

ENVIRONMENTAL SERVICES

SUMMARY REPORT

2019 - 2nd QUARTER



ENVIRONMENTAL SERVICES MARKET OVERVIEW

- Companies operating in the environmental services industry are involved in the remediation of contaminated soil and groundwater, hazardous material removal and transportation, as well as the elimination of toxic materials. Additionally, operators partake in reclamation activities such as demolitions, waste-water treatments and revegetation.
- Tied largely to the demand for construction, manufacturing and mining sectors, the industry has largely benefited throughout recent years as the improved economy has led accelerated activity in these sectors, driving the need for cleanup and remediation services.
- Industry services are largely purchased through government contracts, in which cleanup services and policies are coordinated for agencies as well as third-party sites. While 37.1% of the industry’s revenue is accounted through public funding, the industry is expected to see a shift in reliance from the public sector as debates around federal spending and government funding levels continue, transitioning to a focus on the private sector, who is now facing stricter cleanup regulations but also expanded budgets as corporate profits climb. In 2019, 56.5% of revenue is projected to come from private clients.
- Deal sizes and company values for the industry are on the rise, with 2019 already reaching record valuation levels, an indicator of a strong M&A outlook.
- Further, the future appears promising as buyers are eager to invest in companies able to sustain global pressures for environmental regulations, such as the push for reduction in toxic emission and wastes, as well as those able to combat shifts in the industry landscape.

RCO Research, IBISWorld, May 2019.

Industry Revenue



**Indicates forecasted industry revenue. IBISWorld, May 2019.*

Avg. Industry Financial Performance

TEV (\$MM)	Revenues (\$MM)	EBITDA %
10-25	23.8	18.3%
25-50	47.8	19.3%
50-100	52.0	20.1%
100-250	107.5	18.8%
Average	57.8	19.1%

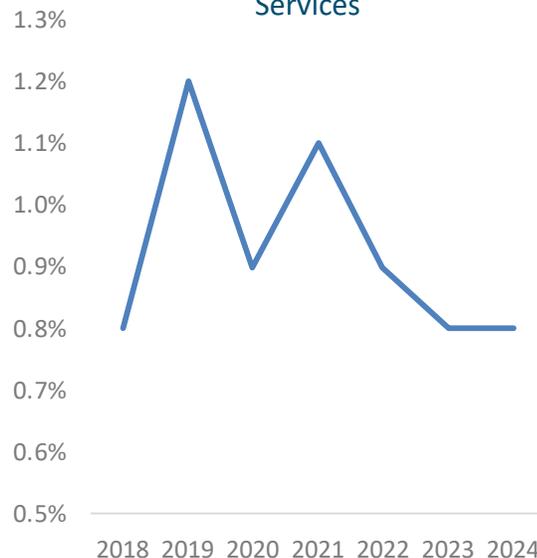
GF Data® 2012 through May 2019.



FEATURED SEGMENT: WASTE COLLECTION SERVICES

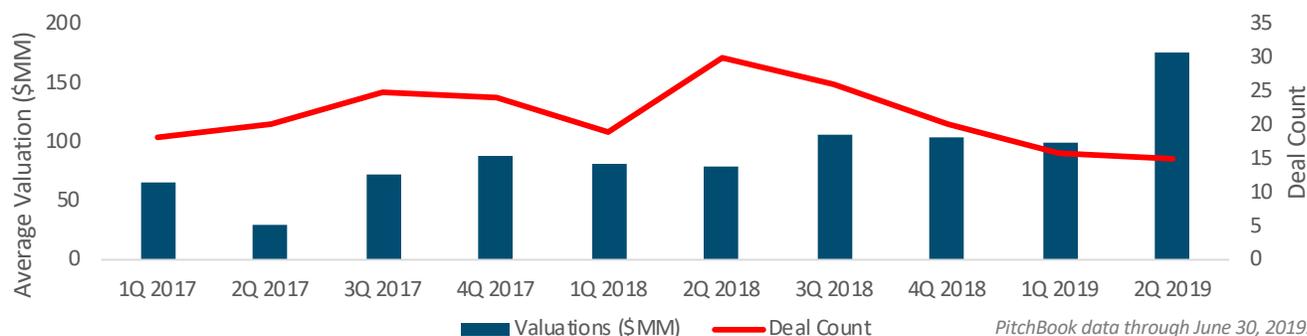
- Revenue for waste collection services is predominantly driven by the volume of waste produced, particularly through industrial, construction and commercial activity. Over the past five years, in addition to the rise in construction and industrial services, growing interests in the recycling of solid waste has allowed the industry to benefit from expanded opportunities.
- Chemical manufactures have also significantly contributed to the demand for the segment's services. Toxic materials used and produced in plants often cause contamination of facilities and surrounding areas, therefore the need to evacuate and transport byproduct materials and chemicals is essential in both meeting environmental obligations, as well as aiding in the supply chain by transporting chemicals for further processing needed to produce consumer and industrial products.
- Decreased prices and abundant natural gas supplies, a primary feedstock for chemical manufacturers, have led to an increase in chemical manufacturing activity. Other factors, such as population growth, are driving the need for manufacturing and consumer products, increases in recycling activity, as well as industry privatization, all express a growing need for the transport of hazardous and non-hazardous waste produced through construction and industrial processes.

Demand For Waste Collection Services



RCO Research, IBISWorld, May 2019.

North America Deal Count & Average Valuations – Middle Market (up to \$250MM)



PitchBook data through June 30, 2019.

- Companies in the North American middle market environmental services industry have experienced a total capital investment of \$62.66 billion through YTD June 2019, with the majority of deals occurring in California and Texas.
- Through YTD 2Q 2019, the industry has announced 31 transactions, down marginally compared over the same period in 2018. Elevated valuations, coupled with a reduced deal count is a likely indicator of a decrease in the number of industry players looking to make an exit, despite continued interest from buyers, thus resulting in premium multiples.
- As activity heightens in downstream sectors and demand for environmental services rises, we expect deal activity to advance, particularly as players look to consolidate and expand their capabilities in order to combat rising regulatory scrutiny.

PitchBook data through June 30, 2019.

TEV/EBITDA Multiples

TEV (\$MM)	Waste Management & Remediation Services
10-25	5.2x
25-50	5.8x
50-100	7.5x
100-250	7.4x
Average	6.5x

GF Data® 2012 through May 2019.



FEATURED ENVIRONMENTAL TRANSACTIONS



and



Acquired by



On May 30, 2019, Empire Diversified Energy, a green energy projects company, announced the acquisition of all equity interests in Go Green American Recycling, Inc., as well as a majority interest in Tri Modal Terminals, both engaged in providing logistics services for energy materials.

Go Green is a provider of recycling services, performing excavations, paving, milling and recycling activities. Trimodal Terminal, an 80-acre park and terminal, offers material storage and transportation in addition to sales and leasing services.

The acquisition was completed through the exchange of \$16 million in cash, in addition to 1 million shares of preferred and 35 million shares of common Empire stock.¹

On May 10, 2019, Ironwood Capital, a Connecticut private equity firm and investor in Lewis Clark Recycling and Disposal LLC, announced the exit in its investment in the company through a sale to Waste Connections, Inc, an integrated waste and recycling service provider.

Lewis Clark operates as a provider of non-hazardous waste disposal and collection services, serving the Illinois and Omaha markets.

Financial terms of the agreement were not disclosed.²



Acquired by



WASTE CONNECTIONS, INC.



Acquired by



On March 20, 2019, private equity group GenNx360 Capital Partners announced the acquisition of a majority interest in New York-based Miller Environmental Group. The company is a leader in the environmental industry, providing a variety of services, including waste transportation, emergency response, industrial vacuum cleaning, and pipeline maintenance.

Through its recent purchase of a transfer and disposal facility, Miller Environmental seeks to increase its presence by servicing the increasing needs for non-hazardous liquid and solid waste disposals.

Financial terms of the agreement were not disclosed.³

1. Transaction Press Release, dated May 30, 2019. <https://www.prnewswire.com/news-releases/empire-diversified-energy-inc-signs-agreement-to-acquire-logistics-terminals-300859153.html>

2. Transaction Press Release, dated May 10, 2019. <https://www.pehub.com/2019/05/ironwood-exits-lewis-clark-recycling-disposal/>

3. Transaction Press Release, dated March 20, 2019. <https://www.prnewswire.com/news-releases/gennx360-capital-partners-announces-acquisition-of-miller-environmental-group-inc-300815553.html>

ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) advisory and financial consulting services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. We specialize in providing sell-side M&A advisory services to lower middle-market companies with revenues or enterprise values ranging from \$15 million to \$250 million. For more information, please visit www.romanchukco.com.

Recent Experience

Our most recently closed deals showcase our firm's unique ability to execute transactions across diversified sectors, while maximizing value for our clients in the middle market. Drawing on our collective experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.

Heat Transfer
Tubular Products L.L.C.

has been acquired by

Arch
Equity
Partners

Romanchuk & Co. advised Heat Transfer Tubular Products on this transaction.

KVPOWER

has been recapitalized by

Rock Hill
CAPITAL

Romanchuk & Co. advised KV Power on this transaction.

SCS

has been recapitalized and
received growth capital from

BLACKBAY
ENERGY CAPITAL

Romanchuk & Co. advised SCS Technologies on this transaction.

APSCO

has been acquired by

TGP INVESTMENTS

Romanchuk & Co. advised APSCO Holdings on this transaction.

Industry Recognition

THE M&A ADVISOR
2018 M&A ADVISOR AWARDS

**BOUTIQUE
INVESTMENT BANKING
FIRM OF THE YEAR**

Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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