



## Environmental Services

### Spotlight On:

#### Industrial Services and Special Waste

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Industrial services and special waste management are benefiting from growing regulatory complexity, aging infrastructure, and increased outsourcing, which are expected to sustain demand for services. The competitive landscape remains highly fragmented, and consolidation is accelerating.

In our **spotlight survey**, industry executives provide insight into key operating issues and market trends that are driving growth, and their outlook on future consolidation.

#### July 2016

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# Insider

A person wearing a dark blue work shirt is holding a small, white, speckled ceramic pot containing a green plant with long, thin leaves. The person's hands are visible, holding the pot from the bottom. The background is a dark, solid color.



*The Environmental Services Insider discusses valuation metrics, recent mergers and acquisitions and capital markets activity, and select sector commentary for BGL's core focus areas within the environmental services industry:*

- Solid Waste (Non-Hazardous)
- Special Waste (Hazardous as well as other non-traditional waste streams)
- Environmental Engineering & Consulting (EE&C)
- E-Waste & Metals Recycling
- Reclamation & Remediation
- Waste-to-Energy (WtE)
- Industrial Services
- Energy Services

*Feature spotlights present our views and views of the market on certain sectors gathered through primary research and industry-focused transaction expertise.*



## M&A and Capital Markets Activity

- Middle market<sup>1</sup> M&A activity inched higher in 2Q 2016 with deal volume (based on number of transactions) up 10 percent from the previous quarter. Despite the uptick, deal flow through the first half of 2016 was down 7 percent over the comparable period last year. Deal value increased a modest 4 percent over the same period.
- Capital continues to outstrip available deal flow fueling a persistent supply/demand imbalance in the market. Sixty-six percent of participating lenders in Thomson Reuters LPC's *3Q16 Middle Market Lender Outlook Survey* did not meet lending goals in 2Q 2016. Lenders cite competition, deal flow, and the economy among the drivers of market conditions in the second half of the year. *Standard & Poors Leveraged Commentary & Data* (S&P LCD) reported total leverage of 4.8x in June for middle market transactions.
- Purchase price multiples for quality assets continue to remain elevated with scarcity driving up value. In June, S&P LCD reported median EBITDA multiples for strategic and financial buyers of 9.1x and 8.7x, respectively, on transactions valued less than \$250 million, and 9.8x and 7.2x on transactions valued between \$250 and \$500 million.
- Environmental Services M&A declined modestly in 1H 2016, down 3.6 percent from the year ago period, driven by a decline (25 percent) in solid waste deal flow but was more than offset by a sizable uptick (44 percent) in special waste activity. EE&C and Special Waste led sector transaction activity, accounting for 38.3 percent and 33.6 percent of deal flow, respectively. M&A activity is accelerating in Special Waste, which saw participation from corporate buyers Univar (NYSE: UNVR) (Bodine Services of the Midwest) and Covanta (Chief Environmental Services) and private equity sponsors, including Compass Diversified Holdings/Clean Earth (EWS Alabama and Phoenix Soil); Turnbridge Capital Partners (DeBusk Services Group); The Sterling Group (Evergreen Industrial Services and North American Industrial Services); and J.F. Lehman & Company/National Response Corporation (ENPRO Holding). In EE&C, ATC Associates picked up Dexter Field Services and Sage Environmental Consulting this April and Apex Companies (Tailwind Capital) acquired The Source Group in February.
- In Solid Waste, the January merger announcement between Waste Connections and Progressive Waste dominated headlines. Add-on acquisitions for private equity-backed solid waste platforms continue to remain robust. Among the active acquirers were Advanced Disposal/Highstar Capital with six tuck-in acquisitions (Pete's Economy Hauling, Arwood Waste (select assets), Tatum Sanitation, Heffner's Sanitation, Burdick's Disposal and Containers, and FDS Disposal), GFL Environmental/Novacap (Enviro-Viridis), and Valet Waste/Ares Management and Harvest Partners (Green Door Valet). In February, GFL completed the previously announced acquisition of the Matrec solid waste division from TransForce. New platforms include Tunnel Hill Partners' acquisition of City Carting, and Apex Environmental, backed by Prophet Equity, which received development capital from Tailwind Capital.

<sup>1</sup> Middle market defined as enterprise values between \$25 million and \$500 million.



## Public Equity Markets

- Geopolitical risks and global economic uncertainty continue to weigh on investor confidence. The U.K. Brexit vote sent equity indices tumbling in June and are now at record highs. Year-over-year\*, the S&P 500 and DJIA are up 2.9 percent and 4.0 percent, respectively. The BGL Solid Waste composite indice outperformed the broader market over the same period with a year-over-year return of 36.4 percent.

*\*As of July 22, 2016.*

## Operating Highlights

- Public solid waste companies are reporting volume and price growth. Operators are seeing strength in industrial volumes (excluding oil and gas), underscored by a late recovery in the non-residential construction market and a continued strong housing market.
- Despite anticipated softness in recycled commodity values in 2016, recycling is expected to be less of a headwind as operators push forward with initiatives to combat price declines, notably increased recycling fees and contract restructuring.
- After rebounding from a 12-year low this January, oil prices appear to be stabilizing in a \$45/bbl - \$50/bbl range. Brent crude oil prices are forecasted to average \$52/bbl in 2017, according to estimates reported in the Short-Term Energy Outlook from the U.S. Energy Information Administration.
- Industrial services providers are citing healthy activity in the general manufacturing, industrial, and refinery sectors, offsetting sluggish volume in resource-based sectors, notably oil and gas and metals.

*Source: S&P Capital IQ, Waste360, U.S. Energy Information Administration, Equity Research, and public data.*



For more information on how BGL's Global Environmental and Industrial Services Practice can assist your company, please contact:

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Delivering Results to the Global Middle Market







# Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

## Notable M&A Activity in Solid Waste

### SOLID WASTE

In June 2016, **Waste Connections Inc.** (NYSE:WCN) completed the acquisition of **Progressive Waste Solutions Ltd.** (TSX:BIN) in an all-stock reverse merger transaction. The transaction represents an exit for investors Blue Harbour Group, L.P. and Sentry Investments Inc., among others. Post-transaction, WCN shareholders will control ~70 percent of the combined company. The transaction is viewed as an opportunistic expansion into Canada and the Eastern U.S. by WCN, bringing together a largely non-overlapping geographic footprint to build a coast-to-coast waste disposal company with approximately 7 percent share of the North American waste disposal market.

In June 2016, **Waste Connections, Inc.** (NYSE: WCN) purchased the **Rapid City, South Dakota hauling assets of Red River Waste Solutions (RR Waste)**. The operation provides solid waste collection, recycling, and disposal services to residential and commercial customers. The transaction combines the two largest waste management participants in the South Dakota market. BGL's Environmental & Industrial Services team served as financial advisor to RR Waste in the transaction.

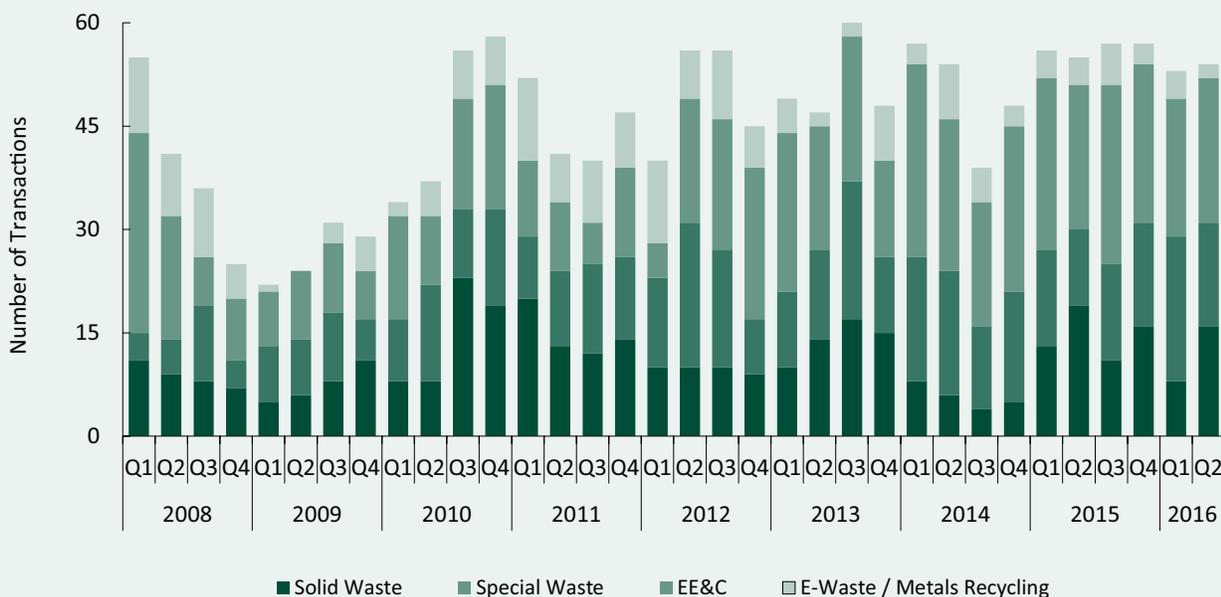
In June 2016, **Tunnel Hill Partners**, a portfolio company of **American Infrastructure MLP Funds**, completed the acquisition of **City Carting Holding Company, Inc.** (City Carting). Headquartered in Stamford, Connecticut, City Carting is a leading integrated solid waste management and recycling company in the Northeastern U.S. specializing in municipal solid waste and construction and demolition debris ("C&D") collection, hauling, processing, and recycling; and municipal transfer station management. City Carting's strong regional presence is anchored by its network of four transfer stations and a high volume single stream material recycling facility in the region, as well as the municipal transfer stations it manages. BGL's Environmental & Industrial Services team served as the financial advisor to City Carting in the transaction.

City Carting was previously backed by investors **Ironwood Capital, Alcentra Capital, Advantage Capital Partners, and Lake Erie Group**.

In May 2016, **Waste Harmonics** acquired waste broker **Consolidated Waste Management**, a provider of integrated waste management programs and consultation services throughout the U.S. and Canada. The transaction follows the recapitalization of Waste Harmonics this May, led by

### Historical Environmental Services M&A Activity

Quarterly M&A Activity by Sector



Based on announced deals, where the primary location of the target is in the United States.  
Source: S&P Capital IQ, mergermarket, PitchBook, and BGL Research.



# Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

## Notable M&A Activity in Solid Waste

### SOLID WASTE (continued)

**Prospect Partners** and **Expedition Capital Partners** in partnership with management. Victor, New York-based Waste Harmonics provides outsourced waste management services, including pick-up, hauling, recycling, and sustainability, in North America. The company also provides rental waste equipment, equipment installation and repair services, and temporary containers for construction waste. Waste Harmonics was founded in 2001.

“We are in the midst of a thrilling, fast-paced chapter of growth,” said Waste Harmonics CEO Michael Hess in a press release. The partnership with new private equity owners will advance Waste Harmonics aggressive growth strategy that will include acquiring other waste brokers and waste services providers to offer more services and expand its footprint nationally.

“We are very excited to be partners with Mike and his exceptionally talented management team,” said Maneesh Chawla, a Principal of Prospect Partners. “Waste Harmonics’ success is due both to its savvy leaders and its genuine core focus on customer service. We look forward to supporting management’s many forward-thinking initiatives and see significant opportunities for continued growth.”

Expedition Capital Partners will reportedly lead the company’s business development and acquisition strategy. Michael Hendrie, a Managing Director at Expedition Capital Partners, said, “I am excited to work with Prospect Partners and such a strong management team. Waste Harmonics is built for growth, particularly through acquisition.”

In May 2016, **Waste Management** (NYSE: WM) announced it is acquiring **Benz Sanitation Inc.** and its sister companies, **Tehachapi Recycling Inc.** and **Benz Propane Co. Inc.** Tehachapi, California-based Benz provides commercial and residential waste collection to customers in the Kern, Los Angeles, and San Bernardino counties. The acquisition is expected to close in August.

In April 2016, **Waste Management** completed the purchase of **Baker Sanitation Inc.** (BSI) of Cortez, Colorado, adding routes in Montezuma, Dolores, and La Plata counties. BSI was founded in 2006. The transaction follows the purchase of 12 Florida-based sites from **Southern Waste Systems**, completed in January.

In April 2016, **Valet Waste** acquired **Green Door Valet, LLC.** Founded in 2013 and based in Austin, Texas, Green Door Valet provides recycling and waste solutions to multifamily communities in Austin, Dallas, Houston, and San Antonio, Texas. Valet Waste was acquired in September 2015 by **Ares Management** and **Harvest Partners**.

In March 2016, **Waste Pro USA** acquired **Downum’s Waste Services, Inc.** Hoxie, Arkansas-based Downum’s provides solid waste collection, recycling, and disposal services to residential and commercial customers in 13 counties from Corning to Searcy and from West Memphis to Mountain View. Assets acquired include an operations facility, trucks, containers, residential and commercial contracts, and exclusive use of an on-site transfer station. Downum’s 27 employees will also join Waste Pro.

In March 2016, **GFL Environmental** completed the purchase of **Enviro-Viridis Inc.** and its subsidiary company **CDEV** from Canadian private equity firm **Novacap** and **Developpement EDB Inc.** Founded in 2009 and based in Laval, Québec, Enviro-Viridis manages residual materials from municipal, commercial, and institutional collection, as well as construction and demolition waste. The company’s vertically integrated operations include three CRD sorting centers and two landfills. Enviro-Viridis has been backed by Novacap since 2009.

Commenting on the acquisition, Patrick Dogivi, CEO of GFL Environmental, said, “This acquisition further diversifies our service offerings in the province of Québec and will give us another platform to grow in other markets in Canada.” This February, **GFL** completed the acquisition of the **Matrec solid waste division** from **TransForce** (TSX: TFI) for \$571.7 million, a move that would facilitate entry into the Quebec and Eastern Ontario markets.

**GFL Environmental** received CAD 852 million of development capital from **Macquarie Funds Group** and **Highbridge Principal Strategies Growth Equity** in February 2016.

**Advanced Disposal** has completed several tuck-in acquisitions to date in 2016:

May 2016 – **Pete’s Economy Hauling**, based in Sheboygan, Wisconsin. The acquisition includes commercial and industrial customers in Sheboygan County, strengthening Advanced Disposal’s existing Wisconsin footprint.

May 2016 – Acquired several accounts from Jacksonville, Florida-based **Arwood Waste, Inc.**, which provides services to the city’s five counties as well as two Georgia counties, strengthening Advanced Disposal’s existing Jacksonville-north Florida and southern Georgia footprints. The acquired accounts include front load and permanent roll-off collection. Arwood will continue operating its temporary roll-off, demolition, and nationwide waste brokering businesses under its existing brand name.



# Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

## Notable M&A Activity in Special Waste

### SOLID WASTE (continued)

April 2016 - **Heffner's Sanitation**, based in Reynoldsville, Pennsylvania. Acquired vehicles and residential and commercial customers in Clearfield and Jefferson counties.

April 2016 - **Burdick's Disposal and Containers** of Smethport, Pennsylvania. Acquired vehicles and residential and commercial customers in McKean County, Pennsylvania.

February 2016 - **Tatum Sanitation** of Canton, Georgia. Acquired vehicles and residential customers in Georgia's Cherokee County, expanding its presence in north Georgia.

January 2016 - **FDS Disposal** based in Lecanto, Florida. Acquired a hauling facility, and commercial and residential customers in Citrus County, strengthening Advanced Disposal's existing Florida footprint.

In November 2015, Advanced Disposal purchased two Georgia waste haulers: **Webb Waste Inc.** of Macon, gaining front-end loading and roll-off commercial customers in Georgia's Bibb County; and **AC Sanitation** of Ball Ground, adding commercial and residential customers in Georgia's Cherokee County.

**Highstar Capital** acquired a majority interest in the company in 2006.

In March 2016, **Lakeshore Recycling Systems LLC** (LRS) acquired Northbrook, Illinois-based **C&D Recycling LLC**. With the acquisition, LRS will operate six material recovery facilities (MRFs) throughout Chicagoland and Illinois, controlling and processing over 2 million tons of waste material annually. The combined company will have annual revenues in excess of \$130 million and over 540 full-time employees. "The acquisition of C&D Recycling advances our rapid growth by adding a strategic asset and location in the northern Chicago suburbs. C&D Recycling is uniquely positioned to propel our growth in Northern Illinois markets," said Lakeshore Recycling Systems CEO Alan T. Handley. "We remain committed to realizing aggressive and profitable growth through both organic and strategic acquisition."

Lakeshore Recycling Systems received an undisclosed amount of acquisition financing from **Tensile Capital Management** in December 2012.

In February 2016, **Apex Environmental LLC** received an undisclosed amount of development capital from **Tailwind Capital**. The company also received \$11.4 million of senior debt financing from **NewStar Financial** and **Madison Capital Funding** in the round. The funding will be used for acquisition purposes. Amsterdam, Ohio-based Apex is a provider of waste disposal services. The company handles municipal solid waste, construction and demolition waste, and oil and gas waste from the Utica and Marcellus shales. Apex operates the 13th largest landfill in the United States, located in Jefferson and Harrison County in Ohio, and a transfer station in Belmont County, Ohio. **Prophet Equity** acquired Apex Environmental through an LBO in October 2015.

### SPECIAL WASTE

In June 2016, **The Sterling Group** announced the formation of a new growth platform in industrial services with the acquisitions of **North American Industrial Services** and **Evergreen Industrial Services**. New-York based North American brings a strong geographic footprint in the Northeast, Midwest, and Rocky Mountain regions. Texas-based Evergreen brings a regional presence in the Southwest and West Coast.

**Clean Earth** completed two acquisitions in three months, including the purchases of **EWS Alabama, Inc.** in June and **Phoenix Soil, LLC** in April.

With the acquisition of **EWS**, Clean Earth acquires its fourth RCRA Part B hazardous waste facility with unique capabilities to recycle carbon black and handle various medical wastes. The acquisition marks Clean Earth's sixteenth fixed-based facility in the United States. Based in Glencoe, Alabama, EWS provides hazardous and non-hazardous waste management services to customers in eleven states. With the addition of EWS, Clean Earth expands its waste streams to include various medical wastes, university waste, and the ability to recycle new forms of non-hazardous wastes.

Commenting on the transaction, Clean Earth CEO Chris Dods, said, "Our combined geographic footprint will open up new markets for Clean Earth, expanding our customer base and enhancing our growth prospects. In addition, EWS's regulatory permits and extensive processing capabilities will enable us to recycle carbon black, utilize fuel blending, process medical waste and recycle new forms of non-hazardous waste, opening up new opportunities to service our existing regional customers as well as acquire new national customers."



# Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

## Notable M&A Activity in Special Waste

### SPECIAL WASTE (continued)

Connecticut-based **Phoenix Soil** operates a state-of-the-art low temperature thermal desorption facility for processing non-hazardous petroleum-contaminated soils. It was the first treatment facility to obtain a Connecticut DEEP Beneficial Use Determination Permit allowing treated soil to be classified as clean fill throughout Connecticut. With a strong presence in the New England markets, Phoenix Soil will allow Clean Earth to geographically expand soil recycling throughout the Northeast.

Clean Earth's treatment platforms consist of bioremediation, chemical fixation of RCRA hazardous waste, aerosols and consumer commodities, thermal desorption, aggregate production, drill cuttings and pipeline cuttings, and stabilization of dredged material. **Compass Diversified Holdings** (NYSE: CODI) acquired Clean Earth from **Littlejohn & Co.** in August 2014.

In May 2016, **Turnbridge Capital Partners** completed the recapitalization of mechanical and industrial cleaning services provider **DeBusk Services Group** (DSG), in partnership with management. The company is headquartered in Pasadena, Texas and operates 16 facilities across the country. DSG primarily serves domestic refining and petrochemical facilities. BGL's Environmental & Industrial Services Team served as the exclusive financial advisor to DeBusk in the transaction.

Commenting on the investment, Mitch Cox, a partner at Turnbridge Capital, said, "Our investment in DeBusk Services Group places us in partnership with an exceptional management team with a proven track record of value creation through organic and strategic growth initiatives. DSG's industry-leading reputation for being a reliable, skilled, and safe provider of both routine and mission critical industrial cleaning and mechanical services has allowed the Company to build a blue-chip customer base and experience significant growth that we expect to continue in the future."

In May 2016, WRM, a portfolio company of **NGP Energy Technology Partners**, acquired **SouthWaste Services Holdings, LLC** (SouthWaste) from **Rock Hill Capital Partners**. Houston, Texas-based SouthWaste is a vertically-integrated environmental services firm providing non-hazardous liquid waste collection, processing, and disposal services across the Southern U.S. The company provides grease trap (i.e., brown grease) and commercial septic waste collection, cleaning, and maintenance services for restaurant, grocery store, prison, stadiums, hospital system, and school district clients. The company's five permitted processing and disposal facilities in Texas and

Florida process over 91 million gallons of waste annually. SouthWaste will serve as a growth platform, led by Tom Van Weelden, the former co-founder of Republic Services, to consolidate the fragmented liquid waste management industry. BGL's Environmental & Industrial Services team served as a financial advisor to SouthWaste in the transaction.

In April 2016, **National Response Corporation** acquired environmental and emergency response solutions provider **ENPRO Holdings Group Inc.** EnPro has 9 offices and 2 waste treatment, storage, and disposal facilities (TSDF) throughout the Northeastern U.S. with over 250 employees. The acquisition enhances NRC's geographical reach in the Northeast and expands its full line of environmental, emergency response, and industrial services. **J.F. Lehman & Company** acquired National Response Corporation from **SEACOR Environmental** in 2012.

In March 2016, **Univar Inc.** (NYSE: UNVR) completed the acquisition of **Bodine Services of the Midwest**, a provider of waste management, environmental consulting and contracting, and plant maintenance services. The company operates from five locations in Illinois, Iowa, and Indiana.

The transaction follows the purchase of **Weavertown Environmental Group** (WEG) in December 2015. WEG provides emergency response, industrial cleaning, environmental remediation, and hazardous and non-hazardous material transportation for customers in the manufacturing, pharmaceutical, engineering, and educational markets.

In March 2016, **RI-NU Environmental Services** purchased the property and assets of the **Milano oilfield waste site** in Milam County, Texas from **Inland Environmental & Remediation, Inc.** (Inland). Located on approximately 50 acres, the Milano facility currently provides saltwater disposal, truck washing, and oil and water based fluid recovery services. BGL's Environmental & Industrial Services team served as the exclusive financial advisor to Inland's senior secured lender in the transaction.

In March 2016, **Milestone Environmental Services LLC** (Milestone) purchased select **oilfield waste processing and disposal assets** in Gonzales County, Texas. Located on approximately 10 acres near Smiley, the facility currently provides saltwater disposal, truck washing, cuttings, recycling, and oil and water based fluid recovery services and is fully permitted and in the final stage of construction to process drill cuttings into road-base. BGL's Environmental & Industrial Services team served as the exclusive financial advisor to the seller's senior secured lender in the transaction.



## Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

### Notable M&A Activity in EE&C

#### SPECIAL WASTE (continued)

A portfolio company of **Intervale Capital**, Milestone operates a network of six strategically located oilfield waste disposal sites serving the Eagle Ford and Haynesville Shale regions. The Smiley facility will expand Milestone's footprint in the Eagle Ford Shale region.

In February 2016, **Clean Harbors** (NYSE: CLH) purchased a Nevada re-refinery facility from **Vertex Energy** (NasdaqCM: VTNR) for \$35 million, increasing its re-refining presence in California and other West Coast lubricant markets. Clean Harbors' COO Eric Gerstenberg said, "As we pursue our closed loop direct sales strategy, this plant provides an opportunity to scale our blended operations in the Western U.S. where we currently have no capability. We are confident that the facility will complement our existing re-refining network through transportation efficiencies, additional storage and processing capabilities."

In January 2016, **Universal Environmental Services, LLC** (UES) acquired **Metro Environmental Services**. For over 23 years, Metro Environmental has been involved in the collection, processing, and marketing of used oil and used oil related services serving the Alabama and Georgia areas. The Sylacauga, Alabama-based company will form UES's 21st terminal operation that will provide additional volume for its Peachtree City, Georgia used oil re-refinery. UES is wholly owned by **AVISTA OIL AG** headquartered in Uetze Germany.

In January 2016, **Covanta Holding Corporation** (NYSE: CVA) acquired Winneconne, Wisconsin-based **Chief Industrial Services** (Chief), expanding and complementing its capabilities in the Midwest. Chief specializes in custom non-hazardous waste management and cleaning services for industrial and commercial customers in the Midwest. The transaction follows Covanta's 2015 acquisition of Milwaukee, Wisconsin-based **Advanced Waste Services**.

"The acquisition of Chief reinforces Covanta's commitment to growing our environmental services business by expanding our non-hazardous liquid and solid waste collection, transportation and waste treatment capabilities," said Paul Stauder, president of Covanta Environmental Solutions. "We also believe that the integration of Chief with the previous acquisition of Advanced Waste Services will provide opportunities for synergies."

In November 2015, **Kinderhook Industries** acquired Elizabeth, New Jersey-based **Clean Venture, Inc.** (CVCC), a full-service environmental contractor offering a broad range of services from industrial cleaning, emergency response, and remediation to hazardous and non-

hazardous waste management services. The company serves commercial and government entities in the Northeast and Mid-Atlantic U.S. The transaction follows the November purchase of **Allstate Power Vac** (APV). Rahway, New Jersey-based APV is a leading environmental and industrial service provider in the Northeast United States, offering industrial services; tank and oil processing; sewer lining and maintenance services; and related industrial and hazardous waste services including transport, storage and emergency response.

In November 2015, CapitalWorks completed the acquisition of **Chemtron**, in partnership with management. Stonehenge Partners provided mezzanine funding, and KeyBanc Capital markets provided debt financing for the transaction. Based in Avon, Ohio, Chemtron provides hazardous and non-hazardous waste management services, including blending, storage, recycling, and transportation. Field and technical services include compliance training, testing, emergency response, demolition, plant closure, industrial cleaning, and environmental consulting. The company serves industrial manufacturers, healthcare facilities, and consumer product companies.

#### ENVIRONMENTAL ENGINEERING & CONSULTING

In April 2016, **ATC Associates** (fka ATC Group Services) completed the acquisitions of **Dexter Field Services** and **Sage Environmental Consulting**. **Sage Environmental Consulting** provides regulatory compliance, permitting and remediation assistance, as well as a range of environmental programs, including air quality, water quality, hazardous and solid waste, hazardous materials, and petroleum storage activities. The company specializes in environmental engineering and technical consulting services focused primarily on providing air quality, due diligence, and emission reduction credit consulting. Sage was founded in 1998 and is headquartered in Austin, Texas. The company employs more than 200 people across 24 U.S. offices. With the acquisition, ATC will grow to more than 1,500 employees nationwide, significantly expanding its technical capabilities in air quality.

Founded in 2005, **Dexter Field Services** provides leak detection and repair (LDAR), monitoring, and other specialized technical environmental services to industrial companies. LDAR and monitoring services include environmental monitoring and analysis of piping components, cooling towers, wastewater drain systems, groundwater wells, storage tanks, and other process-related equipment. Dexter is headquartered in Austin, Texas and has more than 150 employees.



# Environmental Services Insider Mergers & Acquisitions Environmental Services M&A Activity

## Notable M&A Activity in Metals Recycling

### ENVIRONMENTAL ENGINEERING & CONSULTING (continued)

**Bernard Capital Partners** acquired **ATC Associates** in a corporate divestiture from **Cardno Limited** (ASX:CDD) in November 2015.

In April 2016, **ACT Environmental Services** completed the purchase of the **Federal Services Division** of **Richard Brady & Associates**. Included in the acquisition were BRADY's Environmental Engineering, Remediation and Construction operations and related assets.

"We made a strategic decision to divest the Federal Services portion of our business to better align our investments and activities with BRADY's core business, which is the engineering and design of world-class water-related projects," stated Rick Brady, President and CEO of Richard Brady & Associates.

ACT's CEO Walter H. Singer, said, "I was very impressed with the Federal team at BRADY. Like ACT, they share a tremendous respect for clients, and each other. They are a great addition to the ACT family. The integration of these two groups will generate many new opportunities and allow us to continue to provide our unmatched level of service to existing and new clients alike."

In April 2016, **Environmental Resources Group, LLC** acquired agricultural, environmental, and civil engineering services firm **Germane Environmental Consulting, LLC**. Civil engineering services include storm water treatment and plans, construction management, survey and land balancing, geotechnical investigations, wastewater treatment, and advanced treatment for private homeowners. Within agricultural engineering, Germane specializes in large farm regulatory permits, Groundwater Discharge Permit compliance, livestock facility long range planning, site suitability investigations, as well as facility design and oversight services.

In March 2016, **ISG** expanded its environmental service solutions offering with the acquisition of Excelsior, Minnesota-based **Svoboda Ecological Resources (SER)**. For over 25 years, SER has provided ecological planning and assessment services to private and public clients across the Midwest. With SER's knowledge of environmental rules and conservation measures, the acquisition will augment ISG's services within its growing Environmental Group. "As natural resources are pressured from growing populations, development practices, and environmental factors, we will remain vigilant in the promotion of our unique Environmental Services to encourage stewardship

and protection of the habitats and resources that are vital to everyday life," said Travis Fristed, ISG Environmental Services Group Manager.

In February 2016, **iSi Environmental Group** acquired **Precision Environmental Group**. Founded in 1988 and based in Wichita, Kansas, Precision provides services in the areas of asbestos and lead inspections, indoor air quality investigations, and training.

In February 2016, **Apex Companies** acquired technical consulting and environmental engineering firm **The Source Group (SGI)**. SGI's expertise spans environmental assessments, remediation and restoration, water resources evaluations and planning, risk management, legal/litigation support, and cost negotiations. The company serves clients in oil and gas, government, manufacturing, financial, construction, and real estate.

Apex adds four offices with the acquisition, growing to approximately 400 professionals, and expands its portfolio with additional clients within the utilities, industrial manufacturing, and federal and state government sectors.

Apex Companies is backed by **Tailwind Capital**, which acquired the company in December 2010. SGI is the seventh add-on acquisition under Tailwind's ownership. Apex most recently completed the acquisition of **Altus Environmental** last September, which provides environmental compliance, geological, and engineering services for the government, manufacturing, financial, construction, and real estate sectors.

### METALS RECYCLING

In March 2016, **American Metals Recovery and Recycling Inc. (OTCPK:AMRR)** completed the purchase of **ATM Recycling, Inc.**, a metals recycler serving Brevard County, Florida for more than 15 years. ATM operates three locations and specializes in ferrous and non-ferrous materials and has the potential to handle additional commodities such as paper, cardboard and plastic. "ATM has a seasoned management team, which provides the potential to have significant growth over the next few years as the metals markets and commodity prices rebound," said AMRR in a statement.



# Spotlight On:

## Industrial Services and Special Waste

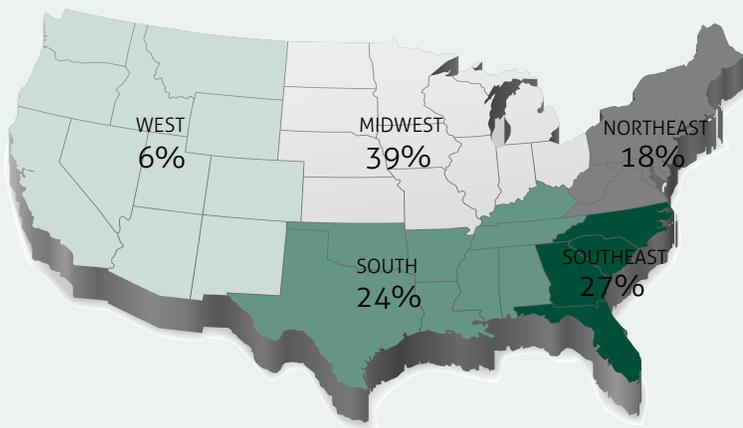
The U.S. environmental and industrial services industry benefits from consistent demand, primarily attributable to the critical nature of these services to customers' operations and the stringent regulatory oversight for the handling and disposal of industrial waste.

For this spotlight, we conducted a survey and series of interviews within the corporate and investor communities to gauge opinions on the state of the industrial services market in the United States. Participants were asked to provide insight into key operating issues and market trends that are driving growth, and their outlook on future consolidation. The survey and interviews were designed to obtain broad coverage of the industrial services market and garner opinions from companies involved in industrial cleaning and special waste management.

### BUSINESS SCOPE

#### In what geographic market do you primarily operate?

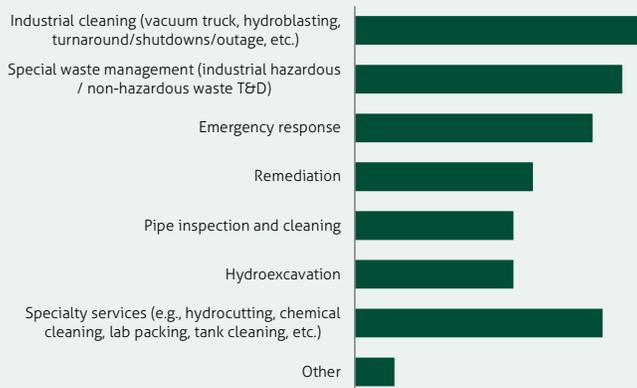
Participants could select from more than one response.



Geographic market focus was diverse and included national and regional players with the highest concentration in the Midwest, followed by the Southeast and South. Industry participants that identified with a National scope accounted for 18 percent of respondents surveyed. Other comprised 9 percent and encompassed operators in the Mid Atlantic and Great Lakes regions, as well as Canada.

#### In what services do you specialize?

Participants could select from more than one response.



Industrial cleaning (85 percent of responses) and special waste management (79 percent) were identified among the primary services offered, along with specialty services (74 percent). Respondents expressed the growing need to provide a comprehensive offering in order to serve as a one-stop shop for their customers.



## Industrial Services and Special Waste

### The State of the Market

Market sentiment on the state of the economy is mixed. While signs of a slowdown are not visible in customer activity or company performance, market participants exude a cautionary tone, citing muted economic growth, commodity price volatility, and political uncertainty among the headwinds facing the industry. The demand outlook is positive, with the exception of major resource-based industries, where stabilization will be the catalyst to supply needed lift. Industry executives shared their observations on concerns of an approaching slowdown in the economy.

“The depressed commodities have definitely hurt a broad segment of businesses,” remarked Ed Genovese, Chief Executive Officer at TAS Environmental Services. “However, when the commodities come back, and they will, there will be expansion.” “We are seeing a number of our commodity-based customers (e.g., oil and gas, mining) continuing to preserve their capital. Some would call the recent downturn in commodities as a supercycle, and it might last longer than before,” said a remediation contractor in our survey. “At the same time, the lower commodity prices do spur other industries like housing and certain manufacturing will pick up because energy costs and commodity costs are lower.” He continued, “We will probably continue to see this plateau in the economy through the balance of the year. Hopefully in 2017 we’ll begin to see some level of recovery in the resource-based industries which directly impact the environmental markets.”

“One of our larger industries is steel, and while there is consolidation, we are not seeing a reduction in revenue or in the percentage of revenue that we are generating with steel companies versus the rest of our customers,” offered Dean Wallace, President at Superior Environmental Solutions. “If you are serving a customer with multiple locations and a plant closes, it opens up opportunities at other facilities.”

“Certainly oil prices will affect the market. Politics. Consolidation,” said Gary Noto, Chief Executive Officer at HydroChem Industrial Services. “There are a number of factors that make it very difficult to predict what is going to happen over the next two to three years.”

“Downturns almost always happen following a presidential election. It happened in 2001 and 2009, and if I had to predict, I would say we’ll have one in 2017,” observed Cary Meadow, Executive Chairman of Patriot Environmental Services. “I don’t think it will be severe because you don’t have any massive bubbles that are going to burst. It

would likely be caused by a hard landing in China, another geopolitical event like the Brexit, or something completely unforeseen.”

“Because we are beyond a typical bull market run, there is cause for concern of a contraction,” said Genovese. “I don’t know that I have great concerns for the U.S. economy; however, I think we are going to be beholden to ebbs and flows of the global economy.”

The capital markets remain accessible, which is a critical indicator of market strength. “Capital is still very inexpensive on trend,” observed Genovese. “Access to expansion capital is great if you have a history of success and the management team to support an investment thesis. It is not a factor that is hampering our business.”

#### How does your organization weather economic slowdowns?

Having survived and thrived after the Great Recession, operators have right-sized and readied their organizations for future slowdowns in the economy. “You just have to do two things—delever and diversify,” said Meadow. “Some of our competitors are struggling because of high debt loads,” said a business development officer of a remediation contracting firm. “We have been pursuing a strategy to proactively diversify our revenue base over the past several years which has been rewarding. We are performing well, and our customer base is quite diverse.”

“[Coming out of the Great Recession] It gave us an opportunity to refine our processes and to really look at our people. It actually was a good awakening for us to get our sales team out to focus on diversification,” said Wallace. “We are not seeing any indication of a slowdown in our revenue. Our customer base is as strong as it was a year or two ago.”

Industry participants have made strides to fortify their balance sheets and reduce leverage in order to weather earnings shortfalls. Diversification across customers, industries, and geography has been instrumental in achieving profitable growth. “Get into areas that are not dependent on an economic expansion. Examples include emergency response and regulatory driven markets like wastewater,” offered Meadow. “And use your free cash flow to pay down debt as quickly as you can.” Meadow continued, “Our oil and gas customers have just gone through a depression, not a recession, based on what happened to oil prices. So we have already had to diversify



## Industrial Services and Special Waste

into other markets.” When Channel Investment Advisors acquired Patriot Environmental Services in 2014, about half of the business was in upstream oil and gas. Today it represents less than 20 percent, Meadow indicated.

“We have been fortunate to have a diversified customer base,” commented Ed Genovese at TAS Environmental Services. “Capital projects in oil and gas have certainly slowed down, but we felt it would not make sense for us to diversify away from that segment. However, we are very opportunistic in terms of being more aggressive in other segments that we serve outside of oil and gas. We spend a fair amount of time looking at how to redeploy assets to other segments that we believe can handle additional organic growth through improved service and comprehensive service offerings.”

“Given the equipment is fairly robust and applicable across multiple industries, operators can leverage those assets from a diversification perspective. So when a particular segment is down, they can redeploy those assets to generate revenue,” said a remediation contractor in our survey.

“We have to be a lot more aggressive in our business development efforts and on cost control,” offered Gary Noto at HydroChem Industrial Services. “We navigate a slowdown by being hyper focused on resource utilization, be it hard assets and more importantly labor,” Genovese added. “We are a time and materials business, so we are very focused on human resource utilization.”

### How have you seen customer activity change when going from an economic expansion cycle to a slowdown?

While all service lines are affected in a downturn, transportation and manufacturing were cited among the industries first impacted in a slowdown. “You’ll see volumes decline, and that means a smaller piece of the pie for anybody that is in our business. That said, we haven’t seen a slowdown signaled nor have we seen it born out in our results. Our business is robust and growing, and we are very thankful for our team that makes such possible,” Genovese said. Emergency response and tank maintenance, repair, and cleaning were cited among the more resilient service areas.

While there have been no signs of slowing production, customers are extending the run times for maintenance

and have been more selective on what they clean on turnarounds, indicated Noto.

Customers continue to put safety and service quality first, but signs of pricing pressure are beginning to emerge. “There is much more reliance on buying based on the lowest dollar value driven through a bid process that is primarily managed through procurement departments,” said a business development officer of a remediation contracting firm. “We always look for customers who put high value on safety and understand the overall value being delivered by a company like ours.”

“It seems like the largest customers want to have three to five qualified contractors that can service multiple facilities, maybe not nationally but at least at a regional or local level. Then they may put pressure on those contractors to compete with each other. It is not so much pressure on specific rates but on specific routine jobs,” commented Dean Wallace at Superior Environmental Solutions. “You see it less in the small- and medium-sized facilities. Because they have fewer maintenance people in-plant, they are really relying on their top tier contractors to help them run their facilities. In those situations, it is not as price driven. They are willing to pay their contractor more to get the job done because they don’t have the resources to train new service providers.”

“Everyone in the hydrocarbon food chain, from oil and gas producers to the refiners, are under tremendous pressure to cut costs so discretionary capex, including spending on industrial cleaning, is being frequently deferred when possible,” offered Cary Meadow at Patriot Environmental Services. Noto added, “Many of the refineries and petrochemical plants are focused on cost control. The market has contracted slightly albeit only temporarily.”

“We are providing more detailed reporting to our customers,” Wallace said. “They are expecting a lot more cost information by department and service line, where previously they may have been tracking it internally or not at all.”

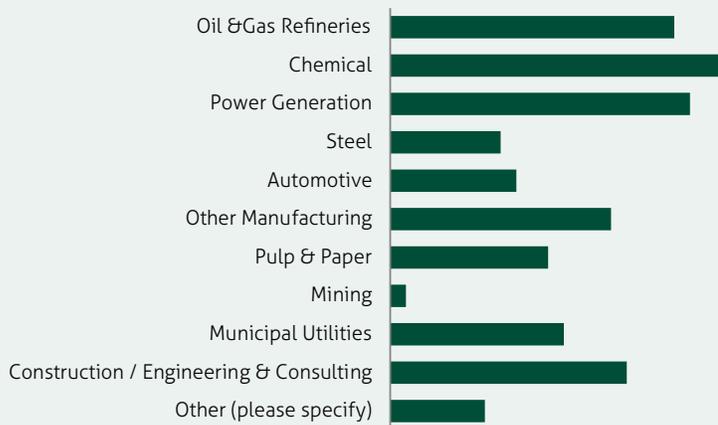
“Our customers are going through change. They are adjusting their processes and getting better at running their plants. They are much more concerned about cost control than they ever have been,” remarked Noto. “It isn’t a bleak market, but it will certainly be a lot more guarded.”



### BUSINESS SCOPE

Which end markets are driving growth for you and other operators in your region ?

Participants could select from more than one response.



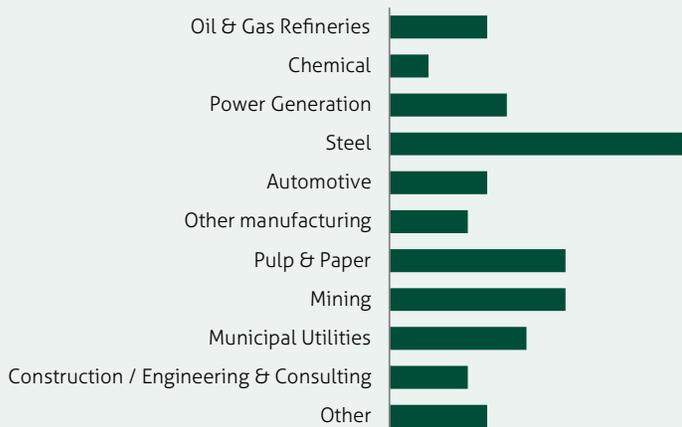
#### MORE ATTRACTIVE

- Chemical
- Power Generation
- Oil & Gas Refineries
- Construction / Engineering & Consulting
- Other Manufacturing

More than two-thirds (68 percent) of companies surveyed identified the Chemical industry as a growth market. The Power Generation market is also experiencing growth, according to 61 percent of respondents. Despite recent challenges, Oil & Gas continues to remain an important market, receiving 58 percent of company responses.

Which end markets are becoming less attractive to serve for you and other operators in your region ?

Participants could select from more than one response.



#### LESS ATTRACTIVE

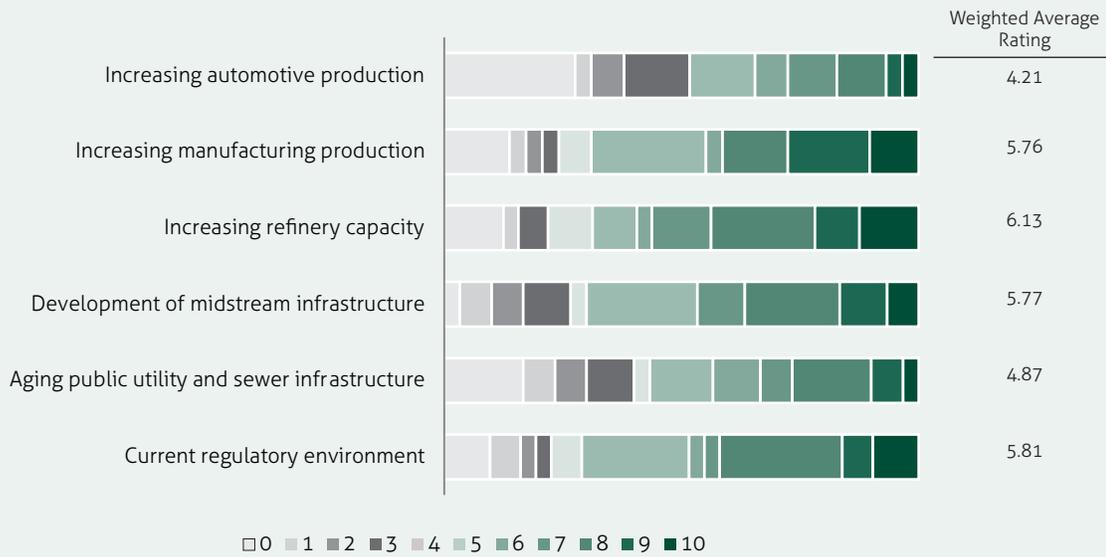
- Steel
- Pulp & Paper
- Mining

Cyclical, resource-based industries are expected to remain under pressure. Nearly two-thirds of companies surveyed (60 percent) expect muted growth prospects in the Steel industry. Pulp & Paper and Mining were also identified as less attractive, each receiving 36 percent of company responses.



### BUSINESS SCOPE

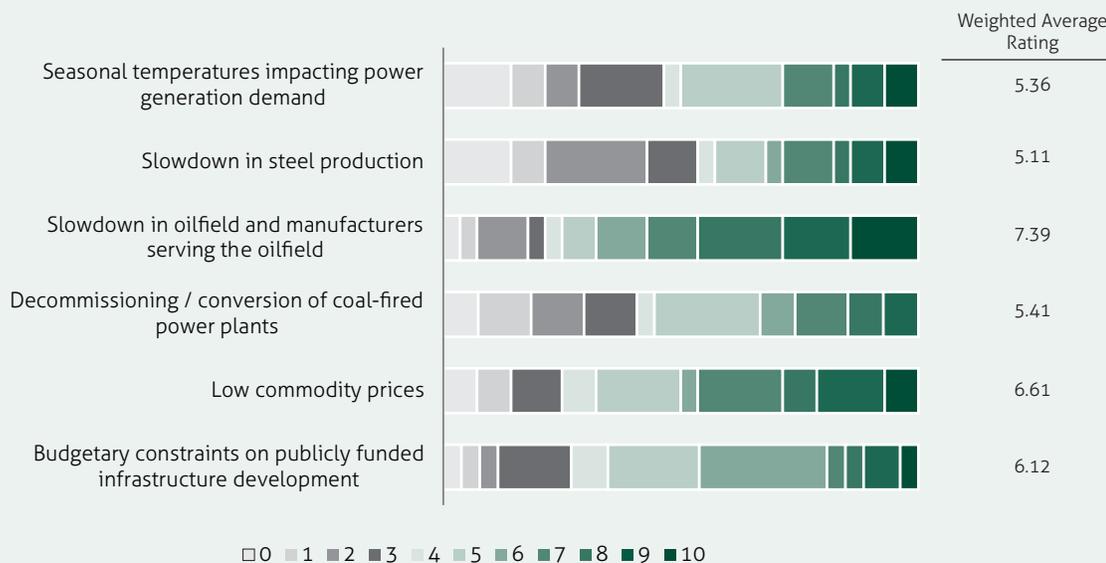
Rate the impact the following industry tailwinds have had on your business in recent years (0 being virtually no impact, 10 being significantly positive impact).



#### MOST SIGNIFICANT

- Increasing refinery capacity
- Current regulatory environment
- Development of midstream infrastructure
- Increasing manufacturing production

Rate the impact the following industry headwinds have had on your business in recent years (0 being virtually no impact, 10 being significantly positive impact).



#### MOST SIGNIFICANT

- Slowdown in oilfield and manufacturers serving the oilfield
- Low commodity prices
- Budgetary constraints on publicly funded infrastructure development



## Industrial Services and Special Waste

### Industry executives shared their views on growth opportunities within industrial services, broadly defined, and within industrial cleaning and special waste management.

Broadly, economic activity is going to impact sector growth. Commodity prices and the continued push towards natural gas continue to have a significant impact on the market. Politics also plays a role. Looking ahead to November, participants will be closely watching the outcome of the election, which will affect the direction of the economy and the regulatory climate.

Regulatory requirements are driving a lot of the environmental work that is taking place, said survey participants. Some would argue that regulations are the primary driver of growth in the sector. "It is all regulatory driven," said Cary Meadow at Patriot Environmental Services. "Nobody would spend any money on industrial cleaning if they didn't have to. Waste generators would find the cheapest solution possible. The reason there is a need for our services is regulations and the need to comply with the law."

"Oil and gas has a growing need for technical field services. It is a market segment under intense regulatory pressure," commented Ed Genovese at TAS Environmental Services. "There is definitely a drive towards real-time compliance in that space."

"We will likely see more restrictions on emissions which will impact the industrial cleaning market," said Gary Noto at HydroChem Industrial Services. "The refineries and chemical plants are facing more stringent regulation, and maintenance costs have climbed sharply. That is creating opportunities for the industrial cleaning market," added Andrew DeBusk, Chief Executive Officer of DeBusk Services Group. "Because of the increased regulations, people are afraid to make decisions. Not only is the cleaning slower, now you need to have trucks to vacuum up the waste. It takes longer to complete jobs, which requires more equipment and more people."

"Sustainability initiatives will likely drive clear and concise waste management

standards coming from industry, probably more so en masse than from regulatory bodies," offered Genovese. "When there are opportunities for reuse or reclamation outside of incineration or landfill, it creates opportunities for companies like ours. Today there is a lot more thought around decision trees for waste management. It is not solely being driven by regulators. It is being driven by good business practices in tandem with tightening regulatory requirements demanding best practices."

### Opportunities within specialized niches of industrial cleaning and special waste are primarily going to be driven by geography and by industry.

Manufacturing remains a bright spot according to industrial services providers in our survey. Production levels increased in June, rising to the highest level since

February 2015 according to the Institute for Supply Management, which forecasts a stable outlook for the sector through the second half of the year. According to the *June 2016 Manufacturing ISM® Report On Business®*, economic activity in the manufacturing sector expanded in June for the fourth consecutive month, while the overall economy grew for the 85th consecutive month. New orders and production rose in June and have been expanding for the past six months.

"Manufacturing is bouncing back in certain regions of the country," observed Genovese. "If the economy stays reasonably strong, volumes will grow and waste output and demand for turnaround and industrial cleaning will remain robust." "As long as industry is producing, there is going to be a service opportunity attached to it," added Dean Wallace at Superior Environmental Solutions.

Manufacturers are increasing production at higher rates than in the past, which is creating more opportunities for industrial services providers, Wallace indicated. "Even if facilities close, the production is consolidated into other plants; it does not go away. As these companies push their facilities harder, they are requiring as much if not more maintenance. For example, ethanol companies are trying to produce more gallons with the capacity they have,

*"The refineries and chemical plants are facing more stringent regulation, and maintenance costs have climbed sharply. That is creating opportunities for the industrial cleaning market."*

*—Andrew DeBusk  
DeBusk Services  
Group*



## Industrial Services and Special Waste

which is now forcing them to take additional outages. It is creating more demand for our services, said Dean Wallace at Superior Environmental Solutions.”

Companies want to remain aligned with their core competencies and are increasingly turning to experts to manage field service work, indicated Genovese, highlighting industrial cleaning and in-plant opportunities to manage waste and logistics on-site. “Waste is a difficult business to learn, and it is relatively easy to outsource. We are seeing more of a trend toward outsourcing there,” commented Ed Genovese at TAS Environmental Services. Genovese pointed to an increasing trend toward outsourcing in food service. “Old school” cleaning firms have not been able to keep pace with more stringent FDA standards. I think you will see industrial cleaning firms that have traditionally not been in food service move into that space,” he added.

“Manufacturers are outsourcing a lot more work than they have in the past. It is across the board. We see it in the steel industry. We see it in the chemical industry. We are seeing it in paper and power generation,” commented Wallace. “They no longer have crews to perform maintenance or electrical or HVAC work. They are subbing all that work out. The bottom line is they don’t want to employ those people any more. It is easier to rely on your subcontractors than on your own employees, especially when you get into union environments.”

Emergency response was identified as a growth market, “...because of aging infrastructure,” according to Cary Meadow at Patriot Environmental Services. “With an aging infrastructure there are going to be more accidents, so the companies that can serve catastrophic events are best positioned for outsized growth. These are unpredictable but often high free cash flow generating events.” Patriot led the clean-up efforts for a large oil spill in Santa Barbara, Meadow indicated, “... which is a perfect example of that,” he said.

Tank cleaning and repair will represent opportunities. “There certainly are a greater

number of tanks that have been recently constructed, which will fall under the five-year plan of inspection, repair, and maintenance which includes cleaning so that will help the market out considerably, said Gary Noto at HydroChem Industrial Services.

Water is going to continue to be an issue and an opportunity going forward, said industry sources. It is a large market, and new technologies continue to emerge to address various water issues. “From water issues in Flint, Michigan or the drought in California to conservation of water or the disposal of contaminated water into public waterways, water management is becoming increasingly important,” said Meadow. “Wastewater and sewage pipelines are aged and aging. Government spending has not kept up with growth and regular maintenance that is required. There is significant upside for those companies that serve POTWs and municipalities charged with the movement of water and wastewaters due to the lack of infrastructure spending,” commented Genovese.

Resource-based industries remain sluggish said industry participants, citing softness in the oil and gas, mining, and steel industries. As those markets begin to recover and global demand for commodities rebounds, the ramp up in production at those facilities will present a revenue opportunity for industrial services providers, said industry sources. “Petrochemical and other oil and gas commodities probably won’t remain suppressed long-term. We will see op ex and capex spending increase across upstream, midstream, and downstream markets,” said Genovese. “With the expansion of pipelines, there is a need for more hydroexcavation work,” said a business development officer at a remediation contracting firm. “Federal infrastructure spending also tends to result in some more use of the same equipment. If the Federal government ends up promoting more infrastructure spending, that will help the industrial services companies.” Utilities transmission and distribution is forecasted to be a growth area.

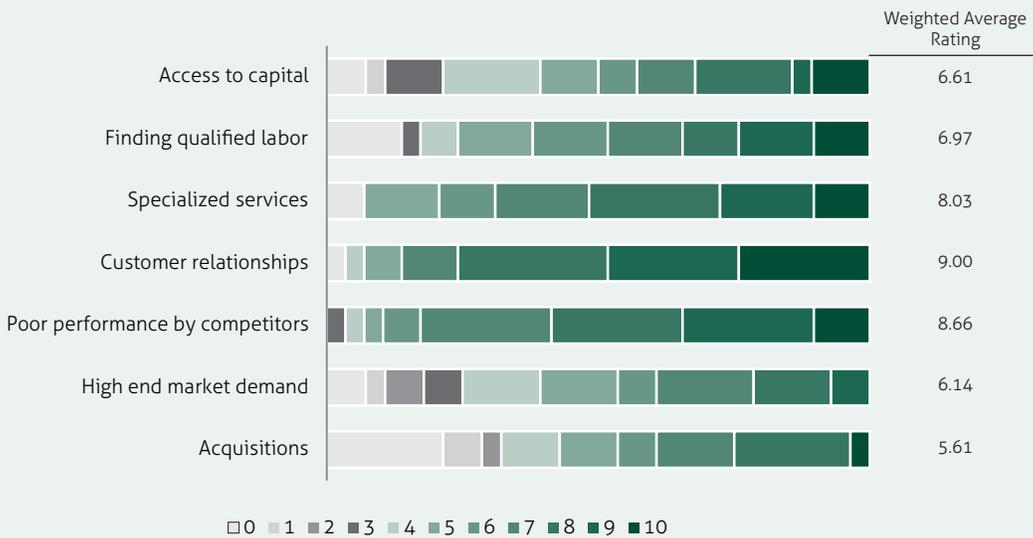
*“Waste is a difficult business to learn, and it is relatively easy to outsource. We are seeing more of a trend toward outsourcing there.”*

*—Ed Genovese  
TAS Environmental Services*



### BUSINESS SCOPE

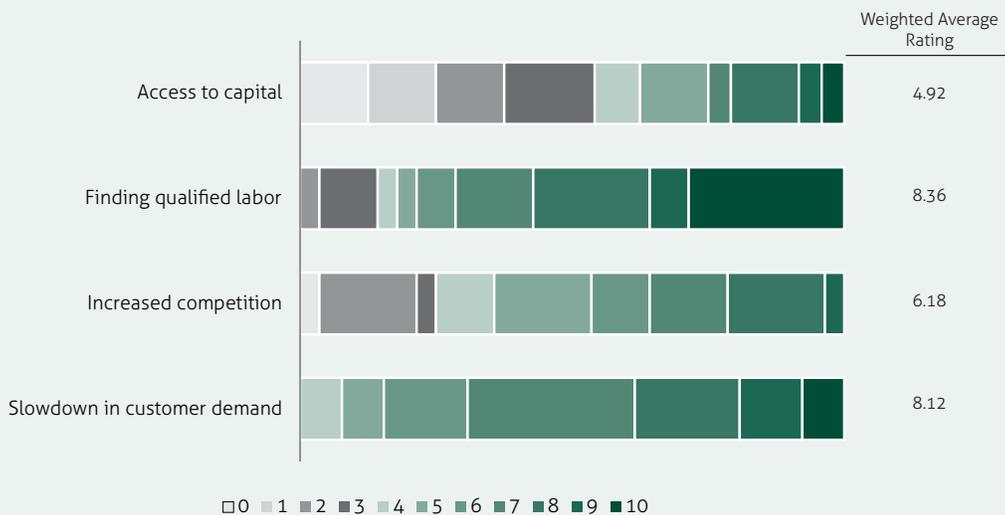
Rate the relevance of factors that have supported the growth of your company (0 being not relevant, 10 being highly relevant).



#### MOST SIGNIFICANT

- Customer relationships
- Poor performance by competitors
- Specialized services

Rate the relevance of factors that have limited the growth of your company (0 being not relevant, 10 being highly relevant).



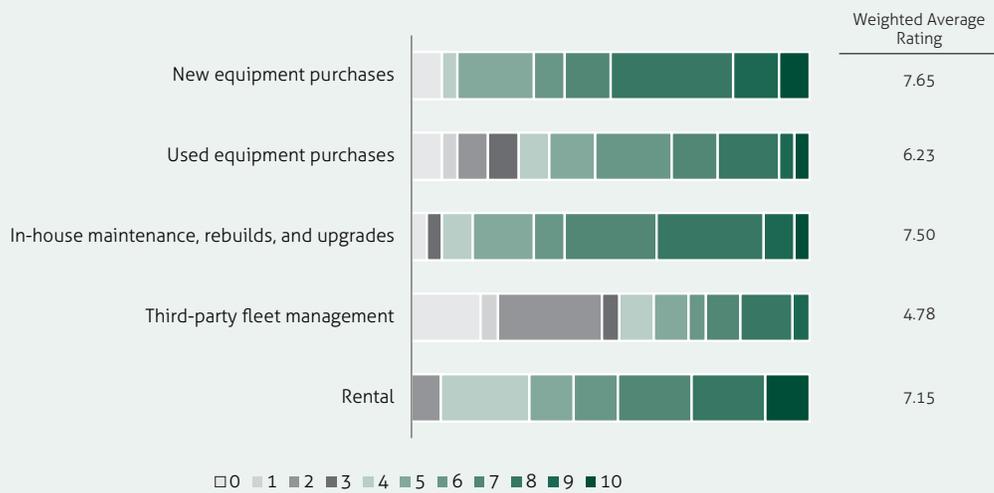
#### MOST SIGNIFICANT

- Finding qualified labor
- Slowdown in customer demand



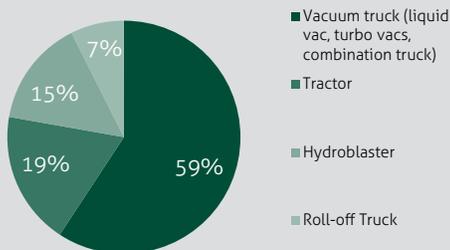
### BUSINESS SCOPE

With respect to fleet management, rate the reliance of the following approaches to ensure an adequate fleet (0 being minimal usage, 10 being very high usage).



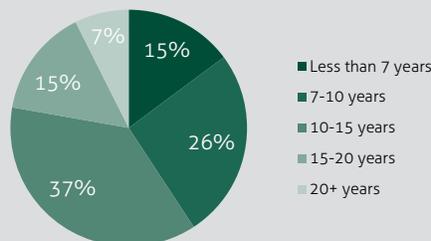
More than 50 percent of companies (ranking of 7 or higher) rely on “buying new” to maintain their fleets. More than one-third (38 percent) supplement equipment purchases with in-house maintenance.

What type of critical vehicle/equipment is most abundant in your fleet?



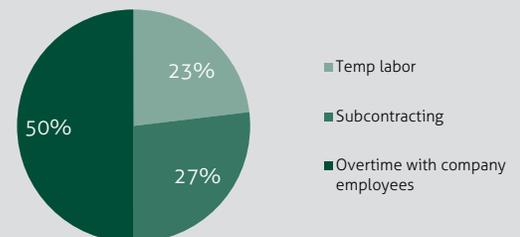
Vacuum truck

How many years do you try to get out of this type of critical vehicle/equipment before replacement?



7-15 years

How do you manage labor needs in periods of high demand?



Overtime



## Industrial Services and Special Waste

### What shift are you seeing among customers towards hands-free technology?

Customer demand for safety and more stringent regulations around confined space entry are accelerating the adoption of hands-free technology. Industrial services providers are utilizing robotics and other technologies to reduce the amount of exposure they have to safety risk associated with confined space entries.

“Customers want safe, quality service. Hands-free technology is safe,” confirmed Andrew DeBusk at DeBusk Services Group. “We are seeing increasing use of robotics and air-driven or hydraulic systems. Hands-free cleaning is going to be extremely important in the refining and chemical industries but less so in pulp and paper and coal.” “We are seeing more of our customers going to the hands-free operation,” added Gary Noto at HydroChem Industrial Services, a shift that began in the petrochemical market, he said. “I would estimate that probably 70 percent of the petrochemical plants and 50 percent of the refineries require it,” Noto said. “A growing number of phosphate plants, steel plants, and power plants are not necessarily requiring it, but they are encouraging it.”

The shift to hands-free technology is accelerating but is not widespread, said some industry participants. “I have not seen a demand in the industry for automation or hands-free technology,” said Ed Genovese at TAS Environmental Services. “What the customer base demands is cost-effective, safe, and efficient service. We compete against hands-free and robotics technology all the time and win a sizable number of the jobs and don’t always utilize robotic technology. Automation seems to be a very effective way to execute a turnaround in a very predictable manner, specifically as it relates to use in high pressure cleaning where operator safety drives most decisions.” Cary Meadow at Patriot Environmental Services agreed, “We are still very much a labor intensive business that requires boots on the ground. There is no replacement for a human being in a pressure washer.” Meadow continued, “There have been some improvements in areas like hydroexcavation units. While there certainly is an opportunity, those areas are highly specialized, and we’ve seen challenges in actually implementing the technology. Of course, we will continue to look for ways to increase technology utilization, but thus far we are still playing catch up.”

“The key is finding equipment that is portable and diverse enough to use in multiple applications. Having utilized the hands-free technology over the last several years, we have found there are certain applications where it really can increase your efficiency and job performance,” offered Dean Wallace at Superior Environmental Solutions. “In certain situations and for certain material, it is the way to clean. But it is not the end all, be all. It is not the best way to clean everything. Hands-free can sometimes take longer on a small job than it would with a hand lance or a non-automated tool.”

Increased adoption is anticipated, despite the increased cost of using automation, “...which could make it very difficult for the smaller players because of the capital requirements,” said Noto. “Most of the smaller operators will not have the resources and will not meet the prequalification and insurance requirements of the large facilities that are requiring the hands-free technology,” indicated Wallace. “It becomes an economic pressure unless you are going to use the equipment on a regular basis and be compensated. There is a lot of training that comes with the technology. It requires a workforce that is mechanically inclined in order to use it effectively.” “To the extent automation requires specialized training and a new asset base, it might stress some smaller firms,” Genovese added. “That would narrow the competition in favor of the larger regional and national players,” said Noto.

“There will be some challenges. The equipment is difficult to operate and requires training,” remarked DeBusk, adding, “Those who invest in training and can efficiently utilize the technology are going to win a sizable amount of business.”

### Please discuss the more prevalent challenges to growing your business.

Labor is a primary obstacle to growth, according to industry executives, who cite a shortage of drivers and technicians and the challenges of hiring, training, and retaining people. “The greatest impediment right now to the industry is getting qualified labor to work in these plants,” remarked Noto. “That is going to be the biggest driver for companies to grow.” “The labor pool has been tight, and it doesn’t seem like it is loosening,” added Genovese. “When you talk about growing your workforce to hundreds or thousands of employees, I think there is degradation in the quality of people that you are sourcing,” Wallace observed. “Then it becomes a matter of retention



## Industrial Services and Special Waste

and training. It is finding the quality people that can go out and be the face of your company on a daily basis.”

Industrial services employs from a largely blue collar workforce to service customers 24/7, 365 days a year. “There are the time constraints within this business. We work when our customers want us to work. Then there are the physical aspects of the work itself. We are working in very hot environments and very cold environments. We are exposed to high elevated work. We are exposed to underground mine situations. We are exposed to confined space areas and tanks,” said Dean Wallace at Superior Environmental Solutions. “That is difficult to find in the pool that we hire from today,” added Ed Genovese at TAS Environmental Services. “We are willing to train from the ground up. However, individuals that have technical training around our business are highly prized.”

A generational shift is also squeezing the labor pool. “It is not a pay scale issue. It comes down to what labor force is available,” Wallace added. “There has been a shift in America, and there are fewer individuals with mechanical skills that are willing to perform physical labor.”

Andrew DeBusk at DeBusk Services Group offered a contrarian view, arguing that labor is not a limiter of growth. “The only challenge is being able to deliver safe, quality service. If you can do that, you will have all the business you need.”

Pricing is a hot button. “People don’t charge enough for their services, and they always underestimate operating costs. We have seen our competitors underprice multisite contracts. That is how leverage on your balance sheet increases. You win work based on safety and quality of service, not on pricing.”

**Please comment on market sentiment surrounding coal-fired power plants and Coal Ash Regulation. How do firms need to prepare?**

The coal industry is facing increasing regulatory pressure and a formidable competitor in natural gas. Climate change initiatives and regulations on emissions, as well as the availability of low-cost natural gas in major power markets, are having a direct economic impact on coal power plants, said industry sources. “November is going to impact that depending on the direction of the Administration and if the

regulatory and trade drivers end up easing up on the coal industry,” said a remediation contractor in our survey. “At the same time, if new regulations allow the coal industry to continue to operate, that same Administration is also going to allow the natural gas industry to frack more freely, so the economics argument comes into play again against coal.”

“Companies that historically had a strong presence in coal power generation are struggling right now. Those facilities are shutting down because of regulatory pressure,” remarked Wallace. “It is going to be a declining area in the Midwest. At least fifty percent of the coal plants in our region are closed, and if they haven’t closed, they are going to within the next couple of years. In order to keep the remaining ones open, a significant amount of money is being invested to comply with air emissions requirements.”

“Overall, what we are seeing in the utilities market is a gradual move towards more natural gas supply power plants and a gradual move to decommission the coal powered facilities,” the remediation contractor said. “Over the next few years, there might be a flurry of activity around the decommissioning of some of these facilities. Once the facilities are closed and remediated, that particular business will be gone as far as a revenue opportunity.” “As the volume of work declines, there is also degradation in pricing. Operators will be willing to do the work for less because there are fewer of those facilities in operation,” Wallace added.

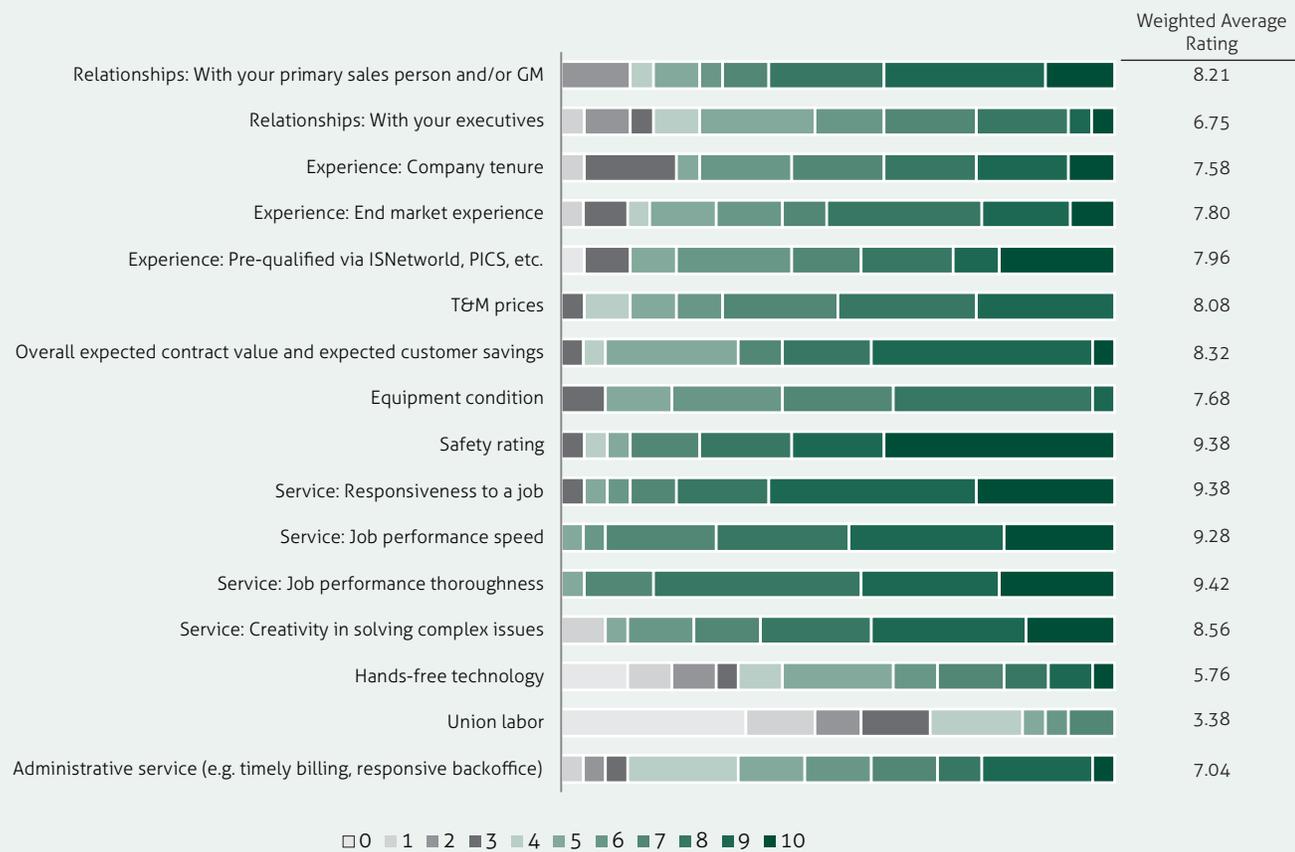
“Service providers, especially the small- or mid-sized regional players, really need to look at diversifying their business if they have been heavily reliant on one or two large customers,” the remediation contractor added. “They have to reinvent themselves in some way, get into new markets, or sell. That is a reality that they are facing.”

“If the current Administration were to stay in office for another couple of terms, certainly you would not want to be invested in the coal business,” remarked DeBusk. “Coal-fired power plants have and will continue to be at risk, certainly over the next five years,” observed Gary Noto at HydroChem Industrial Services. “This has and will continue to affect the Utility side of the industrial cleaning market.”



### INDUSTRY TRENDS

Rate the importance of the following factors that you believe customers look for in their industrial cleaning / special waste provider (0 being not important, 10 being critically important).



#### MOST IMPORTANT

- Safety rating
- Service: Job performance thoroughness
- Service: Responsiveness to a job
- Service: Job performance speed

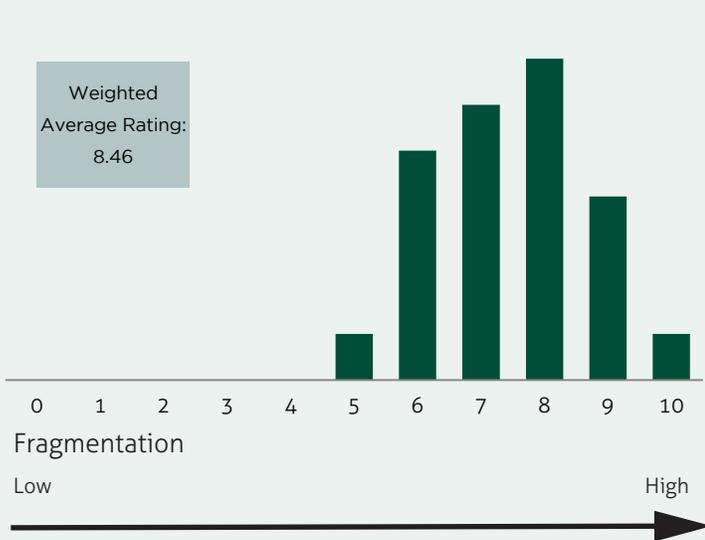
#### LESS IMPORTANT

- Union labor
- Hands-free technology
- Relationships with your executives
- Administrative service



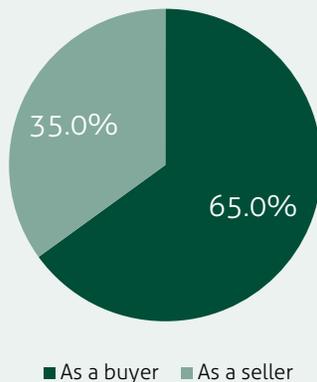
### INDUSTRY TRENDS

In the next five years, rate your expectations on further consolidation in the sector: 0 being virtually no acquisitions, the consolidation has already happened and 10 being high level of acquisitions, the market remains very fragmented.



The competitive landscape remains highly fragmented with consolidation expected to accelerate. A resounding 75 percent of companies surveyed (ranking of 7 or higher) anticipate a high level of acquisitions over the next 5 years.

How do you expect your company will be involved in the consolidation?



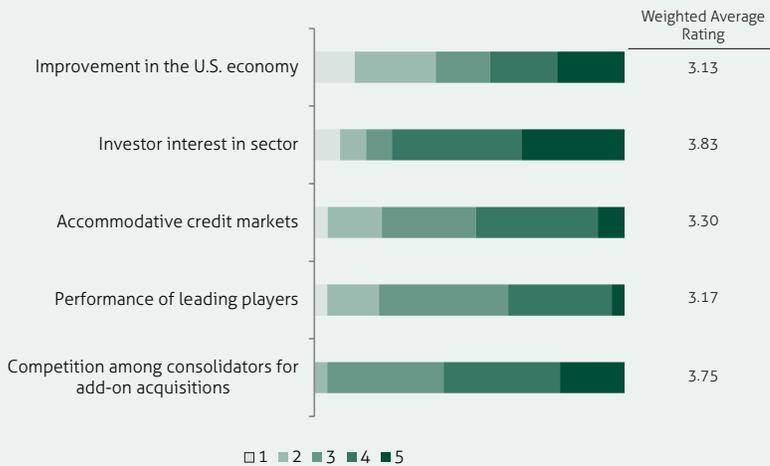
Acquisitions remain integral to achieve scale and meet shareholder expectations for growth. Nearly two-thirds (65 percent) of surveyed companies expect to be buyers as the industry undergoes further consolidation.



## Industrial Services and Special Waste

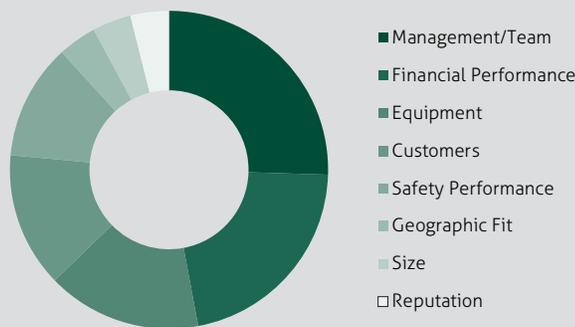
### INDUSTRY TRENDS

Rate on a scale of 1-5 (with 5 being the highest) the factors below that have driven an increase in valuations over the past two years.



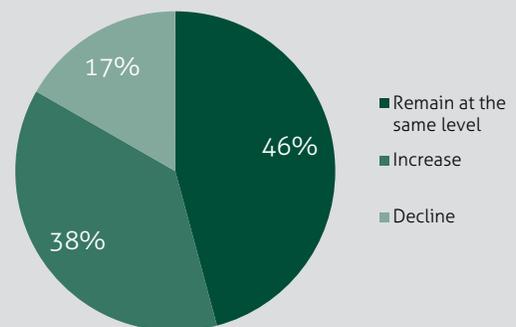
Growing investor interest was identified as a primary driver of rising valuations, receiving 75 percent of company responses (ranking of 4 or 5). The competitive market has also contributed to valuation multiple expansion, according to 58 percent of companies surveyed.

What are the three most important factors in valuing an industrial cleaning or special waste business?



Management/Team earned the top ranking by 25 percent of respondents, who cited an experienced, qualified workforce and management team with proven results, low employee turnover, and cultural fit among the key value drivers. Financial Performance was ranked second by 20 percent of companies surveyed. Recurring revenue, revenue and EBITDA performance, profitability and margins, growth prospects, and 3-year average EBITDA were among the significant measures. Equipment was ranked third with 15 percent of responses. Equipment age, condition, and automation, as well as capex needs were identified.

Over the next 12 months, do you believe that valuations will:



Survey respondents concur that the market outlook is favorable for the industrial services and special waste industry. Nearly one-half of companies surveyed (46 percent), expect valuations to remain at current levels. More than one-third (38 percent) believe valuations will increase over the next 12 months.



## Industrial Services and Special Waste

### Consolidation

M&A activity is continuing at a brisk pace with increasing participation from corporate and private equity buyers. Industry participants are capitalizing on opportunities presented by the current wave of consolidation, seeking strategic acquisitions that offer diversification into complementary service areas and geographic markets.

Industry executives expect a number of factors to drive consolidation:

Service providers are looking to achieve cost advantages through scale. Capital constraints could put pressure on some operators. "This is an asset intensive business. In order to scale up, it requires infrastructure and continued investments," said a remediation contractor in our survey. "Some of the smaller and mid-sized businesses are reaching a limit in penetrating new markets. Without access to reasonable capital, it makes it difficult for these companies to expand at the rate that they need."

The competitive landscape is fragmented and comprised of a number of small, owner-operated businesses in transition. "A number of these owner-operated businesses are family-owned and facing succession issues. Many need to be looking at their exit strategy. It makes sense for companies with capacity and access to capital to come in and consolidate the market," the contractor continued. "Industrial services isn't an emerging industry, in fact some markets are reaching a point of maturity. Companies need to realize some synergies and savings associated with consolidating operations to remain competitive, another force behind consolidation."

"There will be continued consolidation as large customers look for companies that can service multiple sites. This favors the larger industrial cleaning companies and is intriguing to private equity firms," said Andrew DeBusk

of DeBusk Services Group. "The larger companies may lose focus on their smaller clients, which provides opportunities for smaller companies that can provide a better service."

"Private equity is active, and a number of firms are pursuing roll up strategies in the industry," added Gary Noto at HydroChem Industrial Services.

Certain smaller niche service providers and specialty companies may emerge through consolidation and maturity in this market space, said industry sources.

An increasingly complex regulatory environment could also accelerate M&A activity. "No matter what the Administration looks like post-November, regulations always tend to get tighter. Dealing with those regulations requires resources. As a result, we will probably see more of the regional players acquired either by private equity or competitors with access to capital, or the larger industry players that continue to consolidate the market," said a business development professional of a remediation contracting firm. "There is always opportunity in any market that is regulatory driven. So when you see where the regulations are changing, that is where you want to be doing acquisitions," commented Cary Meadow at Patriot Environmental Services.

*"There is always opportunity in any market that is regulatory driven. So when you see where the regulations are changing, that is where you want to be doing acquisitions."*

*—Cary Meadow  
Patriot  
Environmental  
Services/Channel  
Investment  
Advisors*

Participants are taking advantage of market dislocation brought on by recent consolidation. "When faces change or continuity is no longer in place, there is opportunity for competing businesses to step in and fill a void," said Ed Genovese at TAS Environmental Services.

"Consolidation is a great idea if you're running a business on a spreadsheet and a challenging idea when you're running your business "in the field" because what makes our business successful (or not) is as much the field level expertise and relationships as the large corporate clients," remarked Meadow. "Everybody wants to talk about



## Industrial Services and Special Waste

profile

# DEAN WALLACE



Superior Environmental Solutions (SES) was founded in 1999 by Dean Wallace and Chester Yeager, who saw an increasing need for a company that could provide high quality, responsive, and cost-effective service to customers in the industrial services and special waste marketplace. SES' growing footprint includes 10 locations across Ohio, Kentucky, Michigan, Indiana, and Pennsylvania. Dean Wallace is the company President.

**SERVICES:**

- Emergency Response
- Vacuum Truck Services
- Hydroblasting/Waterblasting
- Hydro Excavation
- Transportation and Waste Disposal
- Pressure Washing

**INDUSTRIES SERVED:**

- Chemical Manufacturing and Processing
- Food and Beverage
- Metals and Minerals
- Petroleum Refining, Storage, and Transportation
- Power and Alternative Fuels
- Transportation Systems and Infrastructure
- Waste and Water Treatment

# Q&A

## WHERE ARE YOU SEEING INCREASED DEMAND FOR INDUSTRIAL SERVICES?

Manufacturers are increasing production at higher rates than in the past and are pushing their facilities harder, which is creating more demand for our services. As long as industry is producing, there is going to be a service opportunity attached to it.

**Q** There is quite a bit of consolidation taking place in the industry today. What takeaways have you gained from recent acquisitions by other market players?

**A** It is a relationship-driven business, and the merging of different cultures can be a challenge. Unfortunately, in poorly integrated acquisitions you can lose people which can mean the loss of contracts.

**Q** What is your approach to executing a successful acquisition growth strategy?

**A** Looking back a few years ago, I would have said the way to grow was organically. However, the timeframe required to identify locations and people can take multiple years, as opposed to the right acquisition which can increase your revenue immediately and bring geographic and customer expansion opportunities.

As we are increasing in size and looking to continue growing at 15-20 percent annually, I see acquisitions as the only option to maintain those levels.

Our strategy is to identify local, family-owned operators that have a strong presence and customer base in a particular region and provide them with the structure and resources to grow. While we add systems and standardization, the owners continue to run the business which allows them to take ownership in what they are doing.

**Q** How does your organization plan to take advantage of the opportunities presented by the current wave of consolidation?

**A** We are looking at M&A to expand our geographic footprint and customer base. We are looking to add MSAs that will allow us to expand with customers across multiple facilities.

We completed our first acquisition in 2015 with Midwest Water Blasting which gave us an entry into the ethanol market and extended our footprint into Northern Ohio and Northern Indiana. We are now looking to expand our footprint further west into Indiana and Illinois.



## Industrial Services and Special Waste

synergies, but if you lose customers because you're a \$9 billion company buying a \$15 million revenue business and all the people that drive that revenue leave, what did you really buy? Even for the large corporate customers with national accounts, consolidation may work half the time, but that means it doesn't work half the time."

"We don't believe in a roll-up strategy. Historically our approach has been to invest money in opening new offices where the return on invested capital is higher than for a small acquisition," remarked Cary Meadow at Patriot Environmental Services. "When we acquired Patriot in 2014, the company had 6 offices. Now we have 13." He added, "The acquisitions we have completed have been to become vertically integrated into core service offerings that our customers want and become a one-stop shop. In our market it is important to have wastewater disposal facilities, so these are the types of assets that we are buying." In August 2015, Patriot completed the acquisition of Klean Waters, a provider of wastewater treatment services in Southern California serving waste generators in the utility, petroleum, industrial, remediation, and construction industries. Channel Investment Advisors led a recapitalization of Patriot in 2014 with participation from Solace Capital Partners and Seacoast Capital Partners. This April, the company raised additional growth capital from investors Angeleno Group and existing shareholder Solace Capital Partners to fund organic growth initiatives and strategic acquisitions.

"We would be looking at complementary service lines and geographies that would broaden our scope and footprint," offered Gary Noto at HydroChem Industrial Services. "Past acquisitions have added catalyst handling and hydroexcavation to our service offering and gave us an entry to the automotive market. We are working on expanding our new capabilities there." HydroChem completed the acquisition of Inland Industrial Services Group in November 2013.

In an elevated pricing environment, participants are approaching acquisitions opportunistically. "We will often seek out companies that may be underperforming, perhaps due to the loss of a major customer or liquidity issues; however, there is a strong foundation backed by contracts and a quality management team. In these situations, we are able to pay a more reasonable price," remarked Andrew DeBusk at DeBusk Services Group. "To warrant a premium, there must be a committed seller and a clear path to significantly grow EBITDA in a relatively short timeframe."

DeBusk stressed the importance of keeping key managers motivated and incentivized, "...which typically requires that they reinvest significant equity back into the company." He continued, "Our private equity partner had vision. They realized the importance of having more people with personal skin in the game. You need to open up the shareholder group deeper within the organization—down into the 15-20 key people in the company. It is an advantage that we have over our competitors. We are not just employees. We are all owners." Turnbridge Capital Partners recapitalized DeBusk in May 2016 in partnership with the management founders and current investors.

*"Private equity is active, and a number of firms are pursuing roll up strategies in the industry."*

*—Gary Noto  
HydroChem  
Industrial Services*

"Changes in the marketplace cause us to react primarily in two ways. One is to get more aggressive on our organic business development. For example, technical service levels may not have remained consistent, so we will try to step in and fill a void. The other is geographic expansion through M&A and greenfield opportunities. We have had great success in having our existing customer base adopt our services when we expand our footprint in contiguous markets. It is definitely part of our growth plans," offered Ed Genovese at TAS Environmental Services.

According to Genovese, consolidation in TAS' regional market (Texas, Northern Louisiana, and Arkansas) has primarily involved middle and upper middle market companies as opposed to lower middle market businesses. "Lower middle market companies tend to be more nimble. We



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can ebb and flow with demand in the marketplace and meet needs more quickly than the larger, less specialized companies. I think there will be upside for firms that stay specialized,” Genovese said.

### How will the competitive landscape look in five years?

Consolidation is expected to continue in the near-term but will likely involve smaller, tuck-in acquisitions rather than transformative deals that would significantly alter the competitive landscape, say industry sources. “There will be more consolidation, but I don’t think it will be significant. I don’t think the competitive landscape (in five years) is going to look much different than it does today,” commented Gary Noto at HydroChem Industrial Services. “Over the last six months, we have received a number of inbound calls from smaller companies looking to sell.”

“The small companies have their niche. However, they don’t have the infrastructure that is required to grow,” added Dean Wallace at Superior Environmental Solutions. “It is a fragmented industry, and the large national players are going to continue to acquire the bigger companies. The regional players are going to look to buy the smaller companies so you are going to see fewer of the small, family-owned businesses.”

“The national players need to continue to grow. Some of that growth is going to have to come through acquisitions. Furthermore, we may see some consolidation taking place among the national players as well,” said a regional remediation contractor in our survey.

“The more interesting acquisition activity has been from the majors who are going to drive consolidation in this space,” said Ed Genovese at TAS Environmental Services. “Some of the majors are looking to expand their industrial and technical services presence. By adding lines of business and specialization, they are going to dilute their overall market presence, which will be advantageous to smaller firms like ours that try to stay specialty driven.”

“You will continue to have national players that will be very big in certain regions. However, to operate 20, 30, 40 satellite

locations can be challenging because it is difficult to find quality management for the small offices,” added Cary Meadow at Patriot Environmental Services. “There is a reason why this has been a largely regional game. Companies need to stay focused on their core capabilities and be able to have senior management in front of core customers on a regular basis.”

“Small- to mid-sized firms are going to continue to dominate the industrial cleaning market. Regional knowledge base matters,” Genovese concurred. “Specialized cleaning in oil and gas is reflected by the geography that you serve. If your expertise is in food and beverage or FDA-level industrial cleaning, that could be regionally or geography driven. Just because competing firms take on that expertise they are not going to be able to displace those relationships, nor is deep seated

technical expertise going to be overthrown just because a firm diversifies and has a new capability.”

“There are always going to be local and regional players,” remarked Andrew DeBusk at DeBusk Services Group, “because they are hungrier and can take share from the larger companies.”

*“It is a fragmented industry, and the large national players are going to continue to acquire the bigger companies. The regional players are going to look to buy the smaller companies so you are going to see fewer of the small, family-owned businesses.”*  
—Dean Wallace  
Superior Environmental Solutions

## Notable Investment Activity

### Corporate



**Univar** (NYSE: UNVR) is building its platform of value-added environmental services, completing

the acquisitions of **Bodine Services of the Midwest** (Bodine) in March 2016 and **Weavertown Environmental Group (WEG)** in December 2015 to grow its ChemCare waste management service business. Bodine provides waste management and environmental consulting and contracting, plant maintenance, and other services from five locations in Illinois, Iowa, and Indiana. The company serves public and private sector clients. “The acquisition of Bodine Services supports our vision of creating a



## Industrial Services and Special Waste

leading national platform for Univar's industrial and waste management services," said Univar CEO Erik Fyrwald. "In addition to expanding our footprint with additional service centers in key geographic markets, Bodine has expertise that is critical to helping customers effectively manage compliance within their operations by preventing waste and environmental concerns."

WEG's comprehensive suite of services includes industrial cleaning, waste management and transportation, site remediation, and 24/7/365 emergency response services. The company operates from eight locations.

"Industrial operations and municipalities are increasingly challenged by the regulatory complexities related to managing and preventing waste and environmental concerns," said Fyrwald, commenting on the transaction. "The acquisition of Weavertown Environmental Group enhances Univar's offering of value-added environmental services with trusted expertise and experience that increases our capabilities and presence not only in the industrial services market, but also in key geographic markets across the U.S."

Univar's combined ChemCare, ChemPoint and MiniBulk services businesses comprised approximately 11 percent of U.S. sales in Q1 16 and 7 percent of global sales. "We will continue to look for opportunities to grow these higher-margin value-added services," according to CFO Carl Lukach, in the company's earnings call.



**US Ecology** (NASDAQ: ECOL) continues to expand its environmental service

offerings, completing the acquisition of **Environmental Services Inc.** (ESI) in May 2016. Based in Tilbury, Ontario, Canada, ESI provides hazardous and non-hazardous waste treatment and transportation and disposal, industrial services, confined space rescue, and emergency response work throughout Ontario. Current capabilities include waste consolidation, chemical treatment, solidification, blending, and bulking of hazardous and non-hazardous waste and biological treatment of impacted soils.

"The addition of ESI to US Ecology's family of permitted waste treatment facilities will enhance our geographic reach in the Canadian market to better meet the needs of our combined customers in the region, while complementing our treatment and disposal assets in Michigan and Québec," commented Jeff Feeler, US Ecology's Chairman and CEO. "Our expanding commitment to the Ontario market should provide growth opportunities across our Environmental Services, and Field and Industrial Services businesses."

US Ecology expanded its environmental services platform with the acquisition of **EQ - The Environmental Quality Company** (EQ) in 2014. EQ offers a broad line of environmental services including treatment and disposal of hazardous wastes, recycling, field and industrial services, and total waste management. At the time of the acquisition, EQ operated one hazardous waste permitted landfill located outside of Detroit, Michigan; 13 waste treatment and recycling facilities; and 21 dedicated service centers.



**Covanta** (NYSE: CVA) has stated its commitment to growing

its environmental services business. Its Environmental Solutions business comprises profiled waste handling and industrial waste services. The company has been actively growing its industrial services presence through acquisitions, including **Chief Industrial Services** in January 2016. Chief expands Covanta's portfolio of services in industrial cleaning, environmental remediation, maintenance projects, and waste management services and grows its Midwest footprint.

Covanta acquired a **material processing facility** from **US Ecology** this April. The Augusta, Georgia facility provides non-hazardous waste solidification, shredding, water treatment, and transportation services to commercial and industrial customers. The acquisition will expand Covanta's existing network in the Southeast and complement its waste to energy facilities in Florida and Alabama, as well as its material processing facilities in North Carolina, according to a company statement.



## Industrial Services and Special Waste

The transactions follow the acquisition of **Advanced Waste Services** in May 2015. Industry analysts are projecting the \$150-160 million business to double in the next three years through a combination of M&A and organic growth.



**Stericycle**

Stericycle (NasdaqGS: SRCL) acquired **PSC Environmental Services (PSC)** in April 2014.

PSC is a national provider of environmental and regulated waste management solutions, including transportation, treatment, storage, and disposal of hazardous and non-hazardous waste, site remediation, and emergency spill response. The acquisition added 22 10-day transfer stations (Stericycle had 18) and 12 Part B permit TDSF facilities (Stericycle had only one) strengthening Stericycle's infrastructure, adding route density, lowering disposal costs, and enhancing its service offerings to its healthcare, retail, and other regulated waste customers.

"PSC Environmental is a recognized industry leader and this acquisition is an exciting milestone," said Stericycle CEO Charlie Alutto. "By combining PSC Environmental with our regulated waste management solutions, we are providing the marketplace with a broader portfolio of services supported by an enhanced operational infrastructure. This acquisition is part of our ongoing effort to help companies protect their brands and safeguard the environment, and we look forward to further refining our offerings."

Stericycle purchased PSC from **Lindsay Goldberg**, which acquired the company in 2010.

### Growing Private Capital Investment

Industrial services and special waste continues to attract private equity interest and outside capital investment. Private equity is credited as early investor in several growth platforms, among them **Thompson Industrial Services (Five Points Capital, 2010 Investment)**; **K2 Industrial Services** and **United States Environmental Services (The Halifax Group)**; **HydroChem Industrial Services (Centerbridge Partners, 2012 investment)**, **National Response Corporation (J.F. Lehman & Company, 2012 Investment)**, **Miller Environmental Services (Trinity Hunt Partners, 2014 investment)**; **PSC Industrial Services (Littlejohn & Co., 2014 investment)**, **EnviroVac (RLJ Equity Partners, 2014 Investment)**, **Terrapure Environmental (Birch Hill Equity Partners, 2015 investment)**, and

**EnviroSystems (Torquest Partners, 2015 investment)**. Existing platforms have continued to expand, and sponsors are aggressively pursuing acquisitive growth for current investments. A number of acquisitions have been announced during the last 18 months:



**Clean Earth** is a leading provider of environmental services for a variety of contaminated materials including soils, dredged materials, and hazardous waste and drill cuttings. The company operates 14 permitted facilities in the Eastern U.S. **Compass Diversified Holdings (NYSE: CODI)** acquired Clean Earth from **Littlejohn & Co.** in August 2014 for \$243 million.

Compass has completed three add-ons for the platform, including most recently **EWS Alabama** in June 2016 and **Phoenix Soil** in April 2016.

The acquisition of **EWS Alabama** expands Clean Earth's geographic presence in the Southeast market. Alabama-based EWS provides hazardous and non-hazardous waste management services to customers across 11 states. The company operates a fully permitted hazardous waste RCRA Part B facility.

Chris Dods, CEO of Clean Earth, commented on the acquisition, "Our combined geographic footprint will open up new markets for Clean Earth, expanding our customer base and enhancing our growth prospects. In addition, EWS's regulatory permits and extensive processing capabilities will enable us to recycle carbon black, utilize fuel blending, process medical waste, and recycle new forms of non-hazardous waste, opening up new opportunities to service our existing regional customers as well as acquire new national customers."

Alan Offenber, CEO of CODI, said, "We remain focused on using CODI's balance sheet strength to pursue further add-on and platform acquisitions of niche leading businesses that will drive cash flow and create long-term value for our shareholders."

The acquisition of **Phoenix Soil** strengthens Clean Earth's soil treatment capabilities and expands its geographic footprint into New England. Connecticut-based Phoenix



# Spotlight On:

## Industrial Services and Special Waste

Soil provides environmental services for non-hazardous contaminated materials with a primary focus on soils. The company recently transitioned to a state-of-the-art thermal desorption facility where it can accept and treat essentially any non-hazardous contaminated soils.

Commenting on the transaction, Alan Offenberg, said, “Adding this highly complementary business will strengthen Clean Earth’s soil treatment capabilities and expand its geographic footprint into New England, allowing us to reach into new markets and enhance the company’s growth potential. Looking ahead, we will continue to capitalize on CODI’s strong balance sheet in making attractive strategic add-on and platform acquisitions that build long-term shareholder value.”

Clean Earth acquired **AES Environmental** in December 2014, gaining two permitted hazardous waste facilities in Kentucky and West Virginia, penetrating new markets across the Midwest and Mid-Atlantic regions.



In June 2016, **The Sterling Group** acquired **Evergreen Industrial Services** and **North American Industrial Services** to form a growth platform in industrial cleaning and related specialty cleaning services. New York-based North American serves a diverse set of end markets with a strong geographic presence in the Northeast, Midwest, and Rocky Mountain regions. Texas-based Evergreen serves customers in the petrochemical, refining, and midstream industries located in Texas and the West Coast. North American founders, Frank and Tim Zilka, and Evergreen founder Jon Hodges invested alongside Sterling in the new company. Sterling has named Mark Neas, former President of Brand Energy Solutions, as CEO, and Phil Hawk, former CEO and continuing Executive Chairman of TEAM Inc. (NYSE: TISI), as Executive Chairman of the new company.

“Frank and Tim Zilka and Jon Hodges have built exceptional businesses that will be even stronger as one organization,” said Kevin Garland, a Partner at The Sterling

Group. “Together, with the addition of several tenured industry executives, we will execute on our collective vision to continue to grow organically and into new markets, offering an expanded ability to serve the new company’s diverse customer base across the United States.”



**Turnbridge Capital Partners** completed the recapitalization of mechanical and industrial cleaning services provider **DeBusk Services Group** (DSG) in May 2016. The Texas-based company operates from 16 facilities across the country and primarily serves domestic chemical plants, oil refineries, and some coal-fired power plants. DSG’s comprehensive suite of maintenance and turnaround services includes hydroblasting, hydrocutting, specialty FCC catalyst handling, chemical cleaning, transportation, tank cleaning, and vacuum services.



**Kinderhook Industries** completed the acquisition of environmental and industrial services provider **Allstate Power Vac** in November 2015. Allstate provides a comprehensive suite of environmental and industrial services including: industrial services; tank and oil processing; sewer lining and maintenance services; and related industrial and hazardous waste services, including transport, storage, and emergency response. The company operates 13 facilities in the Northeast.

Kinderhook publicly stated its plans to pursue a strategy of acquisitive growth. Cor Carruthers, Managing Director at Kinderhook, said, “Kinderhook’s proven “buy-and-build” strategy will further diversify the company’s robust offering and allow Allstate to continue to provide its many long-standing customers with best-in-class service.”



## Industrial Services and Special Waste

Also in November, Kinderhook acquired **Clean Venture, Inc.** (CVCC) a provider of hazardous and non-hazardous waste management services to commercial and government entities in the New England and Mid-Atlantic regions. The company provides a broad range of environmental services from industrial cleaning and emergency response to large scale site remediation projects. CVCC operates Clean Venture, an environmental contractor specializing in emergency response and site remediation; Envirotech, an environmental consulting business; and Cycle Chem, an operator of two fully permitted Part B RCRA facilities which house the company's analytical laboratory, storage, and disposal operations.



In November 2015, **CapitalWorks** acquired **Chemtron Corporation** in partnership with management. Chemtron provides hazardous and non-hazardous waste management services for industrial manufacturers, healthcare facilities, and consumer product companies. Additional field and technical services include compliance training, testing, emergency response, demolition, plant closure, industrial cleaning, and environmental consulting. The company operates a fully licensed and permitted Part B RCRA facility in Northeast Ohio.



The **Riverside Company** and **True North Equity** acquired **Summit Environmental Services** in March 2015 as the foundational asset for an industrial and field services platform strategy. The newly formed platform, **IFS Group**, will specialize in providing non-discretionary industrial and field services supporting power generation and process industries. Summit is a regional provider of outsourced industrial cleaning, excavation, and field services for power generation, utility, oil and gas, and general industrial customers located primarily in the Mid-Atlantic and Midwest.

IFS Group CEO and True North Managing Partner Jeff Wigginton anticipates significant growth potential for the platform through future acquisitions and organic growth initiatives. "We are thrilled to announce our new partnership with Summit Environmental and Riverside, as we look to build another highly successful platform in the industrial services space," said Wigginton. "Our strategy will remain as it has in the past: To partner with best-in-class operators to build a super-regional company providing a turnkey suite of services to power and petrochemical plants, refineries, and oil and gas field operations."

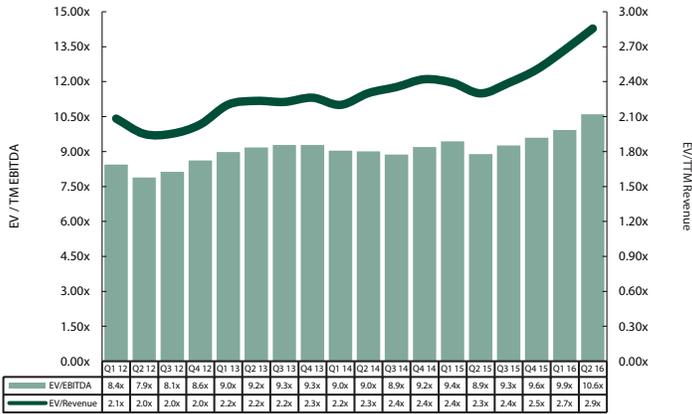
The sponsors are actively seeking additional acquisition opportunities that offer complementary, non-discretionary industrial services and access points into new geographies and customers in industrial end markets.



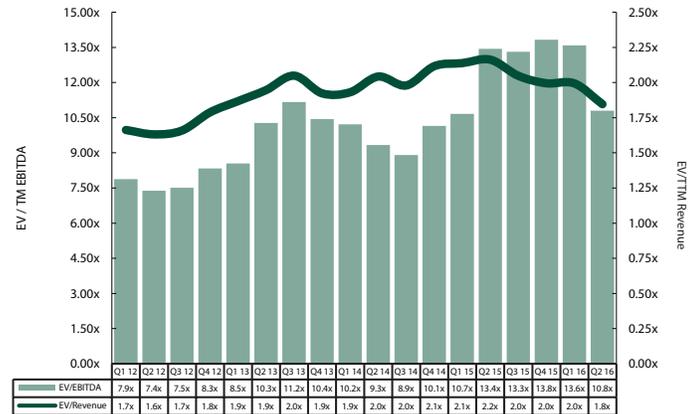
# Environmental Services Insider Industry Valuations

## Relative Valuation Trends

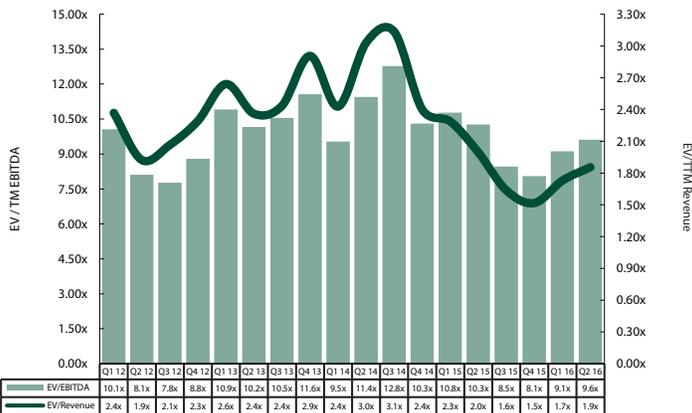
### Solid Waste - Vertically Integrated



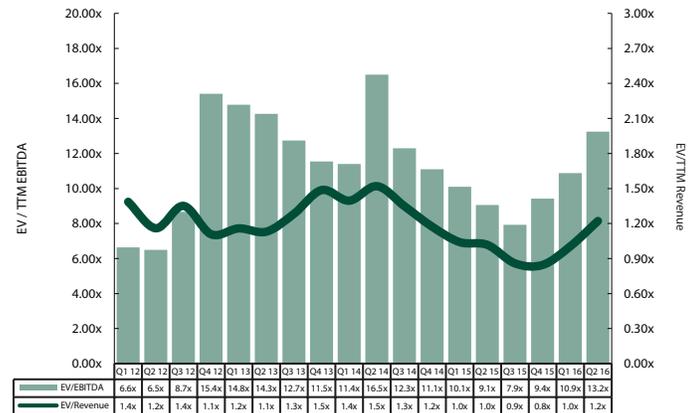
### Solid Waste - Waste-to-Energy



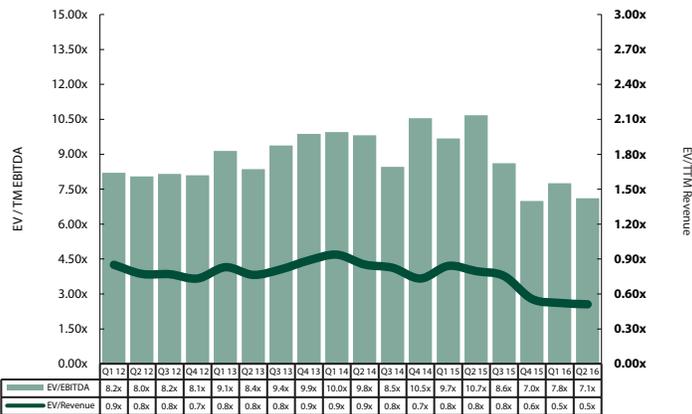
### Special Waste - Broadly Diversified



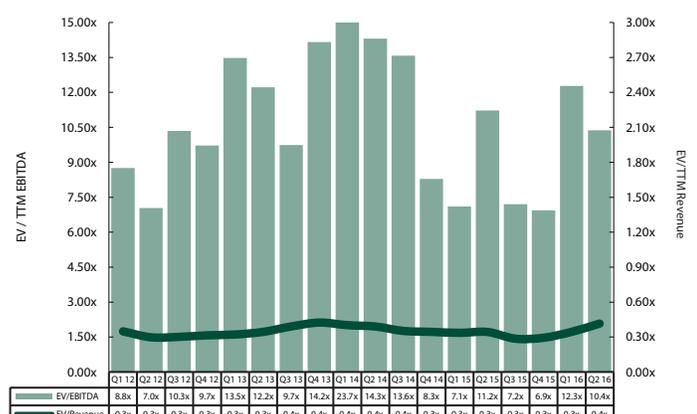
### Special Waste - Other



### Environmental Engineering & Consulting



### Metals Recycling



BGL Environmental Services indices defined on Page 34.  
SOURCE: S&P Capital IQ.



# Environmental Services Insider Industry Valuations

## Relative Valuation Trends

(\$ in millions, except per share data)

Company Name	Country	Ticker	Current Stock Price (1)	52 Week High	52 Week Low	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	Enterprise Value / Revenue	Enterprise Value / EBITDA	Total Debt/ EBITDA	TTM Revenue	TTM Gross	TTM Margins
<b>SOLID WASTE (VERTICALLY-INTEGRATED)</b>														
Waste Management, Inc.	United States	NYSE:WM	\$67.20	\$70.50	\$48.69	95.3%	\$29,854	\$39,366	3.0x	11.4x	2.8x	\$13,097	36.8%	26.4%
Republic Services, Inc.	United States	NYSE:RSG	52.39	\$52.92	\$39.48	99.0%	18,017	25,547	2.8x	10.0x	2.9x	9,194	38.6%	27.9%
Waste Connections US, Inc.	United States	NYSE:WCN	74.03	\$74.35	\$67.19	99.6%	12,986	15,078	3.7x	12.6x	3.2x	4,063	44.3%	33.4%
Casella Waste Systems Inc.	United States	NasdaqGS:CWST	9.03	\$9.46	\$4.97	95.4%	371	884	1.6x	9.3x	5.4x	555	30.6%	17.2%
<b>Median</b>			<b>\$59.80</b>			<b>97.2%</b>	<b>\$15,501</b>	<b>\$20,312</b>	<b>2.9x</b>	<b>10.7x</b>	<b>3.1x</b>	<b>\$6,628</b>	<b>37.7%</b>	<b>27.2%</b>
<b>Mean</b>			<b>\$50.66</b>			<b>97.3%</b>	<b>\$15,307</b>	<b>\$20,219</b>	<b>2.8x</b>	<b>10.8x</b>	<b>3.6x</b>	<b>\$6,727</b>	<b>37.6%</b>	<b>26.2%</b>
<b>SOLID WASTE (WASTE-TO-ENERGY)</b>														
Covanta Holding Corporation	United States	NYSE:CVA	\$16.90	\$20.94	\$12.48	80.7%	\$2,195	\$4,572	2.7x	13.3x	7.4x	\$1,665	31.6%	20.6%
Shanks Group plc	United Kingdom	LSE:SKS	1.34	\$1.36	\$0.90	98.3%	533	901	1.1x	9.4x	4.8x	884	15.3%	10.8%
<b>Median</b>			<b>\$9.12</b>			<b>89.5%</b>	<b>\$1,364</b>	<b>\$2,736</b>	<b>1.9x</b>	<b>11.4x</b>	<b>6.1x</b>	<b>\$1,275</b>	<b>23.5%</b>	<b>15.7%</b>
<b>Mean</b>			<b>\$9.12</b>			<b>89.5%</b>	<b>\$1,364</b>	<b>\$2,736</b>	<b>1.9x</b>	<b>11.4x</b>	<b>6.1x</b>	<b>\$1,275</b>	<b>23.5%</b>	<b>15.7%</b>
<b>SPECIAL WASTE (BROADLY DIVERSIFIED)</b>														
Veolia Environnement S.A.	France	ENXTPA:VIE	\$21.28	\$25.22	\$19.56	84.4%	\$11,695	\$21,754	0.8x	8.0x	4.9x	\$27,114	16.7%	10.0%
Stericycle, Inc.	United States	NasdaqGS:SRCL	\$107.25	\$151.57	\$91.05	70.8%	9,107	12,225	3.8x	15.0x	3.9x	3,197	44.5%	25.5%
Clean Harbors, Inc.	United States	NYSE:CLH	\$53.61	\$54.54	\$37.09	98.3%	3,085	4,362	1.4x	9.0x	3.4x	3,179	28.4%	15.2%
US Ecology, Inc.	United States	NasdaqGS:ECOL	47.62	\$52.99	\$29.89	89.9%	1,036	1,313	2.4x	10.7x	2.4x	540	30.9%	22.8%
<b>Median</b>			<b>\$50.62</b>			<b>87.1%</b>	<b>\$6,096</b>	<b>\$8,294</b>	<b>1.9x</b>	<b>9.9x</b>	<b>3.6x</b>	<b>\$3,188</b>	<b>29.7%</b>	<b>19.0%</b>
<b>Mean</b>			<b>\$57.44</b>			<b>85.8%</b>	<b>\$6,231</b>	<b>\$9,914</b>	<b>2.1x</b>	<b>10.7x</b>	<b>3.6x</b>	<b>\$8,507</b>	<b>30.2%</b>	<b>18.4%</b>
<b>SPECIAL WASTE (OTHER)</b>														
Darling Ingredients Inc.	United States	NYSE:DAR	\$15.37	\$15.93	\$7.78	96.5%	\$2,529	\$4,457	1.3x	10.7x	4.7x	\$3,302	22.2%	12.6%
Secure Energy Services Inc.	Canada	TSX:SES	\$6.66	\$8.48	\$4.04	78.5%	1,061	1,155	1.3x	17.2x	1.5x	917	14.0%	7.3%
Renewable Energy Group, Inc.	United States	NasdaqGS:REGI	8.90	\$11.18	\$6.02	79.6%	389	487	0.3x	5.6x	3.1x	1,462	10.4%	5.9%
Heritage-Crystal Clean, Inc.	United States	NasdaqGS:HCCI	12.43	\$14.30	\$7.19	86.9%	278	326	0.9x	13.4x	2.9x	344	20.1%	7.0%
Newalta Corporation	Canada	TSX:NAL	1.83	\$10.81	\$1.10	16.9%	161	425	2.0x	13.2x	<b>8.4x</b>	215	29.7%	15.0%
Perma-Fix Environmental Services Inc.	United States	NasdaqCM:PESI	4.52	\$5.64	\$3.42	80.1%	52	62	1.0x	<b>20.9x</b>	3.1x	59	21.9%	5.0%
Vertex Energy, Inc.	United States	NasdaqCM:VTNR	1.28	\$2.85	\$0.63	44.9%	36	65	0.5x	<b>NM</b>	<b>NM</b>	123	8.7%	-8.2%
Nuverra Environmental Solutions, Inc.	United States	OTCPK:NESE	0.26	\$3.26	\$0.13	8.0%	34	505	1.8x	<b>25.3x</b>	<b>23.6x</b>	285	19.0%	7.0%
<b>Median</b>			<b>\$5.59</b>			<b>79.1%</b>	<b>\$220</b>	<b>\$456</b>	<b>1.2x</b>	<b>13.2x</b>	<b>3.1x</b>	<b>\$314</b>	<b>19.5%</b>	<b>7.0%</b>
<b>Mean</b>			<b>\$6.41</b>			<b>61.4%</b>	<b>\$568</b>	<b>\$935</b>	<b>1.2x</b>	<b>12.0x</b>	<b>3.1x</b>	<b>\$838</b>	<b>18.3%</b>	<b>6.5%</b>
<b>ENVIRONMENTAL ENGINEERING &amp; CONSULTING</b>														
AECOM	United States	NYSE:ACM	\$34.77	\$35.21	\$22.80	98.7%	\$5,333	\$9,341	0.5x	9.2x	4.4x	\$17,952	3.5%	5.7%
Chicago Bridge & Iron Company N.V.	Netherlands	NYSE:CBI	35.96	\$53.73	\$31.30	66.9%	3,786	5,763	0.5x	5.0x	2.1x	12,471	11.5%	9.3%
Amecc Foster Wheeler plc	United Kingdom	LSE:AMFW	6.21	\$11.12	\$4.21	55.8%	2,420	3,688	0.5x	7.5x	4.0x	8,045	12.2%	6.1%
Tetra Tech, Inc.	United States	NasdaqGS:TTEK	32.91	\$33.03	\$22.85	99.6%	1,906	2,156	1.2x	11.3x	1.9x	1,749	18.0%	10.9%
ARCADIS NV	Netherlands	ENXTAM:ARCAD	15.08	\$27.77	\$12.32	54.3%	1,289	1,840	0.5x	7.0x	3.0x	3,714	18.6%	7.0%
Great Lakes Dredge & Dock Corporation	United States	NasdaqGS:GLDD	4.49	\$6.17	\$2.96	72.8%	272	623	0.7x	6.9x	4.1x	845	12.4%	10.7%
TRC Companies Inc.	United States	NYSE:TRR	6.97	\$12.30	\$5.79	56.7%	217	312	0.7x	7.4x	2.5x	450	17.6%	9.4%
Cardno Limited	Australia	ASX:CDD	0.43	\$2.56	\$0.33	16.7%	205	327	0.3x	6.6x	5.1x	1,050	7.5%	4.7%
<b>Median</b>			<b>\$11.02</b>	<b>\$20.03</b>	<b>\$9.05</b>	<b>61.8%</b>	<b>\$1,598</b>	<b>\$1,998</b>	<b>0.5x</b>	<b>7.2x</b>	<b>3.0x</b>	<b>\$2,731</b>	<b>12.3%</b>	<b>8.1%</b>
<b>Mean</b>			<b>\$17.10</b>	<b>\$22.74</b>	<b>\$12.82</b>	<b>65.2%</b>	<b>\$1,928</b>	<b>\$3,006</b>	<b>0.6x</b>	<b>7.6x</b>	<b>3.3x</b>	<b>\$5,784</b>	<b>12.7%</b>	<b>8.0%</b>
<b>E-WASTE &amp; METALS RECYCLING</b>														
Commercial Metals Company	United States	NYSE:CMC	16.47	\$18.50	\$12.44	89.0%	\$1,888	\$2,484	0.5x	5.8x	2.5x	\$4,813	15.0%	9.0%
Sims Metal Management Limited	United States	ASX:SGM	6.52	\$8.91	\$4.44	73.2%	1,288	1,002	0.3x	13.9x	0.1x	3,914	11.2%	1.8%
ALBA SE	Germany	DB:ABA	53.60	\$58.50	\$51.90	91.6%	527	552	0.4x	27.2x	1.5x	1,483	9.9%	1.4%
Schnitzer Steel Industries, Inc.	United States	NasdaqGS:SCHN	18.81	\$21.57	\$11.70	87.2%	496	696	0.5x	<b>9.6x</b>	2.8x	1,419	12.4%	5.1%
<b>Median</b>			<b>\$17.64</b>	<b>20.04</b>	<b>12.07</b>	<b>88.1%</b>	<b>\$908</b>	<b>\$849</b>	<b>0.4x</b>	<b>13.9x</b>	<b>1.5x</b>	<b>\$2,698</b>	<b>11.8%</b>	<b>3.5%</b>
<b>Mean</b>			<b>\$23.85</b>	<b>26.87</b>	<b>20.12</b>	<b>85.3%</b>	<b>\$1,050</b>	<b>\$1,183</b>	<b>0.4x</b>	<b>15.6x</b>	<b>1.3x</b>	<b>\$2,907</b>	<b>12.1%</b>	<b>4.3%</b>

NOTE: Figures in bold and italic type were excluded from median and mean calculation.

(1) As of 7/22/2016.

(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(3) Enterprise Value is the total value of a firm (including all debt and equity).

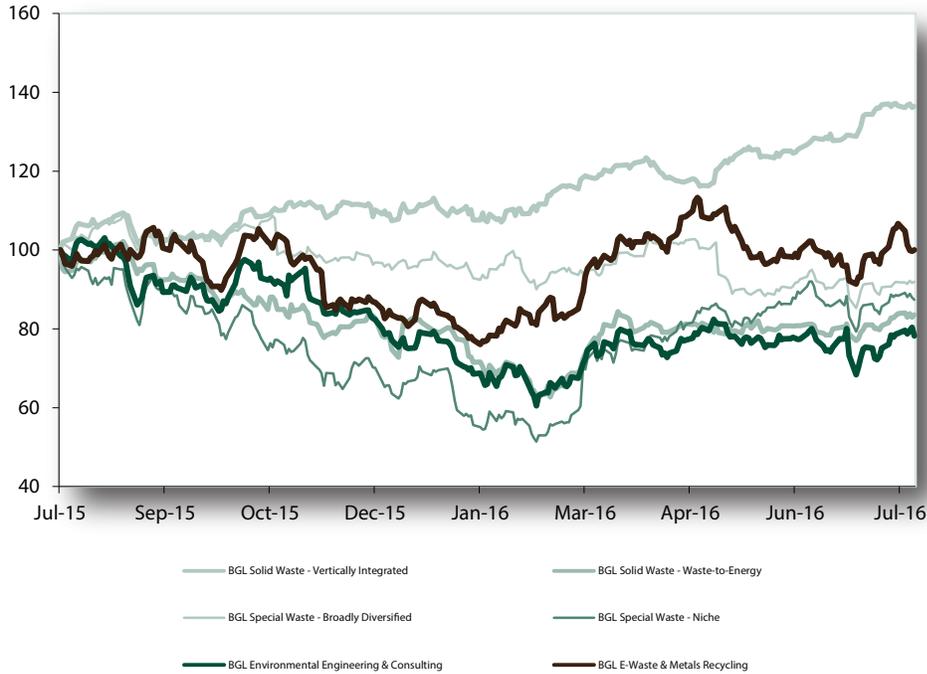
SOURCE: S&P Capital IQ.



# Environmental Services Insider Industry Valuations

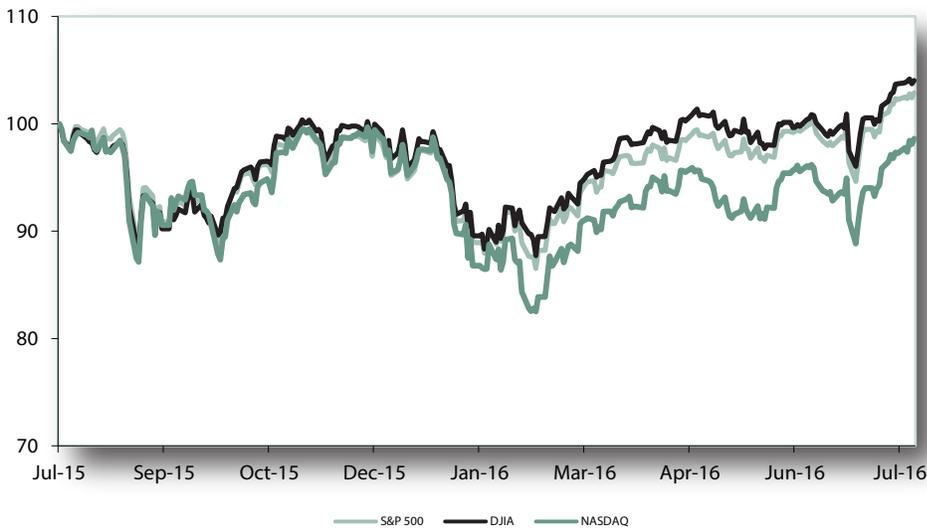
## Sector Performance

### By Sector



	<b>1 Year</b>
Solid Waste - Vertically Integrated	36.4%
Solid Waste - Waste-to-Energy	-16.5%
Special Waste - Broadly Diversified	-8.0%
Special Waste - Other	-12.6%
Environmental Engineering & Consulting	-21.8%
E-Waste & Metals Recycling	0.0%

### Overall Market



	<b>1 Year</b>
S&P 500	2.9%
DJIA	4.0%
NASDAQ	-1.4%

Index: July 22, 2015 = 100.

SOURCE: S&P Capital IQ.



# Global Environmental and Industrial Services

## WASTE & RECYCLING

### SOLID WASTE

- Collection and Hauling
- Transfer Stations
- Material Recovery Facilities
- Landfills

### SPECIAL WASTE

- Liquids
- ODS and Other Hazardous Streams
- Collection, Handling, and Disposal
- General ES
- Emergency Response

### E-WASTE/METALS

- End-of-Life Destruction
- Remanufacturing
- Asset Management
- Data Destruction
- Scrap Metal

### WASTE-TO-ENERGY

- Gasification
- Anaerobic Digestion
- Oil Re-Refining
- Fats, Oils, and Greases
- Biogas and Biofuels
- Renewables

## ENVIRONMENTAL ENGINEERING & CONSULTING

- Environmental Engineering and Consulting
- Auditing, Compliance, and Testing
- Reclamation and Remediation
- Sustainability

## INDUSTRIAL SERVICES

### ASSET-INTENSIVE

- General Plant and Equipment Maintenance
- Turnaround and Outage
- Maintenance and Fabrication
- Infrastructure Services

### ASSET-LIGHT

- Testing, Inspection & Certification (TIC), and Integrity Management Services
- Safety and Compliance
- Architecture and Engineering

## Representative Transactions

## Who We Are

### Leading Independent Firm

- Independent investment banking advisory firm focused on the middle market
- Senior bankers with significant experience and tenure; partners average over 20 years of experience
- Offices in Chicago, Cleveland, and Philadelphia
- Founding member and exclusive U.S. partner of Global M&A Partners, Ltd., the world's leading partnership of investment banking firms focusing on middle market transactions
- Deep industry experience across core sectors of focus, including: Business Services, Consumer, Environmental & Industrial Services, Healthcare & Life Sciences, Industrials, and Real Estate

### Comprehensive Capabilities

M&A ADVISORY	CAPITAL MARKETS
<ul style="list-style-type: none"> <li>Sell-Side Advisory</li> <li>Acquisitions &amp; Divestitures</li> <li>Public &amp; Private Mergers</li> <li>Special Committee Advice</li> <li>Strategic Partnerships &amp; Joint Ventures</li> <li>Fairness Opinions &amp; Fair Value Opinions</li> </ul>	<ul style="list-style-type: none"> <li>All Tranches of Debt &amp; Equity Capital for:</li> <li>Growth</li> <li>Acquisitions</li> <li>Recapitalizations</li> <li>Dividends</li> </ul>
FINANCIAL ADVISORY	RESEARCH
<ul style="list-style-type: none"> <li>General Financial &amp; Strategic Advice</li> <li>Balance Sheet</li> <li>Restructurings</li> <li>Sales of Non-Core Assets or Businesses</li> <li>\$363 Auctions</li> </ul>	<ul style="list-style-type: none"> <li>Primary Research</li> <li>Industry Benchmarking</li> <li>Operating Advisor Network</li> <li>White Papers</li> <li>Industry Surveys</li> </ul>

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