

WASTE NOT, WANT NOT!

Deal snapshot

- Sydney-based Worth Corporation, the parent company of Worth Recycling Pty Ltd, has been sold to ASX-listed Tox Free Solutions Ltd (Toxfree) for US\$53 million, based on enterprise value.
- Worth Recycling operates in the industrial waste, soil remediation and industrial service markets. The company collects, transports, processes and recycles liquids, sludge and contaminated soil. It also provides confined space services, industrial cleaning and non-destructive digging. The company was established in 1976 as a three-truck business moving industrial waste for a handful of commercial businesses in and around Sydney. It grew into handling oily waters and opened new depots, operating a large fleet of tankers and trucks, with over 130 employees.
- Toxfree is an integrated waste management group, capitalized at US\$327 million. The group has experienced substantial growth through acquisitions, new greenfield developments and the organic growth of existing businesses. Toxfree employs over 1,100 people and provides services from over 57 locations all over Australia. This acquisition fits neatly into the Toxfree portfolio of industrial waste businesses due to geography, as Worth provides services in New South Wales, a region not well serviced by Toxfree. The deal also adds new product expertise to Toxfree, as Worth has specialist service expertise in liquid waste.



What our client said

David Dunworth, Executive Chairman and majority shareholder, Worth Corporation, Australia

"It has been an invigorating but nerve-wracking ride over the past three months. I am so excited about the wonderful outcome. Thankfully, Oaklins' team in Australia was great and provided excellent support and guidance throughout the process!"

Our role in the transaction

- Oaklins' Australian team acted as advisor to Worth Corporation in this transaction. In 2013, preceding a formal advisory engagement, the team responded to a request from the owners about sale prospects. Corporate advisory assistance was provided on an ad-hoc basis. By 2015, the business had restructured sufficiently to be an attractive target.



- During this period, the main industry competitor, Toxfree, had confirmed an interest, and by late 2015 a negotiated sale price was agreed and a divestment timeframe established.
- The Australian specialist team assisted with the due diligence, financial and corporate advisory matters, and negotiations over an extremely compressed sale period of three months, with a final sale outcome ahead of the vendors' expectations.

Market trends and deal drivers

- Industrial waste is considered an old-fashioned industry lacking glamour and fancy technology, with trucks and recycling plants as its principal assets. It is, however, an important service required by a broad range of industrial customers.
- The service is licensed and must adhere to the increasing demands of environmental protection agencies and government regulations relating to manufacturers, metal works, telecom providers and water authorities, to name just a few.

M&A valuation aspects

The buyer's interest in Worth included a sound strategic element, but as the buyer was a listed company which needed to raise equity to partly fund the acquisition, the price had to be entirely justifiable to equity investors in what proved to be a volatile market. The agreed enterprise value of US\$53 million reflected a multiple of 5.4 times pro forma current EBITDA.

Oaklins industry experts



✉ **Peter Fraser**, Director, Oaklins, Australia

Peter's expertise in waste management services can be traced back to the 1990s when the large US group Waste Management, Inc. was scouting for acquisitions in Australia and New Zealand, and sought assistance from Oaklins in Australia.



✉ **Stephen Chapman**, Managing Director, Oaklins, Australia

Stephen has a background in corporate advisory of over 30 years. His advisory, capital raising and M&A expertise covers many sectors, including industrials, technology, resources and agriculture.

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