



# Trash Talk

Waste and Recycling Industry Deep Dive  
June 2023

# Waste and Recycling M&A Overview

Building on the positive momentum of 2022, the waste and recycling sector continued to see robust levels of transactions activity in the first quarter of 2023. The 52 disclosed deals exceed the pace of Q1 2022, providing evidence of building excitement in the space.

Amidst a decline in mid-market M&A activity across various industries, the waste and recycling sector in North America emerged as a standout, witnessing a notable rise in transactions throughout 2022. In contrast to the overall market, the waste and recycling sector showcased resilience and attracted increased deal flow, underscoring its robustness and investment appeal.

## North American Disclosed Transaction Volume<sup>(1)</sup>

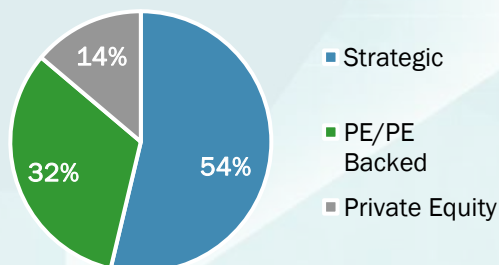


Waste and recycling M&A has been dominated by two main purchaser groups:

- Public companies
- Private equity backed strategic acquirers

Traditional private equity without an anchor investment in the sector has a difficult time competing with the multiples these two purchaser groups put forward for smaller transactions, though we have seen increased interest in platform investments of late.

## Purchaser Universe



<sup>(1)</sup> Source: Waste Dive, and S&P Capital IQ – Includes announced & closed deals

# The Drivers for M&A Activity



## Demand Drivers

*What is driving the purchaser universe?*



Major public companies in the space have been generating strong cash flow and are under pressure to deploy capital for growth.



Private equity investment in the sector – Proven investment thesis provides a well-worn path for investors with clear exit opportunities, encouraging new consolidators.

- ✓ Stable cash-flow - The industry's strong performance through COVID demonstrated the resiliency of the sector.
- ✓ Diverse customer base with limited reliance on a single customer.
- ✓ Industry is still viewed as highly fragmented with opportunity for consolidation.
- ✓ Meaningful opportunities for vertical integration and regional economies of scale.



People and equipment – Acquiring talent and equipment has proven an easier path to growth than greenfield opportunities.



Ability to drive growth by cross-selling broader set of environmental services to existing clients.

**4.5%**

Rising interest rates have yet to dampen activity – but parties are paying attention.



## Supply Drivers

*What is driving the seller market?*



Succession planning for shareholder base – market valuations make it difficult for new shareholders to buy in or existing shareholders to realize partial liquidity at current prices.



Required investment in technology and other operational resources to scale efficiently.

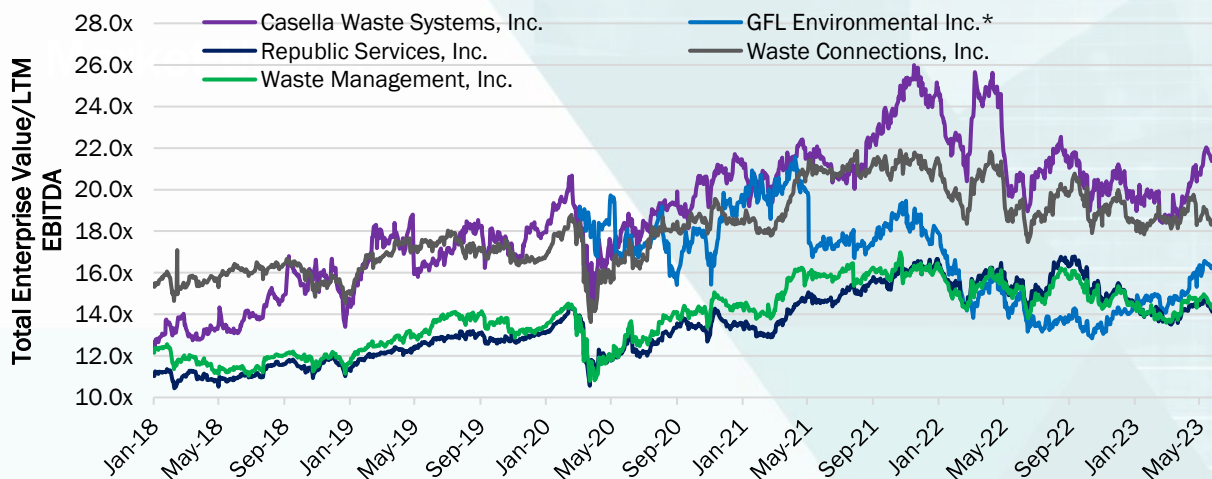


Ongoing frustration procuring equipment and attracting labour in the current market.



Uncertainty around the future as it relates to the macroeconomic climate and sector specific investor sentiment.

# Public Market Valuations<sup>(1)</sup>



- Public market equities have experienced an upward trend in valuations over the past two years, underscoring the growing investor interest in the waste and recycling industry.
- The graph above provides a compelling illustration of the industry's resilience in the face of economic uncertainty. While multiples for companies on the S&P 500 have declined in recent years, waste and recycling companies have remained relatively steady, reflecting the market's optimistic view on the sustainability of revenues in the face of challenging economic conditions. This trend is particularly encouraging for Canadian M&A, as it indicates that the market supports higher valuations in public markets, which in turn has a positive impact on private market valuations.

	TEV/LTM EBITDA Multiples			2018 - 2022	
	2018	Current	Growth	Low	High
Casella Waste Systems, Inc.	14.2x	23.2x	9.0x	12.4x	26.0x
GFL Environmental Inc.	18.7x*	17.1x	-1.6x	12.8x	21.6x
Republic Services, Inc.	11.1x	14.3x	3.2x	10.4x	16.8x
Waste Connections, Inc.	14.9x	18.8x	3.9x	13.6x	21.9x
Waste Management, Inc.	11.4x	14.8x	3.4x	10.7x	17.0x
<b>Average</b>	<b>12.9x</b>	<b>17.7x</b>	<b>3.6x</b>	<b>12.0x</b>	<b>20.6x</b>

- Since 2018, public waste and recycling company multiples have expanded by an average of 3.6x or 37%. While GFL Environmental has seen multiple contraction since its initial public offering in 2020, its multiple remains consistent with its public market peer group.
- Despite remaining relatively robust, valuations in the waste and recycling sector have undergone a decline from the peak levels achieved in 2022 consistent with the overall market.

<sup>(1)</sup> Source: S&P Capital IQ

\* GFL TEV/LTM multiple represents 2020 IPO valuation onward

# Active Consolidators in Canada

In Canada, M&A activity in the waste and recycling industry is largely driven by four main consolidators; GFL, e360S, Waste Connections, and Waste Management. With their highly acquisitive nature, these companies have become industry leaders, driving growth and expanding operations through strategic consolidation efforts. Furthermore, emerging players like York1 and Total Sanitation Services are making their mark as prominent acquirers, driving further competition for deals and putting upward pressure on valuations.



- 200+ acquisitions completed since 2007; ~\$7.9B invested in acquisitions since 2019
- Focused on tuck-ins and non-core market divestitures in 2023, poised to resume aggressive M&A growth in 2024



- Active investor in Canada with 31 acquisitions since FY21; 6 YTD 2023
- Recent majority investment from BlackRock; will provide additional capital and strategic support to continue acquisition strategy



WASTE CONNECTIONS, INC.

- Acquired Progressive Waste Solutions for \$2.67B in 2016 and Loraas Disposal in Dec'22
- Deployed \$11.3B to M&A (FY16-FY22), including \$2.3B for 24 solid waste acquisitions in FY22



- \$5.5B invested in M&A to date – with 88 acquisitions over the past 5 years
- Less active in Canada than historically, prioritizing organic growth, but potential to opportunistically re-enter

## Emerging Parties

**YORK1**

Originally focused primarily on construction services, York1 continues to solidify its position in the solid waste market, making three acquisitions in the space in 2022 as it pursues a strategy of becoming an integrated environmental and infrastructure services business.

**Total Sanitation**  
Services

Trivest made a significant entry into the Canadian waste and recycling industry by establishing the Total Sanitation Services platform through the acquisition of five prominent portable sanitation service providers in Ontario.

# Select Canadian Transactions

Select Disclosed Waste and Recycling Deals in Canada					
Date	Target	Target Prov.	Buyer	Ref	
16-Feb-23	Environmental 360 Solutions Ltd.	Ontario	Blackrock Alternatives Management	<b>1</b>	
14-Feb-23	Johnsons Sanitation Service Ltd., Central Sanitation, Lacombe LSC, Gilbert's Restrooms Chantler's Environmental	Ontario	Trivest Partners, L.P.	<b>1</b>	
09-Feb-23	Local Environmental Services	Alberta	Environmental 360 Solutions Ltd.	<b>2</b>	
12-Dec-22	Mullen group Hydrovac assets	Alberta	Environmental 360 Solutions Ltd.	<b>2</b>	
02-Dec-22	Omar's Environmental Ltd.	Manitoba	GFL Environmental Inc.	<b>4</b>	
01-Dec-22	JR Services	Alberta	Environmental 360 Solutions Ltd.	<b>2</b>	
01-Dec-22	Loraas Disposal	Alberta	Waste Connections	<b>3</b>	
06-Jun-22	Sani-Eco Inc.	Quebec	Waste Connections	<b>3</b>	
03-May-22	United Environmental Holdings Inc.	Ontario	York1 Inc.		
05-Apr-22	Budget Group	Ontario	York1 Inc.		
02-Dec-21	Alpine Environmental Disposal	Ontario	Environmental 360 Solutions Ltd.	<b>2</b>	
04-Oct-21	Assets of GFL Environmental, Inc.	Ontario	Lakeshore Recycling Systems, LLC		
15-Mar-21	Solid Waste and Environmental Solutions Business of Terrapure Environmental Ltd.	Alberta	GFL Environmental Inc.	<b>4</b>	

1. Trivest's successful sanitation roll-up and BlackRock's acquisition of E360 highlight the industry's appeal to private equity investors, showcasing the sector's attractiveness for investment.
2. Amidst ongoing consolidation in the sector, E360 has emerged as a particularly prolific acquirer – a trend we expect to continue with new institutional capital.
3. Waste Connections strengthens its Canadian presence through the acquisition of Loraas Disposal, signaling their continued interest in investing in Canada.
4. GFL's recent focus has been on divestment of non-core operations in markets where they are not the leader, aiming to streamline business operations. They remain actively in pursuit of true tuck-in acquisitions that contribute to the densification of their platform in core markets.

# 2023 Outlook – Key Factors

## ✔ Buyer Appetite - STRONG

The waste and recycling sector continues to attract significant interest from buyers. This is driven by the industry's resilient nature, the essential services it provides, and its strong cash flow generation. The sector has seen a mix of strategic and financial buyers, with both private equity firms and public companies actively pursuing acquisitions.

Notably, there has been an influx of new entrants into the Canadian waste and recycling M&A market. These new entrants are largely private equity firms, attracted by the industry's stable cash flows and the potential for operational improvements.

## ⊖ Credit Markets & Macro-Economic Environment – CAUTION

The credit markets continue to be supportive of M&A activity in the waste and recycling sector. Despite the potential for continued interest rate increases, lenders remain comfortable with the industry given its defensive characteristics and steady cash flows.

However, the broader economic outlook is more uncertain. The Bank of Canada has recently flagged the risk of a potential recession due to rising inflation and geopolitical tensions. This could impact private company valuations, as buyers may become more cautious in their acquisition strategies.

## ✔ Business Performance – STRONG (for now...)

Major public companies in the waste and recycling sector have demonstrated strong performance, even in the face of potential economic headwinds. For instance, Waste Connections (WCN) has consistently met or exceeded earnings estimates over the past few quarters, demonstrating the resilience of its business model.

In their recent earnings calls, these companies have also outlined their recession resilience which should limit the duration of any pauses on transaction activity. Waste Management (WM), for example, highlighted its focus on cost control and operational efficiency. Similarly, GFL Environmental emphasized its diversified business model and strong liquidity position as key factors in its ability to withstand economic downturns.

## ★ Trend to Watch – Cross-Border M&A

A novel trend to watch in the waste and recycling sector is the increase in cross-border M&A activity. Canadian companies such as GFL and E360S are increasingly looking to the United States for acquisition opportunities, driven by the larger market size and the potential for geographic diversification. Similarly, U.S. strategic acquirers and private equity firms are increasingly seeing the opportunity in the Canadian market, where there are over 2,000 independents collectively generating over \$6.5B in revenue.

# Recently Closed Transaction

## E360's Acquisition of Local Environmental Services

### Description of Transaction

- Sequeira Partners was engaged by the shareholders of Local to assist them in identifying and pursuing a transaction with a best-fit partner to support future growth. The sale to E360S will enable Local's next phase of growth, providing opportunities for all stakeholders while allowing the Company to continue to serve customers and the community in the best possible way. The transaction will also provide customers of both Local and E360S a complete offering of waste management solutions, including both solid and specialty waste streams in Saskatchewan.
- The Sequeira team provided advisory assistance throughout the transaction including marketing the business, negotiating preliminary and final deal terms, advising on transaction structure and consideration, as well as assisting with due-diligence and other pre-closing matters.



### Client Testimonial

*"Working with Sequeira helps you present your organization in its best light, and with a serious intent to sell. And that's going to bring more motivated buyers who are probably willing to pay more. The team was really, really good at the technical financial arguments and financial engineering required to present ourselves the best way possible. And really good at emotional support, too."*

*"If you're not a sophisticated seller in terms of financial literacy, corporate finance, publicly traded versus non publicly traded, I mean, you're just in a gunfight with a knife. Working with Sequeira is like bringing a gun to a gunfight, they have the skills and experience to get you the highest value and to get a close."*

- Chris LaBossiere, Founder, Local Environmental Services



# Interested in Learning More?

## Our Partners

Sequeira Partners is the leading Canadian advisor in the Waste and Recycling sector. If you are interested in learning more as a potential buyer, seller or fellow waste industry enthusiast, we would love to hear from you.

Our dedicated partners and staff are always available and eager to discuss market trends and strategize on opportunities.

## Waste and Recycling Team



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## About Us

Sequeira Partners is Western Canada's largest boutique advisory firm exclusively focused on two complementary service offerings: deal advisory and corporate valuations.

From our offices in Vancouver, Edmonton and Calgary, our team of professionals have completed over 175 mid-market transactions and 500+ valuation mandates worldwide.

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