HOULIHAN LOKEY

ENVIRONMENTAL SERVICES

SECTOR UPDATE | **SUMMER 2020**

Practice Overview

The environmental services sector serves multiple end markets and is a large part of the economy. With an addressable market of more than $400 billion(1), the sector has demonstrated significant resilience and growth potential in recent times, due to the essential nature of services provided. We define the sector as companies that focus on keeping their customers:

- ✓ ***Environmentally compliant***
- ✓ ***Operating efficiently and safely***
- ✓ ***Focused on sustainable initiatives***

Select Coverage Categories

- Air-Pollution Control
- Cleaning and Maintenance
- Decommissioning and Deconstruction
- Emergency Response
- Environmental Consulting
- Facility Services
- Industrial, Hazardous, and Specialty Waste
- Recycling and Resource Recovery
- Remediation
- Safety and Compliance
- Soil Treatment
- Solid-Waste Management
- Specialty-Equipment Rental
- Waste Hauling and Transportation
- Waste-to-Energy
- Water and Wastewater Treatment

Broad Applications and End Markets

- **Commercial**
- **Industrial**
- **Government/Municipalities**
- **Marine**
- **Oil and Gas**
- **Power and Utilities**
- **Residential**
- **Retail/Restaurant**
- **Transportation**

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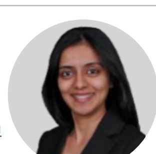
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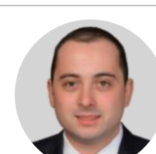
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(1) Environmental Business Journal.

Houlihan Lokey's 2020 Business Services Virtual Conference

WE'LL BE THERE!

2020 Business Services Virtual Conference

Virtual Presentations: September 29

Virtual One-on-One Meetings: September 30 – October 1

Conference Overview

Houlihan Lokey is pleased to host its 2020 Business Services Virtual Conference from Tuesday, September 29, to Thursday, October 1. This conference is an excellent opportunity to develop relationships and gain insights into the market dynamics and strategies within a wide variety of sectors.

Conference Format

Executives from high-performing services companies will showcase their businesses to an audience of prospective strategic, financial, and institutional investors and other capital providers. Conference activities include:

Detailed company presentations
One-on-one discussions (upon request, if available, on September 30 and October 1)

Conference Attendees

- Senior executives from leading companies.
- Private equity and hedge fund investors with relevant industry experience and knowledge.
- Mezzanine and senior debt providers.

Select Relevant Past Presenters

ACV ENVIRO

CLEANEARTH

GLOBAL RESTORATION HOLDINGS

NorthStar

TOTAL SAFETY

Participation Benefits

- Network with prospective financial, institutional, and strategic investors and other capital providers.
- Interact and develop new relationships with industry experts and thought leaders.
- Discuss the strategies for creating value for stakeholders.
- Get a time-efficient pulse check on the state of the market and other current issues.

Register here to reserve your place at the conference.

Current Market Overview

As the pandemic continues to impact businesses and change the ways they operate, we review how public companies in the environmental services and waste management sectors have performed through the first half of 2020.

Market Update

In recent months, companies across the environmental services and waste management industry have experienced recoveries from COVID-19-related lows in April. Economic activity has rebounded with the reopening of multiple regions across the country, but the exact pace and slope of the recovery is varied across markets and geographies. Despite the strong rebound, industry executives remain cautious and warn that the economy is not yet on fully stable footing. The recent positive trends are contingent on avoiding a "second wave" of infections this fall.

We have further split the two sectors into five subsectors to examine trends: (i) waste and recycling, (ii) specialty waste services, (iii) environmental consulting and remediation, (iv) response and restoration, and (v) industrial in-plant services. The following trends will likely continue to drive strong performance across the subsectors for the remainder of the year:

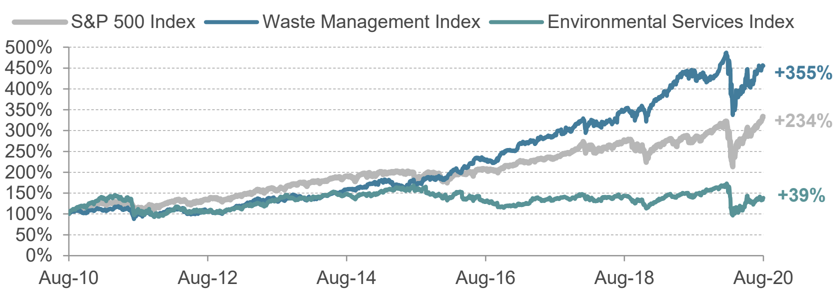
1. Companies across the sectors have proven to be nimble in flexing their cost structure, adjusting business mix, and maintaining pricing discipline, leading to strong margins in the face of marginal revenue declines.
2. Both waste and recycling and specialty waste services companies saw commercial and industrial (C&I) waste collection and transportation volumes bottom in April, with sharp recoveries for the remainder of the quarter due to increased economic activity. Residential volumes continue to remain above historical levels.
3. Emergency response as a service line continues to prove resilient for both industrial in-plant services companies and response and restoration names as facilities remain focused on cleaning, with a steady flow of COVID-19-related decontamination work.
4. Industrial in-plant service providers with energy exposure—specifically oil and gas—face the largest headwinds and are likely to remain the most challenged this year, with oil prices continuing to linger below pre-COVID-19 levels.
5. Environmental consulting and remediation companies are working off of existing backlog with minimal impact on nondiscretionary, ongoing projects; they are seeing some delays in large projects and temporary delays due to state/local funding dynamics. Meanwhile, bidding activity has remained high for projects coming in the next two quarters.
6. Companies across the sectors continue to closely monitor capex spend and have begun to reinstate originally planned expenditures that were put on hold during the initial pandemic stages. Many expect the pace of investments in their businesses to align with the slope of revenue recovery.
7. Most companies across the sectors reported that cash collection was strong, given the essential nature of the service, and that bad debt expense increases and cancelations were still relatively modest.
8. The second half of the year is expected to show improving trends with a number of companies reinstating guidance, though the full year is still expected to be below pre-COVID-19 expectations, with the slope of recovery likely to mirror industrial activity. Several companies have amended certain covenants within existing credit facilities to provide increased near-term operating flexibility.
9. Many management teams have noted that costs are likely to come back into their businesses more slowly than volumes and revenues recover—leading to the likelihood of longer-term margin enhancement.
10. Financial sponsors have gradually shifted their focus from existing portfolio company management to seeking new attractive, resilient investment opportunities to deploy significant dry powder in their funds.

Overall, the sectors are among the few outliers to come through the pandemic largely unscathed and with minimal financial impacts and, as a result, are likely to resume their pre-COVID-19 growth trajectory by the beginning of 2021, if they have not already.

Public Markets and Sentiments

Companies within the environmental services and waste management sectors have continued to prove out their resilient business models as essential service providers throughout the quarter, with performance recovering above or in line with the market rebound from April lows; valuations for the sectors remain at or above historical levels.

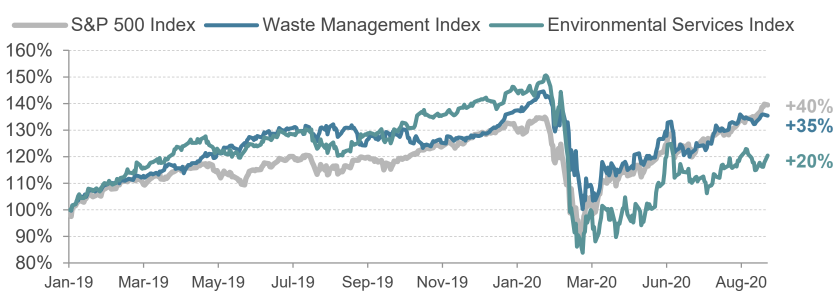
Long-Term Market Performance—Last 10 Years



Key Takeaways

- Long-term resilient markets driven by:
  - ✓ Essential, nondiscretionary business models with predictable revenue streams.
  - ✓ Proven and essential business models.
  - ✓ Multiple and diverse demand drivers.

Recent Market Performance—Since January 1, 2019



Key Takeaways

Waste Management Index:

- Strong rebound as commercial and industrial activity gradually recovered from pandemic lows with multiple regions reopening and pricing has remained relatively intact.

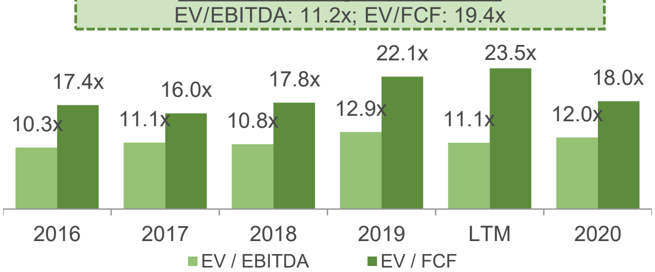
Environmental Services Index:

- Improvement from April lows with companies with oil and gas exposure lagging in price recovery as the pandemic persists.

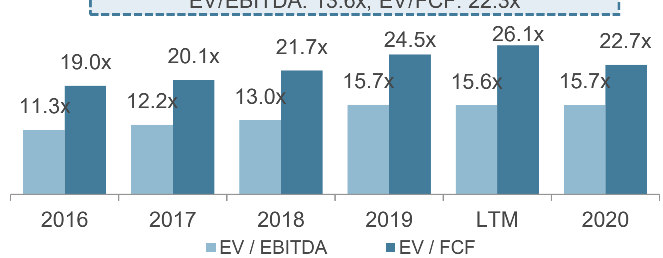
Public Company Valuation

Environmental Services	Waste Management
Clean Harbors, Covanta, Harsco, Crystal Clean, Stericycle, US Ecology, Veolia	Casella, GFL (1), Republic Services, Waste Connections, Inc., WM Waste Management

Historical Averages (2016–LTM)
EV/EBITDA: 11.2x; EV/FCF: 19.4x



Historical Averages (2016–LTM)
EV/EBITDA: 13.6x; EV/FCF: 22.3x



Average Financial Metrics[2]

	Environmental Services			Waste Management	
LTM EBITDA Margin	LTM FCF Margin	2016A–2019A EBITDA CAGR	LTM EBITDA Margin	LTM FCF Margin	2016A–2019A EBITDA CAGR
15%	8%	5%	25%	13%	9%

Source: S&P Capital IQ; Note: Multiples and financial statistics calculated as of 8/31/2020. Multiples represent average LTM figures over the course of the stated year. 2020 figures based on consensus estimates per S&P Capital IQ.
(1) Includes impact of GFL Environmental, Inc., since IPO on the NYSE in March 2020; (2) FCF defined as EBITDA less total capex.

Recent Large Transactions

WCA Waste Corporation

Acquired By

GFL environmental

August 2020

Business Overview

Operates a vertically integrated network of solid waste assets, including collection and hauling operations, transfer stations, material recovery facilities, and landfills across 11 U.S. states.

Transaction Rationale

- Expands GFL's geographical reach, specifically in the Midwest and Southeast through TX, FL, and MO.
- Provides a complementary asset network and customer base to GFL's existing operations, including those acquired in the WM-ADSW divestiture.
- Funded in part with $600M of Series A convertible preferred financing from HPS Investment Partners.

Enterprise Value ($M):	**$1,212**
EV/LTM Revenue	**3.0x**
EV/LTM EBITDA	**N/A**

WM Waste Management / Advanced Disposal

Acquired By

GFL environmental

June 2020

Business Overview

Portfolio of vertically integrated solid waste collection, transfer, recycling, and disposal assets across 10 U.S. states as part of the WM-ADSW divesture.

Transaction Rationale

- Necessary WM divesture to receive FTC approval for its merger with ADSW.
- Expands GFL's geographical reach, specifically within the Midwest region through Wisconsin.
- Strengthens the operating margins through a five-year disposal arrangement with WM that provides competitive and predictable pricing and terms.

Enterprise Value ($M):	**$835**
EV/LTM Revenue	**~2.5x**
EV/LTM EBITDA	**~9.0x**

Stericycle Environmental Solutions

Acquired By

HARSCO

February 2020(1)

Business Overview

U.S. operations of Stericycle's Environmental Solutions business (ESOL) that provides waste transportation (hazardous) and processing solutions to healthcare, industrial, and retail end markets.

Transaction Rationale

- ESOL integrated into the Clean Earth platform to create a single-thesis, national environmental solutions leader in hazardous waste management.
- Adds a network of 13 federally permitted treatment, storage, and disposal facilities and a fleet of more than 700 vehicles.
- Approximately 85% of Harsco's total revenue is expected to come from environmental solutions and services post acquisition.

Enterprise Value ($M):	**$463**
EV/LTM Revenue	**N/A**
EV/LTM EBITDA	**N/A**

Advanced Disposal

Acquired By

WM Waste Management

April 2019

Business Overview

Provides integrated, nonhazardous solid waste collection, recycling, and disposal services to residential, commercial, industrial, and construction end markets.

Transaction Rationale

- After more than one year without approval, WM modified the deal (due to changing economic conditions) and assumed regulatory pressure.
- Announced a divesture of assets generating roughly $300 million of revenue to GFL in June 2020 to close concurrently with the WM/ADSW transaction.
- ADSW acquisition expands geographical reach and customer base, specifically within the East.
- Anticipate $100 million in synergies from cost savings and improvements to FCF and operating margins.

Enterprise Value ($M):	**~$4,600**
EV/LTM Revenue	**~3.5x**
EV/LTM EBITDA	**~11.0x**

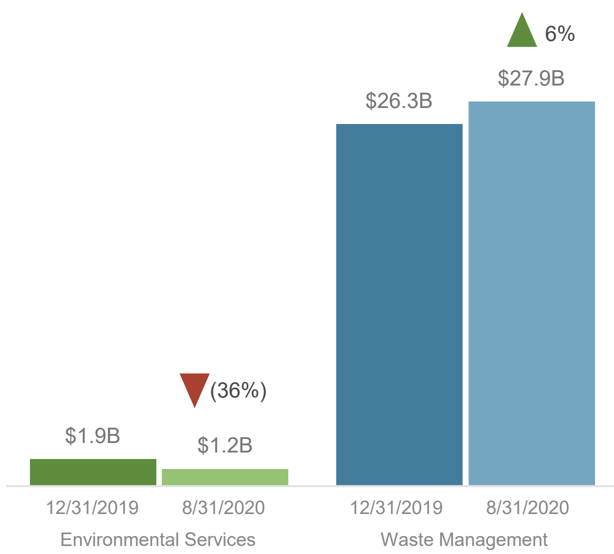
Sources: S&P Capital IQ, company press releases.
(1) Closed in April 2020.

Current Valuation Outlook

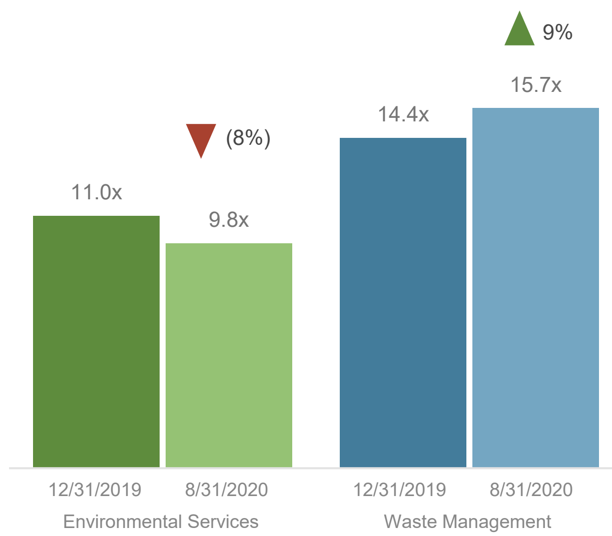
Despite the recent recovery, environmental services companies are still trading at multiples below their pre-COVID-19 levels, as the fall in market capitalization has outpaced downward revisions in forward earnings estimates. For waste management companies, not only do they continue to trade at a premium to pre-COVID-19 multiples, but share prices are now trading above their February peaks.

YE 2019 | Q2 2020

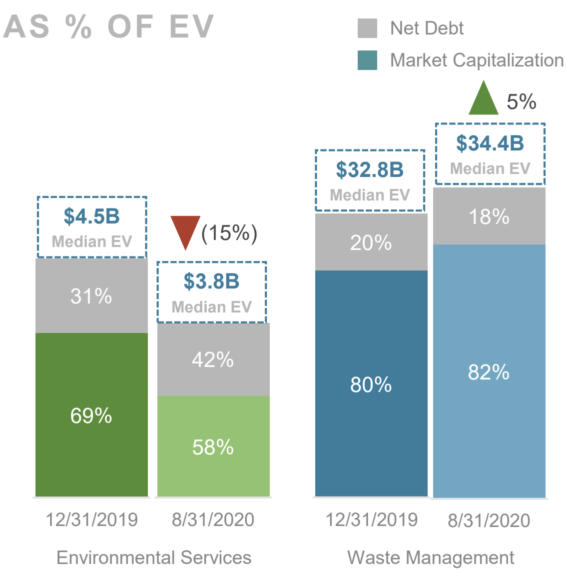
MARKET CAPITALIZATION



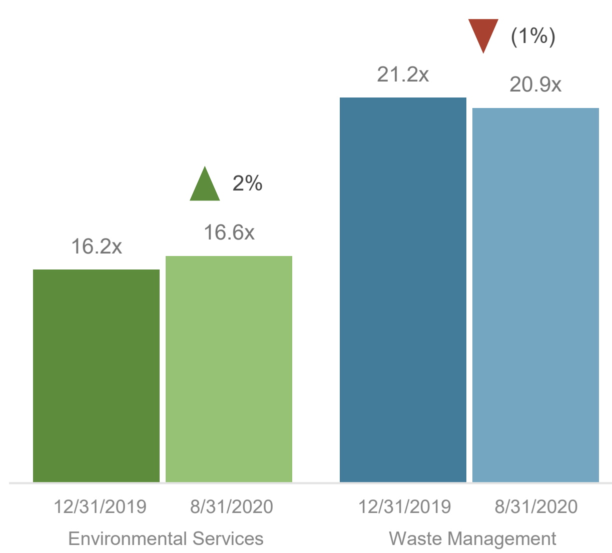
EV/NTM EBITDA



MARKET CAPITALIZATION AS % OF EV



EV/NTM FCF(1)



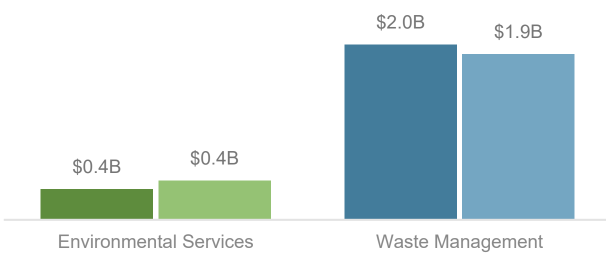
Source: S&P Capital IQ.
Note: Statistics represent median figures. For consistency, all forward numbers are based on analyst consensus estimates and may conflict with specific company guidance.
(1) Excludes CWST and HCCI.

COVID-19 Impact on Q2 Performance

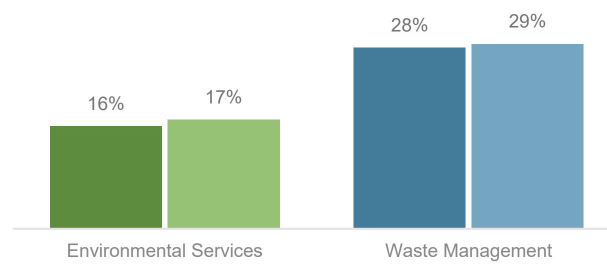
Despite the decreased revenues from lower commercial and industrial activity in Q2, sector companies were able to drive margin improvement and enhanced FCF conversion through cost-saving measures put in place at the end of Q1.

Q2 2019 Q2 2020

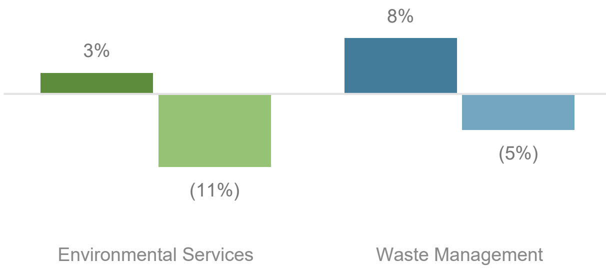
Q2 REVENUE



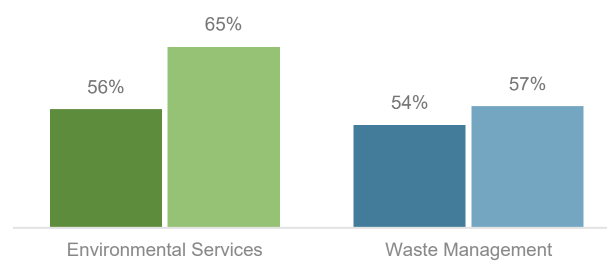
Q2 EBITDA MARGIN



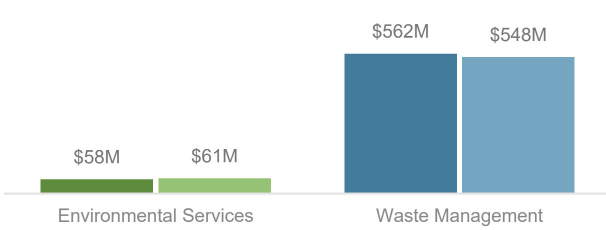
Q2 REVENUE GROWTH(1)



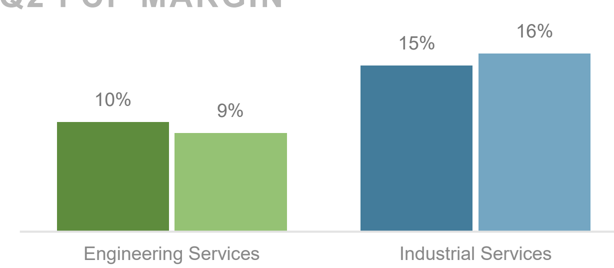
Q2 FCF CONVERSION



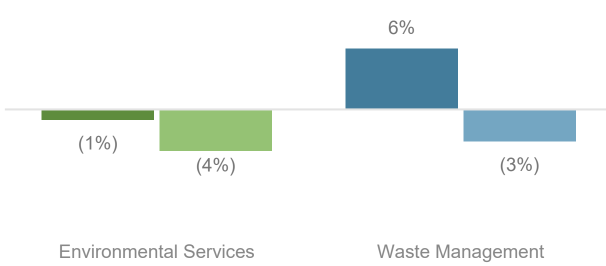
Q2 EBITDA



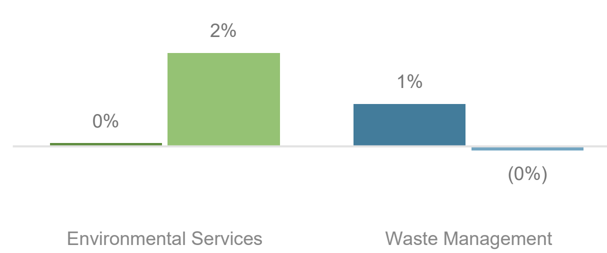
Q2 FCF MARGIN



Q2 EBITDA GROWTH(1)



Q2 FCF GROWTH(1)(2)

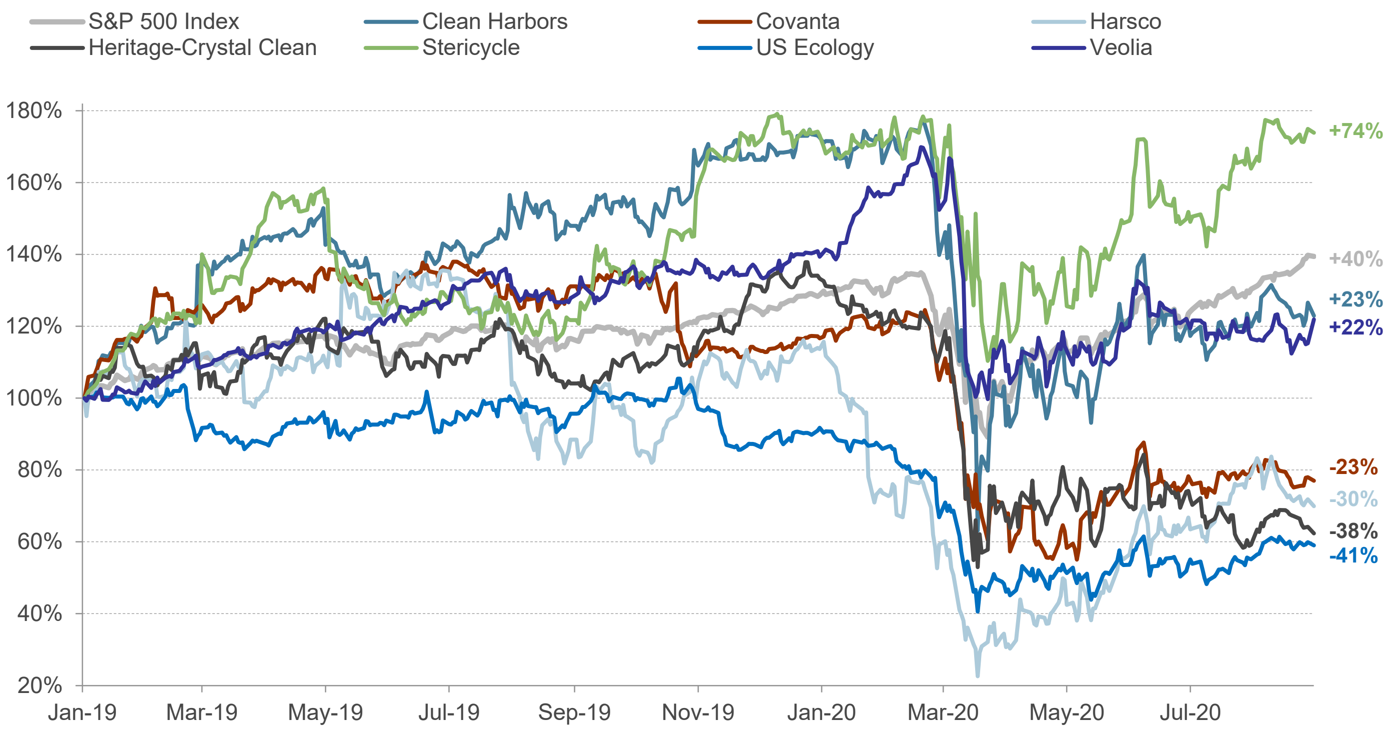


Source: S&P Capital IQ; Note: Statistics represent median figures. For consistency, all forward numbers are based on analyst consensus estimates and may conflict with specific company guidance.
(1) Growth percentages represent percent change from last year's Q2 results.
(2) Excludes HCCI.

Environmental Services:
Company-Level Market Performance

The environmental services universe has experienced a sector-wide recovery since the pandemic lows in April, with the slope and pace of the rebound varying by end market and geography.

Environmental Services—Market Performance Since 2019



1 Operators with medical waste operations (Stericycle) continue to thrive, while names with oil and gas and automotive exposure (Heritage-Crystal Clean and US Ecology) are lagging the market recovery.

2 Companies have remained nimble in protecting their bottom line in the face of softer revenues, successfully implementing cost-saving initiatives and deferring maintenance work to 2H 2020.

3 Outlook has improved with a steady rebound across areas such as pharmaceuticals, chemicals, and food and beverage; volumes are increasing with the uptick in industrial and commercial activity.

Source: S&P Capital IQ.
Note: Financial statistics calculated as of 8/31/2020.

Environmental Services:
Market Commentary

Key players within the environmental services sector continue to be nimble and disciplined with respect to pricing, cost savings, and service offering diversity in the face of pandemic headwinds; increases in emergency cleaning, decontamination services, and weather-related events, along with municipal-related work, have mitigated declines from the reduced industrial activity.

Company	Commentary	Outlook
CleanHarbors	▪ YTD revenue down 5% vs. 1H 2019; offset by 120 bps higher EBITDA margin. ▪ Environmental services segment remained highly resilient in Q2, driven by steady waste volumes at disposal facilities and strong field services revenue with decontamination and incineration work. o Landfill volumes down 24% due to COVID-19-related deferral of some remediation and waste projects, but base business remained stable. o Industrial facility services expected to ramp back up in 2H 2020, as delayed maintenance/disposal work can only be deferred for so long. ▪ Continued contraction in Safety-Kleen business resulting from slowdown in both branch business and SK Oil, driven by customer shutdowns, reduced demand for core services, and decline in base oil demand. o Branch business expected to recover in 2H 2020 as vehicle miles driven increase from Q2 lows, but will remain below pre-COVID-19 levels for the year. o Base oil market rebounding with production volumes within SK Oil continuing to increase as several customers have reopened shuttered facilities.	▪ Reestablished guidance assuming slight slowdown in ES profitability from Q2 levels, while SK is expected to improve sequentially for the rest of the year. ▪ Focused on preserving cash by controlling capex spend and limiting near-term M&A.
COVANTA	▪ YTD revenue in line with prior year, despite softness in Q2, with EBITDA margins climbing approximately 160 bps higher. o Strong Q2 results with bright spots in volumes and tip fees offsetting COVID-19-related costs. ▪ Waste markets recovering from initial pandemic levels. o Improving MSW volumes under core contracts reducing need for replacement spot volumes at lowered tip fees. o WtE profiled waste and environmental services recovering with industrial activity. ▪ No material disruptions to operations, but incurring COVID-19-related safety and cleaning costs. • Revised maintenance schedule with shift towards 2H 2020.	▪ Exact pace and slope of recovery is uncertain. ▪ Committed to continue investing in facilities.
HARSCO	▪ YTD revenue down 11% with COVID-19-related margin degradation, mainly within the Environmental segment. o 24% YTD revenue growth[(1)] when including impact of Clean Earth and ESOL acquisitions. ▪ Clean Earth and Rail continued to hold up well in Q2, with the Environmental segment impacted most. ▪ 20% year-over-year declines in waste volumes for Q2 in Environmental segment due to steel market exposure, but showing signs of recovery heading into 2H 2020 with customer sites reopening. ▪ Realized cost and pricing synergies from ESOL integration in Clean Earth with signs of recovery in industrial, retail, and medical waste volumes. o Hazardous and dredge material volumes held up better than contaminated materials, which were impacted by construction stoppage. ▪ Rail segment remained resilient with strong backlog and mitigated delivery risk from SCOR program; volume deferral/declines with North American freight and metro customers offset by contracting work.	▪ Expect slow recovery across end markets in 2H 2020, with Clean Earth and Rail being most pronounced. ▪ Reducing leverage is top priority. ▪ Closely monitoring capex; continuing to defer certain tax/pension payments.

Sources: Company earnings calls, press releases.
(1) Figure is not pro forma for preacquisition results in 2019.

Environmental Services:
Market Commentary (cont.)

Company	Commentary	Outlook
Crystal Clean	▪ Results bottomed in Q2 with YTD revenue lagging the prior year by 7% along with meaningful margin degradation, primarily due to oil business exposure. ▪ Softened Q2 revenue due to volume declines in most of Environmental Services' product and service lines, partially offset by favorable pricing in parts cleaning, containerized waste, and antifreeze LOB. ▪ Oil business continues to be hit by pandemic with demand declines for finished lubricants impacting base oil product sales; used oil collection and feedstock volumes experiencing downward pressure. o Moved up scheduled extended turnaround in re-refinery to Q2 during reduced operating period. ▪ Multiple recent positive trends in oil segment. o Improvement in charge-for-oil program. o Early in Q3, base oil pricing began to recover, driven by higher crude oil pricing.	▪ Believe the worst is behind them. ▪ Do not expect future pandemic drawdowns on revolver. ▪ Selectively reviewing nonessential capex and gradually restarting M&A.
Stericycle	▪ YTD revenue tracking 7% lower than the prior year(1) as a result of COVID-19 impacts, but partially offset by roughly 175 bps growth in EBITDA margins. ▪ Regulated Waste and Compliance Services revenue held up relatively flat compared to last year, despite the impact of the pandemic on elective surgeries and preventative care; continues to be deemed an essential service to the healthcare industry. ▪ Secure Information Destruction Services and Communication and Related Services impacted by pandemic as a result of limited reopening of businesses and lower demand for hospital scheduling services and lower recall volume.	▪ Anticipate resuming investment in the business roughly in alignment with revenue recovery. ▪ Believe international markets will lag North America for certain services.
US ecology	▪ Legacy ECOL business revenue up 4% year-over-year with EBITDA margins essentially flat; strong Q1 offset by performance decline in Q2. ▪ Environmental Services' base business experienced softness due to nationwide shutdowns, partially offset by growth in higher-margin events segments. ▪ Field and Industrial Services' decline primarily driven by lower revenues in transportation and logistics and industrial services business lines, partially offset by strong growth in emergency response and small quantity generation service lines. ▪ NRC's businesses tied to industrial markets held up well with additional expertise in emergency response; mitigation efforts focused on those tied to the energy sector. ▪ Energy waste disposal services segment now looking like it will be close to or near breakeven this year.	▪ Expect 2H 2020 improvements with continued softness in base business due to lower industrial activity; partially offset by event business and decontamination work.
VEOLIA	▪ YTD revenue down 6% from the prior year with approximately 200 bps margin decline from impact of shelter-in-place orders globally on C&I volumes. ▪ Recovery began in May and was very strong in June, with good momentum heading into 2H 2020. ▪ Resilience across geographies in Q2. o Asia, Latin America, and Japan continue to grow. o Europe, Africa, Middle East, Pacific, and North America all with mitigated revenue declines (1%–2%). ▪ In North America, compensated the loss of activities in refineries waste recycling by transforming low-value waste acid into surfactants for industrial clients. Municipal water activity had no volume impact. ▪ Essential municipal services continue to remain strong, but other businesses have been more impacted, such as commercial and industrial waste, construction works, and industrial maintenance.	▪ Encouraging end to 1H 2020; aim to recover to 2019 levels as of Q4 2020. ▪ Portion of growth capex maintained to support strategic plan; M&A program is active (including multiple hazardous waste opportunities globally, with several in the U.S.).

Sources: Company earnings calls, press releases.
(1) Includes pro forma impact of ESOL divestiture.

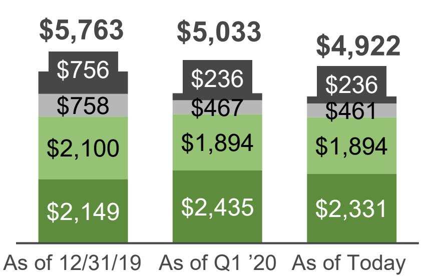
Environmental Services:
Capital Allocation Strategy—2020E

Environmental services companies have been closely monitoring their cash outlay throughout the pandemic to manage liquidity needs. The general sentiment is that investments in the business and returns to shareholders will roughly align with revenue recovery.

Figures represent breakdown of capital spend estimates per company for 2020E, with the consolidated bar label representing cumulative spend.

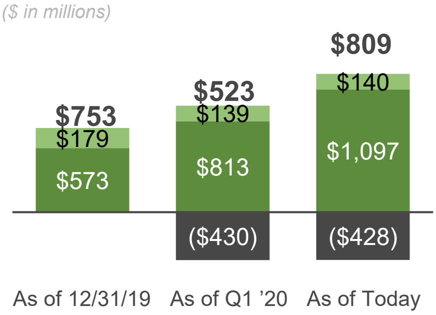
Debt Paydown/(Borrowings) | Net Cash Acquisition Costs | Share Repurchases | Cash Dividend Payouts | Capital Expenditures

($ in millions)



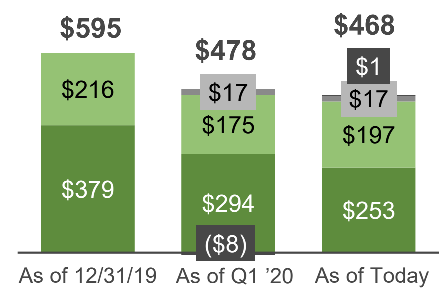
Reduced capex plans with some delays in M&A strategy

($ in millions)



Proceeds from ESOL divestiture used to pay down debt

($ in millions)

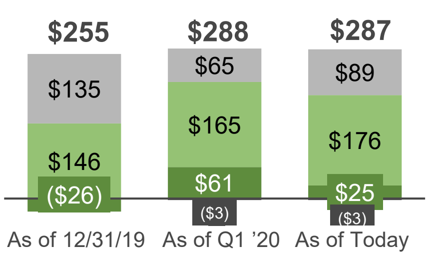


Controlling capex for the year; flexibility with low leverage levels

($ in millions)

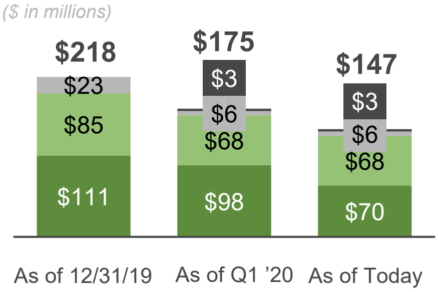
2019A Capital Spend[1]	$3,533	($224)	$218
Variance vs. 2019A[2]	39%	NM	15%
Variance vs. 2020E as of 12/31[2]	(15%)	7%	(21%)

($ in millions)



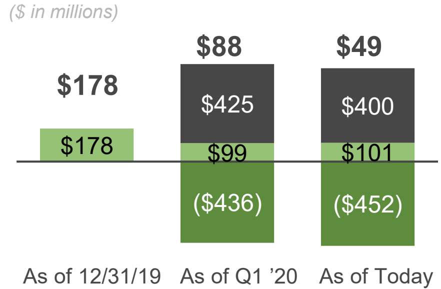
Lowered dividend to focus on managing leverage

($ in millions)



Suspended dividend program

($ in millions)



Acquired ESOL from SRCL in April

($ in millions)

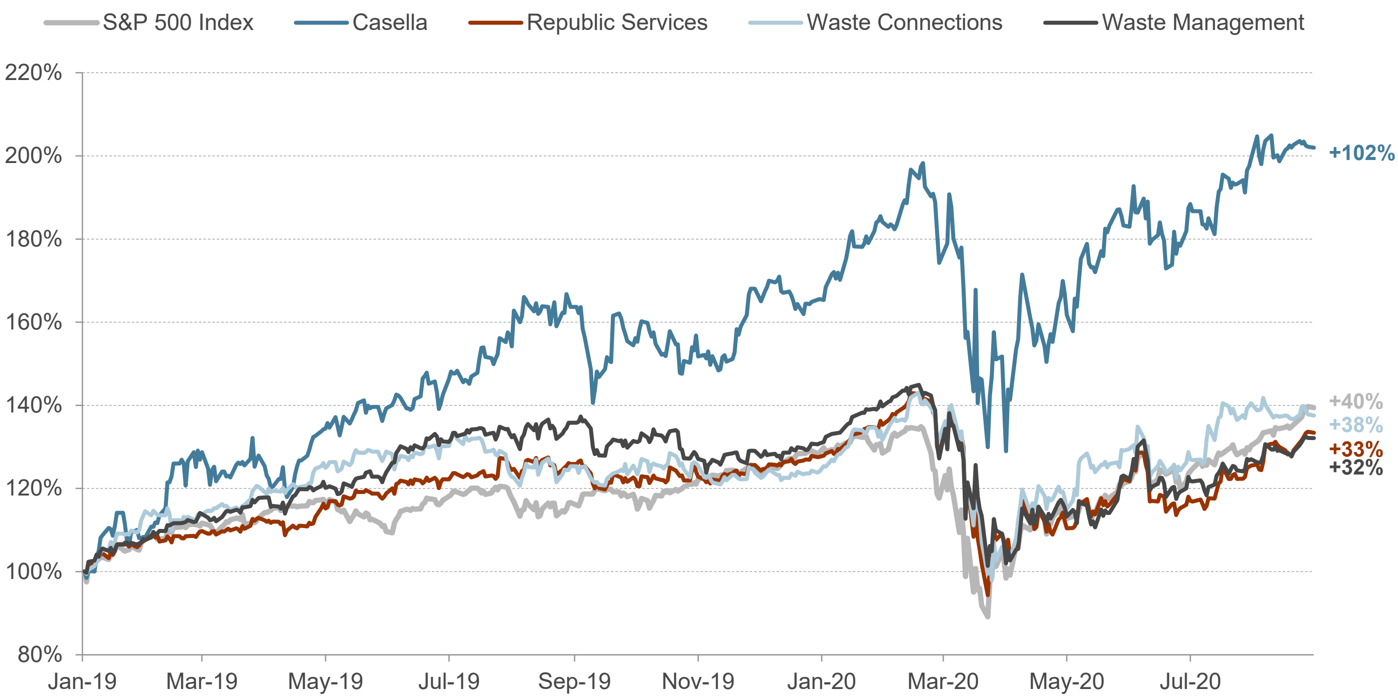
2019A Capital Spend[1]	$190	$7	($49)
Variance vs. 2019A[2]	51%	NM	NM
Variance vs. 2020E as of 12/31[2]	13%	(33%)	(72%)

Sources: Thomson Reuters Eikon, company earnings releases, and equity research reports; Note: HCCI has been omitted, as projections are not publicly available. For consistency, all forward numbers are based on analyst consensus estimates and may conflict with specific company guidance.
(1) Capital spend figures are net of debt borrowings and asset divestitures.
(2) Figures represent the percentage change between 2020E estimates as of today against the time periods referenced; 2019A capital allocation split not shown on this page.

Waste Management:
Company-Level Market Performance

Waste management companies showed multiple signs of resilience against the pandemic's effect on volumes and revenue. The stock price recovery from COVID-19 lows was above or in line with the market, as the improvement in waste mix was compounded by a strong recycling quarter and industry pricing discipline.

Waste Management—Market Performance Since 2019[1]



1 Residential volumes are slowly moderating from pandemic highs as economic activity resumes in multiple regions; more than 50% of affected commercial and industrial solid waste accounts have indicated a resumption in service.

2 Recycling was a bright spot in Q2, driven by higher commodity prices and shift to fee-for-service model; expected to normalize as OCC prices stabilize and commercial volumes remain below historical levels.

3 Margin profile for key players continues to hold up as a result of improving mix, disciplined pricing, and effective cost-control efforts; companies with high percentages of E&P waste saw margin degradation.

Source: S&P Capital IQ; Note: Financial statistics calculated as of 8/31/2020.
(1) Excludes GFL Environmental due to limited trading data (IPO in March 2020).

Waste Management:
Market Commentary

Key industry participants within the waste management sector reported a sharp recovery in commercial and industrial volume declines from the lows in April to improved June levels, with volumes down mid-single digits exiting the quarter versus the mid-double digit declines in April. Several companies have noted that more than 50% of C&I customers have resumed service; most companies point to further recovery in volumes in July, but at a more measured or tapered pace than April through June.

Company	Commentary	Outlook
casella	▪ Strong YTD results with 6% growth in revenue over the prior year supplemented by 200 bps margin enhancement. ▪ Performed well in Q2 despite declines in solid waste volumes. ▪ Actively worked with customers to adjust service levels to current waste-to-recycling needs (and offload unprofitable work) rather than sacrifice pricing; approximately 75% of this year's price increases were executed in Q1 2020. ▪ Disposals volumes in Q2 were down approximately 16% (landfill tons down approximately 18.4%) due to lack of construction/industrial activity. o Volume declines were partially offset by landfill pricing increase of 6.2%. o Landfill volumes have increased since April (up 25.6% sequentially from April through June). ▪ Collection volumes were down 10% year over year for the quarter (primarily commercial and industrial), but collection revenue was offset by positive pricing and the rollover effect of acquisitions (completed four since April). ▪ Strong quarter for the recycling business; higher commodity pricing by effectively passing recycling commodity risk back to customers. o Higher cardboard pricing, partially offset by lower plastics and metal pricing. Cardboard pricing peaked in May, however, and has dropped by nearly $40 per ton; pricing in July is back to March levels.	▪ Reintroduced 2020E guidance (conservative outlook; do not expect normal seasonal Q3 uptick). ▪ Approximately 55% of C&I services have restarted; expect another 15%–20% to ramp up in the fall. ▪ Robust M&A pipeline; believe there will continue to be sizable opportunities for them. ▪ Continue to invest in planned capex at the newly acquired operations.
GFL environmental	▪ YTD revenue is tracking 24% over 1H 2019[(1)] with adjusted EBITDA margins remaining in line with the prior period. ▪ Strong Q2 with approximately 20% revenue and continued adjusted EBITDA growth. ▪ Sequential volume improvements in solid waste business since the end of April. o Pricing growth was offset by reduced volumes for Q2 in C&I collection; residential continues to be resilient. o Suspended pricing initiatives but saw a higher net price for recycled commodities, driven by the sudden spike in OCC pricing early in Q2; anticipate normalized pricing of 3.5%–4.0% for the midterm. o Greatest volume impacts in primary Canadian markets, while secondary markets (which make up almost two-thirds of solid waste revenues) were less impacted. ▪ Soil/infrastructure resilient due to the essential nature of large projects; small-volume, high-frequency soil remediation work beginning to return. ▪ Liquid waste was the hardest hit segment, with lower UMO sales volumes (net pricing flat/positive); industrial activity is showing signs of recovery.	▪ Expect positive trend as markets continue to reopen. ▪ Signed WCA acquisition in August and purchased WM/ADSW asset divesture package in June, forming a strong base in the U.S. to pursue tuck-ins; pipeline remains robust. ▪ Revised 2H 2020 capex estimates upwards.

Sources: Company earnings calls, press releases.
(1) 2019 figures are not pro forma for acquisitions of American Waste in February 2020 and County Waste in January 2020.

Waste Management:
Market Commentary (cont.)

Company	Commentary	Outlook
REPUBLIC SERVICES	▪ YTD revenue and EBITDA essentially flat versus the prior year. ▪ Mixed impact across the business with the depth of the decline in volume and pace of recovery varied by both line of business and market. ▪ Landfill special waste volume impacted the most, decreasing 17% in Q2, primarily due to deferral as opposed to cancelation. Pipeline remains strong. o Landfill MSW volume down 3.5%. Landfill C&D volume was essentially flat. ▪ Expect small and large container volume to continue recovering over the remainder of the year. ▪ Residential wastes up 10.1% for Q2; continued to convert CPI-based contracts to more favorable pricing mechanisms for the annual price adjustment. ▪ Recycled commodity prices increased 29% to $101 per ton, compared to $78 per ton in the prior year; partially offset by an 11% decrease in inbound recycling volume.	▪ Reinstating guidance at the low end of original estimates, as there is now greater clarity on pandemic impacts. ▪ Deal pipeline continues to be strong and remain on track to invest approximately $600 million in acquisitions this year. ▪ Approved a 5% increase in the quarterly dividend in July.
Waste Connections, Inc.	▪ YTD revenue and EBITDA tracking in line with the prior year; strong Q1 offset by a dip in Q2. ▪ Q2 2020 revenue declines were largely due to reductions in collections and closures resulting from the pandemic. o Volumes in all solid waste regions showed monthly improvement during Q2. o Excluding the most impacted markets in the Northeast and Canada, solid waste revenues in the quarter were down about 1.3% on a year-over-year basis. ▪ By the end of Q2, about 53% of solid waste commercial customers and 42% of associated revenue in competitive markets that had previously suspended or reduced service had reached out for a resumption in service or an increase in frequency. ▪ Offsetting margin expansion to COVID-19-related costs was partially a result of overall pricing growth coming in at 4.3% in 2Q 2020.	▪ Revised outlook upwards from estimates as of Q1. ▪ M&A strategy remains robust; signed an agreement to acquire a $40 million collection and recycling company. ▪ Renewed its share repurchase program and anticipates continuing to increase its dividend in October.
WM WASTE MANAGEMENT	▪ YTD revenue is down 5% from the prior year, mainly due to Q2 declines, with margins for the year flat with the prior year due to Q2 margin enhancement. ▪ Pricing results were muted relative to expectations due to proactive customer-centric steps to temporarily suspend price increases and certain fees for customers; remain committed to pricing programs. ▪ Total company volumes declined 10.3%. o Volumes declined almost 11% in the commercial line of business. • Commercial business showing signs of recovery, and MSW volume continuing to improve. • Residential wastes still high, albeit below peak COVID-19 levels; continue to work through restructuring contracts with municipalities. o 16% in industrial and 18% in landfill, primarily related to the pandemic. ▪ Strong quarter for recycling business driven by a stronger blended commodity rate of $57 per ton and continued progress toward a fee-for-service model. ▪ Estimate that COVID-19 business interruptions had a negative revenue impact of approximately $400 million.	▪ Reinstated full-year guidance with the 4%–5% revenue decline from 2019; cautiously optimistic about 2H 2020. ▪ ADSW acquisition expected to result in more than $100 million in synergies and significant growth from ADSW's existing base of 3 million customers.

Sources: Company earnings calls, press releases.

Waste Management:
Capital Allocation Strategy—2020E

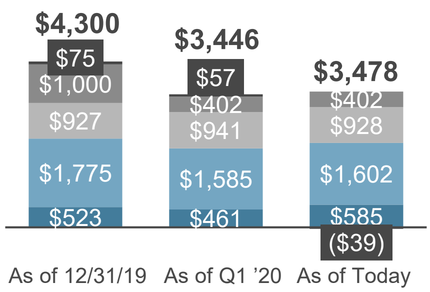
Waste management companies continue to remain bullish about the resilience of the sector, and many reported a resumption in tuck-in acquisition activity, with robust pipelines heading into 2H 2020. GFL remains the acquirer of choice, having completed two transformational acquisitions in the U.S. (WM/ADSW asset package and WCA Waste) within a matter of months.

Figures represent the breakdown of capital spend estimates per company for 2020E, with the consolidated bar label representing cumulative spend.

Debt Paydown/(Borrowings) | Net Cash Acquisition Costs | Share Repurchases | Cash Dividend Payouts | Capital Expenditures

WASTE MANAGEMENT

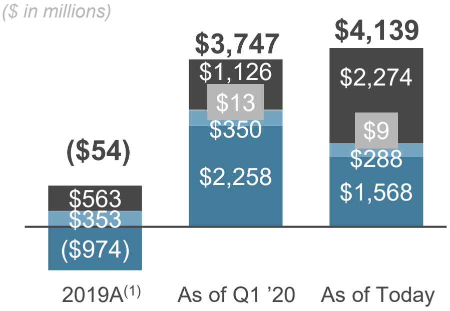
($ in millions)



Suspended share repurchase program

GFL

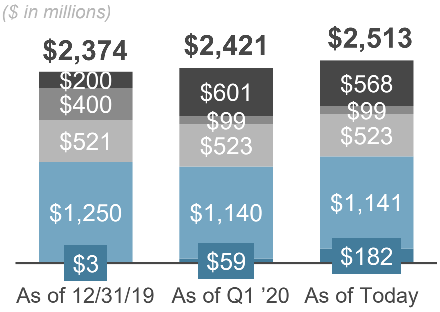
($ in millions)



Acquisitions of WM/ADSW package and WCA Waste

REPUBLIC SERVICES

($ in millions)



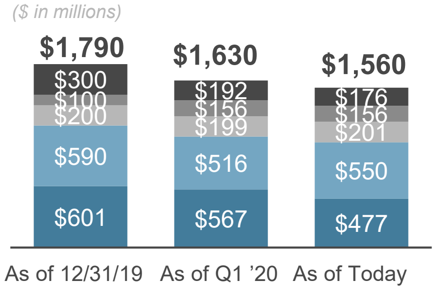
Optimistic on M&A strategy at attractive valuations

($ in millions)

2019A Capital Spend[2]	**$3,071**	**($54)**	**$1,957**
Variance vs. 2019A[3]	**13%**	**NM**	**28%**
Variance vs. 2020E as of 12/31[3]	**(19%)**	**N/A**	**6%**

WASTE CONNECTIONS
Connect with the Future

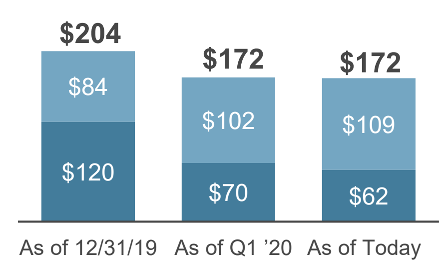
($ in millions)



Restored a portion of COVID-19-related capex cuts

casella

($ in millions)



Continue to invest capex in recent acquisitions with a portion deferred until 2H 2020

($ in millions)

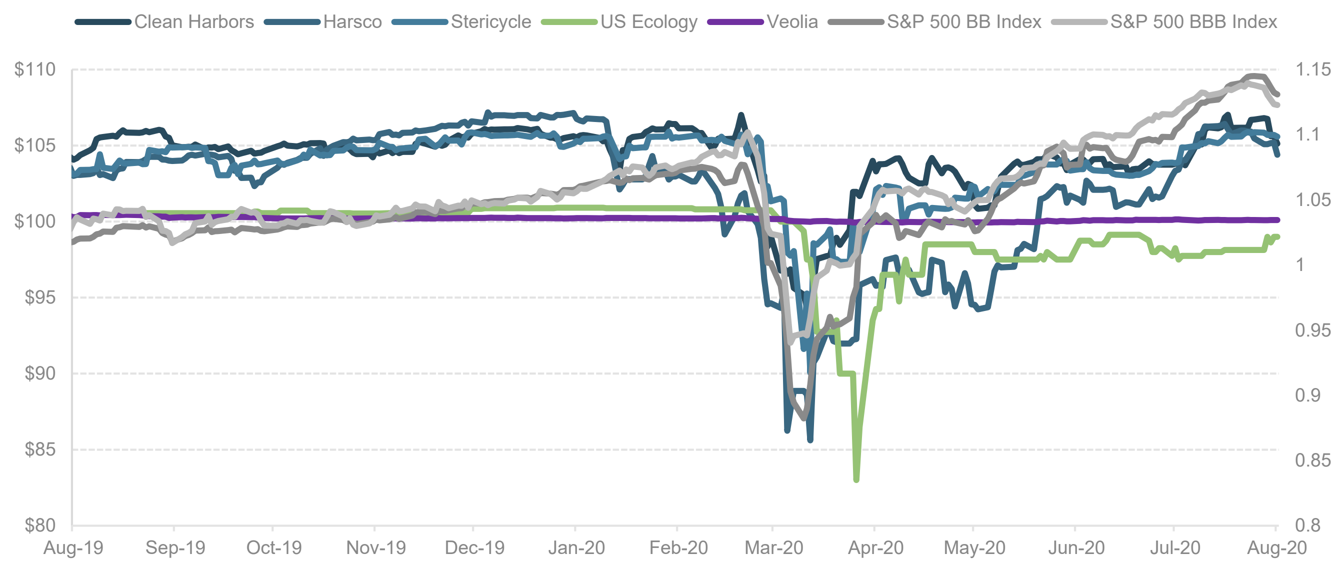
2019A Capital Spend[2]	**$1,200**	**$125**
Variance vs. 2019A[3]	**30%**	**38%**
Variance vs. 2020E as of 12/31[3]	**(13%)**	**(15%)**

Sources: Thomson Reuters Eikon, company earnings releases, and equity research reports.
Note: For consistency, all forward numbers are based on analyst consensus estimates and may conflict with specific company guidance.
(1) 2020E guidance was not publicly disclosed until the IPO in March.
(2) Capital spend figures are net of debt borrowings and asset divestitures.
(3) Figures represent the percentage change between 2020E estimates as of today against the time periods referenced; 2019A capital allocation split not shown on this page.

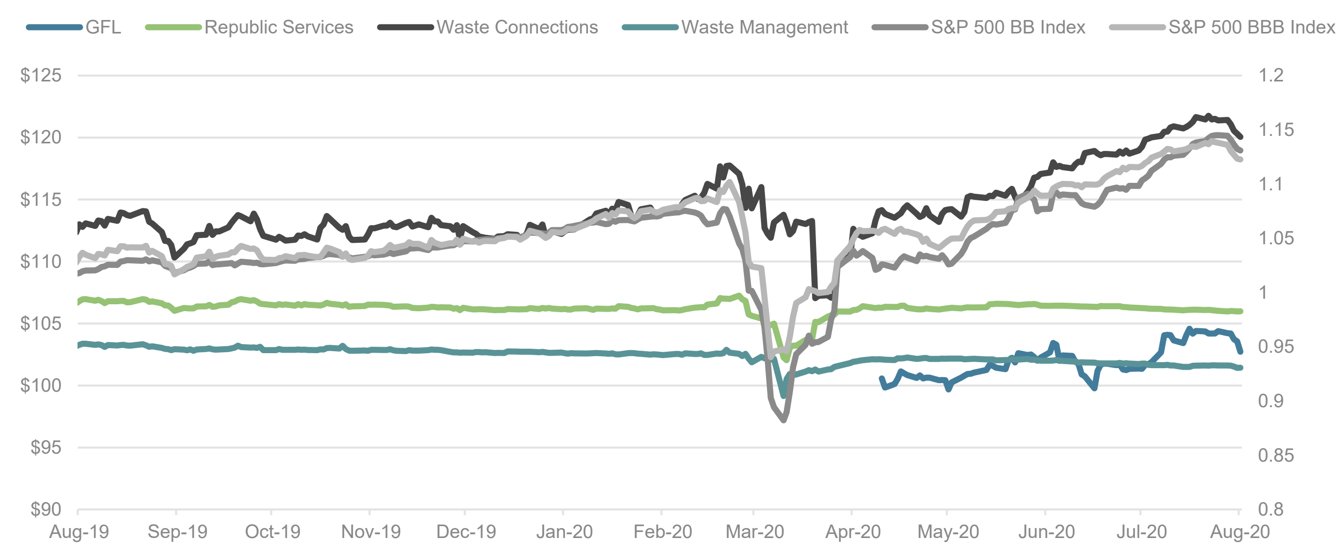
Company-Level Debt Performance

Waste management companies' bonds have proved to be less volatile than the broader credit market, while the environmental services names (with the exception of Veolia) are generally in line with market trends.

Environmental Services[1] vs. Investment Grade and High-Yield Bond Indices



Waste Management[2] vs. Investment Grade and High-Yield Bond Indices



Sources: S&P Capital IQ, Refinitiv (formerly Thomson Reuters), Bloomberg.
Note: Financial statistics as of 8/14/2020. Tick marks represent end of respective months.
(1) Environmental Services chart includes individual debt instrument closest to maturity for each company: CLH 4.8750 15-Jul-2027 '22, HSC 5.7500 31-Jul-2027 '22, SRCL 5.3750 15-Jul-2024 '21, ECOL (Term Loan B) 01-Nov-2026, VIE 23-Nov-2020 MTN.
(2) Waste Management chart includes individual debt instrument closest to maturity for each company: GLERL 4.2500 01-Jun-2025 '22, RSG 5.2500 15-Nov-2021, WCN 4.2500 01-Dec-2028 '28, WM 4.6000 01-Mar-2021.

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	Advisor	Deals
1	**Houlihan Lokey**	**184**
2	Goldman Sachs & Co	167
3	JP Morgan	141
4	Morgan Stanley	122
5	Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

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3	Moelis & Co	36
4	Lazard	29
5	AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

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2	JP Morgan	929
3	Duff & Phelps	734
4	Morgan Stanley	621
5	Bank of America Merrill Lynch	612

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

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