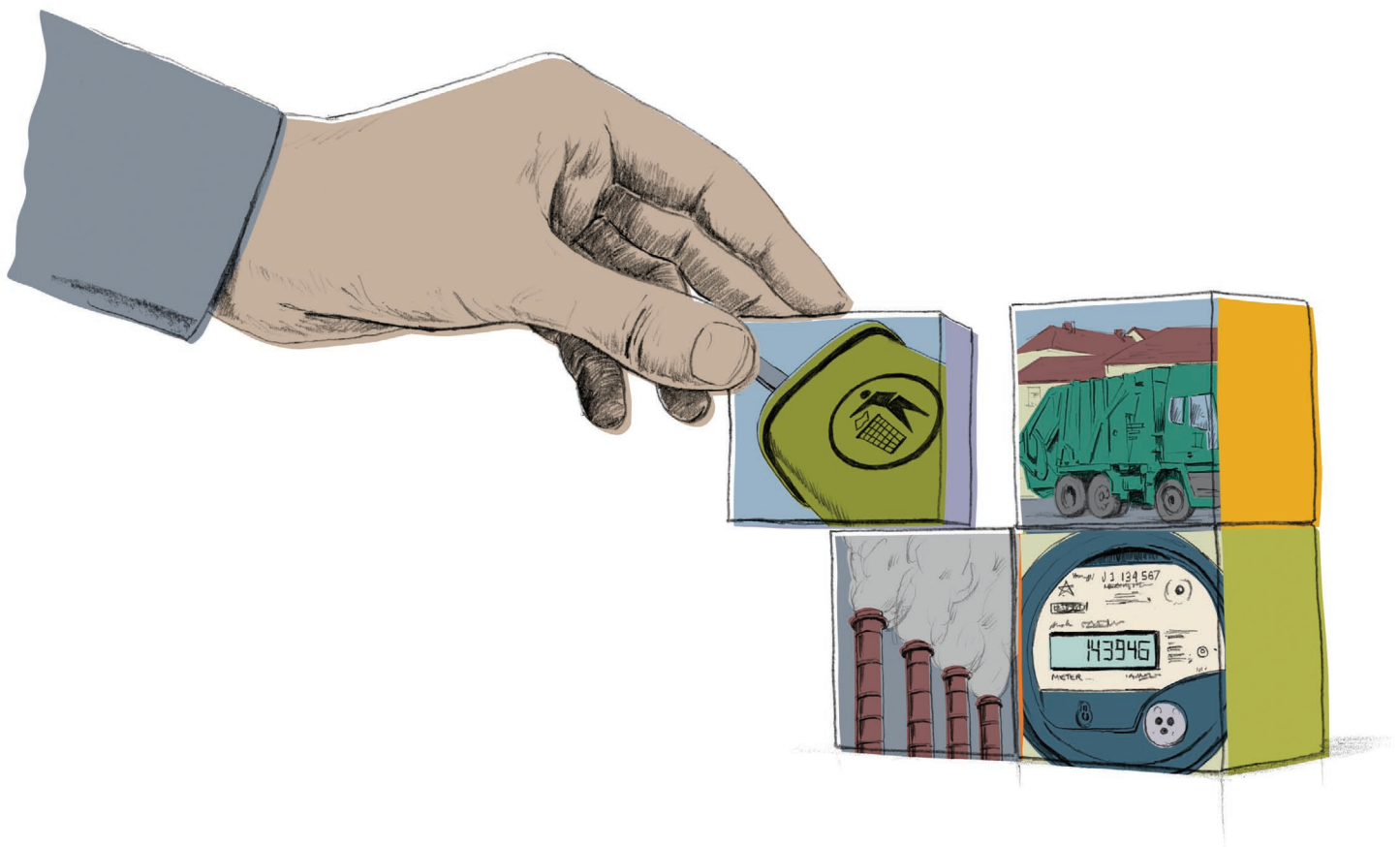


An ever changing landscape Waste and environmental services in the UK Annual review 2010

Waste and environmental group



Contents	Page
Introduction to our annual report 2010	3
Section 1: What is driving the sector?	4
Section 2: Current issues affecting your business	12
Section 3: M&A activity and trends	16
Section 4: Focusing on the future	20
Section 5: How we can help	22
Appendix	24

Introduction to our annual report 2010

Welcome

Welcome to the fourth edition of our annual 'Ever-changing Landscape' series. As in previous years we have aimed to provide an overview of the key issues affecting the sector in 2010 as well as reviewing M&A trends over the last year.

Our latest edition also provides for the first time:

- **Update on key issues** directly affecting your business such as the UK Bribery Act and raising capital
- **Expanded M&A analysis** to cover 'new' sectors such as energy efficiency and environmental services
- **Greater analysis** of companies operating in the sector, including an overview of valuation multiples across each subsector

As ever, we would be interested in your feedback on our report. If you have any comments please let us know by contacting either ali.sharifi@uk.gt.com or emma.grice@uk.gt.com

Scope of the report

This year for the first time we are expanding the coverage of our report into a number of new key areas which recognise the growing importance of wider environmental issues.

These include:

- **Energy efficiency** – companies that provide products or services for the more efficient use of energy within the home, commercial, industry or transport sectors
- **Pollution control** – companies that provide products or services for prevention of pollution, as well as post-contamination clean up
- **Environmental support services** – companies providing environmental services including consultancies as well as general services such as street scene



Waste
<ul style="list-style-type: none">• Integrated waste• Recycling• Hazardous and clinical• Waste technology• Industrial and commercial• Energy from waste• Landfill

Energy efficiency
<ul style="list-style-type: none">• Buildings• Transport• Automation and control systems• Smart metering• Smart grids

Pollution control
<ul style="list-style-type: none">• Pollution control technologies• Environmental sensing and testing products• Clean-up and remediation

Environmental support services
<ul style="list-style-type: none">• Environmental consultancies• Compliance and technical advice• Carbon and other assets trading• Other general environmental services e.g. street scene, arboriculture etc.

Section 1: What is driving the sector?

What is driving the sector?

Current issues affecting your business

M&A activity and trends

Focusing on the future

How we can help

Market dynamics

A mixed picture in terms of growth...

Overall waste volumes in the UK are projected to decline over the next few years, partly reflecting the anticipated continued decline through waste minimisation campaigns, legislation (particularly packaging) and greater awareness in business and industry of the value of waste materials.

However, the need for the UK to significantly improve its recycling and composting rates and to divert waste from landfill requires us to significantly develop its waste treatment and recycling infrastructure.

A number of commentators this year have highlighted the levels of investment that will be required for the UK to meet the ambitious targets that have been set. The CBI, for example, estimates that c. £10 billion will need to be spent on upgrading the UK's waste management infrastructure if we are to meet our targets.

Alongside this we also expect to see substantial growth in the support services arena, particularly in niche areas such as energy efficiency, as the focus switches from the treatment of waste to minimisation and optimisation of resources instead.

With a return to stability in 2010...

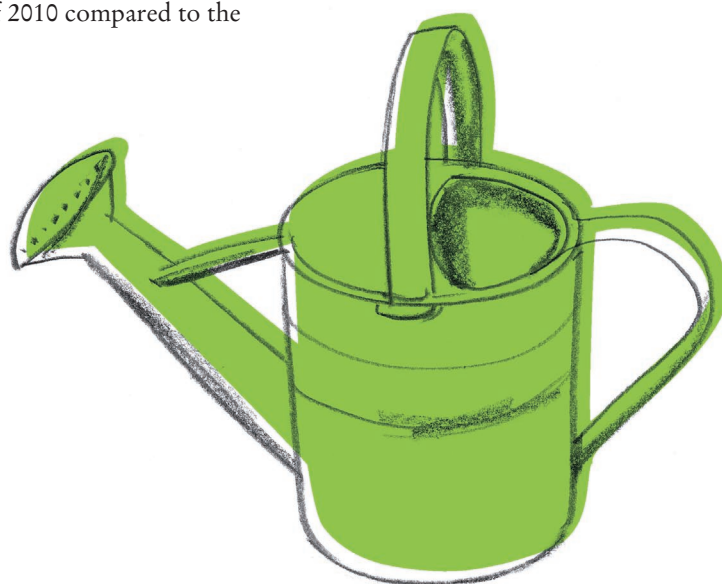
The waste sector is often considered to be one of the most resilient industries in the UK, and market trends appear to indicate a return to stability in 2010. The sector is underpinned by strong legislative drivers such as the Landfill Directive and the EU Renewable Energy Directive which continue to drive growth. The UK has also made an ambitious commitment to achieve a target of 15% of energy from renewables by 2020.

In an attempt to encourage growth in renewable energy we have seen the introduction of a number of financial incentive schemes, including Renewable Obligation Certificates (ROCs), Feed in Tariffs (FITs) and Renewable Heat Incentives (RHIs), which are contributing to the rapid growth currently in energy from waste technologies.

M&A activity in 2010 regained momentum after a weak end to 2009. In particular we have seen a marked improvement in deal volumes in the last two quarters of 2010 compared to the previous year.

“We believe that we will see a real shift in the market dynamics over the next few years, with a move away from large municipal waste projects, supported by PFI/PPP structures, into smaller, localised projects for treating commercial and industrial waste, creating opportunities for smaller businesses in the sector.”

Nigel Mattravers, Director, Grant Thornton



But uncertainty still remains

Whilst the future outlook for the sector remains positive, uncertainty still remains. The outcome of the Waste Strategy Review in 2011 will dictate the future path the sector will follow. It is thought that Defra will publish results of the review by May 2011.

A great deal of uncertainty also exists around the implementation of some financial incentive schemes, particularly around the Renewable Heat Incentive. The situation is likely to become more clear in 2011.

Local Authorities in particular have been hit hard by budget cuts this year following the spending review, and have seen a number of PFI contracts being cancelled. We expect to see more cost saving measures being implemented over the next year.

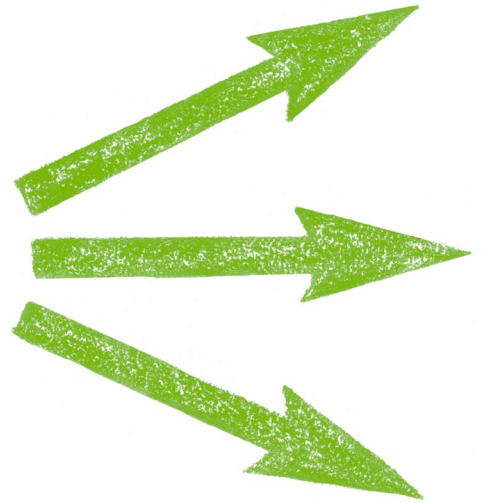
Looking to the future

Although there will still be some uncertainty in the short term, particularly for Local Authorities and around certain incentive schemes, overall signs are positive for future growth in the sector. The government too is committed to driving the 'green agenda':

Forthcoming initiatives include:

- **Green Investment Bank** – creation of a 'green investment' bank to finance investment in waste technology and infrastructure that is currently seen as high risk and may struggle to receive investment via traditional routes
- **Government Green Agenda** – Government recognises that certain 'wastes' can help meet the renewable energy targets. These are supported by financial incentives (ROCs, FITs, RHIs) which will help the UK to meet its commitment to achieving a 15% renewable energy target by 2020

All of this is underpinned by further legislative pressure and the tightening of regulations which will encourage further investment in waste treatment and environmental solutions in order for us to meet our targets.



Materials pricing update

Improving recycling market

Prices on the whole have been increasing in 2010 with nearly all material types seeing higher prices at the end of 2010 when compared with the end of 2009. Recycled plastic has seen the most gain, with clear and blue PET ending the year at £280 per tonne, compared to £175 per tonne in December 2009. There are a number of reasons for this:

The UK relies heavily on export markets for its recycled materials. Growth in Asia, particularly China, continues to drive demand for recycled products from the UK.

We are also seeing improved quality of recyclates due to improved recycling technologies. Companies are becoming more open minded to using recyclates rather than virgin materials.

The only exception to the above trend is glass, which saw a slight decrease in prices towards the end of the year. The majority of glass is recycled for domestic use, and is therefore less readily affected by export markets and international demand. As such glass prices tend to be less volatile than other materials.

But still difficult times for some...

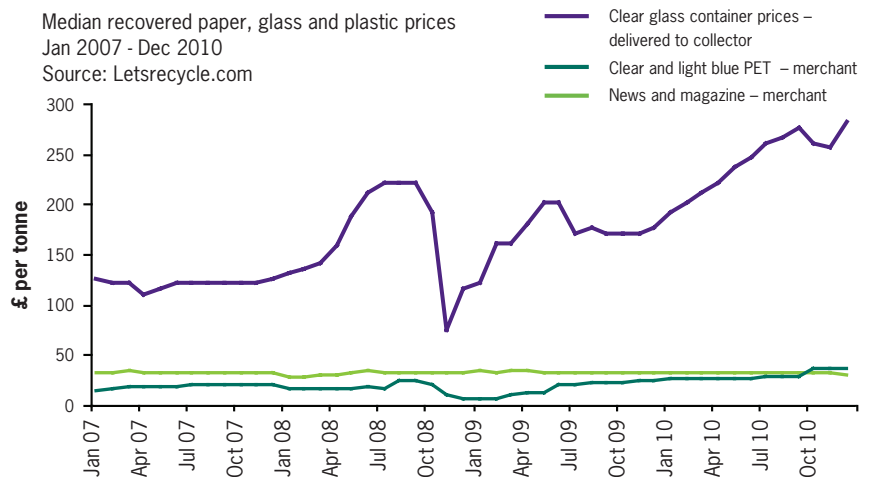
Whilst materials prices have improved overall in 2010 we have seen some areas of the recycling market continuing to suffer.

A number of commodity based recyclers have struggled including paper group AbitibiBowater who went into administration earlier in the year.

The PRN sector also suffered a crash in prices in December 2010 due to oversupply of materials in the market.

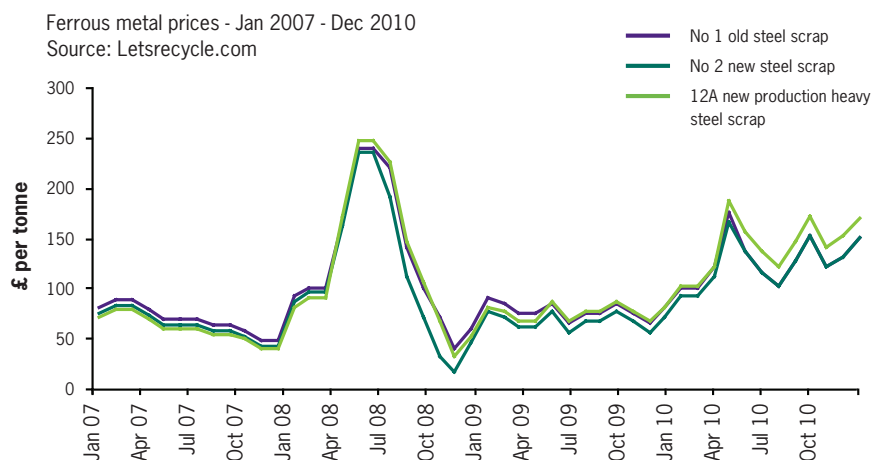
Median recovered paper, glass and plastic prices
Jan 2007 - Dec 2010

Source: Letsrecycle.com



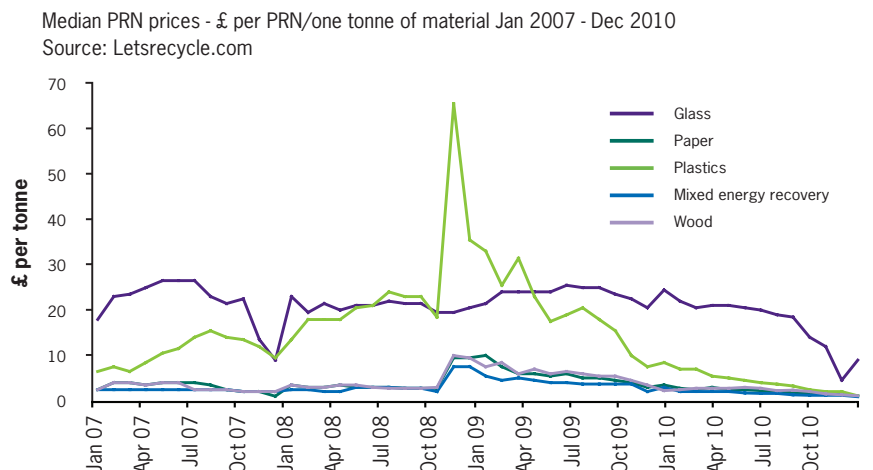
Ferrous metal prices - Jan 2007 - Dec 2010

Source: Letsrecycle.com



Median PRN prices - £ per PRN/one tonne of material Jan 2007 - Dec 2010

Source: Letsrecycle.com



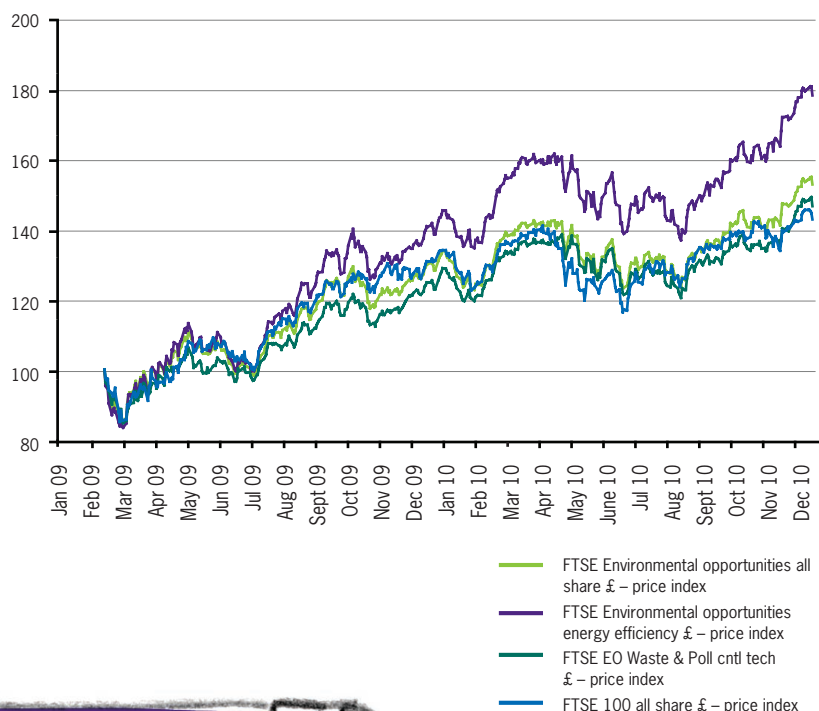
Key market drivers

The drivers of value

Our perspective that the waste and environmental services sector is showing real resilience is strengthened by the performance of the FTSE environmental indices. These illustrate that the various global trackers in the waste and environmental space have consistently out-performed the FTSE 100 all share over the last two years.

We have outlined below our perspective on why this space is outperforming many other sectors, and why it remains such an attractive investment prospect for many in the market.

FTSE Environmental indices
Source: Thomson Datastream



Market drivers

Legislation - There is a growing raft of legislation developed to reduce our reliance on landfill, protect the environment from potentially harmful waste substances and to encourage responsible waste management. This drive away from landfill is supported by increasingly punitive landfill tax and restrictive allowances on local authorities.

Energy security - Growing energy demand, coupled with fuel prices is increasingly driving growth in energy efficiency technologies and services as well as the creation of energy from alternative and renewable sources.

Recognising the value in waste - There is a growing recognition that there is value in waste materials both as a commodity and energy source.

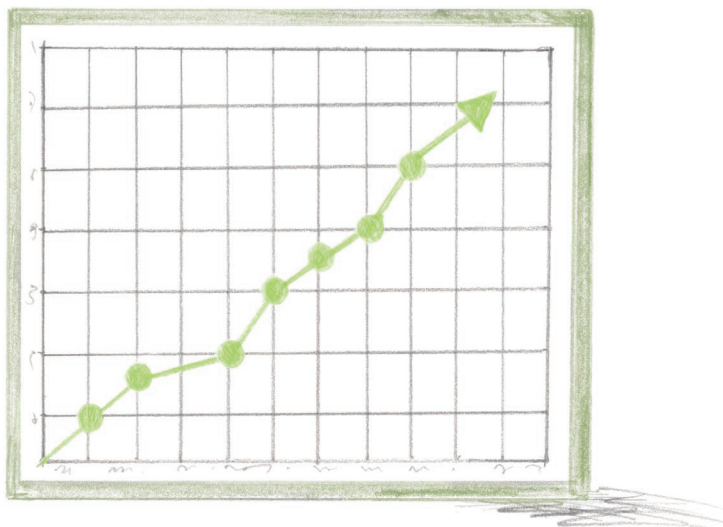
Financial incentives - Both financial incentives and sanctions exist to stimulate recycling and diversion from landfill and growth in renewable energy. Key energy incentives are Renewable Obligation Certificates (ROCs), Feed in Tariffs (FITs) and Renewable Heat Incentives (RHIs).

Green credentials - Companies participating in this market are able to benefit through improving their environmental credentials.

Market inhibitors

Potential value inhibitors

While there are a number of aspects of the waste and environmental services sector that will drive growth, and therefore value, there are also aspects of the sector that could inhibit growth, or cause uncertainty. These are outlined below.



Market inhibitors

Policy uncertainty - At the time of writing there is still a great deal of uncertainty in terms of the financial incentive schemes available to companies operating in the sector. In early 2011 it was announced that the FIT scheme was to undergo a 'comprehensive' review which is due to be completed by the end of 2011. The RHI scheme has also been delayed, and is now expected to be launched in June 2011. The impact of the proposed Electricity Market Reform is also likely to have an unsettling effect on the market, which may result in delays to renewable energy projects.

Security of supply chain - Waste treatment plants require long term certainty of feedstock supply to cover the investment cost of the facility. The quality of feedstock is critical to ensure that it suits the technology selected and that it is consistent over time so that the financial performance of the facility is not compromised.

Land availability and planning permission - Planning applications for all waste projects are contentious but particularly so for large energy from waste schemes and is often a long process. Developments also often receive a great deal of resistance from local communities.

Technology risks - Investors and banks may be unwilling to support technologies deemed to be 'unproven'.

Securing finance - Still a difficult environment for companies looking to secure investment.

Legislative landscape in 2010

Key legislation	Overview
Waste Strategy Review for England	Due in Spring 2011 this will review England's current waste policies and give direction as to the future of the waste industry. Proposals are thought to include the introduction of a 'Green Tax' as well as a stronger focus on Anaerobic Digestion as part of the wider energy from waste landscape.
Energy Security and Green Economy Bill / "Green Deal"	Initiative to encourage investment in energy efficiency in the home and businesses. Measures include grants of up to £6000 for homeowners to insulate their homes, as well as obligations on power companies to cut emissions.
Localism Bill	The Bill was introduced to Parliament in December 2010, and will see the transfer of power from central government to local authorities and communities. This will have an impact on a wide range of services delivered by local authorities including waste and recycling.
Electricity Market Reform	In December 2010, the Government released a consultation document proposing major reform to the electricity market. The changes proposed will have a widespread financial impact on the market. A key component of the proposed reforms is to phase out the existing system of support for renewable electricity, the Renewables Obligation (RO), and to replace it with a Feed in Tariff (FIT). The government expects to issue a white paper in Spring 2011, and implement the new policies in 2013/2014.
Feed in Tariff (FIT)	In February 2011 the Energy secretary Chris Huhne announced that the FIT scheme was to undergo a 'comprehensive' review due to be completed by the end of 2011. Changes to the scheme would not be implemented until 2012 unless any urgent changes are identified in the course of the review.

“The regulatory landscape will no doubt continue to develop over time and whilst proportional regulation (a new phrase from the Coalition Government) is supposed to assist Industry, practically it doesn't alone help those seeking a compliant end. However while new legislation can be seen as creating yet more red tape for businesses within the sector, our experiences show that it can be possible to work together positively with regulatory agencies to achieve an increasingly level playing field – for example a more robust stance towards regulation of the End of Waste Protocol (EoWP) will ultimately strengthen our market position as a compliant producer of Processed Fuel Oil.”

Iain Lees, Finance Director
OSS Environmental Holdings Limited

Key legislation	Overview
Renewable Heat Incentive (RHI)	The RHI Scheme was subject to delay in 2010 and is now anticipated to be launched in June 2011.
Landfill tax	In April 2010 the landfill tax increased to £48 per tonne, and will continue to increase each year by £8 per tonne until 2013.
EU Waste Framework Directive	Draft regulations were published in July 2010 as part of a consultation into the implementation of the EU Waste Directive. The deadline for transposing the regulations into law passed in December 2010. It is expected that the framework will be put into place early in 2011.
CRC Energy Efficiency Scheme	Implemented in March 2010 the legislation establishes a new scheme designed to improve energy efficiency and reduce carbon emissions in organisations in both the public and private sectors.
End of Life Vehicles (ELV)	Amendments to the existing ELV regulations came into force in July 2010. In particular the change of reporting deadline for producers, as well as a standardised format for doing so.
WEEE directive	Revised regulations came into force in January 2010 simplifying the reporting requirements for producers.
Packaging waste	In November 2010 new targets for packaging waste were published for 2011 and 2012. 2020 targets will be confirmed in the forthcoming Waste Strategy Review.
Anaerobic Digestion Plan	In December 2010 Defra published the Government's first draft anaerobic digestion action plan, which aims to increase the uptake of the technology.



Section 2: Current issues affecting your business

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M&A activity and trends

Focusing on the future

How we can help

The Bribery Act

The recent jailing of former employees at Trafford Council, near Manchester, and staff at a local plant hire company after a waste disposal scam demonstrates that waste management companies need to continue to be careful who they employ, especially in light of the recent Bribery Act.

The Offences

The new Bribery Act offences include:

- Offering, promising or giving a bribe
- Requesting, agreeing to receive, or accepting a bribe, either in the UK or abroad
- Bribery of a foreign public official in order to obtain or retain business
- Corporate liability in relation to 'commercial organisations' which fail to prevent a bribe being paid by those who perform services for or on behalf of the organisation (capturing 3rd parties)

A 'Senior Officer' may also face personal criminal liability if found to have consented to, or connived with, any of the first three offences.

What constitutes a bribe?

Importantly, a 'bribe' goes much further than a cash payment as a bribe is defined as being a 'financial or other advantage'. Therefore, the provision, for example, of lavish corporate hospitality and gifts in order to obtain or retain business is prohibited by the legislation.

The penalties for corporates

As well as lengthy prison sentences, businesses are now exposed to criminal liability where bribes are paid by agents and subsidiaries, even if the relevant conduct has no connection with the UK and might be part of business as usual in that country, unless they have 'adequate procedures' to prevent bribery.

Organisations which lack 'adequate procedures' will, be exposed to unlimited fines.

Adequate procedures

Businesses which provide services to the public sector are especially exposed as they may be debarred from existing contracts and future tenders, but all commercial organisations need to act now to ensure they have 'adequate procedures' to prevent bribery.

In order to do so, businesses will need to demonstrate board level commitment to preventing bribery and corruption, supported by appropriate policies and procedures. Once established, it is important that organisations have satisfied themselves that these have been implemented effectively, supported by ongoing monitoring and review.

Whilst many organisations will need to review their anti-corruption framework today, it is important that their changing risk profile is assessed continuously and focused due diligence is undertaken before, for example, entering new markets or engaging with new agents or acquiring new subsidiaries.



Raising finance - the time is now, but what options are available?

Is debt dead?

The current economic climate has led to a scepticism about ability to raise debt, with a common perception being that lenders have closed their doors.

It is true that the market is a harder place than the environment of three years ago - during the 'good times' pre-April 2008 lending was a far less stringent process, with lower margins and arrangement fees, and a willingness from Lenders to provide loans at far more generous multiples of profit.

The economic climate has led to a far more cautious attitude amongst lenders, and increases in their own cost of borrowing have inevitably led to rising costs for the borrower. However, the perception that there is not money out there to fund growth is false - there are a variety of options available for businesses seeking to raise finance.



“I am seeing more and more private equity (PE) firms wishing to invest in the waste and renewable energy sector and, more importantly, more and more firms open to such investment. The real value with PE is not just in securing capital, but in the expertise and experience that the PE house can bring to the business, which can really help it move on to the next level.”

Ali Sharifi, Partner and Head of Waste and Recycling
Grant Thornton

Why borrow now?

The current climate has led to opportunities for businesses to take market share from failed competitors, in addition to presenting opportunities to acquire such businesses out of administration. As M&A activity picks up again, there may be further opportunities to make acquisitions of non-distressed entities, all of which will require finance.

In addition to raising finance to support growth, businesses should also consider any debt packages that will require refinancing during the next few years, and wider financing requirements over this period.

Many commentators have indicated that there will be a Europe wide spike in refinancings during 2012, as three-year, five-year and seven-year deals from 2005, 2007 and 2009 reach maturity. This will effectively lead to reduced capital being available, and there will inevitably be insufficient capital to meet the demand. Therefore, it may be wise to start considering applying for facilities now, to ensure these are secured in place for the future.

What alternative options are available?

There are a variety of options, aside from more traditional long-term bank debt, to finance businesses, depending on the purpose of the funding, the type of business and the objectives of the business owner. These include:

- **Asset based lending** – There are a broad range of packages available to allow businesses to use the various assets within their balance sheet to generate working capital, for example invoice discounting, factoring and stock financing. This form of lending is generally cheaper than traditional overdraft facilities
- **Leasing** – The use of leasing to purchase fixed assets, such as plant and machinery, can ease cashflows and the asset security can allow the lender to offer lower costs
- **Private equity** – Private equity interest in the waste and renewable energy sector continues to be strong. While a private equity investment would involve giving up some equity in the business, it can also bring in management expertise, valuable contacts and of course, capital for investment in growth
- **Other options for larger corporates** – Larger businesses also have additional options available, for example AIM listing or a full listing, although costs of these options will be high and as such they remain appropriate only for larger businesses

Corporate Social Responsibility



Background

Corporate Social Responsibility (CSR) is a 'hot topic' for the business community and public sector alike, and the growing need to demonstrate accountability with regards to environmental and social issues is becoming increasingly important.

It is often thought to be an area that large corporates, or high profile organisations, get involved in as a way to demonstrate their accountability or strengthen their public 'image'. However, increasingly it has become an important issue for smaller businesses, in both the public and private sectors.

Scope and definition

CSR is often seen as an area difficult to define and the scope of CSR has expanded over the years to incorporate a wide range of areas including environmental and non-environmental issues. Some of the areas CSR typically touches on include:

Social

- Community/voluntary work
- Charitable giving
- Employee wellbeing
- Education

Environmental

- Community to protecting the environment and minimising waste
- Securing energy supply

Economic

- Providing value for money for shareholders and customers
- Securing employment and jobs

Role of the European Commission

In March 2010 the European Commission made a commitment to promote CSR as a way to deliver a sustainable future for EU member states after the global financial crisis. Subsequently a number of targets have been set for EU member states to achieve, which focus on the key themes of 'employment, research and innovation, climate change and energy, education, and combating poverty.' These will be translated into local policies on a nation by nation basis, and implemented by their respective governments.

Key issues for the private sector

The drivers of the CSR agenda are many, and depending on the size and type of organisation affect different companies in different ways. Some of the key issues and drivers for the private sector include:

- **Legislative drivers** – pressure on companies to meet ever more stringent regulations with regards to energy efficiency, minimisation of waste, requirements on producers to meet packaging regulations etc.
- **Consumer awareness** – recent research by the Co-operative Bank shows that consumer expenditure on ethical goods and services increased by 18% between 2007 and 2009 to more than £43 billion (Source: Ethical Consumerism Report 2010, Co-operative Bank)
- **Protection or strengthening of brand image and reputation** – CSR is also seen as a way to gain 'competitive advantage' in the market place

Key issues for the public sector

CSR is sometimes typically associated with the corporate or private sector, although it is just as applicable to public sector organisations. Some of the key issues for the public sector include:

- **Role in implementing legislation and incentives** – encouraging investment in CSR related themes
- **Partnering** – combining public and private funds to tackle issues driven by CSR agenda
- **Corporate governance and transparency** – establishing guidelines for disclosure by both public and private sector organisations
- **Legislation and incentives** – implementing methods to encourage businesses to adopt energy efficient and environmentally friendly practices e.g. feed in tariff regime and carbon reduction commitment
- **Consultation** – requirement to engage with the public and business community on issues of importance

The European Commission's definition of CSR is:

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Section 3: M&A activity and trends

What is driving the sector?

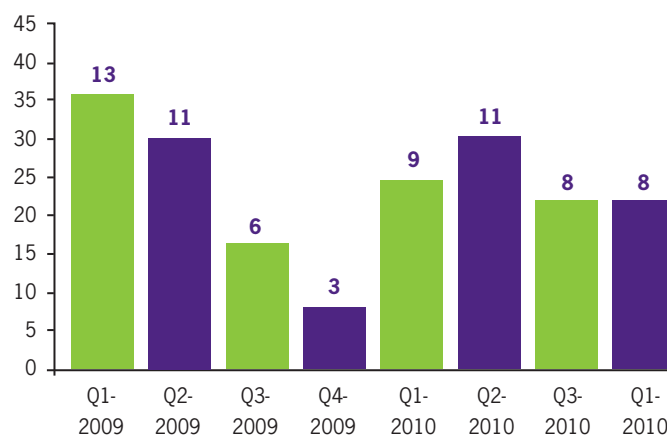
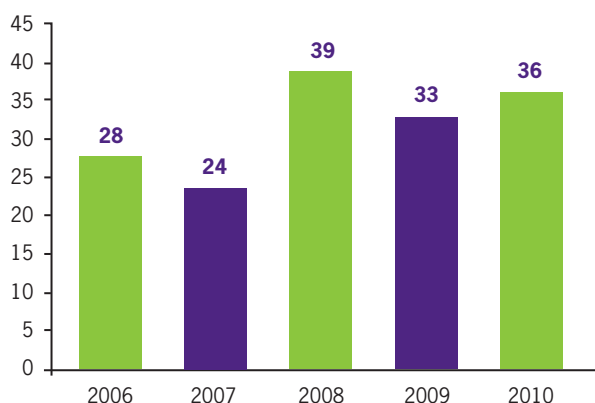
Current issues affecting your business

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Historical deal volumes - Waste sector



Annual deal volumes

Despite ongoing economic uncertainties in the UK market, M&A volumes held up well through 2010.

The number of deals in the waste sector in 2010 increased slightly compared to 2009. Although not reaching 2008 levels, this does demonstrate increased confidence in the market.

Based on figures this year we expect 2011 deal volumes to continue to grow and anticipate they will reach levels achieved in the peak of 2008.

Note on data collection

Please note that for comparison purposes the deal volume charts above are for waste deals only. As we have only started collecting data on energy efficiency and environmental services M&A recently we will only be able to provide historical comparisons of these 'new' subsectors from our next annual review.

In the meantime please see the next page for further details of the full sector breakdown for 2010 which provides a snapshot of the market over the last 12 months.

Future deal volumes will continue to be underpinned by larger corporates buying up smaller competitors, and an increased level of interest from abroad. In addition to increased trade activity, we consider that private equity interest in waste and renewables will continue to develop, resulting in more private equity backed transactions.

Deals in 2010 by type

Deal volumes by subsector - Q1-Q4 2010



- Recycling – 22%
- Hazardous and industrial waste – 21%
- Consultancy – 16%
- Energy efficiency – 16%
- Waste management – 8%
- Waste equipment – 6%
- Other environmental services – 5%
- Pollution control – 2%
- Environmental offset trading – 2%
- Compliance and technical – 2%

Recycling deals by type- Q1-Q4 2010



- Organic – 30%
- General – 21%
- WEEE – 14%
- Tyres – 7%
- Textiles – 7%
- Metal – 7%
- Paper – 7%
- Plastic – 7%

Deals by subsector

Recycling transactions again dominate the M&A landscape, although volumes in 2010 have almost been matched by Hazardous and Industrial Waste for the first time. This resilience, given the dramatic drop in industrial waste volumes throughout the recession, is a good indication of the continuing attractiveness of the sector and the opportunities that are present for companies operating in this space.

We forecast that the leaning towards niche/specialist companies will continue going forward with the subcategories of waste to energy and organic waste recycling accounting for the greatest number of transactions, in addition to significant opportunities in energy efficiency.

Recycling deals

Once again we have broken down recycling by material type as this is the most popular subsector in terms of M&A volumes.

In line with trends seen in previous years, organic waste once again leads the way, highlighting the high level of current interest in new waste treatment technologies, and in particular AD. Given the interest in waste to energy technologies currently we would expect this trend to continue into 2011 and beyond.

Given the high barriers to entry into the waste sector, which are exacerbated for niche/specialist companies, acquisition represents the most efficient manner to acquire market share in the short to medium term.

Key deals in 2010

Sub-sector	Deal	Rationale/commentary
Waste management	Viridor's acquisitions of Reconomy, Pearsons Group and Adapt Recycling	The acquisitions are in line with Pennon's stated strategy of expanding its waste management activities, particularly in the areas of recycling, waste treatment and disposal The acquisitions are complementary to one another and will strengthen Viridor's position in the key locations of the South, East and Greater Manchester
Energy efficiency	Bglobal acquisition of Utiligroup	With the acquisition of Utiligroup Bglobal are looking to position themselves as a provider of 'end-to-end smart energy solutions', with the aim of taking a market leading position in the up and coming smart metering sector
Consultancy	Lyceum acquisition of McKinnon and Clarke	With backing from Lyceum M&C aim to dominate the energy consultancy market, and have already made the follow-on acquisition of Encore The deal is evidence of increasing PE interest in energy/environmental support services
Environmental support services	Green Compliance acquisitions of Envirocare, CEA Link, Enviroguard and Pest Free Environmental Services	Have been highly acquisitive this year across all their areas of operation - water, fire protection, pest control and energy certification services Are seeking to consolidate what is currently a fragmented environmental services/pest control market with the aim of becoming a market leading player
Recycling - tyres	Carbon Green acquisition of Greenwood Commerce	With the acquisition Carbon Green secured the worldwide rights to Greenworld's pyrolysis technology as well as a commercial scale pyrolysis plant in Cyprus
Hazardous and industrial waste	Sovereign backed MBO of Euro Environmental Group, subsequent acquisition of Future Environmental Services	MBO of Euro Environmental represents Sovereign's first foothold in the waste sector in the UK and a commitment to growing their presence in the sector. Sovereign have stated that they have committed £20m to pursuing a buy and build strategy with a view to becoming a national leader in the drain, sewer cleaning and jetting market in the UK. Euro Environmental have subsequently acquired Future Environmental as part of this strategy
Hazardous and industrial waste	AmeyCespa acquisition of Donarbon	With the acquisition of Donarbon, Spanish owned AmeyCespa (itself a subsidiary of Ferrovial) has acquired its first foothold in the UK waste market as well as access to a substantial number of local authority contracts, an area of strategic importance for Ferrovial

“The waste and renewable energy sector offers strong investment opportunities as it is a dynamic and fragmented sector with long term growth prospects driven by legislative developments and changing cultural attitudes. Our investment in M&C energy is an excellent platform for us to execute a market consolidation strategy in the procurement and compliance space, and from which to target established and emerging international markets.”

Humphrey Baker Lyceum Capital



Section 4:

Focusing on the future

What is driving the sector?

Current issues affecting your business

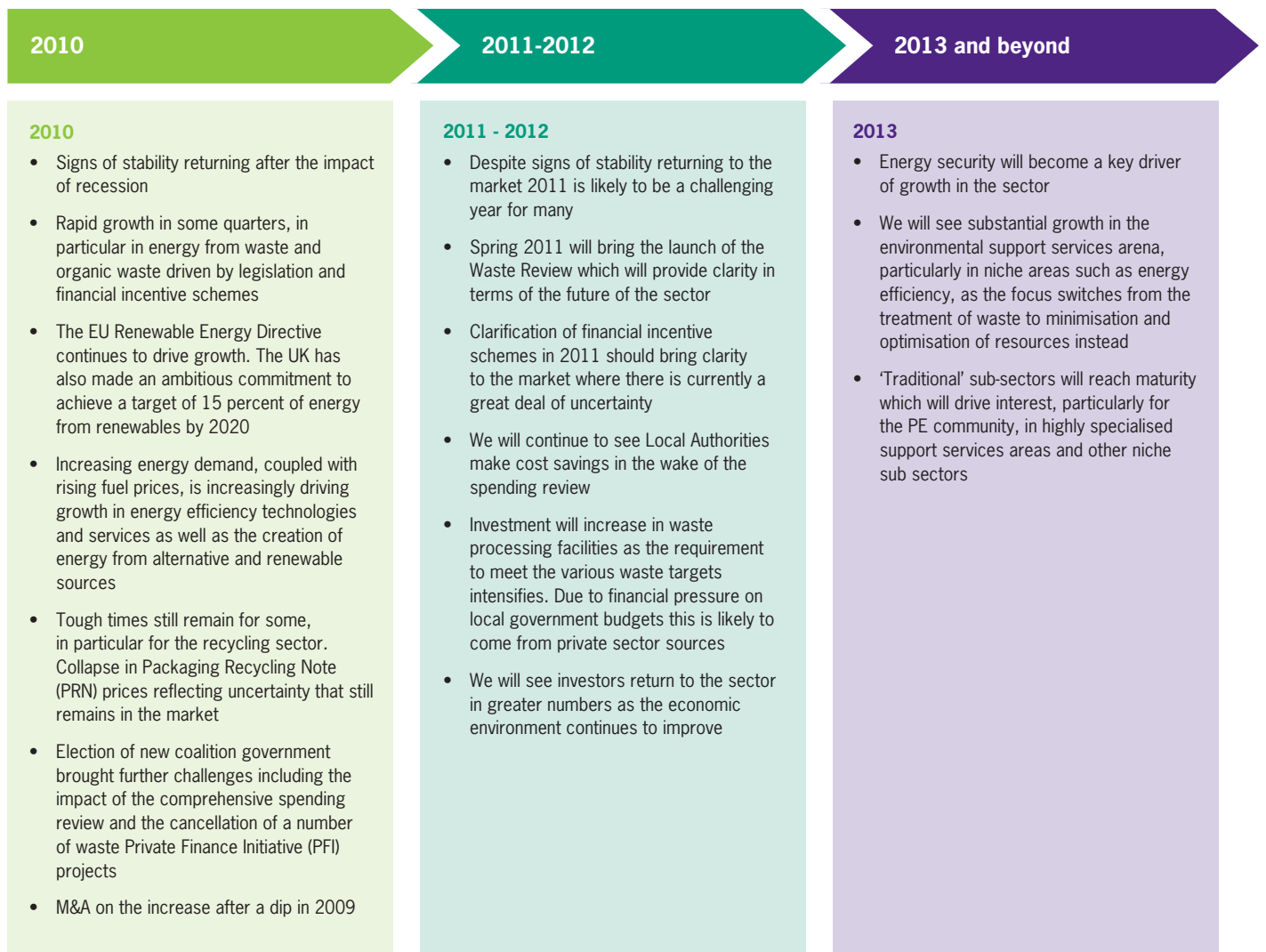
M&A activity and trends

Focusing on the future

How we can help

Market forecasts

Timeline



Section 5: How we can help

What is driving the sector?

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How we can help

How we can help

About Grant Thornton

Grant Thornton UK LLP is one of the largest accountancy and advisory firms in the UK. A leading financial and business adviser, we have over 200 partners and 4,000 staff based in 28 locations nationwide.

Recognising the importance of a sector focus, we operate through sector teams, providing industry-specific, reliable and candid solutions to the challenges facing today's businesses. Each partner-led team is staffed by sector specialists who have immense experience and know-how in their chosen field. This approach gives our clients a high quality service based on sound market understanding.

We offer a range of services to waste and environmental businesses, such as mergers and acquisitions advice, as well as fund raising, and have been successful in raising funds despite the difficult banking environment. In addition, we can provide specialised advice in a variety of areas including;

- Contract tendering
- Project finance advice
- Project appraisal
- Transactional tax advice
- Money saving ideas in relation to environmental tax incentives
- Valuations
- Feasibility studies
- Policy implementation
- Corporate structuring advice
- Internal audit reviews of environmental activities
- Market assessments

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Appendix

List of M&A transactions 2010

Waste and recycling

Date completed	Target name	Target business description	Acquiror name	Deal value (£m)
Jan-10	Greenwood Commerce Ltd	Waste tyres recycling	Carbon Green Inc	89.90
Feb-10	Raymond Brown Ltd	Complete materials recovery, sorting and recycling facilities for municipal, industrial and other waste, as well as composting production and treatment plants	MBO team	25.00
Feb-10	Mitchell Parker White Ltd	Maintenance of sewage systems	Cleansing Service Group Ltd	n.d.
Mar-10	Ethos Recycling	Recycling, earthworks and clinical/hazardous waste	Ethos Environmental Management Ltd	n.d.
Mar-10	Haigh Group Ltd	Manufactures waste disposal machines, waste processing equipment and fluid control equipment	MBO team	n.d.
Mar-10	Avanti Environmental Holdings Ltd	Environmental waste services	SRCL Ltd	n.d.
Mar-10	Euro Environmental Group Ltd	Drain and sewer cleaning, inspection and repair services provider	MBO team (backed by Sovereign Capital)	20.00
Mar-10	Indigo Environmental Services	Recycling and waste collection services for industrial and commercial customers	SITA UK Ltd	n.d.
Mar-10	Future Environmental Services Ltd	Provider of drain and sewer cleaning services	Euro Environmental Group Ltd (backed by Sovereign Capital)	20.00
Apr-10	Helesi UK Ltd	Designer and manufacturer of plastic waste containers	Straight Plc	1.70
Apr-10	TJ Composting Group Ltd	Green waste remediation company	Countrystyle Group Ltd	n.d.
Apr-10	Credential AWS Ltd	Waste management services	Avanti Environmental Group Ltd	n.d.

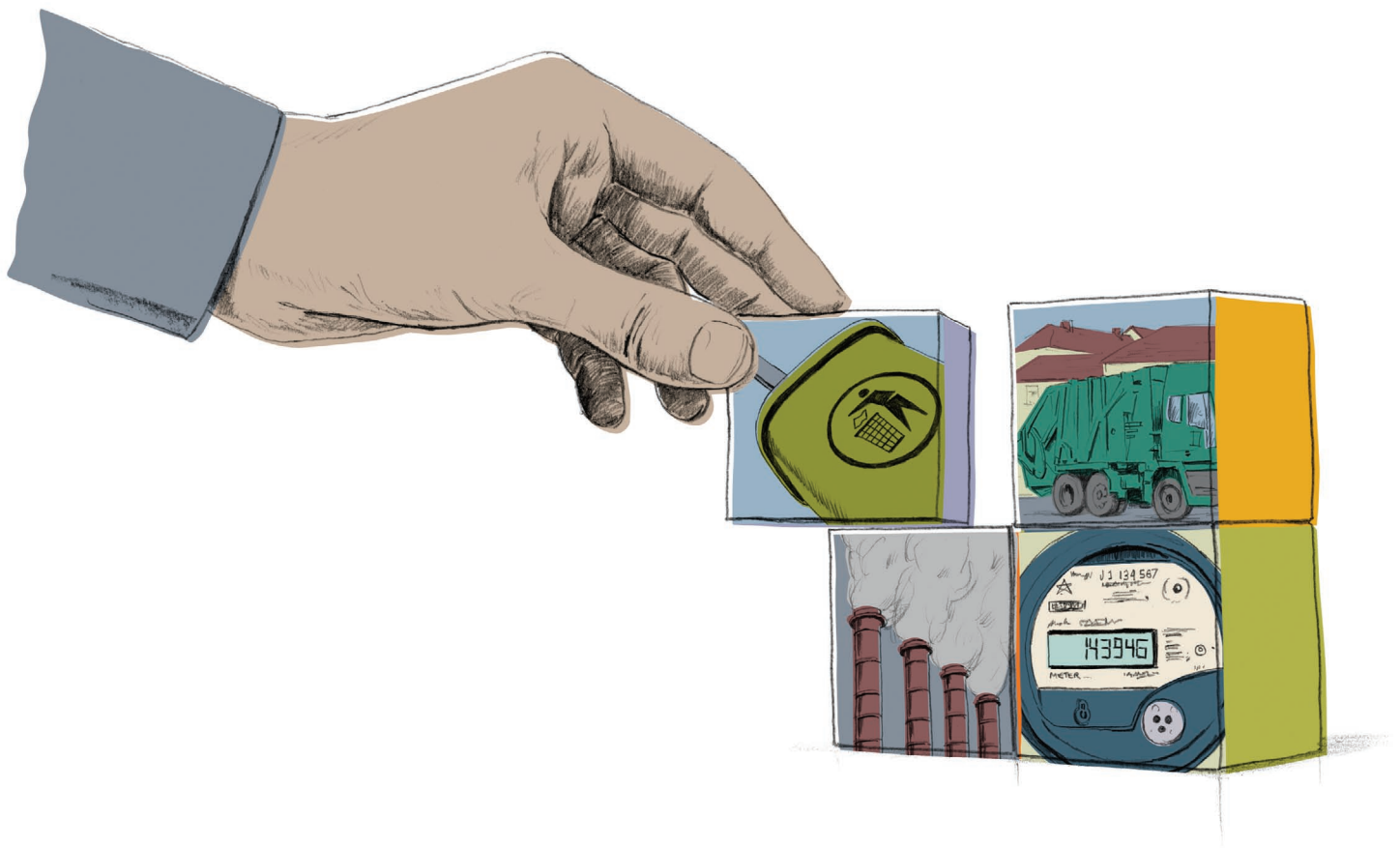
Date completed	Target name	Target business description	Acquiror name	Deal value (£m)
Apr-10	European Textile Recycling's (ETR) wholesale textile collection business	Waste textile collection business	JMP Wilcox & Co Ltd	n.d.
May-10	Professional Fire Solutions Ltd	Fire extinguisher recycling services	Green Compliance Plc	4.00
May-10	Barford Site Dumpers Ltd	Waste truck manufacturer	Bowdon Investments Group Plc	n.d.
May-10	Pure Recycling Warwick Ltd and Pure Buildings Ltd	Waste recycling services	Kier Group Plc	7.10
May-10	SWEEEP Ltd	WEEE processing	Kuusakoski Oy	6.00
Jun-10	Simpro Ltd	Open windrow composting	Teg Group Plc	6.00
Jun-10	Nutrafeed Ltd	Food waste recycling	Souter Investments LLP	2.00
Jun-10	Reconomy Recycling Solutions Ltd	Recycling services	Viridor Waste Management Ltd	23.80
Jul-10	Arthur Wright & Son Municipal Hire (Stoke on Trent) Ltd	Metal recycling	European Metal Recycling Ltd	n.d.
Jul-10	Future Industrial Services Ltd / Alchemia Ltd	Waste management, chemical waste recycling.	One Fifty One Plc	15.10
Jul-10	Amenity Horticultural Services Ltd	Biomass fuel manufacturer	Stobart Biomass Products Ltd	2.00
Aug-10	Greenstar UK Ltd	Waste management	Biffa Ltd	135.00

Date completed	Target name	Target business description	Acquiror name	Deal value (£m)
Aug-10	Wincanton Plc's recycling businesses	WEEE recycling	Sims Group UK Ltd	17.50
Aug-10	Dyro Holdings Ltd	Plastic waste products manufacturer	Straight Plc	2.90
Sep-10	Donarbon Ltd	Waste management	AmeyCespa Ltd	48.60
Sep-10	South Wales Shredding Ltd	Waste paper disposal services	Shred It Ltd	n.d.
Oct-10	Spirechem Ltd	Hazardous waste	Avanti Environmental Group Ltd	n.d.
Nov-10	John Rome Ltd	Hazardous waste	Avanti Environmental Group Ltd	n.d.
Nov-10	Pearsons Group Holdings Ltd	Materials recycling services	Viridor Waste Management Ltd	16.00
Nov-10	Futur Ltd	Recycling and waste management services	S.A Industrias Celulosa Aragonesa (SAICA)	n.d.
Nov-10	Wilton Waste Treatment Ltd	Waste treatment and recovery services incl. advanced aerated bio-treatment plant capable of handling any type of organic effluent, including hazardous.	Cleansing Service Group Ltd	n.d.
Dec-10	JK Environmental Services (UK) Ltd	Industrial cleaning and waste management	GB Gas Holdings Ltd (British Gas)	7.00
Dec-10	Adapt Recycling Ltd	Recycling services	Viridor Waste Management Ltd	n.d.
Dec-10	5 non core businesses of Linpac Group Ltd including Linpac Recycling and Linpac Environmental	Plastic litter, recycling and street furniture products manufacturer. Plastic products recycling.	Chamonix Private Equity	n.d.

Environmental services, energy efficiency and pollution control

Date completed	Target name	Target business description	Acquiror name	Deal value (£m)
Jan-10	McKinnon & Clarke Ltd	Energy cost analysis consultancy services	Lyceum Capital Ltd	22.00
Jan-10	Intelligent Sustainable Energy Ltd	Intelligent energy monitoring technology developer	Navetas Energy Management Ltd	n.d.
Feb-10	Andrew McCarthy Associates Ltd	Ecological consultancy services	SLR Consulting Ltd	n.d.
Feb-10	Simon West Limited T/A CEA Link	Energy certification and other compliance based services	Green Compliance plc	1.00
Mar-10	dcarbon8 Ltd	Carbon footprint consultancy services	Deloitte	n.d.
Mar-10	Matrix Control Solutions Ltd	Building energy management systems manufacturer	Green Sky Energy Ltd	10.00
Mar-10	Idex Energy UK Ltd	Energy management services	GDF Suez SA	n.d.
Mar-10	Entec Holdings Ltd	Environmental and engineering consultancy services holding company	Amec plc	61.20
May-10	Utilicom Group Ltd	Energy services	GDF Suez Energie Services SA	n.d.
May-10	KeTech 2As Ltd	Environmental control and energy management system installation services, Environmental control and energy management system manufacturer	Electra-Net Holdings Ltd	n.d.
May-10	Utiligroup Ltd	Energy efficiency data solutions	Bglobal Plc	12.80
Jun-10	New Energy Industries Ltd, The	Technical consultancy providing services in the areas of power transmission and distribution, planning and environmental consent and energy management.	Petrofac Ltd	7.50

Date completed	Target name	Target business description	Acquiror name	Deal value (£m)
Jun-10	Encore International Ltd	Energy procurement and price risk management services	McKinnon & Clarke Ltd	6.30
Jul-10	Envirocare GB Ltd	Environmental services provider	Green Compliance plc	4.00
Aug-10	DWEC Ltd	Building energy management systems developer	Green Sky Energy Ltd	n.d.
Aug-10	Invicta Analytical Services Ltd	Environmental consultancy services	Pennington Choices Ltd	n.d.
Aug-10	ERT (Scotland) Ltd	Environmental consultancy services	Fugro NV	n.d.
Sep-10	Scott Wilson Group plc	Engineering consultancy services	Universe Bidco Ltd	23.30
Nov-10	Metoc Ltd	Environmental consultancy services to the energy and utilities sectors	Intertek Group plc	n.d.
Nov-10	Green Earth Africa Ltd	Environmental offsets trading services	ZR Energies Ltd	n.d.
Nov-10	Pestfree Environmental Services	Pest control services	Green Compliance plc	1.60
Dec-10	Building Automation Solutions Ltd	Energy consultancy, monitoring and systems management services	Management	40.00
Dec-10	Clyde Process Solutions plc	Energy efficient solutions designer, Investment services company focused on the waste management and materials handling sectors, Pneumatic conveying systems developer	S-Process Equipment International Sarl	33.30
Dec-10	Enviroguard (UK) Ltd	Pest control services	Green Compliance plc	1.60
Dec-10	Anesco Ltd	Energy efficiency and carbon reduction solutions provider	Scottish & Southern Energy plc	n.d.
Dec-10	Procal	Emissions monitoring equipment manufacturer	Kittiwake Developments Ltd	n.d.





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EP.684