



ENVIRONMENTAL & INDUSTRIAL SERVICES INSIGHTS

STATE OF MARKET & 2023 LOOK AHEAD

FEBRUARY 2023

INTRODUCTION

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Dear readers,

We are pleased to issue the first edition of Solomon Partners' Environmental & Industrial Services Insights Report, which offers perspectives on key themes and M&A activity across the sector.

While questions around the macro environment remain at the start of 2023, investor interest in businesses that are providing non-deferrable services to recession resilient end-markets remains high. Several subsectors across the environmental and industrial services landscape are well-positioned for continued strong performance given the regulatory nature of demand, importance of services to customer operations and secular tailwinds including sustainability initiatives and increasing public and private funding levels for infrastructure. Further, many subsectors remain fragmented and offer ample opportunity for M&A, both for larger strategics as well as private equity investors seeking growth platforms that can build scale through consolidation.

We would welcome the opportunity to connect – either in-person or virtually – and look forward to an active year.

Best regards,



Michael Vinciguerra

Head of Environmental & Industrial Services

CURRENT STATE OF THE MARKET

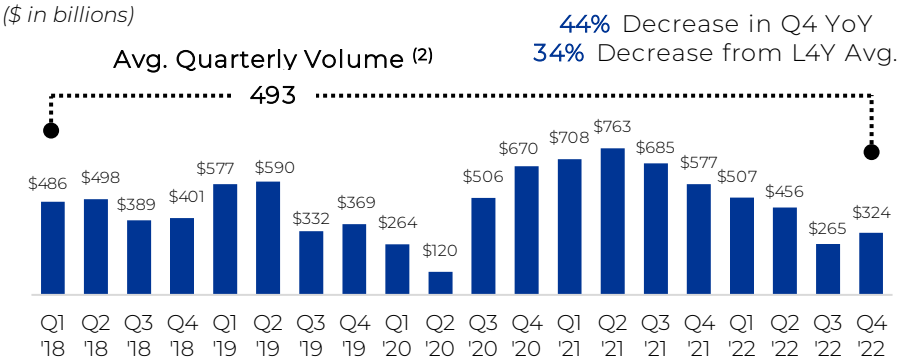
2022 YEAR IN REVIEW

- 2022 started as a continuation of 2021's highly active dealmaking environment
- Macro economic pressures started to take hold in Q2 and accelerated in Q3:
 - Concerns over inflation
 - Rapidly rising interest rates
 - Ukrainian war and the uncertainty it could present
 - Lingering supply chain disruptions
 - Declining CEO confidence and increasing fears of 2023 recession
- As a result, volatility in public equity markets and a significant dislocation in debt financing markets took hold which created challenges for the public and private M&A deal environment
- High quality private equity platform deals continued to get done at healthy valuations albeit at a slower pace than prior years and often requiring higher levels of equity and in certain cases, structure to bridge gaps in financing availability
- Private equity appetite for M&A remains strong particularly for recession resilient service platforms with solid financial performance throughout the past year of high inflation and supply disruptions

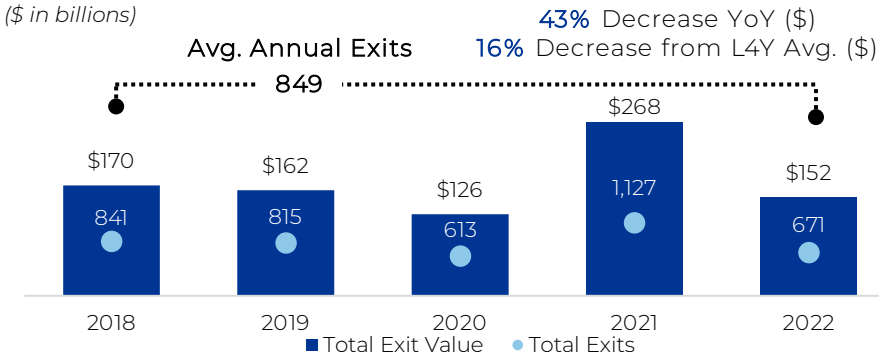
WHAT TO EXPECT IN 2023

- Processes finally kicking into full gear for several notable assets in the environmental and industrial services sector where launches were slow played over the past 6 months
- Abundance of private equity dry powder including recent funds raised along with depressed levels of exits and returned capital to LPs may create pressure to transact with the passage of time. Expect to see increasing openness towards alternative exit opportunities and partner/structured deals for creative solutions around LP liquidity needs, valuation gaps and debt financing limitations
- Active second half of 2023 for completed transactions and new process launches assuming we are near the Fed rate peak and inflation continues to abate
- Remarketing of M&A deals that were stalled in 2022 and where performance remains strong
- Strategic acquirers with adequate liquidity continuing to seek M&A opportunities including tuck-in and midsize transactions that help meet growth objectives and can clear U.S. antitrust agencies without issue
- Higher diligence bar including heightened scrutiny around underlying demand drivers and potential deferability for service businesses as well as recession resilience of end markets

TOTAL US M&A TRANSACTION VOLUME⁽¹⁾



BACKLOG OF PE EXITS IS BUILDING⁽¹⁾



M&A ACTIVITY WITHIN ENVIRONMENTAL & INDUSTRIAL SERVICES

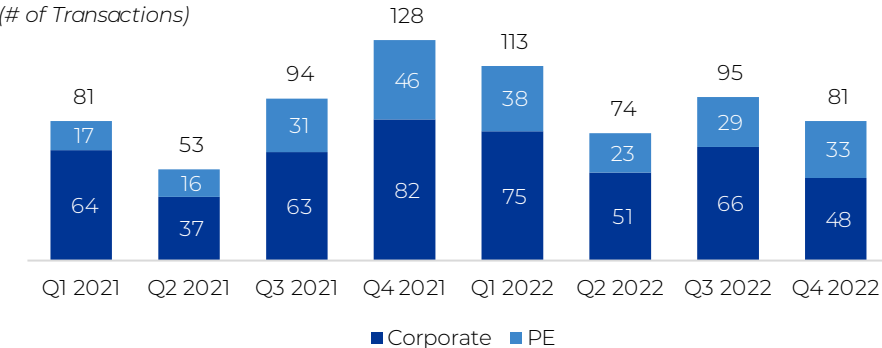
2022 M&A ACTIVITY

M&A activity within the environmental and industrial services sector demonstrated resiliency in 2022 relative to the broader market. While the pace of platform private equity deals slowed in the second half of the year, large strategics and private equity backed platforms continued to seek M&A opportunities to bolster growth. The Solomon team has tracked over 350 transactions completed in 2022, which is inline with 2021 volume overall. The waste sector in particular, remained strong with M&A activity among public strategics, up over 34% relative to 2021.

Emerging Themes for Environmental, Infrastructure and Plant Platforms:

- Increasing demand for sustainability driven waste solutions
- Emergence of scalable tech-enabled managed waste service providers
- Rise of infrastructure funds
- Rapidly expanding infrastructure supporting growing adoption of electric vehicles
- Opportunities remain in the downstream sector throughout the energy transition
- Uncovering opportunities within subsurface infrastructure

ENVIRONMENTAL & INDUSTRIAL SERVICES TRANSACTION VOLUME⁽¹⁾



MOST ACTIVE CONSOLIDATORS PUBLIC COMPANIES

Company	Sector	2021	2022	Company	Sector	2021	2022
GFL	Solid Waste	11	16	VEOLIA	Special Waste	3	1
REPUBLIC SERVICES	Solid Waste	9	14	MasTec	Infra Support	5	2
WASTE CONNECTIONS, INC.	Solid Waste	9	15	QUANTA	Infra Support	2	2
casella	Solid Waste	7	4	EMCOR	Plant Maint.	2	1
WM	Solid Waste	2	5	CleanHarbors	Plant Maint.	1	0

PRIVATE EQUITY BACKED PLATFORMS

Company	Sponsor	Sector	2021	2022
LRS	MACQUARIE	Solid Waste	6	12
Recycle	MACQUARIE	Solid Waste	4	7
WASTE INNOVATIONS	MACQUARIE	Solid Waste	3	6
COVANTA	IQT	Solid Waste	0	6
CITICOR	TPG	Solid Waste	1	1
INTERSTATE WASTE SERVICES	LITTLEJOHN & Co.	Solid Waste	2	3
CWS CAPITAL WASTE SERVICES	Kinderhook Industries	Solid Waste	1	3
MERIDIAN WASTE	WARREN EQUITY PARTNERS	Solid Waste	7	4
Denali WATER SOLUTIONS	TPG	Organic Waste	4	2
VLS ENVIRONMENTAL SOLUTIONS	I SQUARED	Special Waste	3	3
PRO-VAC	GALLANT CAPITAL	Infra Support	0	1
USIC	KOHLBERG & COMPANY	Infra Support	0	1
SPARUS	Ridgemont EQUITY PARTNERS	Infra Support	1	1
United FUELING SOLUTIONS	KLH CAPITAL	Infra Support	2	4
OWL	TRIVE CAPITAL	Infra Support	3	4

1. Transaction volume is reflective of U.S. and Canadian transactions in the sector; Source: Pitchbook and Solomon Partners proprietary research

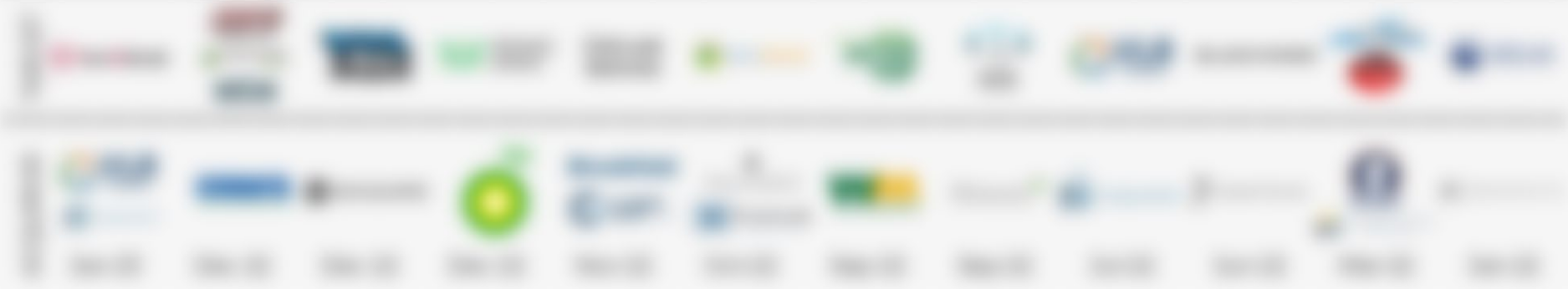
EMERGING THEMES DRIVING INTEREST IN THE SECTOR

INCREASING DEMAND FOR SUSTAINABILITY DRIVEN WASTE SOLUTIONS

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REPRESENTATIVE TRANSACTIONS



EMERGING THEMES DRIVING INTEREST IN THE SECTOR

EMERGENCE OF SCALABLE TECH-ENABLED MANAGED WASTE SERVICE PROVIDERS

RISE OF INFRASTRUCTURE FUNDS

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REPRESENTATIVE TRANSACTIONS

REPRESENTATIVE TRANSACTIONS

EMERGING THEMES DRIVING INTEREST IN THE SECTOR

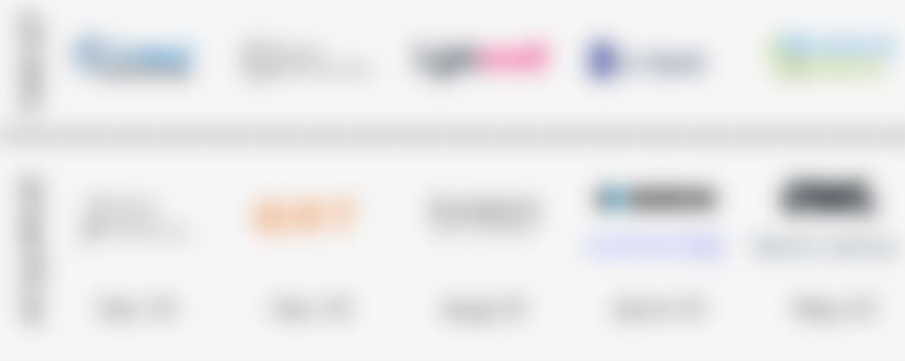
RAPIDLY EXPANDING INFRASTRUCTURE SUPPORTING GROWING ADOPTION OF ELECTRIC VEHICLES

OPPORTUNITIES REMAIN IN THE DOWNSTREAM SECTOR THROUGHOUT THE ENERGY TRANSITION

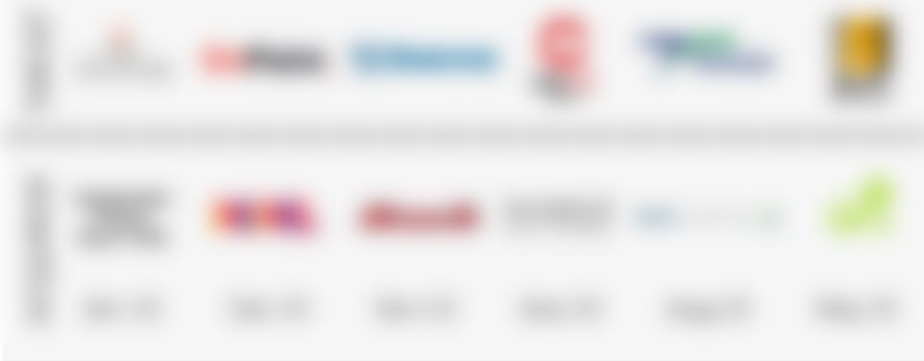
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REPRESENTATIVE TRANSACTIONS



REPRESENTATIVE TRANSACTIONS



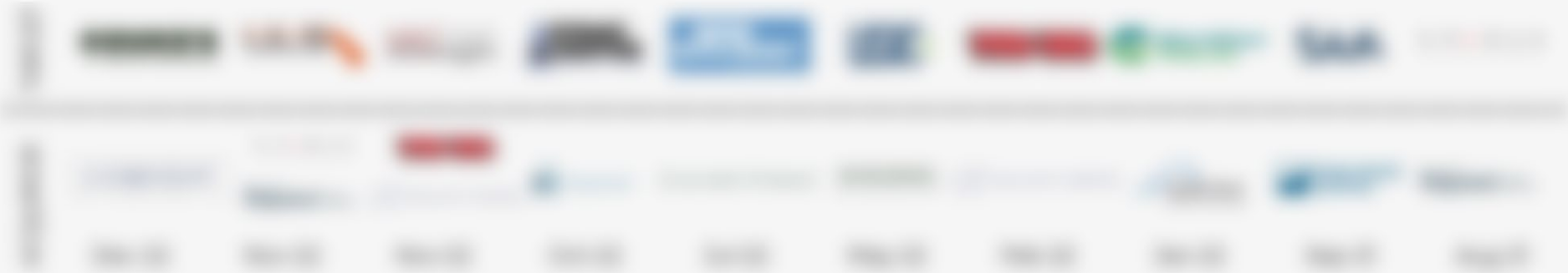
EMERGING THEMES DRIVING INTEREST IN THE SECTOR

UNCOVERING OPPORTUNITIES WITHIN SUBSURFACE INFRASTRUCTURE

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REPRESENTATIVE TRANSACTIONS



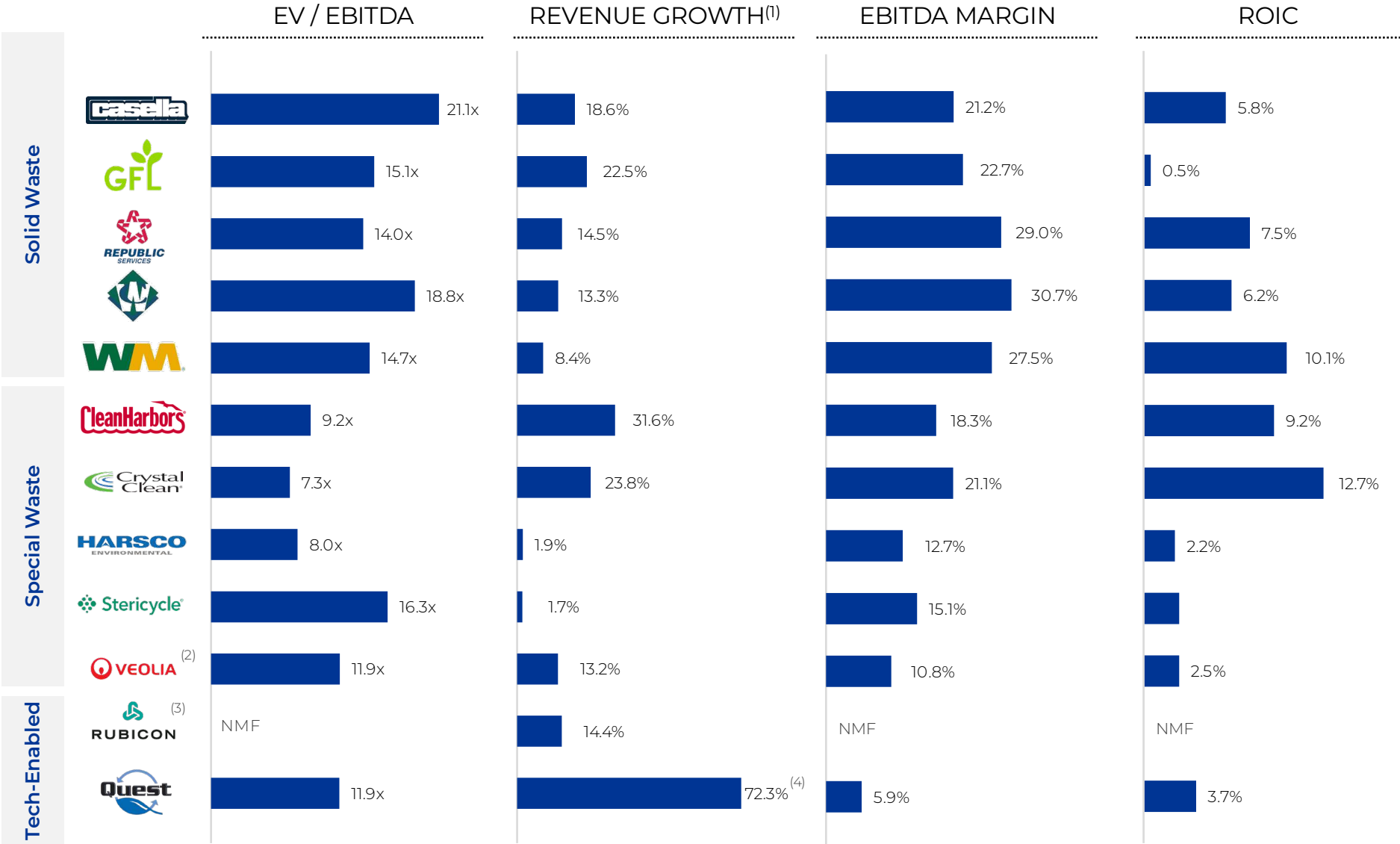
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PUBLIC COMPANY PERFORMANCE BY SECTOR

SECTOR	COMPANIES	STOCK PERFORMANCE	EV / EBITDA
SOLID WASTE			
SPECIAL WASTE & FIELD SERVICES			
INFRASTRUCTURE SUPPORT			
PLANT MAINTENANCE			

■ Industry Avg. ■ S&P 500

PUBLIC COMPANY BENCHMARKING



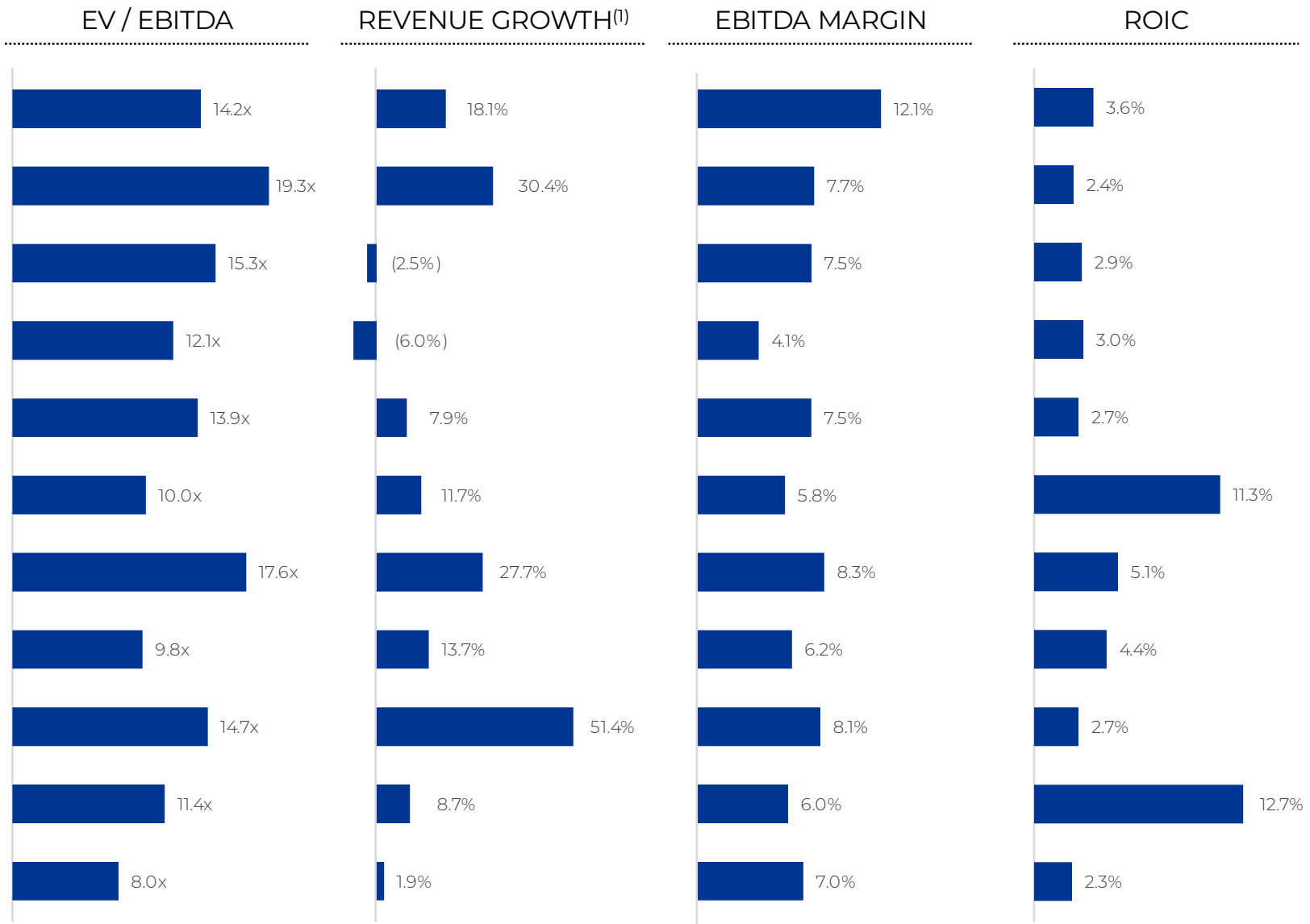
Sources: Capital IQ, Pitchbook for most recently reported TTM period
 1. Latest reported TTM pro forma financials compared to FY 2021 financials
 2. Latest reported period represents TTM Jun-22 performance
 3. Non-meaningful statistic removed as company reported negative EBITDA

4. Quest completed significant M&A in 2022. The Company has reported 30%+ 3-year organic revenue CAGR through TTM Q2 2022

PUBLIC COMPANY BENCHMARKING

Infrastructure

Plant Maintenance



WHAT THE STREET IS SAYING



"Revenues in the disposal line of business were up 7.6% year-over-year with price up 5.4% and volume slightly down. Our landfill average price per ton was up 6.7% as we continue to improve mix at our sites."

- Edmond Coletta, CFO
Q4 2022 Earnings Call

"Our fuel cost recovery program worked well in the year and fully offset over \$27 million of year-over-year increased fuel costs. This risk mitigation program is working as intended, but higher fuel costs did result in 40 basis points of margin headwind in the year."

- John Casella, CEO
Q4 2022 Earnings Call

Robust pipeline with \$500 million in revenues in identified opportunities. Expecting to close two LOIs in the second quarter 2023 with total annual revenues of ~\$30 million.

- John Casella, CEO
Q4 2022 Earnings Call



"We achieved revenue growth of 20%, including a 10% from acquisitions; delivered adjusted EBITDA growth of 16%, generated adjusted earnings per share of \$4.93, which is an 18% increase over the prior year."

- Jon Vander Ark, CEO
Q4 2022 Earnings Call

"We invested \$2.7 billion in acquisitions in 2022, which includes the acquisition of US Ecology. The integration of US Ecology is going well, with cost synergies tracking ahead of plan."

- Jon Vander Ark, CEO
Q4 2022 Earnings Call

"In the face of cost headwinds, we are leveraging our tools and technology to price ahead of cost inflation and drive margin expansion in the underlying business."

- Jon Vander Ark, CEO
Q3 2022 Earnings Call



"Acquisition activity during the year also outpaced expectations for a total of approximately \$640 million in acquired annualized revenues, [which, along with activity year-to-date, already provides acquisition contribution of 5% in 2023.]"

- Worthing F. Jackman
Q4 2022 Earnings Call

"[In 2023] we expect price plus volume growth for solid waste of 10.5% on pricing of about 11.5%, and E&P waste revenue of approximately \$45 million, reflecting typical seasonality. Recovered commodity values are expected to remain in line with recent levels."

- Mary Whitney, CFO
Q4 2022 Earnings Call

"We overcame elevated wage, fuel and inflationary pressures and a 70% drop in recycled commodity values to drive adjusted EBITDA margin expansion, excluding acquisitions in the year."

- Worthing F. Jackman, CEO
Q4 2022 Earnings Call



"2022 was another very successful year at WM. Coming into an uncertain 2022, I would not have predicted that we would grow adjusted operating EBITDA by more than 9.5% for the year and 8.8% for the fourth quarter."

- Jim Fish, CEO
Q4 2022 Earnings Call

"The pressure from the recycling business is acute. While the drop in commodity prices is typically something that we see benefit our margin in that part of the business because of the pass-through elements of some of it, we have experienced some margin pressure in this area."

- Devina Rankin, CFO
Q4 2022 Earnings Call

"We spent \$377 million in 2022 on traditional solid waste and recycling acquisitions to grow the business, relative to only \$75 million the year prior."

- Devina Rankin, CFO
Q4 2022 Earnings Call

WHAT THE STREET IS SAYING (CONT'D)



Revenue growth was ~14% in the fourth quarter, culminating in a year which saw double digit revenue growth in all four quarters in both the solid waste and environmental services segments.

- Q4 2022 Earnings Call

"From our increased visibility into 2023, we have increased our preliminary outlook previously provided several months ago. We now expect to generate adjusted EBITDA between \$2.00 - \$2.05 billion in 2023, nearly 20% increase over 2022 results."

- Patrick Dovigi, CEO
Q4 2022 Earnings Call

"We acquired approximately \$480 million of revenue in 2022 and another \$100 million in January 2023, primarily consisting of a highly strategic asset for our Environmental Services segment in the U.S. Midwest."

- Patrick Dovigi, CEO
Q4 2022 Earnings Call



"The Clean Earth segment made tremendous progress during the quarter to boost overall performance and drive margins by focusing on key initiatives [price increases, cost reductions and operational improvements]."

- Nick Grasberger, CEO
Q3 2022 Earnings Call

"Future outlook for each of our businesses is promising. There is tremendous opportunity for additional improvements in CE that will further lift margins, while Harsco environmental's competitive position has never been stronger."

- Q3 2022 Earnings Results Release

"Overall, we are confident that continued execution against our strategic initiatives [price/cost actions and operational improvements] and business growth, will deliver sustained value creation for our stakeholders."

- Q3 2022 Earnings Results Release



"Favorable market dynamics combined with the quality of our offerings drove continued broad-based demand for our comprehensive suite of environmental services and sustainable products."

- Alan McKim, CEO
Q3 2022 Earnings Call

"Within Environmental Services, we continue to see a record backlog of waste and healthy demand for our network of disposal and recycling assets."

- Alan McKim, CEO
Q3 2022 Earnings Call

"HPC is an established leader with proprietary technology and a dedicated manufacturing center to fabricate its own tools. The addition of HPC creates significant strategic benefits to Clean Harbors beyond just expanding the size and scale."

- Alan McKim, CEO
Press Release (October 2021)



"EMCOR's combined U.S. construction business of \$1.75 billion increased \$215.4 million or 14%, with 11.9% of such growth being organic. This combined revenue performance represents new all-time quarterly revenue records."

- Mark A. Pompa, CFO
Q3 2022 Earnings Call

Well-positioned for growth within water and wastewater treatment as the demand for comprehensive construction services has increased, especially in Florida.

- Diversified Industrial Services
Conference (September 2022)

"With respect to industrial services, we also believe that the oil and gas market will continue to improve, and that we will gain momentum into the renewables market as we exit the year."

- Anthony Guzzi, CEO
Q3 2022 Earnings Call

WHAT THE STREET IS SAYING (CONT'D)



"We believe a mature, non-destructive excavation market across North America includes 7x-9x more [potential] units than are operating today, presenting significant opportunity for growth across the continent."

- CIBC Investor Conference
(January 2023)

"Optimizing fleet operations to have the right truck in the right place at the right to time" to maximize operational impact and drive value."

- Paul Vanderberg, former CEO
Q3 2022 Earnings Call

"Restructured the sales teams with defined roles, responsibilities and accountabilities. . . [by] introducing a commission plan and added sales reps to increase our market penetration and existing customer share of wallet."

- Chris Gunn, VP of Sales
Q3 2022 Earnings Call



Through the deployment of gigabit wireline networks, wireless/wireline converged networks and wireless networks, the company saw a 22% increase in revenue. All whilst 4/5 of the top clients increased their demand.

- November 2022 Conference Call

"Fiber network deployment opportunities are increasing in rural America as new industry participants respond to emerging societal initiatives."

- Steven E. Nielson, CEO
Q3 2022 Earnings Call

"Backlog has increase \$88 million year over year. Of total backlog (\$6B), approximately \$3.3 billion is expected to be completed in the next 12 months."

- Steven E. Nielson, CEO
Q3 2022 Earnings Call



"Our third quarter results include a number of record financial metrics, including revenues, adjusted EBITDA and adjusted earnings per share. Additionally, total backlog of \$20.9 billion was a record and is considerably higher than the same period last year."

- Earl Austin, Jr., CEO
Q3 2022 Earnings Call

The transition to an advanced utility model has driven infrastructure spending. Quanta's top 20 investor-owned utility customers are increasing CapEx at a CAGR of 7% over the past 20 years.

- November 2022 Investor Presentation

"Largest and preferred employer of craft skilled labor in the industry, typically self-perform +80% of work helps mitigate risk and provides cost certainty to customers."

- Earl Austin, Jr., CEO
Q3 2022 Earnings Call



"We saw record revenue and backlog for the second consecutive quarter, including significant organic revenue growth in our Utilities and Energy/Renewables segments and a near doubling of our backlog compared to the previous year."

- Tom McCormick, CEO
Q3 2022 Earnings Call

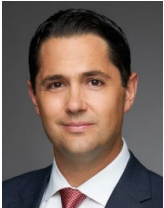
"Closing PLH acquisition in August also contributed meaningfully to our performance this quarter, including adding almost \$600 million of backlog while expanding our geographic footprint and customer base."

- Tom McCormick, CEO
Q3 2022 Earnings Call

"As we advance through the fourth quarter and into 2023, we remain confident in the outlook for our business as we work to further grow. . . and provide quality service to our customers that will lead to reliable and profitable growth."

- Tom McCormick, CEO
Q3 2022 Earnings Call

SOLOMON ENVIRONMENTAL & INDUSTRIAL SERVICES PRACTICE



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Decade+ commitment to the sector

Deep sector knowledge and intel

45 Completed M&A transactions in the sector

PLEASE CONTACT SOLOMON'S
EIS PRACTICE TO CONNECT
ON RECENT SUBSECTOR
DEEP DIVES:



SECTOR FOCUS AREAS

ENVIRONMENTAL

- Liquid / hazardous waste management
- MSW and C&D waste collection, treatment and disposal
- Specialty recycling
- Tech-enabled managed waste services
- Resource recovery and beneficial reuse
- Remediation and abatement
- Spill response
- Technical field services

PLANT MAINTENANCE

- Industrial cleaning
- Shutdown / turnaround / outage (STO)
- Insulation, painting and coatings
- Mechanical services
- Plant equipment maintenance
- Roofing and siding
- Refractory services
- Safety support services














INFRASTRUCTURE SUPPORT

- Subsurface utility locating, inspection, maintenance and rehabilitation
- Specialty utility T&D and telecom maintenance and upgrade services
- Rail and railcar maintenance
- Outsourced municipal services
- Specialty subcontractor services
- Equipment rental and aftermarket services





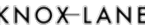







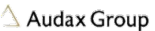












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WE ARE HERE TO HELP

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2022 ADVISORY ACTIVITY

- | | | |
|--|---|--|
|  <p>received a growth investment from</p>  |  <p>has made a strategic investment in</p>  |  <p>has acquired</p>  |
|  <p>acquired by</p>  |  <p>has acquired</p>  |  <p>has partnered with</p>  |
|  <p>has acquired</p>  |  <p>has acquired</p>  |  <p>has made a growth investment in</p>  |
|  <p>acquired by</p>  |  <p>has acquired</p>  |  <p>sale of</p>  <p>to</p>  |

ABOUT US

Solomon Partners is an independently operated investment bank with proprietary access to global financing capabilities and international coverage through our parent company, Natixis

- Founded in 1989, we are a leading financial advisory firm with a legacy as one of the first independent investment banks
- We offer unmatched industry knowledge in the sectors we cover, providing comprehensive strategic solutions tailored to generate long-term shareholder value
- We offer the “best of both worlds”: the experience of a boutique culture with the international reach and capabilities of a global institution

**New York
Headquarters**

Additional Offices in
Chicago and Miami

170+
Employees

130+
Investment
Bankers

27
Partners &
Managing
Directors

12
Senior
Advisors

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