



# Engagement Case Study | 2022

Covanta (CVA)



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# Engagement at **Covanta (CVA)**



## **Company Description**

Covanta owns and operates waste-to-energy and power generation projects. Covanta's waste-to-energy facilities convert municipal solid waste into renewable energy, playing a key role in the efforts toward a decarbonised future.

## **Engagement Issue**

Ecofin Advisors Ltd. and its affiliates ("Ecofin") were the discretionary investment managers controlling approximately 2.2 million shares of common stock of Covanta Holding Corporation ("Covanta" or "the Company"), representing approximately 1.7% of the Company's outstanding shares as of July 2021. The Company announced on July 14, 2021 that it had entered into a definitive agreement to be acquired by EQT Infrastructure. However, we were very disappointed to read that the board endorsed the low offer price of \$20.25 per common share.

## **Engagement Objective**

Ecofin believed that the offer price failed to capture the intrinsic value of Covanta and more importantly failed to capture the substantial value creation opportunities over the next few years.

## **Scope and Process**

Ecofin sent two letters to the Board of Directors of Covanta Holding Corporation outlining why Ecofin intended to vote against the proposed acquisition of Covanta by EQT Infrastructure.

## **Outcome**

Ecofin contended that EQT was not paying fair value, let alone a premium, to acquire Covanta and that the board had wrongly settled for an offer that reflected the unsatisfactory track record of Covanta rather than its brighter growth outlook. We witnessed substantial improvements in key drivers of the business which, unfortunately, were not factored into Covanta or their investment banker's assumptions. Moreover, momentum for decarbonisation had accelerated, driven in part by the U.S. administration's agenda and the approach of COP26, making Covanta's business a more attractive baseload low carbon electricity provider. Ecofin had a strong historical relationship with the company and continued to engage with the board. Ultimately, despite Ecofin's efforts, the company was acquired by EQT and taken private.

## Important disclosures



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