

# Financial Year 2014

## Results Presentation



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August 2014

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# Agenda

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# FY14 Key Highlights

## Safety

- Reduction in TRIFR of 30%
- Reduction in All Injury Frequency Rate of 16%
- Winner of the Chamber of Minerals and Energy Award for Safety Innovation

## Financial

- Revenue up 30% to \$369.9M
- Underlying EBITDA\* up 15% to \$66.6M
- Underlying NPAT\* up 6% to \$23M
- Strong cash flow – 93% of EBITDA
- Dividend increased by 20% to 6 cents per share
- Net debt to equity of 34%

## Operations

- Award of 5 + 5 Year Total Waste Management Contract with Chevron Australia
- Six year contract with Rio Tinto Iron Ore
- High level of diversification and recurring revenue
- Technical and Environmental Services improvement in margins and earnings



*\*Non-IFRS Financial Information (refer Appendix 1 for detailed information)*



# About Toxfree

- One of the largest industrial service and waste management businesses in Australia
- Strategically located operations throughout Australia
- Unique licenses and specialist technologies
- Provide diverse range of industrial and waste services to all market sectors
- Competitive advantage through safety, service delivery, sustainable waste management practices, treatment licenses and total waste management service offering
- Growth through a combination of acquisition, green field and organic



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# Corporate Strategy

## Technical and Environmental Services

Leader in Hazardous and Industrial Waste Management Nationally

- Innovation, best practice, low operating cost technologies, centres of excellence, resource recovery
- Unique and Strategic Licences throughout Australia
- High barriers to entry
- Servicing all industry sectors, households and government

## Total Waste Management

Provide all waste services in all regional hubs of Australia

- Regional focus - WA, QLD, Tas and NT
- Total waste management solutions
- Municipal, Commercial, Industrial
- One stop shop

## Industrial services

Leader in provision of industrial services throughout Australia

- Producing assets
- Long term contracts
- Blue chip clients
- Ideally integrated with waste services
- Mining, Oil and Gas, Heavy Industry

*Integrated services*

*Safe, Reliable and Sustainable*



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**EURO 6**

**VOLVO TRUCK**



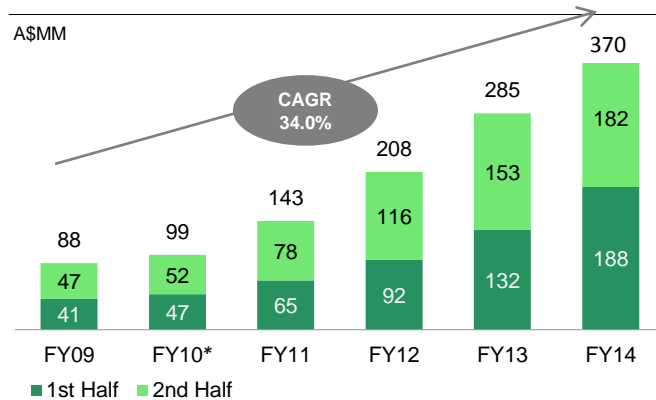
## Service locations



# Our track record

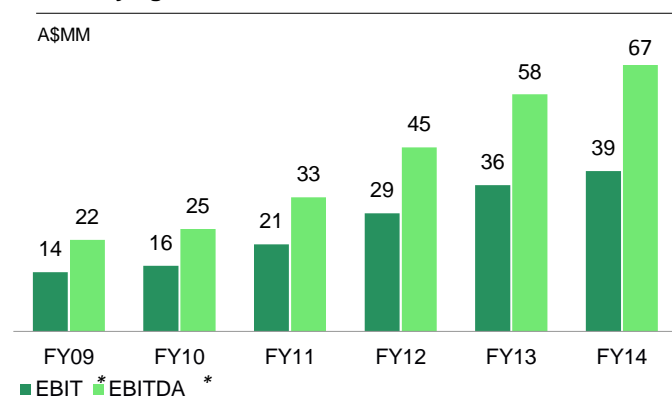
## Revenue

A\$MM



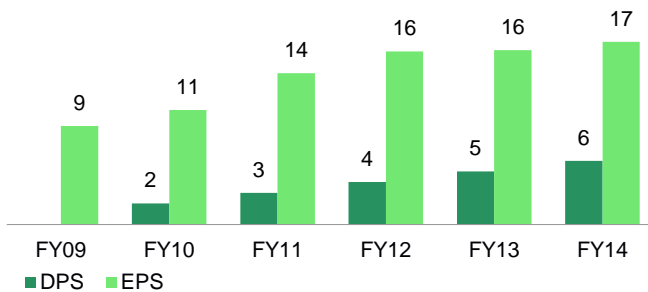
## Underlying EBITDA and EBIT

A\$MM

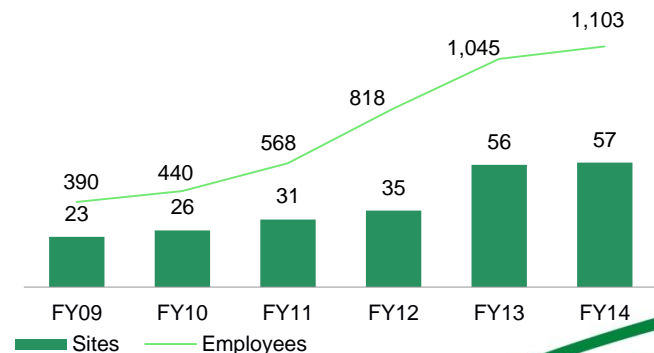


## Underlying EPS and DPS

Cents/Share



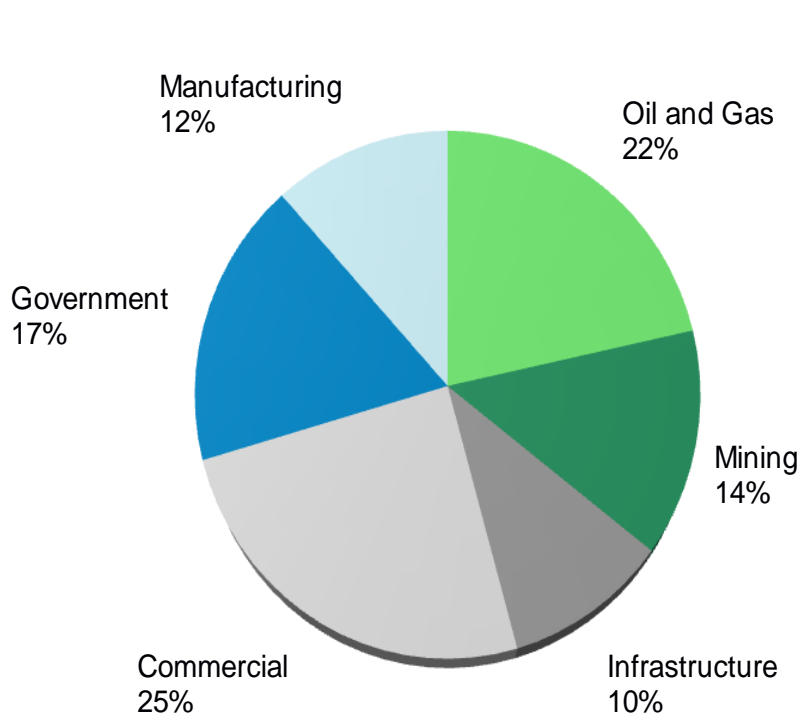
## Sites and Employees



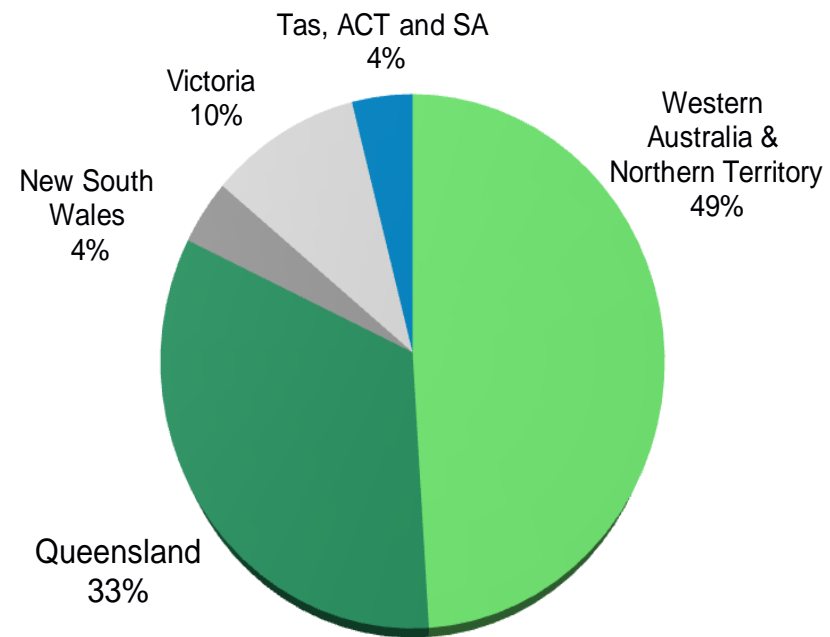
\*Non-IFRS Financial Information (refer Appendix 1 for detail)

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# A Diversified Business – Revenue by Market Sector and Geography



*Over 85% of revenue is recurring and generated from producing assets*



*Over 40% of revenue is leveraged to the broader Australian Economy*

# Health, Safety and Environment

- Reduction in Total Recordable Injury Frequency Rate of 30%
- Reduction in All Injury Frequency Rate of 16%
- Further seven sites received ISO triple certification for Safety, Quality and the Environment
- Winner of the Chambers of Minerals and Energy Award for Safety Innovation in 2014
- Winner for Innovation in the Australian Business Awards 2014
- Investment in new fleet bringing average fleet age profile to 6 years
- Finalists in the 2013 APPEA Health & Safety Awards for safety innovation



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# Our people

- Toxfree supports a diverse workplace – the number of female employees has increased from 15.6% in FY13 to 18.7% in FY14.
- Toxfree have an endorsed Indigenous Reconciliation Action Plan - our number of indigenous Australian employees has increased by seven.
- Toxfree has a total of 2.5% indigenous employment; 6% in the Pilbara, 10% employment on our Gorgon contract and 30% on the Fortescue Metals Group contract.
- Developed our first indigenous traineeship programme in the Pilbara - three new indigenous trainees from the Thalangi group from the Ashburton region of Western Australia.

# FY14 Results

Group Results	FY14(\$'000)	FY13 (\$'000)	% Change
Revenue from services	369,997	284,723	30%
Underlying EBITDA *	66,639	58,037	15%
Depreciation and Amortisation	(27,442)	(22,262)	23%
Underlying EBIT *	39,197	35,775	10%
Finance expenses	(6,505)	(5,454)	19%
Profit before tax *	32,692	30,321	8%
Income tax expense *	(9,710)	(8,618)	13%
Underlying NPAT *	22,982	21,703	6%
Statutory NPAT	21,724	13,604	60%
EPS *	17.18	16.37	5%
Number of shares on issue ^	133,752	132,530	1%
* Non-IFRS financial information (refer Appendix 1 for detail)			
^ used for underlying EPS calculation purposes			



# Cash Flow

Group Cash Flow	30 June 2014 (\$'000)	30 June 2013 (\$'000)	% Change
Cash generated from operations	60,565	47,870	27%
Net interest paid	(6,130)	(4,886)	25%
Income taxes paid	(7,192)	(13,045)	(45)%
<b>Net operating cash flows</b>	<b>47,243</b>	<b>29,939</b>	<b>58%</b>
Net purchases of PP&E	(24,053)	(24,754)	(3)%
Net payments for businesses and intangibles acquired	(911)	(94,988)	(99)%
<b>Net investing cash flows</b>	<b>(24,964)</b>	<b>(119,742)</b>	<b>(79)%</b>
Net proceeds from borrowings/(repayment of borrowings)	(21,422)	46,729	(146)%
Proceeds from the issue of share capital (net of capital raising costs)	3,199	51,499	(94)%
Dividends paid	(10,624)	(4,613)	(130)%
<b>Net financing cash flows</b>	<b>(28,847)</b>	<b>93,615</b>	<b>(131)%</b>
<b>Net increase/(decrease) in cash</b>	<b>(6,568)</b>	<b>3,812</b>	<b>(272)%</b>
Cash at the beginning of the half year	22,736	18,924	20%
<b>Cash at the end of the half year</b>	<b>16,168</b>	<b>22,736</b>	<b>(29)%</b>

# Statement of Financial Position

Statement of Financial Position	30 June 2014 (\$'000)	30 June 2013 (\$'000)	% Change
Cash	16,168	22,736	(29)%
Trade and other receivables	81,633	85,468	(4)%
Inventories	296	204	45%
Tax assets	8,167	11,414	(28)%
Property, plant and equipment	134,858	129,904	4%
Intangibles	149,572	151,495	(1)%
<b>Total assets</b>	<b>390,694</b>	<b>401,221</b>	<b>(3)%</b>
Trade and other payables	38,076	43,854	(13)%
Loans and borrowings	97,463	113,169	(14)%
Employee benefits	7,430	7,000	6%
Tax liabilities	2,674	4,054	(34)%
Provisions	6,971	9,820	(29)%
Derivative financial instruments	1,098	818	(34)%
<b>Total liabilities</b>	<b>153,712</b>	<b>178,715</b>	<b>(14)%</b>
<b>Total equity</b>	<b>236,982</b>	<b>222,506</b>	<b>7%</b>
NET DEBT	81,295	90,433	
NET DEBT TO EQUITY	34%	41%	



# FY14 Segment Result

	Revenue FY2014 \$'000	Revenue FY2013 \$'000	Variance %	EBIT FY2014 \$'000	EBIT FY2013 \$'000	Variance %
Industrial Services	97,831	76,894	27%	9,796	9,702	1%
Waste Services	208,403	147,055	42%	39,931	32,366	23%
Tech and Env Services	63,763	60,774	5%	17,814	16,401	9%
Corporate	-	-	-	(28,344)	(22,694)	25%
<b>Total Group</b>	<b>369,997</b>	<b>284,723</b>	<b>30%</b>	<b>39,197</b>	<b>35,775</b>	<b>10%</b>

## Comments

Waste Services – includes additional revenue from Wanless , strong performance in the Pilbara and Kimberley regions but reducing earnings from Gorgon

Industrial Services - Central Qld and Gladstone performed well. Services to Civil Infrastructure were below expectations

TE&S volumes improving by 10% this year – services all industry sectors. Centres of Excellence programme a highlight

Corporate costs include regional overheads and Wanless for full year. 7.6% of total revenue reducing from 8% in FY13



# FY14 Segment EBIT Margin Analysis

	H1 2014 %	H2 2014 %	Full year 2014 %	H1 2013 %	H2 2013 %	Full year 2013 %
Industrial Services	11%	9%	<b>10%</b>	14%	12%	<b>13%</b>
Waste Services	20%	18%	<b>19%</b>	23%	22%	<b>22%</b>
Tech & Env Services	27%	29%	<b>28%</b>	28%	26%	<b>27%</b>
Consolidated Group	11%	11%	<b>11%</b>	14%	12%	<b>13%</b>

## Comments

Waste Services margins were lower due to addition of Wanless and reduction in Gorgon earnings

Industrial Services impacted by performance within civil infrastructure markets in NSW, Victoria and Queensland

Technical and Environmental Services improving margins through 'Centre of Excellence' focus



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# Operations – Waste Services

- Revenue up 42% to \$208.4M
- EBIT up 23% to \$39.9M \*
- Central Queensland, Kimberley and Pilbara regions performed solidly
- Wanless integration and financial performance with very good, achieving \$70 M revenue and \$14 M EBITDA. Competitive market, volumes stable
- Gorgon construction margins and volumes reduced in the second half – effecting divisional margins and second half performance
- APLNG waste volumes stable
- Acquisition of 50% of the shares in Pilbara Logistics – an indigenous waste management business with operations in the Newman, Port Hedland and Roy Hill regions of the Pilbara WA (subsequent event, completed 1 August 2014)
- Award of total waste management with Rio Tinto Iron Ore for a further 6 years
- Retention of all Kimberley municipal and recycling contracts for a further 5 year term



\* Non-IFRS financial information (refer Appendix 1 for detail)

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# Operations – Industrial Services

- Revenue up 27% to \$97.8M
- EBIT up 1% to \$9.8M\*
- Industrial Services Central Queensland and Gladstone were highlights
- Major contracts with Rio Tinto, QAL and Murrin Murrin performing well
- The civil infrastructure sector continues to remain subdued - disappointing results impacting margins
- Significant civil infrastructure spending of over \$40 Bn has been announced and is planned – Toxfree are well placed to share in some of this investment
- Conditions remain challenging although there are many tenders pending award

\* Non-IFRS financial information (refer Appendix 1 for detail)



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# Operations – Technical and Environmental Services

- Hazardous waste revenue up 5% to \$63.8M
- EBIT up 9% to \$17.8M\*
- Creation of Toxfree 'Centre's of Excellence' for various waste streams to improve treatment efficiencies
- Margins improved by 1% on FY13
- Performed well considering the challenging economic climate particularly in the manufacturing sector
- Volumes of waste increased by over 10% on FY13
- Investment in new best practice technologies – thermal treatment facility in Karratha continuing through approval process
- New technologies planned for FY15 to further improve our service offering and 'one stop shop' solution for our clients

*\* Non-IFRS financial information*



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# Outlook

- Australian economy is in a period of transition as newly completed capital projects in the resource sector move to production and a number of other industry sectors remain subdued
- Significant spending in the infrastructure sector has been announced
- Toxfree has a high level of recurring revenue – Toxfree's exposure to construction contracts in the oil and gas or resource sector is limited to two projects – Gorgon and APLNG
- Toxfree were awarded a 5 + 5 year contract with Chevron for all of Chevron operations
- In the short term Toxfree will manage the remaining stages of Gorgon construction with Gorgon production, Thevenard and Wheatstone all to commence
- Volumes from Gorgon construction are expected to reduce in the short term
- Queensland - Surat basin and Gladstone expected to continue to perform strongly
- North West – growth from newly completed iron ore capital projects moving to production and Roy Hill region
- Hazardous waste volumes expected to remain stable – further treatment efficiencies to be the focus
- Available waste market is large and Toxfree is confident on continuing to build its market share through organic growth, contract award and strategic acquisition over the medium to long term



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# Questions

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# Appendix 1 - FY2014 and FY13 Non-recurring adjustments

*FY2014 and FY2013 adjustments that were adjusted to reflect the underlying performance of the business are:*

## *FY2014*

- Acquisition costs including advisor, consultant, legal and rebranding costs of \$0.82M (Corporate \$0.73M and Operational segments \$0.09M).
- Net loss on plant and equipment written off (incinerator) \$0.976M (Technical and Environmental Services segment).

These adjustments resulted in an increase in underlying NPAT of \$1.257M (before tax of \$1.796M).

## *FY2013*

- Acquisition costs including advisor, consultant, legal and rebranding costs of \$3.696M.
- Stamp duty associated with the Wanless acquisition in Queensland of \$4.1M.
- SSAA impairment of patent and assets and royalty write back of \$2.231M.
- Milperra office closure costs of \$0.502M.
- Reduction in the contingent consideration for the acquisition of MMS \$(1.267)M.

These adjustments resulted in an increase in underlying NPAT of \$8.099M (before tax of \$9.262M).

