

Lawrence

Case Study

Mergers & Acquisitions and Market Intelligence

ENERGY, ENVIRONMENTAL & UTILITIES

Commercial Due Diligence: Recycling

Background

Our client, Maven Capital Partners (Maven), was considering an investment in Lawrence Recycling and Waste Management (Lawrence). Lawrence was an established skip hire business in the West Midlands, which was looking to expand significantly by developing a disused industrial site into a large materials recovery facility (MRF). The MRF would take in mixed waste both from Lawrence's own waste collection operations and from third party waste operators. It would then sort this waste so as to maximise the recovery of recyclable materials, and minimise the amount sent to landfill.

Challenges

- Assessing the viability of a greenfield startup operation, rather than an established business
- Understanding how likely third party operators were to use the site at a given level of pricing and what risk mitigation was available if they did not
- Taking account of the challenging economic backdrop and resultant low levels of recycle pricing – to what extent would this rebound and when?
- How would competitors respond?

PMSI approach

In order to get to a robust view on these tough challenges in a highly uncertain environment, we used a variety of different techniques:

- Desk research to estimate waste volumes and recovery rates
- Primary interviews to assess the reactions of potential customers/competitors
- Benchmarking up-and-running MRF sites, to confirm recovery rates
- Field research, to estimate current competitor activity.

We then combined the above with a heavy dose of commercial input from the PMSI team, to give a real opinion about the business's prospects rather than 'sitting on the fence'.

Outcome

Our work confirmed there was a significant value in successfully launching the MRF, and that there was significant first-mover advantage to be gained. The level of third party usage of the site remained a risk, but there were viable mitigation strategies available. The investment therefore proceeded and The Forge is now successfully up and running.



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