

ENVIRONMENTAL SERVICES SUMMARY REPORT

2019 YEAR-END REVIEW

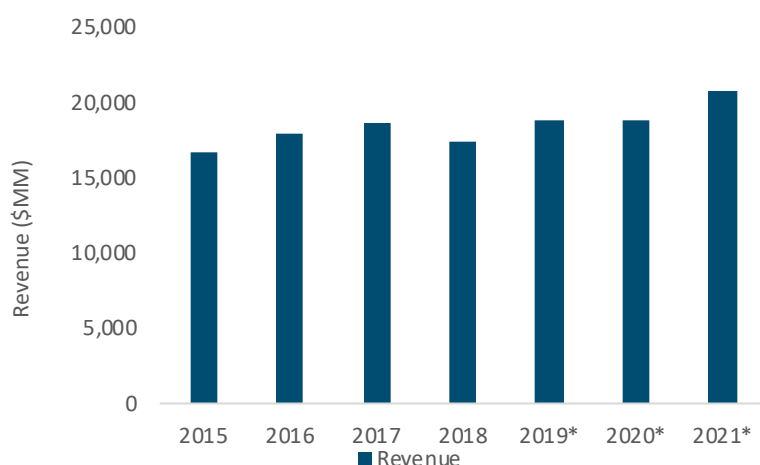


ENVIRONMENTAL SERVICES MARKET OVERVIEW

- Rising corporate profits, regulatory concerns and tougher cleanup standards, paired with increases in construction and manufacturing activity will continue to provide opportunities for operators in the industry. Construction and development operators, requiring services such as site remediations, hazardous waste and soil removal prior to commencement of building activity generally drives most of the industry's demand. Despite a decrease in the value of construction in 2019, overall industry revenue remained positive with 7.7% growth, driven from boosts in the mining and chemical manufacturing sectors.
- Federal contracts for remediation projects typically account for most of the industry's revenue, both through the purchase of services for their own government sites as well as the coordination of industry policies that steer demand. In 2019, however, limited government funding, a potential threat to the industry, has increased the presence of private sector clients, who drove more than half of the industry's revenue. It is estimated that the number of private operators in the space will grow by 3.4% by 2025.
- The outlook for M&A activity in the industry remains positive. As the number of private enterprises has increased, factors such as economic gains and lower corporate tax rates have also allowed large industry participants to follow this same increasing trend, particularly through growth in industry consolidations. Operators are seeking to capitalize on current opportunities, especially when faced with potential upcoming economic or political events that may pose possible setbacks for the industry.
- While we did see a decline in the number of transactions closed throughout the later half of the year, a number of notable pending transactions for 2020 were announced, including the Waste Management's acquisition of Advanced Disposal Services, TAS Environmental Services' acquisition of Specialized Waste Systems, as well as pursued activity from other industry players. Continuing interest from private equity buyers should also encourage transaction activity in 2020.

RCO Research, PitchBook, IBISWorld, October 2019.

Industry Revenue



**Indicates forecasted industry revenue. IBISWorld, October 2019.*

Avg. Industry Financial Performance

TEV (\$MM)	Revenues (\$MM)	EBITDA %
10-25	19.5	22.5%
25-50	40.9	19.2%
50-100	59.9	19.9%
100-250	108.6	23.8%
Average	57.2	21.4%

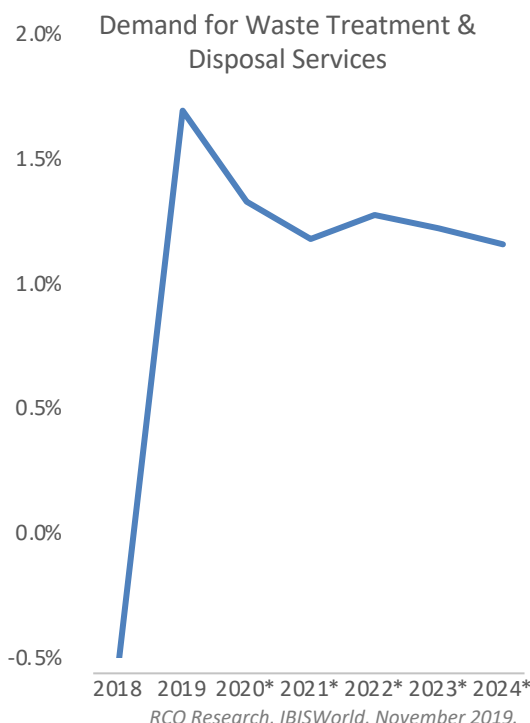
GF Data® 2012 through December 2019.

FEATURED SEGMENT:

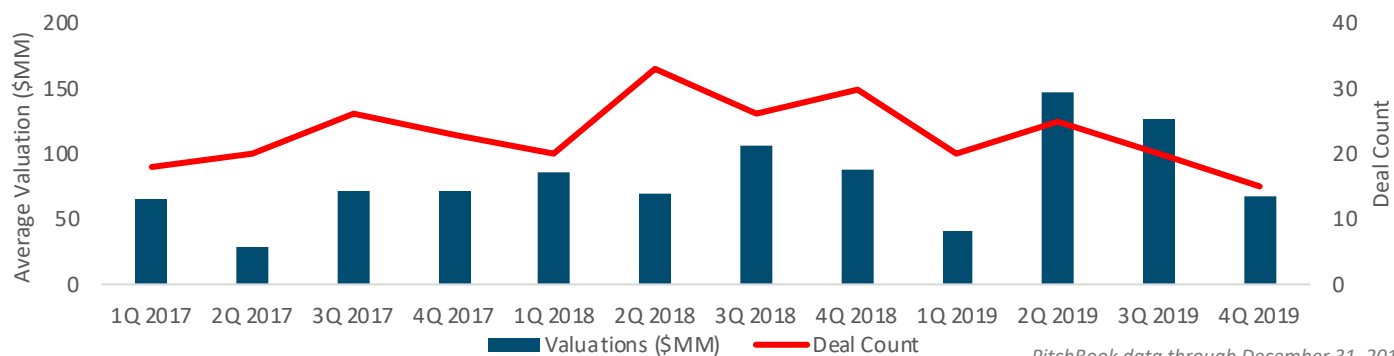
WASTE TREATMENT AND DISPOSAL SERVICES



- Revenue for waste treatment and disposal services largely follows consumer spending, with waste being derived from the production of consumer products and packaging. Further, as a result of increased spending, manufacturing activity has picked up, driving the need for the handling of hazardous waste byproducts, one of the industry's fastest growing segments.
- Expected to increase at an annualized rate of 2.9% over the next five years due to low unemployment rates and rising incomes, consumer spending has elevated hazardous waste volumes, which are managed largely by industry operators. Revenue for hazardous waste operators is projected to reach \$19.2 billion by 2024.
- The industry has experienced a shift in disposal patterns through the rise of recycling. While the amount of waste generated has increased, environmental awareness has also risen among consumers and the government alike, encouraging operators with incentives, to increase their recycling and composting activity.
- Where operators traditionally used landfills as common disposal destinations, we are seeing this divert towards more sustainable alternatives. Entrance into the waste-to-energy segment has also heightened, in which methane gas released from landfills is captured and later converted into energy, providing an alternative source of revenue for operators.
- Over the next five years, industry revenue for the waste treatment and disposal services industry is expected to grow at 1.2%, reaching \$20.5bn.



North America Deal Count & Average Valuations –Middle Market (up to \$250MM)



- Companies in the North American middle market environmental services industry have experienced a total capital investment of \$65.33 billion throughout the year in 2019, with the majority of deals occurring in California and Texas.
- In 2019, the middle market environmental services industry announced 80 transactions, down compared to 109 deals seen in 2018. However, we saw several transactions announced at the end of 2019, providing an indication of a growing trend in M&A activity.
- Strengthened private and public businesses, through expansion of the economy and increased downstream activity, have driven company values and returns, poising opportunity both for strategic and financial buyers. We expect transaction activity to remain positive throughout the upcoming year, especially as large industry players compete between leading consolidation or be consolidated.

PitchBook data through December 31, 2019.

TEV/EBITDA Multiples

TEV (\$MM)	Waste Management & Remediation Services
10-25	5.5x
25-50	6.0x
50-100	7.9x
100-250	6.8x
Average	6.6x

GF Data® 2012 through December 2019.

FEATURED ENVIRONMENTAL TRANSACTIONS



Acquired by



On December 31, 2019, WSP Global Inc (“WSP”), an engineering and consulting services firm, announced the acquisition of Ecology and Environment Inc., for a total of \$67.2MM.

Ecology and Environment Inc., headquartered in New York, is an environmental consulting firm, offering its services to commercial and government clients, including engineering, restoration, regulatory assessments and compliance, health studies and other services. The acquisition aims to expand WSP’s environmental capabilities and North American presence.

The acquisition was completed through the purchase of Class A and B common stock of \$15/share and the issuance of a special dividend of \$.50/share.¹

On December 16, 2019, River Metals Recycling (RMR), a Kentucky-based, scrap metal company, announced its acquisition of Recycling Asset Holding, Inc, formerly known as Industrial Services of America.

Recycling Asset Holdings is a purchaser and processor of ferrous and non-ferrous metals as well as other recyclable material. The company currently operates four metal recycling facilities, allowing RMR to expand its regional customer base and recycling platforms.

The total purchase consideration included \$23.3MM less certain payoff amounts.²



Acquired by



Acquired by



WASTE CONNECTIONS, INC.

On April 02, 2019, Waste Connections, a solid waste and recycling services company, announced the acquisition Mountain Waste and Recycling, a portfolio company of Concentric Equity Partners. The company provides waste management and recycling of discarded materials for the residential, commercial and municipal sectors.

Mountain Waste is one of Waste Connections’ 17 acquisitions in the environmental sector, giving the Company entry into the Colorado market.

Total purchase consideration equaled \$200MM.³

1. Transaction Press Release, dated December 31, 2019. <https://www.globenewswire.com/news-release/2019/12/31/1965415/0/en/Ecology-and-Environment-Inc-Joins-WSP-Global-Inc.html>

2. Transaction Press Release, dated December 16, 2019. <https://www.recyclingtoday.com/article/river-metals-recycling-buys-isa/>

3. Mergr Deal Summary, dated April 26, 2019. <https://mergr.com/waste-connections-acquires-mountain-waste-%26-recycling>

ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) advisory and financial consulting services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. We specialize in providing sell-side M&A advisory services to lower middle-market companies with revenues or enterprise values ranging from \$15 million to \$250 million. For more information, please visit www.romanchukco.com.

Recent Experience

Our most recently closed deals showcase our firm's unique ability to execute transactions across diversified sectors, while maximizing value for our clients in the middle market. Drawing on our collective experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



Industry Recognition



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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