



Rating  
**Buy**

North America  
United States

Industrials  
Environmental Services

Company  
**Advanced Disposal**

Reuters  
ADSW.N

Bloomberg  
ADSW US

Exchange  
NYS

Ticker  
ADSW

Date  
1 August 2018

Results

Price at 31 Jul 2018 (USD)	24.60
Price Target	26.00
52-week range	25.55 - 21.62

## Q2'18 First Read

**Relatively neutral result with Q2 in-line and full year 2018 guidance maintained**  
Advanced Disposal's (ADSW) Q2 2018 result was relatively as expected with adjusted EBITDA of \$112M in-line with consensus and compared to DBE of \$112.6M. EBITDA margins declined 53 bps y/y likely driven by recycling headwinds and higher fuel costs. Adjusted EPS of \$0.19 compared to consensus and DBE of \$0.18, but the delta was likely driven by other income. Adjusted FCF for the quarter was \$32M, which was slightly higher than DBE at \$27M. The company reported higher average yield than expected, while organic volumes were roughly in-line. Management maintained its full year 2018 guidance. Overall, we view it as a relatively neutral result with expectations going into the quarter likely on the higher end given positive solid waste results from peers last week.

Call tomorrow (8/2) at 10:00am ET // Dial-in: 866.478.7805 // ID: 7172495

### Three key points

**\* Average yield above our estimates, while organic volumes roughly in-line.**

ADSW reported average yield of 3.2%, which was above DBE of 2.2%. The company was initially pointing to 2.1 - 2.8% average yield for 2018, but we now see upside to this target based on our expectations that the second half of the year was to be above the first half given timing of CPI resets and price realization. Organic volumes for the quarter were up 1.2%, which compared to DBE of 1.5%. Recycling was down 1.2% (vs. DBE down 1.0%) and fuel fee revenue was up 0.9% (vs. DBE up 0.5%). The company noted that the sale of recyclables and net fuel costs was a \$4.9M headwind to EBITDA in the quarter. Acquisitions provided a 2.6% benefit (vs. DBE of 1.2%), while divestitures was a 0.5% headwind (in-line with DBE).

**\* Only one minor acquisition this quarter; 2018 guidance maintained.**

ADSW had only one tuck-in acquisition this quarter for ~\$1.4M, which brings its year-to-date total to six for ~\$6M. Management has pointed to an annual target of \$30 - \$50M in annual acquisition spend, but it is clearly lagging this target. That said, management has also continually noted that the M&A pipeline remains healthy and is weighted towards tuck-ins to provide route density. ADSW reaffirmed all of its 2018 guidance with revenue of \$1,520 - \$1,540M, adjusted EBITDA of \$426 - \$436M and adjusted FCF of \$134 - \$144M.

**\* Focus for the call.** The biggest focus for the call will be on drivers of organic volume growth and average yield, along with expectations for the second half. While recycling exposure is only ~2% of revenue for ADSW, we expect this to be

### Valuation & Risks

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### Price/price relative



Performance (%)	1m	3m	12m
Absolute	-0.7	11.6	1.7
S&P 500 INDEX	3.6	6.4	14.0

Source: Deutsche Bank

### Stock option liquidity data

Market Cap (USD)	2,177.5
Shares outstanding (m)	88.5
Free float (%)	100
Volume (31 Jul 2018)	95,717
Option volume (und. shrs., 1M avg.)	-

Source: Deutsche Bank



a large focus as well given headwinds in the industry from China's policy towards waste imports. Other questions include (1) EBITDA margin drivers y/y, (2) M&A pipeline and thoughts, (3) labor inflation trends and (4) special waste outlook (note tough special waste volume comps y/y in the second half).



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Advanced Disposal	ADSW.N	24.48 (USD) 1 Aug 2018	2, 7

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## Historical recommendations and target price. Advanced Disposal (ADSW.N)

(as of 07/31/2018)



### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

- |               |   |               |   |
|---------------|---|---------------|---|
| 1. 10/31/2016 | Buy, Target Price Change USD 23.00 Debbie Jones | 3. 08/04/2017 | Buy, Target Price Change USD 26.00 Debbie Jones |
| 2. 02/28/2017 | Buy, Target Price Change USD 25.00 Debbie Jones |               |   |

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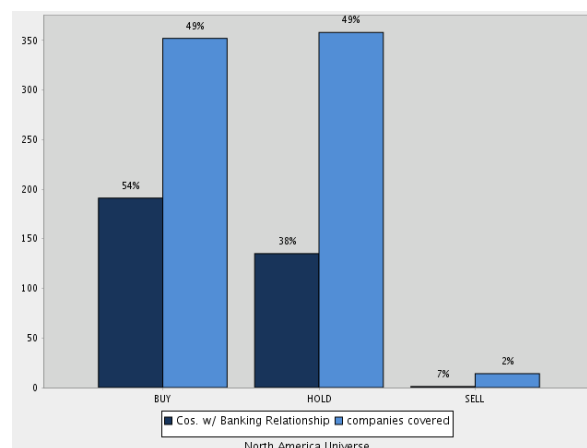
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