Steady waste volumes in Commercial & Residential sectors, upward pressure on landfill pricing yields, and heightened demand for sustainable waste management solutions have contributed to persistent demand for waste & recycling investments. Highly urbanized areas, such as the Northeast, have faced landfill capacity constraints with estimated Northeast remaining capacity of less than 13 years, according to Waste Business Journal.1 Not only has this resulted in increased consolidation among waste management companies looking to expand and diversify operations, but also increased initiatives for sustainable waste management solutions.

Notably, anaerobic digestion, a natural process in which biodegradable materials are broken down to renewable gas, has been utilized to reduce air, water, and soil pollution as well as create clean, renewable energy. M&A activity has reflected growth in sustainable solutions, evidenced by a leading global developer of anaerobic digestion facilities: Bioenergy DevCo, a global technological leader in biogas and biomethane plants with over 200 plants worldwide, acquired BTS Biogas (August 2019). Terms of the deal were not disclosed.

**GFL Environmental Inc. acquires AGI Environmental Inc.**

AGI Environmental’s group of companies offers environmental remediation (Ground Force Environmental) and waste & recycling management services (Robert Cooke Trucking and WasteAway Recycling & Environmental) primarily in the Kitchener-Waterloo area of Ontario, Canada. The acquisition presents high complementary synergies for GFL’s existing liquid waste and soil remediation capabilities in Southwestern Ontario. GFL Environmental, the largest privately-owned Environmental Service company, was recapitalized in 2018 at a post valuation of $5.1 billion lead by BC Partners.3 The company has completed over 100 acquisitions since 2007, aggressively capturing market share in Canada and the U.S. This acquisition comes on the heels of GFL’s cancelled IPO, reflecting the company’s continued belief that its consolidation growth strategy is conducive to its ability to achieve a premium valuation in the public market.

In addition to organic growth tailwinds, public operators reported a strong M&A pipeline and expected heightened activity through 2020. For example, Waste Connections (NYSE:WCN) noted it had a diversified mix of more than $600 million in outstanding offers while continuing to allocate, in some cases, $1 billion a year for M&A.6 Its outstanding offers primarily consist of companies in the $10-$15 million and $30-$40 million ranges, as well as a couple larger deals.

**2019 BUYER BREAKDOWN**

- Private equity firms have continued to increase their appetite in the Waste & Recycling industry, representing ~45% of total deal volume, compared to 38% in 2018. Notable private equity-backed companies such as Wind River Environmental (seven deals in 2019) and Meridian Waste Services (three deals in 2019) have utilized buy-and-build strategies to expand its market share, targeting complementary businesses in key geographic regions. Meridian’s acquisitions come on the heels of its purchase of Knoxville Landfills, in November 2018, a Capstone Headwaters-advised sell-side deal.

**NOTABLE TRANSACTION**

- **GFL Environmental Inc. acquires AGI Environmental Inc. (November, Undisclosed)** – GFL Environmental, a leading Canadian provider of diversified environmental solutions, has acquired AGI Environmental. AGI Environmental is composed of a group of companies which includes Robert Cooke Trucking, Ground Force Environmental, and WasteAway Recycling & Environmental. Terms of the deal were not disclosed.

**PUBLIC COMPANY PERFORMANCE**

- **Capstone Headwaters’ Waste & Recycling public company index indicates an average EBITDA multiple of 13.4x through YTD 2019, compared to the S&P 500 average of 12.6x. Strong earnings and robust valuations have been driven by rising commercial and MSW volumes and price-lead organic growth expansions among public operators. Industry leaders indicated increasing Q3 yields which measure the effect on revenue as a result of pricing activities exclusive of volume changes. Notable decade highs in landfill MSW yields reported by Waste Management (NYSE:WM) and Republic Services (NYSE:RSG) in Q3 reflect rising capacity constraints in highly urbanized areas and heightened cost pressures.4 These pricing considerations are sector-wide and are expected to continue to trend upward, according to James Fish, CEO of Waste Management in its Q3 earnings call.5**
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