

Quarter-over-Quarter Performance – Q1 2020

Outperformers	Change
Advanced Disposal Services, Inc.	(0.2%)
Waste Connections, Inc.	(14.6%)
Casella Waste Systems, Inc.	(15.1%)
Republic Services, Inc.	(16.3%)
Waste Management, Inc.	(18.8%)

Underperformers	Change
Heritage-Crystal Clean, Inc	(48.2%)
US Ecology, Inc.	(47.5%)
Covanta Holding Corporation	(42.4%)
Clean Harbors, Inc.	(40.1%)
Suez SA	(31.2%)
Stericycle, Inc.	(23.9%)

Based on quarter-over-quarter share price performance relative to the S&P 500 Stock Index, which decreased 20% quarter-over-quarter in Q1 2020.



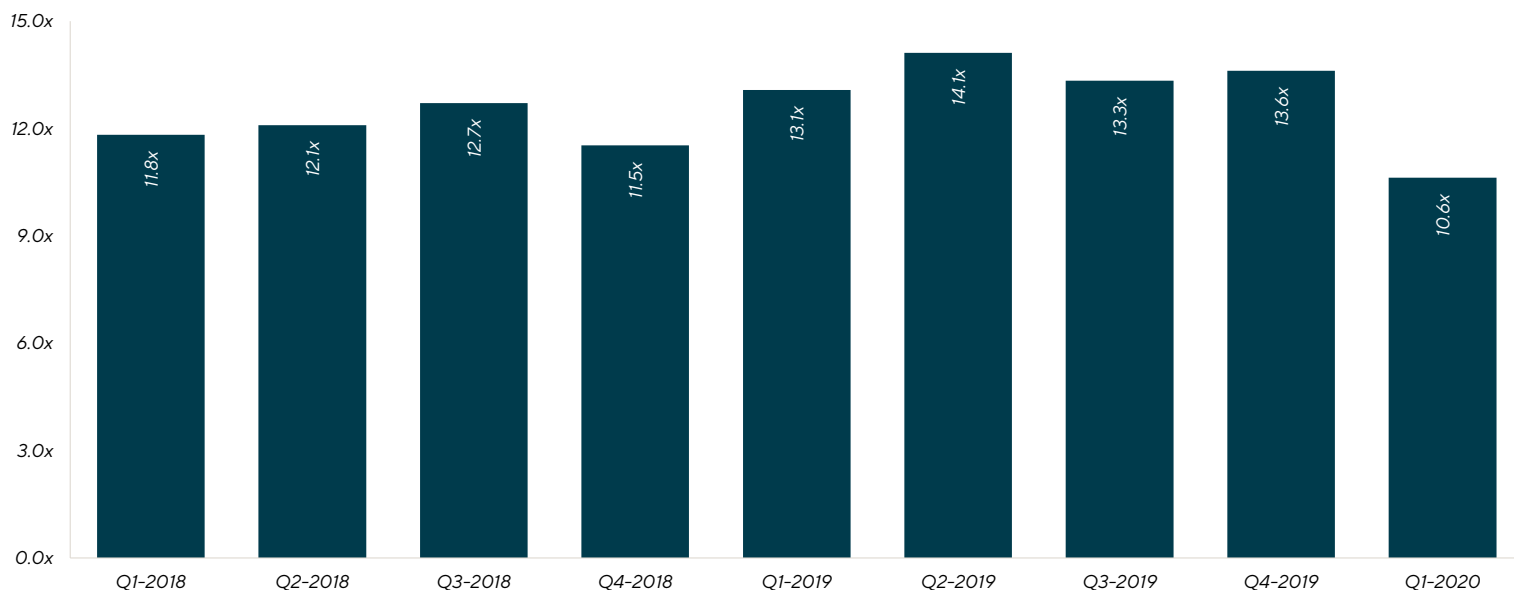
Waste Services Subsectors

This update tracks valuation metrics and transaction activity for the following waste services subsectors:

- Brokerage
- E-Waste
- Food Waste
- Hazardous Waste
- Industrial Waste
- Liquid Waste
- Medical Waste
- Recycling
- Solid Waste
- Waste-to-Energy
- Wastewater

Public Company Trading Multiples Decreased in Q1 2020, Averaging 10.6x EBITDA

Enterprise Value / LTM EBITDA Multiples – Q1 2018 to Q1 2020



Source: Capital IQ as of 3/31/2020

Lincoln International Waste Services Stock Index Data – Q1 2020

(\$ in millions, except per share data)

Company Name	Current Price	52-Wk High	% of High 52-Wk	Market Cap	Enterprise Value	LTM Rev	LTM EBITDA	EV / LTM			LTM Growth		EBITDA Margin	Net Debt / EBITDA
								Rev	EBITDA	EBIT	Rev	EBITDA		
Advanced Disposal Services, Inc.	\$32.80	\$33.15	98.9%	\$2,949	\$4,835	\$1,623	\$408	3.0x	11.9x	49.1x	4.2%	5.0%	25.1%	4.6x
Casella Waste Systems, Inc.	39.06	56.14	69.6%	1,867	2,462	743	160	3.3x	15.4x	42.1x	12.5%	30.5%	21.5%	3.7x
Clean Harbors, Inc.	51.34	88.40	58.1%	2,866	4,211	3,412	672	1.2x	6.3x	18.8x	3.4%	39.1%	19.7%	2.0x
Covanta Holding Corporation	8.55	18.38	46.5%	1,122	3,677	1,870	344	2.0x	10.7x	36.8x	0.1%	2.4%	18.4%	7.4x
Heritage-Crystal Clean, Inc	16.24	32.58	49.8%	389	448	444	80	1.0x	5.6x	16.8x	8.3%	108.0%	18.1%	0.7x
Republic Services, Inc.	75.06	100.91	74.4%	23,956	32,898	10,299	2,849	3.2x	11.5x	19.8x	2.6%	3.4%	27.7%	3.1x
Stericycle, Inc.	48.58	67.94	71.5%	4,434	7,518	3,309	657	2.3x	11.4x	28.1x	(5.1%)	(8.2%)	19.9%	4.7x
Suez SA	10.19	17.62	57.8%	6,369	20,799	20,217	3,195	1.0x	6.5x	13.4x	1.9%	7.4%	15.8%	3.6x
US Ecology, Inc.	30.40	67.24	45.2%	958	1,765	686	151	2.6x	11.7x	21.9x	21.1%	25.7%	22.1%	5.3x
Waste Connections, Inc.	77.50	105.17	73.7%	20,436	24,714	5,389	1,697	4.6x	14.6x	27.0x	9.5%	9.4%	31.5%	2.5x
Waste Management, Inc.	92.56	126.79	73.0%	39,211	49,595	15,455	4,421	3.2x	11.2x	18.3x	3.6%	6.0%	28.6%	2.3x
Mean								2.5x	10.6x	26.5x	5.6%	20.8%	22.6%	3.7x
Median								2.6x	11.4x	21.9x	3.6%	7.4%	21.5%	3.6x

Sources: Capital IQ as of 3/31/2020

Market Intelligence

Commodities niches, like the paper recycling industry, have been driven to extraordinary circumstances by the COVID-19 outbreak. For example, demand for recovered paper varies heavily depending on end markets. After drastically cutting imports for recovered paper for some time, China has now stepped up purchases from the U.S. and other overseas suppliers. Recyclers who previously sold tissue and toweling to commercial customers are shifting to stay-at-home markets, which has been significantly outperforming other sectors of the broader market.

The mixed recycling outlook has been negative – more than 50 curbside recycling programs have been cut or suspended because of safety, processing and end market issues. Further, over half of the states with container redemption programs have temporarily suspended enforcement. In particular, materials recovery facilities have been hard-hit, given worker shortages and social distancing safety issues. As a result, solid waste companies are unlikely to benefit from the recent jump in old corrugated cardboard prices.

Waste Management filed a notice with the SEC on March 18th, 2020, projecting federal regulatory approval in Q2 2020 as opposed to the previously noted Q1 2020 for its acquisition of Advanced Disposal Services.

Amidst the COVID-19 outbreak, the latest study by Global Market Insights, Inc. published on May 5th, 2020 still projects the solid waste management market will cross USD \$1.2 trillion by 2026. Growth will be fueled by the strong focus of governments on various environmental issues, large scale urban migration and the inevitable rise in solid waste due to rapid economic growth, most notably in developing economies.

According to the Stock Market Herald, the logistical challenges associated with collecting rising waste volume, combined with the need to meet government and environmental regulations, is giving rise to the smart waste management market. While still in an emerging phase, this sector is expected to grow by 26% annually from 2020 to 2027.

Selected M&A Transaction Recap – Q1 2020

Closed	Target Company	Target Description	Acquiring Company
Mar-20	Western New York Operations of Republic Services	Provides non-hazardous solid waste collection, transfer, disposal, recycling, and environmental services	Modern Corporation
Mar-20	Lakin Tire West	Engages in the removal and recycling of scrap tires	Liberty Tire Recycling
Feb-20	Infratech Sewer & Water Services	Offers sewer and pipe inspection, maintenance and repair services	Environmental 360 Solutions
Feb-20	So Cal Soft-Pak	Develops software products for the waste industry	Environmental Solutions Group
Feb-20	Consolidated Fabricators	Manufactures steel fabricated containers for the waste industry	Wastequip
Feb-20	Atlas Pumping Services	Provides grease and septic pumping services	Liquid Environmental Solutions
Feb-20	ABCO Recycling of Arnegard	Provides commercial waste hauling services	G&G Garbage
Feb-20	Miller Sanitation	Provides recycling and trash collection services	Waste Management
Feb-20	ROTO PAC	Auger-driven organics collection truck fleet	New Way Trucks
Feb-20	CORE Computing Solutions	Offers software solutions designed from a single vendor approach for waste management and recycling industries	Routeware
Feb-20	American Waste	Provides waste disposal and recycling solutions for residential, business and industrial customers	GFL Environmental
Jan-20	Prineville Disposal	Provides garbage collection and disposal services	Republic Services
Jan-20	Denali Water Solutions	Manages organic wastes for water and wastewater treatment facilities	TPG Growth
Jan-20	AJS Dumpsters	Provides commercial waste disposal services	A-OK Portables & Waste Services
Jan-20	Apex Environmental	Provides waste disposal services for solid waste, construction and demolition waste and oil and gas waste	Interstate Waste Services
Jan-20	TRUX Route Management Systems	Provides software solutions for the waste industry	AMCS
Jan-20	DTG Recycle	Provides waste hauling and recycling services	Clairvest Group
Jan-20	Central Arkansas Recycling and Disposal Services	Provides recycling and disposal services	WCA Waste
Jan-20	Waste Harmonics	Provides outsourced waste management consolidation services	Arcapita
Jan-20	Shotwell Companies	Engages in recycling and waste management businesses	Meridian Waste Services
Jan-20	Environmental Products & Services of Vermont	Provides emergency environmental services for identifying and preventing environmental problems	Miller Environmental Group
Jan-20	Trojan Waste Solutions	Offers doorstep waste and recycling pick-up services	Valet Living
Jan-20	Penn Waste	Provides residential and commercial waste removal and recycling services	Waste Connections

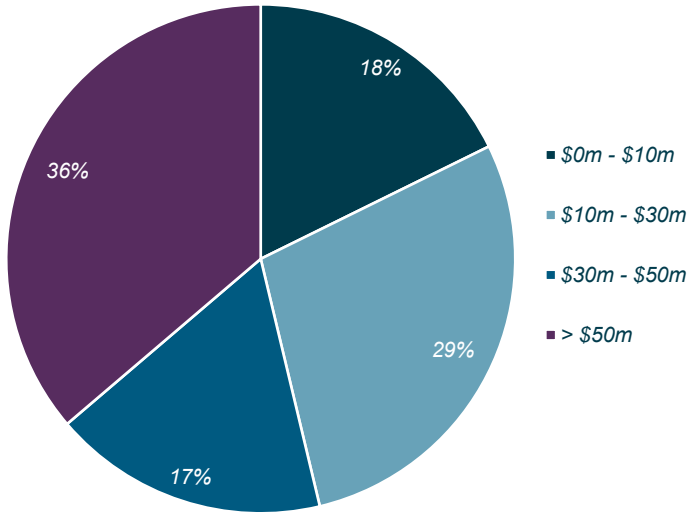
Source: Capital IQ, Mergermarket as of 3/31/2020

Lincoln Middle Market Index

Lincoln maintains an extensive proprietary database, the Lincoln Middle Market Index (Lincoln MMI), in connection with its quarterly portfolio valuation activities by the firm's Valuations & Opinions Group. The Lincoln MMI contains financial data for a diverse group of companies across ten primary industry segments. It offers a glimpse into the mid-market where reliable data is otherwise limited. Valuation metrics reflect observed transaction multiples. Financial results reflect information available at the end of each calendar quarter (typically, financial statements for one or two months preceding the end of the period). The Lincoln MMI is comprised of information from more than 1,600 mid-market companies.

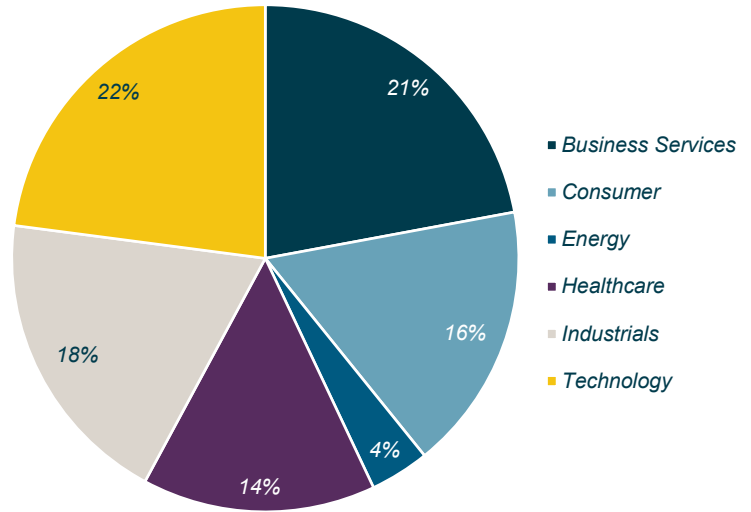
Q1 2020 Trends by Size (LTM EBITDA)

Distribution by Size

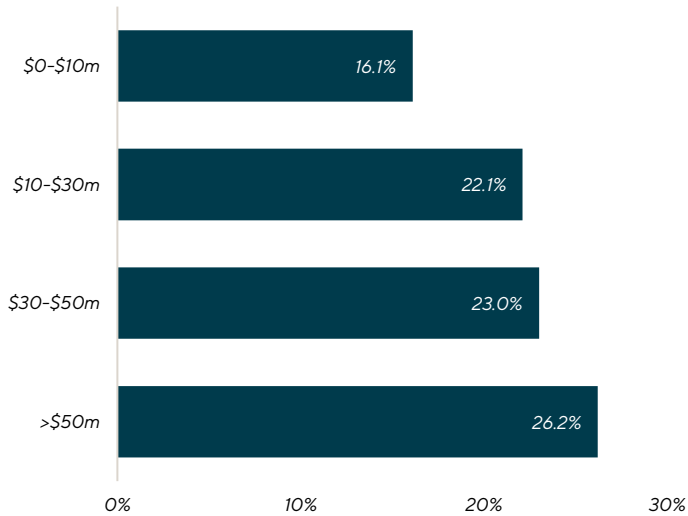


Q1 2020 Trends by Industry Vertical

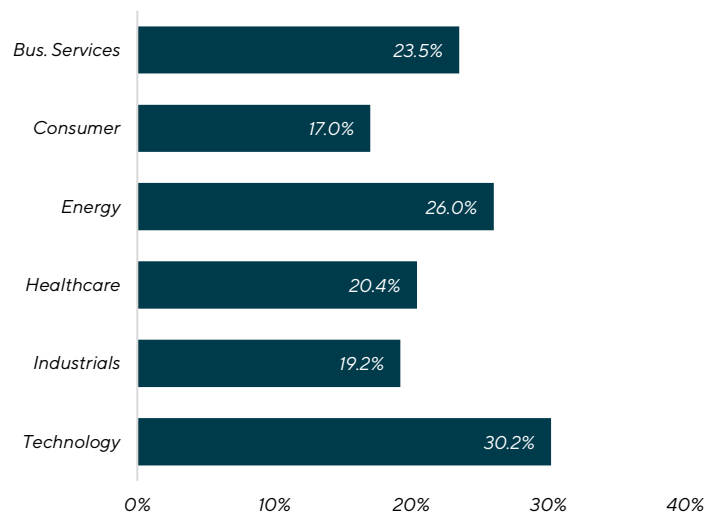
Distribution by Vertical



Average LTM EBITDA Margin by Size



Average LTM EBITDA Margin by Vertical

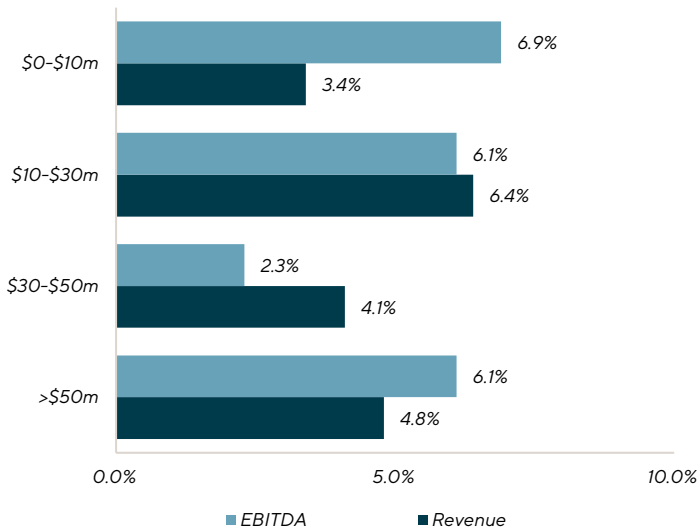


Note: the above charts reflect data from Lincoln's proprietary valuations database as of 3/31/2020

Lincoln Middle Market Index (cont'd)

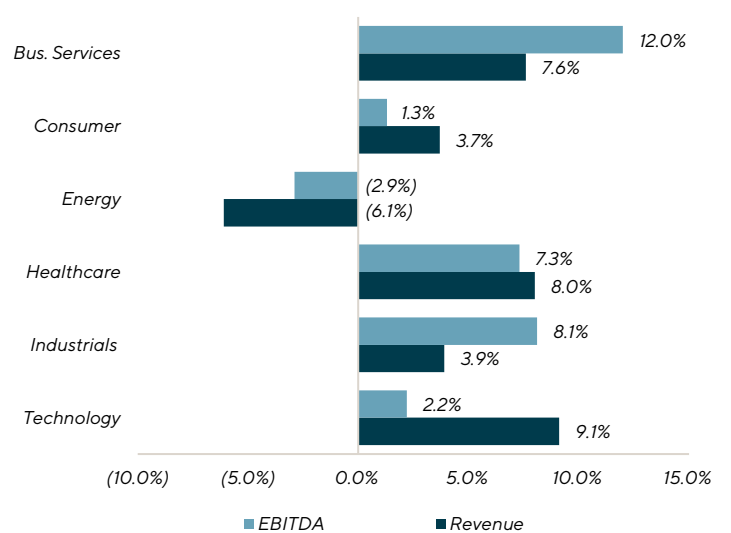
Q1 2020 Trends by Size (LTM EBITDA)

Quarter over Prior Year Quarter
Revenue and EBITDA by Size

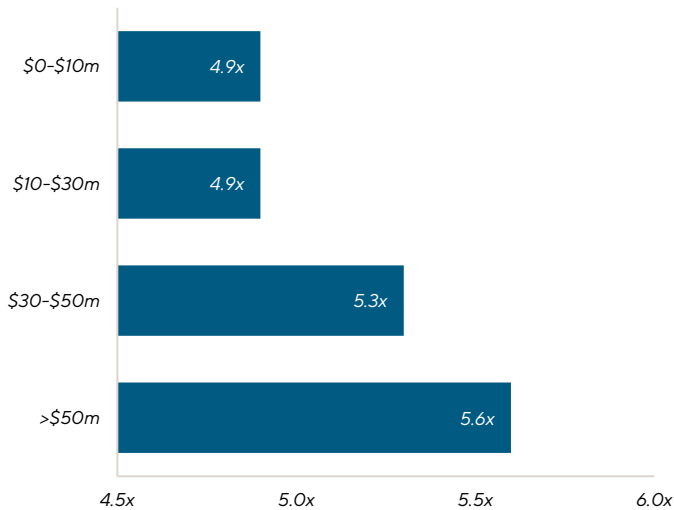


Q1 2020 Trends by Industry Vertical

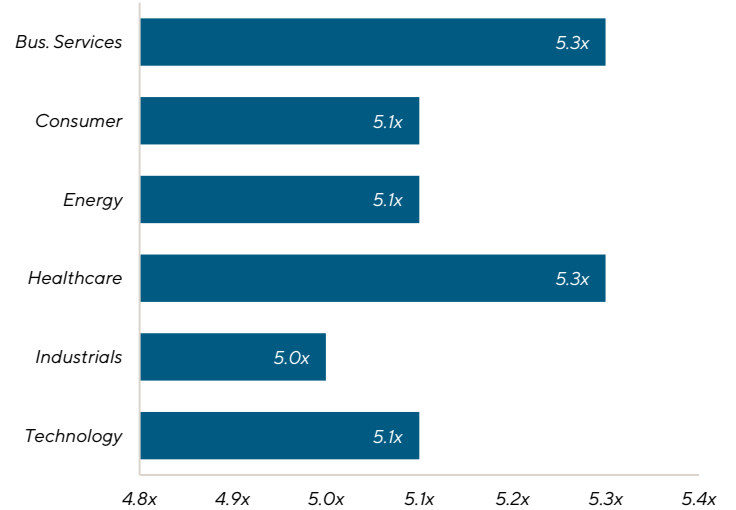
Quarter over Prior Year Quarter
Revenue and EBITDA by Vertical



Average Current Leverage by Size



Average Current Leverage by Vertical



Note: the above charts reflect data from Lincoln's proprietary valuations database as of 3/31/2020

Lincoln International's Waste Services Focus

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive industry expertise, including in-depth market insights and deep relationships with the most active strategic and financial industry leaders, augmented by our globally integrated resources and tailored process execution, enable Lincoln International to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated waste services team is among the most active M&A advisors in the mid-market. Our senior professionals provide sector-specific expertise, global buyer access and unmatched execution.



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Contributors

Saurin Mehta

Managing Director | Chicago
smehta@lincolninternational.com
+1 (312) 580-5806

Friedrich Bieselt

Managing Director | Frankfurt
f.bieselt@lincolninternational.de
+49 (0) 69-97-105-426

James Fang

Managing Director | Beijing
jfang@lincolninternational.com
+86 (10) 8588-7034

Rommel Franco

Managing Director | Madrid
r.franco@lincolninternational.es
+34 (91)-129-4996

Tetsuya Fujii

Managing Director | Tokyo
tfujii@lincolninternational.com
+813-5549-7681

Edward Lethbridge

Managing Director | London
elethbridge@lincolninternational.com
+44 (20) 7632-5224

Shivani Nagpaul

Managing Director | Mumbai
snagpaul@lincolninternational.com
+91 (22) 4047-0386

Guillaume Suizdak

Managing Director | Paris
g.suizdak@lincolninternational.fr
+33 (0) 1-53-53-18-34

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