

# Market Update

## Environmental Services

Q1 2017

### Key Highlights

- Lincoln International Environmental Services Stock Index rose 3.7% in Q1 2017
- Public company trading multiples were unchanged, averaging 11.0x in Q1 2017
- Global deal volume remained stable in Q4 2016 when compared to the previous quarter

### Lincoln International's Environmental Services Group

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive environmental services expertise provides in-depth market insights, deep relationships with the most active strategic and financial partners and superior knowledge on how to best position a business and overcome potential issues. These attributes, combined with our globally integrated resources and flawless execution, enable us to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated Environmental Services Group has established itself among the most active M&A advisors in the mid-market. Our senior bankers provide sector-specific expertise, global buyer access and unmatched execution within the environmental services space, particularly in our key areas of focus below:

- Consulting & Engineering
- Laboratory Testing
- Remediation & Construction
- Reverse Logistics, Refurbishment & Recycling
- Waste Collection & Disposal

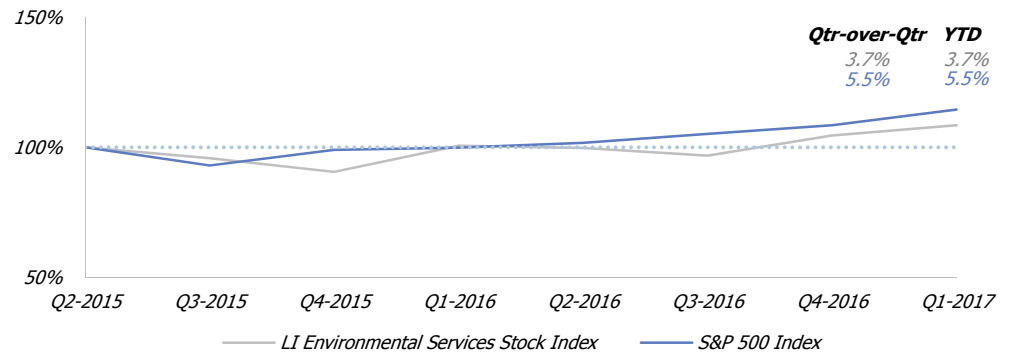
**Lincoln International Environmental Services Stock Index rose 3.7% in Q1 2017**

## Lincoln International Environmental Services Stock Index ("LI ESSI")

The LI ESSI is a market cap-weighted composite stock index similar to the S&P 500 Index. Given the broad scope of Environmental Services, the LI ESSI is comprised of companies that generate a meaningful portion of revenue from a variety of sub-sectors, including Consulting &

Engineering; Recycling & Refurbishment; Remediation & Construction; and Waste Collection & Disposal. A full list of the companies included in the LI ESSI is provided on the following page.

### Stock Index Change



Source: Capital IQ as of 3/31/2017

## Quarter-over-Quarter Performance

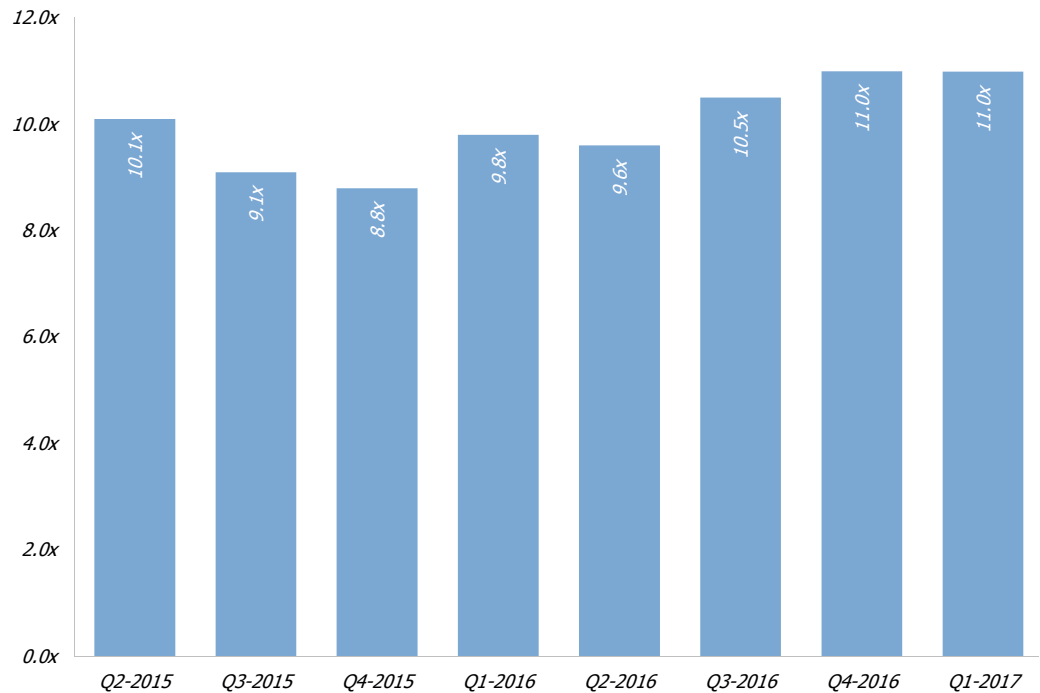
Outperformers*	Change	Underperformers*	Change
TRC Companies, Inc.	64.6%	Schnitzer Steel Industries, Inc.	(19.6%)
Casella Waste Systems, Inc.	13.7%	SNC-Lavalin Group Inc.	(9.7%)
Amec Foster Wheeler plc	13.1%	Tetra Tech, Inc.	(5.3%)
Waste Connections, Inc.	12.3%	US Ecology, Inc.	(4.7%)
ARCADIS NV	10.9%	Sims Metal Management Limited	(3.7%)
RPS Group plc	10.8%	AECOM	(2.1%)
Republic Services, Inc.	10.1%	Clean Harbors, Inc.	(0.1%)
Veolia Environnement S.A.	8.6%		
Stericycle, Inc.	7.6%		
SUEZ SA	5.6%		
Waste Management, Inc.	2.8%		

\*Based on qtr-over-qtr share price performance



Public company trading multiples were unchanged from the previous quarter, averaging 11.0x in Q1 2017

### Enterprise Value<sup>(1)</sup> / LTM EBITDA Multiples



Source: Capital IQ as of 3/31/2017; multiples represent adjusted mean

(1) Enterprise Value is calculated as market capitalization plus total net debt, preferred equity and minority interest

### LI Environmental Services Stock Index Data

(\$ in millions, except per share data)

	Current Price	52-Wk High	Market Cap	Enterprise Value	Diluted EPS	LTM Rev	EV / LTM			LTM Growth		EBITDA Margin	Net Debt/ EBITDA
							Rev	EBITDA	EBIT	Rev	EBITDA		
AECOM	\$35.59	\$40.72	\$5,528	\$9,122	\$1.04	\$17,472	0.5x	10.1x	16.5x	(3.3%)	(8.1%)	5.2%	3.8x
Amec Foster Wheeler plc	6.66	7.90	2,596	3,957	(2.61)	7,489	0.5x	9.0x	14.9x	(0.8%)	(15.7%)	5.8%	3.3x
ARCADIS NV	15.80	18.26	1,340	1,877	0.80	3,514	0.5x	9.0x	13.8x	(5.4%)	(20.2%)	6.0%	2.5x
Casella Waste Systems Inc.	14.11	14.23	589	1,095	(0.17)	565	1.9x	10.2x	23.9x	3.4%	18.4%	19.1%	4.7x
Clean Harbors, Inc.	55.62	59.17	3,186	4,512	(0.69)	2,755	1.6x	11.5x	43.0x	(15.9%)	(20.6%)	14.2%	3.4x
Republic Services, Inc.	62.81	63.84	21,312	28,906	1.78	9,388	3.1x	10.9x	18.3x	3.0%	3.5%	28.3%	2.9x
RPS Group plc	3.09	3.40	669	774	0.14	734	1.1x	9.8x	16.1x	(12.2%)	(17.1%)	10.8%	1.3x
Schnitzer Steel Industries, Inc.	20.65	30.60	542	726	(0.52)	1,366	0.5x	9.7x	n/m	(18.9%)	24.2%	5.5%	2.4x
Sims Metal Management Limited	9.44	10.40	1,866	1,619	0.41	3,351	0.5x	12.0x	31.9x	(14.4%)	86.6%	4.0%	(1.7x)
SNC-Lavalin Group Inc.	39.16	44.75	5,889	5,667	1.27	6,306	0.9x	13.7x	18.4x	(8.7%)	(11.0%)	6.6%	(0.6x)
Stericycle, Inc.	82.89	128.94	7,066	9,983	2.08	3,562	2.8x	12.3x	17.8x	19.3%	3.2%	22.8%	3.6x
Suez Environnement Company SA	15.83	18.00	8,929	19,717	0.74	16,174	1.2x	8.8x	17.2x	(1.6%)	(3.4%)	13.9%	3.9x
Tetra Tech, Inc.	40.85	44.85	2,341	2,603	1.49	1,998	1.3x	12.4x	15.9x	17.3%	15.2%	10.5%	1.2x
TRC Companies Inc.	17.45	17.45	551	613	(0.03)	521	1.2x	13.6x	23.2x	21.2%	2.6%	8.6%	1.4x
US Ecology, Inc.	46.85	54.00	1,021	1,297	1.57	478	2.7x	11.8x	18.5x	(15.2%)	(11.7%)	23.0%	2.5x
Veolia Environnement S.A.	18.78	23.24	10,295	19,713	0.58	25,747	0.8x	6.7x	13.6x	(5.0%)	(1.9%)	11.4%	2.8x
Waste Connections Inc.	88.22	88.59	15,503	18,991	1.60	3,376	5.6x	17.9x	31.8x	59.4%	49.6%	31.4%	3.3x
Waste Management, Inc.	72.92	73.90	32,216	41,517	2.65	13,609	3.1x	11.2x	17.2x	5.0%	9.6%	27.3%	2.5x
<b>Mean</b>							<b>1.7x</b>	<b>11.1x</b>	<b>20.7x</b>	<b>1.5%</b>	<b>5.7%</b>	<b>14.1%</b>	<b>2.4x</b>
<b>Median</b>							<b>1.2x</b>	<b>11.0x</b>	<b>17.8x</b>	<b>(2.5%)</b>	<b>0.4%</b>	<b>11.1%</b>	<b>2.6x</b>
<b>Adjusted Mean (excludes highest and lowest value)</b>							<b>1.5x</b>	<b>11.0x</b>	<b>19.7x</b>	<b>(0.8%)</b>	<b>2.3%</b>	<b>13.7%</b>	<b>2.5x</b>

Source: Capital IQ as of 3/31/2017

## Lincoln's Insights

01/19/17: Lincoln International advised **Ross Solar Group ("Ross" or the "Company")** on its sale to **Consolidated Edison Solutions ("ConEdison Solutions")**. **Ross** is a leading provider of turnkey solar system solutions for residential, commercial and municipal customers throughout the Northeastern United States. **Ross** offers a comprehensive suite of capabilities, including solar consulting, installation, repair and maintenance services. With the acquisition of **Ross, ConEdison Solutions** will gain the capacity to bring sustainable energy choices to more residential customers. Lincoln acted as the exclusive sell-side advisor to **Ross**, working closely with the management team and shareholders throughout the sale process.

## Market Intelligence

03/21/17: A consortium led by **Veolia Environnement S.A. (ENXTPA:VIE)** has won preferred bidder status with exclusive rights to talk with Hamamatsu City, a regional government in Shizuoka Prefecture (Japan), for the 20-year-long operating rights of the city's sewage disposal facilities. The consortium comprises **Veolia, JFE Engineering Corporation, Orix Corporation (TSE:8591), Tokyo Construction Company (TSE:1720)** and **Suyama Construction**, who offered \$22M for the operating rights. Other competitors in the auction process were **Hitachi (TSE:6501)** and **Water Agency, Inc.**

03/13/2017: **John Wood Group plc (LSE:WG)** has acquired **AMEC Foster Wheeler plc (LSE:AMFW)** for \$2.7B. The two businesses are expected to achieve cost synergies of \$134M per annum. Together, the firms represent a global leader in project, engineering and technical services across a range of energy and industrial end markets. Due to the transaction, AMEC Foster Wheeler is suspending its \$625M rights issue. **SNC-Lavalin (TSX:SNC)** and **Petrofac (LSE:PFC)** are said to be interested in asset divestments following the merger.

03/09/17: **ARCADIS NV (ENXTAM:ARCAD)**, the global design and consultancy firm for natural and built assets, named Peter Oosterveer as Chief Executive Officer. Oosterveer takes over for interim CEO Renier Vree and joins **ARCADIS** from **Fluor Corporation (NYSE:FLR)** where he spent the last 28 years and most recently served as Chief Operating Officer.

03/08/17: **Suez SA (ENXTPA:SEV)** and **CDPQ** have agreed to acquire General Electric's **(NYSE:GE)** water technology business for \$3.4B. **SUEZ** will acquire a 70% stake and will contribute its industrial water business to **GE Water** to create a new self-standing business unit within **SUEZ** encompassing all industrial water activities with a global focus. **CDPQ** will invest over \$700M for a 30% stake. GE Water is a global leader in the provision of equipment, chemicals and services for the treatment of water and wastewater.

02/17/16: **Republic Services (NYSE:RSG)**, the provider of waste collection services, has an active pipeline of potential acquisitions, many of which are in advanced stages of due diligence, per CEO Donald Slager. The firm expects to spend \$100M on tuck-in acquisitions during 2017 and is focused on

privately held solid waste and recycling companies that complement Republic's existing business platform.

02/08/17: **Kelda Group** is in the latter stages of selling **Kelda Water Services (KWS)**, which has been valued in the hundreds of millions of dollars and possibly up to \$620M. **KWS** has five public private partnership (PPP) contracts across the UK that include water treatment, waste-water treatment and food-waste treatment. **KWS** is a water and waste water contract operations company, delivering large-scale and long-term infrastructure solutions across England, Scotland, Wales and Ireland.

02/06/17: **Hoffman Southwest Corporation**, a California-based provider of water flow inspection, repair and cleaning services, has been acquired by **ORIX Capital Partners** from **Sterling Investment Partners** in a sponsor-to-sponsor transaction. Hoffman provides underground pipeline condition assessment and repair and is the largest franchisee of **Roto-Rooter**, a provider of plumbing services.

01/31/17: **Lakeshore Recycling**, the provider of recycling and waste diversion programs, is in early-stage talks to make more acquisitions per CEO Alan Handley. The firm recently acquired **K. Hoving Recycling & Disposal**, a recycling a waste removal company also based in the Greater Chicagoland area. **Lakeshore** anticipates \$170M in revenue in 2017 and is partly owned by **Tensile Capital Management**, which has a 10% stake in the firm.

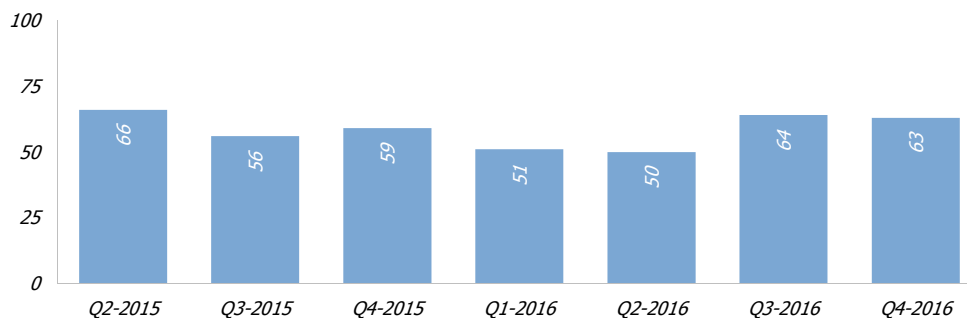
01/13/17: **SNC-Lavalin (TSX:SNC)**, the Montreal-based engineering and construction company, is turning back to M&A to drive future growth per CFO Sylvain Girard. The firm is looking to spend \$1B-\$3B to purchase a global player with a complementary capability to its existing business, and more specifically in infrastructure and power where SNC sees growth in end markets. SNC has not pursued M&A since its \$1.6B acquisition of **Kentz**, a global engineering and construction company, in 2014.

01/03/17: **Waste Connections (NYSE:WCN)** has acquired **Groot Industries**, the Illinois-based solid waste services company. **Groot** is the largest privately owned solid waste services company in Illinois with total annual revenue of ~\$200M from 300 thousand customers from a network of six collection operations.

Global deal volume remained stable in Q4 2016 when compared to the previous quarter

## Environmental Services M&A Activity

### Quarterly M&A Activity



Source: Capital IQ as of 3/31/2017

Note: Represents closed M&A transactions for targets classified under relevant SIC codes or tracked on Lincoln's industry watch list; this chart is subject to change quarterly as this report may be published prior to the announcement of certain transactions completed within the respective periods outlined above

## Select M&A Transactions

(\$ in millions)

Closed	Target	Target Description	Acquirer	Enterprise Value	EV / LTM	
					Rev.	EBITDA
Announced	TRC Companies, Inc.	Provides environmental and infrastructure services	New Mountain Capital, LLC	\$653.9	1.3x	14.6x
Announced	Amec Foster Wheeler plc	Provides environmental consultancy, engineering and project management services	John Wood Group plc	4,049.5	0.6x	9.5x
Announced	Environmental Scientifics Group Holdings, Ltd.	Provides environmental testing, inspection and compliance services	Holding Socotec, S.A.S.	-	-	-
Announced	GE Osmonics, Inc. (GE Water)	Designs, manufactures and markets fluid filtration, separation and processing equipment	SUEZ SA	3,374.8	1.6x	10.0x
Announced	Charier TP S.A.S., Environment Division	Comprises industrial and household waste management operations	Séché Environnement S.A.	-	-	-
Mar-17	Bruins En Kwast Exploitatie B.V.	Operates as a recycling center processing green waste	REMONDIS SE & Co. KG	-	-	-
Mar-17	Tradebe	Provides industrial waste management services	First Response Environmental Group (FREG)	-	-	-
Feb-17	Prazske Vodovody a Kanalizace (PVK)	Engages in the production of drinking water and offers wastewater treatment services	City of Prague	-	-	-
Feb-17	Max Environmental Technologies, Inc.	Operates as an environmental treatment and disposal company	Altus Capital Partners	-	-	-
Feb-17	CGS Services, Inc.	Operates as a waste collection, recycling and disposal company	Advanced Disposal Services, Inc.	-	-	-
Feb-17	Sunpro, Inc.	Provides environmental field services	Savage Industries, Inc.	-	-	-
Jan-17	Eco Logical Australia Pty, Ltd.	Provides environmental consultancy services	Coffey Services No 2 Pty, Ltd.	-	-	-
Jan-17	Hoffman Southwest Corp.	Provides water flow inspection, repair and cleaning services	ORIX Capital Partners, LLC	-	-	-
Jan-17	VTA Verfahrenstechnik und Automatisierung GmbH	Provides environmental engineering and automation services	HEGMANN AG	-	-	-
Jan-17	Aquenta Consulting Pty, Ltd.	Provides water and waste management services	Jacobs Engineering Group, Inc.	15.8	-	-
Jan-17	North American Recycling, Inc.	Operates as a metal recycling company	Metro Group, Inc.	-	-	-
Jan-17	CITIC Envirotech Water Resource (Hegang) Co., Ltd.	Operates water treatment plants	Longjiang Environmental Protection Group Co., Ltd.	16.3	-	-
Jan-17	Cynergis Group, Ltd.	Designs and builds energy reduction projects	Veolia Environnement S.A.	-	-	-
Jan-17	FRC Systems International, LLC	Designs, manufactures and installs wastewater treatment equipment	JWC Environmental, LLC	-	-	-
Jan-17	Schust Engineering, Inc.	Designs and supplies air pollution control systems	Scheuch GmbH	-	-	-
Jan-17	Groot Industries, Inc.	Provides solid waste management services	Waste Connections, Inc.	-	-	-

Source: Capital IQ, Mergermarket, Company Filings as of 3/31/2017

## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building & Infrastructure  
Business Services  
Chemicals  
Consumer  
Distribution  
Education Services  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology & Media

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
New York  
Paris  
São Paulo  
Tokyo  
Vienna  
Zurich

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# About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and joint venture & partnering advisory services on a wide range of transaction sizes. With eighteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

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