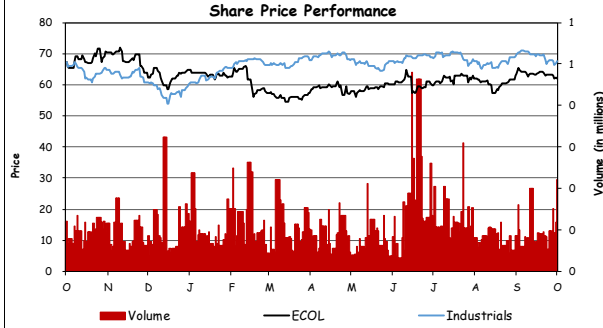


US Ecology, Inc.	Symbol: ECOL
Analyst	Bradley Smith
Buy below	\$62.54
Sell above	\$88.27
Probability of Price Increase	89%
Last Price	\$61.92
Intrinsic Value	\$71.40
Target Dividends	\$0.78
Target Price	\$77.39



Description
 US Ecology, Inc., through its subsidiaries, provides environmental services to commercial and government entities in the United States, Canada, and Mexico. It operates through two segments, Environmental Services, and Field & Industrial Services.

Sector Industrials
Industry Commercial Services and Supplies
Last Guidance December 11, 2018
Next earnings date October 29, 2019

People
 Feeler, Jeffrey, Chairman of the Board, CEO & President
 Gerratt, Eric, Executive VP, CFO & Treasurer
 Bell, Simon, Executive VP & COO
 Welling, Steven, Executive Vice President of Sales & Marketing
 Marshall, Andrew, Executive Vice President of Regulatory Compliance
 Ipsen, Wayne, VP, Compliance Officer, Corporate Counsel & Sec

Top Competitors
 Casella Waste Systems, Inc. The Wendy's Company
 Covanta Holding Corporation Stericycle, Inc.
 Clean Harbors, Inc. Advanced Disposal Services, Inc.
 Heritage-Crystal Clean, Inc. Bilfinger SE
 Stericycle, Inc. Republic Services, Inc.

Market Statistics	
Market Capitalization (mil)	\$1,372.63
Last Price per share	\$61.92
52 week high	\$75.62
52-week low	\$54.24
Volatility	29.91%
Daily volume (mil)	0.22
Short interest	6.28%
Days to cover short interest	13.57
Beta	0.56

Financials			
Profitability	ECOL (LTM)	ECOL Historical	Peers' Median (LTM)
Return on Capital	6.3%	6.74%	3.23%
Adjusted EBITDA Margin	18.1%	11.19%	16.90%
Return on Equity	14.4%	15.5%	6.4%
Adjusted Net margin	8.8%	8.7%	2.5%
Invested Funds	ECOL (LTM)	ECOL Historical	Peers' Median (LTM)
Cash/Capital	-0.7%	3.9%	2.6%
NWC/Capital	12.8%	8.4%	0.4%
Operating Assets/Capital	61.2%	57.8%	60.6%
Goodwill/Capital	26.7%	31.2%	27.5%
Capital Structure	ECOL (LTM)	ECOL Historical	Peers' Median (LTM)
Total Debt/(Market Cap.+ Other Claims on Capital)	0.23	0.22	0.43
Minority Interest/(Market Cap.+ Other Claims on Capital)	0.0%	0.0%	0.0%
Preferred Equity/(Market Cap.+ Other Claims on Capital)	0.0%	0.0%	0.0%
CGFS Credit Rating	BB		
Credit Rating Model	bb to bb+		bb to bb+
Probability of Default Model	a- to a		bbb-
Likely Current Cost of Debt	3.96%		4.39%
Likely Current Cost of Equity (Cost of Debt + MRP)	9.46%		9.89%
Likely Current WACC	8.24%		7.9%

Investment Thesis

Unwarranted bearish short term revenue growth forecasts creates potential buy opportunity.

I am initiating continuing coverage of U.S.Ecology Inc. with a BUY at \$62.54 and a \$77.39 one year price target. I view ECOL as a financially strong player in the environmental services industry, with significant competitive advantages over other waste management firms, and strong upside potential. The company's strategy of concentrating their sales efforts on high margin wastes - specifically in the growing specialty chemical manufacturing industry- will help support their revenue growth over the next 1-2 years, despite declines in some of the other industries that they service. Analysts are generally bearish on the company's short term revenue growth due to the overall decline in the industrial manufacturing industry, but as the company continues to follow its high margin waste concentration strategy, they will be less exposed to the decline in the manufacturing industry, and they will experience higher than anticipated revenue growth.

Additionally, U.S.Ecology has an extensive transportation and logistics network, as well as a geographically wide spread network of treatment and disposal facilities, which gives the company a significant competitive advantage over its peers, as it allows the company to reduce its operating and transportation costs. These reduced costs then allow the company to aggressively bid on contracts, and increase its sales and revenue volume.

For the long:

1. Large network of waste storage, refining, treatment and recycling facilities:

U.S Ecology has a portfolio of facilities located throughout the United States that covers all aspects of waste management including hazardous, non-hazardous and radioactive waste treatment, recycling and disposal. The Company's radioactive waste facility (located in the state of Washington) is only 1 of 3 facilities of its kind in the United States, and handles the radioactive waste disposal for all of Washington, and 11 surrounding states.

2. Extensive transportation/logistics capabilities:

U.S Ecology owns and operates its own logistics network that includes trucking and rail car services that allow the company to offer full spectrum waste management services, and helps to reduce costs.

3. Concentration in specialty, high margin wastes

U.S Ecology focuses its selling and bidding efforts on inherently higher margin, specialty wastes that have lower competition. These wastes are typically some form of chemical that is classified as a hazardous material, and requires special equipment, and additional expertise to be qualified to handle and transport.

For the short:

1. Decline in industrial manufacturing, and exposure to declines in other industries

Although U.S Ecology's strategy is to specialize in more specialty wastes, they still have significant exposure to other industries including metal and general industrial manufacturing, as well as oil refining. With the industrial manufacturing industry already on a downward trend, the possibility exists that a large enough regression in growth in these industries could offset the growth in the specialty chemical industry.

2. Environmental regulations

Environmental regulations are a double edged sword in the environmental services industry. While new and more comprehensive regulations could lead to a greater demand for U.S ecology's services, they could also mean greater costs that the company must incur in order to comply with them. While in the long run, more regulations generally mean more demand, in the short term it can be a zero sum game.

3. Unpredictable event based business revenue

Historically, year-to-year 20% of U.S Ecology's revenue is classified as 'event based'. This means that the revenue was generated as a result of a onetime occurrence, such as an oil spill cleanup, or remediation of a construction project. Because of this, the company has a risk of high revenue volatility.

Key Catalysts for price change

- Growth in specialty chemical manufacturing
- Organic growth strategy, concentration in high margin wastes

Valuation

My \$77.39 price target is derived from 50% Discounted Unlevered Free Cash Flow estimates, 25% EV/REV estimates, and 25% EV/EBITDA estimates

Ownership Change in Ownership (over the past 12 months)

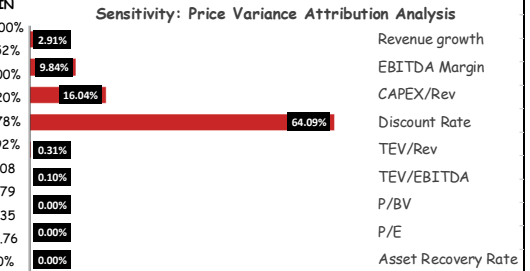
Shares outstanding (mil)	22.01	
Weighted Diluted shares outstanding (mil)	22.15	
Options and Warrants (Shares equivalent)	0.09	
% shares held by institutions	89%	0.61%
% shares held by investments Managers	76%	-0.68%
% shares held by hedge funds	0.56%	0.05%
% shares held by VC/PE firms	0.261%	-0.03%
% shares held by insiders	1.03%	0.50%
Poison Pill and Type	NONE	

Quarterly Earning Surprises (Actual/Median Estimates)	
Revenue	Last 5 quarters
6/30/2018	\$547.648 (1.1%)
9/30/2018	\$605.664 (5.3%)
12/31/2018	\$630.164 (5.9%)
3/31/2019	\$524.148 (0%)
6/30/2019	\$623.208 (6%)
History:	Last 10 years
Mean Surprise	2.76%
99th percentile "surprise" range	-8% to 14%
EBITDA	Last 5 quarters
6/30/2018	\$122.852 (-0.9%)
9/30/2018	\$137.628 (2.8%)
12/31/2018	\$127.092 (-4.3%)
3/31/2019	\$89.376 (-16.5%)
6/30/2019	\$136.636 (-5%)
History:	Last 10 years
Mean Surprise	0.04%
99th percentile "surprise" range	-26% to 26%

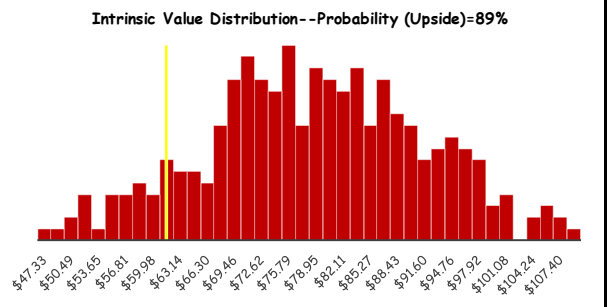
US Ecology, Inc.	Symbol: ECOL	Cost of Capital Estimates			
Analyst	Bradley Smith	CGFS Credit Rating	Credit Rating Model	Probability of Default Model/Model	
Buy below	\$62.54	Implied Cost of Borrowing (ECOL)	4.4%	5.1%	4.0%
Sell above	\$88.27	Implied Cost of Borrowing (Peers)	5.1%	5.2%	4.8%
Probability of Price Increase	89%	Base Year	Explicit Period (15 years)	Continuing Period	
Last Price	\$61.92	Cost of New Debt Estimate	4.43%	3.96%	3.96%
Intrinsic Value	\$71.40	Country Risk Premium Estimate	5.50%	5.50%	5.50%
Target Dividends	\$0.78	Cost of Equity Estimate	9.93%	9.46%	9.46%
Target Price	\$77.39	WACC Estimate	8.54%	8.10%	8.10%

Fiscal Year	Revenue Growth	EBITDA Margin	CAPEX/Revenue	DPR/CAPEX	Other
Base Year (Actual)	11.08%	19.5%	7.2%	1.04	SBC/Revenue 0.80%
year 1	8.00%	23.1%	9.3%	0.75	Constant/same as LTM
year 2	10.00%	23.4%	7.2%	0.94	Lease term 10
year 3	20.00%	23.6%	8.9%	0.95	Rent Expense/Revenue 0.95%
year 4	18.00%	23.0%	8.5%	0.95	Tappers off to historical average
year 5	5.51%	23.1%	8.1%	0.96	R&D life 10
year 6	5.50%	24.3%	7.7%	0.96	R&D Expense/Revenue 0.00%
year 7	5.21%	24.4%	7.3%	0.96	Constant/same as LTM
year 8	5.18%	24.5%	6.9%	0.97	LIFO Reserve Tappers off to zero
year 9	5.18%	24.5%	6.5%	0.97	Non-operating pension costs Tappers off to zero
year 10	5.20%	24.6%	6.1%	0.98	Net financing pensions costs Tappers off to zero
year 11	4.76%	23.7%	4.0%	0.98	Overfunded pension plans Tappers off to zero
year 12	4.31%	22.8%	4.0%	0.98	Capitalized interests Constant/same as LTM
year 13	3.86%	21.8%	4.0%	0.99	Dividends/Revenue 0.25%
year 14	3.41%	20.9%	3.0%	0.99	Tax Rate 28.48%
year 15	2.97%	20.0%	3.0%	1.00	
Continuing Period	2.52%	20.0%	4%	1.00	

Random Variables	Distribution Assumption	MAX	Likely	MIN	
Deviations in annual Revenue Growth--Expl. Per.	Triangular	30.00%	0%	-15.00%	2.91%
Deviations in annual Revenue Growth --Cont. Per.	Normal	1.52%	0%	-1.52%	9.84%
Deviations from EBITDA Margin base annual estimates	Triangular	5.00%	0%	-8.00%	16.04%
Deviations from CAPEX/Revenue base annual estimates	Triangular	5.17%	0%	-3.20%	64.09%
Deviations from Kd base annual estimates	Triangular	1.24%	0%	-0.78%	
Deviations from CRP base annual estimates	Triangular	1.82%	0%	-1.92%	0.31%
Deviations from TEV/Revenue base estimate	Triangular	2.29	0%	-2.08	0.10%
Deviations from TEV/Revenue base estimate	Triangular	7.31	0%	-5.79	0.00%
Change in P/BV (TTM)	Triangular	18.25	0%	-2.35	0.00%
Change in P/E (FW)	Triangular	41.01	0%	-13.76	0.00%
Recovery Rate	Triangular	10.00%	0%	-10%	0.00%



Valuation	Base	Explicit Period (Average)	Continuing Period
Revenues	\$595.80	\$1,173.31	\$1,692.41
EBITDA Margin	18%	23%	20%
UFCF	-\$16.83	\$136.67	\$233.04
WACC	8.54%	8.10%	8.10%
ROIC	6.30%	14.76%	8.10%



Relative Valuation	Median Justified Multiple	Basis	Implied Equity Value
EV/Rev (FW)	2.4x	\$663.20	\$1,206.18
EV/EBITDA (FW)	11.5x	\$153.83	\$1,392.24
P/BV (TTM)	3.3x	\$395.65	\$1,296.56
P/E (FW)	25.5x	\$78.07	\$1,987.46

Asset Based Valuation	Recovery Rate	Capital	Intangibles	Claims	Implied Equity Value
Recovery Rate	60%	\$1,803.05	\$485.33	\$468.97	\$321.66

Valuation Summary	Intrinsic Value	Target Price	Model Weight
DCF Valuation	\$ 88.78	\$ 96.62	50%
EV/Rev (FW)	\$ 54.24	\$ 58.02	25%
EV/EBITDA (FW)	\$ 62.60	\$ 67.10	25%
P/BV (TTM)	\$ 58.30	\$ 62.43	0%
P/E (FW)	\$ 89.37	\$ 96.15	0%
Asset Based Valuation	\$ 14.46	\$ 14.85	0%
Price per Share	\$ 73.60	\$ 79.59	100%