



Clean Harbors, Inc. (NYSE: CLH)

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Agenda



1 Company Overview

2 Industry Outlook

3 Investment Thesis

4 Valuation

5 Catalysts and Risks

6 Recommendation

Clean Harbors Inc. (NYSE: CLH)

Business Description

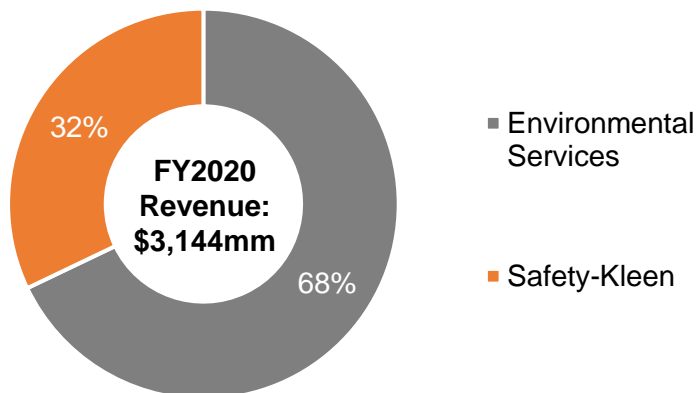
- Founded in 1980, Clean Harbors is North America’s leading provider of environmental and industrial services
- Customers span a range of industries, including chemical, energy, manufacturing, and government agencies
- Safety-Kleen, an operating subsidiary of Clean Harbors, is the largest re-refiner and recycler of used oil
- Clean Harbors operates throughout the United States, Canada, Mexico, Puerto Rico, and India

Management Team

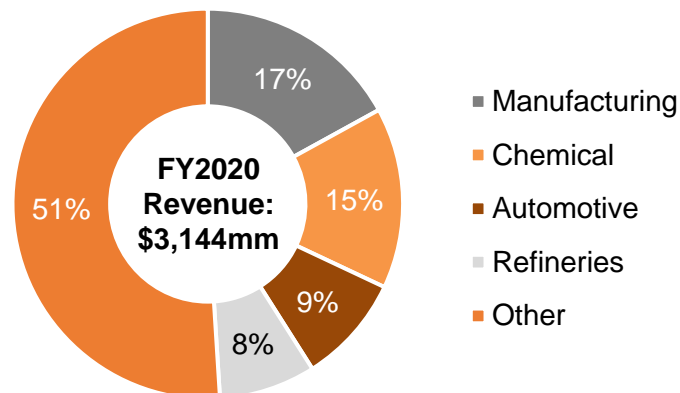


Name	Alan McKim	Michael Battles	Sharon Gabriel	Eric Gerstenberg
Position	President & CEO	CFO	EVP & CIO	COO
Years Exp.	35+	30+	15+	30+
Background	Founded the Company in 1980	Previously CFO of PerkinElmer’s Human Health business	Previously SVP of MIS	Previously EVP of Environmental Services

Segmented Revenues

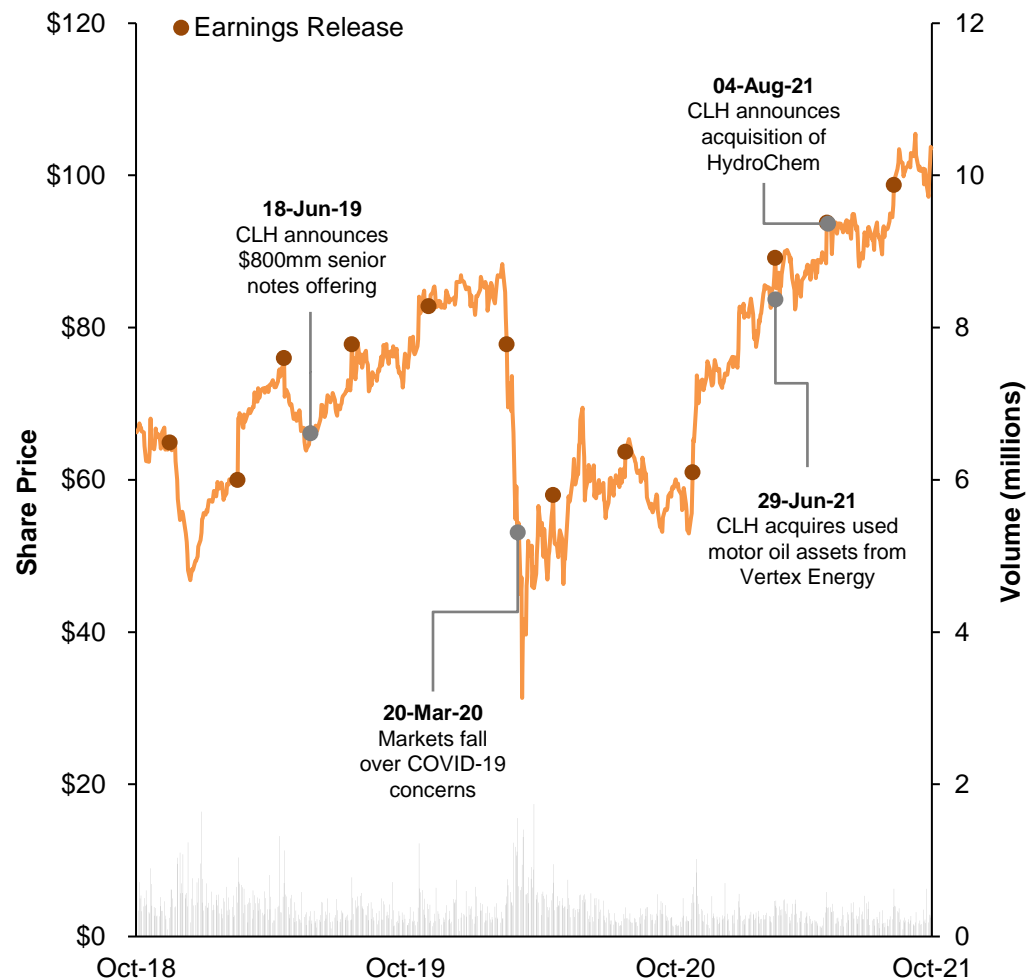


Revenue by End Market



PV Chart and Capitalization Table

Price-Volume Analysis



Market Data

Capitalization

Share Price (21-Oct-2021)	(US\$)	\$112.11
Basic Shares Outstanding	(mm)	55.5
Diluted Securities	(mm)	0.2
Market Capitalization	(US\$ mm)	6,116
(-) Cash & Equivalents	(US\$ mm)	666
(+) Short-Term Debt	(US\$ mm)	(69)
(+) Long-Term Debt	(US\$ mm)	(1,649)
(+) Minority Interest	(US\$ mm)	-
Enterprise Value	(US\$ mm)	7,167

Trading Multiples

EV / 2020A EBITDA	-	13.9x
EV / 2021E EBITDA	-	10.5x
EV / 2022E EBITDA	-	9.1x
P / 2020A EPS	-	44.7x
P / 2021E EPS	-	32.6x
P / 2022E EPS	-	33.4x

Market Data

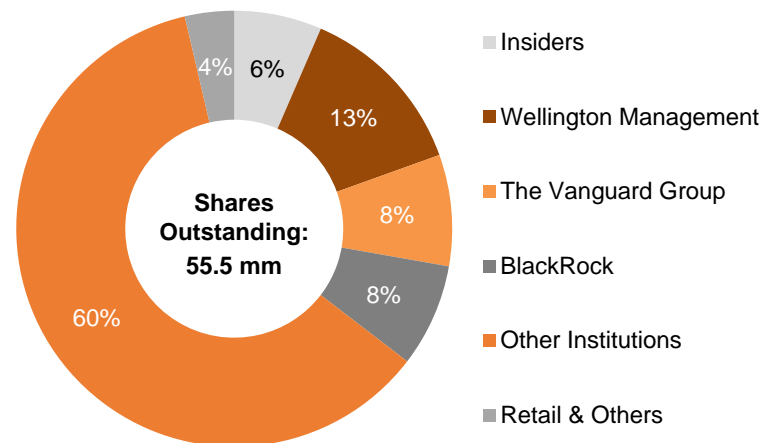
52-Week High	(US\$)	\$111.68
% of 52-Week High	(%)	100.4%
52-Week Low	(US\$)	\$52.22
Beta	-	1.70

Shareholder Overview

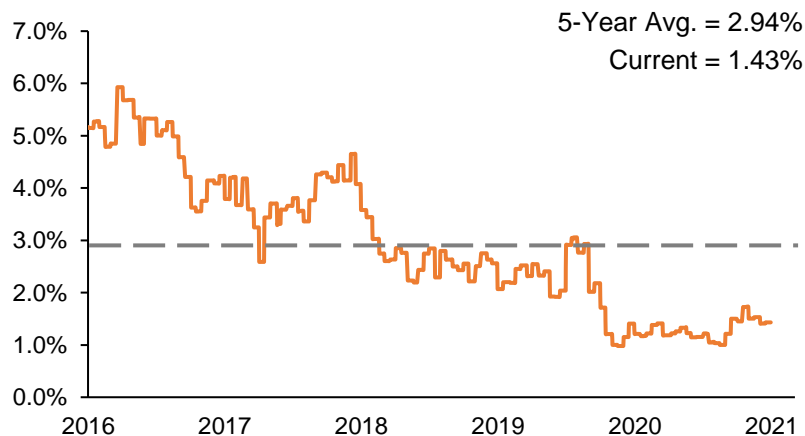
Shareholder Summary

	<u># of Shares Held</u>	<u>% of Shares Outstanding</u>
Insiders		
McKim, Alan	3.6	6.4%
Gerstenberg, Eric	0.1	0.1%
Battles, Michael	0.1	0.1%
Weber, Brian	0.1	0.1%
Other Insiders	0.3	0.6%
Total Insiders	4.1	7.4%
Institutions		
Wellington Management	7.2	12.9%
The Vanguard Group	4.5	8.2%
BlackRock	4.2	7.6%
ArrowMark Colorado Holdings	1.8	3.2%
Dimensional Fund Advisors	1.7	3.1%
Snyder Capital Management	1.5	2.8%
Impax Asset Management Group	1.5	2.6%
State Street Global Advisors	1.3	2.3%
Invesco	1.0	1.8%
Credit Suisse Asset Management	1.0	1.8%
Hermes Investment Management Limited	1.0	1.8%
Marshall Wace North America LP	0.9	1.6%
Other Institutions	21.9	39.4%
Total Institutions	49.4	89.0%
Retail & Other Investors	2.0	3.6%
Public Float	51.4	92.6%
Total Basic Shares Outstanding	55.5	100.0%

Ownership Structure

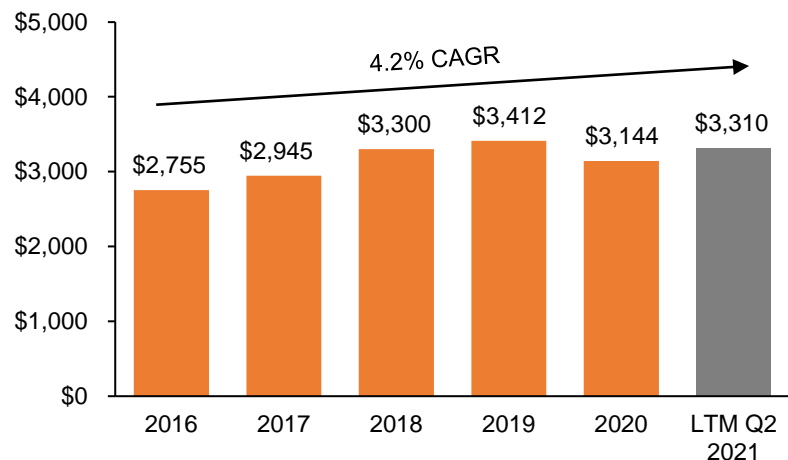


Short Interest

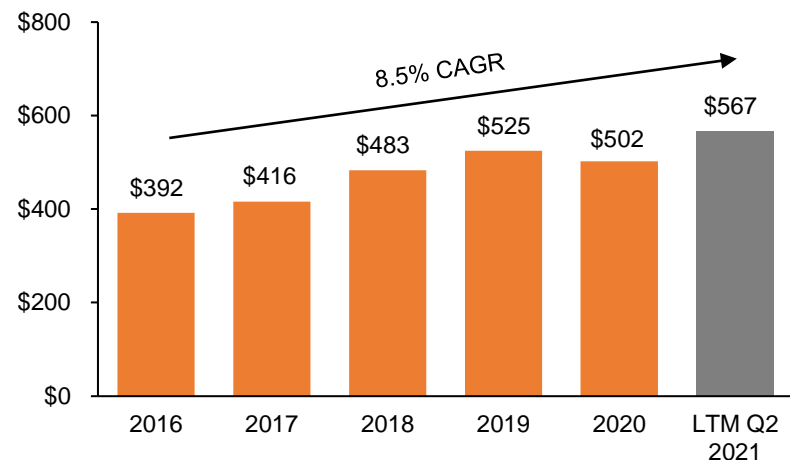


Company Metrics

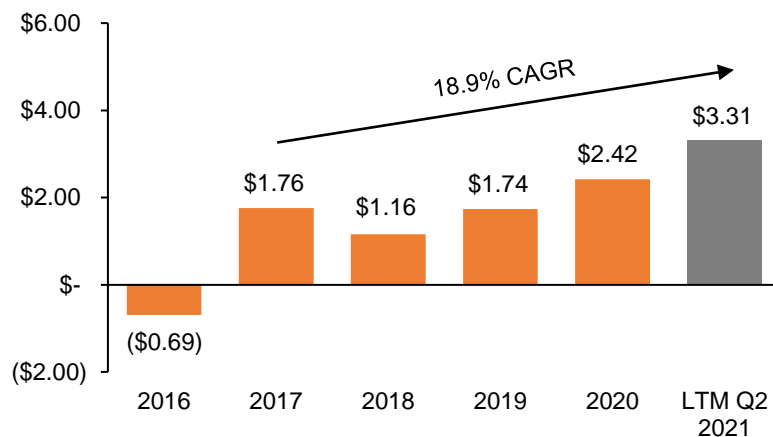
Revenue (\$mm)



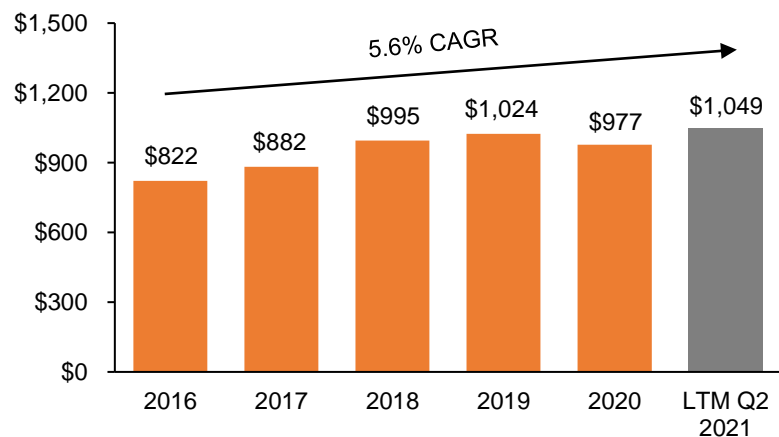
Adjusted EBITDA (\$mm)



Adjusted Earnings Per Share



Gross Profit (\$mm)



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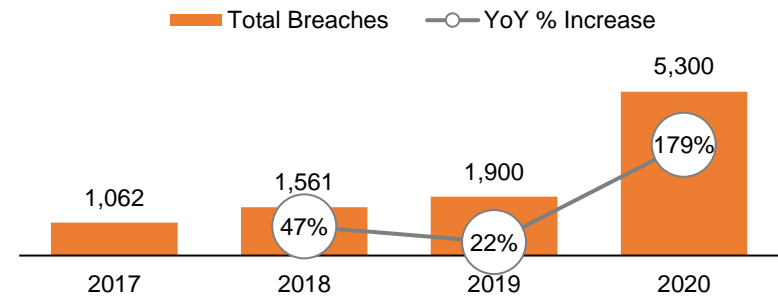
Hazardous Waste Overview

Hazardous Waste Types

- Hazardous wastes display one or more of the following characteristics:
 - **Ignitability:** Can create fire under certain conditions
 - **Corrosive:** Acids or bases that are capable of corroding metal containers
 - **Reactivity:** Wastes that are unstable and can cause explosions, toxic fumes, radioactive particles, gases, or vapours
 - **Toxicity:** Wastes containing concentrations of toxic substances

Environmental Considerations

Regulations by the U.S. Environmental Protection Agency exist regarding the disposal of hazardous waste, but contamination still occurs. The following diagram displays the number of reported major breaches in hazardous waste disposal (non-COVID)

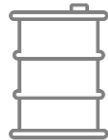


Drivers of Hazardous Waste Growth

Largest Contributors



Chemical
Manufacturers



Oil Refineries /
Petroleum



Electroplating
Companies

84% of Hazardous Waste

Other Industries



Hospitals /
Healthcare



Construction
Wastes



Automobile
Repair

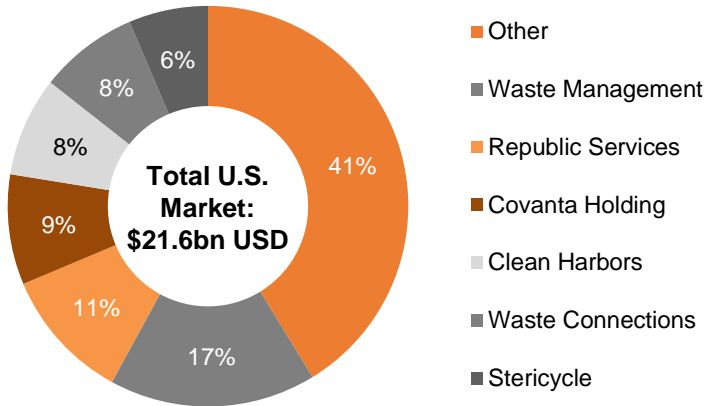
16% of Hazardous Waste

Less Players, More Opportunity

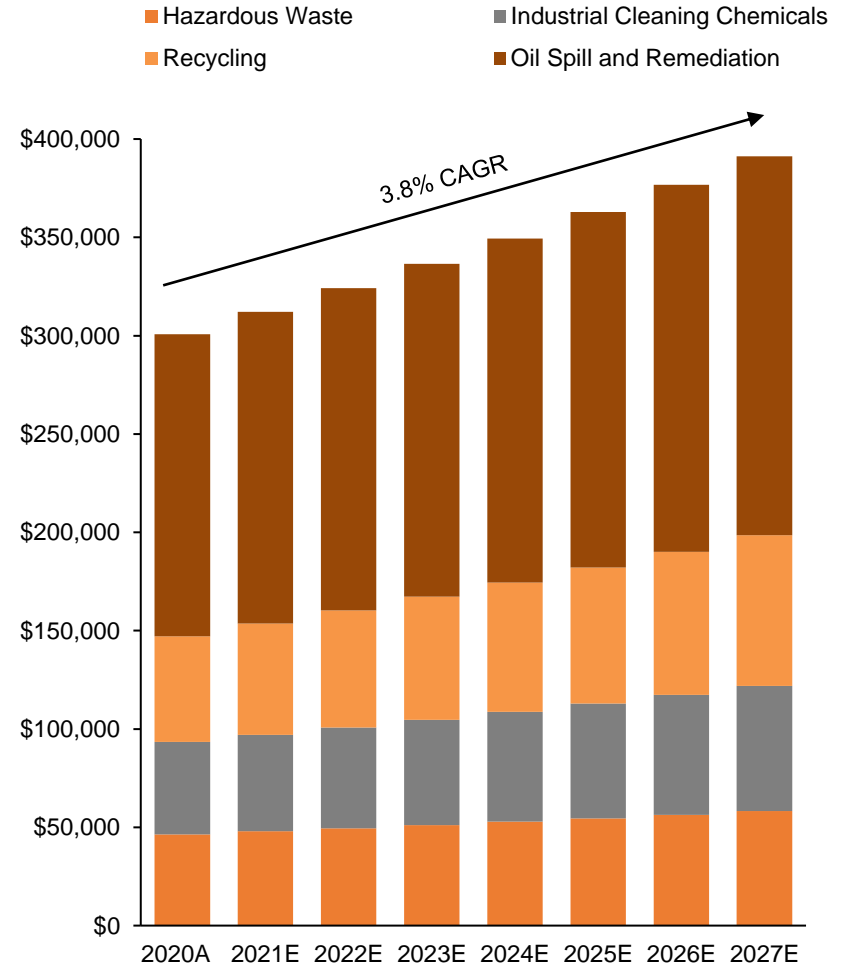
Evolving Technological and Regulatory Space

- Global waste generation is expected to increase by 70% by 2050, accelerated by reprioritization during the COVID-19 pandemic
 - Waste generation expanding capacity to manage and dispose
- Intersection of data analytics and technology, and waste management continue to transform the industry to meet increasing demand
- Increasingly strict regulatory environment and large capital requirements have led to fewer players in the space, despite developing opportunities

U.S. Waste Management Market



Environmental Services Increasingly Attractive



Agenda



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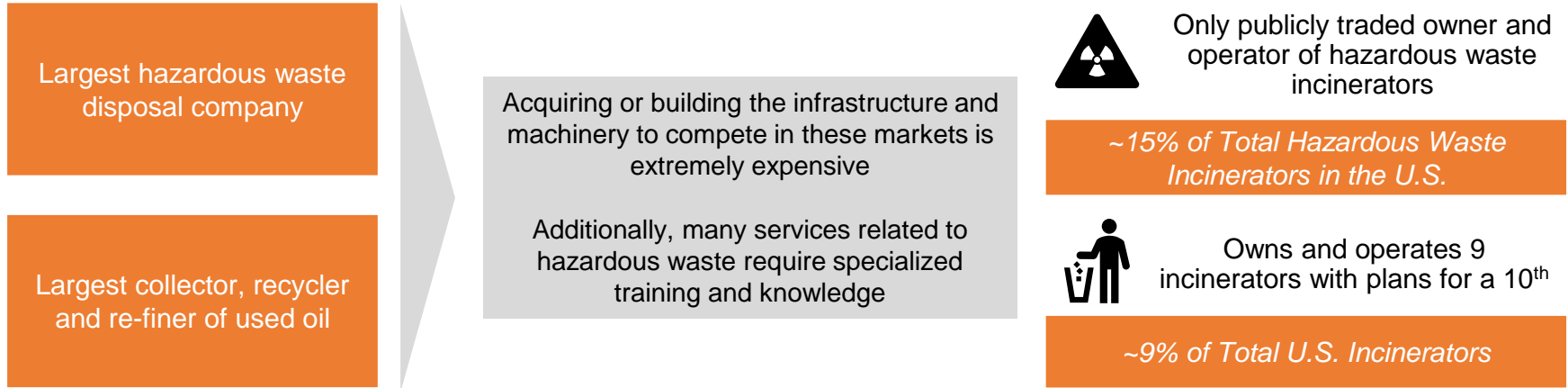
4 Valuation

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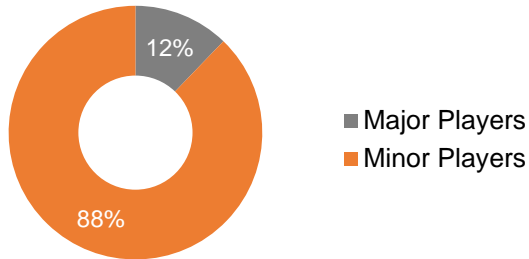
Market Leader with Strong Economies of Scale

Market Dominance in an Asset Intensive Industry



Economies of Scale in a Fragmented Space

Hazardous Waste Market Concentration



The hazardous waste disposal industry is highly fragmented with many regional players in each local area

The Safety-Kleen segment provides services that are especially fragmented and are among the first to scale these services across the U.S.

- 1 100+ Waste Management Facilities
- 2 10,000+ Company Vehicles
- 3 450+ Service Locations

Clean Harbors possesses an unmatched network of locations across the U.S.

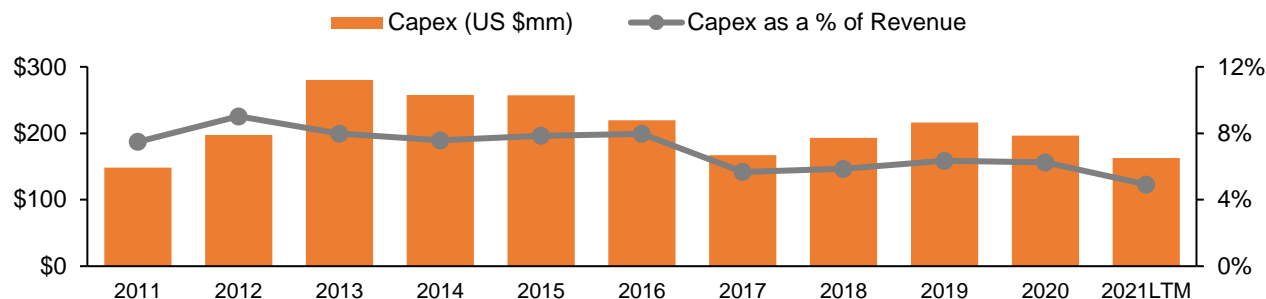
Great opportunity for increased margin growth and market dominance

Further Barriers to Entry

Investment in Capital Intensive Assets

- It costs between \$180mm and \$1.2bn to build an incinerator

- The incinerators built by Clean Harbors are generally on the lower end for cost, but they still represent an incredibly large amount of capex



Capex as a percent of revenue has dropped by nearly 50% over the past 10 years. Although a normal trend for a maturing business, it goes to show how a pre-existing asset base enables revenue growth without the requirement of significant capex expenditure.

Growing Regulation and Existing Hard to Replicate Permits

Clean Harbors owns 500+ hard to replicate permits

- The environmental services segment involves extensive regulation and compliance to take part in many of the services Clean Harbors offers
 - Many of the owners and operators of hazardous waste incinerators have had to deal with extensive lawsuits related to environmental neglect over the past 20 years
 - NFP organizations continue to push for increased regulatory guidance

Clean Harbors is in the process of acquiring a permit for a \$180mm dollar incinerator being added to their Kimball facility.

The plant will be modelled after a pre-existing plant in a state with similar regulations.

Clean Harbors has the expertise and historical practice to apply for new permits in the most efficient way possible. Additionally, using existing plant plans ensures emission regulations are met and offers scalability and lower costs.

ESG: First Movers

Environmental: Considering Every Angle

GHG Emissions	Positive Net Climate Benefit	Asset Refurbishment	Closed-loop Program
<ul style="list-style-type: none"> Clean Harbors has developed a system that allows them to track their GHG scope 1 and 2 emissions over time to measure improvements Scope 1 includes emissions from sources owned by CLH, while scope 2 emissions are from resources purchased by CLH 	<ul style="list-style-type: none"> In 2019, Clean Harbors calculated a net climate benefit factor of 2x, which means they prevented twice as many emissions as they created Oil recycling is the largest contributor to their emission prevention 	<ul style="list-style-type: none"> Clean Harbors has one of the largest private fleets of vehicles in North America To increase environmental sustainability they rebuild or replace individual parts to avoid manufacturing new vehicles 	

Social: Safety & Diversity

Some of the services Clean Harbor provides can be dangerous for the workers involved. The company is committed to safety, having more than halved their total recorded incident rate since 2002.

14% Female Workforce	16% Female Managers	17% Female Top Mgmt.
15% African-American	15% Latino	5% Other POC

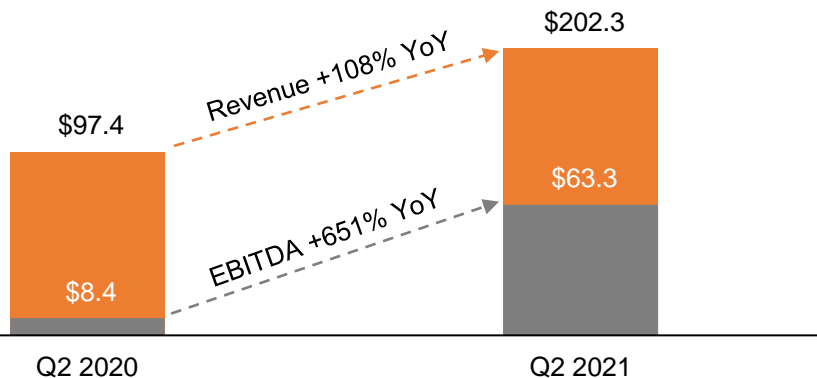
Governance: Committees and Accountability

Compensation Committee
Decide upon fair salaries and incentive programs for the company's senior executives.
Corporate Governance Committee
Assist in reviewing the performance of the board and C-suite team
Environmental, Health and Safety Committee
Reviews and manages the impact of evolving laws and regulations and its any potential impact on CLH

Value Creation Through a Diversified Portfolio

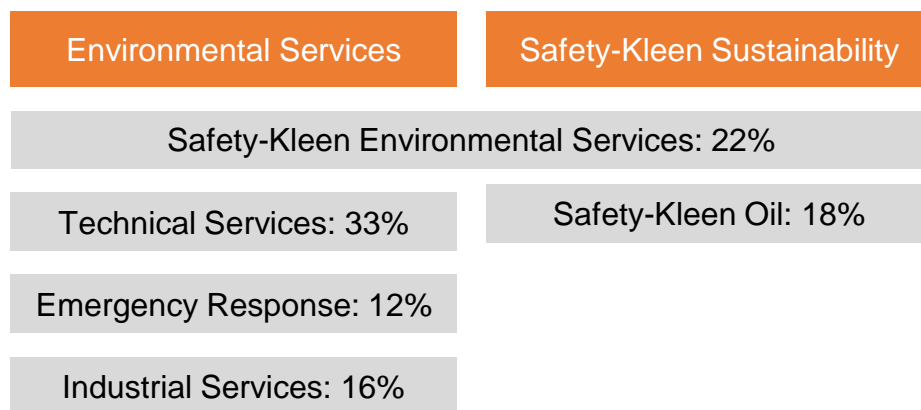
Integration of the Safety-Kleen Business Into Legacy Services Operations

Safety-Kleen Revenue Growth with EBITDA Margin Expansion



- Collection services for waste oil, used oil filters, antifreeze and related items and bulk blended oil sales operations were combined with the Safety-Kleen Oil business leading to significant revenue growth and cost savings
- Large revenue growth potential in Safety-Kleen environmental services business derived from cross-selling containerized waste, parts washer, and vacuum services with previous disposal services
- Expansion of services across existing service locations leads to further growth potential

Diversification of Business Segments and Serviced Industries

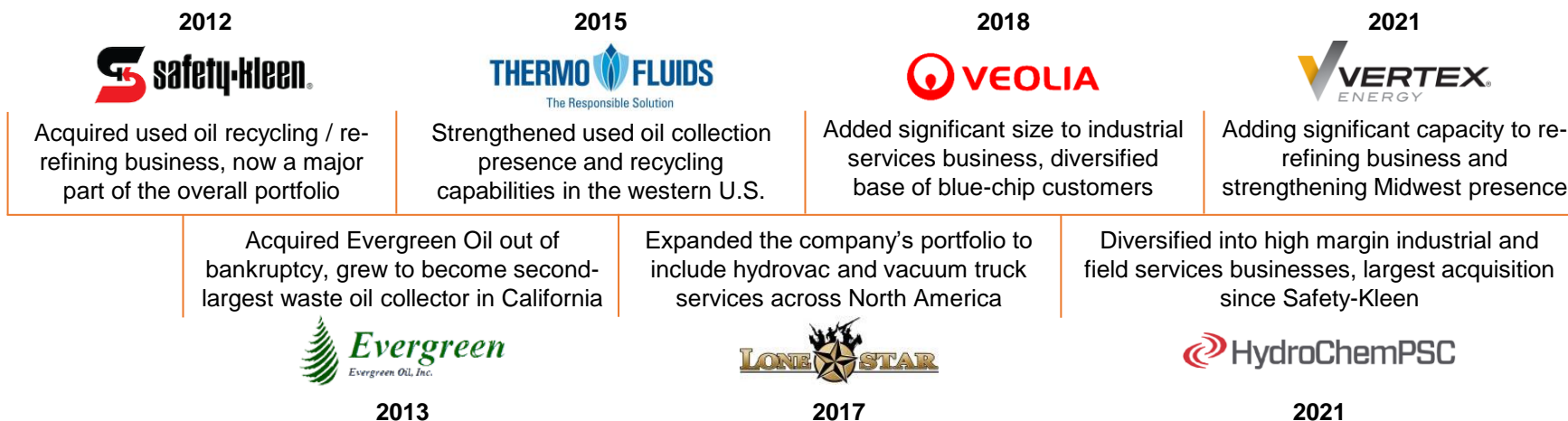


- The top three industries Clean Harbors serves include the Manufacturing (17%), Chemical (15%), and Automotive Service and Repair (9%) Industries, only composing a total of 41% of their total customer base
- The company serves majority of Fortune 500 companies as well as numerous government agencies, providing a robust revenue floor that limits downside risk
- As services expand, there is significant upselling potential to existing customers

INVESTMENT THESIS II: BUSINESS PORTFOLIO EXPANSION

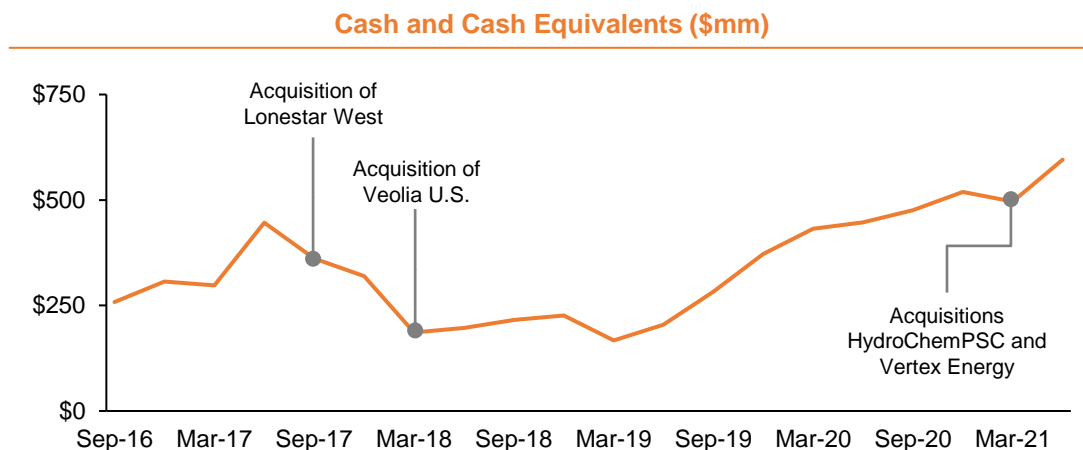
Value Creation Through Continued M&A

Track Record of Successful M&A Activity



M&A Strategy and Outlook

- Targets companies that operate in any part of their supply chain, or mature companies that complement current offerings
- Targets 8x to 10x EV/EBITDA acquisition multiple with first-year synergy capabilities
- Have historically made large acquisitions using existing cash balance and has been successful in obtaining debt financing on multiple occasions



Value Creation Through Continued M&A

Overview of Transaction – Financial and Strategic Considerations

- HydroChemPSC is a leading U.S. provider of industrial cleaning, specialty maintenance, and utilities services
- The company has over 240 service locations throughout the country, serving a broad range of end markets including refining, chemical, and utilities
- The transaction equates to a purchase multiple of 8.1x EV/EBITDA on a post-synergized basis



Hydroblasting	Reduction	Environmental	Abandonment
Chemical Clean	Vapor Control	Soft Dig	Oil Reclamation
Vacuum	Water Facility	Water Treatment	Decontamination
Excavation	Mechanicals	Asset Integrity	Remediation

HydroChemPSC Acquisition Mirrors Safety Kleen Transformative Acquisition



- Valued at \$1.25 billion all-cash transaction
- Forecasted \$744 million in Revenue and \$115M of Adjusted EBITDA in 2021
- Expected \$40M+ of cost synergies after first full year of operation
- 240+ service locations, 5,000+ employees, 5,600+ vehicles and 1,000+ customers

Gaining significant size and capabilities in IS and FS sector (higher margin services)

Leverage material synergy and efficiency opportunities in industrial services

Generate significant cross-selling capabilities through waste disposal and emergency response



- Valued at \$1.25 billion all-cash transaction
- Realized \$1.35 billion in Revenue and \$160M of Adjusted EBITDA in 2013
- Realized \$30M+ of revenue synergies after first full year of operation
- Added 200+ service locations

Broadened waste treatment capabilities to include re-refining waste oil and solvent recycling capabilities

Realized operating efficiencies by driving substantial increase in waste volumes to existing waste disposal treatment network

Leveraged combined sales forces to maximize cross-selling opportunities

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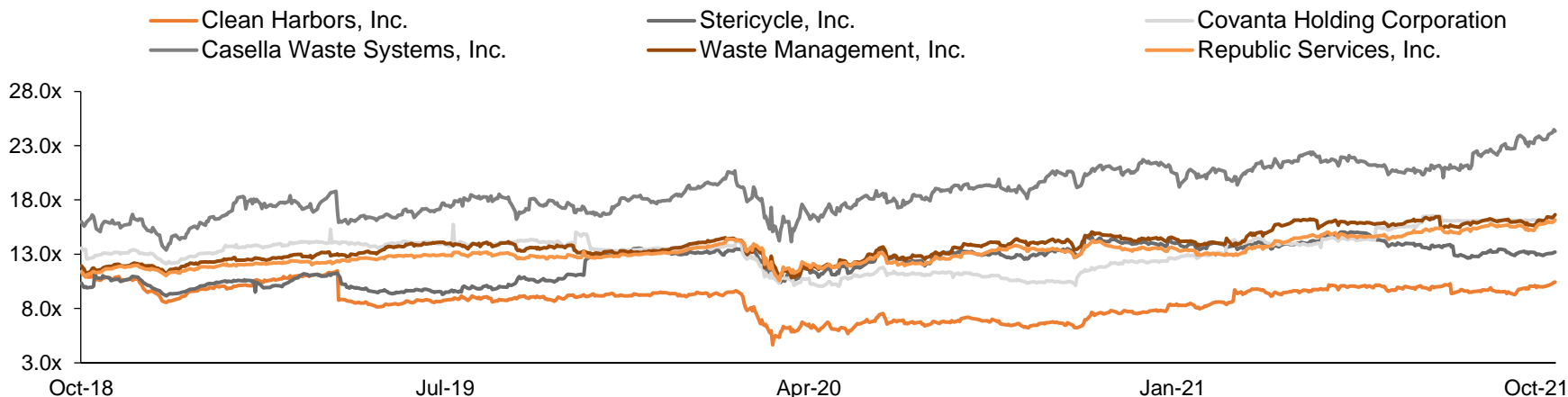
6 Recommendation

Comparables Analysis

Comparable Companies: Clean Harbors has Historically Traded at a Discount to Peers

(In USD millions)	Equity Value	Enterprise Value	P/E			EV/EBITDA			EV/EBIT			EV/Revenue			Revenue Growth		EBITDA Margin	
			2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2021E	2022E	2021E	2022E
Large Cap																		
Waste Management, Inc.	\$67,907	\$81,005	44.1x	31.8x	28.3x	18.6x	15.8x	14.9x	28.0x	24.3x	24.3x	5.3x	4.6x	4.3x	15.0%	5.2%	28.9%	29.2%
Republic Services, Inc.	\$41,291	\$50,543	41.7x	31.7x	28.8x	16.9x	15.0x	14.1x	26.9x	23.3x	23.3x	4.9x	4.5x	4.3x	8.7%	5.3%	30.3%	30.6%
Waste Connections, Inc.	\$34,226	\$38,536	-	40.8x	36.0x	23.1x	20.2x	18.5x	39.4x	34.5x	34.5x	7.0x	6.4x	5.9x	10.5%	8.0%	31.5%	31.9%
GFL Environmental Inc.	\$13,343	\$18,676	-	-	59.2x	23.3x	15.9x	13.7x	18.2x	-	-	5.4x	4.2x	3.7x	26.7%	13.8%	26.7%	27.1%
Median			42.9x	31.8x	32.4x	20.8x	15.9x	14.5x	27.4x	24.3x	24.3x	5.3x	4.6x	4.3x	12.7%	6.7%	29.6%	29.9%
Mid Cap																		
Stericycle, Inc.	\$6,359	\$8,383	-	26.5x	24.7x	17.2x	16.1x	15.0x	28.1x	25.4x	25.4x	3.1x	3.1x	3.0x	0.9%	4.1%	19.3%	19.9%
Covanta Holding Corporation	\$2,684	\$5,199	-	-	-	16.1x	10.9x	10.0x	52.0x	27.6x	27.6x	2.7x	2.6x	2.5x	6.3%	1.2%	23.4%	25.1%
Casella Waste Systems, Inc.	\$4,190	\$4,640	45.8x	-	-	29.0x	23.3x	21.1x	61.5x	53.9x	53.9x	5.9x	5.4x	5.0x	9.9%	8.8%	23.2%	23.5%
Harsco Corporation	\$1,374	\$2,794	-	18.6x	14.9x	11.2x	9.1x	7.9x	25.9x	17.4x	17.4x	1.5x	1.2x	1.2x	19.1%	5.7%	13.5%	14.8%
US Ecology, Inc.	\$987	\$1,753	-	74.2x	30.8x	11.1x	10.5x	9.1x	45.6x	25.3x	25.3x	1.9x	1.8x	1.7x	3.5%	6.0%	17.3%	18.8%
Median			45.8x	26.5x	24.7x	16.1x	10.9x	10.0x	45.6x	25.4x	25.4x	2.7x	2.6x	2.5x	6.3%	5.7%	19.3%	19.9%
Overall Median			44.3x	29.2x	28.5x	18.5x	13.4x	12.3x	36.5x	24.8x	24.8x	4.0x	3.6x	3.4x	9.5%	6.2%	24.4%	24.9%
Clean Harbors, Inc.	\$6,116	\$7,167	44.7x	32.6x	33.4x	13.9x	10.5x	9.1x	25.8x	19.4x	19.4x	2.2x	1.9x	1.6x	17.8%	20.6%	18.1%	17.3%

Historical EV/EBITDA Trading Multiples



Source(s): Capital IQ

Comparables Analysis – Cont.

Comparables Output Table: Clean Harbors Currently Trades at a Discount to Peers

Metic	Multiple			Implied Share Price			Implied Return		
	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit
P / 2020A EPS	43.5x	44.3x	45.2x	\$108.87	\$110.95	\$113.02	(2.7%)	(0.8%)	1.0%
P / 2021E EPS	20.3x	29.2x	38.1x	\$69.54	\$100.11	\$130.68	(37.8%)	(10.5%)	16.8%
P / 2022E EPS	22.2x	28.5x	34.9x	\$74.23	\$95.47	\$116.71	(33.7%)	(14.7%)	4.3%
EV / 2020A EBITDA	15.7x	18.5x	21.2x	\$128.95	\$154.93	\$180.91	15.3%	38.5%	61.7%
EV / 2021E EBITDA	11.2x	13.4x	15.5x	\$120.05	\$147.06	\$174.07	7.3%	31.4%	55.6%
EV / 2022E EBITDA	10.2x	12.3x	14.3x	\$127.89	\$157.12	\$186.35	14.3%	40.4%	66.6%

Conclusions

- Clean Harbors has historically been more aggressive with their M&A activity, especially in proportion to their company size
 - This has had a significant impact historically on their trading multiples, suppressing both multiples and margins in their path for integration
 - We believe cash flows to be a better proxy for their upside potential
- Although Clean Harbors trades at a relative discount, we believe that there is a lack of comparability with other companies, given the larger breadth of segments it operates in compared to competitors
 - We have decided to weigh our comparable company analysis at 10% because of Clean Harbor's lack of comparability to both larger and mid-sized players

Discounted Cash Flows

DCF Valuation Assumptions

- Revenue growth estimates were largely driven by segment growth rates, looking closely at total waste managed/incinerated, number of emergency cases, and synergies and revenue growth from the HydroChem and Vertex acquisitions
- Uptick in revenue in 2025 derives from construction of a new incinerator facility
- We estimated that EBITDA margins will expand to become in-line with competitors
 - Currently depressed margins derive from acquisition integration costs

WACC: **6.4%**Perp. Growth Rate: **2.0%**FDSO: **55 million**Effective Tax Rate: **25.7%**

DCF Unlevered Cash Flow Summary

(USD millions)	Forecast Period													Terminal
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Revenue	3,300	3,412	3,144	3,942	4,129	4,228	4,343	4,523	4,653	4,764	4,876	4,988	5,094	5,195
% Growth	-	3.4%	(7.9%)	25.4%	4.7%	2.4%	2.7%	4.1%	2.9%	2.4%	2.3%	2.3%	2.1%	2.0%
Adjusted EBITDA	483	525	502	631	669	693	721	760	791	819	848	878	907	925
% Margin	14.6%	15.4%	16.0%	16.0%	16.2%	16.4%	16.6%	16.8%	17.0%	17.2%	17.4%	17.6%	17.8%	17.8%
(-) Depreciation & Amortization	(299)	(301)	(293)	(358)	(359)	(353)	(347)	(345)	(339)	(330)	(321)	(311)	(302)	(255)
% of CapEx	154.5%	139.0%	149.2%	147.6%	142.3%	137.0%	131.7%	126.4%	121.1%	115.9%	110.6%	105.3%	100.5%	98.0%
Adjusted EBIT	184	224	209	273	309	341	374	415	452	489	527	567	604	670
% Margin	5.6%	6.6%	6.6%	6.9%	7.5%	8.1%	8.6%	9.2%	9.7%	10.3%	10.8%	11.4%	11.9%	12.9%
% Growth		21.7%	(6.7%)	30.7%	13.3%	10.1%	9.8%	10.8%	9.1%	8.2%	7.8%	7.4%	6.7%	10.9%
(-) Cash Taxes	(29)	(51)	(40)	(70)	(79)	(87)	(96)	(106)	(116)	(126)	(135)	(145)	(155)	(172)
Tax rate (%)	15.7%	22.5%	19.0%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%
NOPAT	155	174	169	203	230	253	278	308	336	364	392	421	449	498
(+) Depreciation & Amortization	299	301	293	358	359	353	347	345	339	330	321	311	302	255
(-) CapEx	(193)	(216)	(196)	(242)	(253)	(258)	(263)	(273)	(280)	(285)	(290)	(296)	(301)	(260)
% of Revenue	5.9%	6.3%	6.2%	6.1%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%	6.0%	5.9%	5.9%	5.0%
(-) Change in Net Working Capital	-	(33)	(74)	(80)	(17)	(8)	(8)	(10)	(6)	(4)	(3)	(2)	(1)	(1)
% of Change in Revenue		29.2%	(27.8%)	10.0%	8.9%	7.9%	6.8%	5.8%	4.7%	3.7%	2.6%	1.6%	0.6%	0.5%
Unlevered Free Cash Flows	261	225	191	238	320	341	354	370	389	405	420	435	450	492

Source(s): Capital IQ, Company filings, Equity research

Discounted Cash Flows – Cont.

Valuation Summary

Cumulative PV of Free Cash Flow	2,635
<i>% of Enterprise Value</i>	28.9%
Terminal Value	
Terminal Year EBITDA	925
Terminal Year UFCF	492
Perpetuity Growth Rate	2.0%
Terminal Value	11,138
Terminal Value for EBITDA Multiple	11,490
Implied EV / EBITDA Multiple	12.4x
Implied EV / UFCF Multiple	23.3x
PV of Terminal Value	6,483
<i>% of Enterprise Value</i>	71.1%
Enterprise Value	9,118
(-) Short Term Debt	(69)
(-) Long Term Debt	(1,649)
(-) Minority Interest	-
(+) Cash	666
(+) Investments in Associates	-
Equity Value	8,067
Basic Shares	55.479
(+) Diluted Securities	0.2
Fully Diluted Shares Outstanding	56
Implied Share Price	\$144.84
Current Share Price	\$112.11
Premium to Current Share Price	29.2%

Discount Rate Analysis

WACC	
10-Year American Treasury	1.6%
Market Risk Premium	4.7%
Beta	1.70
Cost of Equity	9.6%
Cost of Debt	3.7%
Tax Rate	25.7%
After-Tax Cost of Debt	2.7%
Target Debt/Capitalization	53.6%
Size Premium	0.5%
WACC	6.4%

Debt Tranches		
	Face Value	Effective Interest Rate
<i>(USD millions)</i>		
Operating Lease Liabilities	137	4.89%
Secured Senior Term Loans	723	1.90%
Unsecured Senior Notes, Due July 15, 2027	545	4.88%
Unsecured Senior Notes, Due July 15, 2029	300	5.13%
Weighted Average		3.66%

Valuation Takeaways

- The DCF analysis yields an implied price of \$144.84 (+29.2%)
- The base case uses a 6.4% WACC with a 2.0% perpetuity growth — we included a 0.5% premium to account for extra risk as a smaller player in waste

Discounted Cash Flows – Cont.

Sensitivity Analysis

		Equity Value Per Share				
		Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	5.4%	\$155.69	\$172.32	\$193.80	\$222.64	\$263.39
	5.9%	\$137.39	\$150.16	\$166.19	\$186.90	\$214.70
	6.4%	\$122.49	\$132.53	\$144.84	\$160.29	\$180.26
	6.9%	\$110.13	\$118.17	\$127.86	\$139.73	\$154.63
	7.4%	\$99.71	\$106.26	\$114.02	\$123.36	\$134.82

		Implied Return				
		Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	5.4%	38.9%	53.7%	72.9%	98.6%	134.9%
	5.9%	22.5%	33.9%	48.2%	66.7%	91.5%
	6.4%	9.3%	18.2%	29.2%	43.0%	60.8%
	6.9%	(1.8%)	5.4%	14.0%	24.6%	37.9%
	7.4%	(11.1%)	(5.2%)	1.7%	10.0%	20.3%

		Equity Value Per Share				
		Revenue Growth Sensitivity				
		(1.0%)	(0.5%)	0.0%	0.5%	1.0%
Margin Sensitivity	(2.0%)	\$106.48	\$112.15	\$118.08	\$124.27	\$130.75
	(1.0%)	\$118.73	\$124.95	\$131.46	\$138.26	\$145.38
	0.0%	\$130.98	\$137.75	\$144.84	\$152.25	\$160.00
	1.0%	\$143.22	\$150.56	\$158.22	\$166.24	\$174.62
	2.0%	\$155.47	\$163.36	\$171.61	\$180.23	\$189.24

		Implied Return				
		Revenue Growth Sensitivity				
		(1.0%)	(0.5%)	0.0%	0.5%	1.0%
Margin Sensitivity	(2.0%)	(5.0%)	0.0%	5.3%	10.9%	16.6%
	(1.0%)	5.9%	11.5%	17.3%	23.3%	29.7%
	0.0%	16.8%	22.9%	29.2%	35.8%	42.7%
	1.0%	27.8%	34.3%	41.1%	48.3%	55.8%
	2.0%	38.7%	45.7%	53.1%	60.8%	68.8%

Agenda



1 Company Overview

2 Industry Outlook

3 Investment Thesis

4 Valuation

5 Catalysts and Risks

6 Recommendation

Long-Term Tailwinds With Limited Risks

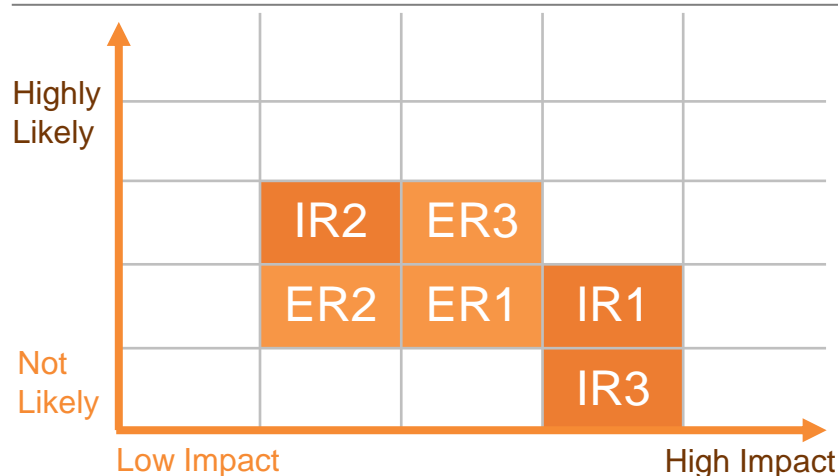
Near-Term Catalysts

- **New customer relationships** – COVID-19 has led to an increase in interest in hazardous waste disposal, leading to 18,000 responses and opening doors to new customer relationships
- **Acquisition of assets from Vertex Energy** – expected to close in late 2021 and will add 90mm gallons of production capacity and cross-selling opportunities

Long-Term Catalysts

- **Incineration network expansion** – new plant will be operational in late 2024 and add long-term capacity to the Kimball plant (\$180mm project)
- **Demand for environmentally friendly products** – interest in “green” solutions will benefit Safety Kleen segment as CLH’s overall ESG ratings improve

Risks



External Risks

- Increase in environmental regulations (ER1)
- Quickly changing technology environment (ER2)
- Loss of business from cyclical chemical customers (ER3)

Internal Risks

- Unsuccessful integration with HydroChemPSC (IR1)
- Shrinking margins due to competition (IR2)
- Increase in environmental liabilities (IR3)

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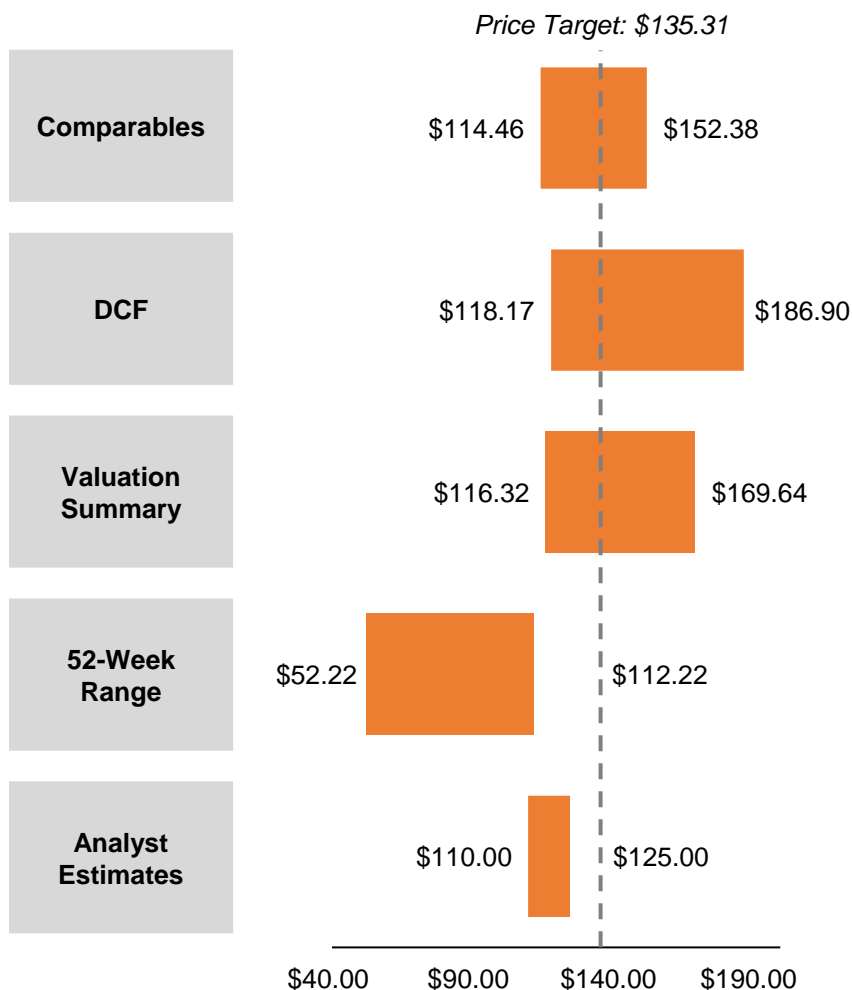
5 Catalysts and Risks

6 Recommendation

RECOMMENDATION

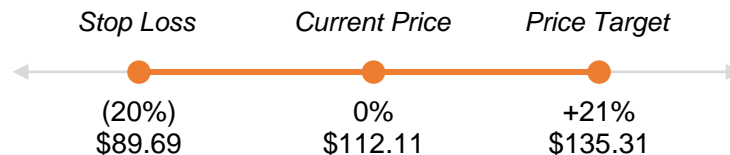
Buy With a Price Target of ~\$135.31 (+21%)

Indicative Valuation Range



Price Target

Valuation Summary		
Analysis	Price	Weight
Comparables	\$128.56	10%
Discounted CF	\$144.84	60%
Street Consensus	\$118.50	30%
Average	\$135.31	100%



Selected Broker Summary

