Seventy-five mergers and acquisitions (M&A) have been announced or completed in the Waste & Recycling industry year-to-date (YTD), up from 43 during the same period in 2018. The industry has become increasingly consolidated and in many cases privatized as operators seek to claim market share. Public companies accounted for 60% of the $74 billion Solid Waste Management industry in 2018, while private companies and municipalities claimed ~20% respectively, according to Waste Business Journal.1

Casella Waste Systems, Inc. (NASDAQ:CWST) remains one of the most active buyers in the industry as it continues to drive cash flow and expand its geographic footprint through M&A. After completing 10 acquisitions in 2018, Casella has gone on to close five transactions in 2019: M.C. Disposal, Inc. (April); assets of D&E Rubbish Removal (June); assets Bin Dump’n Trash (June); TAM Waste Management Inc. (June); and the solid waste assets of Republic Services, Inc.’s Albany, NY and Cheshire, MA facilities (June). Terms of the deals were not disclosed.

Recent transactions in this space include US Ecology’s announced acquisition of NRC Group Holdings Corp. (June, $966 Million) – US Ecology (NASDAQ:ECOL), an operator of Environmental and Field & Industrial Services in the US, Canada, and Mexico, has agreed to acquire NRCG (AMEX:NRCG) for $966 million at 10.6x EBITDA or 2.5x revenue. Pending regulatory approval, the sale is expected to close in Q4 and will represent a 36% premium over NRCG’s June 21 closing stock price of $8.83.

Based in Texas, NRCG offers environmental, compliance, and waste management services. As one of the two leading national Oil Spill Removal Organizations (OSRO), NRCG generates recurring, mandate-driven revenue through its emergency response (ER) services to oil product transportation. NRCG’s revenue reached $389 million in 2018, and the transaction is expected to contribute ~$120 million to US Ecology’s adjusted EBITDA in the first 12 months following the closing, according to the press release.3 The accretive acquisition will expand US Ecology’s key service verticals, adding 50 service sites with ER, light industrial, and waste handling capabilities. US Ecology will also cross-utilize these sites as platforms for its existing retail compliance, lab pack, and less-than-load waste transportation services.

The average public company EBITDA multiple within Capstone Headwaters’ Waste & Recycling index increased 19.2% percent year-over-year, pulling ahead of the S&P 500.

As of July 10, public EBITDA multiples were trading between approximately 10.0x and 19.0x. The index includes: NYSE:ADSW, NASDAQ:CWST, NASDAQ:CHRA, NHSE:CLH, NYSE:CVA, NYSE:DAR, NYSE:RSRG, NASDAQ:SRCL, NYSE:WCN, NYSE:WM.


Source: Capital IQ and Capstone Headwaters Research

**Key M&A Takeaways**

- Strategic buyers, predominantly private companies, remain the most acquisitive in the space as they seek to expand into new markets and diversity service offerings.
- Private equity firms have completed more platform acquisitions YTD in 2019 (nine deals) than in all of 2018 (six deals), showcasing the attraction of the industry for investor returns.

**2019 Buyer Breakdown**

- **Strategic**
  - Public: 28.8%
  - Private: 21.9%

- **Financial**
  - Direct: 12.3%
  - Add-on: 37.0%

Year-to-date (YTD) ended June 20

Source: Capital IQ, Pitchbook, FactSet, and Capstone Headwaters Research

**Notable Transaction**

- **US Ecology agrees to acquire NRC Group Holdings Corp. (June, $966 Million)** – US Ecology (NASDAQ:ECOL), an operator of Environmental and Field & Industrial Services in the US, Canada, and Mexico, has agreed to acquire NRCG (AMEX:NRCG) for $966 million at 10.6x EBITDA or 2.5x revenue. Pending regulatory approval, the sale is expected to close in Q4 and will represent a 36% premium over NRCG’s June 21 closing stock price of $8.83.

**Segment Highlight**

- **Hazardous Waste**: Strong production levels in the Manufacturing, Construction, and Healthcare markets have increased the amount of hazardous waste for disposal across the U.S. In 2019, hazardous waste is projected to drive ~50% of total revenue in the $19.4 billion Waste Treatment & Disposable Services industry, according to IBISWorld.4 Rigid regulations from the Environmental Protection Agency (EPA) have made the industry difficult to enter and complex to navigate. Therefore, the industry is seeing waste management companies acquire companies with higher value-added services like hazardous soil remediation and recycling, (e.g. GFL acquiring Soil Safe). EPA requirements have also ensured long-term demand for industry services as companies seek to comply with government standards to avoid costly fines. As recently as June, AutoZone was fined $11 million for illegally disposing hazardous waste, such as oil and automotive fluids, in unauthorized California landfills.

Recent transactions in this space include US Ecology’s announced acquisition of NRCG (see notable transaction); Blue Point Capital Partners’ acquisition of Texas-based TAS Environmental Services, L.P. (May, terms of the deal undisclosed) and GFL Environmental’s acquisition of Soil Safe, (July, terms of the deal undisclosed).

**Waste & Recycling Index**

- The average public company EBITDA multiple within Capstone Headwaters’ Waste & Recycling index increased 19.2% percent year-over-year, pulling ahead of the S&P 500.
- As of July 10, public EBITDA multiples were trading between approximately 10.0x and 19.0x.

Source: Capital IQ and Capstone Headwaters Research
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