



Project Clean Up – Environmental Services Business

Teaser

Investment Highlights

TEASER

The Opportunity: Our client is a leading national provider of environmental emergency response and remediation services to both governmental and private sector customers. R.L. Hulett has been retained as exclusive financial advisor to explore strategic alternatives for the business, including a potential sale. Ownership is seeking a buyer who recognizes the value of the business and who is interested in continuing to build on the platform developed over many years.

Key Investment Highlights

Contractual-based, re-occurring revenue stream: Numerous multi-year contracts with federal and commercial customers and decades of experience offer potential buyers sustainable cash flows coupled with visibility into future revenues and earnings.

Exceptional Free Cash Flows and Sustained Profitability: The Company has a long history of delivering strong free cash flow to shareholders with its recurring emergency response revenue model. From the covid trough in 2020, revenue has nearly doubled in the TTM period ended June 2023 to \$201.5MM and adjusted EBITDA has increased from \$5.4MM (5.3% margin) in 2020 to \$31.1MM (15.4% margin) in TTM June 2023.

Diversified, Balanced Contract Base: In 2022, the Company held numerous federal and state government contracts with no one contract representing greater than 25% of the overall revenue.

Deep management team expertise: The Company's deep and experienced management team at both the executive and project levels averages 20 years industry and project completion experience.

(in millions \$'s)

	Years ended December 31,					TTM	FY
	2018A	2019A	2020A	2021A	2022A	June 2023	2023P
Revenue	\$ 125.0	\$ 113.0	\$ 102.8	\$ 112.1	\$ 153.6	\$ 201.5	\$ 202.1
Cost of Goods Sold	109.0	99.5	88.5	97.2	130.6	159.4	158.7
Gross profit	16.0	13.5	14.3	14.9	23.0	42.1	43.5
<i>Gross Profit Margin</i>	<i>12.8%</i>	<i>12.0%</i>	<i>13.9%</i>	<i>13.3%</i>	<i>15.0%</i>	<i>20.9%</i>	<i>21.5%</i>
SG&A Expense	9.7	9.5	10.4	11.6	10.3	11.0	13.2
Operating Profit	6.3	4.1	3.9	3.4	12.7	31.0	30.3
Other Inc. (Exp.)	(0.3)	(0.3)	(0.2)	(0.2)	(1.9)	(2.0)	0.3
Pre-tax income	6.0	3.8	3.7	3.1	10.8	29.0	30.6
Income Tax	-	-	-	-	-	0.1	0.2
Net Income	6.0	3.8	3.7	3.1	10.8	28.9	30.4
Add back:							
Interest (Inc.) Exp.	0.3	0.3	0.2	0.2	0.3	0.4	0.3
Income Taxes	-	-	-	-	-	0.1	0.2
Depreciation	1.4	1.5	1.5	1.5	1.6	1.6	0.8
EBITDA, as adjusted	\$ 7.7	\$ 5.6	\$ 5.4	\$ 4.9	\$ 12.7	\$ 31.1	\$ 31.6
<i>EBITDA Margin</i>	<i>6.1%</i>	<i>4.9%</i>	<i>5.3%</i>	<i>4.3%</i>	<i>8.2%</i>	<i>15.4%</i>	<i>15.6%</i>

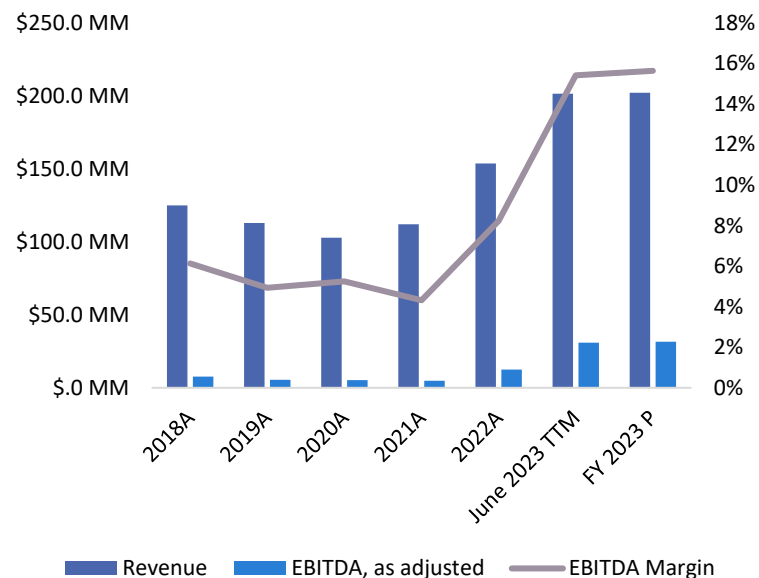
Key Investment Highlights

Strong Positioning in Federal Markets: With 26 years of experience in the federal market, the Company is well positioned to continue to dominate the USEPA response and remediation market while continuing to target further growth of the USEPA and USACE remediation markets, along with the associated US Air Force and US Navy’s environmental programs.

Organic Growth in Commercial Markets: The Company is pursuing significant growth opportunities within the special projects fixed price market. These projects are seen as higher risk and as a result the Company has deliberately focused on organic growth through the development of their key employees, and by hiring experienced estimators and project managers, a rare commodity. The special project group continues to focus on the government site specific opportunities as well as pursuing the remediation project market with large A&E firms.

Well-Positioned for Episodic Events: The Company’s business model is focused on establishing routine annual profitability through established multi year contracts while positioning and obtaining an ever-widening market share of hazardous waste site remediation and episodic emergency response work in support of oil spills, hurricanes, floods and other disasters, both naturally occurring, and man made. The Company’s Commercial Emergency Response Program, consisting of 24 offices nationwide, is augmented by a National Response Network of nearly 300 other contractors who respond to 300 spills per year, which positions the Company to quickly respond to large episodic events.

Revenue and EBITDA History



Key Investment Highlights

Robust Infrastructure: Recognizing the significant market opportunity created by emerging demand for environmental and remediation services, the Company's management has made significant infrastructure investments ranging from continued investment in their project management through structured annual project management training events to investments in software and efficient systems.

Attractive, High Barriers-to-Entry: For both government and commercial response and remediation work, the qualification requirements are increasingly rigorous. The technical complexity, sensitivity of the work performed, and required client relationships in this dynamic, high-growth industry creates numerous barriers-to-entry. The most significant barriers include: (i) a required and demonstrable history in the market (ii) professional certifications and licenses; (iii) senior program and project management 'key personnel' who possess the requisite expertise, client relationships and experience; and (iv) requisite previous capital investment in needed equipment, geographic footprint and technology infrastructure and (v) for commercial work, a nationwide labor force made up of both internal response staff across 24 offices, backed by a significant subcontractor network allowing reliable response while meeting stringent response time requirements regardless of location.

Strategic alliances and joint ventures: Strategic relationships with other specialized contractors enable the Company to bid on larger, more complex projects and increase win rate probabilities.

Revenue by Activity

