

Waste sector: M&A update

Q1 2010 review

While deal volumes are lower than those seen in Q1 of 2009, the 3-fold increase on deal numbers from the last quarter of 2009 is encouraging. This strong start to 2010 could be indicative of continued resilience across the sector, and could suggest that 2010 will see continued strength in deal numbers. A focus on hazardous deals is coupled with continued interest in recycling and waste equipment. There has also been a reduction in distressed transactions, a further encouraging sign.

M&A trends:

- Consolidation in the sector is continuing, with deal volumes showing strong improvement against Q4 2009.
- With such a strong start to 2010, it could be that deal volumes will continue to be resilient and improve on 2009.
- Only one of the deals completed in Q1 was out of administration, against a trend in 2009 for such deals
- The number of hazardous waste deals has increased dramatically as a proportion of the total, as illustrated by Fig 3 below, which indicates that 78% of deals in Q1 were in this space, against 30% in 2009.
- Recycling remains a key area of interest in M&A, representing 11% of transactions completed, against 43% in 2009.

Fig 1: No. of waste sector deals Q1 2009 to Q1 2010



Fig.2 No. of waste sector deals by quarter Q1 2006 - 2010

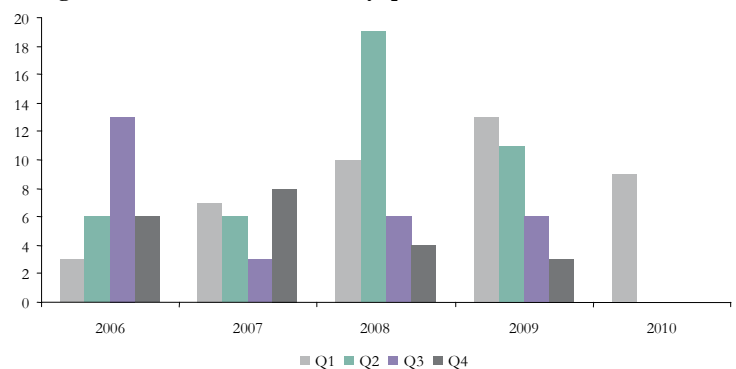
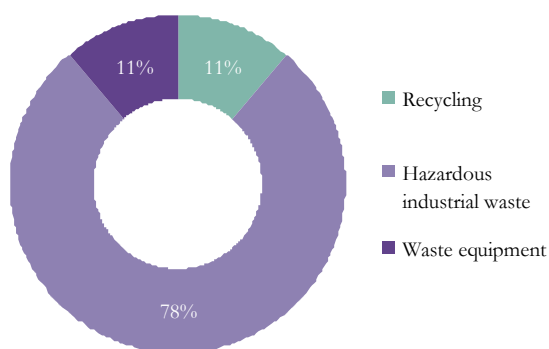


Fig 3 Deals by sub-sector Q1 2010



Quarter highlights:

- **Private equity** – interest in the sector from PE continues, with the MBO of Euro Environmental Group Limited, backed by Sovereign Capital, and the subsequent bolt on acquisition of Future Environmental Services, both in Q1 2010.
- **Greenstar UK** – in March 2010 it was reported that Irish company NTR had put Greenstar's UK and Irish recycling operations up for sale, leading to speculation that the company could attract bids of up to £250 million from potential acquirers
- **Biffa** – in March 2010 it was reported that Biffa was intending to put its landfill gas unit up for sale.

Current issues in waste

Grant Thornton support MBO team in completing the buyout of Raymond Brown Group.

In February 2010 the Raymond Brown Group was subject to a successful management buy out, securing the continuing family ethos and culture of the business.

The Raymond Brown group, a valued Grant Thornton audit client, is a high-performing business generating turnover of £60m and employing 350 people.

Their minerals and recycling arm includes significant mineral reserves as well as market leading recycling and processing capabilities, operating a regional network of 10 inert landfill sites.

The civil engineering business is involved in large groundworks and infrastructure works, waste/landfill engineering, commercial and education building, wind farm infrastructure and a variety of marine construction including coastal protection and flood alleviation.

Following consideration of the options for the succession of the business the management team appointed Grant Thornton Corporate Finance to advise on the management buy out, ensuring the ethos of the 60 year old business would be retained in the future.

In addition tax advice was provided by Grant Thornton and resulted in the vendors securing their preferred tax position.

Simon Davies, Corporate Finance partner at Grant Thornton said "It has been very enjoyable to work with such a motivated management team who are clearly keen on ensuring the future security of a very successful local family business. We wish them every success for the future."

"The Grant Thornton team provided the skill, experience and support to guide us through to a successful conclusion. Their commitment enabled us to complete the transaction to our original challenging timetables and to the satisfaction of all involved. It was a pleasure working with them and I would definitely recommend them as corporate finance advisers."

Kelvin White
Managing Director
Raymond Brown Group

Raymond Brown Limited



RAYMOND BROWN

MBO

Construction and Waste
Management services

Grant Thornton provided lead advisory services.

Current issues in waste

The Bribery Act is here....

This radical new corporate offence will go live later this year – how prepared are you?

A typical example

You receive a call from your HR function who tell you that a whistleblower who claims to be from a local authority's procurement function has made allegations that your top salesman has been winning work with the help of brown paper bags full of cash and lavish hospitality. Your HR director wants to know what they should do?

Under any circumstances, this might be a difficult question to answer, but the creation of the recent Bribery Act (the Act) and the Serious Fraud Office's increasingly robust position make it all the more important that company directors get the answer right.

The offences

The Act creates a range of offences associated with the giving and receiving of bribes and, for the first time, creates a corporate and criminal liability for 'commercial organisations' operating within the UK which fail to prevent bribery.

So, what must companies do to protect themselves?

The new corporate offence is expected to become effective in the Autumn and the first thing companies need to do is to review their existing policies and procedures for preventing fraud and anti-competition risk and adapt and align these to address corruption risk.

This is especially important because the Act offers a defence to commercial organisations accused of failing to prevent bribery, provided they can demonstrate they had "adequate procedures" in place to prevent the underlying offence.

Although the government has promised to provide further guidance in due course, this is likely to be principles based and 'adequate procedures' will vary from one organisation to another. However, companies should act quickly to ensure that they minimise their risk

And what of the other offences and implications for senior officers?

As well as criminalising those directly responsible for the underlying corruption, it is important that "senior officers" do not consent or connive with the underlying bribery or they may also face criminal sanction.

In our example, a director who receives credible information concerning an offence involving bribery should give the most serious consideration to reporting the concerns to the Serious Fraud Office. Failure to do so may increase their company's risk of criminal sanction, exposure to heavy and unlimited penalties and the risk of exclusion from winning work within the public sector.

Who should I contact for assistance?

Grant Thornton has a national Forensic and Investigation Services team experienced in providing Corruption Risk Assessments as well as investigating allegations of fraud and corruption.

For more information, please contact:

Sally Longworth
T 0161 953 6314
E sally.longworth@gtuk.com

Sterl Greenhalgh
T 0207 728 3448
E sterl.greenhalgh@gtuk.com



© 2010 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

www.grant-thornton.co.uk