

Waste and environmental sector update

Sector update: Autumn 2011

This third sector update of 2011 includes;

- * A review of mergers and acquisitions activity in the waste and renewable energy sector for the third quarter of 2011
- * Deal flash:
 - OSS Group acquire Hall and Campey Environmental Services
 - Tradebe Environmental Services acquire SRM and its subsidiary MRM

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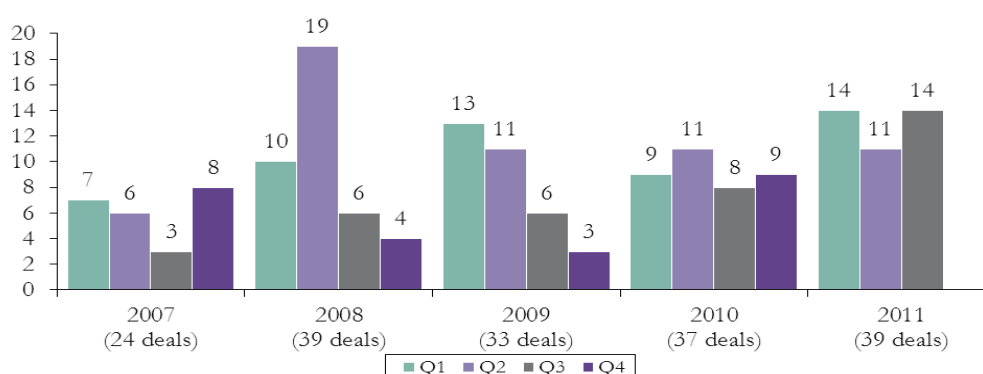
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M&A update

Q3 2011

Unprecedented levels of overseas investment leads to the five year deal record being equalled, with one quarter still to spare

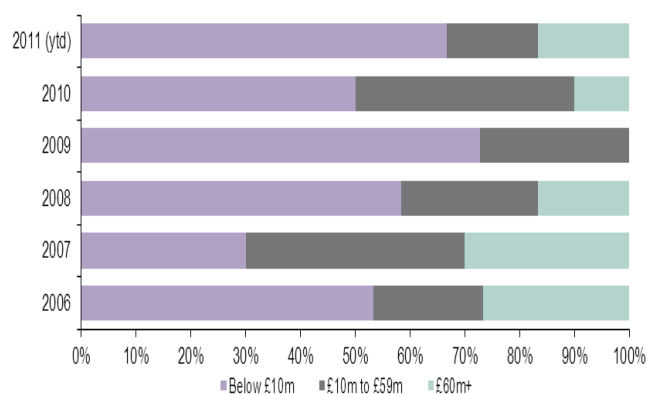
Fig 1: Deal volumes by quarter 2007 – Q3 2011*



M&A volumes

- Deal volumes for Q3 almost double the precedent number of Q3 transactions
- This has largely been driven by a significant increase in the number of acquisitions made by overseas parties with 9/14 in this quarter versus 7/25 for the first half of the year
- This builds on the strong first two quarters to make this a record breaking year for M&A activity in the Waste sector
- In the deals disclosed for Q3 there has been a shift towards lower value deals—the proportion of deals under £10million are second only to 2009
- Only 7 of the YTD waste and renewable energy deals have disclosed values, however there are still no known distressed transactions/acquisitions out of administration, suggesting deal quality remains high
- Consolidation across the sector looks set to continue, with larger corporates continuing to buy up smaller competitors
- The debt markets remain difficult although this does not appear to be completely undermining MBO activity, with 3 MBO's being completed in the first three quarters of the year

Fig 2: Disclosed Deal values by year 2007 – 2011 YTD*



*Source: FactSet. Please note that for comparison purposes the deal volume charts above are for waste deals only.

M&A update

Sector trends

- Our sector review continues to highlight the growing importance of the consultancy and energy efficiency space— this sub-sector now represents over 30% of total deals YTD
- The continued activity in the consultancy and energy efficiency sub-sectors, perhaps indicates businesses are buying-in these capabilities as these markets remain buoyant
- Fig 3 illustrates the continuing concentration of deal volumes in the recycling, hazardous waste and waste management sectors, being areas that tend to be made up of a large number of smaller-businesses, providing opportunities for businesses to grow by consolidation
- Within recycling, the market can be further split by types of materials recycled (see Fig 5 and 6). This indicates a growing trend towards WEEE, which is partially driven by the acquisitions made by Australia based Sims Metal Management Limited of two UK based mobile phone recycling companies
- The paper subsector continues to represent around a ¼ of deals in 2011 with Spain based SAICA making two acquisitions to build on the deals in Q1 involving PHS Datashred

Fig 3. No. of deals by sub-sector Q1-Q3 2011

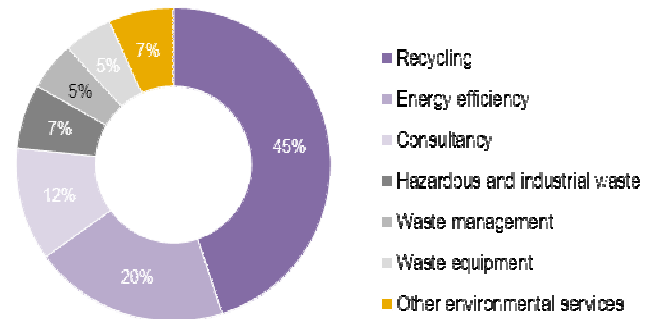


Fig.4. No. of deals by sub-sector Q1 – Q4 2010

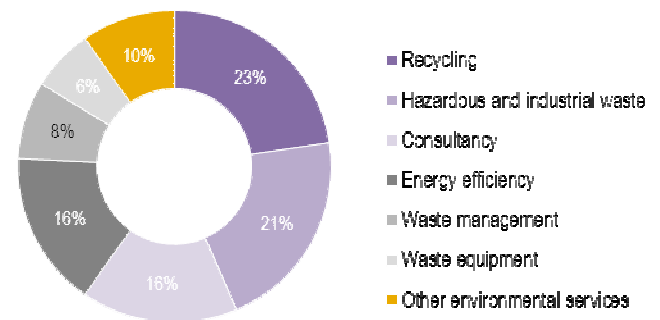


Fig.5. No. of recycling deals by sub-sector Q1- Q3 2011

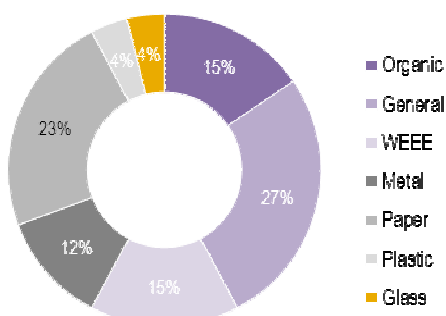
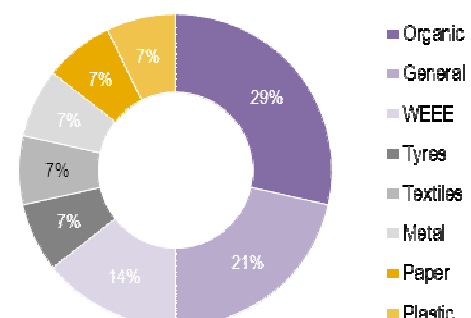


Fig.6. No. of recycling deals by sub-sector Q1 – Q4 2010



Deal Flash

OSS Group's acquisition of Hall and Campey Environmental Services, advised by Grant Thornton Corporate Finance

OSS Group, one of the largest waste management companies in the UK, headquartered in Knowsley, has completed the acquisition of Hall and Campey Environmental Services for an undisclosed sum.

OSS employs some 170 people at sites across the UK. The company, which is backed by UK mid-market private equity house Dunedin, was advised by Grant Thornton's Liverpool-based corporate finance team and Pinsent Masons Manchester based corporate law team.

OSS specialises in collecting waste mineral oils and recycling them into environmentally-friendly alternative fuels. The company has just launched its latest processed fuel oil product, Gen3™, which has applications in industrial and process heating, glass production, dairies, brewing and food processing.

Hall and Campey is an industrial waste management company primarily operating in the Midlands and East Anglia, which also specialises in the disposal of similar waste streams.

Mark Steel, who led the Grant Thornton deal team, said: "OSS is a long-standing Grant Thornton client and we are delighted to be able to close this deal which will provide the firm with the feedstock necessary to continue to grow and develop their innovative patented waste recovery process as well broadening the OSS product offering."

"Adding the regional strength of Hall and Campey to our existing national service creates a much stronger organisation in terms of total UK coverage. It operates similar services to OSS and will continue very much as now but with the benefit of the OSS infrastructure, additional customer services and market leading Gen3™ technology."

Iain Lees

**Acting Group managing Director,
OSS Group**

"This is a great acquisition for the business adding both scale and capability. OSS is now in an even stronger position to continue its growth in this exciting market."

Dougal Bennett

**Director of Dunedin who sits on
the board of OSS**

Deal Flash

Tradebe Environmental Services' acquisition of SRM and its subsidiary MRM from Hanson Cement, advised by Grant Thornton Corporate Finance

Tradebe Environmental Services Limited (Tradebe) is a leading global specialist waste management company.

In September 2011 Tradebe acquired Solvent Resource Management Limited (SRM). The acquisition of SRM makes Tradebe the leader in the UK hazardous waste management market. Tradebe now has 19 sites in the UK.

As the market leader in the UK, Tradebe can offer a full range of hazardous waste disposal and recycling services to Tradebe's and SRM's customers.

Through continuing investment in acquisitions, introduction of new technologies and improvements to production facilities, Tradebe's global sales have grown from 40 million euros in 2000 to approaching 300 million euros today. With the SRM acquisition, Tradebe will now each year manage globally well over two million tonnes of waste.

Grant Thornton provided both financial and tax due diligence to Tradebe.

David Grundy, North West Managing Partner at Grant Thornton said "We are pleased to have worked with Tradebe on their acquisition of SRM. The acquisition of SRM will bring major benefits to both Tradebe's and SRM's customers as the range of services available is enhanced. We wish Tradebe every success with the integration of SRM and as it continues to expand. "

"We selected Grant Thornton to assist us in the financial and pensions due diligence work on the SRM deal due to the strength of their proposal and in particular their previous work within the sector. Their due diligence work was focussed and the final report was a valuable contribution to the deal process setting out a clear but detailed financial analysis of the target."

Robert Allen
UK Corporate Director, Tradebe

Contact

If you would like to discuss the content of this update, or any other sector issues, please get in touch with us;

North

Ali Sharifi

T +44 (0)161 953 6350

E ali.sharifi@uk.gt.com

Mark Burke

T +44 (0)113 200 1527

E mark.burke@uk.gt.com

Scotland

Nathan Goode

T +44 (0)131 659 8513

E nathan.goode@uk.gt.com

South West

Nigel Mattravers

T +44 (0)117 305 7699

E nigel.mattravers@uk.gt.com

Mark Naughton

T +44 (0)117 305 7712

E mark.c.naughton@uk.gt.com

East

Tim Blois

T +44 (0)1908 359 582

E tim.m.blois@uk.gt.com

London and South East

Pete Dawson

T +44 (0)20 7728 3197

E peter.dawson@uk.gt.com

Northern Ireland

Charlie Kerlin

T +44 (0)28 9031 6510

E charlie.kerlin@uk.gt.com



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