

Waste & Environmental Services Market Update

Industry Consulting Team | Q4 2023

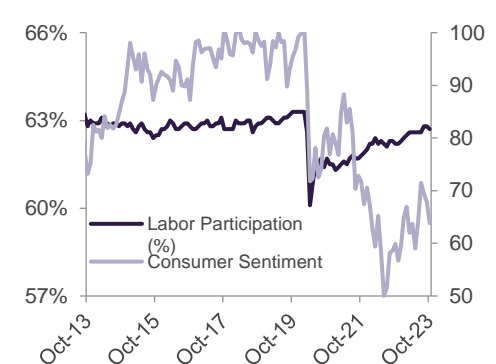
Highlights – Waste Sector

- Macroeconomic indicators are sending varying messages, but infrastructure spending and labor are trending positively heading into 2024.
- Waste pricing has continued to increase despite the Consumer Price Index (CPI) coming down in the second half of 2023 as the industry has emphasized pricing discipline across most regions.
- Industry M&A activity has slowed compared to 2022, but more transactions are expected than previous years. Companies are seeking opportunities to diversify their service offerings with investments in recycling, material recovery facilities, and wastewater disposal.

Waste and Environmental Services Industry Trends

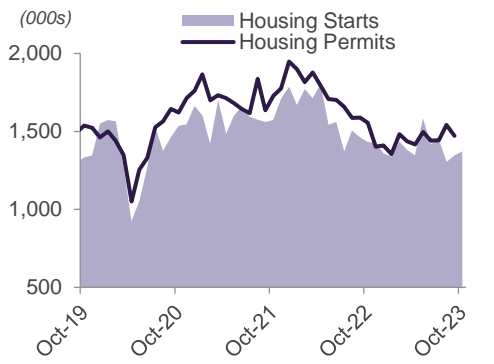
Labor and Sentiment

While the unemployment rate reached its highest level since January 2022 (3.9%), the labor participation rate is increasing closer to pre-pandemic levels due to people reentering the workforce. Kastle's U.S. Back to Work Barometer Index is hovering around half of pre-pandemic levels and growing consistently. Consumer sentiment has increased over 6% y/y but remains low as compared to historical averages mainly due to inflation concerns.



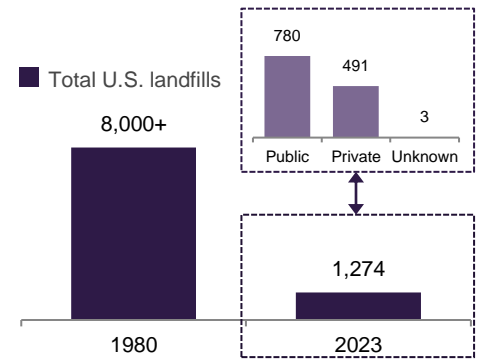
Housing

Housing starts increased moderately in October, but activity has slowed due to elevated interest rates. Additionally, new home buyer traffic dropped to an annual low. If rates come down in 2024, builders will likely look to expand on the low supply of homes in growing markets. Permits for single-family homes rose to the highest level this year and residential investment increased for the first time in 9 months.



U.S. Landfills in Operation

Regulatory pressure and ESG initiatives have led to a large reduction of U.S. landfills in operation. With limited capacity, operators have significant pricing power and are in high demand for strategics and sponsors. Regional haulers are offsetting added costs through higher collection fees or shipping through rail to more affordable locations. Additional trucks and personnel are also needed to cover the added miles.

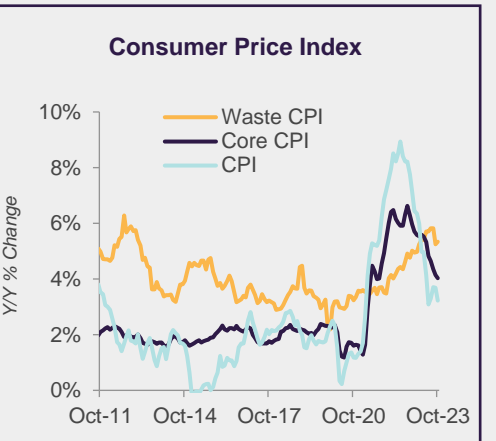


Waste Pricing:

- Waste pricing has continued to increase despite CPI coming down in the second half of 2023 as the industry has emphasized pricing discipline across most regions.
- People moving to new cities (especially to the Southeast and Texas) during the COVID-19 pandemic created new opportunities for waste collection contracts.
- Waste companies are continuing to invest in bolt on acquisitions, geographic expansion, and diversifying their service offerings to maximize margin upside and align with ESG initiatives.

Waste Volumes:

- Waste volumes for the top five public companies (WM, RSG, GFL, WCN and CWST) remained flat for the third quarter 2023 (0.5% average growth).
- Operators expect increased volume in commercial, industrial, and specialized segments in 2024. Residential collections will face headwinds as uncertainties persist for construction of new housing units



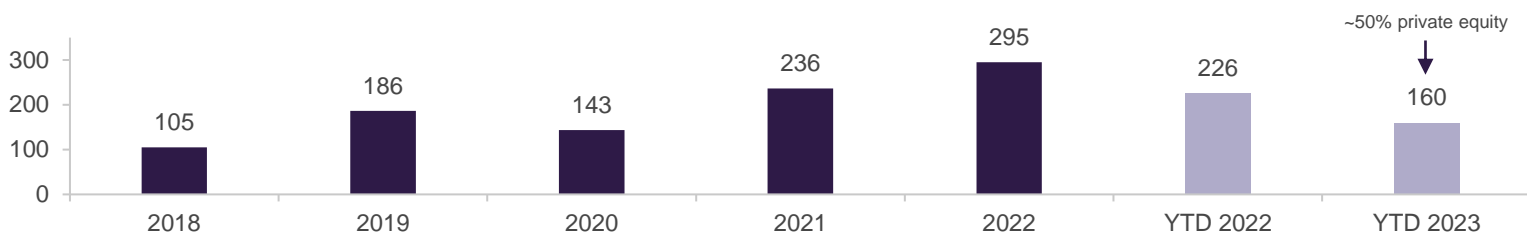
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Mergers & Acquisitions (M&A) Activity

M&A activity has moderated in the Waste & Recycling sector after a record year in 2022, but sponsor-backed companies are continuing to pursue targets with desirable locations and strong customer relationships. The number of transactions is expected to increase in 2024 as strategics continue to diversify service offerings and enhance their tech capabilities.

M&A Transactions



As of 11/15/2023

Sources: Industry Reports, Press Releases, Capital IQ, and Internal Company Data

Acquiror	Target	Details
		In November 2023, investment company 3i Group, provided growth capital to Matter Management, the parent company of Georgia-based AmWaste.
		In September 2023, Liberty, NC based Coble's Sandrock and Coble's Container Service were acquired by Meridian Waste, an integrated, non-hazardous solid waste services company.
		In August 2023, Casella Waste (Nasdaq: CWST) acquired Vestal, NY based Taylor Garbage Service (TGS). TGS provided service across 7 states in the Northeast.
		In August 2023, Cards Recycling acquired its fifth Texas-based company, AWT Sanitations, in the past 18 months. Cards pushes further into East Texas Territory and has the potential to be the largest independent waste company in Dallas.
	a) Go Eco Disposal b) Kentucky Petroleum Recycling	In August 2023, GFL Environmental announced its acquisition of North Carolina-based, Go Eco Disposal. Same day GFL announced its purchase of Kentucky Petroleum Recycling, a provider of used oil and reclaimed fuel recycling services.
		In July 2023, South Florida-based Coastal Waste & Recycling announced its acquisition of Pro Disposal, LLC. Pro Disposal was established in 2006 and became one of the largest independent hauling companies in South Carolina.

Solid Waste Public Companies

WCN – Waste Connections

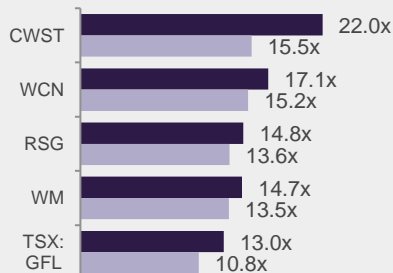
RSG – Republic Services

WM – Waste Management

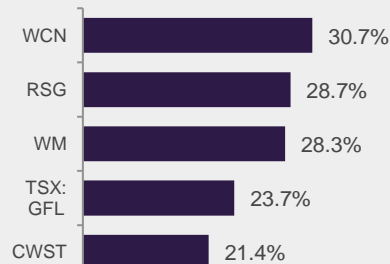
GFL – GFL Environmental

CWST – Casella Waste Services

EV/EBITDA



LTM EBITDA Margins



LTM ■ NTM ■



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Sources: Bloomberg, CapIQ, Waste Dive, Waste360, Company Filings, Moody's, Equity Research Reports, Company Websites, U.S. Census Bureau, Federal Reserve Bank of St. Louis, Reuters, Industry Research
Data as 11/30/2023