



Environmental Services Outlook

Summer 2020



HOULIHAN LOKEY



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Agenda

- **Background and objectives**
- Sector valuation trends and transactions
- Market fundamentals and COVID-19 impact
- Sub-sector overview and near-term / long-term outlooks

About the authors

Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in M&A, capital markets, financial restructuring, and valuation. Houlihan Lokey is the No. 1 M&A and restructuring advisor for the past five consecutive years in the U.S., based on number of transactions data provided by Refinitiv (formerly Thomson Reuters). The Environmental Services team at Houlihan Lokey has built a leading sector coverage practice with over 50 transactions completed in the past few years.

Founded in 1972, Houlihan Lokey employs more than 1,000 professionals across the U.S., Europe, Middle East, and Asia-Pacific regions. For more information, go to www.hl.com.

L.E.K. Consulting

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Scott Sergeant
Managing Director,
Houlihan Lokey



Disha Mehta
Director,
Houlihan Lokey



Peter Walter
Managing Director,
L.E.K. Consulting



Eric Navales
Managing Director,
L.E.K. Consulting

The objective of this report is to provide a perspective on the outlook for the U.S. environmental services industry

Report objectives

1

Assess how valuations for environmental services companies have trended over the years and through the COVID-19 pandemic

2

Evaluate market fundamentals, secular trends, demand drivers and growth opportunities for the environmental services industry

3

Evaluate the near-term and longer-term outlook for key sub-sectors within environmental services

The perspectives in this report are based on Houlihan Lokey's environmental services practice, L.E.K. Consulting's experience in the sector, and the combined industry knowledge of both firms. It is also informed by conversations with 16 industry executives and investors that were conducted from June 1st to 18th to understand how the COVID-19 pandemic has been impacting demand drivers and business operations

Five environmental services sub-sectors are covered in this report

Environmental services



Waste and recycling



Specialty waste services



Environmental consulting and remediation



Response and restoration



Industrial in-plant services

Example services

- Waste collection, processing and disposal
- Recycling and beneficial reuse
 - Construction & demolition
 - Glass
 - Paper / cardboard
 - Tires
- Collection, processing and disposal of specialty waste:
 - Bio-solids
 - Electronics
 - Hazardous
 - Medical
 - Non-hazardous liquid
 - Waste water
- Consulting, design and project management
- Site investigation and remediation
- Testing and analytical services
- Site monitoring
- Mitigation and emergency response
- Reconstruction and repair
- Hazardous materials abatement
- Turnaround maintenance and repair
- Industrial cleaning
- Multi-craft services
- Testing and inspection

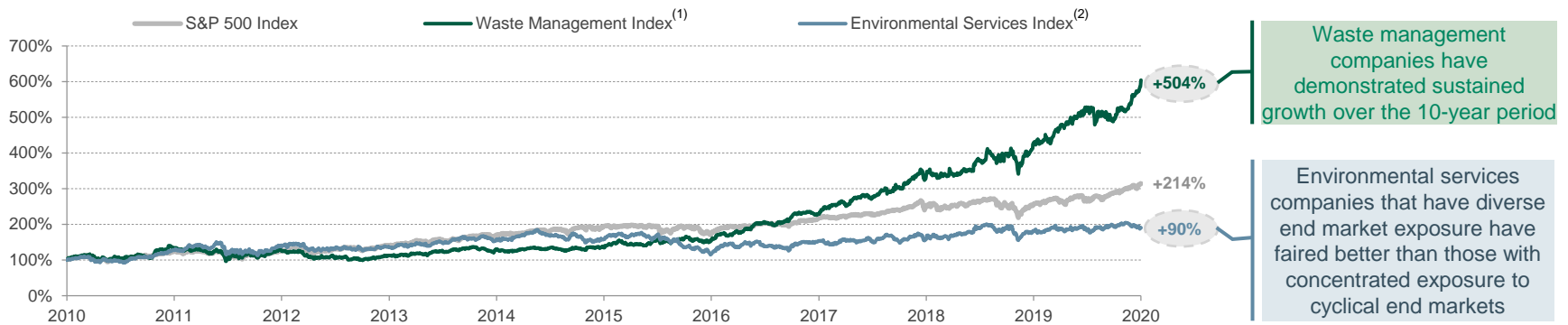
Agenda

- Background and objectives
- **Sector valuation trends and transactions**
- Market fundamentals and COVID-19 impact
- Sub-sector overview and near-term / long-term outlooks

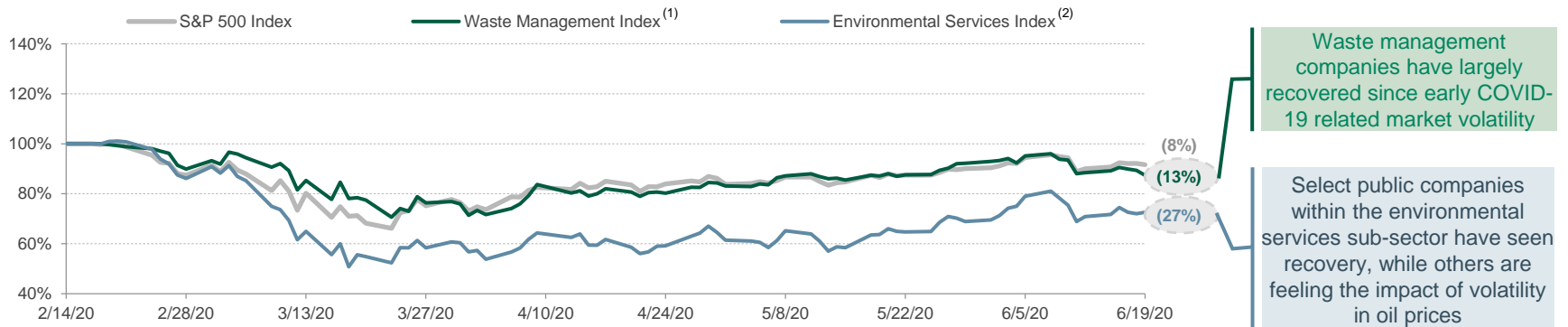
Sector public valuations have largely recovered from the initial market shock brought on by COVID-19

- Essential, non-discretionary business models with predictable revenue streams
- Regulatory support at the local, state and federal level
- Large number of diverse demand drivers

Long-Term Market Performance Pre-COVID – 10 years



Recent Market Performance – Since Feb 2020



Note: Multiples and financial statistics calculated as of 6/19/2020. Source: HL Analysis and CapitalIQ

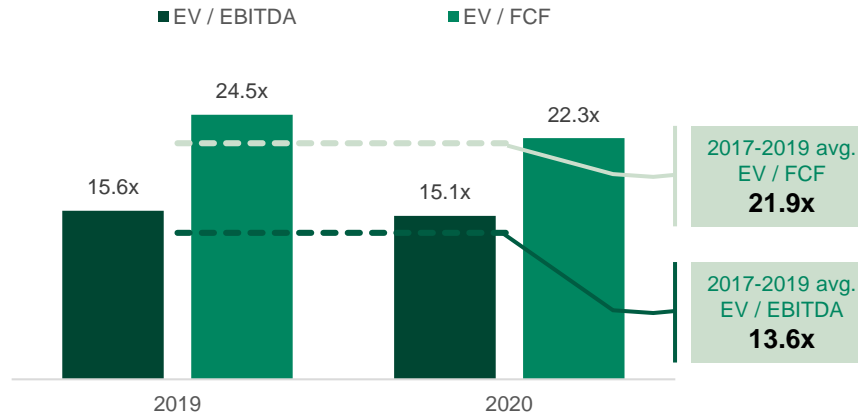
(1) WM Index includes: CWST, GFL, RSG, WCN, WM

(2) ES Index includes: CLH, CVA, HSC, HCCI, SRCL, ECOL, VEOEY

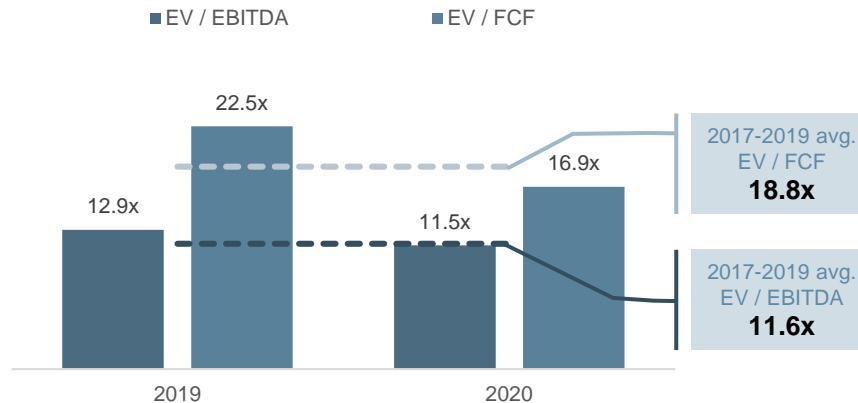
Sector trading multiples are still above 3-year historical metrics, suggesting continued bullish market sentiment

Multiples in the environmental services and waste management sectors have recovered since recent Q1 market volatility, with the sector trading above historical averages

Waste Management⁽¹⁾



Environmental Services⁽²⁾



Methodology

- Given the uncertain market environment, many companies have suspended guidance for full-year 2020
- 2020 EBITDA and FCF multiples are calculated using analyst estimates and based on current market capitalization

Additional Private Sector Observations

- Private company valuation depends on strategic fit and growth opportunity and could trade higher than public comparables
- Diversity in service offering and end market, combined with geographic coverage, also drive value for private companies

Note: Multiples and financial statistics calculated as of 6/19/2020. Source: HL Analysis and CapitalIQ

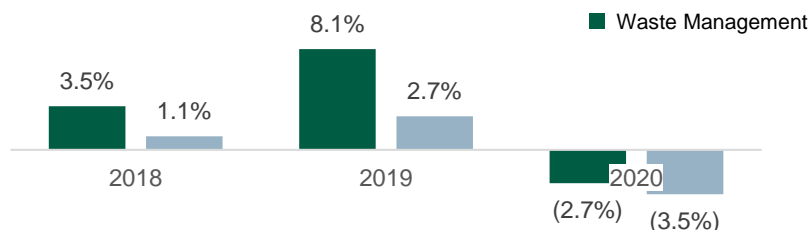
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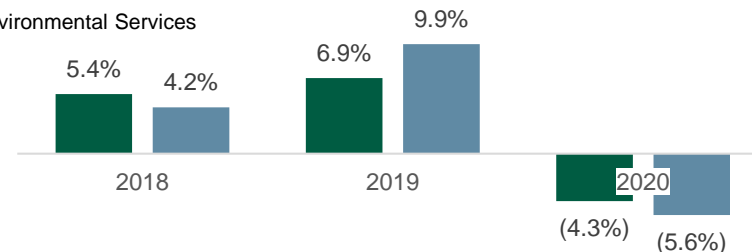
Growth analysis shows minimal contraction of revenue; the sector enjoys largely stable EBITDA margins

- Waste management companies have predictable cash flow due to contracted nature of service
 - M&A outlook remains positive despite delays in closing and financings
 - Large players will probably revisit residential contract pricing strategies to maintain margins
- Environmental services companies have faced dual headwinds in 2020 – significant volatility in oil prices and a slowdown in industrial activity
 - While there have been some deferrals of projects, many sub-sectors are performing well due to essential nature of services
 - Companies have also maintained margins by quickly reacting to the situation to control costs

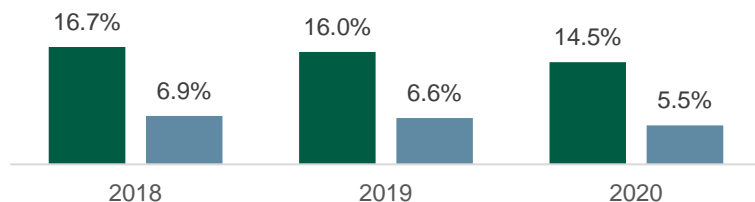
Revenue Growth



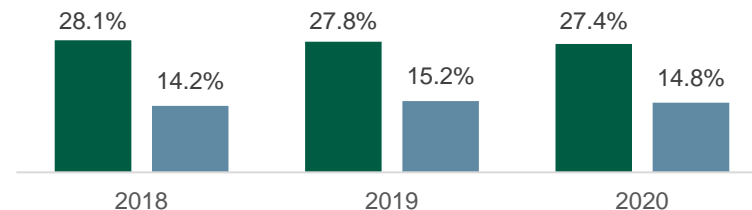
EBITDA Growth



EBIT Margins



EBITDA Margins






























Note: Multiples and financial statistics are from public companies and are calculated as of 6/19/2020. Source: HL Analysis, CapitalIQ, Wall Street consensus estimates

(1) WM Index includes: CWST, GFL, RSG, WCN, WM

(2) ES Index includes: CLH, CVA, HSC, HCCI, SRCL, ECOL, VEOEY

























Select precedent transactions (1 of 4)

Waste and Recycling

Target	Acquiror	Description	Date
		Solid waste transfer and disposal services, operating rail-served landfill in Ohio	Jan-20
		Michigan-based, vertically-integrated solid and liquid waste company	Jan-20
		Residential, commercial and industrial waste collection and disposal in Mid-Atlantic U.S.	Dec-19
	J.F. Lehman & Company	Texas-based C&D and MSW disposal and related environmental services	Aug-19
		Fourth largest non-hazardous solid waste company in North America	Apr-19
		Waste hauling and recycling services to residential, commercial and industrial customers	Dec-18
		Non-hazardous waste collection and disposal with rail-served landfills and transfer sites	Nov-18
		Municipal solid waste processing and transportation business in Minnesota	Oct-18
		Vertically integrated solid waste and recycling collection and disposal in the eastern U.S.	Oct-18
		Non-hazardous solid waste collection and recycling company based in Denver	May-18
	BC Partners / 	Largest solid and liquid waste management in Canada	Apr-18
		Solid waste and recycling collection and transfer business in the Mid-Atlantic U.S.	Mar-18
		Integrated, non-hazardous solid waste services business, operating in Missouri and Virginia	Feb-18
		Collection, processing, disposal and recycling services in the Northeast and Mid-Atlantic	Jan-18















Select precedent transactions (2 of 4)

Specialty Waste Services

Target	Acquiror	Description	Date
		Non-hazardous solid and liquid waste disposal, transportation and in-plant services	Jun-20
		Hazardous waste transportation and processing services	Feb-20
		Organic waste and wastewater residuals management services	Jan-20
		Mobile sanitary solutions, including consultancy, service and disposal	Aug-19
		Owner/operator of centralized wastewater treatment (CWT) facilities	Jul-19
		Environmental, compliance and waste management services to multiple industries	Jun-19
		Oilfield environmental services serving the Permian Basin and Eagle Ford Shale	Mar-19
		Non-hazardous industrial wastewater disposal solutions in the Gulf Coast	Nov-18
		Owner and operator of waste-to-energy (WtE) facilities	Oct-18
		Closed-loop cooking oil management and distribution solutions	Aug-18
		On-site treatment services of contaminated water	Jun-18
		Waste processing, treatment, recycling and disposal services, primarily for energy industry	Mar-18

Select precedent transactions (3 of 4)

Environmental Consulting and Remediation

Target	Acquiror	Description	Date
 PINE	 ACON	Rental of environmental monitoring and safety supplies and equipment	Jan-20
 ATLAS	 BOXWOOD MERGER CORP.	Mission-critical testing, inspection, certification and design services	Aug-19
 SoilSafe	 GFL	Beneficial reuse for petroleum impacted soil into engineered products	Jul-19
 CLEAN EARTH	 HARSCO	Processing and beneficial reuse services for hazardous waste and contaminated materials	May-19
 APEX	 Sentinel CAPITAL PARTNERS	Engineering / consulting and field services to water, ground, facilities and air-quality markets	Nov-18
 KLEINFELDER	 WIND POINT PARTNERS	Engineering, construction management, design and environmental professional services	Nov-18
 MONTROSE AIR QUALITY SERVICES	 OAKTREE	Air quality and environmental laboratory services	Oct-18

Response and Restoration

Target	Acquiror	Description	Date
 HARBRO	 BluSky	Mitigation, restoration and reconstruction for commercial properties in California	May-20
 COTTON HOLDINGS INC.	 SUN CAPITAL PARTNERS INC.	Property restoration and construction services, and temporary housing and culinary services	Jan-20
 BLACKMON MOORING BMS CAT	 AEA	Restoration, decontamination and reconstruction services	Sept-19
 GLOBAL RESTORATION SERVICES	 FirstService Creating value one step at a time	Commercial and residential property restoration and reconstruction services	Jun-19
 SERVPRO	 Blackstone	Franchisor of residential and commercial restoration services	Mar-19
 BELFOR	 AMERICAN SECURITIES	Disaster recovery and property restoration services provider	Feb-19
 BluSky	 DOMINUS CAPITAL	Commercial and residential restoration, renovation and roofing services	Aug-18

■ HL Transaction

Select precedent transactions (4 of 4)

Industrial In-Plant Services

Target	Acquiror	Description	Date
		Industrial cleaning, transportation and waste management services	May-19
		Product and services to repair wastewater infrastructure	Apr-19
		Environmental services including emergency response, waste transportation and disposal	Mar-19
		Trenchless repair, rehabilitation, inspection and other maintenance services	Feb-19
	J.F. Lehman & Company	Trenchless pipe repair and restoration for wastewater infrastructure	Dec-18
		Industrial cleaning and maintenance services	Feb-18

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Essential nature of services creates regular demand that is non-discretionary and recession resistant

Long-term fundamentals

COVID-19 impact

Robust market fundamentals

Mission critical services

Environmental services are often mission critical for the efficient functioning of facilities and also ensure public and environmental safety

Large, diversified installed base of assets

The large number of residential, commercial and industrial sites creates a base of demand across a range of economic sectors

Strong regulatory underpinning to activity

A web of regulations and funding to ensure population and environment safety, health and wellbeing drive steady, recurring demand

For example...

24/7 operations place significant wear-and-tear at refineries and power generation stations – hence, in-plant services are necessary for the **safe, long-term operation of major facilities**

Solid and liquid **waste is generated** from homes, commercial buildings and infrastructure **sites across the world**, creating wide and robust demand for waste management services

The **complexity of regulatory requirements** at the local, state and national level drives the **steady and recurring need for expertise** in environmental consulting and remediation

Attractive underlying market drivers and secular trends indicate a positive long-term growth profile

Long-term fundamentals

COVID-19 impact

Resilient market drivers

End market activity

Demand for environmental services is directly correlated with production and construction activity in multiple end markets (e.g., residential, commercial, infrastructure)

Public and private funding

Macro trends around environmental protection and sustainability are contributing to investment from both government programs and private funding sources

Increased focus on ESG* concerns

Shareholder / customer pressure is increasing corporate awareness and concern for environmental protection and societal responsibilities, solidifying demand

For example...

Mid-single digit environmental services **market growth since 2010**, outpacing broader GDP activity

New York City government spent approx. \$1B on waste collection and disposal in 2019

70% of companies in the S&P 500 have emission policies, and nearly half have specific reduction targets

Note: *Environmental, Social, and Governance (ESG) refers to the three central factors in measuring sustainability and societal impact
Source: L.E.K. research and analysis; NYC Comprehensive Annual Financial Report of the Comptroller

Certain characteristics and business models within environmental services are positioned for long-term success

Long-term fundamentals

COVID-19 impact

Characteristic	Strategic rationale
Diversification of end markets served and services provided	Portfolio effect creates more stable and predictable business performance
Flexible operations	Better positioned to pivot strategy in order to identify and take advantage of emerging opportunities
Flexible capital structures	Can preserve capital in short term while being able to ramp up once demand picks up
Strong market positioning	Reputation and track record with customers enables consistent revenue visibility
Entrenched track record of safety	“New normal” of health and safety scrutiny has increased importance of track record during selection process
Technology / automation proficiency and limited labor intensity	Can allow for safer daily operations and provides for a more “scalable” model to react to swings in demand

Source: L.E.K. research and analysis

The COVID-19 pandemic impacts the industry in a variety of ways

Long-term fundamentals

COVID-19 impact

Near-term demand

1 Project-based work



2 Recurring services



Business management

3 Ongoing operations



4 Sales & customer engagement



5 Capex spending



Growth opportunities

6 Inorganic growth expectations



COVID-19 has had a minimal impact on project work, with companies having experienced only modest (if any) softening of demand

1

Long-term fundamentals

COVID-19 impact



COVID-19 near-term demand impact: project-based work

Project work deemed essential; most activity continuing as planned, with **any slowness due to delays rather than cancellations**

“ ... We haven’t really been impacted. Our business was deemed essential and we only saw any meaningful shutdowns where all construction was halted. When you’re in the middle of an environmental project, with the threat of contamination if you stop, then that’s going to be deemed essential and the work will continue ... ”

Response and Restoration, CEO

“ ... From a demand perspective, we have built-in stabilizers. We’re essential; we’re fairly resilient overall as the work we do is non-discretionary; we’re exposed to a lot of end markets that provide diversification. Any [project work] that went away, which was extremely limited, has only been postponed rather than completely cancelled ... ”

Environmental Consulting and Remediation, CEO

Minimal impact to revenue to date as emerging sources of demand and regulatory oversight are acting to prevent slowdown of activity

“ ... We have had examples of customers looking to delay projects and the regulatory agency saying the projects must continue on the original timeline because of the essential nature of the service we provide. We’re non-discretionary; these are hazardous waste sites, so the work must continue ... ”

Environmental Consulting and Remediation, CEO

“ ... The health crisis has resulted in increased demand for a number of services. Whether it’s healthcare needs around ICUs or field hospitals or industry-agnostic needs for increased cleaning focused on disinfection or decontamination. The very nature of environmental services is being ready to respond to emerging pockets of demand ... ”

Response and Restoration, CEO

Note: Each quote on page represents a unique company / market voice

While there has been a reduction in commercial and industrial waste volumes, recurring maintenance services have not seen significant change

2

Long-term fundamentals

COVID-19 impact



COVID-19 near-term demand impact: recurring services

Solid waste companies have **remained open throughout the pandemic**

“ ... Our commercial volumes were only down slightly, roll-off didn’t decrease at all because construction was an essential service in all of our markets, and residential weight increased by double digits ... ”

Waste and Recycling, CEO

“ ... Our commercial hauling and our construction roll-off businesses were both hit pretty hard starting in March, while our residential and municipal hauling business saw an uptick to offset that. We’ve seen the business slowly starting to pick back up ... ”

Waste and Recycling, CEO

Uncertain outlook, with some operators expecting quick return to normal and others anticipating a more gradual recovery

“ ... No one has a crystal ball with regards to what the rest of 2020 will look like from a volume standpoint, but with CEOs being blown away by how effectively their businesses have transitioned to remote [operation/working] you can imagine commercial waste removal and commercial construction activity remaining low for at least the rest of the year ... ”

Trade Publication for Industry, Senior Executive

“... We’re operating as if our volumes and operations will be back to where we were before the pandemic by September or October, but there’s still uncertainty as to when things return to normal ... ”

Waste and Recycling, CEO

Note: Each quote on page represents a unique company / market voice

Companies have made only minor adjustments for staff “in the field”; office staff are working from home, which is likely to persist to some degree

3

Long-term fundamentals

COVID-19 impact



COVID-19 near-term business management impact: ongoing operations

Limited jobsite changes as ‘in field’ nature of work allows for social distancing and high hygiene standards already in place

“ ... Almost all of our workforce is outside working in the field. That’s a relatively safe business to be in right now. On top of that, our teams are already used to working in environments where the use of PPE is high and the standard of hygiene is high, so we’re further along the curve in terms of adopting to the new normal ... ”

Specialty Waste Services, CEO

“ ... Operationally, we were already worried about the health safety of our people and we already have institutional knowledge and systems in place to allow us to keep doing our jobs while protecting our people. We have gone out and rented RVs so our staff at our more remote worksites can stay there rather than needing to drive several hours a day when travel might be more restricted, but we otherwise haven’t had to make many adjustments ... ”

Response and Restoration, Senior Executive

Back-office staff working remotely and likely to continue to some degree in new normal **as a new way of working**

“ ... We weren’t a work from home culture before this happened and we weren’t set up to handle that; however, we quickly got people set up to work from home effectively. I think there has to be some lasting impact where we’re more flexible in the future as a way to reduce some costs, but I do see us moving back into an in-office setting when we’re able to safely do so ... ”

Environmental Consulting and Remediation, CEO

“ ... Our team that can work from home is now working from home. That has been one positive from this crisis – I have not heard any negative feedback. We are no longer going to expand our offices because we will continue letting some people work from home ... ”

Specialty Waste Services, CEO

Note: Each quote on page represents a unique company / market voice

Sales roles have experienced the most disruption; account management may remain more virtual, but client acquisition is expected to return to form

4

Long-term fundamentals

COVID-19 impact

COVID-19 near-term business management impact: sales and customer engagement



Work from home model can support account management but is especially difficult for developing new accounts

“ ... If you’re managing an existing account, then there isn’t much of an impact. Instead of visiting a client quarterly, we’ve learned you can maintain the relationship with an annual visit and Zoom calls in-between. However, people like face-to-face interaction, and that will continue to be necessary in the long term to develop new accounts ... ”

Trade Publication for Industry, Senior Executive

“ ... It was tough to get in contact with some of our clients and was initially tough to find new clients through the first few months. That being said, with most of our regions returning to work, we are now actively hiring new sales employees and looking to capture new accounts from some of the larger incumbents ... ”

Waste and Recycling, CEO

New normal may bring modest reduction in T&E, but executives believe personal interaction remains critical

“ ... We’ve already begun lifting travel restrictions on our senior team. We’ve always questioned whether we need to travel or not, so the traveling before COVID-19 was travel we deemed necessary. We were already limiting travel outside our senior management team because we only wanted to do it when it was critical to building and reinforcing relationships, but our team is getting back to normal ... ”

Response and Restoration, CEO

“ ... When things re-open, we’ll take learnings with us; we’ll still travel when we need to because we understand relationship-building is important. There may be more thoughtfulness to when we travel, but the travel that will be permanently lost will be the lower level interactions pre-bid. When we sell a major piece of work, our customers are going to want to see us face to face in their offices, and that isn’t going to change ... ”

Environmental Consulting and Remediation, CEO

Note: Each quote on page represents a unique company / market voice

Operators have reduced capex in light of the pandemic

5

Long-term fundamentals

COVID-19 impact



COVID-19 near-term business management impact: capex spending

Capex currently reduced to essential projects to preserve liquidity due to uncertainty

“ ... When the pandemic first started impacting the U.S. in a major way in March, we put capital projects on hold while we were trying to see what would happen. We postponed some equipment purchases, but we might go ahead with those over the next couple of months if the market continues to hold up as well as it has to date ... ”

Waste and Recycling, CEO

“ ... I don't think anybody is comfortable knowing what the next 12 months look like, so capex planning is very difficult right now even though the industry has held up quite well to date. So for now, we're in a wait and see mode, with non-essential capex being deferred ... ”

Specialty Waste Services, Investor

“ ... Our capex strategy hasn't changed. We're largely limited to smaller items that are needed for our ongoing work so we haven't had to adjust in that regard ... ”

Response and Restoration, Investor

“ ... We have tried to cut as much as possible. We need only new revenue generating assets. Other than keeping the trucks running, there's just not a lot going on. Liquidity is critical, so we are holding cash. We need a clear line of sight to new revenue before deploying cash ”

Waste and Recycling, CEO

Note: Each quote on page represents a unique company / market voice

Many operators anticipate increased M&A tuck-in opportunities, but believe these sorts of opportunities are still several months away

6

Long-term fundamentals

COVID-19 impact



COVID-19 near-term business management impact: inorganic growth expectations

Increased opportunities for **M&A activity** **focused on tuck-ins** that are contiguous to existing geographic or service footprint

“ ... Even though the market has held up well overall, there are pockets, like roll-off construction work, that have been hit fairly hard. As a result, we think there will be acquisition opportunities among companies that are less well capitalized and we’ll be looking at tuck-ins that are geographically contiguous to what we’re already doing as opposed to any sort of platform acquisitions... ”

Waste and Recycling, CEO

“ ... We expect to have some inorganic growth opportunities, but we’ll be looking for assets that complement our service offering so we can better serve our existing customers ... ”

Environmental Consulting and Remediation, CEO

“... We’re always looking for opportunities for consolidation through acquisition. We don’t have a change in strategy because of the pandemic, but I do think this will bring more opportunities ...”

Response and Restoration, Investor

“ ... I don’t want to say that M&A is on the backburner, but it’s a little less forward leaning due to our desire to hold cash and a general lack of understanding of what the longer-term impacts may be on a business. Caution is needed, but for a great opportunity, particularly a tuck-in, we will certainly engage ”

Waste and Recycling, CEO

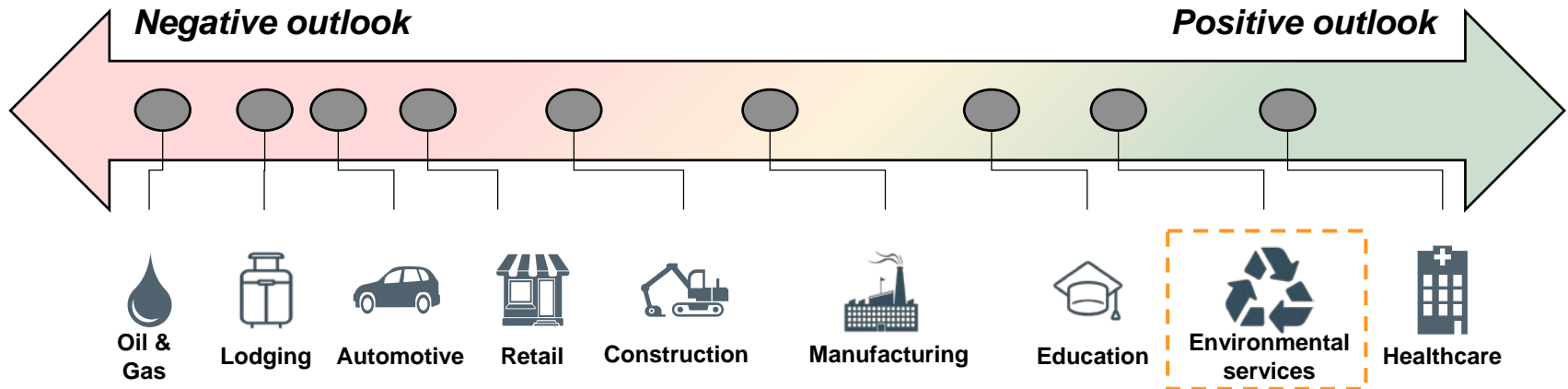
Note: Each quote on page represents a unique company / market voice

Agenda

- Background and objectives
- Sector valuation trends and transactions
- Market fundamentals and COVID-19 impact
- **Sub-sector overview and near-term/long-term outlooks**

The expected near- and long-term performance of environmental services compares favorably to outlooks of other sectors

Economic outlook by sector



- The outlook for environmental services compares favorably to many of the underlying sectors that it serves
- The resilient nature of services can largely be attributed to the essential nature of services provided and focus on safe ongoing operations; while some companies may experience lower volumes / demand temporarily, wholesale cancellation of service or contracts is unlikely

Outlook for key sub-sectors within environmental services varies depending on market and geographic characteristics and end market drivers

Environmental services



Waste and recycling



Specialty waste services



Environmental consulting and remediation



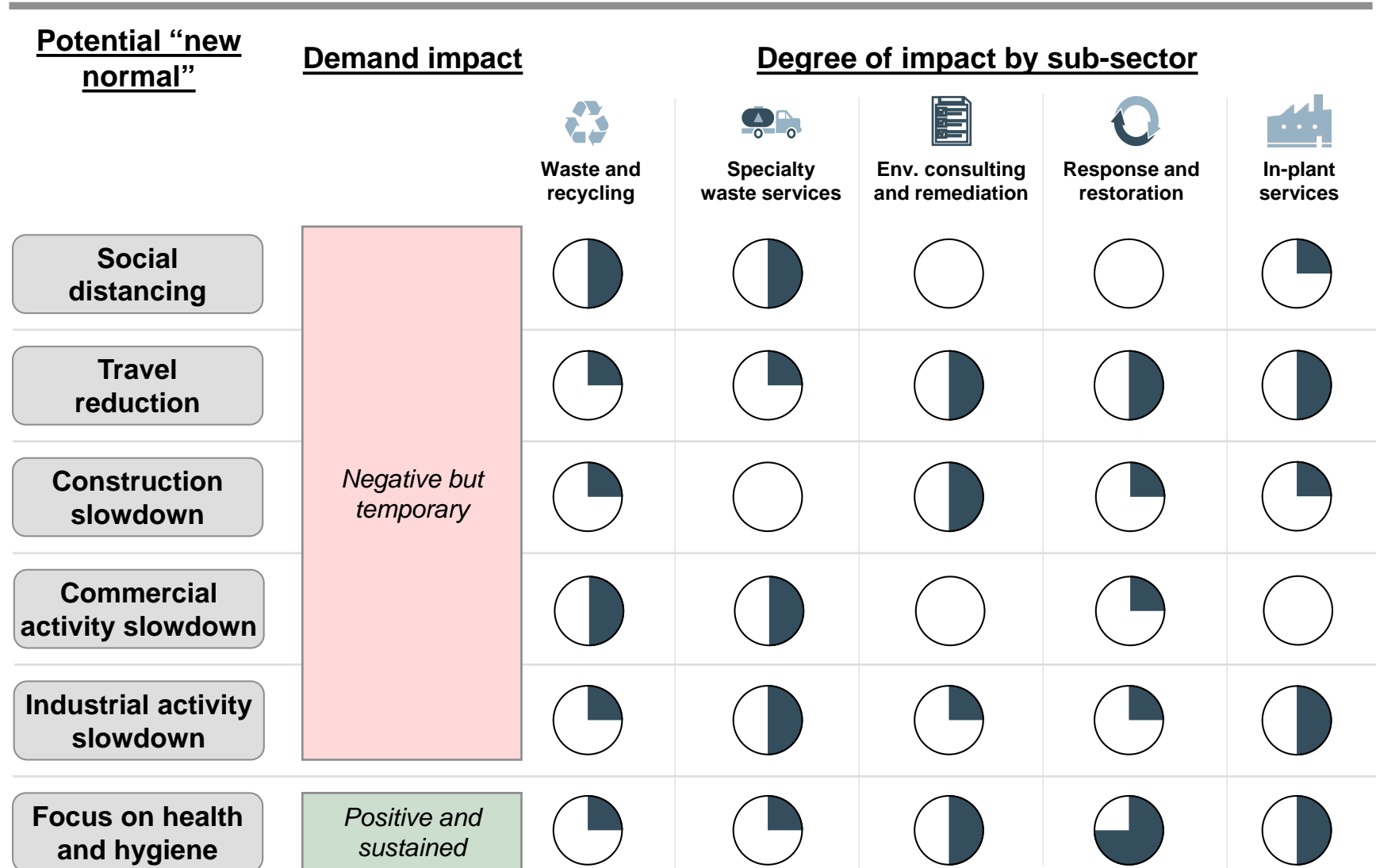
Response and restoration



Industrial in-plant services

**What is the near- and long-term outlook for each sub-sector?
What are the implications for environmental services businesses?**

There are several macro potential “new normal” drivers that may impact environmental services sub-sectors to different degrees



Source: L.E.K. research and analysis

Key:

Less impactful 

More impactful 

We expect the short-term demand to vary across sub-sectors despite attractive long-term tailwinds for the entire industry

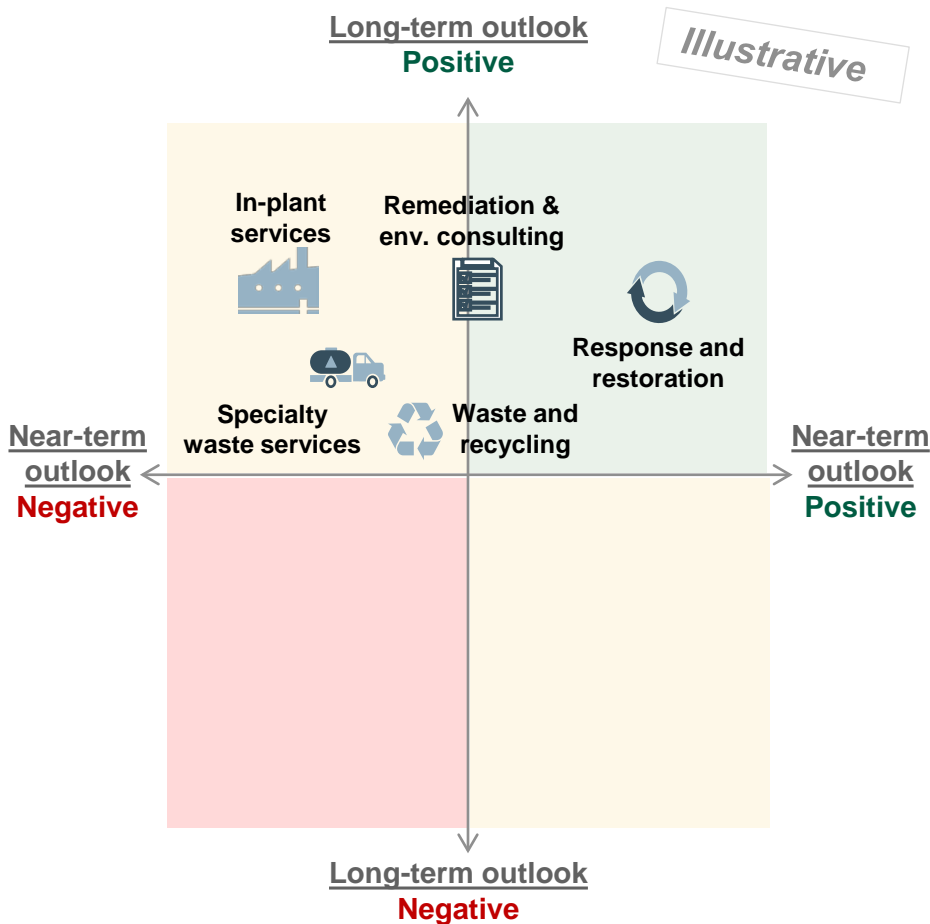
Outlook for environmental services sub-sector fundamental drivers

		Environmental services sub-sectors				
		Waste and recycling	Specialty waste services	Env. consulting and remediation	Response and restoration	In-plant services
Growth drivers	End market activity	<p>↓ Volume decline in commercial and industrial partly offset by uptick in residential</p> <p>↑ Positive long-term growth – population growth and return of economic activity</p>	<p>↓ Near-term reduction due to slowdown in industrial and O&G activity</p> <p>↑ Positive long-term growth – population growth and return of economic activity and regulatory drivers</p>	<p>– Regulatory driven demand</p> <p>– Some isolated project delays as access to job sites present challenges</p>	<p>– Clean-up for natural and man-made disasters is not impacted by COVID-19</p> <p>↑ New demand for emergency response due to COVID-19 (e.g., disinfection, site builds)</p>	<p>↓ Refinery and petchem production slowdown due to O&G prices and demand leading to deferral of turnaround services</p> <p>↓ Automotive down</p> <p>↑ Power gen. continues to see strong demand</p> <p>↑ Long-term demand rebound expected due to criticality of services</p>
	Public and private funding	<p>– Limited change in expected funding due directly to COVID-19</p>		<p>↑ Continued positive outlook, with some concerns regarding public funding in event of prolonged recession</p> <p>– Infrastructure bill would be upside</p>	<p>– Minimal funding risks, as insurance sources act as backstop</p>	<p>↓ Capex budgets deferred near-term as companies reduce production</p> <p>– Opex is non-discretionary</p>
	Public pressure / ESG focus	<p>↑ COVID-19 is illuminating the impact of human activity on the environment, driving environmental services regulation</p>			<p>↑ Continued focus on workplace safety and minimizing operational downtime, with limited impact from COVID-19</p>	
	Overall outlook	<p>- Neutral near-term</p> <p>✓ Positive long-term</p>	<p>✗ Negative near-term</p> <p>✓ Positive long-term</p>	<p>- Neutral near-term</p> <p>✓ Positive long-term</p>	<p>✓ Positive near-term</p> <p>✓ Positive long-term</p>	<p>✗ Negative near-term</p> <p>✓ Positive long-term</p>

Source: L.E.K. research and analysis

Response and restoration is likely to outperform in the near term, while all segments are estimated to experience positive tailwinds over the long term

Expected outlook by sub-sector



Response and restoration

- Short-term demand increase due to the COVID-19 crisis is already being realized but may revert to normal after the pandemic subsides



Environmental consulting and remediation

- Delayed projects may impact services in the near term, but consulting work requiring longer cycles should be less impacted; positive longer-term outlook with rebounding construction and the essential nature of these services



Waste and recycling

- Resilient sector due to non-discretionary nature of service, despite 10-20% decrease in commercial volumes due to shutdown



Specialty waste services

- Near-term demand reductions as specialty waste is primarily generated from industrial and O&G activity; however, essential nature of services provide some downside protection



Industrial in-plant services

- Refinery, petrochemical and automotive activity is likely to be challenged in the near term with a more positive longer-term outlook due to the essential nature of these services (e.g., turnaround activity can typically only be delayed for a finite period of time)

Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
Source: L.E.K. research and analysis

Waste and recycling segment has not been significantly affected despite commercial volume reduction and lower recycling rates



Primary end markets / Underlying demand drivers



- Waste and recycling includes the collection, processing and disposal of solid waste, with demand for services driven by the volume of waste produced

Demand outlook

	Residential	Commercial	Industrial
Near-term outlook	<ul style="list-style-type: none"> Fairly recession-proof as home waste generation is generally stable, with increased time at home serving as a near-term demand tailwind 	<ul style="list-style-type: none"> Decreased near-term needs Retail, lodging, restaurant, education and office activity has already declined significantly, with uncertain recovery prospects Healthcare expected to be resilient 	<ul style="list-style-type: none"> Relatively recession resistant as less severe impact is anticipated given the essential categorization of many of these businesses; lower recycling volume may be generated as a result of potentially diminished volumes

Long-term outlook	<ul style="list-style-type: none"> Positive across totality of end markets given growing population and return of economic activity Trend toward increased usage of recycled materials should drive increase in overall recycling activity Commercial slowdown may drag on longer-term growth Single stream recycling continues to be under pressure due to 2018 China National Sword policy and other commodity trends, though pricing has been rebounding 		
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Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
 Source: L.E.K. research and analysis

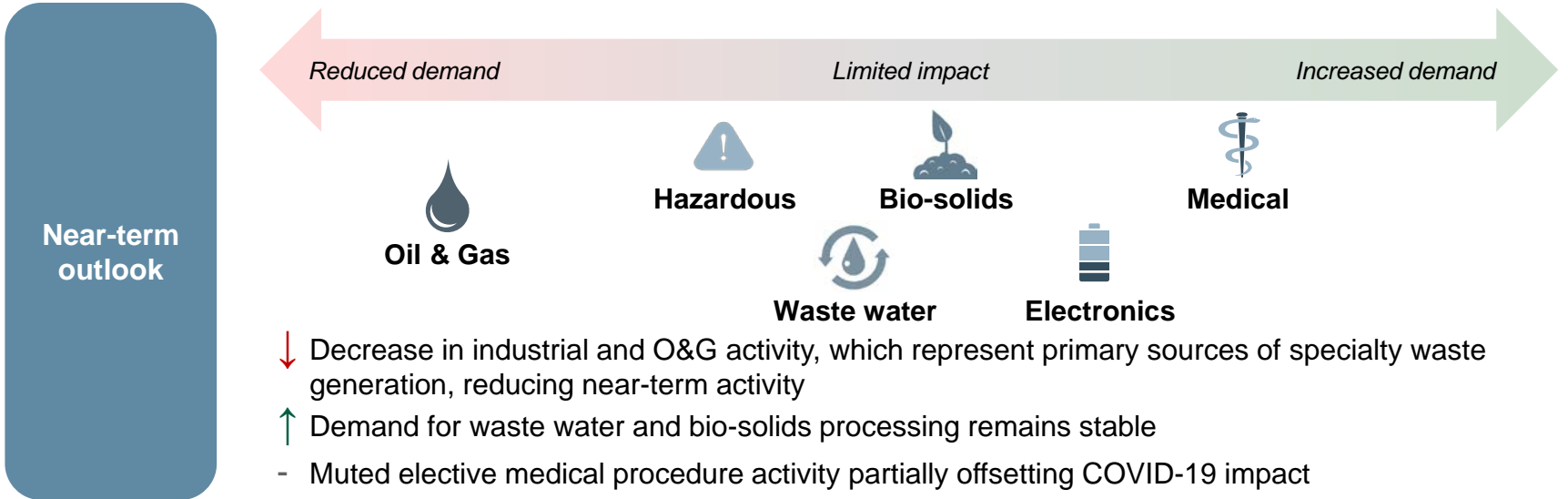
Specialty waste services should return to a longer-term growth trajectory but is partly weakened due to reduced industrial and O&G activity



Underlying demand drivers

- Demand is ultimately driven by production levels in select applications that generate waste requiring specialized collection, processing and disposal

Demand outlook



Long-term outlook

↑ Stronger long-term outlook as production recovers - specialized waste handling is a critical service for these specific applications and cannot easily be replaced with alternative technologies

Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
 Source: L.E.K. research and analysis

Temporary job access may cause select remediation project delays, but consulting work with longer engagement cycles should be less impacted



Types of services offered Underlying demand drivers

Consulting **Testing / analytics** **Remediation services**

- The environmental remediation landscape can be segmented based on type of service offered
 - Remediation services: driven by regulations mandating clean-up and environmental stewardship
 - Consulting: driven by future expectation of physical project work and backlogs of planned projects
 - Testing / analytics: driven by ongoing project work

Demand outlook

	 Consulting	 Testing / analytics	 Remediation services
Near-term outlook	↑ Minimal COVID-19 impact as demand is based on expectations for future projects; near-term outlook bolstered by high degree of planned and underway activity as of Q1 2020	↑ Consistent demand from regulatory mandates for testing for public health and safety	↓ Some postponements of planned projects leads to temporary reduction of demand until work is conducted ↑ Number and length of postponements being muted by underpinning of backlog and activity required by regulatory authorities

Long-term outlook ↑ Positive longer-term outlook as postponed projects resume and planned activity continues due to regulatory driven demand based on state and local guidelines

Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
 Source: L.E.K. research and analysis

Response and restoration services are experiencing a short-term demand increase that may revert to normal after the pandemic subsides



Types of responses Underlying demand drivers

Weather events **Emergency accidents** **Pandemic**

- Emergency response and restoration is triggered by acyclical, but also unpredictable, activity

Demand outlook



Near-term outlook

↑ Minimal COVID-19 impact, as demand is triggered by acyclical factors rather than broader economic activity and work typically cannot be delayed given importance of urgent mitigation to prevent further damage

- Strong regulatory / insurance underpinning has kept most projects on track

↑ COVID-19 has resulted in significant incremental needs for emergency construction, decontamination, disinfection, sanitation, etc.

Long-term outlook

- Demand caused by inherently unpredictable factors, but long-term growth in sites creates larger potential “addressable base” that could require mitigation

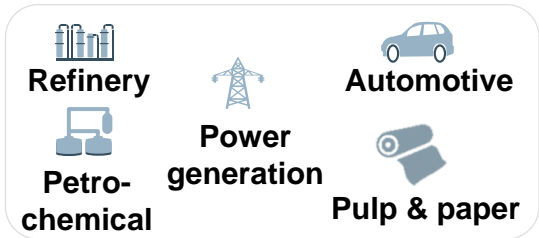
↓ COVID-19-related response will subside as crisis passes

Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
Source: L.E.K. research and analysis

In-plant services has a positive longer-term outlook; however, refinery, petrochemical and automotive are likely to be challenged in the near-term



Primary end markets



Underlying demand drivers

- In-plant services activity occurs at major industrial facilities, with end market specific demand that is driven by current and projected production activity, which informs capital budgets
 - Opex: regular maintenance / turnaround within existing facilities required to keep facilities running efficiently
 - Capex: new capacity additions (both new builds and expansions)

Demand outlook

Near-term outlook



Refinery

↓ Under pressure as demand for gas and jet fuel is significantly down; low prices are putting pressure on profitability



Petrochemical

↓ The historic petrochemical cost advantage enjoyed by the U.S. has been eroded, leading to supply pressure



Power generation

↑ Generation is less cyclical as power is an essential utility for a diverse range of sectors and home activities



Automotive

↓ New car production has declined significantly in response to reduced near-term demand



Pulp & paper

- Production is less cyclical given range of applications served

Long-term outlook

↑ Demand expected to rebound due to criticality of each activity; while capex can be postponed or even canceled, opex maintenance turnover activity on existing installed base cannot be delayed materially without risking critical infrastructure

Note: Near-term impact is expected to be limited to 2020 while long-term impact extends beyond 2020
Source: L.E.K. research and analysis