

October 27, 2009

AMERICAN ECOLOGY CORP.

Third quarter 2009 results were shy of our and consensus earnings by a penny on below-expectations revenue. Disposal volumes fell sequentially.

Price (10/26/09)

\$18.63

Ticker/Exchange

ECOL: Nasdaq

Update

Hold

(Unchanged)

Price Target

\$18.50

(Unchanged)

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Highlights:

- Reduced Guidance.** Management issued reduced earnings guidance for the balance of 2009, indicating that earnings per share would likely range from \$0.77 to \$0.83 for the full year. The previous guidance was for an EPS range of \$0.85 to \$1.00.
- Lower Disposal Volumes.** Disposal volumes of 201,000 tons were down compared to the prior year when disposal volumes were boosted to 263,000 tons by steady flows from the Honeywell and Molycorp clean-up projects. Both event-related and base-business revenue declined 2% year-over-year.
- Sales and Earnings.** American Ecology disappointed investors with earnings one penny shy of our and the consensus estimate. Reported earnings were \$0.23 per share on lower than expected revenue of \$37.5 million.
- Business Pipeline.** Federal stimulus spending has thus far failed to ignite the hazardous waste business pipeline despite allocations to a variety of Superfund environmental clean-up sites. We believe the prospect of the availability of federal support has made commercial entities even more conservative with available cash than even suggested by the difficult economic conditions.
- Revised Estimates.** We updated our earnings model to reflect the September 2009 quarter results. Additionally, we made certain adjustments to our cost and expense assumptions. The net effect of these changes reduces our 4Q09 EPS estimate to \$0.22 (from \$0.23) on \$39.0 million in sales (unchanged).
- Rating and Price Target.** We reiterate our hold rating and \$18.50 price target. Until the hazardous waste sector begins to show promise of growth we do not believe higher valuation metrics are justified for ECOL shares. We continue to suggest investors follow our updated trading guide on page 5 to manage positions.

Environmental Services / ECOL: Nasdaq

DESCRIPTION

American Ecology provides radioactive and hazardous waste treatment, transportation and disposal services to government, commercial and industrial customers. The Company operates one of three nuclear (Washington State) and three of twenty-one (Texas, Nevada and Idaho) hazardous waste disposal sites in the U.S. With over fifty years experience in handling hazardous materials, it markets its services to nuclear facilities, oil and gas refiners, manufacturers, chemical producers among others.

INVESTMENT OUTLOOK

A strategic reorganization five years ago has put American Ecology on a growth track. Sales and profits have increased steadily reaching \$175.8 million in 2008 from \$40 million in 2001. We believe a highly competitive service offering and a strong safety track record are attracting new customers such as Honeywell and Molycorp and retaining customers such as the U.S. Army Corps of Engineers. We are also attracted to a strong net profit margin which has risen to 12.2% in 2008 from 7.4% in 2001. The operating structure affords significant leverage of fixed costs and generates sufficient cash flows for both expansion investments and shareholder dividends.

OPERATION PROJECTIONS

	2008A	1QA	2QA	3QA	4QE	2009E	2010E
Sales	\$175.8	\$35.0	\$36.4	\$37.5	\$39.0	\$147.9	\$170.0
Net Inc	\$ 21.5	\$ 3.6	\$ 3.5	\$ 4.2	\$ 3.8	\$ 15.2	\$ 19.1
CFO	\$ 30.6	\$11.5	\$ 6.2	\$2.6		\$ 23.0	\$ 30.0
EPS	\$1.18	\$0.20	\$0.19	\$0.23	\$0.21	\$0.83	\$1.04

Dollars in millions except per share earnings. Fiscal year ends December.

CAPITALIZATION

Shares Outstanding	18.3 ml.
Recent Price	\$18.63
Market Capitalization	\$340.9 ml.
+ Debt	-0- ml.
- Cash	20.2 ml.
Enterprise Value	\$320.7ml.
Book Value	\$94.0 ml.
Working Capital	\$38.3 ml.
Dividend Yield	3.9%

Balance sheet figures as of 9/30/09.

INVESTMENT RETURNS

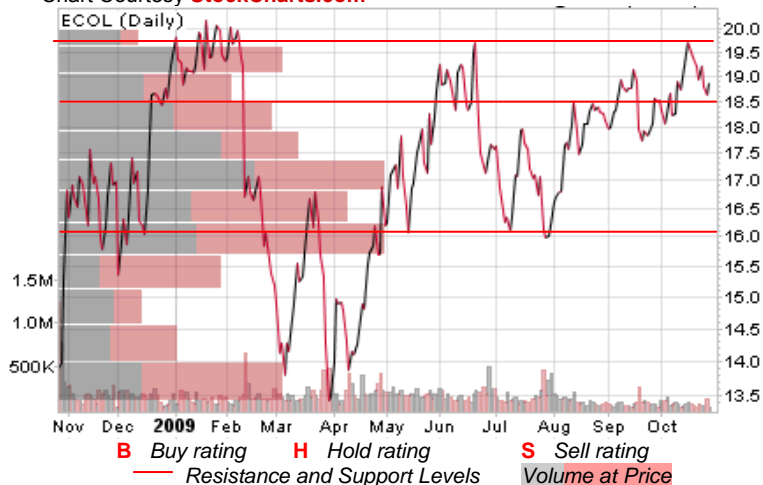
	<u>ECOL</u>	<u>Industry</u>
Return on Equity	12.0%	-45.5%
Return on Assets	8.9%	-330.6%
Return on Capital	12.0%	-55.9%

VALUATION

Price/Sales	3.1 X
Price/Cash Flow	16.8 X
Price/EPS	34.5 X
Price/Book Value	3.6 X
Consensus EPS 2009	\$0.84
Forward PE	22.2 X
Consensus EPS 2010	\$0.99
Forward PE	18.8 X

Per share figures trailing twelve months.

Chart Courtesy StockCharts.com



MARKET DATA

Recent Price:	\$18.63
52 week High / Low:	\$22.99-\$13.56
Shares Outstanding:	18.3 M
Inside Ownership:	11%
Institutional Ownership:	62%
Estimated Flotation:	16.3 M
Average Daily Volume:	129 K
Short Interest:	3.4%
Beta:	1.15

Source: Bloomberg, LP

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ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

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RATING SYSTEM

- Buy Price appreciation expected 10% or more over a 12-month period.
- Hold Price appreciation/depreciation expected between 10% and -10% over 12 months.
- Sell Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	9	69%
Holds	3	24%
Sells	1	7%
Total	13	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: American Ecology / ECOL

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
Initial	10/26/06	\$20.81	Buy	\$25.00
Update	12/21/06	\$18.35	Buy	\$25.00
Update	2/7/07	\$19.69	Buy	\$25.00
Update	4/25/07	\$20.56	Buy	\$25.00
Update	7/26/07	\$21.69	Buy	\$25.00
Update	10/24/07	\$20.91	Buy	\$25.00
Update	2/8/08	\$22.99	Buy	\$27.25
Update	4/30/08	\$27.06	Hold	\$27.25
Update	7/31/08	\$33.15	Hold	\$31.50
Update	10/28/08	\$14.49	Buy	\$18.50
Update	2/11/09	\$19.82	Hold	\$18.50
Update	4/28/09	\$16.02	Hold	\$18.50
Update	7/29/09	\$16.20	Hold	\$18.50
Update	10/27/09	\$18.63	Hold	\$18.50

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
American Ecology Corp.	ECOL: Nasdaq	G

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- C A person or persons preparing this report or an immediate family member of the preparer has a beneficial interest in the common stock of the company.
- D Crystal Equity Research, LLC received compensation for research coverage from the company or one of its agents. The fees are paid in advance in cash.
- E The company has a convertible issue outstanding.
- F The securities covered in this report can be optioned.
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