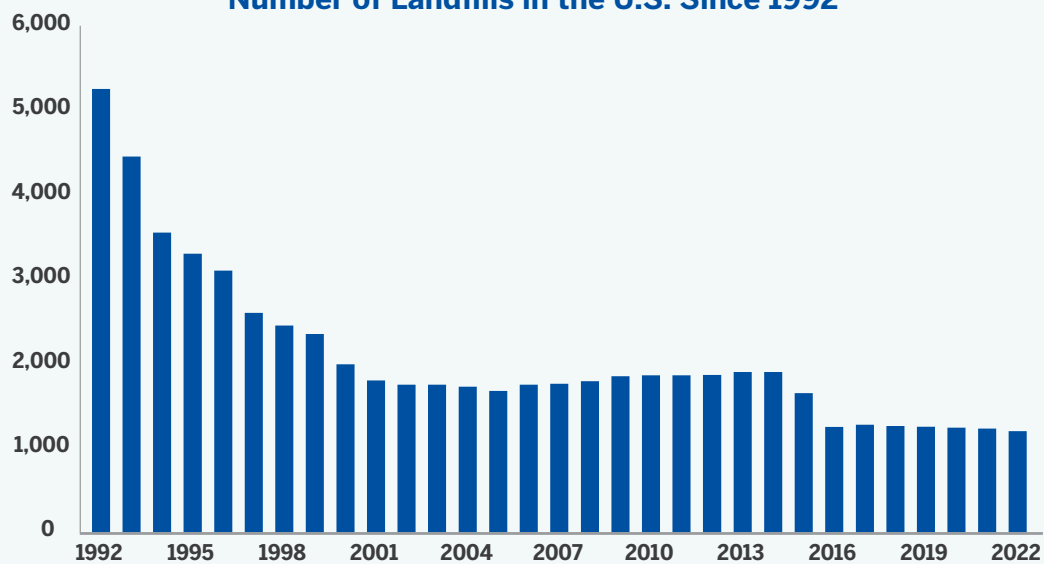


Turning Trash into Treasure

When people think of landfills, they tend to imagine unsightly mountains of trash emitting foul odors. However, modern landfills have become civil engineering marvels, designed to protect human health and the environment. While investors might worry about current market uncertainty, they may look to one area that could provide a durable competitive advantage: trash.

Number of Landfills in the U.S. Since 1992



Source: 1992 – 2018 from BofA Merrill Lynch Global Research and EPA, 2019-2022 based on EPA and Alger estimates*

- Since the early 1990s, environmental and political pressures around waste management resulted in a dramatic reduction in landfills. This has created a supply-demand imbalance that favors the waste landfill network, notably in the northeast, where landfills in highly populated areas hold strong pricing power. Moreover, stringent waste management regulations have resulted in an added layer of cost to the industry, creating a sizable [economic moat](#) for larger companies.
- In addition to regional landfill dominance, successful waste companies have gone through a technological revolution that has helped reduce operating costs and improve their environmental footprint. For example, investments in automation and collection software that optimizes trucking routes have significantly improved operational efficiencies and worker safety. Further, investments in the utilization of landfill gas – a natural byproduct of the decomposition of organic material in landfills – have the potential to convert waste into a viable fuel source for collection fleets and nearby communities.
- In our view, municipal and local governments are likely to continue to outsource waste operations due to regulatory and environmental complexities, potentially safeguarding the competitive advantage for larger waste companies. We believe public waste companies with vertically integrated operations, innovative collection technology, and an established regional landfill dominance are well positioned for predictable, long-term growth.



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*Alger estimates were calculated based on a growth rate assumption using actual year-over-year percent changes from the EPA from 2019 – 2022. This growth rate assumption was applied to the BofA Merrill Lynch Global Research and EPA US landfill data for 2018 to calculate landfill forecasts for 2019-2022.

Environmental Protection Agency (EPA): an independent federal agency, created in 1970, that sets and enforces rules and standards that protect the environment and control pollution.

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