

INDUSTRIALS

Waste Management to buy Advanced Disposal for about \$3 billion in cash

PUBLISHED MON, APR 15 2019•6:02 AM EDT | UPDATED MON, APR 15 2019•8:38 AM EDT

REUTERS

SHARE [f](#) [t](#) [in](#) [✉](#)



Market Shares (2019)

Rank	Firm	Revenue (\$ millions)	Share (%)
1	Waste Management	15,455	46.1
2	Republic Services	10,299	30.1
3	Waste Connections	5,388	16.1
4	Advanced Disposal	1,623	4.8
5	Casella Waste	743	2.2
Total		33,508	100

Table: Operating revenues in North America as reported by Statista for 2019. Smaller competitors are excluded from these calculations.

Waste Management (WM) Facilities

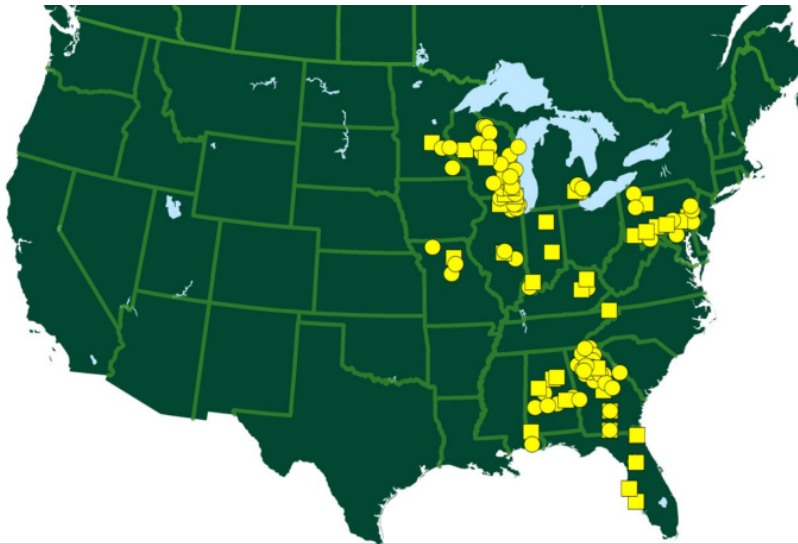
WM LOCATIONS ACROSS NORTH AMERICA



Legend

- Landfill
- Transfer
- MRF
- Hauling

Advanced Disposal (ADS) Facilities



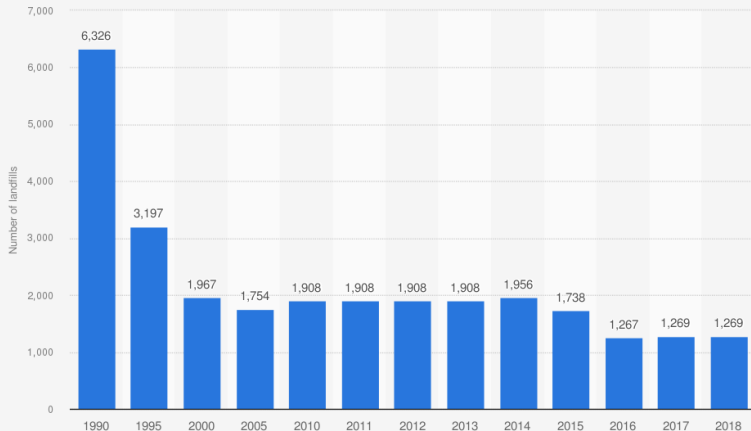
Deal Rationale

Why does WM want to buy ADS?

- ▶ Expects “more than \$100M in potential annual cost and capital expenditure synergies” (i.e., lower **fixed costs**!)
- ▶ Capture **economies of scale** by serving more customers
- ▶ Acquire **market power** by reducing competition

Antitrust concern: control over indispensable inputs

Number of municipal waste landfills in the U.S. from 1990 to 2018



Source

Environmental Protection Agency
© Statista 2022

Additional Information:

United States; Environmental Protection Agency; 1990 to 2018

Antitrust concern: economies of scale

Once WM routes a garbage truck down the street, it doesn't cost very much to stop at one more house.



In other words, adding another customer to the route **lowers** the **average cost**!

Antitrust solution: divestitures (aka, the DOJ strikes back)

WM must sell some of their assets to a 3rd party (GFL Environmental)

- ▶ 15 landfills
- ▶ 37 transfer stations
- ▶ 29 hauling locations
- ▶ over 200 waste collection routes

This will “ensure that businesses, municipalities, and towns continue to benefit from **competition** for these critical services.”