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RATING METHODOLOGY

Environmental Services and Waste Management Companies

This rating methodology replaces "Environmental Services and Waste Management Companies", last revised on June 26, 2014. We have updated some outdated links and removed certain issuer-specific information.

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Summary

This rating methodology explains our approach to assessing credit risk for companies in the environmental services and waste management sector globally and is intended to provide general guidance that helps companies, investors, and other interested market participants understand how qualitative and quantitative risk characteristics are likely to affect rating outcomes for companies in this sector. This document does not include an exhaustive treatment of all factors that are reflected in our ratings but should enable the reader to understand the qualitative considerations and financial information and ratios that are usually most important for ratings in this sector.

This report includes a detailed scorecard. The scorecard is a reference tool that can be used to approximate credit profiles within the environmental services and waste management sector in most cases. The scorecard provides summarized guidance for the factors that are generally most important in assigning ratings to companies in the environmental services and waste management sector. However, the scorecard is a summary that does not include every rating consideration. The weights shown for each factor in the scorecard represent an approximation of their importance for rating decisions but actual importance may vary substantially. The scorecard-indicated outcome is not expected to match the actual rating of each company.

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THIS RATING METHODOLOGY WAS UPDATED ON NOVEMBER 1, 2019. WE HAVE UPDATED SOME OUTDATED REFERENCES AND ALSO MADE SOME MINOR FORMATTING CHANGES.

The scorecard contains five factors that are important in our assessments for ratings in the Environmental Services and Waste Management sector:

1. Business Profile
2. Scale
3. Profitability and Efficiency
4. Leverage and Coverage
5. Financial Policy

Some of these factors also encompass a number of sub-factors. An issuer's scoring on a particular scorecard factor or sub-factor often will not match its overall rating.

This rating methodology is not intended to be an exhaustive discussion of all factors that our analysts consider in assigning ratings in this sector. We note that our analysis for ratings in this sector covers factors that are common across all industries such as ownership, management, liquidity, corporate legal structure, governance and country-related risks which are not explained in detail in this document, as well as other factors that can be meaningful on a company-specific basis. Our ratings consider these and other qualitative considerations that do not lend themselves to a transparent presentation in a scorecard format. The scorecard used for this methodology reflects a decision to favor a relatively simple and transparent presentation rather than a more complex scorecard that would map scorecard-indicated outcomes more closely to actual ratings.

Highlights of this report include:

» An overview of the rated universe

» A summary of the rating methodology

» A description of the scorecard factors

» Comments on the rating methodology assumptions and limitations, including a discussion of rating considerations that are not included in the scorecard

The Appendix shows the full scorecard.

This methodology describes the analytical framework used in determining credit ratings. In some instances, our analysis is also guided by additional publications which describe our approach for analytical considerations that are not specific to any single sector. Examples of such considerations include but are not limited to: the assignment of short-term ratings, the relative ranking of different classes of debt and hybrid securities, how sovereign credit quality affects non-sovereign issuers, and the assessment of credit support from other entities.[1]

About the Rated Universe

This methodology is applicable to private sector companies whose primary source of revenue is providing environmental services, including industrial clean-up, nuclear decommissioning and disposal, fresh water and wastewater processing, and post-storm restoration. This methodology is also applicable to companies whose primary source of revenues is derived from providing waste management services, including collection, transfer, disposal, and recycling services for residential, commercial, industrial and municipal customers. Companies covered by this methodology may also perform services in ancillary areas, such as hazardous waste disposal.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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1 A link to a list of our sector and cross-sector methodologies can be found in the "Moody's Related Publications" section.

Companies in the environmental services sub-sector are covered under this methodology. These companies provide services for various industries but they have a common need to optimize sizable asset bases, to build and utilize customer relationships, and to secure contracts that provide more predictable workflow. In most cases, intermediate to long-term revenue growth opportunities are underpinned by growing environmental awareness. However, short-term demand is subject to significant variability, particularly in markets that are fast growing or highly sensitive to the overall pace of economic activity.

This methodology covers companies whose primary business activity is solid waste management. Solid waste management companies use similar business models and strategies for increasing returns on invested capital. Route density and waste internalization - where collected waste is disposed in company-owned landfills - often correlates to higher profitability. Low product substitution and the fairly steady demand nature of waste creation dampen revenue volatility. Differences in geographic scope, aggregate size, and concentration in one or more of: collection, transfer, disposal, recycling, or other services, are the primary operating differentiators among solid waste management companies.

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About This Rating Methodology

This report explains the rating methodology for environmental services and waste management companies in six sections, which are summarized as follows:

1. Identification and Discussion of the Scorecard Factors

The scorecard in this rating methodology focuses on five factors. The five factors are comprised of sub-factors that provide further detail.

EXHIBIT 1

Environmental Services and Waste Management Companies

Broad Scorecard Factors	Factor Weighting	Sub-Factors	Sub-Factor Weighting
Business Profile	15%	Waste Management: Competitive Position, Geographic Diversification, Breadth of Operations Environmental Services: Competitive Position, Barriers to Entry	15 %
Scale	20%	Revenue	20%
Profitability and Efficiency	10%	EBIT Margin	10%
Leverage and Coverage	40%	FFO / Debt	10%
		Debt/EBITDA	15%
		EBIT / Interest Expense	15%
Financial Policy	15%	Financial Policy	15%
Total	**100%**	**Total**	**100%**

2. Measurement or Estimation of the Scorecard Factors

We explain our general approach for scoring each factor and show the weights used in the scorecard. We also provide a rationale for why each of these scorecard components is meaningful as a credit indicator. The information used in assessing the sub-factors is generally found in or calculated from information in company financial statements, derived from other observations or estimated by our analysts.

Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of a company's performance as well as for peer comparisons. We often utilize historical data (typically the last twelve months of reported results). All of the quantitative credit metrics incorporate Moody's standard adjustments to income statement, cash flow statement and balance sheet amounts for restructuring, impairment, off-balance sheet accounts, receivable securitization programs, under-funded pension obligations, and recurring operating leases.[2]

In many cases, our financial ratios use historic financial data from a recent 12-month period. However, the factors in the scorecard can be assessed using various time periods. For example, rating committees may find it analytically useful to examine both historic and expected future performance for periods of several years or more.

3. Mapping Scorecard Factors to the Rating Categories

After estimating or calculating each sub-factor, the outcomes for each of the sub-factors are mapped to a broad Moody's rating category (Aaa, Aa, A, Baa, Ba, B, Caa, or Ca, also called alpha categories).

4. Assumptions, Limitations and Rating Considerations Not Included in the Scorecard

This section discusses limitations in the use of the scorecard to map against actual ratings, some of the additional factors that are not included in the scorecard but can be important in determining ratings, and limitations and assumptions that pertain to the overall rating methodology.

5. Determining the Overall Scorecard-Indicated Outcome[3]

To determine the overall scorecard-indicated outcome, we convert each of the sub-factor scores into a numeric value based upon the scale below.

Aaa	Aa	A	Baa	Ba	B	Caa	Ca
1	3	6	9	12	15	18	20

The numerical score for each sub-factor is multiplied by the weight for that sub-factor with the results then summed to produce a composite weighted-factor score. The composite weighted factor score is then mapped back to an alphanumeric rating based on the ranges in the table below.

Scorecard-Indicated Outcome

Scorecard-Indicated Outcome	Aggregate Weighted Total Factor Score
Aaa	$x < 1.5$
Aa1	$1.5 \le x < 2.5$
Aa2	$2.5 \le x < 3.5$
Aa3	$3.5 \le x < 4.5$
A1	$4.5 \le x < 5.5$
A2	$5.5 \le x < 6.5$
A3	$6.5 \le x < 7.5$

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2 For more information, see our cross-sector methodology that describes our standard adjustments in the analysis of non-financial corporations. A link to a list of our sector and cross-sector methodologies can be found in the "Moody's Related Publications" section.

3 In general, the scorecard-indicated outcome is oriented to the Corporate Family Rating (CFR) for speculative-grade issuers and the senior unsecured rating for investment-grade issuers. For issuers that benefit from ratings uplift due to parental support, government ownership or other institutional support, the scorecard-indicated outcome is oriented to the baseline credit assessment. For more information, see our cross-sector methodology for government-related issuers. Individual debt instrument ratings also factor in decisions on notching for seniority level and collateral. The documents that provide broad guidance for such notching decisions are the rating methodology on loss given default for speculative-grade non-financial companies, the methodology for notching corporate instrument ratings based on differences in security and priority of claim, and the methodology for assigning short-term ratings. A link to a list of our sector and cross-sector methodologies can be found in the "Moody's Related Publications" section.

Scorecard-Indicated Outcome

Scorecard-Indicated Outcome	Aggregate Weighted Total Factor Score
Baa1	7.5 ≤ x < 8.5
Baa2	8.5 ≤ x < 9.5
Baa3	9.5 ≤ x < 10.5
Ba1	10.5 ≤ x < 11.5
Ba2	11.5 ≤ x < 12.5
Ba3	12.5 ≤ x < 13.5
B1	13.5 ≤ x < 14.5
B2	14.5 ≤ x < 15.5
B3	15.5 ≤ x < 16.5
Caa1	16.5 ≤ x < 17.5
Caa2	17.5 ≤ x < 18.5
Caa3	18.5 ≤ x < 19.5
Ca	x ≥ 19.5

For example, an issuer with a composite weighted factor score of 11.7 would have a Ba2 scorecard-indicated outcome.

6. Appendix

The Appendix provides the full scorecard.

Discussion of the Scorecard Factors

The scorecard for issuers in the environmental services and waste management sector focuses on five broad factors:

1. Business Profile
2. Scale
3. Profitability and Efficiency
4. Leverage and Coverage
5. Financial Policy

Factor 1: Business Profile (15% Weight)

Why it Matters

Business profile is an important consideration in assessing credit quality for companies in the environmental services and waste management industry. Entry into this industry often requires significant investment, such as costs associated with developing landfill sites or building response capabilities for environmental clean-up projects. Large enterprises with more geographically diverse operations are better positioned to fund these investments and to achieve an adequate return on the investment. Moreover, companies with a more robust business profile, characterized by strong presence across multiple markets or geographies, are better able to weather the business cycle or other operating risks affecting the sector.

How We Assess it for the Scorecard

We differentiate the scoring criteria for this factor between the environmental services subsector and the waste management subsector in recognition of the differences in their respective business models and keys to success.

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For environmental services companies, competition revolves around performance, price, substitution, and ability to perform specialized environmental services. Barriers to entry can be high in cases of unique assets.

For solid waste management companies, a broad range of waste disposal service elements across the waste stream and high waste internalization are considered key levers for sustaining market share and pricing power. Geographic scope, aggregate size and concentration in one or more of collection, transfer, disposal, recycling or other operations are the primary operating differentiators for the waste management companies.

FACTOR 1

Business Profile (15%)

	Factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Business Profile: Environmental Services Companies	15%	Expected to have a very strong and sustainable business position across multiple major regions or countries and a broad range of environmental businesses. Extremely high barriers to entry.	Expected to have a strong, sustainable business position across multiple major regions or countries and a range of environmental businesses. High barriers to entry.	Expected to have a strong business position across multiple major regions or countries and a number of environmental businesses. Meaningful barriers to entry.	Expected to have a solid business position across multiple large regions or countries and several environmental businesses. Moderate barriers to entry.	Multi-region player with a competitive business position in several environmental businesses; revenues are somewhat concentrated. Some barriers to entry.	Regional player with a competitive business position in at least two environmental businesses. Revenues are relatively concentrated. Low barriers to entry.	Regional or local player with a somewhat competitive business position in one or two environmental businesses. Revenues are highly concentrated. No barriers to entry.	Local player with no meaningful competitive advantage and a marginally profitable or loss making business position in a narrow aspect of the environmental business.

FACTOR 1

	Factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Business Profile: Waste Management Companies	15%	Expected to have top market positions across multiple major countries or regions and services that include all elements of the waste stream. Has a sustainably high level of waste internalization.	Expected to have leading market positions across multiple major countries or regions and services that include all elements of the waste stream. Has a sustainably high level of waste internalization.	Expected to have leading market positions across several major countries or regions and services across a wide range of the waste stream. Some degree of revenue concentration may exist. Has a high level of waste internalization.	Expected to have a sustainable market position in at least one major country or region and services across several elements of the waste stream. Single market revenue concentration may exist. Has a meaningful level of waste internalization.	Multi-regional player offering services across several elements of the waste stream. Has a strong competitive position in its key markets. Revenues are relatively concentrated. Has a moderate level of waste internalization.	Regional player with services across at least two elements of the waste stream and a sustainable competitive position in several of its markets. Revenues are relatively concentrated. Has a modest level of waste internalization.	Regional or local market player with services in one or two elements of the waste stream and a tenuous competitive position in its markets. Has a modest level of waste internalization.	Local market player with a deteriorating competitive position. Service offerings limited to waste collection or hauling and no landfill.

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Factor 2: Scale (20% Weight)

Why it Matters

Larger scale can be an indicator of a company's ability to influence business trends and pricing within the industry and to support a stable or growing market position. Scale also can be an indicator of greater resilience to changes in product demand, geographic diversity, cost absorption, R&D capabilities and bargaining strength with customers and suppliers.

How We Assess it For the Scorecard

Scale is measured (estimated in the case of forward-looking expectations) using total reported revenue (in billions of US dollars).

FACTOR 2

Scale (20%)

Sub-Factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Revenue (USD Billions)	20%	≥ $40	$20 -40	$10 -20	$5 - 10	$1 to 5	$0.15 - 1	$0.05 - 0.15	< $0.05

Factor 3: Profitability and Efficiency (10% weight)

Why it Matters

Profitability is one measure of success of the business and effectiveness of management. A company needs to sustain adequate margins in order to make the ongoing investments in research and development that are needed to maintain a technological edge. Though revenue volatility for solid waste management companies is typically lower than GDP volatility, financial flexibility is still important because companies need adequate funds to be able to adapt to changes in market conditions. This is at least as important for environmental services, for which the pace of business activity tend to more closely follow the tone of the overall economy.

EBIT Margin is one indicator of a company's operating success and the effectiveness of management. Service offering, company specific operations and market-wide conditions can affect operating efficiency and profitability.

How We Assess it For The Scorecard

EBIT margin:

This ratio is calculated (or estimated if looking forward) by dividing pretax income + interest expense + non-recurring items (EBIT) by net revenue for the prior four quarters, in each case as the numerator and denominator are adjusted by us.

FACTOR 3

Profitability and Efficiency (10%)

Sub-Factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
EBIT Margin %	10%	≥ 40%	30% - 40%	20% - 30%	10% - 20%	5% - 10%	2.5% - 5%	1% - 2.5%	< 1%

Factor 4: Leverage and Coverage (40% Weight)

Why it Matters

Leverage and coverage measures are indicators of a company's financial flexibility and long-term viability. Coverage is critical to any company's ability to repay its indebtedness and provide financial returns to shareholders. Coverage further provides insight on a company's ability to meet, from internally generated cash flows, interest expense obligations, capital expenditures (whether for maintaining its current level of operations or for growth), and scheduled debt amortization and maturities. Leverage demonstrates the overall level of debt employed in the capital structure relative to cash-based earnings and the level of financial risk which management is willing to employ in the company.

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This factor is comprised of three sub-factors:

Cash Flow

Funds from Operations to Debt is an indicator of a company's ability to repay principal on its outstanding debt. It is a measure or estimate for cash flow generation from operations before working capital movements in relation to outstanding debt.

Leverage

Debt to EBITDA is an indicator of debt serviceability and leverage and is commonly used in this sector as a proxy for comparative financial strength.

Interest Coverage

EBIT to Interest Expense is used as an indicator of a company's ability to pay interest and other fixed charges from its operating performance.

How We Assess it For The Scorecard

FFO/Debt

This ratio is calculated (or estimated if looking forward) by dividing funds from operations (cash flow from operations before working capital movements), for the prior four quarters, by debt.

Debt/EBITDA:

This ratio is calculated (or estimated if looking forward) by dividing total debt by EBITDA.

EBIT/Interest Expense:

This ratio is calculated (or estimated if looking forward) by dividing EBIT by interest expense.

FACTOR 4

Leverage and Coverage (40%)

Sub-Factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
FFO/Debt	10%	≥ 55%	45-55%	35-45%	25-35%	15-25%	5-15%	(5)-5%	< (5)%
Debt / EBITDA	15%	<0.5x	0.5-1x	1-2x	2-3x	3-4x	4-5.5x	5.5-7x	≥ 7x
EBIT/Interest	15%	≥18x	10-18x	5-10x	3-5x	2-3x	1-2x	0.5-1x	<0.5x

Factor 5: Financial Policy (15% Weight)

Why it Matters

Management and board tolerance for financial risk is a rating determinant as it directly affects debt levels, credit quality, and the risk of adverse changes in financing and capital structure.

Our assessment of financial policies includes the perceived tolerance of a company's governing board and management for financial risk and the future direction for the company's capital structure. Considerations include a company's public commitments in this area, its track record for adhering to commitments, and our views on the ability of the company to achieve its targets.

Financial risk tolerance serves as a guidepost to investment and capital allocation. An expectation that management will be committed to sustaining an improved credit profile is often necessary to support an upgrade. For example, we may not upgrade a company that has built flexibility within its rating category if we believe the company will use that flexibility to fund a strategic acquisition, a cash distribution to shareholders, or spin-off or other leveraging transaction. Conversely, a company's credit rating may be

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better able to withstand a moderate leveraging event if management places a high priority on returning credit metrics to pre-transaction levels and has consistently demonstrated the commitment to do so through prior actions.

How We Assess it For The Scorecard

Financial Policy

We assess the issuer's desired capital structure or targeted credit profile, history of prior actions and adherence to its commitments. Attention is paid to management's operating performance and use of cash flow through different phases of economic cycles. Also of interest is the way in which management responds to key events, such as changes in the credit markets and liquidity environment, legal actions, competitive challenges, and regulatory pressures.

Management's appetite for M&A activity is assessed with a focus on the type of transactions (i.e. core competency or new business) and funding decisions. Frequency and materiality of acquisitions and previous financing choices are evaluated. A history of debt-financed or credit-transforming acquisitions will generally result in a lower score for this factor.

We also consider a company and its owners' past record of balancing shareholder returns and debt holders' interests. A track record of favoring shareholder returns at the expense of debt holders is likely to be viewed negatively in scoring this factor.

FACTOR 5

Financial Policy (15%)

Sub-Factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Financial Policy	15%	Expected to have extremely conservative financial policies; very stable metrics; public commitment to a very strong credit profile over the long term.	Expected to have very stable and conservative financial policies; stable metrics; minimal event risk that would cause a rating transition; public commitment to strong credit profile over the long term.	Expected to have predictable financial policies that preserve creditor interests. Although modest event risk exists, the effect on leverage is likely to be small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies that balance the interest of creditors and shareholders; some risk that debt funded acquisitions or shareholder distributions could lead to a weaker credit profile.	Expected to have financial policies that tend to favor shareholders over creditors; above average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that favor shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that create elevated risk of debt restructuring in varied economic environments.	Expected to have financial policies that create elevated risk of debt restructuring even in healthy economic environments.

Assumptions, Limitations and Rating Considerations That Are Not Covered in the Scorecard

The scorecard in this rating methodology represents a decision to favor simplicity that enhances transparency and to avoid greater complexity that would enable the scorecard to map more closely to actual ratings. Accordingly, the five factors in the scorecard do not constitute an exhaustive treatment of all the considerations that are important for ratings of companies in the environmental services and waste management sector. In addition, our ratings incorporate expectations for future performance, while the

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financial information that is used for mapping in the scorecard is mainly historical. In some cases, our expectations for future performance may be informed by confidential information that we cannot disclose. In other cases, we estimate future results based upon past performance, industry trends, competitor actions or other factors. In either case, predicting the future is subject to the risk of substantial inaccuracy.

Assumptions that may cause our forward-looking expectations to be incorrect include unanticipated changes in any of the following factors: the macroeconomic environment and general financial market conditions, industry competition, disruptive technology, regulatory and legal actions.

Key rating assumptions that apply in this sector include our view that sovereign credit risk is strongly correlated with that of other domestic issuers, that legal priority of claim affects average recovery on different classes of debt sufficiently to generally warrant differences in ratings for different debt classes of the same issuer, and the assumption that access to liquidity is a strong driver of credit risk.

In choosing metrics for the rating methodology scorecard, we did not explicitly include certain important factors that are common to all companies in any industry such as the quality and experience of management, assessments of corporate governance and the quality of financial reporting and information disclosure. Ranking these factors by rating category in a scorecard would, in some cases, suggest too much precision in the relative ranking of particular issuers against all other issuers that are rated in various industry sectors.

Ratings may include additional factors that are difficult to quantify or that have a meaningful effect in differentiating credit quality only in some cases, but not all. Such factors include financial controls, exposure to uncertain licensing regimes and possible government interference in some countries. Regulatory, litigation, liquidity, technology and reputational risk as well as changes to consumer and business spending patterns, competitor strategies and macroeconomic trends also affect ratings. While these are important considerations, it is not possible to precisely express these in the rating methodology scorecard without making the scorecard excessively complex and significantly less transparent. Ratings may also reflect circumstances in which the weighting of a particular factor will be substantially different from the weighting suggested by the scorecard.

This variation in weighting rating considerations can also apply to factors that we choose not to represent in the scorecard. For example, liquidity is a consideration frequently critical to ratings and which may not, in other circumstances, have a substantial impact in discriminating between two issuers with a similar credit profile. As an example of the limitations, ratings can be heavily affected by extremely weak liquidity that magnifies default risk. However, two identical companies might be rated the same if their only differentiating feature is that one has a good liquidity position while the other has an extremely good liquidity position.

Other Rating Considerations

Ratings consider a number of additional considerations. These include but are not limited to: our assessment of the quality of management, corporate governance, financial controls, liquidity management, environmental and legal risks, labor relations, event risk and seasonality.

Management Strategy

The quality of management is an important factor supporting a company's credit strength. Assessing the execution of business plans over time can be helpful in assessing management's business strategies, policies, and philosophies and in evaluating performance relative to competitors and prior projections. A record of consistency provides us with insight into management's likely future behavior and can be an indicator of management's tendency to depart significantly from its stated plans and guidelines.

Corporate Governance

Among the areas of focus in corporate governance are audit committee financial expertise, the incentives created by executive compensation packages, related party transactions, interactions with outside auditors, and ownership structure.

Financial Controls

We rely on the accuracy of audited financial statements to assign and monitor ratings in this sector. The quality of financial statements may be influenced by internal controls, including centralized operations and the proper tone at the top and consistency in accounting policies and procedures.

Auditor comments in financial reports and unusual financial statement restatements or delays in regulatory filings may indicate weaknesses in internal controls.

Liquidity Management

Liquidity is an important rating consideration for all environmental services and waste management companies. Liquidity can be particularly important for non-investment grade companies as these issuers typically have less operating and financial flexibility. We form an opinion on likely near-term liquidity requirements from the perspective of both sources and uses of cash.

Event Risk

We also recognize the possibility that an unexpected event could cause a sudden and sharp decline in an issuer's fundamental creditworthiness. Typical special events include mergers and acquisitions, asset sales, spin-offs, capital restructuring programs, litigation and shareholder distributions.

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Appendix: Environmental Services and Solid Waste Management Methodology Factor Scorecard

	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor 1 Business Profile (15%)									
Business Profile – Solid Waste Management Companies	15%	Expected to have top market positions across multiple major countries or regions and services that include all elements of the waste stream. Has a sustainably high level of waste internalization	Expected to have leading market positions across multiple major countries or regions and services that include all elements of the waste stream. Has a sustainably high level of waste internalization.	Expected to have leading market positions across several major countries or regions and services across a wide range of the waste stream. Some degree of revenue concentration may exist. Has a high level of waste internalization.	Expected to have a sustainable market position in at least one major country or region and services across several elements of the waste stream. Single market revenue concentration may exist. Has a meaningful level of waste internalization.	Multi-regional player offering services across several elements of the waste stream. Has a strong competitive position in its key markets. Revenues are relatively concentrated. Has a moderate level of waste internalization.	Regional player with services across at least two elements of the waste stream and a sustainable competitive position in several of its markets. Revenues are relatively concentrated. Has a modest level of waste internalization.	Regional or local market player with services in one or two elements of the waste stream and a tenuous competitive position in its markets. Has a modest level of waste internalization.	Local market player with a deteriorating competitive position. Service offerings limited to waste collection or hauling and no landfill.
Business Profile – Environmental Services Companies	15%	Expected to have a very strong and sustainable business position across multiple major regions or countries and a broad range of environmental businesses. Extremely high barriers to entry.	Expected to have a strong, sustainable business position across multiple major regions or countries and a range of environmental businesses. High barriers to entry.	Expected to have a strong business position across multiple major regions or countries and a number of environmental businesses. Meaningful barriers to entry.	Expected to have a solid business position across multiple large regions or countries and several environmental businesses. Moderate barriers to entry.	Multi-region player with a competitive business position in several environmental businesses; revenues are somewhat concentrated. Some barriers to entry.	Regional player with a competitive business position in at least two environmental businesses. Revenues are relatively concentrated. Low barriers to entry.	Regional or local player with a somewhat competitive business position in one or two environmental businesses. Revenues are highly concentrated. No barriers to entry.	Local player with no meaningful competitive advantage and a marginally profitable or loss making business position in a narrow aspect of the environmental business.
Factor 2: Scale (20%)									
Revenue (USD Billions)	20%	≥ $40	$20 - 40	$10 - 20	$5 - 10	$1 -5	$0.15 - 1	$0.05 - 0.15	< $0.05
Factor 3: Profitability and Efficiency (10%)									
EBIT Margin %	10%	≥ 40%	30-40%	20-30%	10-20%	5-10%	2.5-5%	1-2.5%	< 1%

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	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor 4: Leverage and Coverage (40%)									
FFO/Debt	10%	≥ 55%	45-55%	35-45%	25-35%	15-25%	5-15%	(5)-5%	< (5)%
Debt / EBITDA	15%	<0.5x	0.5 - 1x	1 - 2x	2 -3x	3-4x	4-5.5x	5.5-7x	≥ 7x
EBIT/Interest Expense	15%	≥ 18x	10-18x	5-10x	3-5x	2-3x	1-2x	0.5-1x	< 0.5x
Factor 5: Financial Policy (15%)									
Financial Policy	15%	Expected to have extremely conservative financial policies; very stable metrics; public commitment to very strong credit profile over the long term.	Expected to have very stable and conservative financial policies; stable metrics; minimal event risk that would cause a rating transition; public commitment to strong credit profile over the long term.	Expected to have predictable financial policies that preserve creditor interests. Although modest event risk exists, the effect on leverage is likely to be small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies that balance the interest of creditors and shareholders; some risk that debt funded acquisitions or shareholder distributions could lead to a weaker credit profile.	Expected to have financial policies that tend to favor shareholders over creditors; above average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that favor shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that create elevated risk of debt restructuring in varied economic environments.	Expected to have financial policies that create elevated risk of debt restructuring even in healthy economic environments.

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Moody's Related Publications

Credit ratings are primarily determined by sector credit rating methodologies. Certain broad methodological considerations (described in one or more cross-sector rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments. A list of sector and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings, please click here.

For further information, please refer to *Rating Symbols and Definitions*, which is available here.

Moody's Basic Definitions for Credit Statistics (User's Guide) can be found here.

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