

## WASTE MANAGEMENT AND RECYCLING M&A TRENDS

The current M&A market in waste and recycling is strong, backed by favorable market conditions and the solid financial performance of publicly traded waste companies. The Big Three—Waste Management, Republic Services, and Waste Connections—have significantly outperformed the broader market in recent years. Over the past two years, shares of the Big Three are up 56% to 79%, while the S&P 500 is up 48% over the same time frame.

The M&A market for the waste sector is consistent, averaging approximately 200 transactions annually over the past five years, with consistent aggregate dollar values.

There are three major considerations that go into M&A activity in the waste sector. The first is a focus on the buyer's strategic rationale—whether the transaction opens up new markets, complements existing markets, or delivers new service offerings for the acquirer. Second is the growth and health of the business acquired. A company with good contracts in place and strong assets that do not require a significant capital infusion will generally make an attractive acquisition target. Last, and perhaps most important, is the business's management team. Although it can be difficult to quantify, buyers want to be confident that they can look forward to a smooth transition and a solid post-acquisition.

## Waste Management & Recycling

Alarian is an experienced M&A advisor to lower middle market companies within the waste management and recycling sectors. Our senior executives combine deep sector knowledge, valuable insights and extensive industry relationships with an in-depth understanding of the core value propositions of waste management and recycling companies across a range of sub-sectors. Alarian's senior bankers have spent the majority of their careers as operators and have developed profound understanding of the key value drivers supporting successful waste management and recycling companies. This knowledge and expertise accrues to our clients, both buyers and sellers.

More importantly, for buyers, the Alarian team, knows how to find exclusive opportunities in this sector and for sellers how to maximize value for their most important asset and life-long work, their company. As former operators, the team is hands-on.

### Recent Waste Management and Recycling Transactions



AES, a handler and processor of hazardous and non-hazardous waste engaged Alarian as an affiliate of Acquest International to sell the company. Clean Earth, Inc., a leading environmental service company owned by NYSE listed Compass Diversified Holdings completed the transaction.



EWS of Alabama, a permitted hazardous waste facility in Glencoe, AL, was sourced for Clean Earth, Inc, a leading environmental services company owned by NYSE listed Compass Diversified Holdings. EWS of Alabama is the first of several acquisitions provided by the executives of Alarian to Clean Earth.



MKC Enterprises, Inc. headquartered in Doraville, GA, a fully permitted hazardous waste RCRA Part B facility, was added to Clean Earth's portfolio of facilities with the exclusive support of Alarian's senior bankers. MKC provides non-hazardous waste management programs for the high end technical market, including university research and development labs, industrial companies and medical facilities

### Representative Areas of Focus

- Waste Management and Disposal
- Transportation
- Recycling

## Deciding When to Buy or Sell

Determining when a business is ready to sell requires careful consideration of several factors. It is important to ensure that contracts are secure with favorable terms, revenue streams are diverse and trending positive, and the facility, permits and fleet are in good condition. It is also important to pay attention to conditions in the larger market. Currently, interest rates are low, capital is available, and public companies are trading at high valuations. Buyers are active, and the timing is generally favorable to consider an exit.

For Companies seeking tuck-in acquisitions, many look for acquisitions that are close geographically; add facets to existing services (such as compost, organics, or recycling); have a solid book of permanent work, yet strong relationships within temporary work; and feature a great management team. For private equity firms seeking to acquire a platform many of the same qualities apply. For many PE firms, a lot of times it comes down to the market dynamics, the geography that the business is in, and the quality of the team that's backing the company and seeking to recapitalize.

## Value Consideration Pyramid for Premium Outcome



## Evaluating How Much a Company Is Worth

Placing a value on a business requires considerable judgment and experience, as well as a detailed analysis of the company's financials and the macro trends affecting the industry. Valuation is typically determined using two primary types of analyses: discounted cash flow analysis and analysis of comparable M&A transactions or of publicly traded company valuations. For waste and recycling acquisitions, EBITDA multiples typically range from 5 to 9 times; larger and healthier companies generally achieve higher multiples than smaller companies or those that are struggling.

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