Environmental Services Insider



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Highlights

M&A Activity

- Environmental services continues to see steady deal flow, in line with the broader M&A market which remains active. 2010 finished strong, with environmental services transaction activity up nearly two-fold from prior year levels. 2011 appears to be off to a healthy start; the pace of new deal activity is robust, with Q1 '11 deal flow up 67 percent over the year ago period (Page 3). Looking ahead, the middle market is expected to remain active as strategic buyers and sponsor-backed platforms seek synergistic tuck-in acquisitions to improve scale and local footprints. Several factors, namely healthy acquisition budgets, an anticipated increase in buying activity on the part of mid-tier regional players, increased capital investment from private equity sponsors, and more liquid debt markets, are expected to drive deal flow as acquisitions remain a primary driver of top-line growth.

Industry Valuations

- The equity markets continue to experience a high degree of volatility given the uncertain economic and geopolitical climate and are recouping losses from early March, with the S&P 500 up 12 percent year over year. Environmental services stocks outperformed the market over the same period, with the BGL Special Waste composite index up 22 percent, BGL E&C / Remediation index up 19 percent, and BGL Solid Waste index up 16 percent. EBITDA multiples contracted from Q4 '10, with the LTM EBITDA multiple in Solid Waste of 7.7x down from 8.3x in Q4 '10 and Special Waste of 8.5x down from 10.4x in Q4 '10 (Page 12).

(1) As of April 8, 2011

Operating Highlights

- Major solid waste companies are reporting positive pricing and volume trends. Pricing leverage and effective cost management are contributing to margin expansion and strong free cash flow generation for most operators. Pricing discipline remains in focus amid competitive pressures in the slow growth environment. Looking ahead, operators are forecasting positive internal revenue growth in 2011 driven by core price and volume gains, with strong upside potential in commercial volumes as the economic recovery takes hold.

- Special waste operators are seeing volume recovery from stable-to-improving trends in industrial production. Energy and industrial services end markets remain bright spots and increased government environmental spending presents upside to private sector growth. The ongoing federal budget debate has shown limited-to-no signs of affecting environmental spend and legislation. Strong fundamentals in medical waste point to solid organic growth and acquisition pipelines remain healthy.

- Recyclers are anticipating favorable selling conditions during the first half of the year driven by recovering manufacturing activity and tight scrap supply. A strong export market continues to be a primary driver of growth, with higher demand and prices contributing to increased profitability. Global demand for recycled metals is broad-based, with economic and environmental benefits expected to sustain long-term demand in developing markets. Commodity price volatility remains a key risk, and tight supply conditions are expected to drive prices higher in the near-term. The pace of strategic acquisitions has accelerated as buyers focus on expanding their supply network and geographic footprint.

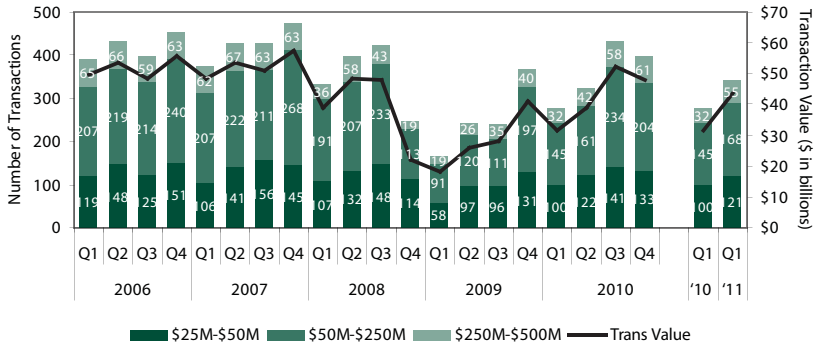
- Near-term business fundamentals for E&C / Remediation are improving. Overall, BGL composite companies are reporting solid operating performance and positive trends in revenue and backlog year over year, with energy and environmental services lines of business cited as drivers of growth. Cost containment remains a focus to preserve margins in the face of competitive market pressures. Despite government budget challenges, participants maintain a positive outlook on business prospects for 2011, driven by stronger order backlogs and opportunities for service line, end market, and geographic expansion. Challenged industrial and commercial markets are expected to see a stronger recovery as businesses resume capital spending, and hard-hit end markets such as the power sector are forecasted to improve following a period of contraction. The private sector is also exhibiting signs of recovery and increased spending on environmental remediation is anticipated. The energy, transportation, and water infrastructure markets are expected to see continued growth.

Mergers & Acquisitions

Overall M&A Activity

Mergers & Acquisitions Activity

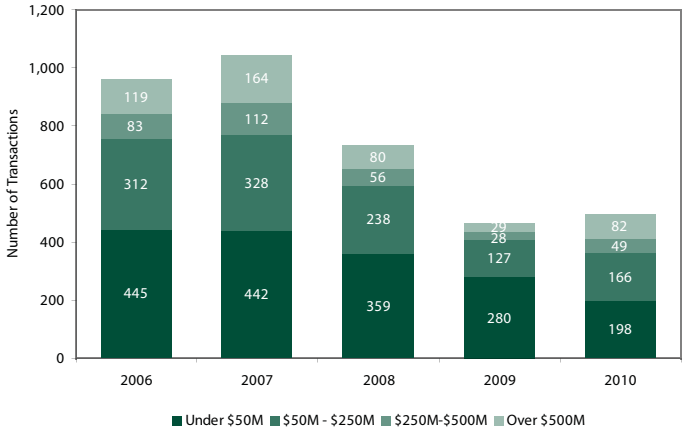
Middle Market M&A Activity



Based on announced deals, where the primary location of the target is in the United States. Middle market enterprise values between $25 million and $500 million.

Source: Capital IQ.

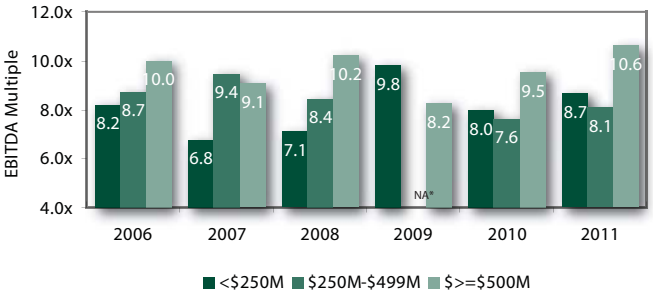
Private Equity Transaction Activity
Transaction Count by Deal Size



Counts only include deals with disclosed transaction values.

Source: PitchBook.

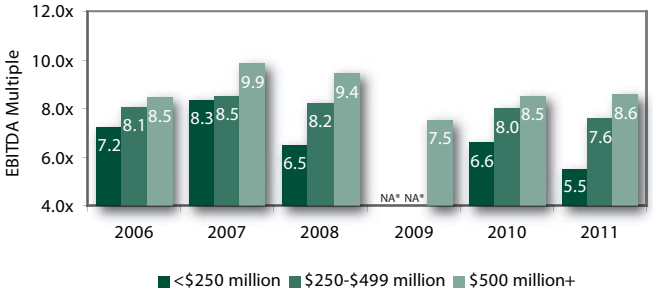
Strategic Buyer Valuation Trends



**NOTE: Data not reported due to limited number of observations for period.*

Source: Standard & Poors LCD.

Financial Buyer Valuation Trends

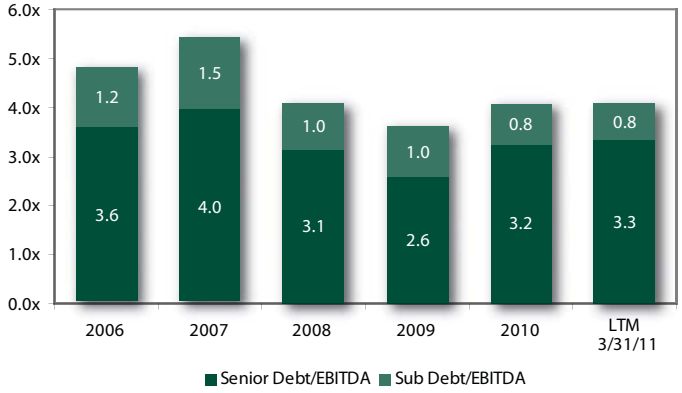


**NOTE: Data not reported due to limited number of observations for period.*

Source: Standard & Poors LCD.

Acquisition Financing Trends

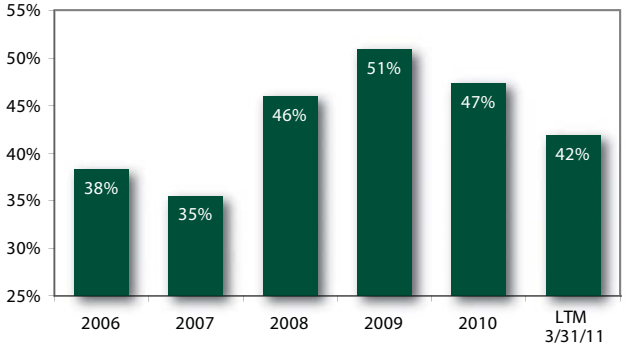
Leverage



Middle market enterprise values between $25 million and $500 million.

Source: Standard & Poors LCD.

Equity Contribution



Middle market enterprise values between $25 million and $500 million.

Source: Standard & Poors LCD.

Mergers & Acquisitions

THE M&A PIPELINE IS BUILDING

The environmental services M&A market was active in Q1 '11 following an already robust fourth quarter, and industry players have the acquisition mindset and the budgets to pursue additional buys this year:

- Republic Services is in the market for deals, after a two-year hiatus integrating the acquisition of Allied Waste Industries. In the company's Q4 '10 earnings call, CEO Donald Slager cited a pipeline of acquisition candidates with $100 to $150 million in revenue, indicating the company has the balance sheet strength and appetite to pursue acquisitions this year, including tuck-ins and infrastructure buys such as recycling facilities.

- Historically acquisitive Waste Connections expects that 2011 will bring significant acquisition growth based on ongoing conversations with sellers. In the company's Q4 '10 earnings call, CEO Ronald Mittelstaedt spoke of a robust M&A pipeline, citing "a record backlog" of deals under consideration. Acquisition candidates include both new stand-alone markets as well as tuck-ins to existing markets.

- IESI-BFC expects 2011 to be another strong year for acquisitions, following on an active year in 2010 with the completion of its merger with Waste Services Inc. in July and the purchase of Fred Weber in December. The company exceeded projected synergy targets for the Waste Services transaction, achieving run rate synergies of $32 million. In the company's Q4 '10 earnings call, CEO Keith Carrigan indicated that IESI-BFC has plans to "remain fairly aggressive as it relates to growth by acquisition" through 2011, targeting more markets than the company ever has.

- Waste Pro USA plans to expand into contiguous markets through acquisitions in 2011, with its eye on Tennessee, Arkansas, Oklahoma, and Texas to the south and going north into Virginia from North Carolina. Historically, roughly 80 percent of growth has been organic but CEO John Jennings indicated that the future target will look more like 50/50 divided between organic growth and acquisitions as the company grows. Waste Pro is backed by private equity firm Roark Capital Group.

SOURCE: Capital IQ, Waste & Recycling News, Equity Research; and Company Filings.

Environmental Services M&A Activity

- Stericycle CFO Frank ten Brink referenced a healthy acquisition pipeline in the company's Q4 '10 earnings call, citing revenue opportunities of $100 million in domestic and international markets. The company was highly acquisitive in 2010, completing 33 acquisitions (13 domestic, 20 international) and 17 in the fourth quarter alone, for a total acquisition spend of $190 million. The combined companies generated annualized revenues of approximately $132 million. Stericycle announced it was acquiring Healthcare Waste Solutions, LLC in September 2010, the largest acquisition in the company's history.

- Schnitzer Steel Industries has launched its acquisition growth platform in 2011 with two buys, following a tally of six acquisitions in 2010, four of which were completed in Q4 '10. The company has plans to continue to pursue growth through synergistic acquisitions in 2011.

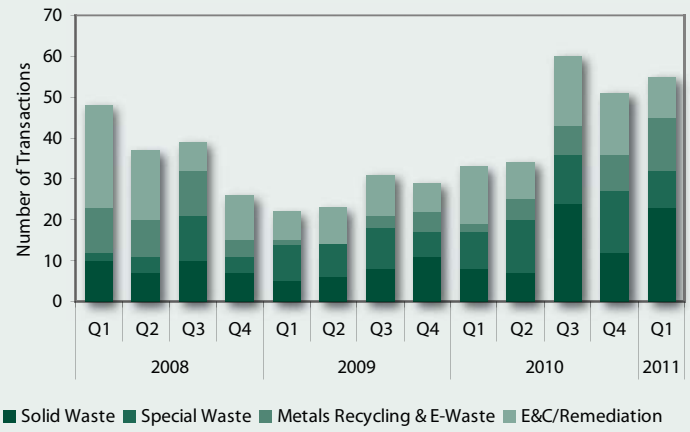
- Ben Weitsman & Son has publicly stated its goal of reaching $1 billion in sales by continuing to make acquisitions in its footprint. Since July 2010, the company has announced five buys, including two acquisitions announced in February of this year.

- AECOM Technology Corporation completed seven acquisitions in 2010 and has plans to utilize acquisitions as a primary growth driver this year. Significant buys last year included McNeil Technologies, Inc., purchased from private equity sponsor Veritas Capital in August, and Tishman Construction Corporation in July.

- Acquisitions are expected to continue to fuel Tetra Tech's growth, with Mining garnering increased focus from an M&A perspective, as well as international markets. The company completed five acquisitions in 2010.

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: Capital IQ, mergermarket, and BGL Research.



Mergers & Acquisitions

NOTABLE Q1 '11 M&A ACTIVITY IN SOLID WASTE

In March 2011, **Rumpke Consolidated Companies Inc.** announced it was expanding its Ohio footprint with the purchase of waste collection and hauling assets and a transfer station from Cleveland-based **Landmark Disposal Ltd.** and **Norton Environmental Services**. Rumpke will gain approximately 10,000 residential, commercial and industrial customers in the Cleveland, Akron, and Canton areas with the purchase. Rumpke entered the northern Ohio market in 2009 through the purchase of a landfill, two transfer stations and collection operations in the Cleveland and Mansfield markets from Republic Services. In January 2011, Rumpke acquired **RLS Recycling** of Chillicothe, Ohio, adding to its existing Central and Southeast Ohio service areas. RLS Recycling generates roughly 60 percent of its revenue from recycling and 40 percent from waste services.

In March 2011, **CE Holdings**, a new company formed by private equity sponsor Pegasus Capital Advisors and Intersection, LLC in partnership with MissionPoint Capital Partners, HarbourVest Partners and Ares Capital, completed the acquisition of FCR, LLC and Blue Mountain Recycling LLC from Casella Waste Systems. The deal involves 17 material recycling facilities, a transfer station and certain related intellectual property assets. CE Holdings is a platform company focused on the recovery and transformation of waste into value-added products. The cash purchase price was $132 million.

Transaction Multiples: ~9.4x EBITDA

In March 2011, **WCA Waste Corporation** (WCA) completed the acquisition of certain solid waste hauling and transfer station assets from Emerald Waste Services, LLC. WCA announced the acquisition in December 2010. WCA acquired the company's central Florida transfer station and hauling operations consisting of 117 residential, commercial and roll-off routes servicing seven counties in Gainesville, Orange City, and Daytona Beach. The total assets being acquired generate approximately $30 million of annual revenue and consist of 220 employees.

WCA paid $47 million in cash, $15.8 million in WCA stock and $5 million in cash or common stock at WCA's option, in the event that the business achieves at least $3.5 million in EBITDA for any four consecutive fiscal quarters through and including the quarter ending December 31, 2012.

Transaction Multiples: ~2.1x Revenue

In March 2011, **Waste Management** (WM) acquired three recycling facilities from **Canusa Hershman Recycling Co.** and affiliates, a move that will expand its residential, commercial, and institutional recycling services in Maryland, Virginia, and the greater mid-Atlantic region. In total, the new facilities will add over 30,000 tons per month of sorting capacity, including a single stream facility, according to a company statement. In November 2010, WM announced it was acquiring **Glacier Recycle, LLC**. Based in Auburn, Washington, Glacier provides recycling services to the construction industry, processing recovered wood to make recycled wood products and biomass fuel. WM expects the addition will significantly increase its construction waste recycling in the Pacific Northwest. The acquisition also supports the continued growth of green building and LEED certification across the region, according to a press release announcing the transaction.

Environmental Services M&A Activity

In February 2011, private equity backed **Waste Pro USA** announced it was acquiring **Greenstar Recycling** of Houston, Texas; **C&D Ltd LLC** of Alabaster, Alabama; and **Pelican Commercial Waste Services** of Belle Chasse, Louisiana. C&D and Greenstar offer recycling services and Pelican provides solid waste collection, management, and disposal services to industries, businesses, and municipalities. Waste Pro acquired 10 businesses in Florida, Georgia, Alabama, Mississippi, and Louisiana from December to early February.

In February 2011, **Veolia ES Solid Waste, Inc.** acquired **Guy's Waste Services, LLC** of Byron, Georgia. The acquisition includes subsidiary companies KMA Transfer, LLC and Ace Trash, LLC. Guy's currently serves approximately 1,200 customers in five surrounding counties which represents new territory for Veolia and the ability to internalize those volumes into Veolia's nearby Taylor County Landfill. The purchase includes a transfer station and commercial hauling operation. In January, Veolia announced the acquisition of **Milo Sanitation**, furthering its regional expansion strategy in the Southeast. The Valdosta, Georgia hauler brings 4,000 residential and 60 commercial accounts to Veolia.

In January 2011, **IESI-BFC Ltd.** announced it was acquiring the waste collection, transfer, and landfill assets of **Fred Weber**, including subsidiaries Crown Excel Disposal LLC and Weber Gas Energy LLC—a move that will significantly expand its presence in the St. Louis market. With the purchase, IESI-BFC is acquiring one of the largest privately owned landfills in the country and Missouri's largest landfill by volume, representing more than 50 percent of the region's remaining disposal capacity. The collection operation includes both commercial and roll-off routes and will be integrated into IESI-BFC's existing network. The cash purchase price was $159 million.

In January 2011, private equity-backed **Deffenbaugh Industries Inc.** announced the acquisition of two Arkansas companies—**Roll Off Service Inc.** and **Advantage Recycling**. Founded in 2001, the two companies provide solid waste collection, transfer and disposal, and recycling services to approximately 25,000 residential, commercial, and industrial customers in Arkansas, Oklahoma, Missouri, Kansas, and Texas. Deffenbaugh will add more than 130 employees through the acquisitions. Based in Kansas City, Kansas, Deffenbaugh considers itself one of the largest waste and recycling services companies in the Midwest and has more than 1,100 employees. Deffenbaugh is a portfolio company of DLJ Merchant Banking Partners, which acquired the company in a $325 million LBO in December 2007.

NOTABLE Q1 '11 M&A ACTIVITY IN SPECIAL WASTE

In February 2011, **Stericycle, Inc.** acquired Franklin, Tennessee-based **NotifyMD**, a patient communications software and services provider and the largest healthcare-only message-management company. NotifyMD could provide a barrier to entry to some Stericycle competitors in the medical waste management sector, analysts reported on the transaction.

NotifyMD generated revenues of approximately $20 million in 2010, representing 10 percent annual growth from 2009. The company is projecting to double revenues to $40 million by 2013, with growth driven in part by a new emphasis on serving hospitals, which account for a large percentage of Stericycle's customer base.

SOURCE: Capital IQ, mergermarket, Waste & Recycling News, Equity Research, and Company Filings.



Mergers & Acquisitions

NOTABLE Q1 '11 M&A ACTIVITY IN SPECIAL WASTE

Stericycle paid an estimated $50 million for NotifyMD. Deal multiples in NotifyMD's space can range from 8x to 12x EBITDA, reported mergermarket, versus Stericycle tuck-in waste-management acquisitions, which typically cost 3.5x to 7x EBITDA.

In February 2011, **Heritage-Crystal Clean, Inc** (HCCI) acquired the assets of **Warrior Oil Service** and **JBS Oil** and **C&J Recovery** (**Warrior Group**). The purchase will add approximately 6.5 million gallons per year to the company's existing used oil collection volume. In March 2010, HCCI announced it was expanding into the re-refining business. The Franklin, Indiana-based Warrior Group, which services generators in Indiana, Illinois, and Kentucky, is expected to minimize transportation expense to HCCI's Indianapolis re-refinery. The feedstock is expected to allow the re-refinery to ramp quicker and at a lower operating cost than purchasing oil from a third party. In addition, HCCI will leverage cross-selling its broader service offering to existing Warrior Group customers.

The acquired assets were valued at approximately $4.2 million. Consideration consisted of cash ($0.9 million), stock (64,516 shares), and the assumption of $2.6 million in debt.

Transaction Multiples: ~.6x Revenue

In February 2011, **R360 Environmental Solutions** acquired the **Silo Field facility** in Southeastern Wyoming from **Western Environmental Services Inc.** According to a company statement, Silo Field is the only oilfield wastewater facility in the Niobrara Shale play—an oil shale resource region that is currently the focus of large-scale lease purchases and widespread infrastructure growth. The purchase marks the first step for R360's growth plan in the Niobrara Shale, which will ultimately include multiple sites. R360 is a leading oilfield environmental solutions company that provides E&P waste and water recycling, as well as treatment and disposal solutions to some of the world's leading oil and gas producers. The company is backed by private equity firms Paine & Partners and Tinicum Capital Partners. R360 has been building its oilfield waste management services platform through acquisition, completing four buys in 2010: Claco Services, LLC; Calpet/R&G Group of Companies; US Liquids of Louisiana, L.P; and Controlled Recovery, Inc.

In January 2011, **Clean Harbors Inc.** announced it was acquiring **Badger Daylighting Ltd.** (Badger) of Calgary, Alberta, Canada. Badger is the largest provider of Hydrovac Services in North America. The company has 82 locations in Canada and the United States and approximately 410 hydrovac units that use water and vacuum technology for excavation. The company derives 60 percent of its sales from Canada and 40 percent from the U.S. Badger has over 5,000 customers and 400 employees. The company generated revenues of CAD 132 million and EBITDA of CAD 33 million in 2010.

The transaction is expected to close in Q2 '11. The CAD 247 million purchase price consists of CAD 222 million in cash for all outstanding common shares of Badger plus the assumption of CAD 25 million of net debt.

Transaction Multiples: 1.9x Revenue; 7.5x EBITDA

Environmental Services M&A Activity

In January 2011, private equity-backed **Thermo Fluids, Inc.** acquired the oil collection business of **Bango Oil, LLC**, expanding the company's network in northern Nevada. Thermo Fluids has existing facilities in Las Vegas, Reno, and Sparks, Nevada. CEO James Devlin estimates the purchase will increase Thermo Fluids' collections business in northern Nevada by approximately 25 percent, solidifying its position as the market leader in the region. Thermo Fluids is a portfolio company of CIVC Partners, which acquired the company in 2006.

NOTABLE Q1 '11 M&A ACTIVITY IN METALS RECYCLING & E-WASTE

In February 2011, **Metalico Inc.** completed the acquisition of Pennsylvania-based **Goodman Services, Inc.**, a full service recycling company in the northwestern Pennsylvania and southwestern New York regions. In addition to scrap metal recycling, Goodman provides offsite material handling and packaging services.

In February 2011, **Schnitzer Steel Industries Inc.** announced it was acquiring Seattle, Washington-based **Ferrill's Auto Parts (dba Pull A Part)**. The purchase includes three self-service facilities which will operate under the "Pick-n-Pull" brand. The transaction represents a new market for the company's Auto Parts Business and a platform for growth in the greater Seattle and Western Washington region. In January, Schnitzer announced the acquisition of **State Line Scrap Co, Inc.** Based in Attleboro, Massachusetts, the scrap metal recycler and exporter is expected to bring operational and commercial synergies to Schnitzer's existing Northeast platform in Massachusetts and Rhode Island, expanding its supply network and production capabilities in the region.

In February 2011, **Ben Weitsman & Son Inc.** and its subsidiary **Update Shredding, LLC** announced the pending acquisitions of Rochester, New York-based **Genesee Scrap & Tin Baling Co. Inc.** and Hazleton, Pennsylvania-based **Brenner Recycling, Inc.** Founded in 1915, Genesee is a full-service scrap metal collection, processing, and shredding operation handling ferrous and non ferrous metals. Its largest acquisition to date, Genesee is the predominant full service scrap metal recycling and auto shredding operation in the greater Rochester area. The acquisition of Brenner Recycling is expected to double the company's geographic coverage in the region. Founded in 1925, Brenner is a retail scrap metal and recycling company which grew from a used auto parts yard to become the largest scrap metal, paper, and cardboard recycler in the greater Hazleton area. Post-acquisition, Ben Weitsman has plans to change the nature of the business from essentially a retailer buyer of scrap metals to one that serves both retail and wholesale dealer business.

According to company estimates, Ben Weitsman & Son Inc. is the largest privately owned scrap metal processor and recycling center on the east coast. The company has set the goal of reaching $1 billion in annual debt free sales by continuing to make acquisitions in its footprint. Ben Weitsman made three acquisitions in 2010, including New York-based Weinstein Scrap Metal Corp. and Liberty Scrap Metal Inc. and Towanda Iron & Metal Company in Pennsylvania, and is looking at further expansions in western New York, according to a company statement.

SOURCE: Capital IQ, mergermarket, Waste & Recycling News, Equity Research, and Company Filings.



Mergers & Acquisitions

NOTABLE Q1 '11 M&A ACTIVITY IN METALS RECYCLING & E-WASTE

In January 2011, **PSC Metals Inc.** announced the acquisition of St. Louis, Missouri-based **Cash´s Scrap Metal & Iron Co.** Cash's has five scrap metal processing locations in St. Louis, St. Charles, and Sikeston, Missouri. The company also processes industrial, demolition, and obsolete metals. Also in January, PSC Metals acquired Ohio-based **Mitco Trucking** and **Warmington Road Recycling Co.** Mitco Trucking provides transportation solutions to recycled metals customers in Ohio and the Midwest. Warmington Road Recycling will serve as a feeder yard for PSC Metals´ shredders in Canton and Wooster, Ohio. The purchases mark PSC Metal's first acquisitions since March 2008 when the company acquired Slippery Rock Salvage.

NOTABLE Q1 '11 M&A ACTIVITY IN E&C / REMEDIATION

In March 2011, **Shaw Group Inc.** acquired **Coastal Planning & Engineering Inc.** (CPE), positioning Shaw as a leader in coastal restoration services. Based in Boca Raton, Florida, CPE offers a broad service offering that includes coastal modeling, oceanographic measurements, marine biology, geotechnical surveys, hydrographic surveys, and marine geology. Shaw's existing project management capabilities and ports and harbors expertise, combined with CPE's coastal engineering services, will allow the company to capitalize on multiple opportunities, including restoration of the Gulf Coast, port expansions, and offshore energy support globally. The all-cash transaction valued at approximately $26 million.

In February 2011, **TRC Companies Inc.** announced the acquisition of **Alexander Utility Engineering, Inc.** (AUE). Headquartered in San Antonio, Texas, AUE is a professional engineering and design firm that specializes in providing a range of services to the electric utility and communications utility markets. The purchase expands TRC's power engineering presence in Texas, which is an important market for the company's Energy segment. AUE's projected net service revenue for 2010 is approximately $3 million. Consideration consisted of a combination of cash, stock, and subordinated debt. The purchase of AUE marks the first acquisition for TRC since January 2005.

In January 2011 **Tetra Tech Inc.** announced the acquisition of **Fransen Engineering Ltd.** Based in Vancouver, BC, Fransen is a front-end focused firm providing engineering and technical support to industrial clients, specifically in water treatment and tailings management for oil sands producers. The acquisition creates no overlap, as Tetra Tech has no exposure in the Canadian oil sands arena. The company believes the integration of Fransen with the size of Tetra Tech will enhance Fransen's capabilities of winning larger, higher margin projects. Fransen generated approximately $27 million in revenue over the past 12 months, according to company estimates. The transaction was valued at approximately $22 million, according to analyst estimates.

Transaction Multiples: ~.8x Revenue

Tetra Tech completed five acquisitions in 2010, including the purchase of BPR Inc. in October 2010. BPR is a Quebec-based consulting and engineering firm focused on the water, energy, industrial, building, and infrastructure markets. Water-related projects represent approximately 65% of the business with important expertise in hydro-power generation. Revenue is split 60/40 percent between public and private sector customers, respectively. Consideration consisted of $117 million in cash and earnout payments of $40 million upon the achievement of specified financial objectives, equating to a .7x - .9x revenue multiple and 6x-7x EBITDA multiple (estimate).

Environmental Services M&A Activity

NOTABLE SELECTED Q4 '10 TRANSACTIONS

SOLID WASTE

In November 2010, **Roark Capital Group** announced it was investing $105 million in **GFL Waste & Recycling Solutions Corp.** of Pickering, Ontario. Formed in 2007, GFL handles solid waste through its National Waste Services subsidiary and liquid waste through subsidiary companies Enviro West Inc. and Direct Line Environmental Corp. The liquid waste business handles a wide variety of liquids, including oily waters, solvents, glycols, and waste oils. The company's operations in Ontario, Manitoba, Alberta, and British Columbia include four hauling companies, five solid waste transfer stations, eight liquid waste storage and treatment facilities, and one soil remediation site. GFL serves more than 400,000 residences and 8,000 businesses.

GFL has enjoyed annual growth of between 40 percent and 50 percent since its inception, the company stated in a recent press release, and CEO Patrick Dovigi anticipates strong growth in the future. The capital infusion will enable GFL to pursue growth opportunities, including acquisitions. Dovigi indicated that the company remains focused on expanding within its existing footprint but would consider new markets, indicating that the U.S. market is within its sights.

Roark Capital Group continues to pursue opportunities in solid and liquid waste. The private equity firm invested $100 million in **Waste Pro USA Inc.** in September 2009.

METALS RECYCLING & E-WASTE

In December 2010, **Arrow Electronics Inc.** completed the acquisition of e-cycler **Intechra Group, LLC**. Headquartered in Jackson, Mississippi, Intechra provides comprehensive end-to-end IT asset disposition, value recovery, and computer recycling services to businesses and governments. Total sales were approximately $75 million for the most recent fiscal year. Intechra was a portfolio company of Environmental Capital Partners and Emigrant Capital Corp., which acquired the company in August 2009. The cash purchase price was $101 million.

Transaction Multiples: ~1.3x Revenue

E&C / REMEDIATION

In December 2010, private equity sponsor **Tailwind Capital**, in partnership with management, acquired **Apex Companies, LLC**, a leading national water resources and environmental services firm. Founded in 1988, Rockville, Maryland-based Apex provides a broad platform of environmental services, including stormwater system design, engineering and maintenance; ports, harbors and water system design and engineering; environmental remediation; industrial hygiene services; and general site assessment, regulatory compliance and environmental consulting work. The company employs over 300 professionals in its network of 24 offices throughout the United States. The transaction represents an exit for private equity sponsor Blue Point Capital Partners, which acquired the company in March 2006.

SOURCE: Capital IQ, mergermarket, Waste & Recycling News, Equity Research, and Company Filings.



Spotlight On: Oil Collections & Re-refining

From collecting and reprocessing used engine oil to re-refining it for commercial and retail use, recycled oil has become a chic alternative in an environmental era, and industry participants are actively seeking ways to extract value in the supply chain.

In our spotlight on used oil collections and re-refining, we surveyed market participants, including oil recyclers and re-refiners, as well as private equity investors and lenders to the industry, asking them to provide insights into market trends that are driving growth and their outlook on M&A and its future role in industry expansion. Our findings revealed that current market dynamics underpin a healthy environment for increased investment activity as collectors look to build scale through acquisition and close the loop with re-refining integral to the collection and distribution strategy.

Ramping up investment

Collectors liken the competitive landscape to the solid waste sector when it was in the early stages of consolidation—highly fragmented, with the opportunity, through horizontal integration, to build scale through tuck-in, route density acquisitions. Industry dynamics point to consolidation on the horizon, driven by improving business fundamentals, competitive pressures which favor merging to build scale and complementary service offerings, and pent-up demand from a largely dormant M&A market over the past two years.

Longer-term, participants say the opportunity for collectors is vertical integration. The industry is trending toward re-refining, industry insiders said, and they see an increasing role for private equity in the expansion. In turn, investors looking at the industry say that re-refining makes economic sense based on the market dynamics today. "Capital is coming into the business. It came in a few years ago to build what we are seeing now," commented Keith Yamada, a Partner at CIVC Partners. "If oil prices remain at current levels, you will see capital invested, some of it through private equity, some of it through public equity," Yamada added.

Collectors are becoming more sophisticated, and the industry is consolidating to where there are larger players that have the financial wherewithal to build re-refineries. "We think there is an opportunity that has not been fully investigated by those with feedstock," commented one industry insider. "The collections landscape in the U.S. is mature and competitive. Many of the "mom and pops" are no longer in business, and some of them have grown to a point where they may be at a crossroads in making the decision to expand into re-refining," the insider added. "A natural progression for recyclers is to expand into re-refining. However, the skill sets and the barriers to entry to starting a collections business and those needed to start and operate a re-refinery are completely different," commented Scott Parker, Executive Director at NORA. "Re-refining requires an engineering and process orientation whereas collections has much more of a relationship-orientation—it is about building relationships within your collection network. Bridging that gap can be more important than technology. Feedstock should be a primary concern." Parker indicated that elements critical to re-refining are access to capital, consistency of feedstock, and operational maintenance, which requires a higher level of sophistication.

SOURCE: Capital IQ, Equity Research, Company Filings, and BGL Research.

Green Oil: The Recycling Landscape

In the U.S., the larger regional players control a sizable share of the market in terms of gallons of used oil collected, with the remaining share fragmented among some 300 to 500 independent collectors, many of which are privately-held companies that operate in local or regional markets. Market leaders are platforms of both strategic and private equity investors:

SAFETY KLEEN

- Largest used oil recycling and re-refining, parts cleaning, and environmental solutions company in North America
- Acquired Florida-based Atlantic Industrial Services in February 2009, one of the largest collectors and recyclers of used oil, oil filters, and antifreeze in the Southeast U.S. with 10 locations
- Acquired Illinois-based Gateway Petroleum Company in February 2009, a provider of used oil management services to customers in eastern Missouri and central and southern Illinois
- Private-equity backed by investment consortium led by Highland Capital Management

FCC ENVIRONMENTAL

- Provides collection and treatment services for solid waste, hazardous waste, electronic waste, paper, metal, glass, and other specialized materials
- Formed with the acquisition of the Hydrocarbon Services Business from Siemens Corporation in 2008, then the second-largest oil waste management company with 38 processing facilities in 21 states in the Mid-Atlantic, Southeast, and South Central regions of the U.S. Purchase price of $182.5 million valued the business at 9x 2008 EBITDA and 1.3x 2008 revenues
- Parent is diversified environmental and construction services company Fomento de Construcciones y Contratas, S.A. based in Madrid, Spain

THERMO FLUIDS

- Largest producer of commercial fuel oil from recovered used motor oil in the Western United States (30 facilities across 17 states)
- Collects and purchases used motor oil from a large number of companies across a diverse range of industries, such as quick-lube centers, auto dealerships, mining operations, and industrial companies
- Reprocesses its collected used motor oil into a reprocessed fuel oil, which is sold as an alternative energy source to a variety of industrial customers or as feedstock to re-refiners
- Provides a portfolio of other environmental services as a "one-stop" solution to its used oil generator customers, including other essential services such as oily wastewater collection and processing, spent antifreeze collection and recycling, and used oil filter collection and disposal
- Completed seven tuck-in acquisitions over last five years, including acquisition of Bango Oil's used oil collection business in January 2011
- Acquired by private equity firm CIVC Partners through a leveraged buyout in June 2006

UNIVERSAL LUBRICANTS

- Manufactures a diverse line of oils, greases, and other lubricating fluids for use in sophisticated engines and equipment.
- Offers a wide range of environmental services including used oil collection, used oil filter collection, used anti-freeze collection and a parts washers' service program
- Operates 28 service and processing facilities in 14 central and southern states
- Backed by private equity sponsor Pegasus Capital Advisors

UNIVERSAL ENVIRONMENTAL SERVICES

- Provider of used oil, used oil filters, and spent anti-freeze collection and recycling services to generators in 12 south eastern / south central states
- Operates 9 used oil collection/processing facilities which handle approximately 25 million gallons of used oil and other oily wastes per year
- Acquired by private equity firm MidMark Capital Partners through a leveraged buyout in March 2004



Spotlight On: Oil Collections & Re-refining

Ramping up investment (continued from page 7)

Opportunity exists for collectors to partner or merge to achieve the scale and financial wherewithal necessary to justify building a re-refinery. "We have seen profitable 10 million gallon plants and unprofitable 20 million gallon plants," offered one private equity sponsor looking at the industry. "When you get over 10 million gallons, you can make it work," the sponsor added. "An ideal size for a re-refinery is 12 million gallons. It has a good payback and can get you through tough economic times," said Mark Williams, a Business Development Manager at Chemical Engineering Partners. "When you begin looking at the size of the collectors, there aren't many that are collecting that volume, but when you put two together, they are right at that number," Williams added.

Securing the financing to build a re-refinery can present an obstacle given the level of capital investment required. Many collectors have never made an investment that large and navigating the financing markets post-financial crisis has been challenging. The project finance market largely went away during the credit crisis and is only slowly coming back with the reopening of the debt markets. In addition to the capital outlay requirements, a challenge for lenders is the lack of benchmarking data given the finite number of companies operating in the industry. Lenders are looking for proven technology, performance guarantees, and stability and predictability of contractual feedstock. To bridge the financing gap, operators might choose a two-phase strategy to get into the re-refining business, Williams told us, constructing a facility to scale as the business grows. A front-end process could be put in place to produce vacuum gas oil (VGO) and asphalt flux with utilities to support it and by generating sufficient capital from the business, the back-end hydrotreating system would later be added to the re-refinery to produce Group II base oil.

Insiders say finding an adequate supply of quality feedstock may become a challenge going forward as additional re-refining capacity comes online. Collections is a highly regional business and geography dictates feedstock availability. Some argue that the feedstock is there but for a price. "If you are trying to grow collections, you are not going out and finding new generators. You are taking them from someone who is already collecting their oil, which can be costly," said one industry insider. "A collector that builds a re-refinery with capacity greater than its existing supply network will be surprised at how much it will cost to get the feedstock, particularly if used to a certain street price selling feedstock to industrial burners," offered a regional collector. To that end, industry participants will likely look to acquire rather than build the collections infrastructure organically. "Once they get to scale, re-refiners may try to build the collection routes to feed their 15 million or 20 million gallon facilities, but that is hard market to market, ground level armed combat. At some level, they would love to be able to acquire a collector," offered Keith Yamada at CIVC Partners.

> "All of the M&A opportunities seem to relate to, in some way, how people are going to build re-refineries."
>
> —Regional Oil Collector

Green Oil: Closing the Loop

In the U.S., a number of market participants have completed facility expansions or have announced new capacity coming online to meet growing demand for re-refined oil. If re-refining is here to stay, investors say it is the closed loop strategy that will shape the direction of the industry.

SAFETY KLEEN

- Largest re-refiner in North America with combined processing capacity of 140 million gallons
- In October 2010, broke ground on a $26 million expansion of its Breslau, Ontario re-refinery which will increase the facility's annual processing capacity to 50 million gallons

EVERGREEN OIL

- Began operations in 1984; integrated re-refiner
- Underwent second expansion in April 2010 to increase annual processing capacity to 23 million gallons
- Affiliate company Chemical Engineering Partners licenses re-refining process technology to third parties

HEARTLAND PETROLEUM

- Launched 20 million gallon Group II base oil re-refinery in April 2009

UNIVERSAL LUBRICANTS

- Launched 12 million gallon Group II base oil re-refinery in August 2009
- Backed by private equity sponsor Pegasus Capital Advisors

HERITAGE CRYSTAL CLEAN

- Provider of parts cleaning, containerized waste management, used oil collection, and vacuum truck services
- Filed IPO in March 2008
- Re-refining is a primary growth strategy for HCCI. In March 2010, the company announced it was entering the re-refining business with plans for a refinery with an annual processing capacity of 50 million gallons, estimated to cost $40 million. Construction is underway, and the project is reported to be ahead of schedule; the company is forecasting the plant will be producing lube oil in late 2011 or early 2012. Re-refining revenues are projected to reach $90 million and will generate EBITDA margins of 20 percent when operating at full capacity.
- Acquired the Warrior Group in February 2011, adding used-oil collection volume of approximately 6.5 million gallons per year. With the acquisition, HCCI has a captive used oil supply of approximately 11 million gallons from its existing collections business. An opportunity for HCCI will be to acquire additional collectors to build its supply of feedstock. "They are going to have to grow through acquisition," commented Mark Williams at CEP. "It is easier to acquire than it is to put trucks on the street and try to take market share from other collectors. Then you face a price war and your economics are upside down."

NEXLUBE TAMPA

- In February 2010. announced plans to construct 24 million gallon Group II base oil re-refinery
- Partnering with Italian company Viscolube S.p.A. on re-refining process technology

UNIVERSAL ENVIRONMENTAL SERVICES

- In April 2011, announced plans to construct 30 million gallon Group II base oil re-refinery
- German strategic partner Avista Oil AG purchased equity interest in the company to support U.S. expansion strategy (Page 10).

SOURCE: Capital IQ, Equity Research, Company Filings, and BGL Research.



Spotlight On: Oil Collections & Re-refining

Ramping up investment (continued from page 8)

Industry participants also see blenders playing a role in future industry consolidation. Blenders are manufacturing lubricant products so they are buying base oil. If they are selling it through their own distribution network, they are in touch with generators so there is the potential to expand into collections either through organic investment or acquisition. Wichita, Kansas-based Universal Lubricants (Universal) is an example of such a strategy. Universal began operations in 1929, manufacturing high performance lubricant products and now offers a broad range of environmental services, including used oil and filters collection and wastewater processing. The company received growth equity capital from private equity sponsor Pegasus Capital Advisors in May 2007. In October 2009, Universal completed the construction of a 12 million gallon Group II base oil re-refinery to pursue a closed loop collection and distribution strategy, the first of several facilities that will be constructed over the next few years, according to a recent company statement. "There is opportunity for us to take our current collection footprint and expand our refining capacity in other desirable geographic areas," said John Wesley, CEO at Universal. "We are actively looking for additional sites. We have the feedstock that we collect already to support a second and potentially a third site without having to go out and expand our footprint. Our collection history through several different business cycles should allow us to pursue this expansion strategy if we choose to do it," Wesley added.

Industry in brief

Recycling market overview

By definition, recyclers take used engine oil and restore its lubricant value or they reprocess it so it can be used for energy. In addition to building scale and route density in their collections business, turnkey operators are finding increasing opportunities in complementary environmental services, from recycling used oil filters and anti-freeze to reclaiming oily waste water and parts washing.

Re-refining takes used oil back into a virgin-like quality base oil that returns to the market as engine oil, a process deemed to be the "best use" of used oil by the EPA. In addition to the numerous environmental benefits of re-refining—conserves energy and resources, reduces environmental impacting emissions, and reduces toxic pollution—re-refined oil can be cleaned and re-used multiple times. Re-refining also has economic benefits. Re-refined products are tested to be equal to or better than oils manufactured with virgin base oils. "We moved into re-refining because it is the highest value alternative that we see right now for this feedstock. It truly is a renewable energy source," said John Wesley at Universal Lubricants. "Quality and consistency has improved with technology, so you have a product that is equal to or better than virgin base oil. Re-refined base oils have been approved for use in formulating premium motor oils, where in the past that did not exist," commented CEP's Mark Williams. Integrated re-refiners collect used oil, re-refine it through a dedicated refinery, and package the product for commercial and retail sales in a closed loop process.

SOURCE: Capital IQ, Equity Research, Company Filings, and BGL Research.

Collections market overview

Markets appear to be stabilizing again after a drop off in demand of roughly 10 percent in 2009, according to NORA. With the rebound in the economy, collectors are seeing volumes return and demand strengthen as automotive and industrial activity pick up and re-refiners come online looking for feedstock. More oil change franchises are converting the "do it yourself" (DIY) oil changers to "do it for me" (DIFM), and operators see that trend continuing. And near-term demand for re-refined oil is expected to increase given the recent run up in oil prices. Price is under pressure as volumes are recovering and re-refining demand has created a competitive market for used oil.

Collectors say the business is a profitable one right now because the outlets for used oil have become more diversified. They are finding increasingly high-paying outlets for used oil as more re-refineries and VGO plants have come online and anticipate that demand will increase as the industry undergoes further expansion.

Looking ahead, as they navigate a growing re-refining market, collectors are taking a closer look at their diversification strategy and are exploring partnership opportunities within the industry. "The role of the collector market is as bright as it is today," commented Scott Parker at NORA. "A strength for a collector is that they can become more diversified in who is a customer for their product."

Outlook

Industry growth defined by gallons collected will likely remain flat or less than GDP growth, survey participants said. While volumes are showing signs of stabilization, collectors say they have not seen the rebound growth that was projected coming out of the recession and so are maintaining a modest growth outlook this year, defining growth by a topline that is flat to up 5 percent. NORA projects growth will remain flat in 2011, and forecasts annual growth of 2 percent thereafter as the economy recovers.

Industry insiders emphasize that the issue of stagnant growth is overshadowed by the pricing dynamics in the energy markets and changes in distribution based on downstream re-refinery and VGO plants being put in place. "Natural gas is unusually low in the U.S., which stole a profitable market from the used oil collection business. It required collectors to rethink the business model," offered a large regional collector. "It is the reason people are getting into the re-refinery business. Your product becomes correlated with the price of a barrel of oil, not with the price of BTUs of natural gas," the collector added.

Regulatory environment

In March 2011, the EPA released the Resource Conservation and Recovery Act (RCRA) final rule on the identification of non-hazardous materials that are solid waste. According to the ruling, off-spec oil is now considered a solid waste and a limited number of industrial burner facilities with Section 129 Clean Air Act permits will be allowed to burn the off spec oil. Collectors say the resulting impact will likely be that a new blending business will need to be created to handle the off spec oil, indicating that the new requirement would be phased in over several years given the capital requirements necessary for compliance. Over time, some participants expect the industrial burner market will go away in form and substance, existing only as an outlet for off-spec oil, which has potential long-term ramifications on re-refining. "If the government said you could not burn used oil as a fuel, there would be a line of people at my door wanting to build re-refineries," said Mark Williams at CEP. "If legislation went a different way, it would change the whole marketplace," Williams added.



Spotlight On: Oil Collections & Re-refining

Industry in brief (continued from page 9)

Re-refining market overview

Re-refining is in the infancy stage of its growth cycle in the U.S., accounting for less than 10 percent of used oil recovered for recycling purposes. "If you look at the number of gallons available to re-refine in the U.S. versus the number that is actually being re-refined today, there is quite an opportunity to grow, and to where it is not impacting the major oil companies," commented CEP's Mark Williams. And in today's rising oil price environment, the economics of re-refining appear attractive to investors looking at the sector.

Regulatory environment

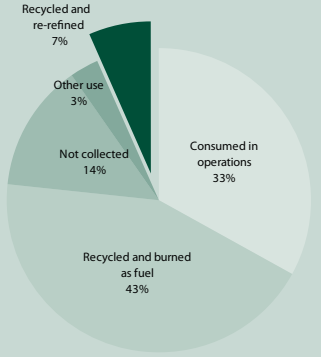
There currently is no national legislation governing re-refining in the U.S. Legislation has been enacted on a state-by-state basis, with California setting precedent legislation with S.B. 546 which was signed into law in October 2009. S.B. 546 redirects used motor oil from burning and promotes re-refining by setting a per gallon financial incentive to encourage the development of expanded capacity for re-refining used oil. There is additional legislation pending to support the building of re-refineries in the form of incentives and tax rebates; however, to date re-refining has not been a focus of the government. "We would love for the government to provide loan guarantees and equity contributions for re-refining, but right now it does not fit into any of their programs very well," said one collector, adding, "We have heard of people qualifying but are not aware of anyone who has drawn down on any government programs to build a re-refinery." CEP's Mark Williams commented, "There is a good enough return in the industry that government support is not necessarily needed. Is it something that would push people into it—maybe. I think the industry will get there before the government gets involved," Williams added.

Eye on expansion

Re-refining capacity in the U.S. is expected to grow from 210 million gallons in 2010 to over 300 million gallons by 2013, according to NORA, which does not include four known capacity additions to be announced over the next 24 months. Gaps in several U.S. geographies are being targeted for re-refining capacity expansion, with key opportunities in the South, Southeast, and Northeast. According to NORA, planned expansion in the Southeast and Midwest is expected to add an estimated 100 million gallons in re-refining capacity by 2013. Industry insiders also referenced additional capacity expansions in the Northwest and central U.S. "It is not inconceivable that a large private equity fund could look at acquiring several facilities or build one and replicate it in various geographies around the country," offered a private equity sponsor in our survey. "It makes sense to do that—to be another Safety-Kleen," the sponsor added.

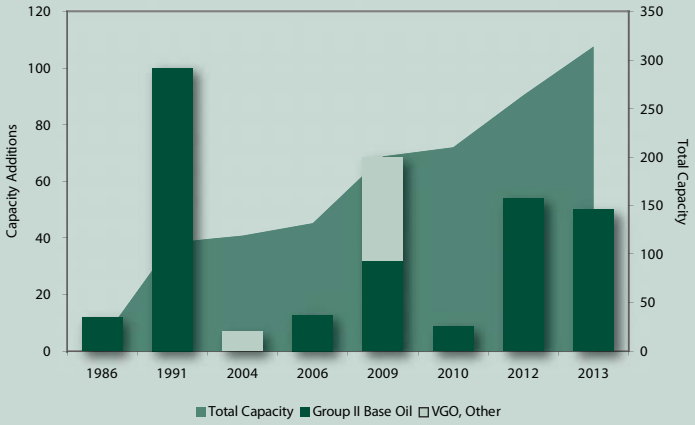
In April 2011, Universal Environmental Services, LLC (UES) announced a strategic partnership with Avista Oil AG (Avista), whereby Avista acquired an equity interest in UES, with the intent to grow UES' used oil collection business and construct a re-refining plant located in Peachtree City, GA. Current plans call for the construction of a 30 million gallon capacity plant to produce high quality base oils. Extensive due diligence was undertaken to identify the strategic partner to pursue its expansion strategy. "We completed a broad canvassing of the global market in terms of re-refining technology and visited a majority of the used oil refineries, with the exception of those operating in Asia and the Middle East. This was a process that extended over a two-year period," commented Matthew Finlay, a managing director at MidMark Capital, private equity investor in UES. On why Avista was the right strategic partner, UES CEO John Redmond offered, "As one of the largest collectors and re-refiners of used oil in Europe, Avista brings extensive experience in the used oil collections business, superior process engineering and technology know-how, and expertise in the global hydrocarbon markets. Redmond added, "Avista owns and operates two successful used oil refineries, so they are not just collecting oil or building the plants, they have experience running them. And they produce both base oil and finished lubricants, so they are a fully-integrated provider. The partnership will facilitate a sharing of both financial and strategic resources to pursue a closed loop strategy in the U.S., leveraging UES' extensive used oil collections network in the Southeast."

Used Oil Disposition in the U.S.



Source: Klein & Company, Global Used Oil 2009 Market Analysis & Opportunities.

U.S. Re-refining Capacity



Source: NORA and BGL Research.

SOURCE: Capital IQ, Equity Research, Company Filings, and BGL Research.



Spotlight On: Oil Collections & Re-refining

Industry in brief (continued from page 10)

Looking ahead

The biggest challenge for re-refiners will be access to economically viable feedstock. "The most valuable used oil that re-refiners can collect is the oil generated closest to their facilities. There is no value in re-refining if the feedstock costs more than virgin oil," said one insider. "Regardless of how efficient processes are, if the competitive landscape causes a run up in the price of feedstock, and it ends up costing more than the base oil output, re-refining could be a losing proposition unless the industry can hit a homerun convincing consumers that environmentally-friendly green products are the way to go," commented John Wesley at Universal Lubricants.

To that end, industry insiders say a major developing trend in the industry will be the move by base oil re-refiners toward blending and packaging finished product. The real opportunity and ultimately where the value is going to be had, some insiders say, will be in creating a business to consumer brand. Wesley offered this perspective, "Our business and investment decisions are all geared toward what is the highest value for our end products and end markets—and that highest value today is packaged motor and engine oils. There is not an obvious higher value than taking used oil and converting it into new products sold back to businesses and consumers." Wesley has a background in sales and marketing, having spent 25 years with Valvoline prior to coming on as CEO at Universal Lubricants. Wesley said that he is the first executive to be brought on to run a re-refinery with experience in the consumer packaged goods/branded oil business.

Recent industry developments support that trend:

Safety Kleen, the industry's largest collector and re-refiner, announced in April 2011 the appointment of former Ashland Distribution executive Robert Craycraft as CEO. Insiders say Craycraft will likely concentrate efforts on building Safety-Kleen's consumer branded distribution, which had historically not been a major strategic focus.

Also in April, Valvoline announced the launch of its new environmentally-friendly Next Generation (NextGen) branded recycled oil product, which is expected to go a long way in educating the public on the benefits of green oil alternatives. Industry insiders expect Valvoline will leverage a heavy ad spend budget to promote the new category. "I would expect that if Pennzoil and Castrol follow suit with their own green brands sometime in 2011 or 2012, that there will be a high demand for our base oils, particularly for products like our Eco-Ultra, which is positioned as a better value alternative to the major brands," Wesley commented. "That provides a tremendous amount of upside over burning the feedstock or making base oil and selling those to third parties because the highest value is self-consumption and self-branding. And that is what we are working toward."

Valvoline is credited with creating categories within the lubricant business, and by creating this "green" category, the company is going to help drive environmental awareness, industry participants say. By getting the green consumers coming in to retailers and service installers demanding green motor oils and green engine oils, the industry *will* hit a homerun. "We are not there yet, but I think we are going to get to that point," Wesley said.

Interview with Chemical Engineering Partners

Mark Williams Business Development Manager, CEP

Chemical Engineering Partners

Evergreen Oil, Inc.

Based in Irvine, California, Evergreen Oil, Inc. (EOI) is a pioneer in the re-refining industry, having successfully operated its state of the art re-refinery since 1986. The company completed an expansion in April 2010 bringing annual processing capacity to 23 million gallons (17 million gallons re-refined oil). Evergreen produces API certified Group II base oils.

Chemical Engineering Partners (CEP) is a leading process technology and design firm in the re-refining industry. The company is an affiliate of Evergreen Oil and licenses the re-refining technology developed at EOI to third parties. CEP has designed re-refineries around the world. In 2009, the company commissioned three plants in the U.S. and Europe, including Heartland Petroleum and Universal Lubricants in the U.S.

"One of the things we can say is our technology has been operating at Evergreen Oil for almost 25 years. And we have designed plants around the world that are still operating and producing quality base oils. The technology is proven."

BGL: Global demand for re-refining is growing. Where do you see the greatest opportunities?

The markets with the most signficant growth opportunities in re-refining are the United States, South America, and Asia.

The opportunities in the U.S. are abound just because the industry is young. Despite having the highest per-capita lube oil consumption in the world, the U.S. lags other developed countries in re-refining capacity. For example, the re-refining market in Europe is mature, and re-refining capacity is four times the level in the U.S., so there is significant opportunity for growth. If the U.S. went the way Europe has gone, there is a lot of re-refining capacity to be built.

Brazil is a leader in environmental initiatives and is the only country where used oil must be re-refined by law. There is a significant opportunity for used oil collectors because they can produce a product that there is a demand for because today that product is being imported. It is coming from the United States, or it is coming from Europe. We recently started a large project with The LWART Group in Brazil. The LWART Group is regarded as the largest company in South America in the field of collecting and re-refining of used oil. When the facility is finished, it will be the first Group II base oil plant in South America. The facility will be state of the art and the largest facility designed by CEP.

In China, there is some re-refining but not to the sophistication of that in the U.S. The challenge there is getting enough used oil to justify a plant.

BGL: What are the primary challenges for re-refining on a global scale?

The biggest challenge is getting used oil feedstock to supply the re-refinery. It is challenging in some countries because the quality of the oil is so poor. The maturity of the used oil collection system also becomes an issue and can be even more of a challenge in the developing countries because there are no collection systems. Used oil may not be collected at all. Developing the collections infrastructure can often be more challenging than building the re-refinery.

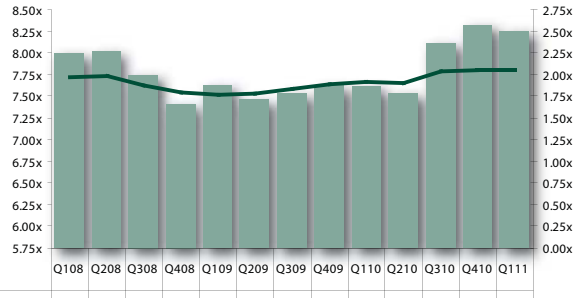
Typically in a smaller country the government needs to get involved. Regulations and enforcement of those regulations help with the feedstock, and sometimes it is government support that helps fund the projects. In certain areas, the government even facilitates collection centers. That is what it takes to build that collections infrastructure in some countries.

SOURCE: Capital IQ, Equity Research, Company Filings, and BGL Research.



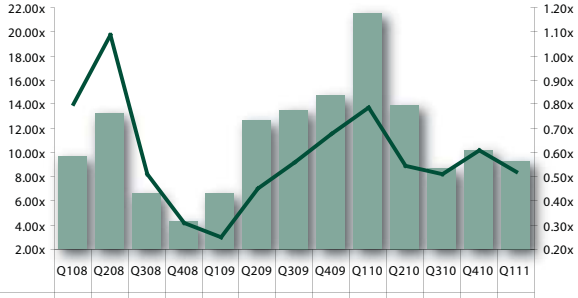
Industry Valuations

Solid Waste (Non-Hazardous)



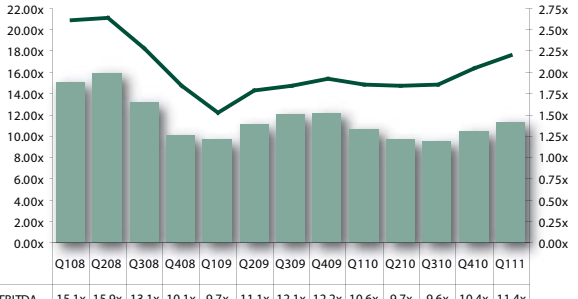
	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111
EV/EBITDA	8.0x	8.0x	7.7x	7.4x	7.6x	7.5x	7.5x	7.6x	7.6x	7.5x	8.1x	8.3x	8.2x
EV/Revenue	2.0x	2.0x	1.9x	1.8x	1.8x	1.8x	1.8x	1.9x	1.9x	1.9x	2.0x	2.1x	2.1x

Metals Recycling & E-Waste



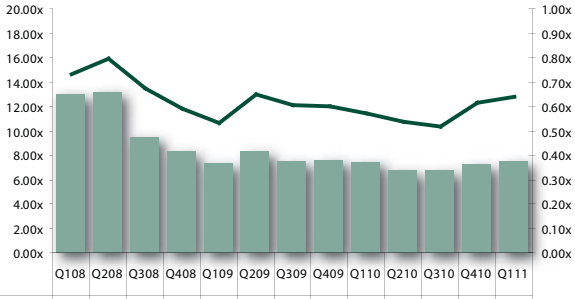
	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111
EV/EBITDA	9.7x	13.2x	6.6x	4.3x	6.7x	12.6x	13.6x	14.7x	21.5x	14.0x	8.7x	10.2x	9.3x
EV/Revenue	0.8x	1.1x	0.5x	0.3x	0.2x	0.4x	0.6x	0.7x	0.8x	0.5x	0.5x	0.6x	0.5x

Special Waste (Hazardous)



	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111
EV/EBITDA	15.1x	15.9x	13.1x	10.1x	9.7x	11.1x	12.1x	12.2x	10.6x	9.7x	9.6x	10.4x	11.4x
EV/Revenue	2.6x	2.6x	2.3x	1.8x	1.5x	1.8x	1.8x	1.9x	1.9x	1.8x	1.9x	2.0x	2.2x

E&C/Remediation



	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111
EV/EBITDA	13.0x	13.2x	9.4x	8.2x	7.3x	8.3x	7.5x	7.6x	7.4x	6.8x	6.7x	7.2x	7.5x
EV/Revenue	0.7x	0.8x	0.7x	0.6x	0.5x	0.7x	0.6x	0.6x	0.6x	0.5x	0.5x	0.6x	0.6x

BGL Environmental Services indices defined on Page 13.
**Figures include latest reported earnings for index constituents. Q1 2011 earnings had not been released for all companies by publish date.*
SOURCE: Capital IQ.



Industry Valuations

($ in millions, except per share data) Company Name	Country	Ticker	Current Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	TTM Enterprise Value / Revenue	TTM Enterprise Value / EBITDA	Total Debt/ EBITDA	TTM Revenue	TTM Margins Gross	TTM Margins EBITDA
SOLID WASTE (NON-HAZARDOUS)												
Waste Management, Inc.	United States	NYSE:WM	$37.92	98.3%	$18,017.5	$26,739.5	2.1x	8.3x	2.8x	$12,515.0	37.5%	25.9%
Republic Services, Inc.	United States	NYSE:RSG	29.91	90.8%	11,376.9	18,029.4	2.2x	7.3x	2.7x	8,106.6	41.2%	30.6%
Veolia Environnement S.A.	France	ENXTPA:VIE	22.19	83.8%	10,757.4	28,986.9	0.8x	7.8x	5.7x	34,786.6	17.8%	10.7%
Waste Connections Inc.	United States	NYSE:WCN	30.20	98.1%	3,430.0	4,359.1	3.3x	10.3x	2.2x	1,319.8	43.2%	32.0%
IESI-BFC Ltd.	Canada	TSX:BIN	25.02	98.6%	3,020.6	4,267.6	3.0x	10.5x	3.1x	1,429.8	41.3%	28.6%
Casella Waste Systems Inc.	United States	NasdaqGS:CWST	6.54	78.9%	172.1	734.5	1.4x	6.9x	5.1x	533.9	32.9%	20.7%
WCA Waste Corporation	United States	NasdaqGM:WCAA	6.04	99.5%	142.9	374.5	1.6x	7.1x	4.4x	229.5	28.1%	23.0%
Median			**$25.02**	**98.1%**	**$3,430.0**	**$4,359.1**	**2.1x**	**7.8x**	**3.1x**	**$1,429.8**	**37.5%**	**25.9%**
Mean			**$22.55**	**92.6%**	**$6,702.5**	**$11,927.4**	**2.1x**	**8.3x**	**3.7x**	**$8,417.3**	**34.6%**	**24.5%**
SPECIAL WASTE (HAZARDOUS)												
Veolia Environnement S.A.	France	ENXTPA:VIE	$22.19	83.8%	$10,757.4	$28,986.9	0.8x	7.8x	5.7x	$34,786.6	17.8%	10.7%
Stericycle, Inc.	United States	NasdaqGS:SRCL	89.70	96.4%	7,660.0	8,699.5	6.0x	19.6x	2.5x	1,439.4	49.0%	30.9%
Clean Harbors, Inc.	United States	NYSE:CLH	103.56	97.1%	2,733.8	2,707.2	1.6x	8.9x	0.9x	1,731.2	30.1%	17.6%
Covanta Holding Corporation	United States	NYSE:CVA	17.50	92.7%	2,598.7	4,871.5	3.1x	11.7x	5.7x	1,582.3	40.6%	26.3%
Newalta Corporation	Canada	TSX:NAL	13.12	96.0%	636.3	917.8	1.6x	8.5x	2.6x	576.2	31.6%	18.7%
EnergySolutions, Inc	United States	NYSE:ES	5.56	71.7%	493.5	1,166.5	0.7x	6.9x	5.4x	1,752.0	13.3%	8.9%
US Ecology, Inc.	United States	NasdaqGS:ECOL	18.02	97.5%	330.0	386.6	3.7x	12.5x	2.0x	104.8	37.4%	29.6%
Heritage-Crystal Clean, Inc	United States	NasdaqGM:HCCI	15.93	85.4%	228.4	206.7	1.8x	21.2x	0.0x	112.1	72.5%	8.7%
Perma-Fix Environmental Services Inc.	United States	NasdaqCM:PESI	1.48	62.2%	81.5	92.9	1.0x	8.6x	0.9x	97.8	21.1%	11.1%
Median			**$17.50**	**92.7%**	**$636.3**	**$1,166.5**	**1.6x**	**8.9x**	**2.5x**	**$1,439.4**	**31.6%**	**17.6%**
Mean			**$31.90**	**87.0%**	**$2,835.5**	**$5,337.3**	**2.3x**	**11.7x**	**2.9x**	**$4,686.9**	**34.8%**	**18.0%**
METALS RECYCLING & E-WASTE												
Sims Metal Management Limited	United States	ASX:SGM	$17.75	75.8%	$3,645.7	$3,674.8	0.5x	10.7x	0.4x	$8,021.4	16.0%	4.1%
Schnitzer Steel Industries Inc.	United States	NasdaqGS:SCHN	63.26	91.1%	1,738.7	2,016.8	0.7x	9.0x	1.5x	2,739.6	12.1%	8.0%
Interseroh AG	Germany	XTRA:ITS	51.98	100.0%	511.5	607.6	0.3x	11.5x	2.8x	1,939.9	12.4%	2.7%
Metalico Inc.	United States	AMEX:MEA	6.07	85.6%	287.5	410.0	0.7x	8.1x	2.5x	553.3	13.8%	9.1%
Industrial Services of America, Inc.	United States	NasdaqCM:IDSA	10.44	49.3%	68.7	112.3	0.3x	6.4x	2.6x	343.0	8.0%	5.1%
Median			**$17.75**	**85.6%**	**$511.5**	**$607.6**	**0.5x**	**9.0x**	**2.5x**	**$1,939.9**	**12.4%**	**5.1%**
Mean			**$29.90**	**80.3%**	**$1,250.4**	**$1,364.3**	**0.5x**	**9.1x**	**2.0x**	**$2,719.4**	**12.5%**	**5.8%**
E&C / REMEDIATION												
URS Corporation	United States	NYSE:URS	$45.07	84.6%	$3,634.0	$3,846.9	0.4x	5.5x	1.1x	$9,177.1	8.3%	6.9%
AECOM Technology Corporation	United States	NYSE:ACM	26.76	86.6%	3,177.1	4,015.2	0.6x	8.8x	2.8x	7,001.2	6.5%	6.1%
Shaw Group Inc.	United States	NYSE:SHAW	35.45	85.2%	3,015.4	2,413.3	0.4x	7.0x	4.7x	6,684.8	8.3%	5.0%
Tetra Tech Inc.	United States	NasdaqGS:TTEK	24.50	90.2%	1,526.2	1,603.9	1.1x	9.6x	0.9x	1,522.3	19.3%	11.0%
Arcadis NV	Netherlands	ENXTAM:ARCAD	16.90	93.1%	1,116.5	1,342.8	0.7x	8.2x	2.5x	2,002.8	19.9%	8.5%
Great Lakes Dredge & Dock Corporation	United States	NasdaqGS:GLDD	7.64	85.6%	449.0	580.4	0.8x	5.3x	1.7x	686.9	17.9%	16.0%
TRC Companies Inc.	United States	NYSE:TRR	5.15	96.3%	139.8	131.1	0.6x	***25.8x***	2.0x	236.8	15.2%	2.1%
Median			**$24.50**	**86.6%**	**$1,526.2**	**$1,603.9**	**0.6x**	**7.6x**	**2.0x**	**$2,002.8**	**15.2%**	**6.9%**
Mean			**$23.07**	**88.8%**	**$1,865.4**	**$1,990.5**	**0.6x**	**7.4x**	**2.2x**	**$3,901.7**	**13.6%**	**7.9%**

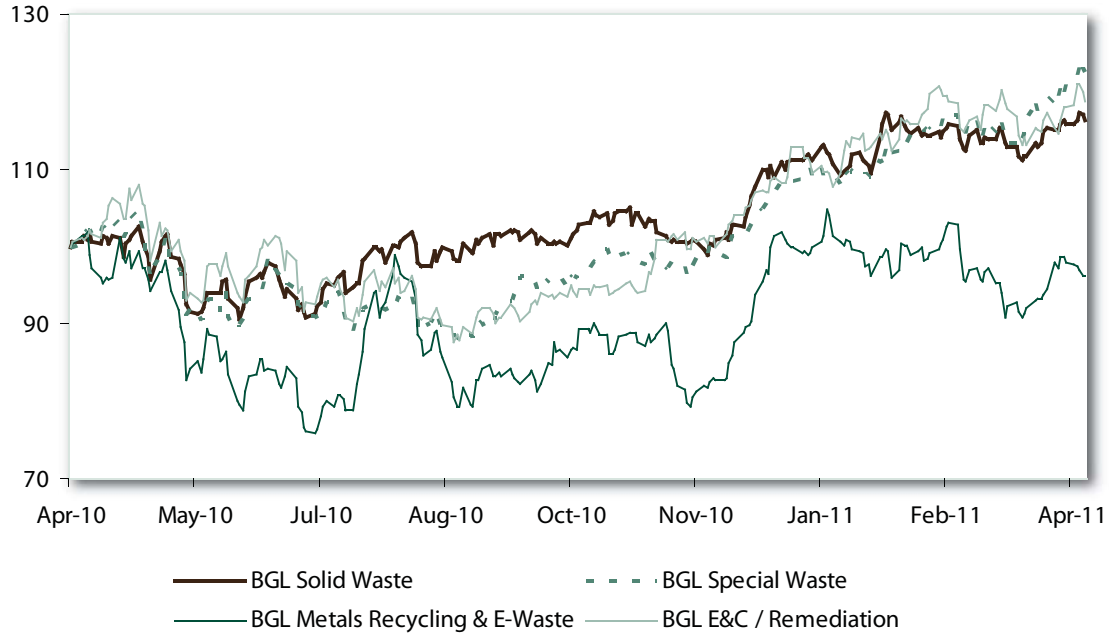
NOTE: Figures in bold and italic type were excluded from median and mean calculation.
(1) As of 4/8/2011.
(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.
(3) Enterprise Value is the total value of a firm (including all debt and equity).
Source: Capital IQ.



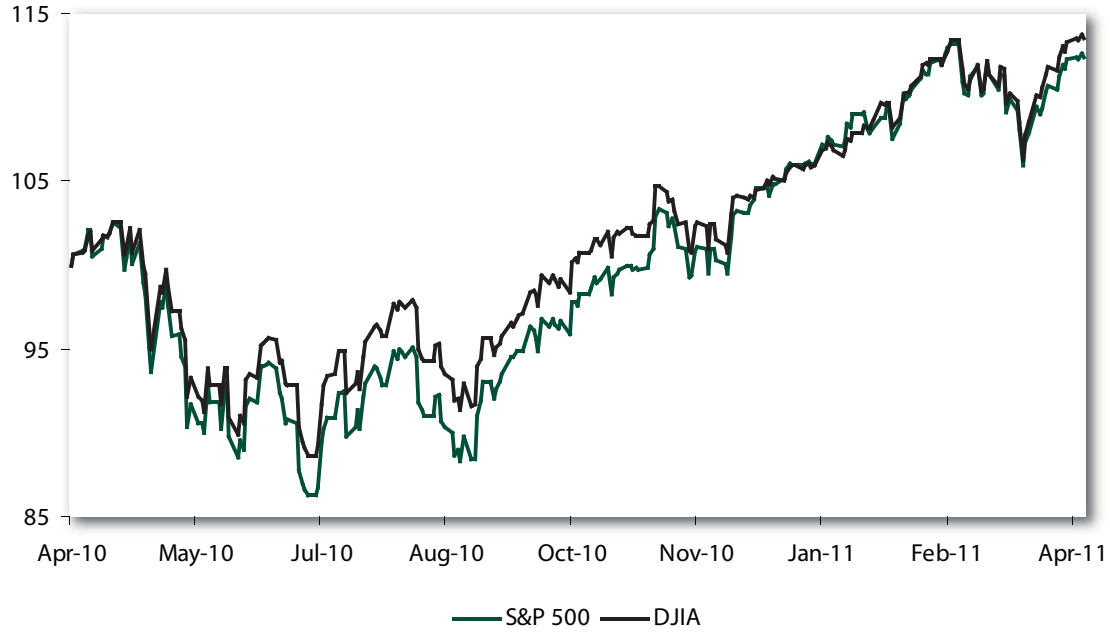
Industry Valuations

Index Performance

Environmental Services



Market



Index: April 8, 2010 = 100.

Source: Capital IQ.



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- Special Waste (Hazardous)
- Metals Recycling & E-Waste
- Reclamation & Remediation Technologies
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