



 PROPRIETARY

Estre Ambiental seeks partners to build network of waste management transfer stations, advisor says

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Estre Ambiental, Brazil's largest waste management company, wants to forge strategic partnerships with external investors to build a network of transfer stations, said Monica Molina, managing partner of **Condere**, the company's financial advisor for the project.

A transfer station is a site for the temporary deposition of waste, which is later transported to the end point of disposal, such as a landfill or incinerator.

Backed by **Banco BTG Pactual** [BZ: BBTG11], Brazil's largest independent investment bank, and local private equity firm **Angra Partners**, Estre is seeking to team up with an individual or group of investors willing to invest around BRL 25m (USD 7.8m) to build up to six transfer stations, Molina said.

The investor or group of investors would bear all the costs related to the construction of the six facilities and Estre would operate them through a long-term lease agreement, the advisor said.

The Sao Paulo-based waste management company, which expects to report around BRL 1.5bn in revenue and an EBITDA margin of 27% for 2016, has already kicked off talks with a few potential partners, but plans to issue requests for proposals in the coming days, Molina said.

Estre prefers to have the transfer stations built through partnerships with investors to maintain its financial structure centered on "more core areas", the advisor noted.

Partners of interest include real estate investment firms, construction companies, providers of solid-waste transport services, and sewage treatment companies interested in entering the waste management sector, the advisor said. Partners with experience serving clients in the public sector would be highly desirable, she added.

The idea behind the project is to increase the profitability of Estre's landfills by boosting their daily

waste disposal volume. The transfer stations will also bring down logistics costs for local governments and corporations that need to properly dispose the waste they generate or manage, Molina explained.

Although in countries like the US most waste management companies rely on networks of transfer stations, such a model is still not in place in Brazil, the advisor pointed. It is precisely because of the novelty of the project that Estre is initially seeking to build only six transfer stations, even though it believes the country can absorb up to 300 units.

Estre plans to build the six transfer stations between 40-120 kilometers (25 to 75 miles) away from its landfills and will initially focus on setting up one unit in each of the following cities: Piratininga, Paulinia, Tremembe and Niteroi. The company plans to build two transfer stations in the city of Ribeirao Preto, in the Northeastern region of Sao Paulo state, Molina noted.

Asked about the eventual exit of Estre's financial sponsor, BTG Pactual, or a potential merger with Mexican peer **Promotora Ambiental** [BMV: PASAB], Molina said she was solely mandated to work on the transfer station project.

Brazil's blog *Primeiro Lugar* of business magazine *Exame* reported on 6 October that BTG Pactual was close to reaching an agreement to merge Estre with Promotora Ambiental, which had reported net sales for 2015 of MXN 3.4bn (USD 176.2m), according to the publication. One month earlier, *O Globo's* website reported that an unnamed Latin American company might be interested in acquiring Estre.

Estre is 41.5% owned by Brazilian businessman Wilson Quintella Filho, while BTG Pactual and Angra Partners hold stakes of 27.4% and 8.2%, respectively, according to financial filings. Private investors and small investment vehicles hold the remaining shares.

Estre did not return requests for comment.

by Thiago Barrozo in Sao Paulo

Grade: Confirmed

TARGET

Estre Ambiental S.A.

Financial advisor

[Condere](#)

Countries

Brazil
Mexico

Sectors

Industrial products and services
Services (other)

Private Equity House

[Angra Partners](#)

[Banco BTG Pactual S.A](#)

OTHERS

[Promotora Ambiental, S.A.B. de C.V.](#)

Utilities (other)

Sub-Sectors

Industrial Services

Other services

Pollution and recycling related

Water, sewage and other systems

Topics

Companies for sale

Cross Border

Growth Capital Raise

Joint Ventures/Partnerships

Private equity related

Project Finance

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