

WASTE MANAGEMENT INDUSTRY POSTS BIG GROWTH IN 2022

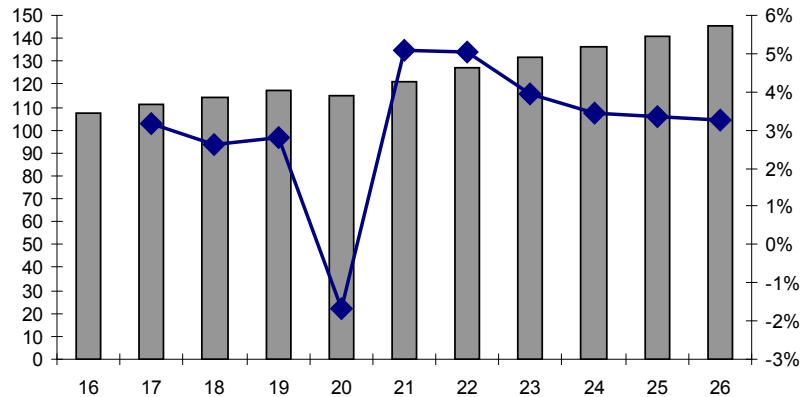
Investment and M&A activity reflect changing dynamics of segments facing challenges and transition

The waste management industry, like the environmental industry and much of the U.S. economy, has faced a whole series of new challenges since 2020. But 2022 looks to be a record year in terms of revenue growth, volumes and price increases and even business prospects for the future.

Inflation, increasing fuel and labor costs, the deglobalization of the global economy, supply chain challenges, labor shortages and other factors have conspired to challenge waste industry executives, their owners and strategic partners. But somewhat surprisingly and alarmingly for policymakers, Americans continue to generate steadily growing streams of municipal solid, commercial and industrial waste. Waste minimization was a noble sentiment 20 years ago. Zero waste objectives plastered all over corporate and government mission statements are also a noble cause, but they have hardly put a dent in the numbers.

Meanwhile the waste industry keeps up with the flow, continuing to collect, process, recycle and dispose of a multitude of wastestreams in a multitude of manners. Meanwhile selected wastestreams—plastics, food and electronic waste come to mind—remain underserved from a public policy standpoint, and an opportunity for the waste industry in the short term. At the same time almost entirely new categories, and distinct high-volume, potentially high-value wastestreams, in electric vehicle batteries, solar panels and other past and future elements of the energy transition promise to be challenge and long-term

Growth of the Waste Management Industry, 2016-2026



Source: Environmental Business International, Inc. Annual research on the environmental industry by EBI and EBJ derived from surveys, interviews and compilations of secondary data and published company data.

Inside EBJ: The Waste Management Industry

The **Waste Management Industry** accounted for \$121 billion in revenues in 2021 and high growth in 2022. Strategies vary across segments as leaders and financiers invest in consolidation, adjacent markets, technology and clean energy 1-15

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I had almost 600 people in the UK. They've joined WSP in the UK, accounting for our folks in Central Europe and in the Middle East, and then we had about 1,800 folks in Canada who have joined WSP in Canada. So we took the E&I business, which was run as a completely separate entity in Wood, and separated it out geographically to match WSP's organizational structure. My responsibilities lie within the U.S. business. My wife says I should be able to do this job because the old one involved 24 hour time zones and 12,000 people compared to the new job with three time zones and half the people!

EBJ: What other major issues does WSP and the industry face?

Sczurko: I was glad we touched on the energy paradigm of vulnerability to security to transition and how this continuum is going to affect all industries. The human capital piece and construction materials are going to become bigger issues. What is the carbon in the steel? What is the carbon in the concrete? We're going to need professionals that understand full life cycle design. So I'm still very bullish and ambitious about this being a great industry over the next 10 to 20 years, regardless of who's in what office and regardless of economic swings. A recession? This is such a great industry, and it has so much momentum, we are in an appropriate place on the agenda. The environmental industry doesn't need to be number one on the political and social agenda, it just needs to be among those at the top like crime, financial security and inflation. I'm pretty convinced we will be high on the agenda, as it has throughout my career. Being in the environmental industry is a great profession to be in. ■

If you view energy through this lens of vulnerability, security and transition, you get a much more robust view of the global energy picture and how it's going to affect our opportunities.

GAI CONSULTANTS COMPLETES OWNERSHIP TRANSITION AND PARTNERSHIP WITH COMVEST PARTNERS

Q&A with Chair & CEO Gary DeJidas on his 50th year with the company

Founded in 1958, **GAI Consultants Inc.** (Pittsburgh, Pa.) is a national engineering, planning, and environmental consulting firm that serves energy, transportation, development, government, and industrial clients. GAI serves global companies, local firms, and large government agencies, offering a unique blend of professional consulting disciplines and local experts from 24 locations across the Mid-Atlantic, Midwest, Southeast, and Texas. GAI ranked #156 on EBJ's list of top 600 environmental C&E firms in the U.S. with \$32 million in 2021 C&E revenues out of total gross of \$130 million.

GAI Chairman and CEO Gary M. DeJidas, PE, MBA, F. GBA, began his career with GAI as a civil engineer in the Pittsburgh office in 1972. In 1982, Gary opened GAI's first branch office in Orlando, Fla. With Gary as President, the subsidiary, GAI Southeast, Inc., grew to more than 100 professionals in Orlando and Jacksonville. When GAI consolidated its operating companies in 2003, Gary was elected Chairman of the company Board of Directors and President/CEO of the newly formed GAI Consultants, Inc. Under his leadership, GAI has experienced exciting growth, geographic expansion, and fiscal success. In 2017, consistent with GAI's succession planning strategy, Gary transitioned from President and CEO to Chairman and CEO. Following Comvest's recent strategic investment in GAI, Gary will continue to lead the company alongside GAI's existing leadership team. Gary has served as Chairperson/Director of the Terra Insurance Group – an insurance provider to the Architecture and Engineering industry – was a member of the SunTrust Bank Advisory Board, and a Trustee to Point Park University, his alma mater.

EBJ: First, congratulations on your 50-year anniversary at GAI. Was GAI your first job, and can you remember your first day?

Gary DeJidas: GAI was my first job after graduating from Point Park University. Do I remember my first day? Of course. They showed me where the coffee pot was, where the bathroom was, and said, "Get to work." The culture remains similar, but our onboarding process has sure changed! It's quite a milestone to be with one company that long; it's been great. It's a great company and I've had a lot of opportunities over the years, so I'm very thankful that it's worked out for me and I wouldn't change a thing.

EBJ: No headhunters or recruiters lurking you to warmer climes?

DeJidas: Well, I live in Orlando, Florida, so it can't get much warmer than that. I've been tempted to move elsewhere from time to time over the years, but to be honest with you at GAI I've always been chal-

lenged. I like the competitiveness of the consulting business, trying to win projects and working with people day in and day out.

When I started in 1972 right out of school we had about 70 employees. The company started in 1958 as a geotechnical firm, and over the years the company diversified into other areas: environmental, power, transportation in a lot of different areas with a lot of different considerations, so there was always something new to be challenged with in a project sense.

I specialized in two areas: urban renewal and land development. But really my big opportunity with GAI came in 1982, 10 years after I started, which was an opportunity to move my family from Pittsburgh to Orlando to start our first office outside of western Pennsylvania. I spent the next 20 years growing our Florida offices and growing our staff in Orlando, Jacksonville, Tampa, and Palm Beach Gardens.

I was challenged by that opportunity, even though at the time it was pretty scary. I was a young man starting an office and had never really done anything like that. When I look back on it, it really put me on the path to becoming the President and CEO of GAI in 2003.

EBJ: Was there a project or a client that precipitated setting up the Florida office, or was it a strategic decision?

DeJidas: That's a very good question. What happened was we were looking in the Southeast, mainly in Florida because it was growing. We were looking in the Southwest, which was the Houston, Texas area, because we did a lot of work with oil and gas, and then we were looking in the Northwest in the Denver area, because that was another growing area back in the 80s.

We had a relationship with an established Florida company that wanted to partner with us in developing an office in Orlando, and that turned the tide towards Florida. I had to come home and bring it up to my wife that I had put my name in to relocate, and she almost panicked.

We were both Pittsburgh born and bred. We had two young children at the time. My son and daughter were three and four years old. It was an interesting time for me – I got absorbed in trying to grow the business, but my wife didn't know the area. She had to make new friends, having the kids in school. There was a lot of pressure on her to adjust, whereas I could just jump into the business.

EBJ: But you probably still bleed Pittsburgh Steeler black and gold right?

DeJidas: Absolutely. This looks like it's a rebuilding year for the team, so I'm not going to get too excited, but every year is different, right? A funny part of that story, too, is when I took over as President and CEO of GAI in 2003, everybody wanted me to come back to Pittsburgh, and when I told my wife about it, her answer was, "Well, you're going to do that on your own, because I'm staying here." So yes, this is home to us, my whole family is here, so we're good.

EBJ: Tell us about your academic back-

ground and personal interests.

DeJidas: I always liked designing things, and I was just a curious guy. How do you build things? How do you get utilities in the ground? Why are we so worried about the environment? I'm more of a civil engineer than an environmental engineer. In Pennsylvania we had a lot of work with the steel industry and its environmental issues and it grew from there.

EBJ: Let's fast forward to how you came to do this deal. What historically has been your strategic planning process, and how did you end up seeking a financial partner?

DeJidas: Backing up a little, when I took over in 2003, GAI's Florida operations had had grown to about 40 percent of the business. So, I was a logical choice at that time to take over as CEO and president. But one of the problems we had was that many of the founding principals were at the tail end of their careers and were not really interested in growing. We had grown to about 300 people in 2003, but we had plateaued, and most of management was just trying to protect what they had.

So, my strategic vision was to reignite the company to get it going again, and I knew that I had to move the company forward in different ways. We had become very fragmented. We had seven offices and each one was like a kingdom unto itself. So, I had to get everybody back together into one company and recharge that one-company spirit.

Then we took a very aggressive M&A approach. We did about 12 or 14 M&A transactions over a period of time from 2007-2012. It was a good time for us. The economy was down and the Great Recession was on, but we were financially very strong, so we were able to bring in a lot of really high-quality companies that were struggling just to keep their heads above water.

We realized that if we wanted to continue to grow we would have to bring on a partner.

EBJ: What size were the acquisitions in this period?

DeJidas: They ranged from 5 to 10 people, with the largest being 60 to 75 people. And we used cash or stock. We were as creative as we could be. We did everything we could to make it work over time.

EBJ: What about GAI's retiring principals? Did you start ownership transition when you took over in 2003?

DeJidas: What we wound up doing was forming an Employee Stock Ownership Program (ESOP) back in 1995. By the time I took over in 2003 we had acquired all the founding principals' stock. It was a good thing because, with the ESOP, we were spreading ownership to a much larger group of employees, so that worked out well for us. Then there were the acquisitions where we tried to diversify as much as we could in services, geographic regions and client types. From 2003 to where we peaked in 2019, we tripled our size from 300 to 900 employees.

Then challenges associated with the COVID-19 pandemic, and its impact on project work, called for us to refocus and adjust — and overall, I believe it worked out well for GAI as a company.

But to your larger question on strategy, we looked at different options. We looked at going to 100% ESOP. We looked at different types of mergers. After going through a number of acquisition opportunities in which we couldn't compete because of the financial strength of rival acquirers, we realized that if we wanted to continue to grow we would have to bring on a partner. And that led us to this private equity deal.

EBJ: What projects were most affected by the pandemic and post-pandemic readjustment?

DeJidas: Most of our transportation work and local government work was pretty resilient. A lot of our big pipeline projects were shut down. Some canceled. We perform environmental work, wetlands delineation, and cultural resource services on these projects. We also took some hits in land development, but the big pipeline

Comvest Makes Strategic Investment In GAI

In October 2022, **Comvest Partners**, an operationally focused middle-market private investment firm, announced a strategic private equity investment in **GAI Consultants Inc.** (Pittsburgh, Pa.) in partnership with GAI's leadership team and existing employee-owners. Financial terms were not disclosed. GAI, which was previously majority owned by an ESOP, was recapitalized and will serve as Comvest's platform investment in the AEC industry. Management believes the new capital structure will enable GAI to better capture significant opportunities for both organic and acquisitive strategic growth.

GAI Chairman and CEO Gary M. DeJidas, who will continue to lead the Company alongside GAI's existing leadership team, said, "This transaction marks an important milestone in GAI's history. Our leadership team has been focused on enhancing the company's long-term success, which is why we are excited to partner with Comvest to positively impact GAI's growth. Our partnership will help extend GAI's legacy as a platform company and create additional value for all of our stakeholders. We look forward to working together to increase GAI's presence nationwide through strategic acquisitions, operational innovation, and leadership development."

GAI has won more than 70 Engineering Excellence Awards and has been annually ranked by *Engineering News-Record* as one of the Top 200 Environmental Firms since 2008 and as one of the Top 500 Design Firms since 2006. AEC Advisors acted as financial advisor to GAI.

projects are what hurt us the most. That's probably where we took the biggest hit.

EBJ: Was it the price of oil and gas as commodities that affected the economic impact of those midstream oil & gas companies? Or was it down to the pandemic and restrictions on people movements that put projects on hold?

DeJidas: It was a combination. But we're at the end of the string. We just take orders and try to keep our head above water, as I like to say.

EBJ: When you entered the process of finding a financial partner, how many of GAI's 700 employees were shareholders or part of the ESOP?

DeJidas: Everybody in the company is in the ESOP. Once you vested, you're in. Probably 1,400 people are in it, including many former employees. We certainly have to be transparent. We had about 65% ESOP and 35% what we call Direct Stock Ownership (DSO). The ESOP is a trust, we had a lot of participants in the trust, and there's a different governing body of the trust.

EBJ: Returning to the recent transaction, how many parties expressed legiti-

mate interest and how many got to the point of talking to you and your team?

DeJidas: When we went out to the marketplace, about 40 firms expressed an interest. We narrowed them down to a small group with which we had management presentations. They were all good firms.

EBJ: What did suitors like about GAI?

DeJidas: Well, you touched on our management team, which has been together for a long time. We get along well. We manage the company well, and we all agreed to stay, and Comvest liked that. And there was the commitment behind the management team. We have succession planning, and we've introduced the investors to the next generation of our leadership. Just the fact that the company's been around as long as we have is another factor. We have a lot of blue chip clients, DOTs, and utility companies that just keep coming back to us for environmental work and transportation work. We've had a great record of client retention. We keep a large backlog of work—there wasn't any concern that we were going to run out of work. Also, our organizational structure and how we run our business impressed them.

On their side, Comvest utilizes a consulting firm that is exclusive to Comvest and its portfolio companies called Operating Advisors Group or OAG. That was one of the things that really impressed us about Comvest – that there is a group of consultants who focus on Comvest portfolio companies and how to improve their business systems and how they do things whether it's HR or IT.

We were impressed with Comvest and their Founder and CEO Michael Falk. We were impressed with their professionalism and how they approach the business. Sometimes you just get a feeling like these are the guys I can work with. But we have to adapt to not being our own boss, so to speak. Not that Comvest is going to run the business, but their personnel will be on our Board and they will be asking questions about what we're doing and why we're doing it.

Comvest created a 100-day plan that has a governance section to it, and it's going to be something for me to adapt to. But I'm challenged by it; I look at Comvest as an expert third party looking at us, and a qualified outsider's view can only be beneficial. Sometimes you make decisions based on emotions rather than good business judgment, and with the processes they have in place I think Comvest is going to be very clear when they make decisions.

EBJ: Is Comvest guiding GAI's future acquisition or market entry strategies or are they leaving it up to you?

DeJidas: We have what's called a cultivation list. We've been talking to different companies, and once brokers see that you're in the marketplace a lot more opportunities are sent your way, so we sort through those to try to come up with what we think is the best fit, culturally and strategically. We put that forward in consultation with the Comvest team, and we've already pursued our first potential acquisition — but we came in second this time, unfortunately. In any event, it's going to be a team effort.

EBJ: Regarding future M&A, are you looking at geographic regions, service and technical skill bases or new client sectors?

DeJidas: We identify three major growth areas in our plan: power, transportation, and community infrastructure, with a focus on water... which is not to say that we wouldn't go in another direction if a good opportunity came along. When an opportunity comes along, you look at how it fits into one of those three buckets. Maybe it won't fit neatly, but it may open up a new geographic region or client base or service for us.

EBJ: As to the Comvest deal, is there the proverbial second bite of the apple for shareholders? Or is everybody rolling over their interest along with the financial sponsor?

DeJidas: There are two things: One, the ESOP participants can take their money and roll it into an IRA or any kind of retirement plan. Two, we gave our direct shareholders the opportunity to roll over some or all of their investment.

EBJ: How have you developed your leadership, mentorship and next-generation and succession plans? Where do leaders come from and how do you develop them?

DeJidas: We have a career and leadership development structure. We're always looking for up-and-comers because we'd like to grow and to offer opportunities from within. When we see staff who look like they can grow as business leaders, we put them into the leadership development program. They first become an Associate; if they continue to advance, they become a Senior Associate, and if they advance from there they get into the officer structure as Assistant VPs, VPs, SVPs, and Executive VPs—all the way up. So that is our pipeline and it starts with the Associates.

An employee has to be nominated—they can't put an application in themselves. But once they've been nominated by an officer, that's a signal that says we want them to grow within this company, and we want them to be a leader.

We have other programs, including an internal MBA program that's designed to take some of those folks and give them the knowledge to be leaders in business. If you're just going to do engineering and not

pay attention to how successful you are as a business, you're probably not going to go that far. We want our business to be profitable. We want our people to benefit from the success of the business.

EBJ: Do you have any other hopes or aspirations you'd like to share now that you've hit 50 years with the firm and signed on for three more? Are you ready for another five or 10 years?

DeJidas: Well I love a challenge. I'm just one of those guys. I'm very competitive. So we'll just have to see how it goes. If we do triple the size of our company in the next four or five years, to me it'd be very satisfying. Would that be enough? Maybe, maybe not. It's hard to say. A lot of other factors come into play, like your personal life and your health. But right now, I'm excited about the opportunity. I'm excited about this group coming in, and it's a very positive time for GAI.

EBJ: One last question more of a personal nature. You've been in Florida for years. What have you actually observed of the impacts of climate change?

DeJidas: I have been in Florida since 1982. I've been through five or six hurricanes since I've been here, and I'll tell you that this last hurricane, Ian, was the most severe I've experienced. And you know it's hot here, but this summer was extremely hot. I mean you couldn't go outside at certain times in the afternoon—you'd be crazy, it's just so brutally hot. So, as I see it, things are changing, there is no doubt.

EBJ: Do you find young people coming into the business are highly motivated by climate change and making a difference?

Gary DeJidas: Yes, there's no question that it's very important to them. We have an Environmental, Social, and Governance (ESG) Advisory Committee that focuses on how we can improve as a company. The younger folks have a passion, and they want to have purpose; they want to make positive strides rather than just showing up every day and having a job, and that's a positive thing considering the engineering challenges the future will likely bring. ■

HALLE CAPITAL FORMS TRUE ENVIRONMENTAL AS A PLATFORM

Backed by **Halle Capital, True Environmental** (New York, N.Y.) is building a platform to partner with and grow businesses in the environmental consulting, testing, inspection, and certification industry. Halle Capital is a private equity firm focused on growth-oriented investments. Halle seeks to invest in mission-driven management teams who promote strong culture throughout their organizations, and pursues opportunities in health-care services and business/consumer services sectors, including animal health, value-based care, and route-based service providers, bringing growth capital and strategic guidance to help drive expansion and sustainable growth.

Jim Stamatis has over three decades of experience in the environmental industry. An environmental engineer by training, he started at Louis Berger in 1985 and, after responsibilities including President of International and President of North America, was appointed CEO of the company in 2015. During his tenure as CEO, he grew the company's revenues by 65 percent to over \$1 billion and the company's EBITDA by more than 600 percent. In addition to organic growth, Jim oversaw the acquisition and integration of a number of strategically important businesses which extended his company's service offerings. In 2018, he led Louis Berger's successful sale to WSP, a publicly traded global professional services firm.

EBJ: Congratulations on your partnership and the launch of True Environmental. Private equity firms entering our industry typically acquire a platform of significant size, but it appears True Environmental will be built from the ground up.

Jim Stamatis: A major differentiator between Halle and other financial sponsors is that Halle initiates new investments in partnership with industry executives. When they approached me, I was imme-