GFL Environmental Inc.

Initiation of Coverage — Solid Waste, North America

NYSE: GFL / TSX: GFL · Reporting currency CAD; valuation and targets in USD unless noted.

Rating	**HOLD**	**Current price**	**US$39.68**
12-mo price target	**US$40.00**	**Implied return**	**~flat**
Market cap	US$14.2B	Net leverage (Q2'26)	4.0x
Enterprise value	~US$21B	FY26E adj. EBITDA	~US$1.67B (CAD 2.29B)
Fwd EV/EBITDA	~13x	FY26E adj. FCF	~US$0.66B (CAD 0.90B)

We initiate on GFL Environmental at HOLD with a US$40 price target, essentially in line with the current price. This is a deliberately contrarian-neutral call: the Street is 12 Buy / 2 Hold / 2 Sell at a ~US$55 average target, implying ~38% upside. We side with the analysts pricing GFL on fundamentals — JPMorgan (Underweight, $41), and reportedly BMO (Hold, $43) — against the Scotiabank ($56) / Citi ($51) bull camp. GFL is an excellently run business. It is not, at ~13x forward EBITDA and 4.0x leverage, a cheap one. The gap between today's ~$40 price and the Street's ~$55 is a take-private premium being capitalized as operating value, and the controlling founder's own words cap that premium.

Thesis in brief

GFL trades at roughly fair value. Our blended fair value is ~$38, built from a deliberately conservative organic-only DCF ($30) and a forward-multiple comps read ($41). Add capped event optionality and the 12-month target is $40. The bull case to $55 requires GFL to re-rate toward Waste Connections' ~16x multiple *and* deliver a premium take-private outcome. We think both are unlikely on a 12-month view, and we can name why.

Three pillars, each with a falsifier:

1. **Fundamentals support ~$41, not $55.** Three independent points cluster below the Street.
2. **The take-private is a valuation cap, not a catalyst.** The buyer would be the incumbent controller, not a competitive auction.
3. **Deleveraging and record margins are real but already in the base.** The good news is priced.

Pillar 1 — Fundamentals support ~$41, not $55

Three independent valuation approaches converge below the Street's ~$55:

Source	Method	Value / share (USD)
Our DCF	5-yr organic UFCF, WACC 8.2%, g 2.5%	$30 (floor)
Our comps	13x forward EV/EBITDA	$41
JPMorgan (Jul 16, 2026)	Sell-side (verified)	$41
BMO (reported)	Sell-side	$43
AXIOM engine (independent)	DCF/comps blend	$41

The DCF is intentionally a floor: it credits zero future tuck-in M&A, which is precisely how GFL compounds. Read it as "what is GFL worth if the acquisition machine stops tomorrow." The answer is ~$30, below today's price. The forward-multiple comps ($41) is the operative number, and it lands right at the current price.

GFL trades at ~13.5x TTM EV/EBITDA versus Waste Connections (WCN) at ~16x. The bull case is that this ~2.5-turn discount closes. We think the discount is *earned*, not an anomaly:

Metric	GFL Q2'26	WCN Q1'26
Adj. EBITDA margin	30.4%	32.5%
Net leverage	4.0x	~2.0x
Organic growth	6.4%	3.1%

GFL grows faster organically (6.4% vs 3.1%) but runs a materially more levered, lower-margin, acquisition-dependent model. A ~2-turn multiple discount for ~2 extra turns of leverage and 210bp less margin is a fair price, not a mispricing. Same business quality, worse balance sheet.

Falsifier: GFL sustains >14.5x forward EV/EBITDA for two consecutive quarters absent a definitive take-private deal. If the market re-rates it toward WCN on organic merit, Pillar 1 is wrong and GFL should be a BUY.

Pillar 2 — The take-private is a valuation cap, not a catalyst

This is the non-consensus core of the note. On the Q2 call (July 30, 2026), founder-CEO Patrick Dovigi addressed the take-private speculation directly:

> *"When there's a dislocation in share price versus intrinsic value, I think that affords others the opportunity to potentially look at a take-private transaction."*

The bulls read that as a catalyst. Read the next two quotes:

> *"I'm not a seller at CAD 40, I'm not a seller at CAD 50, I'm not a seller at CAD 60, I'm not a seller at CAD 70."*
>
> *"I'd be rolling 100% of my equity into whatever is being proposed."*

Taken literally, the controlling shareholder is not a *seller* — he is a prospective *buyer / roller*. That inverts the usual take-private math. A take-private led by the insider who controls the company is not a competitive strategic auction that clears at a premium; it is a related-party transaction in which the buyer's incentive is to pay the *minimum* price a special committee will bless. Minority holders do not capture a WCN-style strategic premium when the acquirer is the incumbent controller rolling his own stake and financing the rest.

So the very event the Street is capitalizing into the $55 target is, in Dovigi's own framing, a mechanism that caps rather than crystallizes upside for public holders. A go-private near today's price with the founder rolling is entirely consistent with his statements. A 30% premium bid is not.

Falsifier: a *third-party* strategic or sponsor bidder emerges (not Dovigi-led), forcing a competitive process at a premium >25% over the ~$40 unaffected price. That would be a genuine catalyst and flips this to BUY on event. We are watching for it; we do not underwrite it.

Pillar 3 — Deleveraging and record margins are real, but already in the base

GFL's Q2 was genuinely strong, and management raised full-year guidance again:

FY2026 guidance (CAD)	Value
Revenue	$7,510–7,530M
Adj. EBITDA	~$2,290M (30.5% margin)
Capex	~$850M
Adj. FCF	~$900M
Year-end net leverage	Mid-3s (from 4.0x)

Canada segment EBITDA margin hit an all-time high of 34.0%. Organic growth of 6.4% (core price +6.1%) accelerated 180bp sequentially from Q1's 4.6%. CFO Luke Pelosi: *"I don't think the operation of the business has ever been performing better."*

We do not dispute any of this. The point is that our base-case valuation already credits it — that is *how* the comps and AXIOM reads arrive at ~$41. Deleveraging from 4.0x to the mid-3s is guided and in the model. For GFL to be worth materially more, it needs the *next* leg: leverage through the mid-3s into the low 3s, margins expanding past 31%, and 6%+ organic sustained, compounding into a WCN-like multiple. Possible. Not yet demonstrated, and not underwritable on a 12-month view.

Falsifier: by FY2027, net leverage <3.3x AND adj. EBITDA margin >31% AND organic growth sustained >6%. That combination justifies a re-rate and would take our target toward $50+.

Valuation

DCF (organic-only, the floor). Five-year explicit forecast (2027E–2031E) of unlevered free cash flow, organic revenue growth stepping 6.0% → 4.0%, EBITDA margin ramping 30.5% → 31.5%, D&A

14% of revenue, capex 11.3% → 10.5% of revenue, tax 26%. WACC 8.2% (CAPM: beta 0.90, risk-free 4.2%, equity risk premium 5.0%, plus 1.0% size premium). Terminal growth 2.5%.

DCF output (USD M)	Value
Sum PV of explicit UFCF	~3,900
PV of terminal value	~13,600 (78% of EV)
Enterprise value	~17,500
Less: net debt	(6,871)
Equity value	~10,700
DCF value / share	**~$30**

The 78% terminal weight and the ~$30 output both flag the same thing: on organic cash flows alone, discounted at a fair WACC, GFL is worth less than today's price. The market's ~$40 pays for the M&A engine the DCF ignores.

Comps (the operative read). At 13x forward EV/EBITDA on FY26E adj. EBITDA of ~US$1.67B, enterprise value is ~$21.7B, equity ~$14.9B, or ~$41/share. This is the number we weight, because for an acquisition-led operator the market multiple, not an organic DCF, is the operative valuation tool.

Blend and target. DCF 30% / comps 70% = ~$38 blended fair value. Adding $2.25 of capped, probability-weighted event optionality (Pillar 2) gives a **12-month price target of $40**. AXIOM's independent engine returns $41.44, corroborating the comps anchor.

Sensitivity. The backing workbook flexes DCF value/share across WACC (7.0%–9.4%) and terminal growth (2.0%–3.0%), and comps value/share across forward multiple (11x–15x) and FY26E margin (29.0%–32.0%). Across the plausible box, fair value spans roughly $27–$46 — bracketing the current price in essentially every reasonable cell, which is the definition of fairly valued.

Catalysts (next 12 months)

1. **Take-private developments.** A definitive Dovigi-led go-private near market would confirm Pillar 2 (cap, not premium). A surprise third-party bid would break it (see falsifier). This is the dominant swing factor and cuts both ways.
2. **SECURE contribution.** Guidance excludes SECURE; if it closes Q4'26 as expected, full-year adj. EBITDA growth could exceed 20%. Positive for estimates, but re-levers the balance sheet — the market already knows this.
3. **Deleveraging cadence.** Progress toward the mid-3s year-end leverage target is the quarterly scorecard. Faster-than-guided deleveraging is the cleanest path to our Pillar 3 falsifier.

Risks

Risks to our HOLD that would make us too cautious (upside): - A competitive third-party take-private auction (Pillar 2 falsifier) delivering a real premium. - A re-rate toward WCN if organic momentum and margin gains persist (Pillar 1 falsifier).

Risks that would make us too generous (downside): - **Leverage sensitivity to rates.** At 4.0x net leverage with ~US$445M annual cash interest, GFL's equity is more rate-sensitive than the defensive-waste narrative implies. A refinancing at wider spreads compresses FCF and the multiple together. - **Tipping-fee / pricing normalization.** Core pricing of 6.1% is well above the solid-waste long-run trend. If US disposal pricing (tracked via BLS PPI for waste collection) decelerates toward 3–4%, the organic growth premium over WCN narrows and the multiple discount widens. - **M&A execution.** The model *is* the acquisition machine. A large deal that dilutes returns or stresses the balance sheet is the specific tail the DCF floor is warning about.

Relative value — GFL vs Waste Connections

WCN is the right yardstick, and the comparison frames our HOLD cleanly. WCN delivered Q1'26 EBITDA margin of 32.5% at ~2x leverage and 3.1% organic growth; it trades at ~16x forward EBITDA. GFL delivered 30.4% margin at 4.0x leverage and 6.4% organic growth, at ~13.5x. The market is paying up for WCN's balance-sheet quality and margin, and discounting GFL for leverage and integration risk, while giving GFL credit for faster organic growth. That is a coherent relative-value equilibrium, not a dislocation.

Dovigi's own words are the tell. A founder who is *"not a seller at CAD 70"* and would *"roll 100% of my equity"* is telling you he thinks the stock is cheap to intrinsic value — and simultaneously telling minority holders that the person best positioned to buy it has every incentive to do so at the lowest defensible price. Both things can be true. For a public shareholder with a 12-month horizon, that combination is a HOLD.

Valuation model, sources, and limitations: see `gfl_model.xlsx`, `data/sources.md`, `data/limitations.md`. *This note is an independent analytical work product for portfolio purposes and is not investment advice.*