



## **FY18 Half Year Results**

**For the six months ended 31 December 2017**

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**Brendan Gill – CFO**

ASX: CWY

21 February 2018

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- All amounts are in Australian dollars unless otherwise stated. A number of figures in the tables and charts in the presentation pages have been rounded to one decimal place. Percentages (%) have been calculated on actual whole figures.
- Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Refer to CWY’s Directors’ Report for the definition of “Underlying earnings”. The term EBITDA represents earnings before interest, income tax, and depreciation, amortisation and impairments and the term EBIT represents earnings before interest and income tax expense.
- This presentation has not been subject to review or audit.

# Agenda

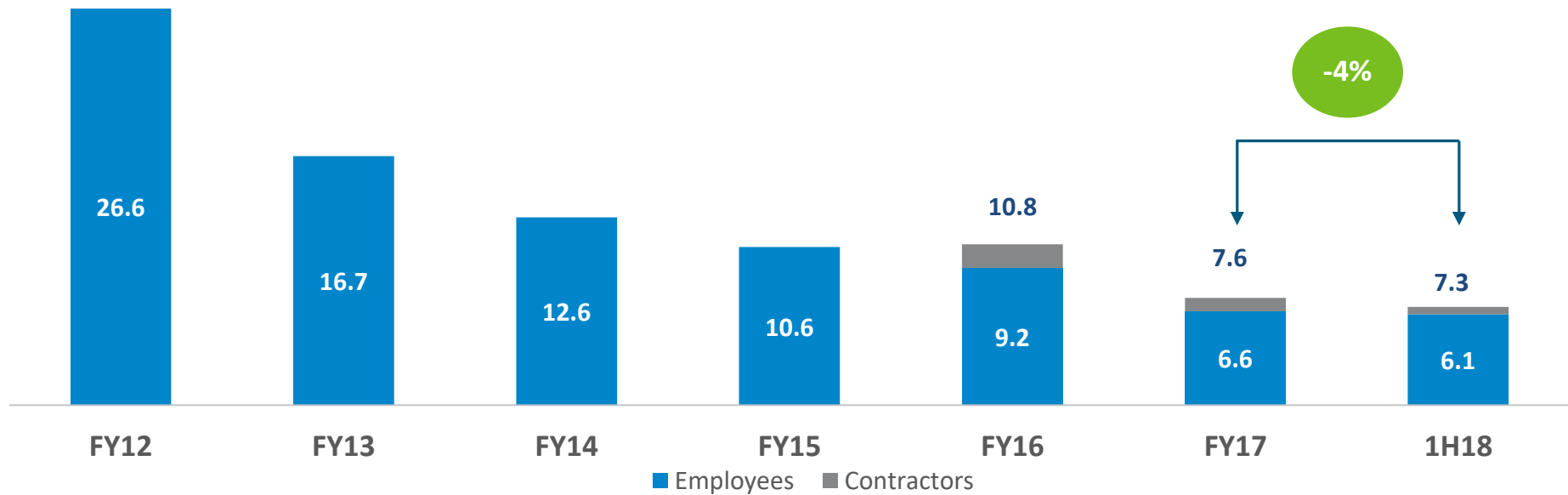
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# Safety and Environmental – Our objective is Goal Zero

## Total Recordable Injury Frequency Rate<sup>1</sup>

From FY12 to FY15 Total Recordable Injury Frequency Rate was for employees only. From FY16 onwards statistics include both employees and contractors.



Total recordable injury frequency rate continues to decline as safety initiatives are further deployed

Safety performance remains a key performance measure for all management’s STI starting from CEO down to site management

No major environmental breaches were reported during the period.

External contractors are now included in the measurements of our Goal Zero objective

# Group 1H18 Performance Overview

| \$ million                               | Underlying Results |       |         |   | Statutory Results |       |         |
|------------------------------------------|--------------------|-------|---------|---|-------------------|-------|---------|
|                                          | 1H17               | 1H18  | Growth  |   | 1H17              | 1H18  | Growth  |
| Gross Revenue                            | 724.5              | 785.5 | 8.4%    | ▲ | 724.5             | 785.5 | 8.4%    |
| Net Revenue                              | 672.4              | 722.2 | 7.4%    | ▲ | 672.4             | 722.2 | 7.4%    |
| EBITDA <sup>1</sup>                      | 150.4              | 159.0 | 5.7%    | ▲ | 150.0             | 154.2 | 2.8%    |
| EBITDA Margin                            | 22.4%              | 22.0% | (40)bps | ▼ | 22.3%             | 21.4% | (90)bps |
| EBIT <sup>1</sup>                        | 67.0               | 79.5  | 18.7%   | ▲ | 60.7              | 74.7  | 23.1%   |
| EBIT Margin                              | 10.0%              | 11.0% | 100bps  | ▲ | 9.0%              | 10.3% | 130bps  |
| NPAT                                     | 34.9               | 43.9  | 25.8%   | ▲ | 28.0              | 45.0  | 60.7%   |
| EPS (basic cents per share) <sup>2</sup> | 2.1                | 2.6   | 23.8%   | ▲ | 1.7               | 2.7   | 58.8%   |

Notes:

1: EBITDA and EBIT in 1H18 negatively impacted by \$2.8 million bad debt write-offs. Excluding the write-offs, Underlying EBITDA margin would be 22.4% and EBIT margin 11.4%

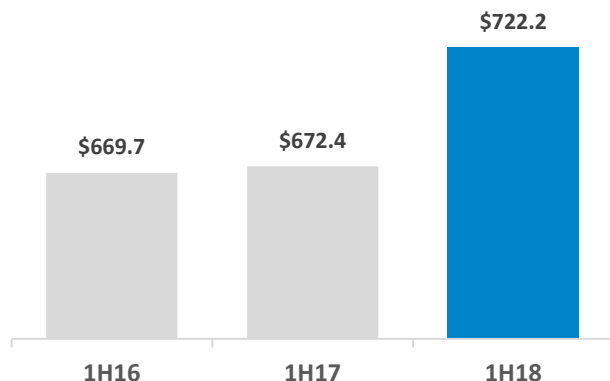
2: Adjusted for impact of equity raising. Refer slide 31

3: Dividend represents a payout ratio of 51% of underlying profit after tax

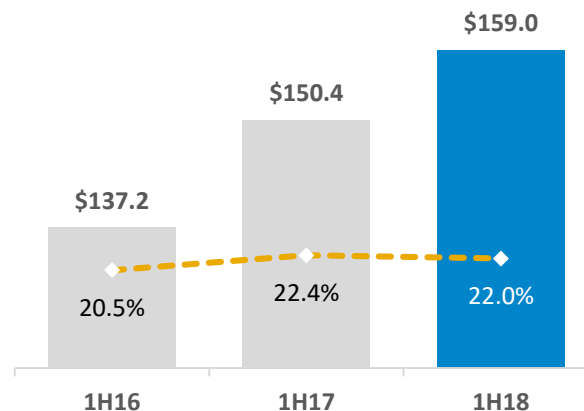
|                                      | 1H17  | 1H18   | Growth   |   |
|--------------------------------------|-------|--------|----------|---|
| Interim dividend per share (cents)   | 1.0   | 1.1    | 10.0%    | ▲ |
| Cash from operating activities (\$m) | 99.8  | 112.8  | 13.0%    | ▲ |
| Cash conversion ratio                | 90.0% | 104.5% | 1,450bps | ▲ |
| Free cash flow (\$m)                 | 34.5  | 49.5   | 43.5%    | ▲ |

# Cleanaway – our ongoing journey from a good to great company

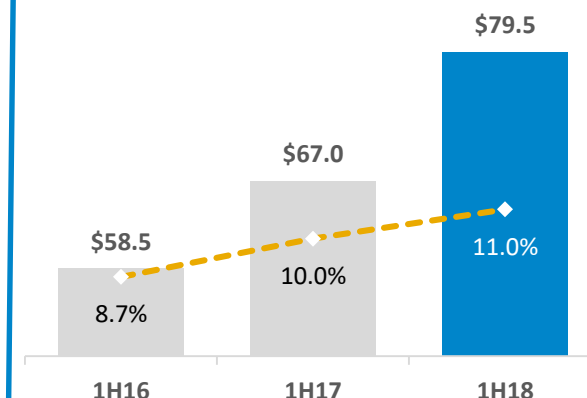
Net Revenue (\$million)



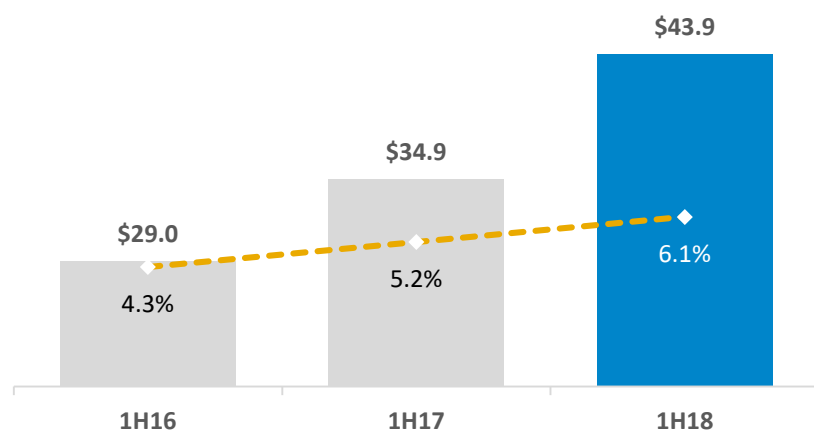
EBITDA<sup>1</sup> (\$million) and EBITDA margin (%)



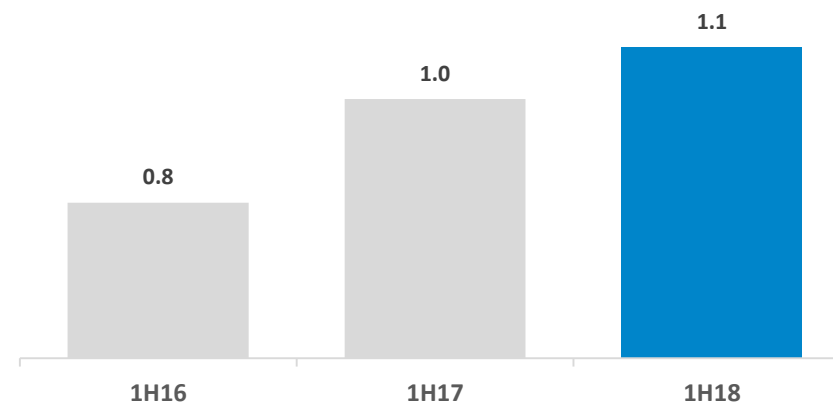
EBIT<sup>1</sup> (\$million) and EBIT margin (%)



NPAT<sup>1</sup> (\$million) and NPAT margin (%)



Dividends (cents)



Notes 1: Underlying results

# Cleanaway – our ongoing journey from a good to great company

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- ❖ Organic growth in revenue and earnings through focus on volume, price, customer service and operations
- ❖ Increased prized infrastructure assets as part of Footprint 2025, within our capital budget
- ❖ Disciplined, predictable capital spend
- ❖ Remediation and rectification under control with line of sight for the end of legacy issues
- ❖ Toxfree acquisition

# 1H18 Division Performance Summary

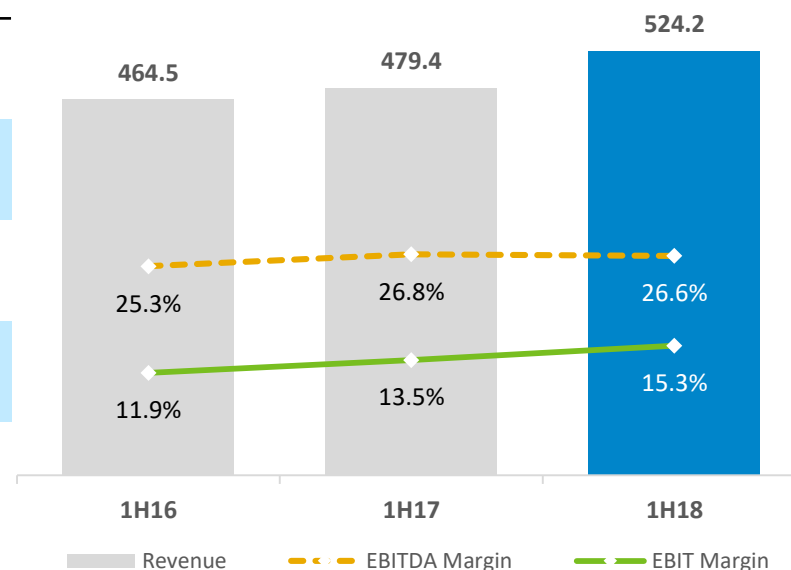
|                                          | Net Revenue <sup>1</sup> |              |                | EBITDA <sup>2</sup> |             |                | EBIT <sup>2</sup> |             |                |
|------------------------------------------|--------------------------|--------------|----------------|---------------------|-------------|----------------|-------------------|-------------|----------------|
| \$ million                               | 1H17                     | 1H18         | Growth         | 1H17                | 1H18        | Growth         | 1H17              | 1H18        | Growth         |
| <b>Solids – Collections</b>              | 404.0                    | <b>441.7</b> | <b>9.3% ↑</b>  | 81.0                | <b>85.3</b> | <b>5.3% ↑</b>  | 49.8              | <b>53.5</b> | <b>7.4% ↑</b>  |
| <b>Solids – Post Collections</b>         | 93.6                     | <b>107.9</b> | <b>15.3% ↑</b> | 47.7                | <b>53.9</b> | <b>13.0% ↑</b> | 15.0              | <b>26.7</b> | <b>78.0% ↑</b> |
| <b>Liquids &amp; Industrial Services</b> | 208.0                    | <b>214.7</b> | <b>3.2% ↑</b>  | 28.8                | <b>30.0</b> | <b>4.2% ↑</b>  | 15.1              | <b>16.5</b> | <b>9.3% ↑</b>  |

Notes 1: Net revenue excludes landfill levies collected of \$63.3 million in 1H18 and \$52.1 million in 1H17

2: Underlying results. Refer to slide 13 for details of underlying adjustments

# Total Solids Performance

| \$ million                     | 1H17 <sup>1</sup> | 1H18 <sup>1</sup> | Growth         |
|--------------------------------|-------------------|-------------------|----------------|
| <b>Net revenue<sup>2</sup></b> | 479.4             | <b>524.2</b>      | <b>9.3%</b>    |
| <b>EBITDA</b>                  | 128.7             | <b>139.2</b>      | <b>8.2%</b>    |
| <b>EBITDA Margin</b>           | 26.8%             | <b>26.6%</b>      | <b>(20)bps</b> |
| <b>EBIT</b>                    | 64.8              | <b>80.2</b>       | <b>23.8%</b>   |
| <b>EBIT Margin</b>             | 13.5%             | <b>15.3%</b>      | <b>180bps</b>  |



- ❖ Strong revenue growth driven by both volume and price improvements across Collections and Post Collections
- ❖ Minor decline in EBITDA margins due to one off ramp-up costs incurred in 1H18 associated with major new contracts won in 2H17
- ❖ Reduction in depreciation and amortisation
- ❖ Maintaining cost disciplines across the business, productivity improvements still work in progress

Notes:

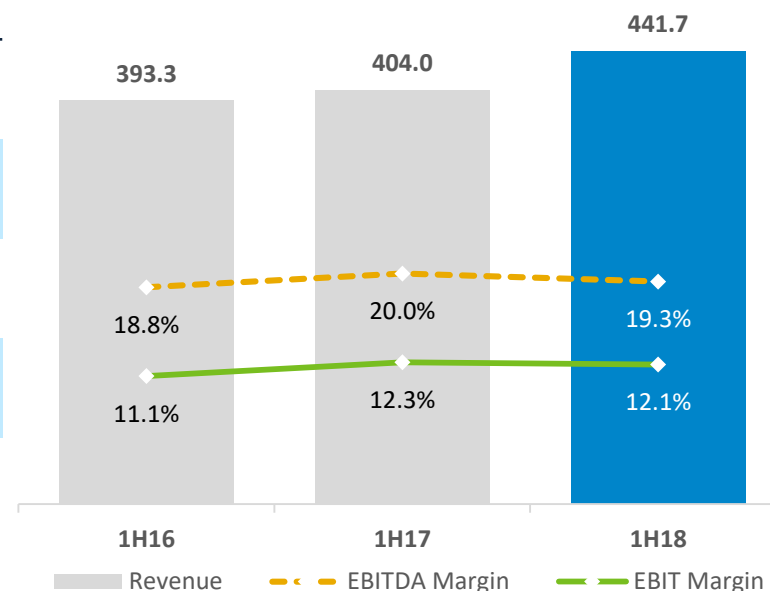
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1: Underlying results. Refer to slide 13 for details of underlying adjustments

2: Net revenue excludes landfill levies collected of \$63.3 million in 1H18 and \$52.1 million in 1H17

# Solids – Collections Performance

| \$ million           | 1H17 <sup>1</sup> | 1H18 <sup>1</sup> | Growth         |
|----------------------|-------------------|-------------------|----------------|
| <b>Net revenue</b>   | 404.0             | <b>441.7</b>      | <b>9.3%</b>    |
| <b>EBITDA</b>        | 81.0              | <b>85.3</b>       | <b>5.3%</b>    |
| <b>EBITDA Margin</b> | 20.0%             | <b>19.3%</b>      | <b>(70)bps</b> |
| <b>EBIT</b>          | 49.8              | <b>53.5</b>       | <b>7.4%</b>    |
| <b>EBIT Margin</b>   | 12.3%             | <b>12.1%</b>      | <b>(20)bps</b> |

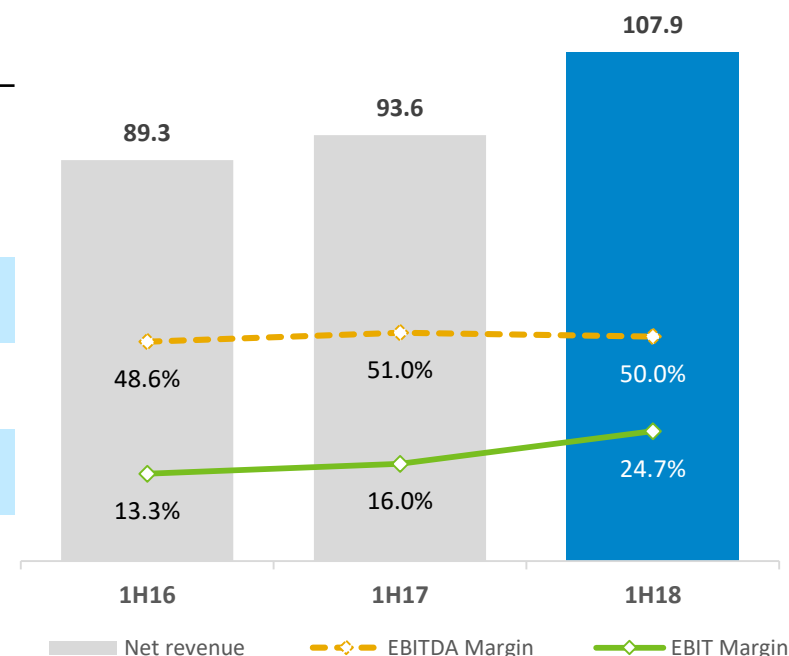


- ❖ Organic revenue growth driven by both volume increases, especially in the first quarter, and better pricing performance
- ❖ Margins impacted by ramp-up costs associated with new contracts
- ❖ Increasing both price and volume remains a priority
- ❖ Focus continues on customer service and operational improvements to improve margins
- ❖ Our Cleanaview propriety in-cab system deployed for new Municipal contracts and delivering benefits
- ❖ Major new C&I and Municipal contracts expected to underpin continued revenue growth in 2H18 and into FY19

Note 1: Underlying results. Refer to slide 13 for details of underlying adjustments

# Solids – Post Collections Performance

| \$ million                                       | 1H17 <sup>1</sup> | 1H18 <sup>1</sup> | Growth   |
|--------------------------------------------------|-------------------|-------------------|----------|
| Gross revenue                                    | 145.7             | 171.2             | 17.5%    |
| Net revenue (excl. landfill levies) <sup>2</sup> | 93.6              | 107.9             | 15.3%    |
| EBITDA                                           | 47.7              | 53.9              | 13.0%    |
| <i>EBITDA Margin</i>                             | 51.0%             | 50.0%             | (100)bps |
| EBIT                                             | 15.0              | 26.7              | 78.0%    |
| <i>EBIT Margin</i>                               | 16.0%             | 24.7%             | 870bps   |



- ❖ Landfill volumes increase especially along the East Coast
- ❖ Revenue also assisted by the new South East Melbourne Transfer Station which is fully operational
- ❖ Additional 4MW of electricity generation capacity installed at our Melbourne Regional landfill in October 2017
- ❖ Depreciation and amortisation expense will remain variable until December 2018 when all Clayton landfills are closed
- ❖ Brisbane City Council resource recovery contract commencing on 1 July 2018
- ❖ Construction of a new transfer station at Erskine Park, Sydney scheduled for completion in 1H19

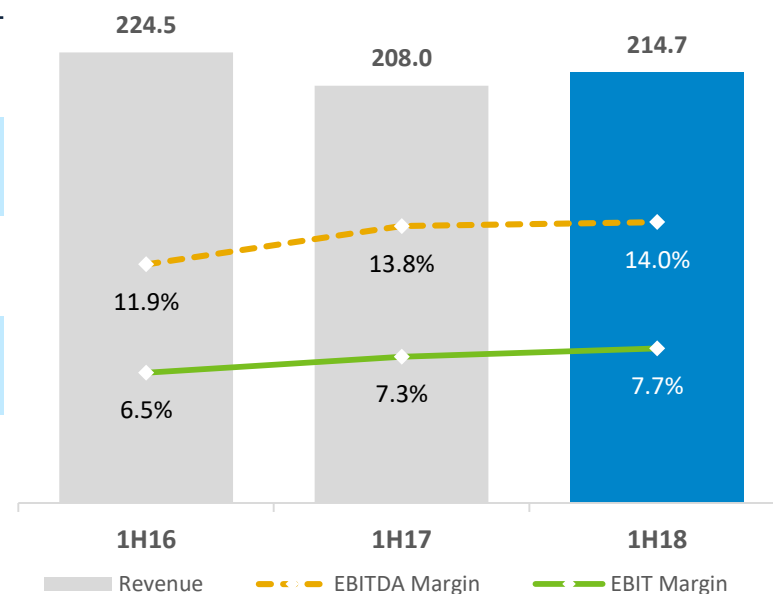
Notes:

1: Underlying results. Refer to slide 13 for details of underlying adjustments

2: Net revenue excludes landfill levies collected of \$63.3 million in 1H18 and \$52.1 million in 1H17

# Liquids & Industrial Services Performance

| \$ million           | 1H17 <sup>1</sup> | 1H18 <sup>1</sup> | Growth |
|----------------------|-------------------|-------------------|--------|
| Net revenue          | 208.0             | 214.7             | 3.2%   |
| EBITDA               | 28.8              | 30.0              | 4.2%   |
| <i>EBITDA Margin</i> | 13.8%             | 14.0%             | 20bps  |
| EBIT                 | 15.1              | 16.5              | 9.3%   |
| <i>EBIT Margin</i>   | 7.3%              | 7.7%              | 40bps  |



- ❖ Segment showing early signs of sustained improvement
- ❖ Market conditions are mixed but we remain positive about achieving medium to long term growth
- ❖ The Toxfree acquisition will create significant synergy opportunities while also reducing the need for capital spending to upgrade aging infrastructure
- ❖ Focus to grow Industrial Service business in the infrastructure area and resources sector leading to improved pipeline of work
- ❖ Further improvement to the performance of this segment remains an area of focus in FY18

Note 1: Underlying results. Refer to slide 13 for details of underlying adjustments

# Statutory NPAT Reconciliation to Underlying NPAT

| \$ million                                                                        | 1H18         |                                                                                                                                            |
|-----------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Statutory Profit After Income Tax Attributable to Ordinary Equity Holders</b>  | <b>45.0</b>  | ❖ Rebranding program now completed six months ahead of schedule and on budget                                                              |
| Pre-tax adjustments:                                                              |              |                                                                                                                                            |
| Rebranding costs                                                                  | 2.5          | ❖ Acquisition costs for SA Waste and Toxfree                                                                                               |
| Acquisition costs                                                                 | 2.3          |                                                                                                                                            |
| <b>Total Underlying Adjustments to EBITDA and EBIT</b>                            | <b>4.8</b>   | ❖ Write back of \$5.0 million tax provision relates to a review of certain matters by New Zealand Inland Revenue completed during the half |
| Net finance costs                                                                 | 0.1          |                                                                                                                                            |
| <b>Total Underlying Adjustments to Finance Costs</b>                              | <b>0.1</b>   |                                                                                                                                            |
| Write back of tax provision                                                       | (5.0)        |                                                                                                                                            |
| Tax impact of other underlying adjustments                                        | (1.0)        |                                                                                                                                            |
| <b>Total Underlying Adjustments to Income Tax</b>                                 | <b>(6.0)</b> |                                                                                                                                            |
| <b>Total Underlying Adjustments</b>                                               | <b>(1.1)</b> |                                                                                                                                            |
| <b>Underlying Profit After Income Tax Attributable to Ordinary Equity Holders</b> | <b>43.9</b>  |                                                                                                                                            |

# Balance Sheet

| \$ million                     | 31 Dec 2016    | 30 June 2017   | 31 Dec 2017    |                                                                                                                                                                                                                                                                       |
|--------------------------------|----------------|----------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ASSETS</b>                  |                |                |                |                                                                                                                                                                                                                                                                       |
| Cash and cash equivalents      | 44.5           | 43.2           | <b>183.3</b>   | ❖ Landfill remediation provision reduction from June 2017 reflects payments made, updated assumptions and the sale of closed landfill site in Victoria. These were offset by an increase in the provision for new cells constructed and the unwinding of the discount |
| Trade and other receivables    | 246.2          | 247.9          | <b>261.1</b>   |                                                                                                                                                                                                                                                                       |
| Inventories                    | 15.7           | 11.1           | <b>13.1</b>    |                                                                                                                                                                                                                                                                       |
| Property, plant and equipment  | 898.9          | 936.5          | <b>971.6</b>   |                                                                                                                                                                                                                                                                       |
| Assets held for sale           | 15.3           | 8.8            | <b>14.6</b>    |                                                                                                                                                                                                                                                                       |
| Intangible assets              | 1,584.9        | 1,585.3        | <b>1,590.9</b> |                                                                                                                                                                                                                                                                       |
| Other assets                   | 144.5          | 124.8          | <b>123.2</b>   |                                                                                                                                                                                                                                                                       |
| <b>Total Assets</b>            | <b>2,950.0</b> | <b>2,957.6</b> | <b>3,157.8</b> |                                                                                                                                                                                                                                                                       |
| <b>LIABILITIES</b>             |                |                |                |                                                                                                                                                                                                                                                                       |
| Trade and other payables       | 190.0          | 177.6          | <b>206.3</b>   | ❖ Deferred settlement liability mainly represents annual fixed payments relating to the Melbourne Regional Landfill discounted to present value                                                                                                                       |
| Landfill remediation provision | 334.5          | 332.8          | <b>300.7</b>   |                                                                                                                                                                                                                                                                       |
| Borrowings                     | 370.6          | 370.2          | <b>39.0</b>    |                                                                                                                                                                                                                                                                       |
| Deferred settlement liability  | 80.2           | 80.6           | <b>81.6</b>    |                                                                                                                                                                                                                                                                       |
| Liabilities held for sale      | 27.9           | —              | <b>5.4</b>     |                                                                                                                                                                                                                                                                       |
| Other liabilities              | 148.3          | 171.4          | <b>158.8</b>   |                                                                                                                                                                                                                                                                       |
| <b>Total Liabilities</b>       | <b>1,151.5</b> | <b>1,132.6</b> | <b>791.8</b>   |                                                                                                                                                                                                                                                                       |
| <b>Net Assets</b>              | <b>1,798.5</b> | <b>1,825.0</b> | <b>2,366.0</b> |                                                                                                                                                                                                                                                                       |

# Cash Flow

| \$ million                                                  | 1H17    | 1H18           |
|-------------------------------------------------------------|---------|----------------|
| <b>Underlying EBITDA</b>                                    | 150.4   | <b>159.0</b>   |
| Cash flow of underlying adjustments                         | (5.5)   | <b>(3.4)</b>   |
| Less: Non-cash share of profits from associates             | (0.4)   | <b>(0.2)</b>   |
| Less: Other non-cash items                                  | 2.4     | <b>3.8</b>     |
| Payments for rectification and remediation of landfills     | (20.3)  | <b>(20.0)</b>  |
| Other changes in working capital                            | (17.8)  | <b>3.3</b>     |
| Net interest paid                                           | (9.0)   | <b>(9.0)</b>   |
| Tax paid                                                    | –       | <b>(20.7)</b>  |
| <b>Net Cash from operating activities</b>                   | 99.8    | <b>112.8</b>   |
| Capital expenditure                                         | (74.3)  | <b>(93.0)</b>  |
| Payments towards purchase of businesses <sup>1</sup>        | (29.3)  | <b>(14.6)</b>  |
| Net proceeds from sale of property, plant & equipment       | 0.5     | <b>2.0</b>     |
| Payments towards equity accounted interests                 | –       | <b>(4.4)</b>   |
| Dividends received from equity accounted investments        | 0.2     | <b>0.9</b>     |
| <b>Net Cash used in investing activities</b>                | (102.9) | <b>(109.1)</b> |
| Proceeds from borrowings                                    | 30.0    | <b>25.0</b>    |
| Repayment of borrowings net of settlement of derivatives    | (20.5)  | <b>(378.4)</b> |
| Payment of debt and equity raising costs                    | (0.1)   | <b>(10.2)</b>  |
| Payment of ordinary dividend                                | (10.1)  | <b>(15.2)</b>  |
| Proceeds from issue of ordinary shares                      | –       | <b>515.2</b>   |
| <b>Net Cash from/(used in) financing activities</b>         | (0.7)   | <b>136.4</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | (3.8)   | <b>140.1</b>   |
| Opening Cash                                                | 48.3    | <b>43.2</b>    |
| <b>Closing Cash</b>                                         | 44.5    | <b>183.3</b>   |

- ❖ Net cash from operating activities increased 13.0% compared to previous corresponding period
- ❖ Ratio of cash flow from operating activities to underlying EBITDA 104.5% (pcp: 90.0%)<sup>2</sup>
- ❖ Free cash flow up 43.5% to \$49.5 million<sup>3</sup>

Notes:

1: Includes MRL fixed payments

2: Calculated as net cash from operating activities before remediation of landfills, underlying adjustments, net interest and tax divided by underlying EBITDA before share of profits from equity accounted investments

3: Free cash flow defined as net cash from operating activities excluding interest and tax less capital expenditure

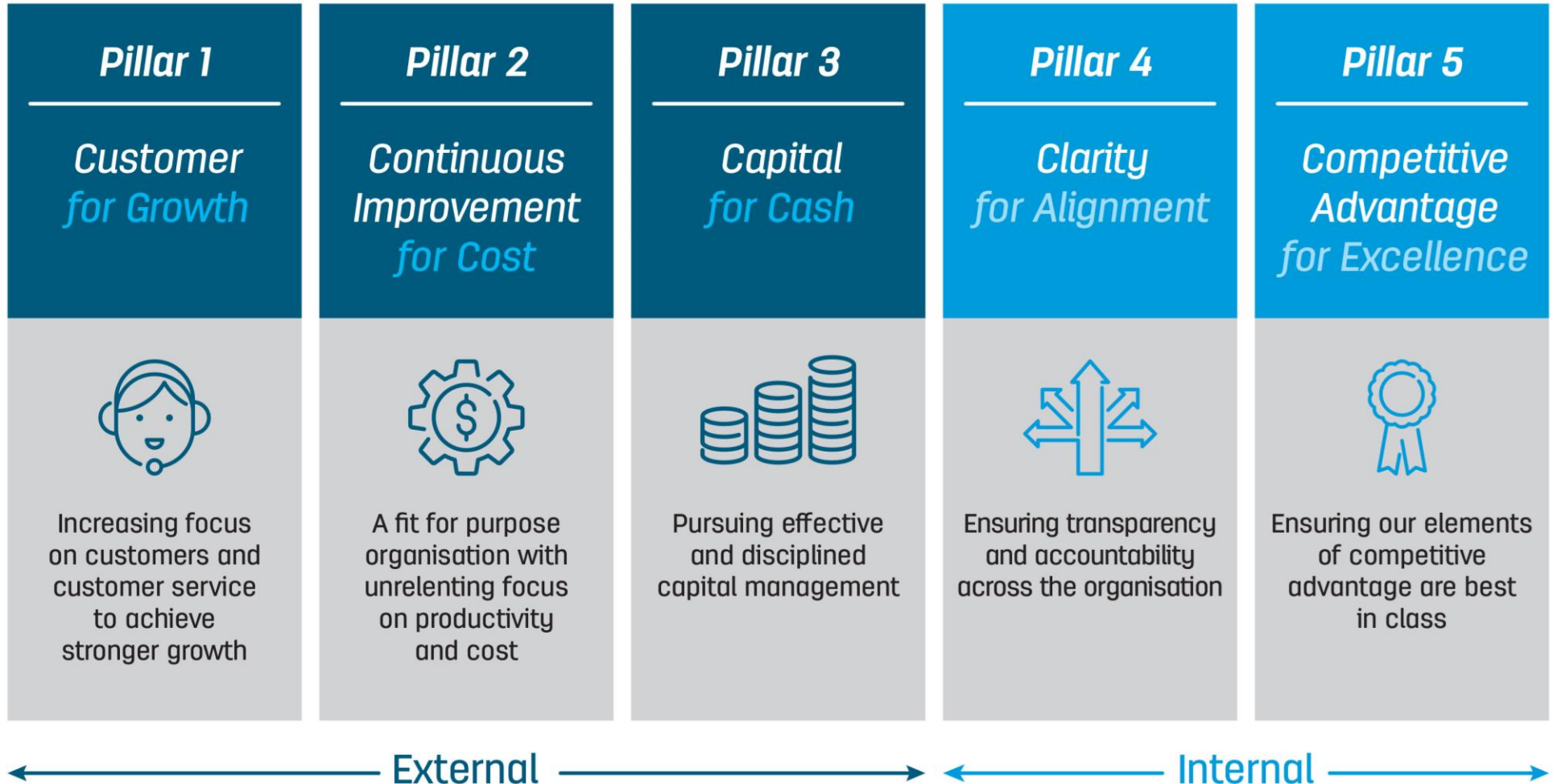
# Capital Structure – Debt

| \$ million                                                         | 31 Dec 16    | 30 Jun 17    | 31 Dec 17      |
|--------------------------------------------------------------------|--------------|--------------|----------------|
| Current interest bearing liabilities                               | 66.6         | 62.4         | –              |
| Non-current interest bearing liabilities                           | 304.0        | 307.8        | 7.8            |
| Finance leases                                                     | –            | –            | 31.2           |
| <b>Gross Debt</b>                                                  | <b>370.6</b> | <b>370.2</b> | <b>39.0</b>    |
| Cash and cash equivalents including institutional equity raising   | (44.5)       | (43.2)       | (183.3)        |
| <b>Net Debt / (Cash) per Balance Sheet</b>                         | <b>326.1</b> | <b>327.0</b> | <b>(144.3)</b> |
| Net proceeds from institutional equity raising                     | –            | –            | 505.9          |
| <b>Net Debt excluding institutional equity raising<sup>1</sup></b> | <b>326.1</b> | <b>327.0</b> | <b>361.6</b>   |
| <b>Gearing ratio</b>                                               | <b>15.3%</b> | <b>15.2%</b> | <b>16.3%</b>   |
| <b>Net Debt to underlying EBITDA ratio</b>                         | <b>1.11x</b> | <b>1.09x</b> | <b>1.17x</b>   |

1: Excluding finance leases for government related contracts and the institutional equity raising, net debt equals \$330.4 million, an increase of \$3.4 million from 30 June 2017

- ❖ \$31 million in finance leases following the award of new government contracts utilised during the half. Expect by end of FY18 approximately \$95 million to be utilised
- ❖ Excluding cash received from the equity raising, at 31 December 2017 the Group had \$264 million of headroom under existing banking facilities
- ❖ Average debt maturity at 31 December 2017 is 3.9 years (30 June 2017: 3.4 years)
- ❖ USPP notes matured in December 2017. Unutilised debt facilities were used to repay the USPP notes. This will generate approximately \$4 million per annum in net interest cost savings

# Strategy remains underpinned by five key pillars



# Customer for Growth and Continuous Improvement for Cost

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## Customer for Growth

### Organic volume growth

- ❖ Major contract wins such as Chevron, Coles, Hills Shire, Noosa Council and NSW Container Deposit Scheme in joint venture with TOMRA mobilised during the first half. Impressed with the way our businesses have responded well to the increased workload
- ❖ The Central Coast Municipal Council contract commenced on 1 February 2018
- ❖ Brisbane City Council Post Collections contract commencing on 1 July 2018

### Inorganic growth

- ❖ Investment of \$12.1 million on bolt on acquisition – SA Waste
- ❖ Further small to medium sized acquisitions identified, although the Toxfree integration post completion remains a priority for the next 12-18 months



## Continuous Improvement for Cost

### Cost efficiencies

- ❖ Cost and efficiency opportunities continue to be identified
- ❖ New procure to pay process completed and benefits starting to be realised
- ❖ Continuing work on fleet utilisation and maintenance improvements
- ❖ Our Cleanview propriety in-cab system starting to generate efficiencies
- ❖ Rationalisation of branches and depots with less than expected returns to continue

# NSW Container Deposit Scheme

- ❖ In joint venture with TOMRA Systems ASA, world leader in reverse vending machines
- ❖ Scheme commenced on 1 December 2017
- ❖ Currently have over 400 collection points in operation across New South Wales
- ❖ Since 1 December 2017, approximately 100 million containers to date have been collected, demonstrating great community support for the Scheme
- ❖ New recycling facility operational at Eastern Creek, New South Wales
- ❖ Material recycled is of a high standard with minimal contamination



Reverse Vending Kiosk located in Shellharbour, NSW

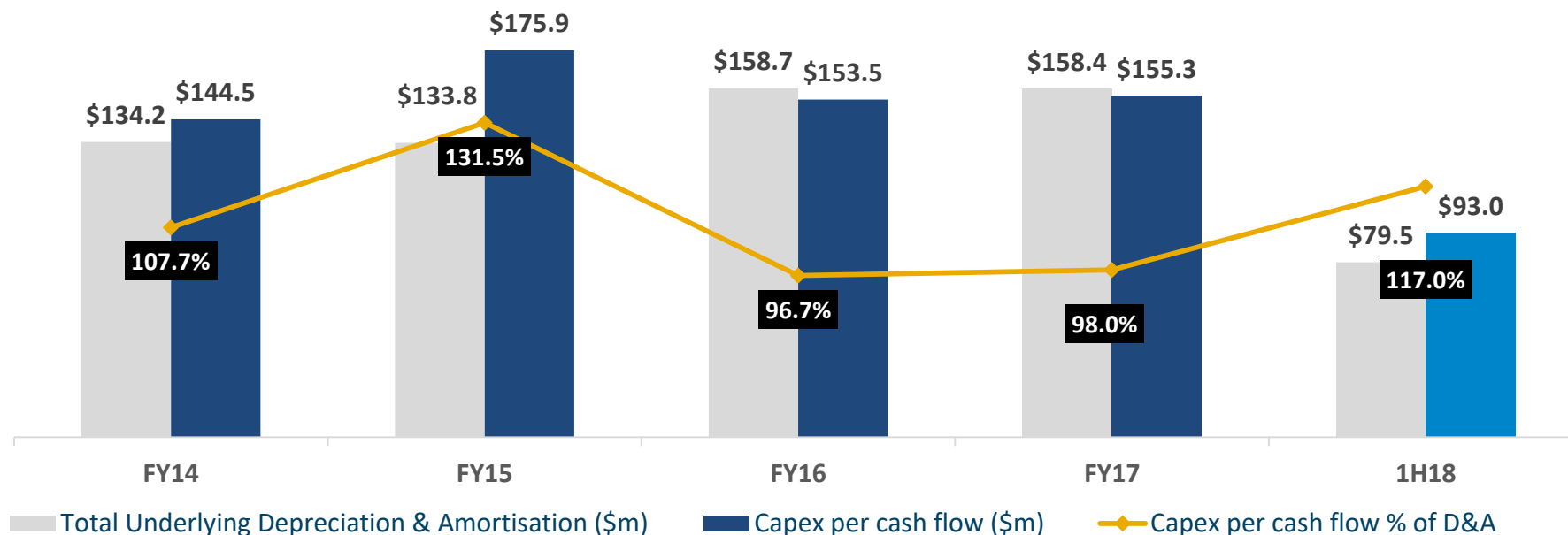


New Recycling Facility located at Eastern Creek, Sydney



## Capital for Cash – Capital Expenditure

- ❖ Cash capital expenditure<sup>1</sup> in 1H18 includes spending on equipment for major new contracts won in 2H17
- ❖ Leasing finance utilised in 1H18 of \$31.4 million for government related contracts such as Container Deposit Scheme, Brisbane City Council plus new Municipal contracts. Plan to increase to ~\$95 million for FY18 to optimise free cash flow
- ❖ Cash capital expenditure<sup>1</sup> in FY18 will be between 80% and 85% of D&A of \$165-170 million
- ❖ Cash discipline remains strong



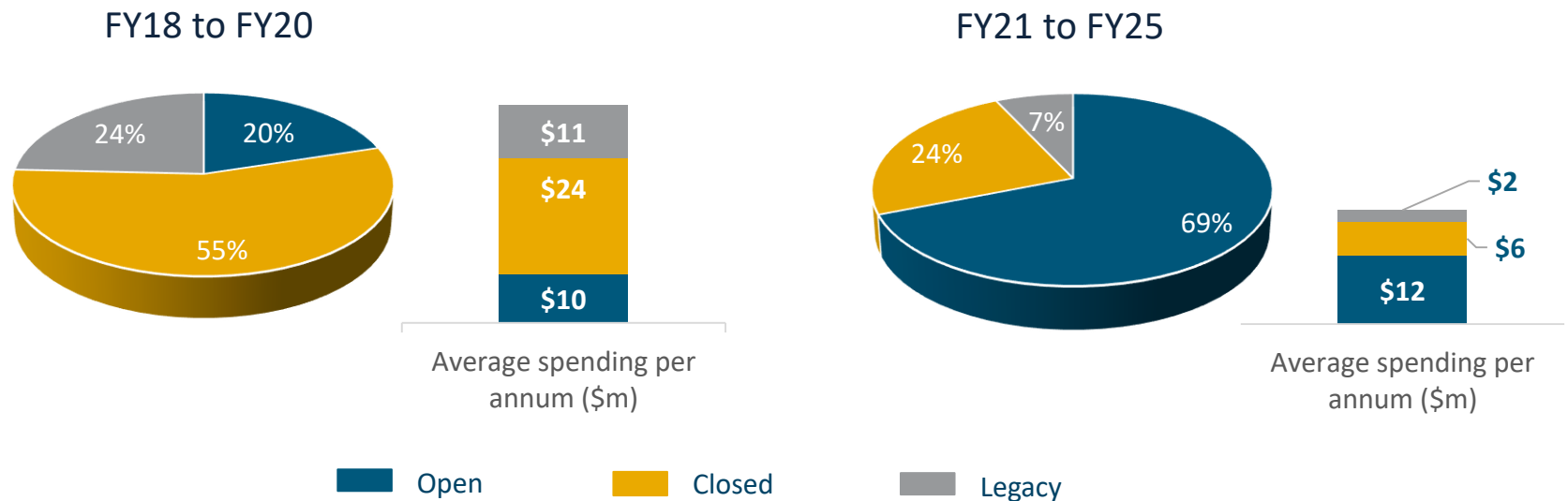
Note 1: Refers to capital expenditure as per cash flow statement



## Capital for Cash – Landfill Remediation

- ❖ Sale of closed landfill site in Victoria reduces the Landfill Remediation provision by \$5.4 million
- ❖ Expenditure in 1H18 of \$20.0 million in line with expectations
- ❖ No change to forecast spending previously advised:
  - ❖ FY18 to FY20 ~\$45 million per annum
  - ❖ FY21 to FY25 ~\$20 million per annum and reducing to an average of ~\$10 million per annum thereafter

### Forecast Landfill Rectification and Remediation Spending



#### Notes:

- 1: Legacy spending represents rectification costs identified following reviews conducted by management and landfill consultants in 2014
- 2: Closed spending represents remediation costs where the site is no longer receiving waste and has reached final capacity or management have elected not to continue further development or operations

# China National Sword Program

## A change to the recycling market

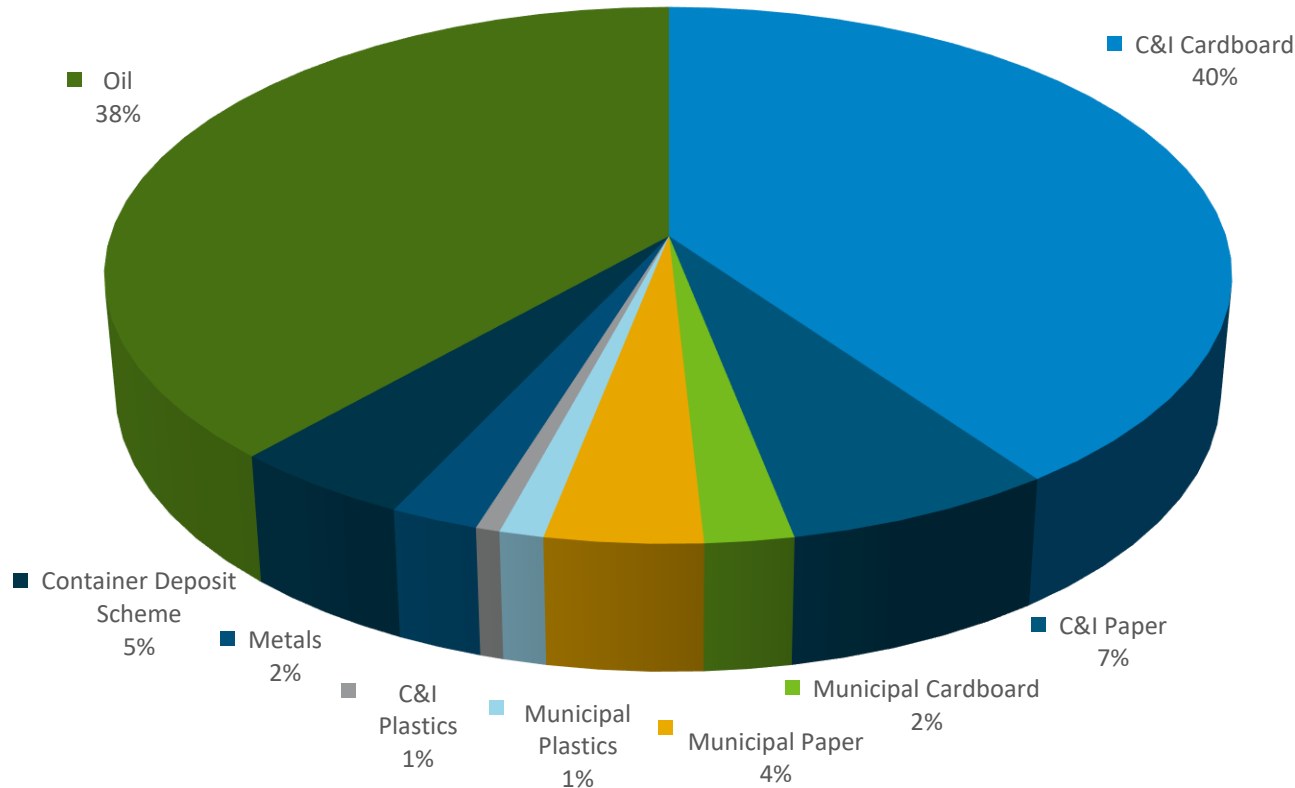
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- ❖ Chinese government has enacted a mechanism to raise the quality of recycled products being imported into the country
- ❖ The change limits contamination rates on recycled products to less than 0.5%
- ❖ This new contamination standard has raised the bar for many recycling facilities which are operating at a much lower standard
- ❖ The highest rate of contamination in the recycling market comes from municipal recycled waste - A relatively small commodity stream for Cleanaway
- ❖ Higher grade recycled products such as those received from the Commercial & Industrial sector or via schemes such as the New South Wales Container Deposit Scheme are not impacted by the change - The primary commodity revenue stream for Cleanaway
- ❖ The waste industry has taken the approach that it should not be made to pay for the less than ideal recycling practices of municipalities. The responsibility must rest with the generators of the waste
- ❖ This change could provide significant strategic opportunities to established and quality waste management companies

# China National Sword Program

## Cleanaway has limited exposure to the change

Commodity Revenue by Percentage



- ❖ Wide range of commodities sold from a variety of sources
- ❖ Commercial & Industrial (C&I) and waste oil collections remain the major source of commodities
- ❖ Municipal Waste although sorted remains comingled with higher percentage of contamination
- ❖ Cleanaway contracts with Municipals are a mix of collection only, collection and on sell comingled waste to sorters or take the material through our own recycling facility
- ❖ We have commenced discussions with relevant Municipal customers to mitigate the issue

# Acquisition of Toxfree

*On 11 December 2017, Cleanaway announced the acquisition of Toxfree Solutions subject to customary closing conditions including Toxfree shareholder approval, court approval and ACCC approval. We continue to expect that the acquisition will complete in 2Q CY2018*



# Acquisition of Toxfree Solutions

## Transaction details

- ❖ Cleanaway entered into a scheme implementation deed with Toxfree to acquire 100% of Toxfree's shares on issue by way of a recommended scheme of arrangement for \$3.425 cash per share ("**Acquisition**") ("**Acquisition Price**")
  - Given the anticipated timing of completion, Cleanaway will allow Toxfree to pay an interim dividend of up to 5 cents per Toxfree share during March 2018 without reduction in the Acquisition Price
  - Cleanaway will also permit Toxfree to pay a special dividend to Toxfree shareholders with a corresponding reduction in the Acquisition Price for the cash amount of the special dividend. The expected quantum of the special dividend will be determined at a later point<sup>1</sup>
- ❖ The Acquisition has been unanimously recommended by Toxfree's Board of Directors in the absence of a superior proposal

## Synergies

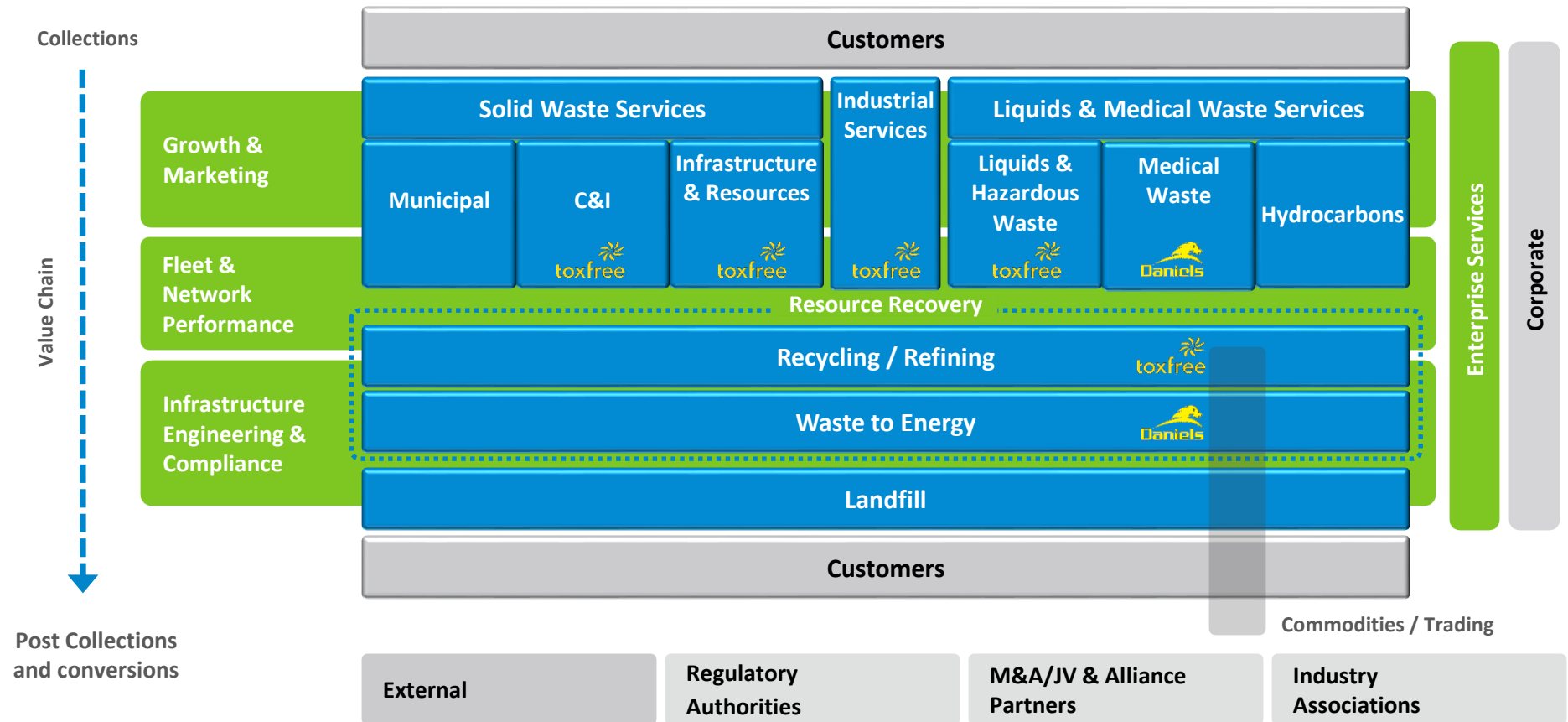
- ❖ The integration of the Cleanaway and Toxfree businesses is expected to deliver ~\$35 million in annual synergies to be realised over 2 years with total synergy benefits fully reflected in FY21
- ❖ Cleanaway has undertaken due diligence to quantify expected synergy benefits
- ❖ Estimated one-off integration costs of ~\$35 million to be incurred during the 2 year integration process

## Financial impact

- ❖ Pro forma historical FY17 EPS accretive pre synergies (before amortisation of intangibles and one-off transaction and integration costs)
- ❖ Assuming full-year annual synergies:
  - More than 25% EPS accretive<sup>2</sup>
  - More than 80% Free Cash Flow per share accretive<sup>3</sup>
  - Approximately 10% Pre-tax Return on Invested Capital on the Acquisition<sup>4</sup>

Note: 1. The extent to which any franking credits attached to the special dividend or the interim dividend deliver value to Toxfree shareholders will depend upon their individual circumstances and those shareholders should seek legal and taxation advice with regards to how the receipt of franking credits (if any) may impact upon their individual taxation circumstances. 2. Based on NPAT excluding transaction costs, one-off integration costs and amortisation of acquired identifiable intangibles. The impact of purchase price accounting has not been completed, which will impact future depreciation and amortisation charges. In accordance with AASB 133, Cleanaway standalone EPS has been restated based on an adjustment factor to take into account the bonus element of the Offer. 3. Free Cash Flow per share defined as operating cash flow excluding interest, tax and one-off transaction and integration costs less capital expenditure, divided by the weighted average number of shares on issue. Cleanaway standalone free cash flow per share has been restated based on an adjustment factor to take into account the bonus element of the Offer 4. Defined as EBIT excluding one-off transaction and integration costs before amortisation of acquired identifiable intangibles divided by the total consideration.

# Cleanaway Value Operating Model – Post Acquisition of Toxfree



# Completion of Equity Raising

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## Offer Structure

- ❖ Total of ~\$590 million raised via a 1 for 3.65 pro-rata non-renounceable entitlement offer
- ❖ 437.3 million new ordinary shares representing 27.4% of existing shares on issue
- ❖ Offer price of \$1.35 per share

## Institutional Offer

- ❖ Institutional Entitlement Offer was conducted by way of a bookbuild process that opened on 11 December 2017, and closed on 12 December 2017
- ❖ Strongly supported by existing eligible institutional shareholders who took up approximately 98% of the shares available to them
- ❖ Shortfall bookbuild was significantly oversubscribed, with strong demand from both new and existing institutional shareholders
- ❖ \$505.9 million raised net of transaction costs

## Retail Offer

- ❖ The Retail Entitlement Offer opened on 18 December 2017 and closed 19 January 2018
- ❖ Well supported by existing eligible retail shareholders who took up approximately 65% of the shares available to them
- ❖ \$73.9 million raised net of transaction costs

# Priorities and FY18 Outlook

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## Priority

- ❖ Deliver top line growth and quality of earnings
- ❖ Continue to work on improving customer service to deliver better volume and price outcomes
- ❖ Complete the acquisition of Toxfree and commence integration to extract synergies, while maintaining the momentum of organic improvement in all of our businesses

## FY18 Outlook

- ❖ Recent major contract wins have established a firm base for revenue growth in our Solids business, and we remain optimistic of continuing improvement in the Liquids & Industrial Services business
- ❖ The cost disciplines we have in place, along with the further initiatives being implemented across the Company, should result in both the Solids and Liquids & Industrial Services segments further increasing operational earnings in FY18

# Questions

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# Appendices

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# Adjusted EPS Calculations

The following earnings per share calculation adjusts for the impact of the equity raising undertaken in December 2017 to partially fund the acquisition of Toxfree

| Adjusted EPS calculation                                                                                                         | 1H17          | 1H18          |
|----------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Net underlying profit attributable to members of the parent entity excluding underlying adjustments                              | \$34.9m       | \$43.9m       |
| Interest earned from proceeds received from equity raising, net of tax                                                           | –             | \$(0.2)m      |
| Net underlying profit attributable to members of the parent entity excluding underlying adjustments and impact of equity raising | \$34.9m       | \$43.7m       |
| Reported WANOS <sup>1</sup> for basic earnings per share                                                                         | 1,636,449,114 | 1,662,793,936 |
| Less impact of equity raising on reported WANOS <sup>1</sup>                                                                     | 47,660,650    | 67,876,567    |
| WANOS <sup>1</sup> for basic earnings per share excluding impact of equity raising                                               | 1,588,788,464 | 1,594,917,369 |
| Basic earnings per share (excluding underlying adjustments)                                                                      | 2.1 cents     | 2.6 cents     |
| Basic earnings per share (excluding underlying adjustments and impact of equity raising)                                         | 2.2 cents     | 2.7 cents     |

Note 1: Weighted Average Number Of Shares

# Group Income Statement – Statutory and Underlying Results

| \$ million                                                      | Statutory Results |                |                | Underlying Adjustments |              | Underlying Results |                |                |
|-----------------------------------------------------------------|-------------------|----------------|----------------|------------------------|--------------|--------------------|----------------|----------------|
|                                                                 | 1H17              | 1H18           | Growth         | 1H17                   | 1H18         | 1H17               | 1H18           | Growth         |
| <b>Sales revenue external and other revenue (Gross Revenue)</b> | 724.5             | <b>785.5</b>   | <b>8.4%</b>    | —                      | —            | 724.5              | <b>785.5</b>   | <b>8.4%</b>    |
| Share of profits in equity accounted investments                | 0.4               | <b>0.2</b>     | <b>(50.0)%</b> | —                      | —            | 0.4                | <b>0.2</b>     | <b>(50.0)%</b> |
| Expenses (net of other income)                                  | (574.9)           | <b>(631.5)</b> | <b>(9.8)%</b>  | 0.4                    | <b>4.8</b>   | (574.5)            | <b>(626.7)</b> | <b>(9.1)%</b>  |
| <b>Total EBITDA</b>                                             | 150.0             | <b>154.2</b>   | <b>2.8%</b>    | 0.4                    | <b>4.8</b>   | 150.4              | <b>159.0</b>   | <b>5.7%</b>    |
| Depreciation and amortisation                                   | (89.3)            | <b>(79.5)</b>  | <b>11.0%</b>   | 5.9                    | —            | (83.4)             | <b>(79.5)</b>  | <b>4.7%</b>    |
| <b>Total EBIT</b>                                               | 60.7              | <b>74.7</b>    | <b>23.1%</b>   | 6.3                    | <b>4.8</b>   | 67.0               | <b>79.5</b>    | <b>18.7%</b>   |
| Net cash interest expense                                       | (9.4)             | <b>(8.9)</b>   | <b>5.3%</b>    | —                      | —            | (9.4)              | <b>(8.9)</b>   | <b>5.3%</b>    |
| Non-cash finance costs                                          | (7.8)             | <b>(7.9)</b>   | <b>(1.3)%</b>  | —                      | —            | (7.8)              | <b>(7.9)</b>   | <b>(1.3)%</b>  |
| Changes in fair value of derivatives and USPP borrowings        | (0.3)             | <b>(0.1)</b>   | <b>66.7%</b>   | 0.3                    | 0.1          | —                  | —              | —              |
| <b>Profit before income tax</b>                                 | 43.2              | <b>57.8</b>    | <b>33.8%</b>   | 6.6                    | <b>4.9</b>   | 49.8               | <b>62.7</b>    | <b>25.9%</b>   |
| Income tax expense                                              | (15.2)            | <b>(12.8)</b>  | <b>15.8%</b>   | 0.3                    | <b>(6.0)</b> | (14.9)             | <b>(18.8)</b>  | <b>(26.2)%</b> |
| <b>Attributable profit after income tax</b>                     | 28.0              | <b>45.0</b>    | <b>60.7%</b>   | 6.9                    | <b>(1.1)</b> | 34.9               | <b>43.9</b>    | <b>25.8%</b>   |
| Weighted average number of shares <sup>1</sup>                  | 1,636.5           | <b>1,662.8</b> |                | —                      | —            | 1,636.5            | <b>1,662.8</b> |                |
| <b>Basic earnings per share (cents)<sup>1</sup></b>             | 1.7               | <b>2.7</b>     | <b>58.8%</b>   | 0.4                    | <b>(0.1)</b> | 2.1                | <b>2.6</b>     | <b>23.8%</b>   |

Note 1: Adjusted for bonus element of entitlement offer

# 1H18 Segment Performance Summary

| \$ million                               | Net Revenue <sup>1</sup> |                    |         | EBITDA <sup>2</sup> |        |         | EBIT <sup>2</sup> |        |         |
|------------------------------------------|--------------------------|--------------------|---------|---------------------|--------|---------|-------------------|--------|---------|
| Segments                                 | 1H17                     | 1H18               | Growth  | 1H17                | 1H18   | Growth  | 1H17              | 1H18   | Growth  |
| Solids – Collections                     | 404.0                    | 441.7              | 9.3%    | 81.0                | 85.3   | 5.3%    | 49.8              | 53.5   | 7.4%    |
| Solids – Post Collections                | 93.6                     | 107.9              | 15.3%   | 47.7                | 53.9   | 13.0%   | 15.0              | 26.7   | 78.0%   |
| Intra-segment sales                      | (18.2)                   | (25.4)             | n/a     | —                   | —      | —       | —                 | —      | —       |
| <b>Total Solids</b>                      | 479.4 <sup>1</sup>       | 524.2 <sup>1</sup> | 9.3%    | 128.7               | 139.2  | 8.2%    | 64.8              | 80.2   | 23.8%   |
| <b>Liquids &amp; Industrial Services</b> | 208.0                    | 214.7              | 3.2%    | 28.8                | 30.0   | 4.2%    | 15.1              | 16.5   | 9.3%    |
| Equity accounted investments             | —                        | —                  | —       | 0.4                 | 0.2    | (50.0)% | 0.4               | 0.2    | (50.0)% |
| Corporate & Other                        | 0.2                      | 0.1                | (50.0)% | (7.5)               | (10.4) | (38.7)% | (13.3)            | (17.4) | (30.8)% |
| Inter-segment sales                      | (15.2)                   | (16.8)             | n/a     | —                   | —      | —       | —                 | —      | —       |
| <b>Total Cleanaway Group</b>             | 672.4 <sup>1</sup>       | 722.2              | 7.4%    | 150.4               | 159.0  | 5.7%    | 67.0              | 79.5   | 18.7%   |

Notes 1: Net revenue excludes landfill levies collected of \$63.3 million in 1H18 and \$52.1 million in 1H17

2: Underlying results. Refer to slide 13 for details of underlying adjustments

# Net Finance Costs

| \$ million                                                     | Statutory |       | Underlying |       |
|----------------------------------------------------------------|-----------|-------|------------|-------|
|                                                                | 1H17      | 1H18  | 1H17       | 1H18  |
| <b>Cash interest expense</b>                                   |           |       |            |       |
| Bank interest                                                  | 5.1       | 4.8   | 5.1        | 4.8   |
| Commitment and Guarantee fees                                  | 1.4       | 1.8   | 1.4        | 1.8   |
| USPP Notes                                                     | 3.1       | 2.5   | 3.1        | 2.5   |
| Interest received                                              | (0.2)     | (0.2) | (0.2)      | (0.2) |
| <b>Net cash interest expense</b>                               | 9.4       | 8.9   | 9.4        | 8.9   |
| <b>Non-cash finance costs</b>                                  |           |       |            |       |
| Amortisation of borrowing costs                                | 0.2       | 0.3   | 0.2        | 0.3   |
| Unwinding of discount on landfill remediation provision        | 4.5       | 4.0   | 4.5        | 4.0   |
| Unwinding of discount on MRL fixed payments                    | 3.1       | 3.6   | 3.1        | 3.6   |
| <b>Total non-cash finance costs</b>                            | 7.8       | 7.9   | 7.8        | 7.9   |
| <b>Changes in fair value</b>                                   |           |       |            |       |
| Foreign currency exchange loss on USPP borrowings              | 1.6       | 0.5   | —          | —     |
| Change in fair value of derivatives related to USPP borrowings | (1.3)     | (0.4) | —          | —     |
| <b>Total changes in fair value</b>                             | 0.3       | 0.1   | —          | —     |
| <b>Total net finance costs</b>                                 | 17.5      | 16.9  | 17.2       | 16.8  |

# Reconciliation of Divisional Results to Statutory Segment Disclosures

| \$ million                    | Solids Collections | Solids Post Collections | Eliminations – Solids | Total Solids | Total Liquids & Ind Serv | Equity Accounted Investments | Corporate & Other | Eliminations – Group | GROUP        |
|-------------------------------|--------------------|-------------------------|-----------------------|--------------|--------------------------|------------------------------|-------------------|----------------------|--------------|
| <b>Revenue</b>                |                    |                         |                       |              |                          |                              |                   |                      |              |
| Sales of goods and services   | 430.5              | 142.5                   | —                     | 573.0        | 195.3                    | —                            | —                 | —                    | 768.3        |
| PSO benefits                  | —                  | —                       | —                     | —            | 9.6                      | —                            | —                 | —                    | 9.6          |
| Other revenue                 | 3.2                | 3.7                     | —                     | 6.9          | 0.6                      | —                            | 0.1               | —                    | 7.6          |
| Internal sales                | 8.0                | 25.0                    | (25.4)                | 7.6          | 9.2                      | —                            | —                 | (16.8)               | —            |
| <b>Gross Revenue</b>          | <b>441.7</b>       | <b>171.2</b>            | <b>(25.4)</b>         | <b>587.5</b> | <b>214.7</b>             | <b>—</b>                     | <b>0.1</b>        | <b>(16.8)</b>        | <b>785.5</b> |
| <b>Underlying EBITDA</b>      | <b>85.3</b>        | <b>53.9</b>             | <b>—</b>              | <b>139.2</b> | <b>30.0</b>              | <b>0.2</b>                   | <b>(10.4)</b>     | <b>—</b>             | <b>159.0</b> |
| Depreciation and amortisation | (31.8)             | (27.2)                  | —                     | (59.0)       | (13.5)                   | —                            | (7.0)             | —                    | (79.5)       |
| <b>Underlying EBIT</b>        | <b>53.5</b>        | <b>26.7</b>             | <b>—</b>              | <b>80.2</b>  | <b>16.5</b>              | <b>0.2</b>                   | <b>(17.4)</b>     | <b>—</b>             | <b>79.5</b>  |