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## **GFL Environmental Inc.**

**Equity Research Division**

**Target Price: 31.00 CAD**

**Current Price: 25.72 CAD**

*Upside/Downside Potential: 20.5%*

**Recommendation: BUY**

**Investment Horizon: 1 Year**

Vienna, June 12<sup>th</sup>, 2020

# Team – Overview

## Equity Research



**Jan  
Tanson**

Director

- Task distribution
- Story guideline
- Valuation

MUTARES



nootonic

- BSc. (WU) – 4<sup>th</sup> Sem.
- BSc. Pharma – 5<sup>th</sup> Sem.



**Thomas  
Führer**

Analyst

- Peer Group Analysis
- Market Analysis
- Valuation



- BSc. (WU)
- MSc. (WU) 2<sup>nd</sup> Sem.



**Oliver  
Gschwandtner**

Analyst

- Peer Group Analysis
- Market Analysis
- Benchmarking



- BSc. (WU) – 4<sup>th</sup> Sem.



**Patricia  
Picco**

Analyst

- Business Description
- Market Analysis
- Risk Analysis



- BSc. (WU) – 6<sup>th</sup> Sem.



**Florentina  
Spindler**

Analyst

- Industry Analysis
- Market Analysis
- Transaction Analysis



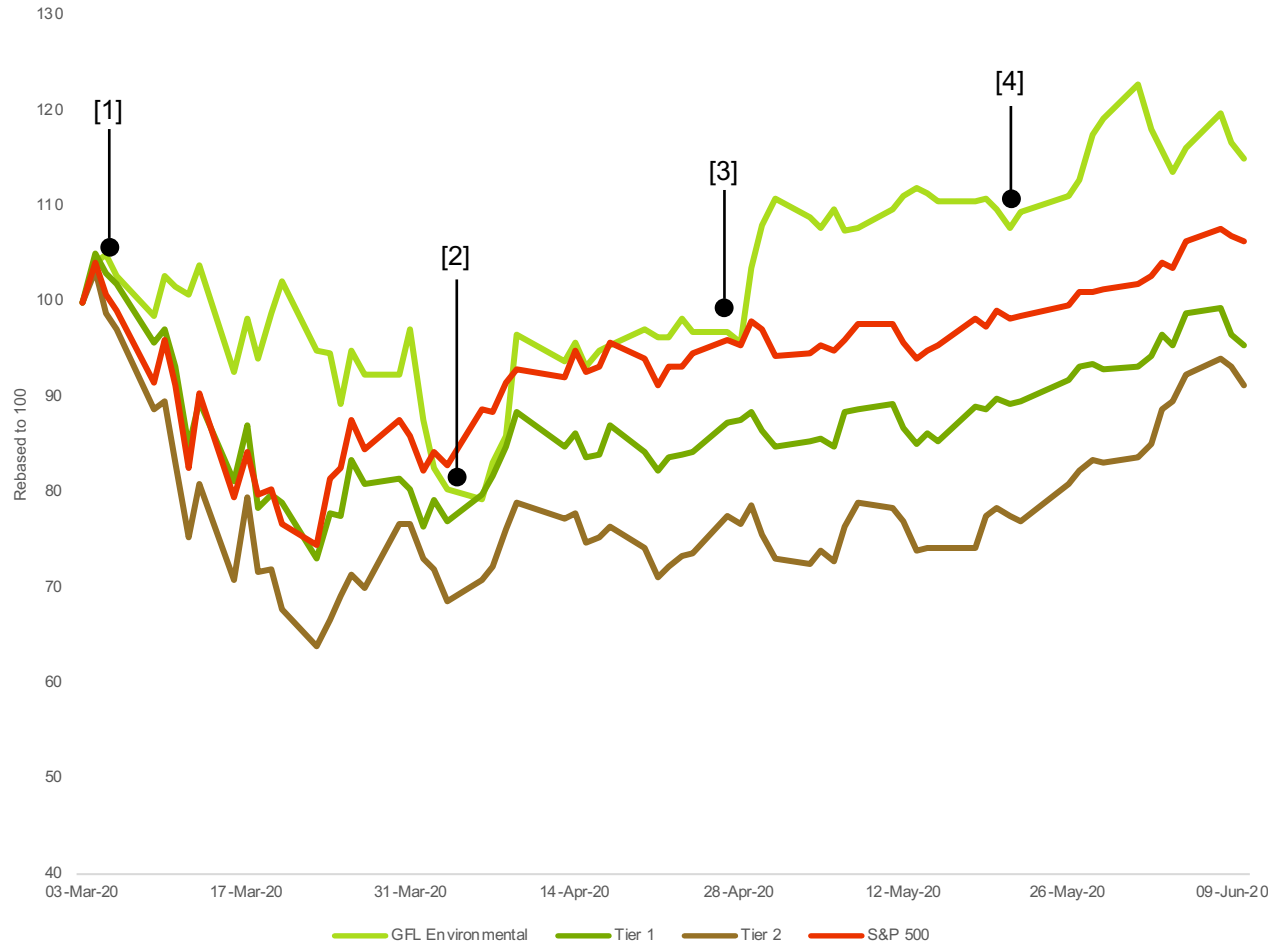
- BSc. (WU) – 6<sup>th</sup> Sem.
- L.L.B. (WU) – 7<sup>th</sup> Sem.

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# Share Price Performance

Mature players outperformed by newcomer GFL on the stock market



## Share price – Major Events

- [1] 03.03.2020 (-7.8%) – IPO during the worldwide spread of COVID-19
- [2] 31.03.2020-09.04.2020 (-18.4% - +21.7%) – Firstly the share price got hit by the announcement of a strict lockdown in the US and Canada. Extreme recovery and increase of nearly 22% with a positive update of GFL’s management about the COVID-19 impact.
- [3] 27.04.2020 (+12.8%) – Strengthened their thesis from the IPO and convinced the investors of their significant potential
- [4] 26.05.2020 (+14.0%) – Release of sustainability report and highlighting the achievements of the fiscal year 2019

## Key Stats

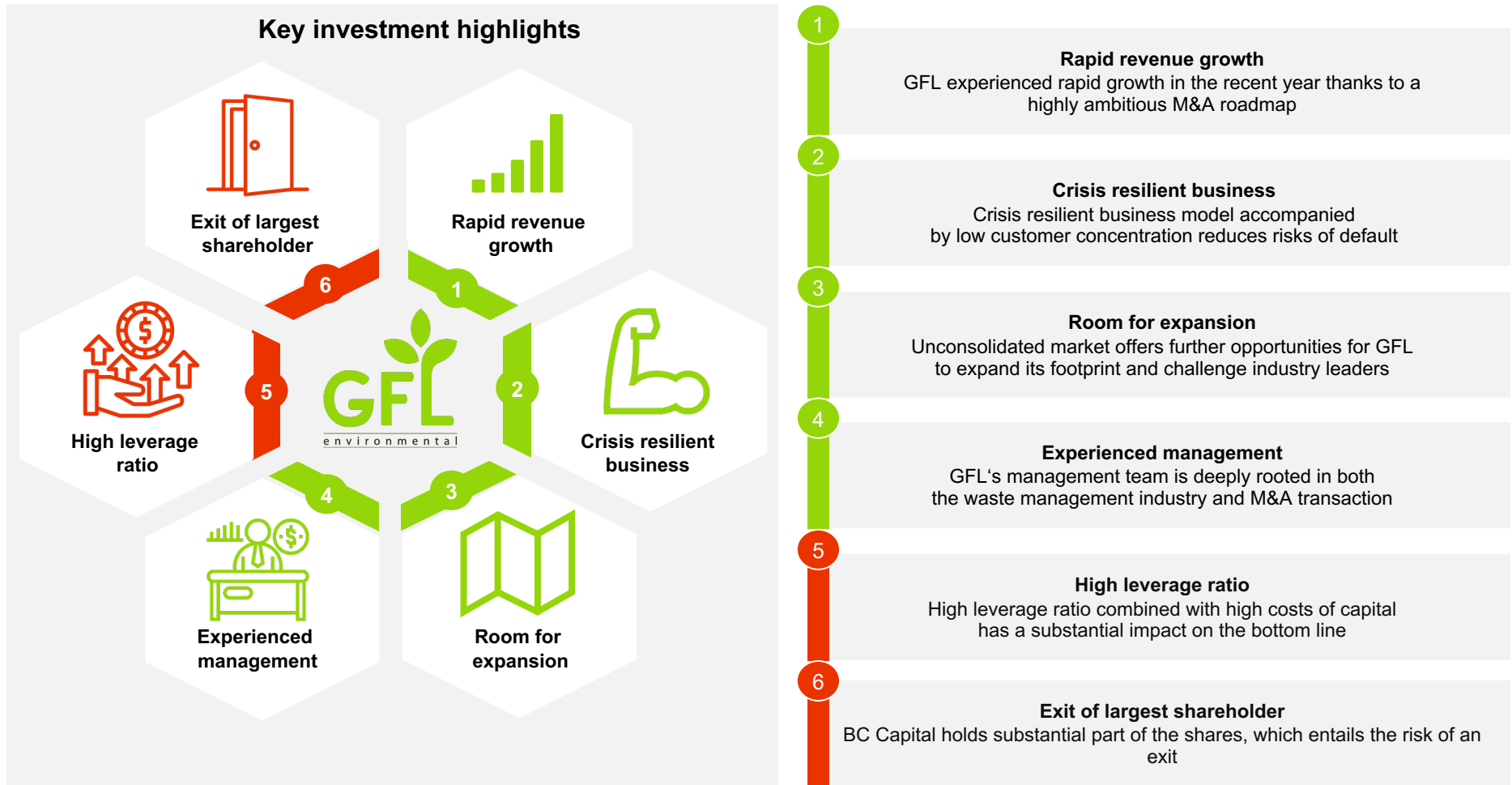
- IPO: 3<sup>rd</sup> of March 2020
- Close: 25.7 CAD (10/06/2020)
- Price Range since IPO: 22.4 – 27.5 CAD
- Volatility: 1.82
- Average Volume: TO: 64,658 NYSE: 884,287
- Beta: 0.56

Equally weighted portfolio as per 10/06/2020

Source: Yahoo Finance

# Investment Thesis

Canadian-based company is disrupting the waste management industry at full speed





# **GFL Environmental**

**WUTIS Equity Research**

**Business Description**

# Company Overview

A deeply skilled team led GFL to be North America's 4<sup>th</sup> largest waste management provider

## Company Description

- North America's 4<sup>th</sup> largest diversified environmental services company
- Serving 4 million households. 135,000 commercial & industrial, and 13,000 liquid waste customers
- 3 complementary business lines: solid waste, infrastructure & soil remediation, and liquid waste management
- Headquarters in Vaughan, Ontario
- Over 250 facilities across Canada and the U.S.,
- Over 100 acquisitions since foundation in 2007, expansion to U.S. since 2016
- 11,500 people employed across operations

## Key financials

CAD in millions	FY2017	FY2018	FY2019	Q1 2020
Revenue	1,333.1	1,852.1	3,346.1	931.3
Revenue Growth (%)		39%	81%	29%
EBITDA	(99.1)	385.7	778.2	145.8
CAPEX	194.7	212.5	457.8	100.2
Net Income	(101.0)	(483.4)	(451.6)	(277.9)
Leverage	477%	148%	295%	123%

## Management Team



**Patrick Dovigi**, *Founder, President, CEO*

- Transformed one waste transfer station into 4<sup>th</sup> largest player
- Top 40 under 40 award by Waste360 in 2017
- EY Entrepreneur of the Year in Power & Utilities Sector



**Luke Pelosi**, *Executive Vice President & CFO*

- 16 years of financial management experience
- Focus on financial analysis, M&A & corporate finance
- Chartered Professional Accountant



**Greg Yorston**, *Executive Vice President & COO Solid Waste*

- >30 years of waste industry experience, focus on U.S.
- 26 years at Waste Management as Corporate VP for Operations and Business Solutions



**Mindy Gilbert**, *Executive Vice President & General Counsel*

- >16 years as partner in major Canadian law firm
- Specialized in M&A, securities and corporate law
- Member of Listing Advisory Committee of TSE



**Christian Dover**, *Area Vice President, Infrastructure & Soil Remediation*

- >14 years of infrastructure construction experience
- Focus on water, rail, municipal and civil engineering



**Edward Glavina**, *Area Vice President, Liquid Waste Canada*

- >10 years experience in hazardous waste industry
- Know-how in hazardous waste, operations, sales, environmental health & safety, HR and finance

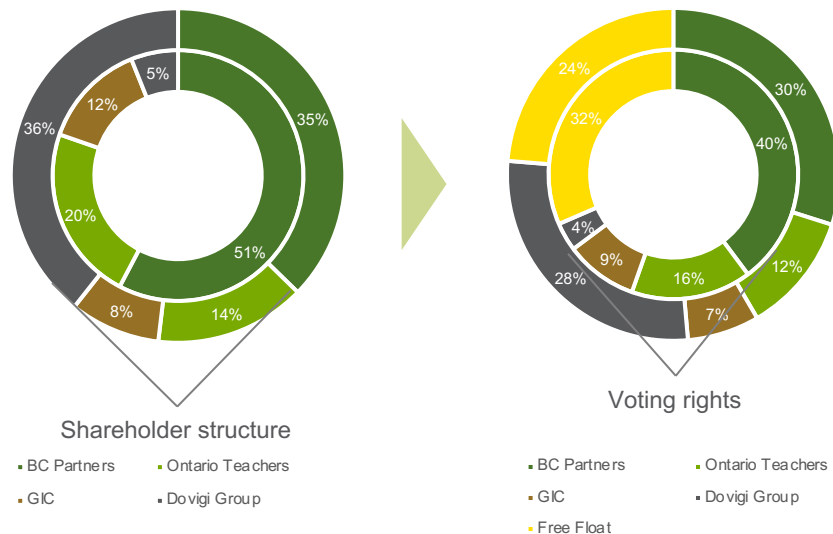
# Shareholder Structure

After two failed IPO attempts, GFL is the biggest Canadian company to be listed since 1999

## Initial Public Offering

- Date: March 3rd, 2020
- 75 million subordinate voting shares for 19 USD per share
- Offering led by J.P Morgan, BMO Capital Markets, Goldman Sachs, RBC Capital Markets, Scotiabank
- Two delayed IPOs in past 2 years:
  - 2018: Goal was to raise 800 million USD, found private investors instead
  - 2019: Goal was to price shares between 20-24 USD, demand stopped at 18 USD → CEO cancelled IPO due to lack of representation of fair value

## Pre – IPO and Post – IPO Shareholder structure and voting rights



## Ownership subsidiary / structure

- Decentralized operating structure
- Provides employees with greater sense of ownership
- All dotted lines refer to indirect ownership interest



## Shareholder rights and anti-takeover provisions

- Laws of Ontario, Canada come into effect
- **Dual class share structure:** Subordinate voting shares and multiple voting shares rank pari passu and are both entitled to receive dividend
- No redemption rights, pre-emptive rights to subscribe to additional subordinate voting shares only under special circumstances
- In case of liquidation debts, other liabilities and outstanding preferred shares are treated first
- **Subordinate voting shares**
  - One vote per subordinate share
  - Nonconvertible
- **Multiple voting shares**
  - 10 votes per share
  - Convertible into SVS, automatic conversion under certain circumstances
- **Take-over Bid protection** under applicable securities laws in Canada in accordance with TSX rules
  - Coattail Agreement (between Dovigi Group, GFL and a trustee) preventing transaction that would deprive holders of SVS of their rights
  - Controlling shareholder cannot sell control without all shareholders being offered the same price and conditions for their shares



# Service Offering

GFL aims to expand their service offerings in regions with other established business lines

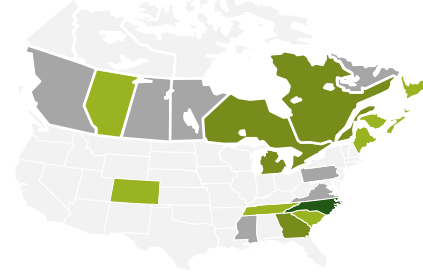
## Business lines

## Market penetration per line and long-term strategy

### Solid Waste



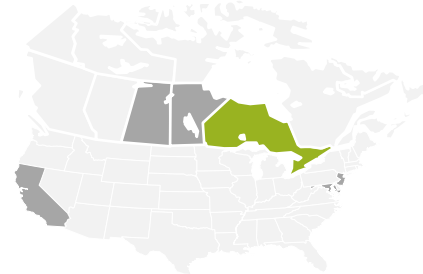
- Municipal, residential, commercial and industrial collection
- Facility networks in 9 Canadian provinces and 10 U.S. states include
  - >100 collection operations and >70 transfer stations
  - 45 landfills
  - >20 material recovery and 11 organics facilities



### Infrastructure & Soil Remediation



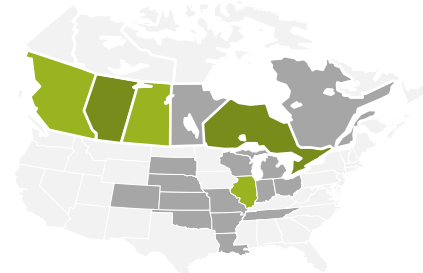
- Bioremediation services for soils contaminated by hydrocarbons and road salt
- Integrated Infrastructure services, including civil, demolition, excavation and shoring
- Serving major infrastructure customers in 3 Canadian provinces and 3 U.S. states
- 14 soil remediation facilities



### Liquid Waste



- Waste water collection and processing, UMO collection, processing and resale, hydro vacuum services, waste and lab packaging and on-site industrial services
- >50 liquid waste collection, processing and storage facilities across Canada and Midwestern U.S.



### Long-term vision

#### What?

Become a "one-stop-shop provider" in waste management

#### How?

Extend all business lines in areas with existing footprint

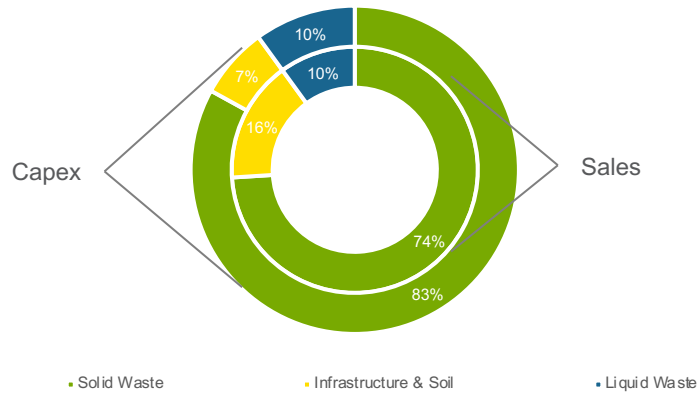
### Penetration level by operations



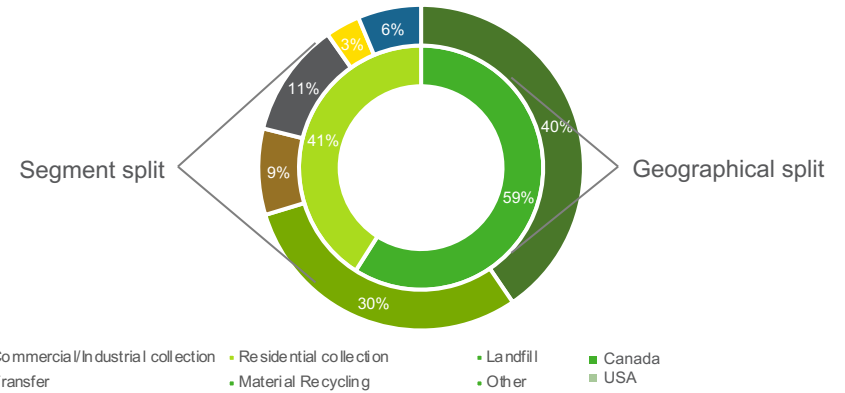
# Segment Breakdown

While the majority of revenues comes from solid waste, CAGR is high for all business lines

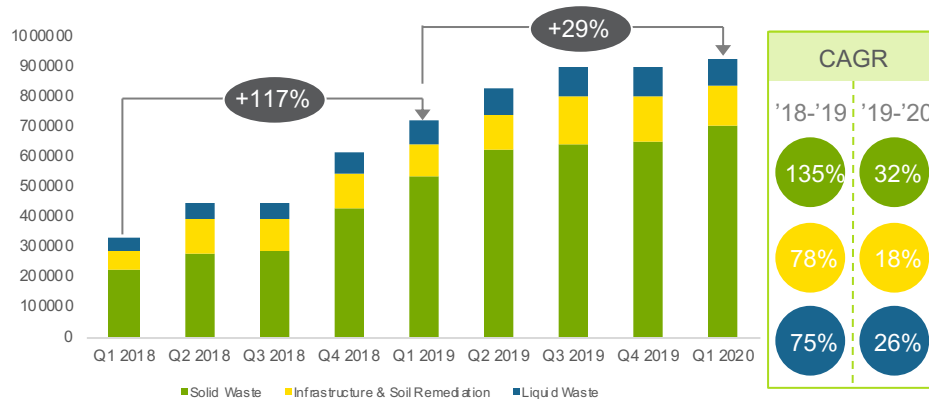
Sales and Capex per business line 2019



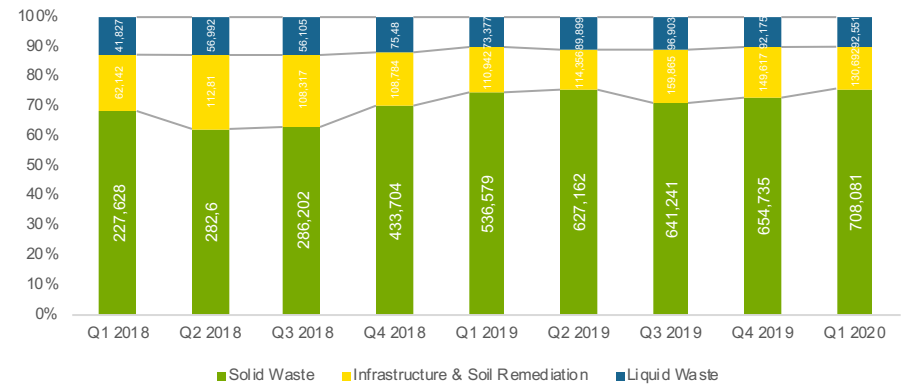
Solid waste business by revenue (in thousands of dollars)



Revenue (in thousands of dollars) and CAGR per business line



Revenue growth per business line compared to previous period





# GFL Environmental

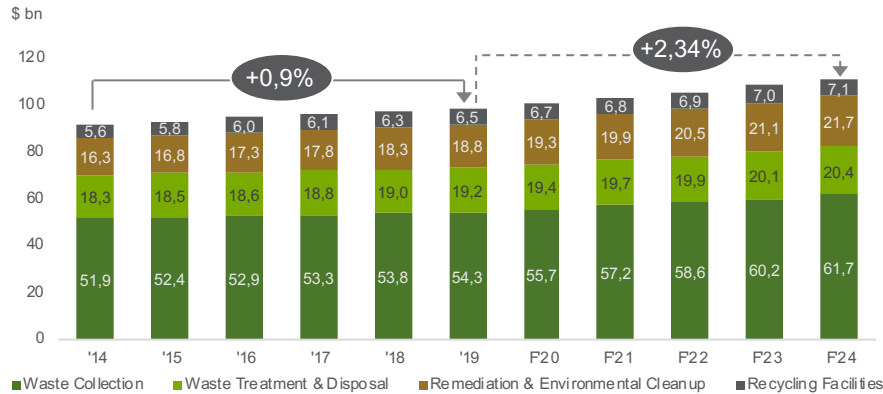
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Market and Industry Overview

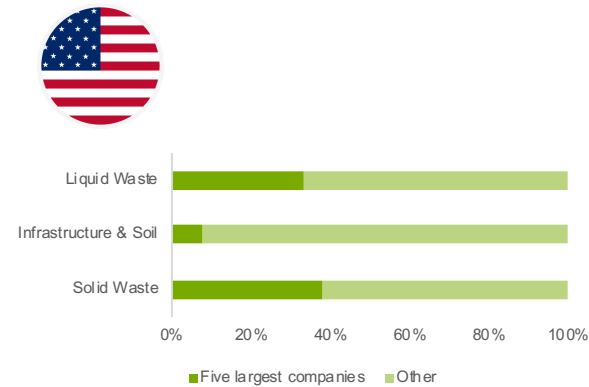
# Waste Management Services Industry

U.S. market nearly 8x larger yet higher historical and forecasted CAGRs observed

## Industry Revenue per segment United States

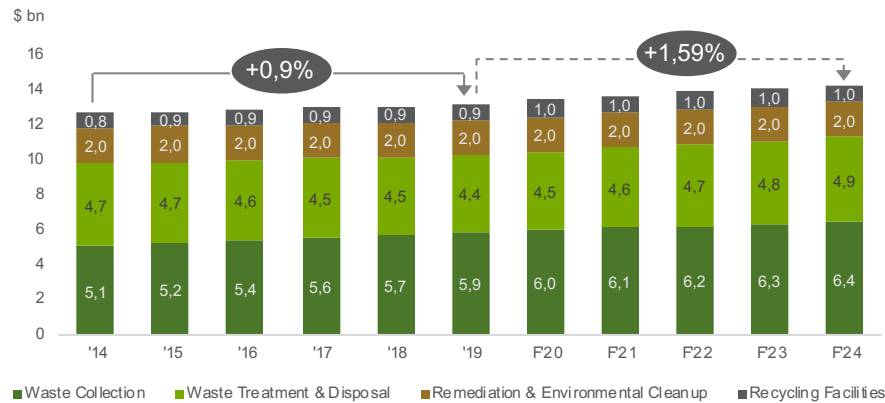


## Market concentration United States

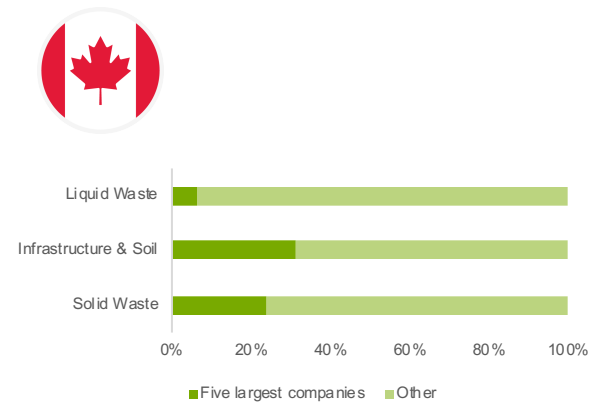


30,000 and 6,000 establishments operating in the U.S and Canada respectively

## Industry Revenue per segment Canada



## Market concentration Canada

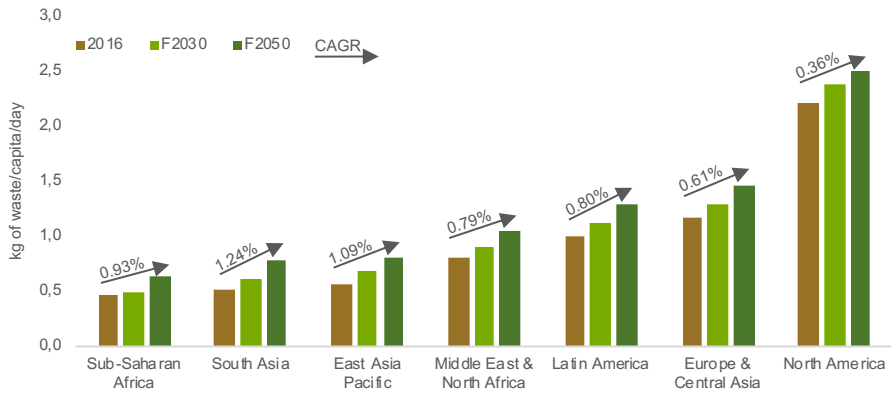


Complementary market share concentration per sub-segment

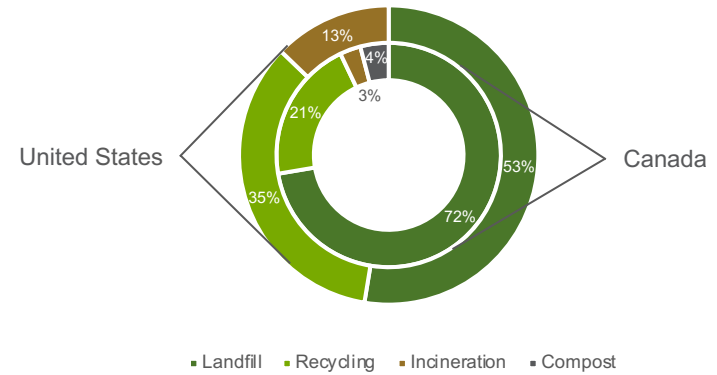
# Waste Generation

Stable growth in waste generation throughout all of GFL's relevant segments

## Projected Global Waste Generation by Region



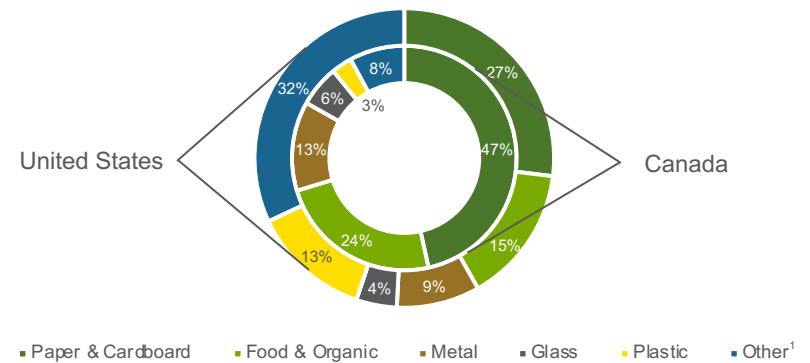
## Waste Disposal and Treatment per Country



## MSW<sup>2</sup> Generation in United States and Canada



## Solid Waste Composition per Country

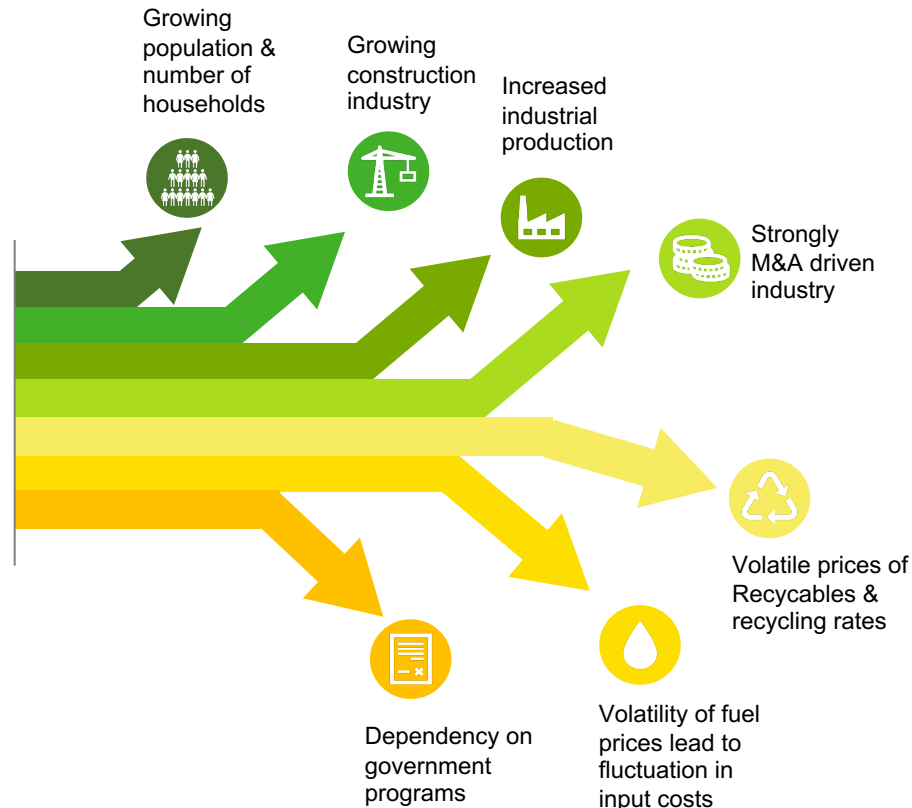


<sup>1</sup> Other includes: rubber, leather, wood, garden green waste, <sup>2</sup> Municipal Solid Waste


# Market Drivers & Trends


Promising outlook due to stable market environment and favorable drivers and trends


## Market growth drivers & brakes





## Market trends


- 

**Shift towards domestic recycling markets**  
Restrictions on trading waste & import bans to dispose in various countries such as China lead to higher domestic investments.
- 

**Switch to domestic oil sourcing**  
With an increased need for oil exploration comes a growing demand for product waste services (oil spill clean up etc.).
- 

**Rise in disposable income**  
The disposable income in the US is expected to grow 10% until 2023. This will likely lead to higher consumptions.
- 

**Growth in population**  
The world population is expected to grow more than 25% in the next 30 years, and with it the amount of waste produced.
- 

**Increasing environmental concerns**  
The number of US consumers concerned about climate change nearly doubled between 2011 and 2018.
- 

**Drive for sustainability among younger generations**  
The millennial generation is growing consciousness about waste generation and might avoid producing more waste.



# GFL Environmental

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Peer Analysis

# Peers Group Constituents

Segmentation of peer group offers a high degree of comparability

Company	Ctry.	Market Cap.	Revenue	Total Assets	Geographical Exposure				Business Segment					Tier Classification
								Over-seas	Core Business	Solid Waste	Liquid Waste	Infrastructure & Soil Waste	Recycling	
Waste Management		47,351.2	15,455.0	27,743.0	✓	✓				✓		✓	✓	1
Republic Services		28,619.4	10,299.4	22,683.8	✓	✓				✓	✓		✓	
Waste Connections		25,826.1	5,388.7	13,737.7	✓	✓				✓	✓			
GFL Environment		6,355.6	2,653.8	10,223.3	✓	✓				✓	✓	✓	✓	GFL
Clean Harbors		3,773.3	3,412.2	4,108.9	✓	✓	✓				✓	✓		1
Advanced Disposal Services <sup>1</sup>		2,866.9	1,623.0	3,543.5		✓				✓		✓	✓	
Casella Waste Systems.		2,502.9	743.3	932.2		✓				✓		✓	✓	
US Ecology		1,160.5	685.5	2,231.2	✓	✓	✓			✓	✓		✓	
Veolia Environnement		13,789.3	30,412.4	45,882.6	✓	✓		✓		✓	✓	✓	✓	2
Stericycle		5,795.8	3,308.9	6,437.0		✓		✓			✓			
Tervita		295.3	1,719.7	1,230.4	✓	✓				✓	✓		✓	
Charah Solutions.		51.7	554.9	355.8		✓				✓				
Sharps Compliance		117.3	49.8	48.5		✓				✓				
Perma-Fix Environmental Service		67.8	73.5	66.5	✓	✓		✓			✓			
Cordy Oilfield Services		3.4	12.1	10.3	✓					✓	✓			
Strategic Environ. & Energy Res.		6.8	4.3	3.1		✓				✓	✓			

Residential Collection    Industrial Special Waste    Medical Waste

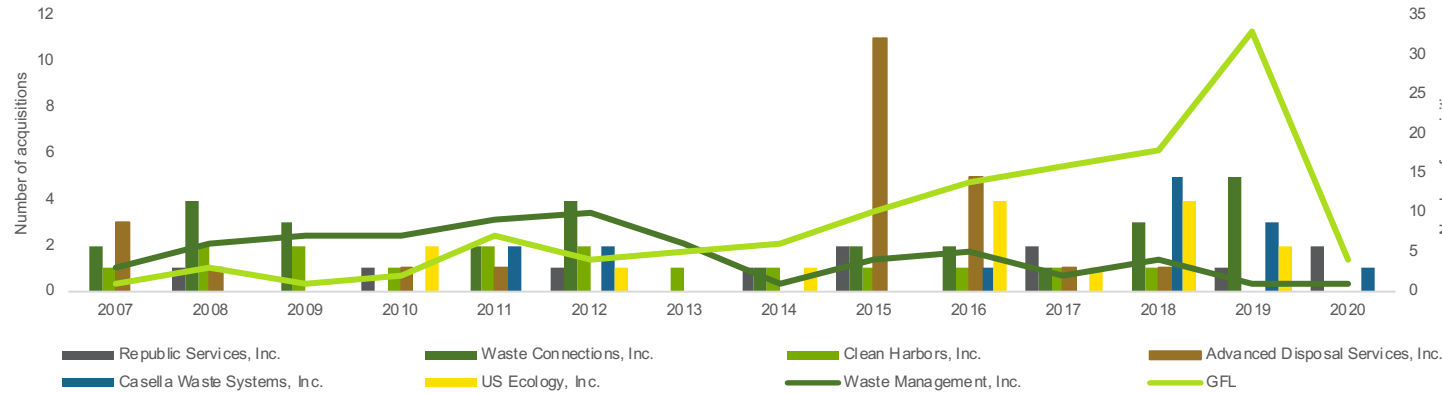
Note: Numbers in million USD. Data as available per 06/06/2020; <sup>1</sup> Advanced Disposal Service will be acquired by Waste Management (Pending Transaction)



# Acquisition Strategy

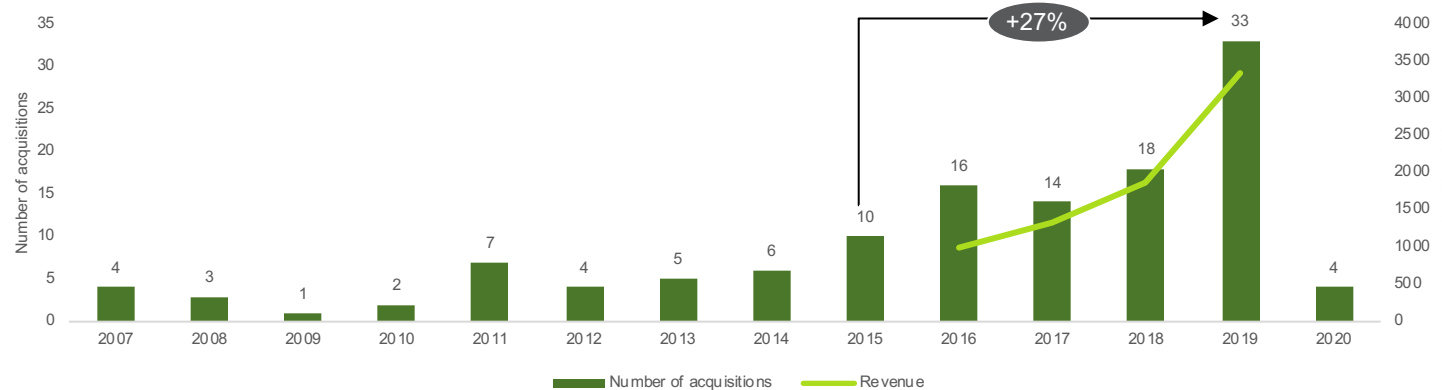
Substantial amount of acquisitions as major revenue driver allows to outperform the market

## Number of acquisitions of Tier 1 peer group



- Peak in 2019 with 33 acquisitions
- Has outperformed the market since 2013 (only Waste Management Inc. had similar numbers from 2011-2013)
- Median of peer number of acquisitions is below 2 per year
- GFL's median of acquisitions is above 5 per year
- Past 5 years: average transaction value of \$380M

## GFL's number of acquisition and its revenue

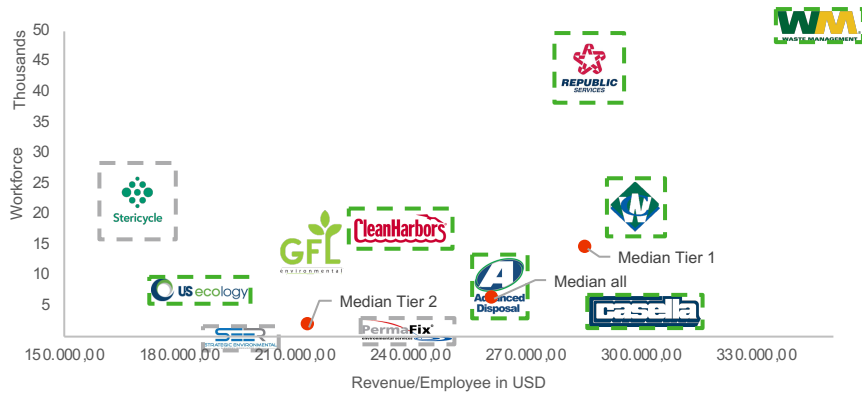


- Visible connection between revenue growth and the total number of acquisitions
- Strong increase from the year 2015 onwards
- CAGR of 27% in only 5 years
- Within this time the revenue increased to 237%
- CAGR of revenue of 35%

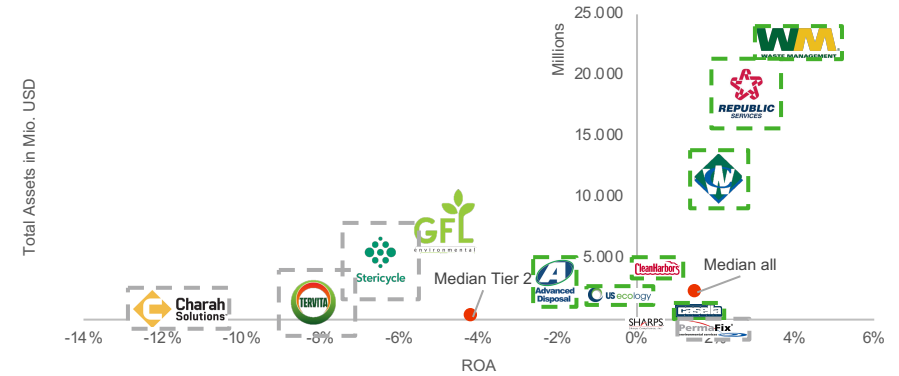
# Key Ratios of the Industry

Large and mature players can benefit from economies of scale

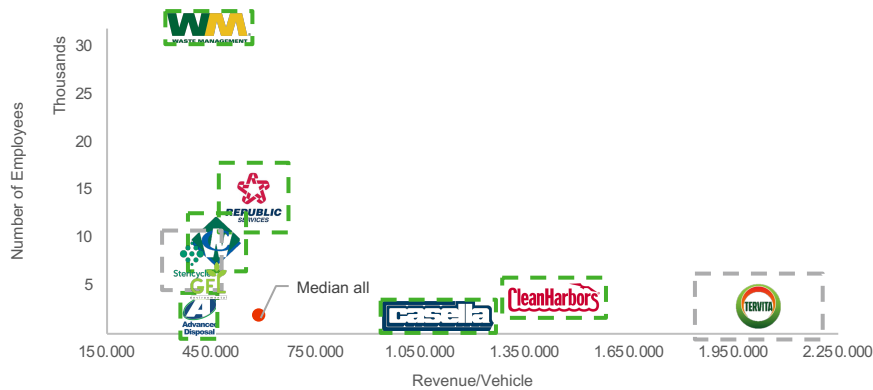
## High Workforce tends to generate more Revenue/Employee



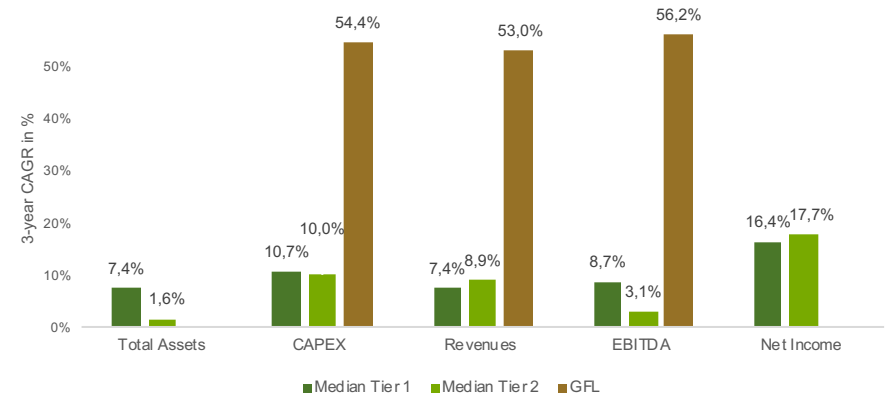
## Largest Players can benefit from Economies of Scale



## Players heavily engaged in Collection operate within a similar ratio



## GFL grows faster than peers but lacks profitability



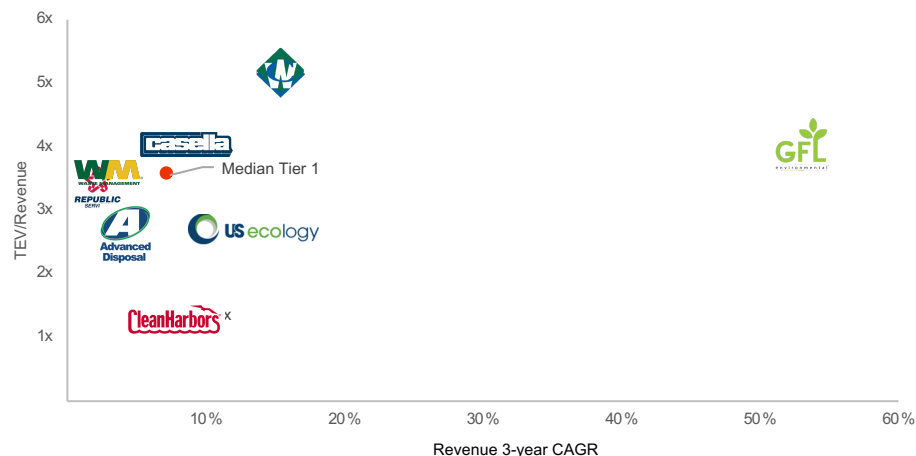
Note: Only peers included as data available per 06/06/2020

Source: Capital IQ, Team Analysis

# Key Ratios of the Industry

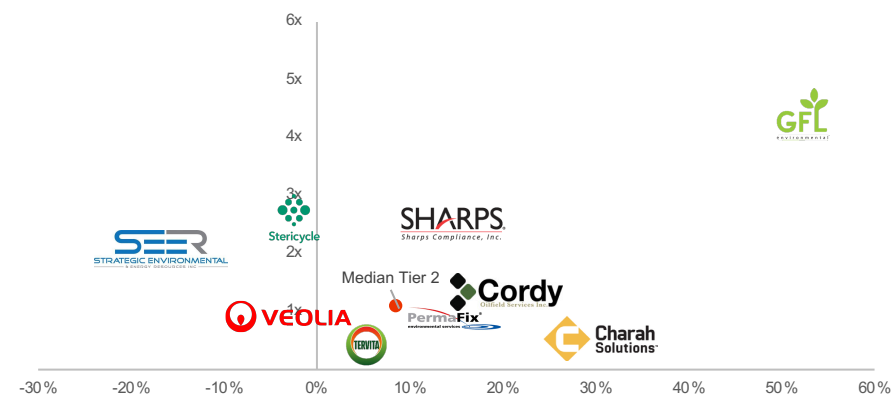
Rapidly growing GFL relatively equally valued as best performing peers

TEV/ Revenue vs. 3-year CAGR Tier 1



Revenue Growth YoY in %	FY17	FY18	FY19	1Q 20	TEV/ Revenue
Waste Connections	37.2%	6.3%	9.5%	8.7%	5.4x
Republic Services	7.0%	0.0%	2.6%	3.4%	3.6x
Waste Management	6.4%	3.0%	3.6%	0.9%	3.6x
Advanced Disposal Service <sup>1</sup>	7.3%	3.4%	4.2%	0.7%	2.9x
US Ecology	5.5%	12.3%	21.1%	83.7%	2.8x
Casella Waste Systems	6.1%	10.2%	12.5%	11.7%	4.2x
Clean Harbors	6.9%	12.1%	3.4%	10.0%	1.4x
Median	6.9%	6.3%	4.2%	8.7%	3.6x
<b>GFL</b>	<b>42.8%</b>	<b>39.0%</b>	<b>80.7%</b>	<b>29.2%</b>	<b>4.1x</b>

TEV/ Revenue vs. 3-year CAGR Tier 2

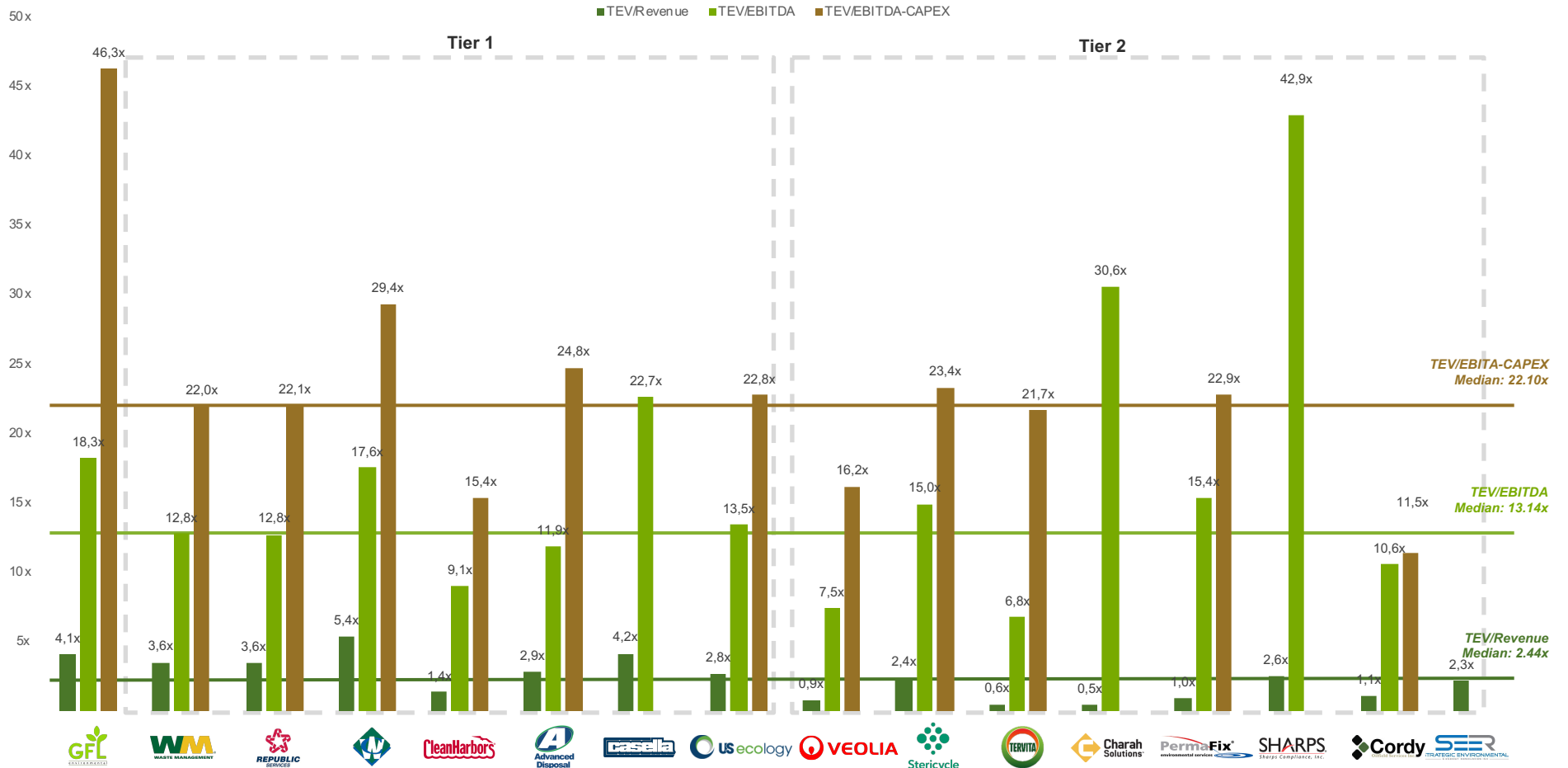


Revenue Growth YoY in %	FY17	FY18	FY19	1Q 20	TEV/ Revenue
Cordy Oilfield Services	13.7%	42.2%	3.4%	N/A	1.1x
Strategic Environmental & Energy	9.1%	-36.9%	-18.9%	N/A	2.3x
Stericycle	0.5%	-2.6%	-5.1%	-5.4%	2.4x
Tervita	16.2%	-15.2%	17.7%	-8.5%	0.7x
Veolia	2.6%	4.6%	4.8%	1.6%	0.9x
Sharps Compliance	14.4%	5.5%	18.6%	32.0%	2.6x
Perma-Fix Environmental	-2.7%	-0.6%	48.5%	112.8%	1.0x
Charah Solutions	62.4%	72.0%	-25.1%	0.8%	0.5x
Median	11.4%	2.0%	4.1%	N/A	1.0x
<b>GFL</b>	<b>42.8%</b>	<b>39.0%</b>	<b>80.7%</b>	<b>29.2%</b>	<b>4.1x</b>

Note: TEV/Revenue as per 02/06/2020 and 3-year CAGR based on Revenue per CY 2019, <sup>1</sup> Advanced Disposal Service will be acquired by Waste Management (Pending Transaction)

# Comparable Company Analysis

Multiple comparison within peer group clearly shows GFL constantly above median



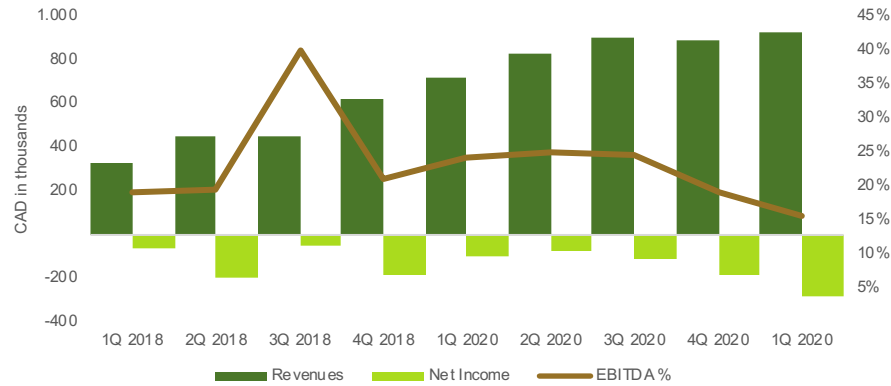
Note: Data available as per 06/06/2020

Source: Capital IQ

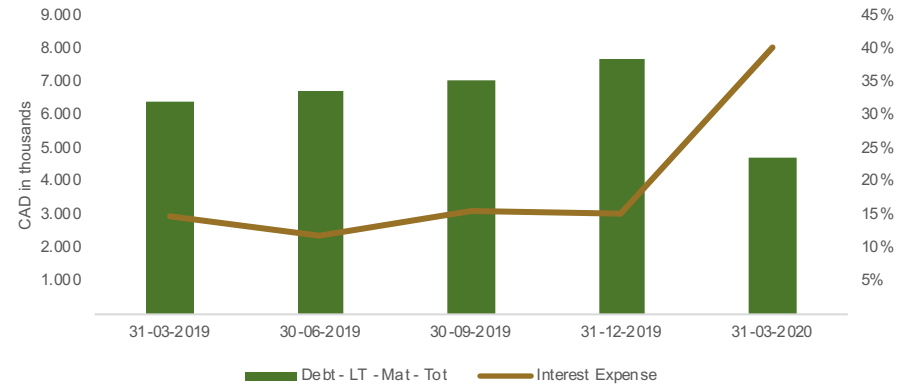
# Financial Analysis

M&A-based growth inevitably leads to financial constraints which are to be observed

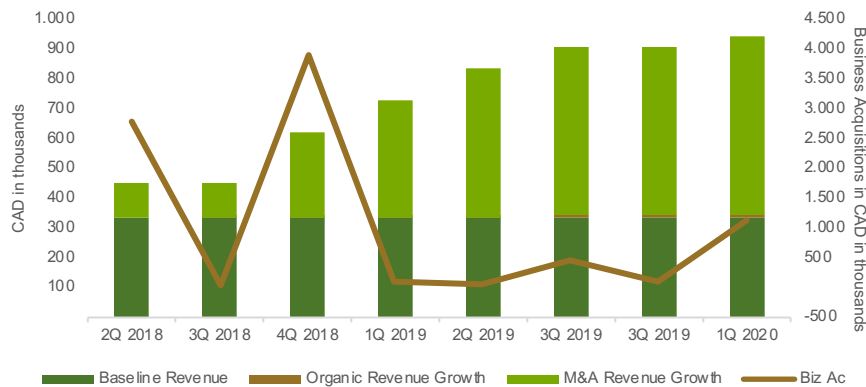
## Aggressive expansion hits bottom line



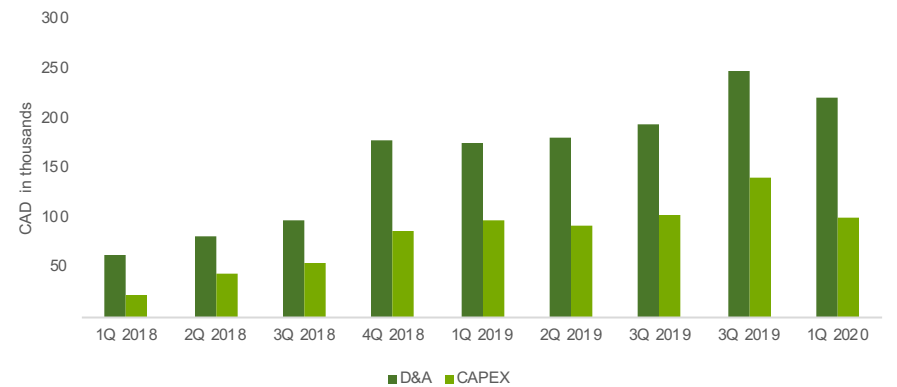
## Substantial portion of long-term debt with high capital costs



## M&A activities as the main driver for growth



## D&A costs compared to capital expenditures



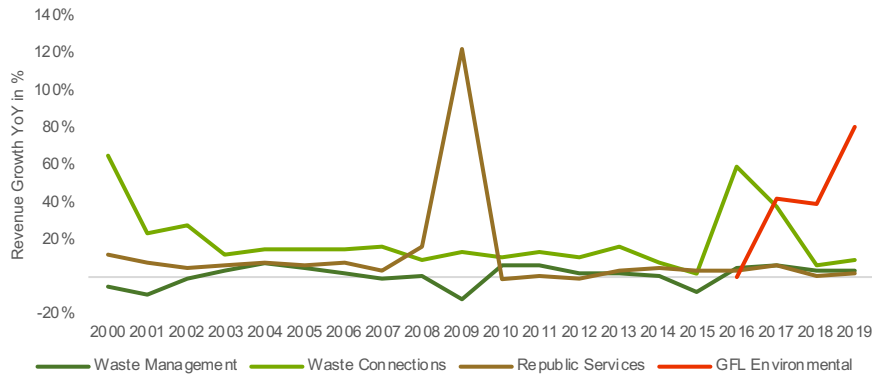
Note: Data available as per 08/06/2020

Source: Capital IQ, Team Analysis

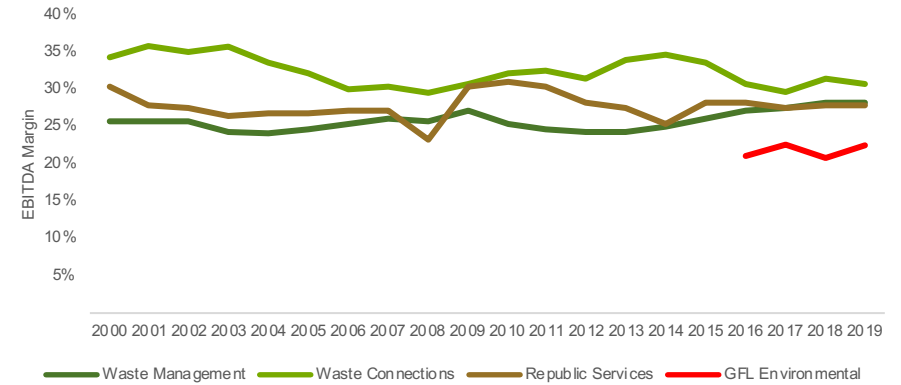
# Roadtrip to Profitability

Three major players offer insights on potential future development of GFL

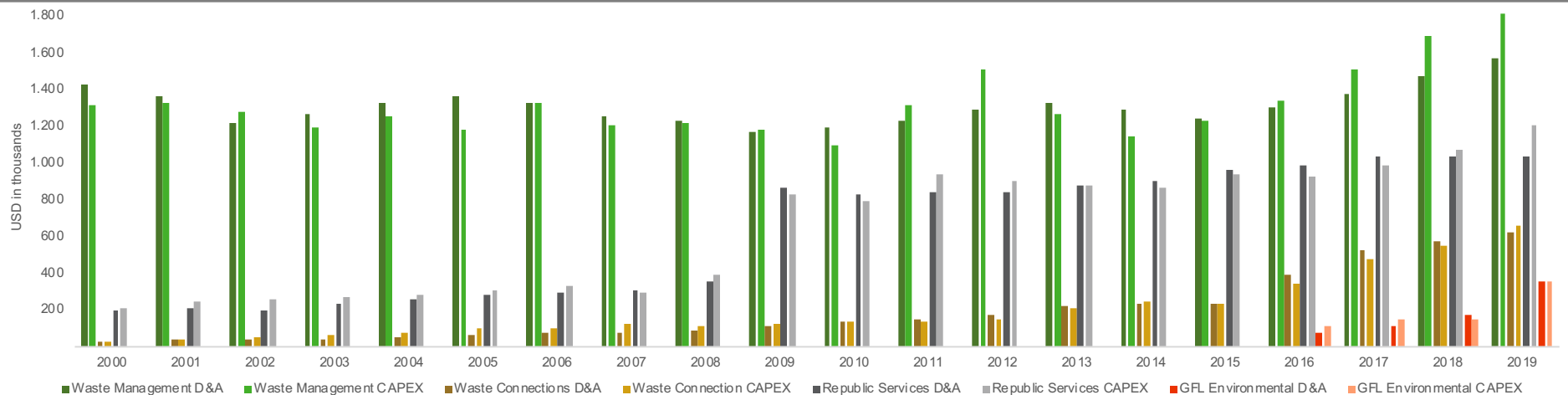
## Major peers with relatively stable growth rates in the past



## Crisis resistant margins underlining the robust business model



## Asset heavy industry constantly increased CAPEX over the years



Note: Data available as per 08/06/2020



# GFL Environmental

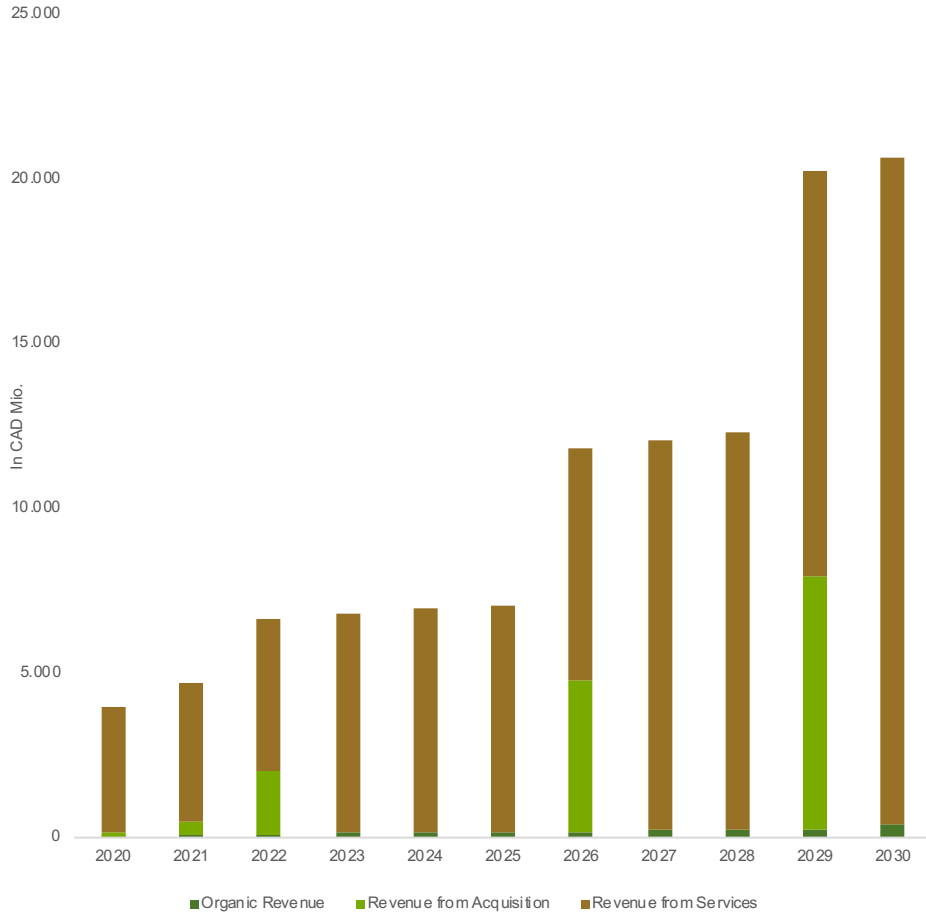
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Valuation

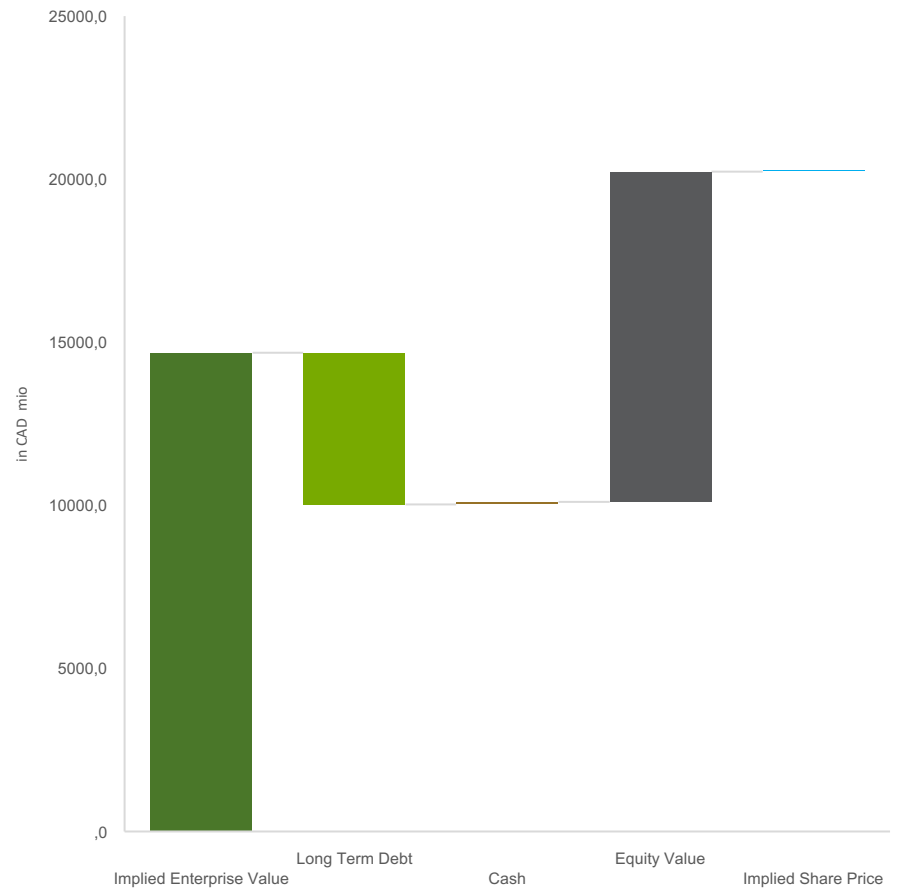
# DCF Analysis – Revenue Propsects

Future revenue split shows significant growth provided by M&A deals

Organic vs. inorganic revenue growth



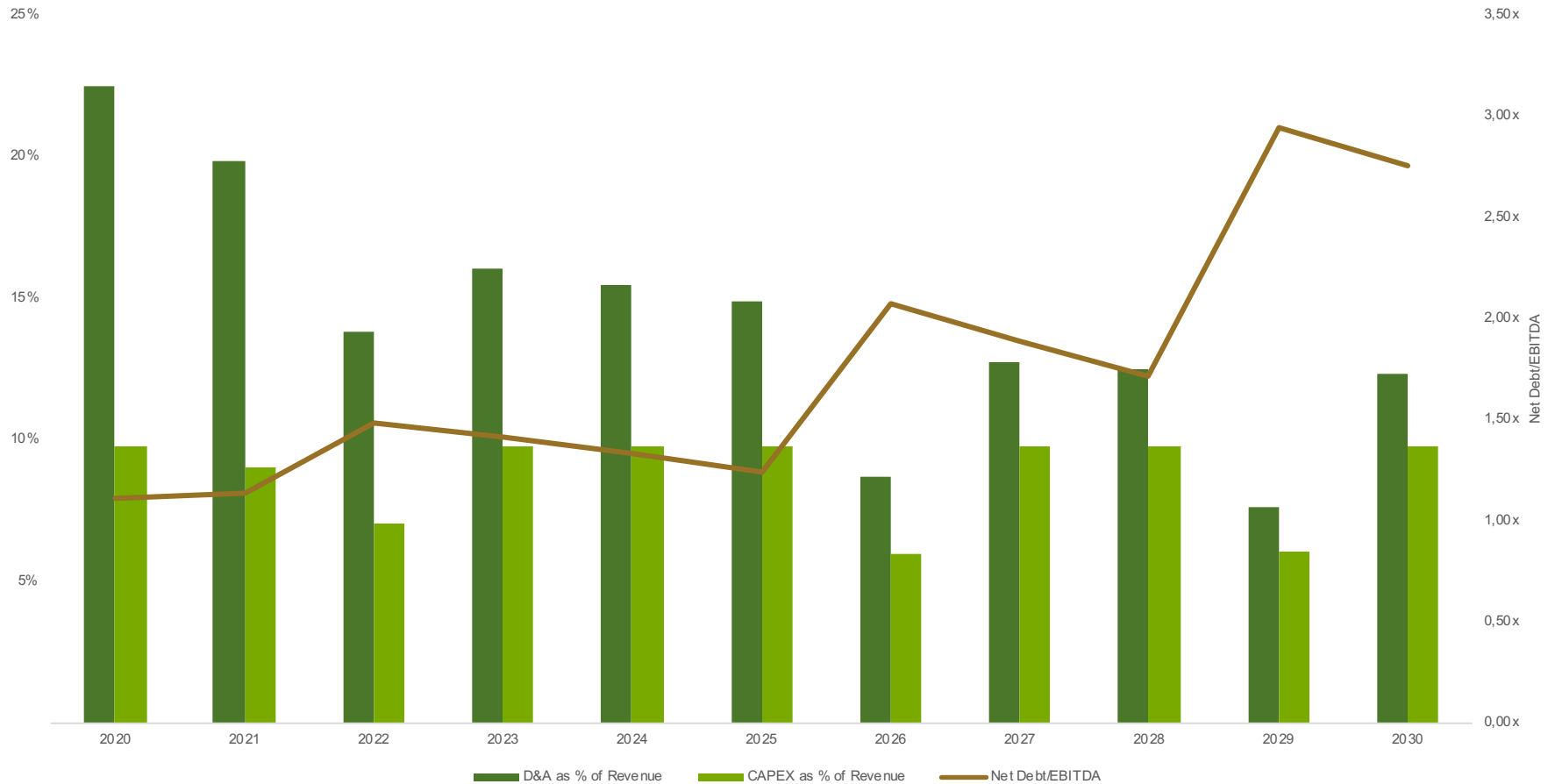
Equity bridge





# DCF Analysis - Leverage as necessity for growth

D&A and CAPEX are predicted to be rather volatile due to acquisitions





# GFL Environmental

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Risk Analysis

# Company Specific Risks

## Main risks stemming from competitiveness of the market

- O1
Rise in third party prices, e.g. for waste disposal, labor, insurance etc
- O2
Decentralized management structure and following failure to promote and implement vision and strategy
- O3
Failure in renewing facility permits subject to resistance of citizens and political pressures
- M1
Failure to follow expansion strategy due to other players winning bid on potential targets
- M2
Customers switching providers decreasing GFL's market share and revenues
- M3
Change in consumer perception on environmental concerns, waste production and thus impact on sales
- L1
Legal restrictions by governments concerning environmental laws and compliance regulations
- L2
Recognition of monopoly-like merger/acquisitions through anti-trust laws

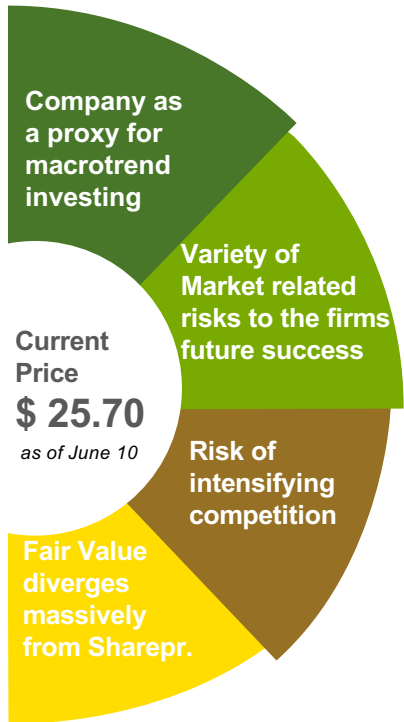
Operations (O) – Market (M) – Legislation (L)



Source: Team Analysis

# Conclusion – Buy

A stable yet promising investment in uncertain times - green light for Green for Life





# GFL Environmental

WUTIS Equity Research

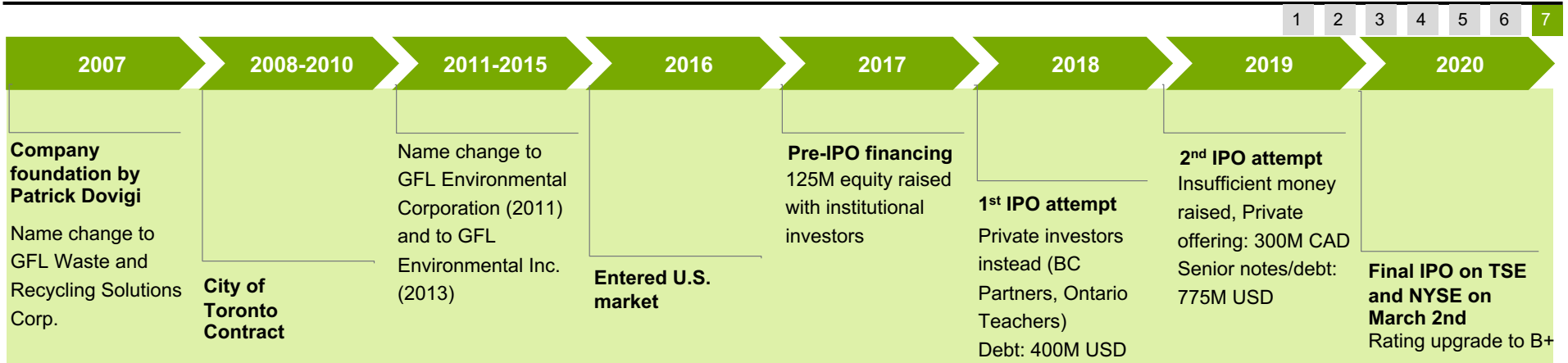
Appendix

## Appendix

A	Business Description	30
B	Market and Industry Overview	35
C	Peer Analysis	36
D	Valuation Analysis	48
E	Risk Analysis	50

# Appendix A: Historical Development

Through acquisitions across all operations, GFL could grow considerably since its foundation



### Expansion history

Year	2007	2008-2010	2011-2015	2016	2017	2018	2019	2020
<b>Solid &amp; Soil</b>	Acquisition of 1st transfer station in Toronto Area	Soil remediation: ON <sup>1</sup>	Solid Waste: ON, Atlantic Canada, AB	Solid waste: U.S. (Rizzo Environmental Services - 400M CAD)	Solid Waste: SK, MB, BC	Solid Waste: BC (Smithrite), U.S. (Waste Industries - 2.8 bn USD)	33 acquisitions to deepen footprint in existing markets	Solid Waste: U.S. (County Waste of Virginia, - 480M USD, American Waste Inc. - 380M USD)
<b>Liquid</b>		Liquid Waste: MB <sup>2</sup> , AB <sup>3</sup> , BC <sup>4</sup>	Liquid Waste: MB, AB	Liquid Waste: SK <sup>5</sup>	Liquid Waste: QC <sup>6</sup>	Liquid Waste: ON (Accuworx), Midwestern U.S.		

### Growing footprint



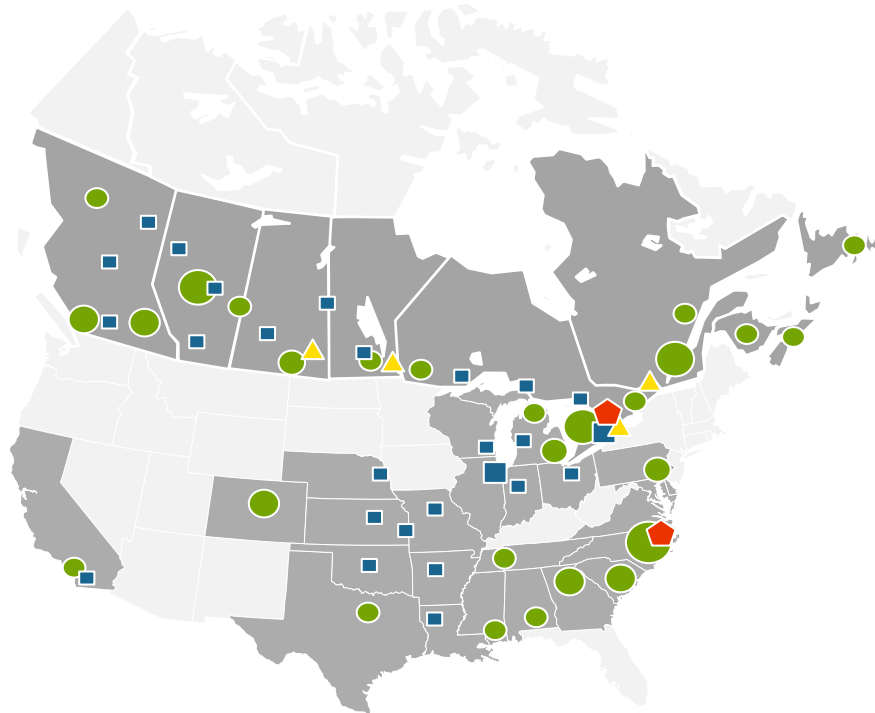
<sup>1</sup> ON = Ontario, <sup>2</sup> MB = Manitoba, <sup>3</sup> AB = Alberta, <sup>4</sup> BC = British Columbia, <sup>5</sup> SK = Saskatchewan, <sup>6</sup> QC = Quebec

# Appendix A: Geographic Presence and Expansion Strategy

Currently serving 23 U.S. states and 9 Canadian provinces, this focus should be expanded

## Headquarters and facilities

- ◆ Corporate Offices
- Solid Waste Facilities
- ▲ Soil Remediation Facilities
- Liquid Waste Facilities



Number of facilities

- ■ ▲ 1-5
- ■ 6-15
- >15

## Integrated business strategy

### Short term (< 1 year)

- Two bigger acquisitions in U.S., funded by new debt and equity offering (Waste County and American Waste)
- Expansion of solid and liquid waste in Michigan and Pennsylvania
- Post IPO delivering through proceeds paying down debt
- 28 million CAD of underwriters' fees on TEUs<sup>1</sup> not qualifying for capitalization
- Over 1.3 billion CAD of liquidity between cash on hand and revolver capacity
- April 500 million USD bond offering

### Mid term (2 to 7 years)

- Densification on existing footprint by cross-selling opportunities with existing customers and winning new municipality contracts
- Geographic Expansion by acquiring independent premier regional operators (solid waste to Western Canada and Midwestern U.S., liquid waste to Eastern Canada)
- Increased focus on recycling where it makes sense
- Not looking to stray from Canadian roots
- Covenant-lite facilities providing maximum financial flexibility
- 1.13 bn CAD deployed in M&A 100 M CAD incurred on capital expenditures

### Long term (> 7 years)

- Becoming one of the leading and largest player on the continent
- Consider Latin America as potential target market

Strategic focus

Expansion

Financial



# Appendix A: Porter's Five Forces

Due to high entry barriers and the businesses' nature, only internal competitiveness poses a threat

- (-) 4 largest firms account for almost half of revenue
- (-) Regional monopolies resulting from government regulation
- (-) Competitive in pricing and quality of service
- (-) Increasing competition on basis of environmental efforts

**Internal rivalry - HIGH**

**Threat of substitutes - LOW**

- Countries/municipalities providing their own waste collection services (-)
- Commercials and industrials dealing with their own waste (-)
- Households and businesses using methods to recycle in-house (-)

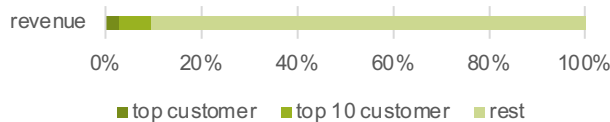
**Bargaining power of suppliers - LOW**

- (+) High number of suppliers for machinery, plastics, containers, ...
- (+) Significant loss of power among supplier of fuel and gas, volatility of the fuel market
- (-) More negotiating power of suppliers in highly concentrated market (like truck manufacturers)



**Bargaining power of buyers - MODERATE**

- Regional contracts limit choices of commercial and residential buyers to 1-2 service providers (+)
- No customer concentration (+)
- Increasing availability of information and sensitivity to differences in service (-)
- No contractual obligation of buyers (-)



**Threat of new entrants - MODERATE**

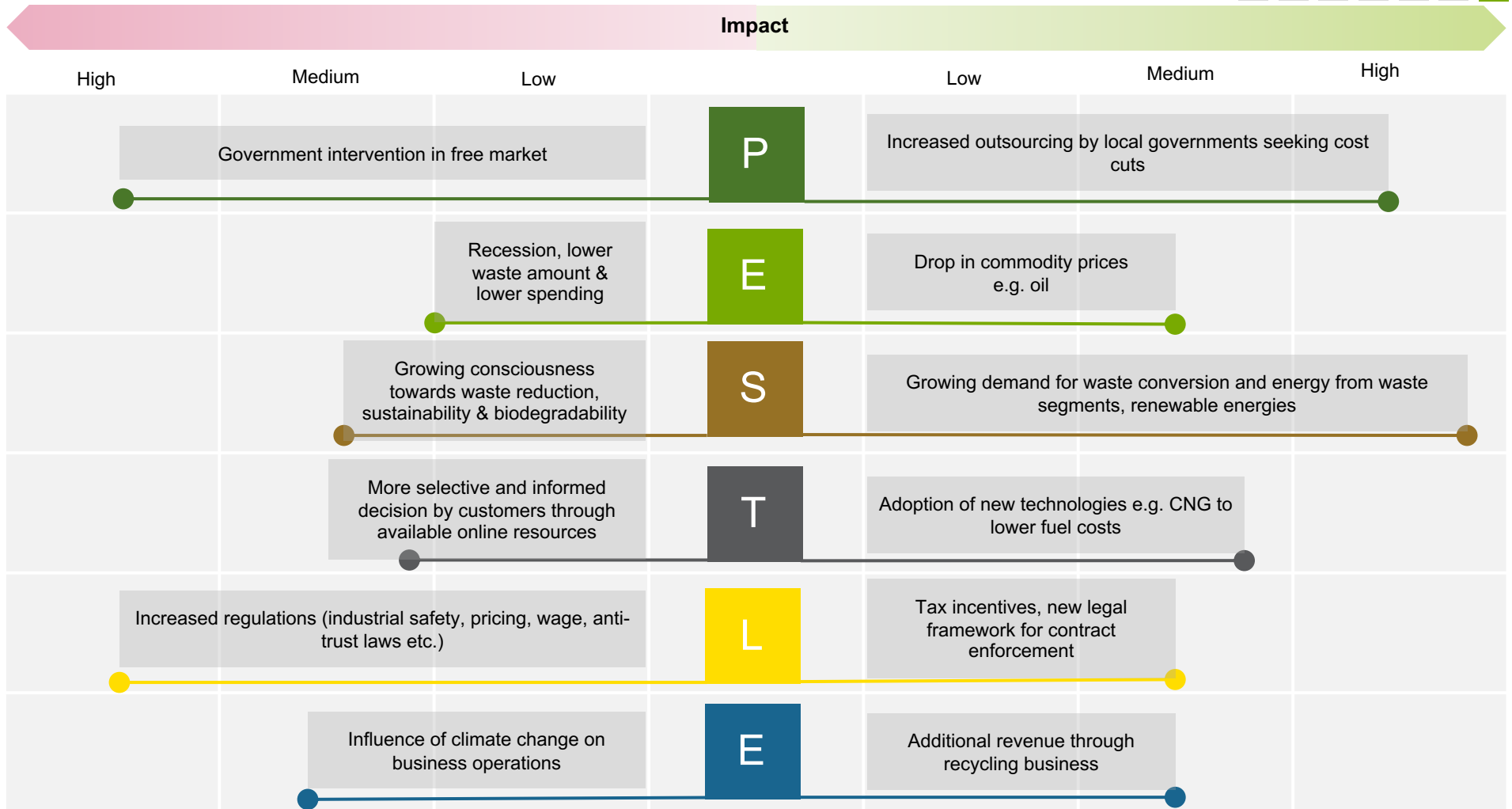
- (+) High entry barriers in form of government regulations
- (+) Contract basis of business and well-developed relationships with existing customers
- (+) Complexity and cost of establishing new landfills and facilities
- (+) Economies of scale give bigger players higher margins
- (-) Entrants attracted by market growth and increasing demand for eco-friendly solutions

Source: Team Analysis

# Appendix A: Pestle Analysis

External factors can boost GFL's performance when noticed early enough

1 2 3 4 5 6 7



Source: Team Analysis

# Appendix A: SWOT Analysis

Despite some weaknesses, GFL can leverage on their strengths and promising opportunities

## STRENGTHS

- No customer account concentration
- Committed dynamic team with industry expertise (suitable?)
- Good ties with municipalities
- Established in the regular waste market from the beginning
- Possession of several liquid facilities in the US (future M&A targets markers)

## WEAKNESSES

- Substantial indebtedness outstanding
- Reliance on high margin lines of business
- Ownership concentration
- High fixed costs due to higher D&A
- BC Partners as a PE fund could sell its shares



- High concentration of smaller firms which could be acquired / Growth through further acquisitions
- Exploitation of new trends in consumer behavior
- Value creation opportunities in pricing, procurement and organizational efficiency
- Redesign of contracts to situational changes
- Higher engagement in recycling business

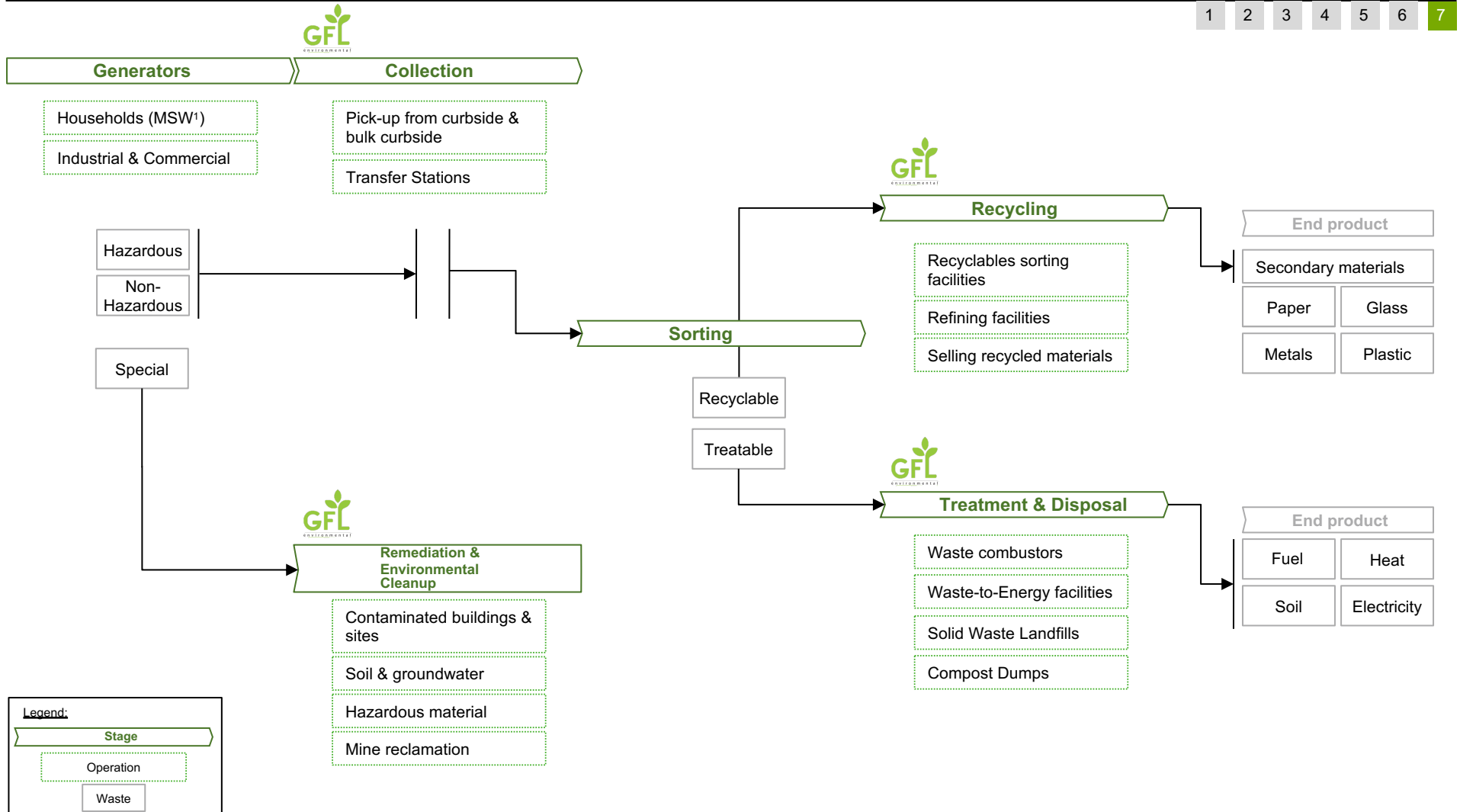
## OPPORTUNITIES

- Loss of control due to regional management focus
- Increased and uncontrollable costs (third party disposal, fuel, labor etc.)
- New regulations and laws
- Economic factors (economic cycle, exchange rates etc.)

## THREATS

# Appendix B: Value Chain in the Waste Management Industry

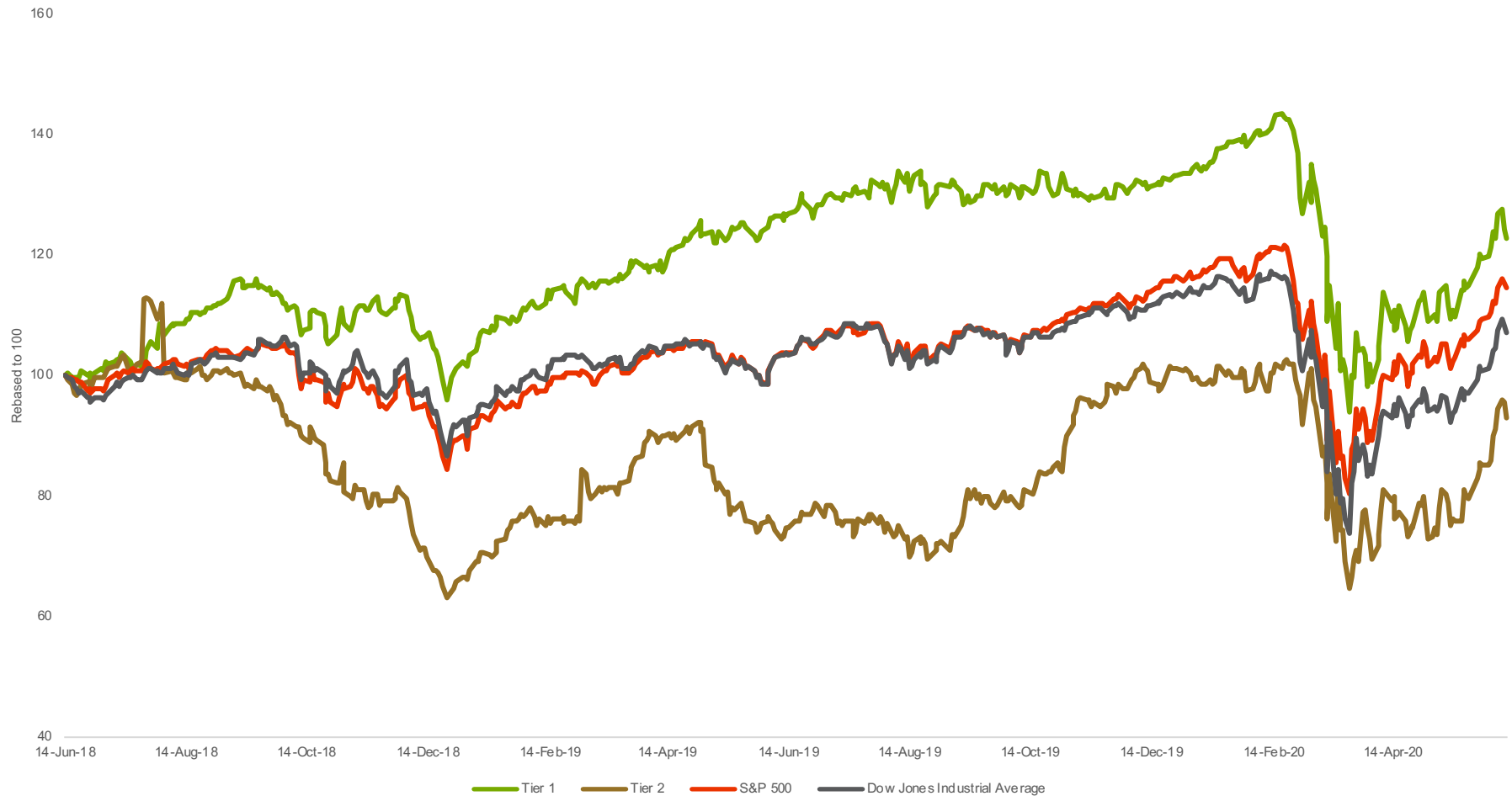
Unique business model generating revenue on both ends



<sup>1</sup>: Municipal Solid Waste

# Appendix C: Share Price Performance

Leading waste management companies constantly above other indices

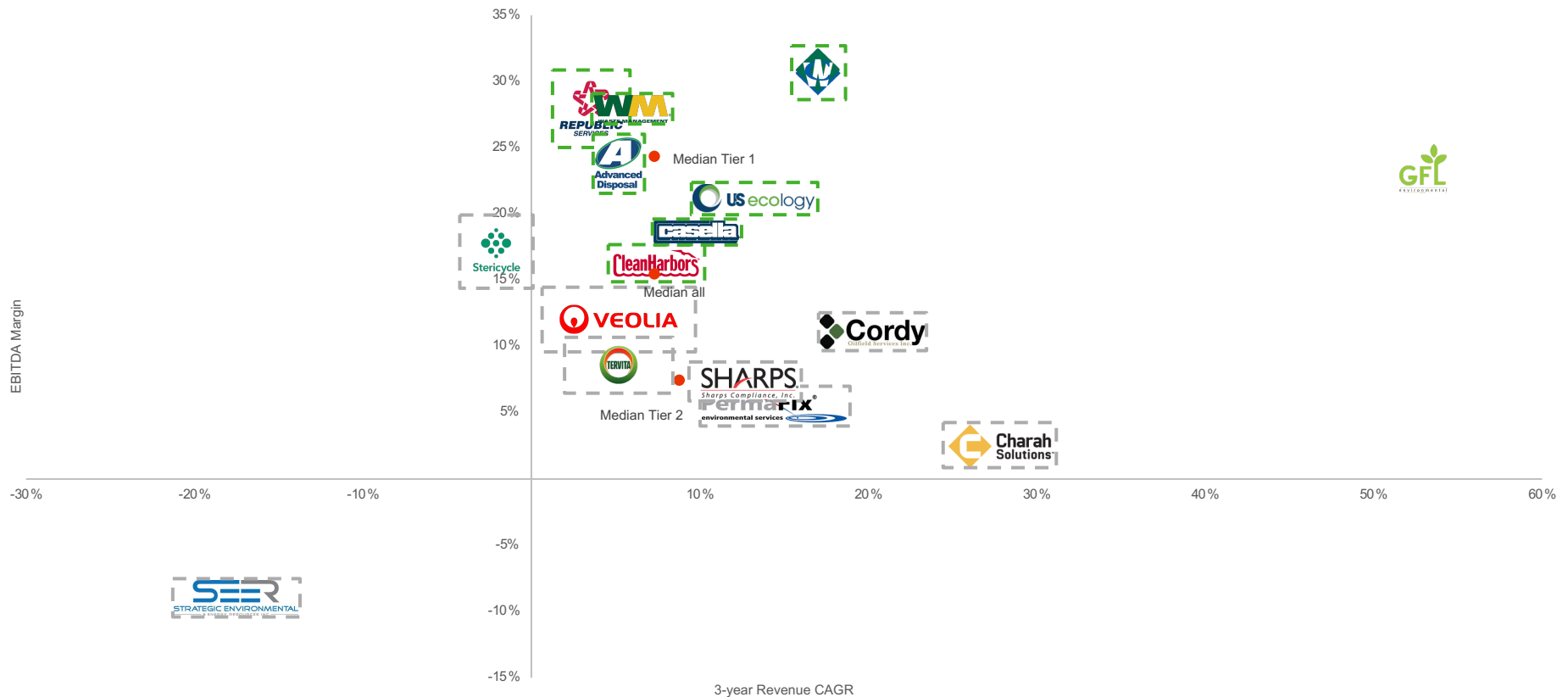


Note: Equally weighted portfolio as per 10/06/2020

Source: Yahoo Finance

# Appendix C: Key Ratios in the Industry

Mature players had their years of rapid growth behind which led them to higher profitability



Tier 1 Tier 2

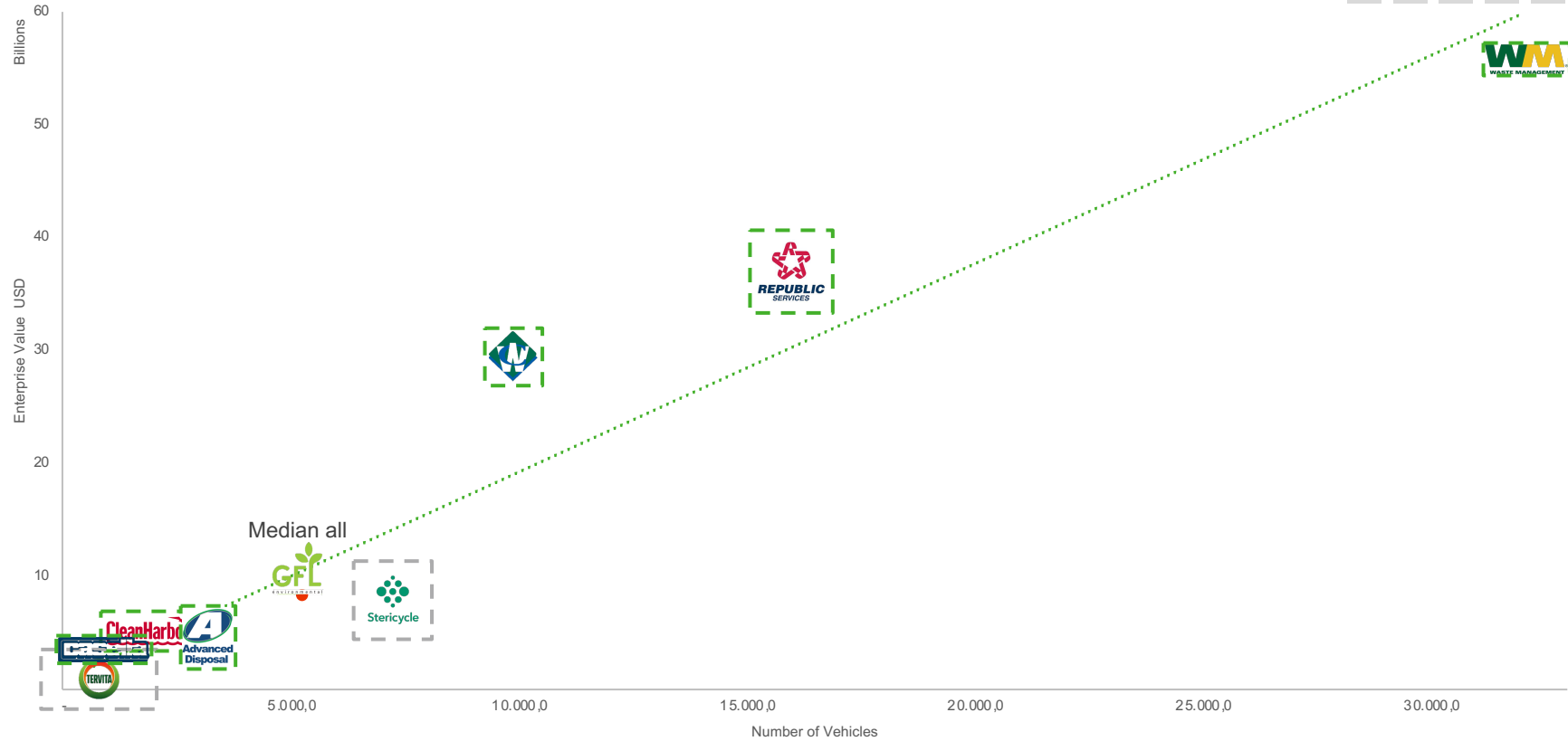
Note: As available per 06/06/2020 and 3-year CAGAR based on Revenue per CY 2019

Source: Capital IQ, Team Analysis

# Appendix C: Key Ratios in the Industry

A correlation between enterprise value and the vehicle fleet can clearly be observed

- 1
- 2
- 3
- 4
- 5
- 6
- 7



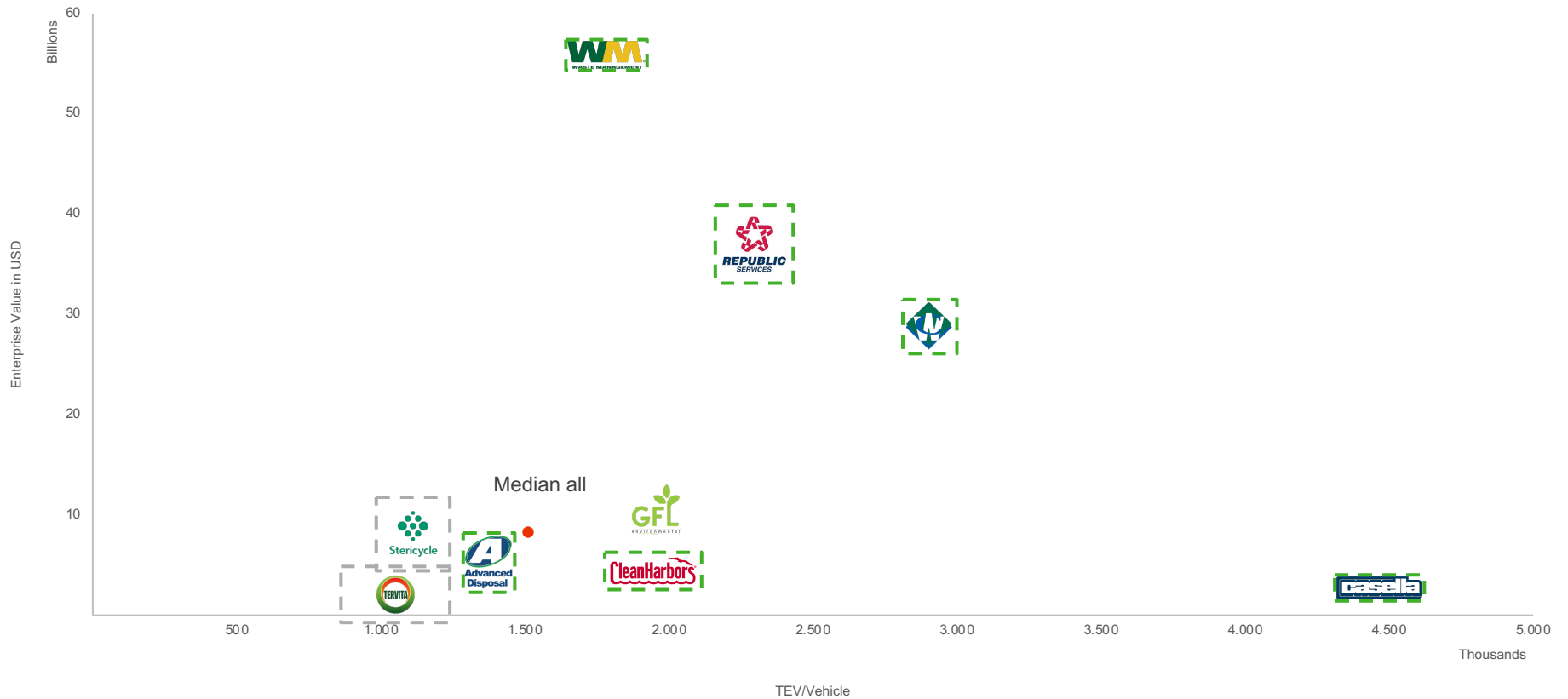
- Tier 1
- Tier 2

Note: Only peers included as data available per 06/06/2020

Source: Capital IQ, Team Analysis

# Appendix C: Key Ratios in the Industry

GFL performs above median in TEV/Vehicle



Tier 1 Tier 2

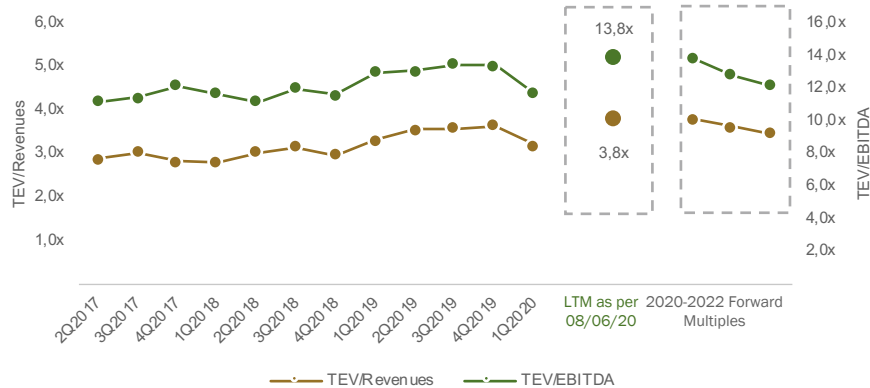
Note: Only peers included as data available per 06/06/2020

Source: Capital IQ, Team Analysis

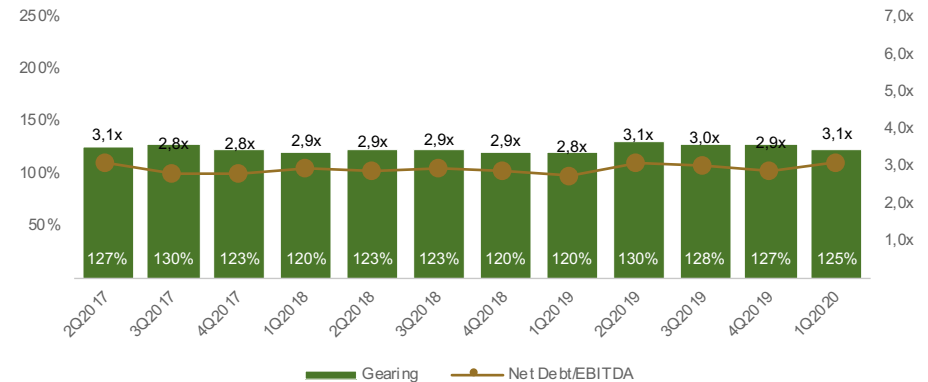


# Appendix C: Tier 1 Key Ratios

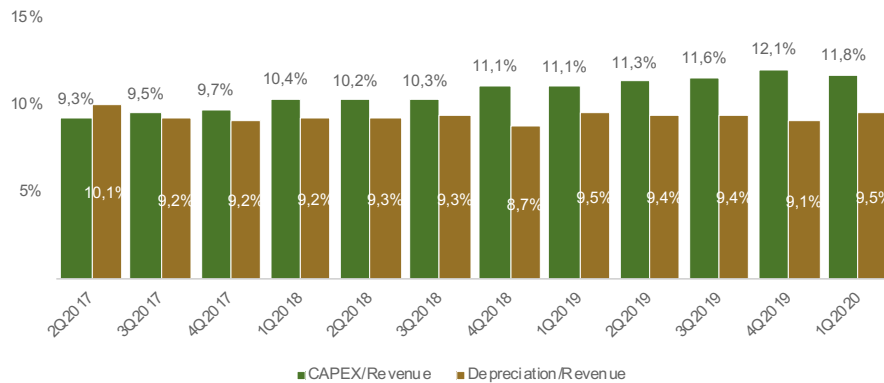
## Valuation



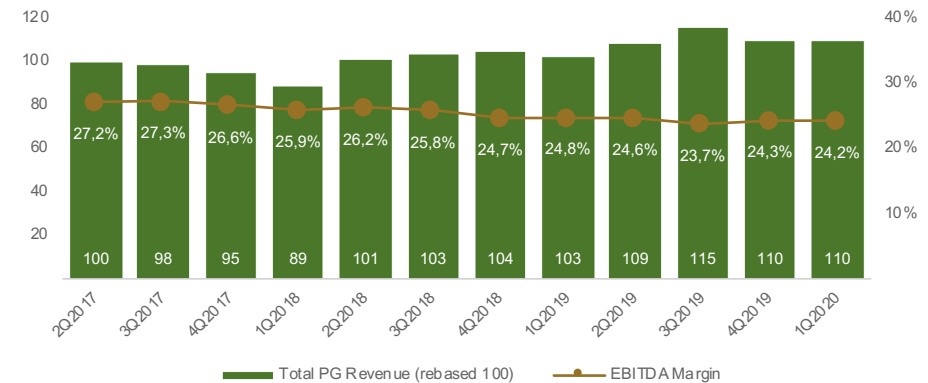
## Leverage



## Capex/Revenue vs D&A/Revenue



## Operating Performance



Note: Data available as per 06/06/2020

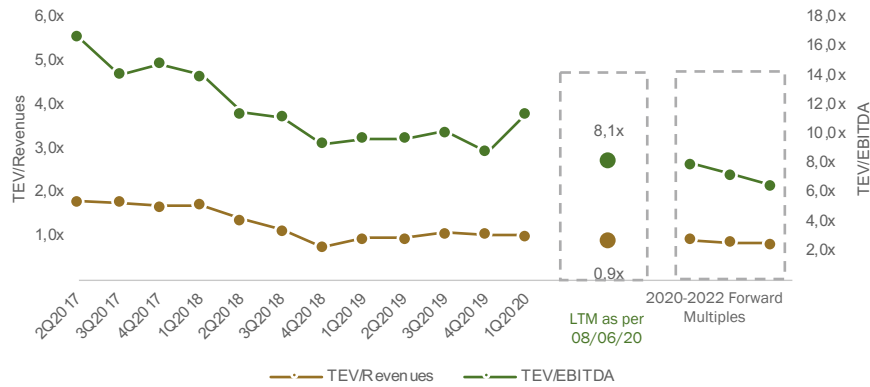
Source: Capital IQ

- 40 - | Valid until 12/06/2020

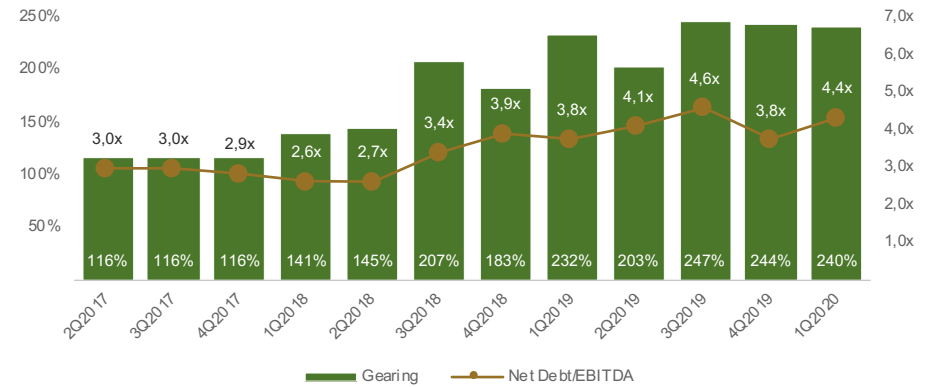
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# Appendix C: Tier 2 Key Ratios

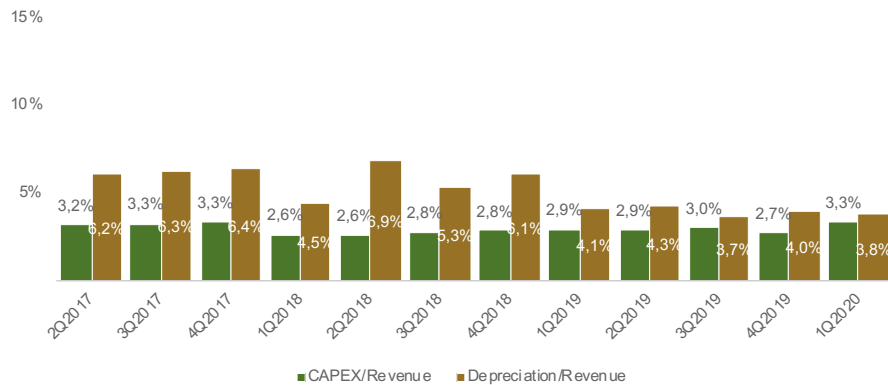
## Valuation



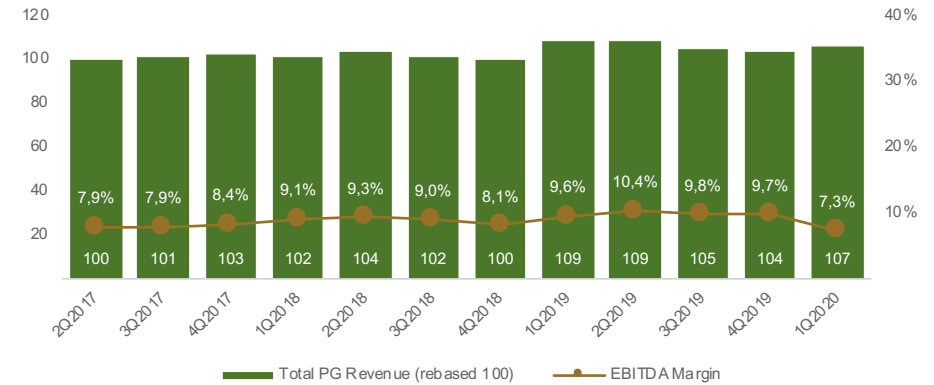
## Leverage



## Capex/Rev vs D&A/Rev



## Operating Performance



Note: Data available as per 06/06/2020

Source: Capital IQ

# Appendix C: Peer Group Insight – Tier 1

## Latest Valuations

#	Company Name	Market Cap.	Total EV	TEV/Revenues					TEV/EBITDA				
				LTM	FY19	FY18	FY17	FY16	LTM	FY19	FY18	FY17	FY16
1	Waste Management, Inc.	47,351	57,678	3.7x	3.8x	3.3x	3.3x	3.0x	13.5x	13.4x	13.5x	13.5x	13.5x
2	Republic Services, Inc.	28,619	37,671	3.6x	3.7x	3.1x	3.1x	2.9x	13.1x	13.1x	13.1x	13.1x	13.1x
3	Waste Connections, Inc.	25,826	30,090	5.5x	5.3x	4.8x	4.9x	6.1x	17.5x	16.7x	17.5x	17.5x	17.5x
4	Clean Harbors, Inc.	3,773	5,150	1.5x	1.8x	1.3x	1.5x	1.6x	7.4x	10.0x	7.4x	7.4x	7.4x
5	Advanced Disposal Services, Inc.	2,867	4,707	2.9x	3.0x	2.6x	2.8x	3.0x	12.1x	11.9x	12.1x	12.1x	12.1x
6	Casella Waste Systems, Inc.	2,503	3,123	4.1x	3.9x	2.7x	2.5x	1.8x	18.7x	18.4x	18.7x	18.7x	18.7x
7	US Ecology, Inc.	1,161	1,998	2.5x	3.6x	3.0x	2.8x	2.7x	11.5x	16.6x	11.5x	11.5x	11.5x
	<b>GFL Environmental Inc.</b>	<b>6,321</b>	<b>9,723</b>	<b>3.7x</b>	<b>4.1x</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>17.4x</b>	<b>18.3x</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	Minimum	1,161	1,998	1.5x	1.8x	1.3x	1.5x	1.6x	7.4x	10.0x	7.4x	7.4x	7.4x
	Mean	14,803	18,768	3.4x	3.6x	3.0x	3.0x	3.0x	13.9x	14.3x	13.4x	13.4x	13.4x
	Median	5,047	7,437	3.7x	3.7x	3.0x	2.8x	2.9x	13.3x	13.4x	13.1x	13.1x	13.1x
	Maximum	47,351	57,678	5.5x	5.3x	4.8x	4.9x	6.1x	18.7x	18.4x	18.7x	18.7x	18.7x

Note: Data available as per 08/06/2020

# Appendix C: Peer Group Insight – Tier 1

## Sales, Margins and Leverage

#	Company Name	Sales			EBITDA			EBITDA-Margins			Leverage		
		LTM	FY19	CAGR 16-19	LTM	FY19	CAGR 16-19	LTM	FY19	FY18	LTM	FY19	FY18
1	Waste Management, Inc.	15,488	15,455	4.3%	4,330	4,344	5.4%	28.0%	28.1%	28.2%	2.38x	2.36x	2.36x
2	Republic Services, Inc.	10,383	10,299	3.1%	2,889	2,865	2.6%	27.8%	27.8%	27.8%	3.13x	2.93x	2.93x
3	Waste Connections, Inc.	5,496	5,389	16.9%	1,681	1,658	17.0%	30.6%	30.8%	31.6%	2.54x	2.26x	2.26x
4	Clean Harbors, Inc.	3,490	3,412	7.4%	551	525	10.2%	15.8%	15.4%	14.6%	2.50x	2.84x	2.84x
5	Advanced Disposal Services, Inc.	1,626	1,623	4.9%	387	393	(0.1%)	23.8%	24.2%	24.8%	4.75x	4.84x	4.84x
6	Casella Waste Systems, Inc.	763	743	9.6%	145	138	8.7%	19.0%	18.6%	20.0%	4.28x	3.89x	3.89x
7	US Ecology, Inc.	795	686	12.8%	161	142	8.9%	20.3%	20.7%	21.3%	5.19x	2.09x	2.09x
	<b>GFL Environmental Inc.</b>	<b>2,510</b>	<b>2,580</b>	<b>54.8%</b>	<b>520</b>	<b>582</b>	<b>58.1%</b>	<b>20.7%</b>	<b>22.6%</b>	<b>20.8%</b>	<b>6.54x</b>	<b>n.a.</b>	<b>n.a.</b>
	Minimum	763	686	3.1%	145	138	(0.1%)	15.8%	15.4%	14.6%	2.38x	2.09x	2.09x
	Mean	5,069	5,023	14.2%	1,333	1,331	13.8%	23.3%	23.5%	23.6%	3.91x	3.03x	3.03x
	Median	3,000	2,996	8.5%	536	554	8.8%	22.3%	23.4%	23.0%	3.70x	2.84x	2.84x
	Maximum	15,488	15,455	54.8%	4,330	4,344	58.1%	30.6%	30.8%	31.6%	6.54x	4.84x	4.84x

Note: Data available as per 08/06/2020

# Appendix C: Peer Group Insight – Tier 2

## Latest Valuations

#	Company Name	Market Cap.	Total EV	TEV/Revenues					TEV/EBITDA				
				LTM	FY19	FY18	FY17	FY16	LTM	FY19	FY18	FY17	FY16
1	Veolia Environnement S.A.	13,789	25,439	0.9x	1.0x	0.8x	0.9x	0.8x	7.6x	8.8x	7.6x	7.6x	7.6x
2	Stericycle, Inc.	5,796	8,784	2.7x	2.7x	1.7x	2.4x	2.7x	13.5x	13.2x	13.5x	13.5x	13.5x
3	Tervita Corporation	295	942	0.6x	0.8x	0.7x	0.0x	0.0x	5.8x	7.7x	5.8x	5.8x	5.8x
4	Charah Solutions, Inc.	52	251	0.5x	0.4x	0.7x	0.0x	0.0x	53.7x	4.5x	53.7x	53.7x	53.7x
5	Perma-Fix Environmental Services, Inc.	68	73	0.8x	1.8x	0.6x	0.9x	1.1x	10.0x	38.4x	10.0x	10.0x	10.0x
6	Sharps Compliance Corp.	117	123	2.4x	1.3x	1.4x	1.8x	1.6x	30.1x	37.9x	30.1x	30.1x	30.1x
7	Cordy Oilfield Services Inc.	3	14	1.1x	1.1x	1.2x	1.8x	2.5x	10.3x	8.8x	10.3x	10.3x	10.3x
8	Strategic Env. & Energy Resources, Inc.	7	12	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	<b>GFL Environmental Inc.</b>	<b>6,321</b>	<b>9,723</b>	<b>3.7x</b>	<b>4.1x</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>17.4x</b>	<b>18.3x</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
	Minimum	3	12	0.5x	0.4x	0.6x	0.0x	0.0x	5.8x	4.5x	5.8x	5.8x	5.8x
	Mean	2,939	5,040	1.6x	1.3x	1.0x	1.1x	1.2x	18.6x	17.0x	18.7x	18.7x	18.7x
	Median	117	251	1.0x	1.1x	0.8x	0.9x	1.1x	11.9x	8.8x	10.3x	10.3x	10.3x
	Maximum	13,789	25,439	3.7x	2.7x	1.7x	2.4x	2.7x	53.7x	38.4x	53.7x	53.7x	53.7x

Note: Data available as per 08/06/2020

# Appendix C: Peer Group Insight – Tier 2

## Sales, Margins and Leverage

1 2 3 4 5 6 7

#	Company Name	Sales			EBITDA			EBITDA-Margins			Leverage		
		LTM	FY19	CAGR 16-19	LTM	FY19	CAGR 16-19	LTM	FY19	FY18	LTM	FY19	FY18
1	Veolia Environnement S.A.	29,757	30,511	6.1%	3,317	3,488	5.2%	11.1%	11.4%	11.7%	3.51x	3.53x	3.53x
2	Stericycle, Inc.	3,264	3,309	(2.4%)	535	540	(13.8%)	16.4%	16.3%	20.5%	5.58x	3.89x	3.89x
3	Tervita Corporation	1,607	1,791	6.3%	138	148	30.7%	8.6%	8.3%	9.5%	4.70x	4.14x	4.14x
4	Charah Solutions, Inc.	556	555	27.9%	3	9	(40.1%)	0.6%	1.6%	14.8%	64.61x	2.15x	2.15x
5	Perma-Fix Environmental Services, Inc.	87	73	12.8%	7	5	(274.2%)	7.6%	6.3%	2.3%	0.73x	3.22x	3.22x
6	Sharps Compliance Corp.	51	44	9.9%	2	2	27.8%	4.8%	4.8%	2.5%	2.51x	Net Cash	Net Cash
7	Cordy Oilfield Services Inc.	13	13	20.1%	1	1	41.8%	11.1%	11.1%	9.8%	7.71x	10.69x	10.69x
8	Strategic Env. & Energy Resources, Inc.	4	4	(17.5%)	(0)	(0)	(43.1%)	(9.5%)	(9.5%)	(0.9%)	n.a.	n.a.	n.a.
	<b>GFL Environmental Inc.</b>	<b>2,510</b>	<b>2,580</b>	<b>54.8%</b>	<b>520</b>	<b>582</b>	<b>58.1%</b>	<b>20.7%</b>	<b>22.6%</b>	<b>20.8%</b>	<b>6.54x</b>	<b>n.a.</b>	<b>n.a.</b>
	Minimum	4	4	(17.5%)	(0)	(0)	(274.2%)	(9.5%)	(9.5%)	(0.9%)	0.73x	2.15x	2.15x
	Mean	4,205	4,320	13.1%	503	531	(23.1%)	7.9%	8.1%	10.1%	11.99x	4.60x	4.60x
	Median	556	555	9.9%	7	9	5.2%	8.6%	8.3%	9.8%	5.14x	3.71x	3.71x
	Maximum	29,757	30,511	54.8%	3,317	3,488	58.1%	20.7%	22.6%	20.8%	64.61x	10.69x	10.69x

Note: Data available as per 08/06/2020

Source: Capital IQ

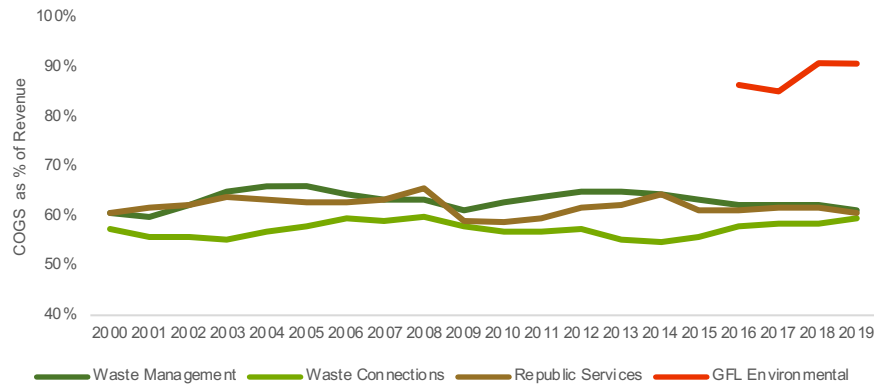
- 45 - | Valid until 12/06/2020

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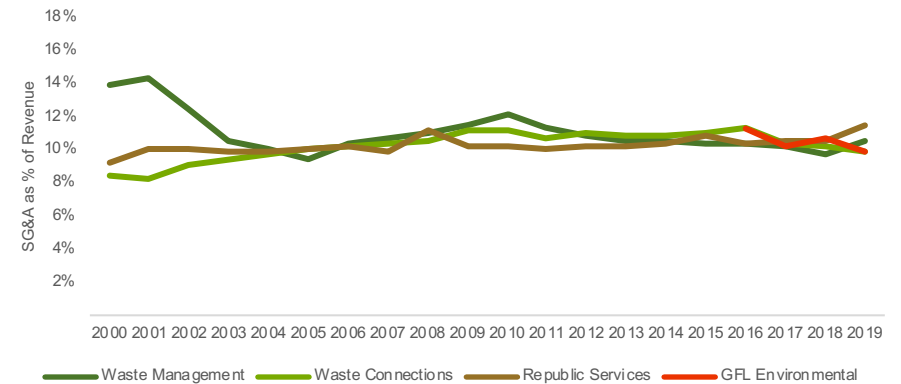
# Appendix C: Financial Analysis

Optimization potential following the example of peers to improve operational performance

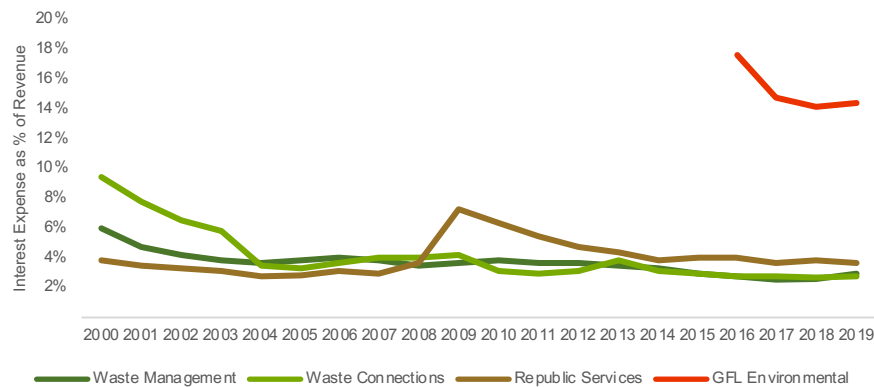
## Disproportionately high COGS call for optimization measures



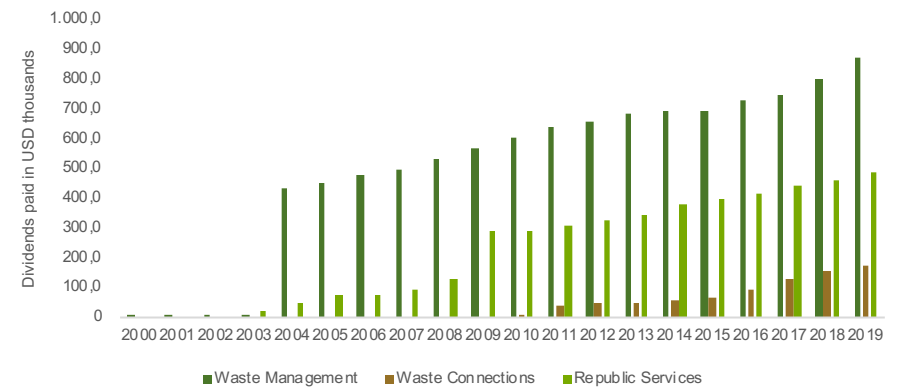
## SG&A expenses are at industry leader level



## Decreasing interest expenses from peers over the past years



## Steady increase of dividends underpins robust business performance



Note: Data available as per 08/06/2020

Source: Capital IQ, Team Analysis

# Appendix C: Acquisition Strategy

GFL's potential targets clustered, representing less bidder competition in smaller companies

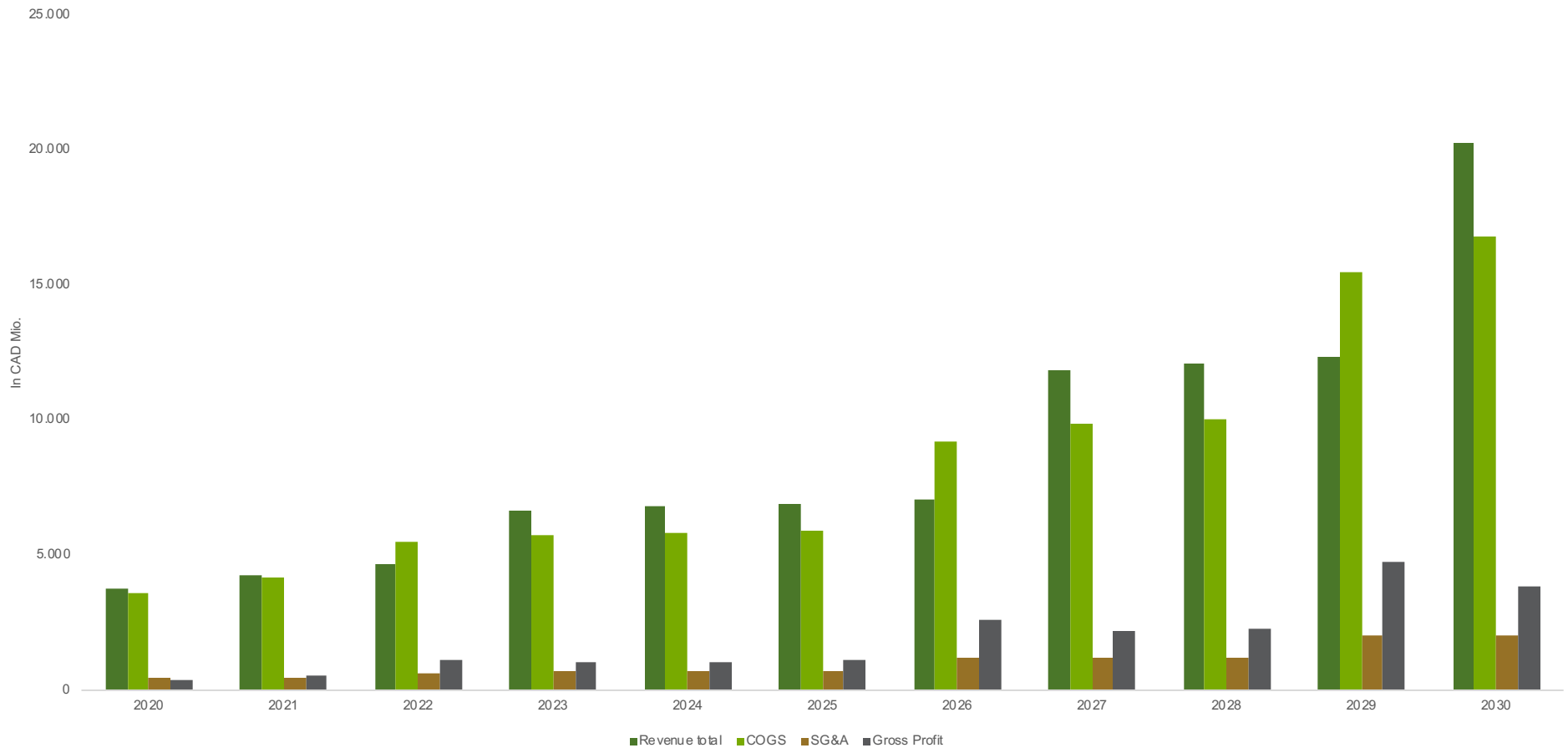
Number of acquisitions of Tier 1 peer group





# Appendix D: DCF Analysis – Growth prospects

Significant revenue growth indicate higher gross profit in the upcoming years



# Appendix D: DCF Analysis

Operating Model - GFL Environmental M&A Growth Estimation					2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Field Name	31-03-2020	31-06-2020	31-09-2020	31.12.20	12.07.05	31.12.21	31.12.22	31.12.23	30.12.24	30.12.25	30.12.26	30.12.27	29.12.28	29.12.29	29.12.30	
					Remaining Year											
<b>DCF Analysis</b>	31-03-2020	31-06-2020	31-09-2020	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
	<i>Tax rate</i>	24%														
EBIT	-76.03	-25.25	-9.63	2.73	-32.15	54.91	478.46	337.51	384.56	434.99	1,451.28	994.29	1,043.25	2,710.48	1,796.38	
Taxes	18.2472	6.06117936	2.310490874	-0.6554782	7.72	-13.17897204	-114.83091	-81.001707	-92.293703	-104.39831	-348.30652	-238.62966	-250.379	-650.51476	-431.13169	
NOPAT	-57.78	-19.19	-7.32	2.08	-24.43	41.73	363.63	256.51	292.26	330.59	1,102.97	755.66	792.87	2,059.96	1,365.25	
Non Cash Expenses																
D&A	221.81	221.81	220.40	225.25	667.46	927.68	922.12	1,091.08	1,072.61	1,051.31	1,033.28	1,539.96	1,541.69	1,538.17	2,537.24	
Change in NWC	-53.98	-3.30	-55.60	-38.96	-97.86	-49.13	-95.07	78.50	-13.55	-14.37	-456.07	218.25	-16.37	-753.92	397.12	
CAPEX	99.75	93.13	93.60	100.37	287.10	422.21	467.90	666.94	680.28	693.89	707.76	1,183.12	1,206.79	1,230.92	2,023.17	
Additional Spread			0.024	0.024	0.024	0.024	0.024	0.024	0.024	0.0200	0.024	0.024	0.02	0.024	0.024	
WACC normal			5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	
WACC Funding Adjusted			7.730%	7.730%	7.730%	7.730%	7.730%	7.730%	7.730%	7.330%	7.730%	7.730%	7.330%	7.730%	7.730%	
Organix Growth Rate					0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.75	
Discount Factor					0.94568719	0.877830862	0.81484346	0.75637563	0.70210306	0.66581489	0.60496123	0.56155317	0.53850547	0.4838576	0.44913914	
Unlevered FCF	10.30	106.18	63.89	88.00	258.06	498.07	722.78	759.15	671.04	673.66	972.42	1,330.75	1,111.40	1,613.29	2,276.45	
<b>Disc. FCF</b>					<b>244.046423</b>	<b>437.2234464</b>	<b>588.951178</b>	<b>574.19921</b>	<b>471.136935</b>	<b>448.529804</b>	<b>588.277289</b>	<b>747.286406</b>	<b>598.494924</b>	<b>780.602887</b>	<b>1,022.44</b>	
<b>Terminal Value</b>		<b>18200.52</b>														
<b>PV TM</b>		<b>8174.57</b>														
<b>Total FCF</b>		<b>6501.19</b>														
<b>Enterprise Value</b>		<b>14675.76</b>														
Lon Term Debt		-4647.80														
Cash		91.36														
Equity Value		10119.32														
<b>Implied Share Price</b>		<b>31.00</b>														
Outstanding Shares		326400000.00														

# Appendix E: Catalysts

Variety of non-mitigatable adverse events could cause share price to tumble

1 2 3 4 5 6 7

Type	Catalyst	Influenced factors	Estimated impact on share price
S	Acquisition news	Sales volumes, market growth forecast	<i>Unclear</i> – depending on the size and integrity of the deal and thus impact on GFL's results
S	Scandal among competition such as failure to comply with debt obligations or labor issues	Market positioning	<i>Strong</i> – potential new customers due to them switching providers
S	Newly won contracts with municipalities	Sales volume, market growth forecast and positioning	<i>Strong</i> – share price will likely increase due to higher sales volume and stronger market footprint
S	Unexpected strong earnings release or dividend announcement	Sales volume, market growth forecast, shareholders' trust	<i>Strong</i> - payouts to shareholders would likely increase due to unexpected higher returns
S	Failure of competitor to further acquire target / need to divest due to anti-trust laws	Market positioning	<i>Unclear</i> - might give GFL a better market position and market share

# Appendix E: COVID Impact







Q1 results were impacted slightly by COVID but financials are expected to recover quickly

## COVID impact on business lines

	Impact on Q1 results	Impact on April results
<b>Solid Waste</b>	<ul style="list-style-type: none"> <li>Pricing growth of 4,9% vs 4,0% in comparable period (Q1 pricing typically highest Q)</li> <li>Volume: overall positive volume in first 10 weeks of Q1, decline primarily in commercial/industrial collection, impacts most pronounced in primary markets</li> <li>EBITDA margin affected by extra day, commodity pricing and impact from recent M&amp;A, as well as COVID related volume loss and incremental health and safety spend</li> </ul>	<ul style="list-style-type: none"> <li>April revenue down 8.7%, decline again driven by commercial and industrial</li> <li>Revenue most impacted in Toronto and Montreal</li> <li>Margin impacts of lost revenue influenced by structural revenue profile and flexible cost structure</li> <li>Sequential weekly collection activity increases since mid April</li> </ul>
<b>Infrastructure/Soil</b>	<ul style="list-style-type: none"> <li>6.0% organic revenue growth despite COVID disruption</li> <li>Difficult YoY comp from margin perspective</li> <li>Incremental rental expense due to equipment delays</li> </ul>	<ul style="list-style-type: none"> <li>Modest impact to volume as more projects deemed essential service</li> <li>Seeing encouraging trend line as businesses pick up again</li> </ul>
<b>Liquid Waste</b>	<ul style="list-style-type: none"> <li>Certain customers in this segment deemed non-essential, their service levels temporarily reduced or suspended</li> <li>UMO selling prices tied to falling oil markets and collection volumes lower from reduced generation tied to COVID shutdowns</li> </ul>	<ul style="list-style-type: none"> <li>YoY significantly impacted by tough competition</li> <li>Q2 volumes will be negative in total, second half of Q2 expected to be better than April</li> </ul>

Ultimate impact will depend on duration and extent of shutdowns in each region

## COVID impact on financial metrics

- 
**Operating activities**  
 Reduced working capital investment primarily due to AP management in light of COVID
- 
**Investing activities**  
 1.13\$ bn deployed in M&A  
 100\$ M incurred on Capex
- 
**Financing activities**  
 Reflective of IPO and pre-closing changes  
 New 500\$ M bond offering in April
- 
**Balance sheet**  
 IPO proceeds pay down debt  
 Q1 use of cash driven by seasonality
- 
**Liquidity**  
 Covenant-lite facilities  
 Over 1.3\$ bn liquidity (cash and revolver)
- 
**EBITDA**  
 Adjusted by loss/gain on foreign exchange and IPO transaction cost

# Appendix E: Ad-hoc news

## List of news for GFL Environmental

**June 1<sup>st</sup>, 2020: Recession-proof' GFL not afraid of pursuing compelling M&A prospects**

**May 13<sup>th</sup>, 2020: With US\$920 million to spend, trash hauler GFL Environmental sees acquisitions**

**May 12<sup>th</sup>, 2020: GFL Environmental's shares jump despite COVID-19 revenue drop**

Shares trade at post-IPO high above \$26 on Toronto Stock Exchange, GFL detected upturn in commercial and industrial collection activity, earnings in Q1 came from higher solid waste pricing and better than expected volumes

**May 11<sup>th</sup>, 2020: GFL Environmental's EPS beats by C\$0.21, misses on revenue**

**April 23<sup>rd</sup>, 2020: GFL Environmental prices upsized \$500M debt**

Senior notes shall be due 2025, net proceeds will be used for general corporate purposes, including future acquisitions

**April 9<sup>th</sup>, 2020: GFL Environmental declares \$0.01 dividend**

**March 27<sup>th</sup>, 2020: Recession-Proof, Maybe, But Waste Hauler Needs More to Bag Buys**

GFL's ability to complete IPO even amid early stages of market sell-off, waste haulers are defensive bunch during times of volatility, was seen with 3 main competitors during parts of the last recession, but GFL's negative cash flow and debt still higher than the peer average, organic growth however is a bit better than that of the group

**March 3<sup>rd</sup>, 2020: Trash Hauler GFL Falls After Braving Market in \$1.43 Billion IPO**

**March 3<sup>rd</sup>, 2020: BC Partners dodges 'scary' selloff as rally rescues GFL IPO**

BC Partners is confident that GFL can withstand possible turbulences ahead even with further spread of coronavirus and therefore deteriorating global growth outlook

**December 10<sup>th</sup>, 2019: GFL Environmental to acquire County Waste of Virginia**

Transaction expected closed in January 2020, subject to receipt of customary regulatory approvals, opportunity to further expand eastern U.S. footprint in new markets

**November 5<sup>th</sup>, 2019: GFL Environmental cancels IPO after falling short of target**

Investors balked at debt load and questioned growth prospects in November, banks running IPO could only muster support for offering at about 18\$ per share instead of the desired marketed range of \$20 to \$24 a share, will revisit at later time according to CEO Dovigi

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