

Waste & Environmental Services Market Update

Industry Specialty Team | July 2024

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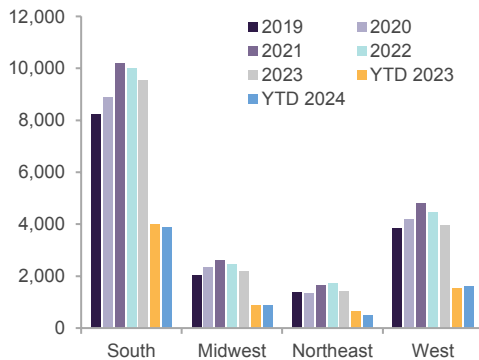
Highlights – Waste Sector

- Home building has eased compared to recent years but remains above historical trends. Recent inflation and interest rate data points to favorable dynamics for housing in the second half of the year
- Waste pricing has cooled in recent months, but remains above core pricing metrics
- Industry M&A activity has been geared towards specialization and diversification waste collection and disposable

Waste and Environmental Services Industry Trends

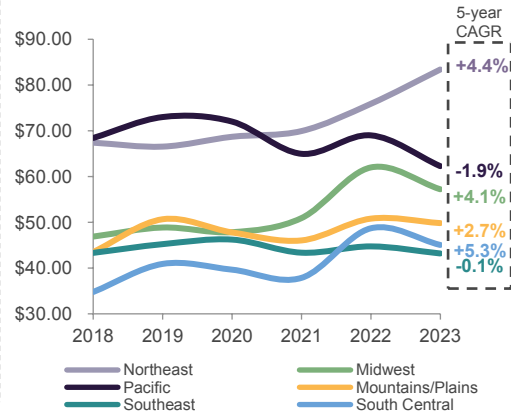
Housing Starts by Region

Following the accelerated growth seen after the COVID-19 pandemic, housing starts have declined since 2022 across all four major U.S. regions. Despite the slowdown, starts in every region remain above 2019 levels. Demand has remained strong, especially in multifamily homes, but inventory is in excess due to increased building during the low interest rate periods (2020 – 2022).



Regional Tipping Fees

The unweighted national average for municipal solid waste tipping fees declined 3% in 2023. The EREF¹ survey notes that small and medium landfills dropped tipping fees, while large landfills increased fees in 2023. Further, private facilities, which emphasize pricing gains, were 32% more expensive than public landfills. Public landfills tend to align pricing changes with CPI trends.



Specialty M&A Trends

Large strategic waste operators are continuing to pursue targets that align with alternative environmental solutions. Despite slower M&A activity, compared to 2021 – 2022, differentiated operations remain in high demand. With continued regulatory and social pressures on waste management and disposal, hazardous and specialized waste operators will command higher premiums.



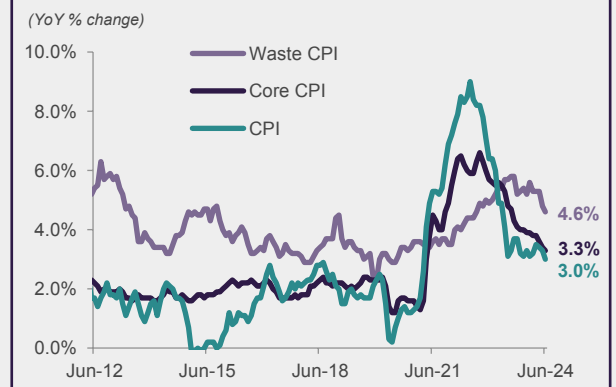
Waste Pricing:

- Barring periods of rapid rises in inflation, Waste CPI has consistently remained above consumer prices
- For the last 15-20 years, large waste haulers have prioritized price increases over volume gains, relying on acquisitions for market share gains
- COVID-related population migration has created new opportunities for waste collection contracts

Waste Volumes:

- Waste volumes for the top five public companies (WM, RSG, GFL, WCN and CWST) were slightly down or relatively flat in the first quarter mainly due to severe weather conditions in January
- Manufacturing and new residential activity was moderate in the first half of 2024, and operators have leaned on pricing for driving revenue growth

Consumer Price Index

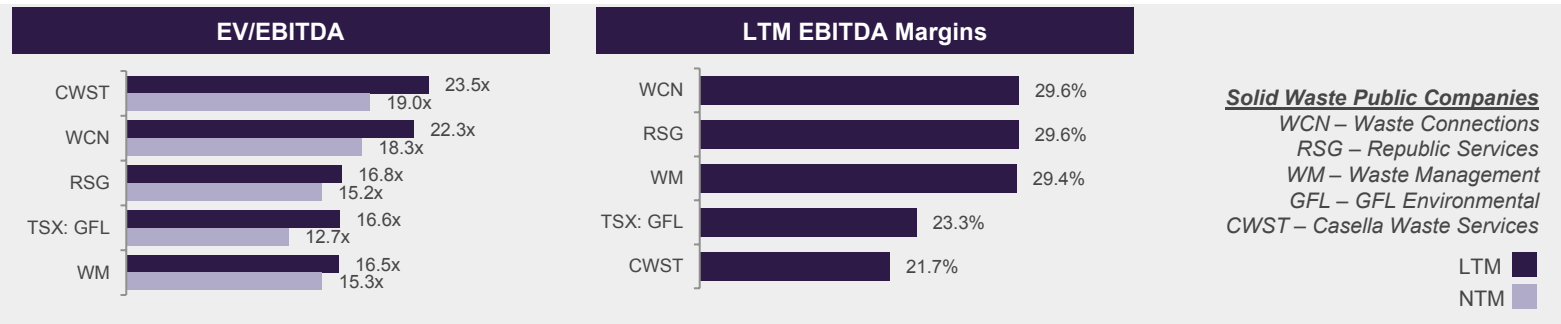


(1) EREF = Environmental Research & Education Foundation

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Mergers & Acquisitions (M&A) Activity and Valuations



Acquiror	Target	Details
		Waste Management is to acquire Stericycle, a national leader in medical waste services. The transaction is valued at 17.7x EV/EBITDA before synergies.
		In July 2024, Waste Management announced its acquisition of the largest private waste hauler in Long Island, NY, Winter Bros. Waste Systems.
		In June 2024, FCC Environmental announced its acquisition of Gel Recycling. Gel is the largest municipal processor in Central FL through its three recycling facilities and C&D landfill.
		Belgium-based Sibelco recently acquired Houston-based Strategic Materials, a large glass recycling operator with connectivity to MRF facilities.
		Clean Harbors subsidiary, Safety-Kleen Systems, announced its acquisition of Noble Oil Recycling, a leading regional recycler and re-refiner of used oils and related services.
		One Rock Capital-backed EnviroServe recently acquired CG Environmental along with its 7 locations. CG specializes in specialty and emergency waste management.
		Private equity firm The Firmament Group announced its acquisition of Whitecap Waste from Mollitiam Holdings. Whitecap is one of the largest waste collection providers in West Virginia.
		Sponsor-backed Superior Environmental Solutions acquired Arrowhead Environmental Services, expanding its reach into Virginia.
		Clean Harbors closed its \$400MM acquisition of HEPACO from Gryphon Investors in March. The post-synergy acquisition was valued at 7.1x EV/EBITDA.

Special Mention: New York City Commercial Waste Contracts

- Earlier this year, New York’s Department of Sanitation (“DSNY”) awarded 65 commercial waste contracts that will service approximately 200,000 businesses across 20 non-exclusive zones along with five citywide agreements for containerized compactor service. The contract resolutions conclude a decade-long process of reforming New York City’s commercial waste market, which accounts for more than 2.5 million tons of commercial waste per year. The reform follows the 2019 law that was passed by former mayor Bill DeBlasio to reduce truck traffic and improve sustainability and safety in what was an open competition market.
- The 65 non-exclusive contracts were won by 18 different companies with the largest share of contracts awarded to Interstate Waste Services subsidiary, Action Carting Environmental Services, (15) and Waste Connections (13). The contracts are set to expire in 10 years.
- To manage cost pressures, the DSNY chose a nonexclusive option for most of the zones and haulers will operate under a maximum contract price for solid waste operations. A max rate isn’t being implemented for medical waste, yellow grease, and other specialized collections.



Sources: Bloomberg, CapIQ, Waste Dive, Waste360, Company Filings, U.S. Census Bureau, Federal Reserve Bank of St. Louis, Reuters, Industry Research, Waste Dive, NYC.gov, Environmental Research & Education Foundation
 Data as 7/15/2024