

Macquarie Securities Western Australia Forum



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15 October 2014

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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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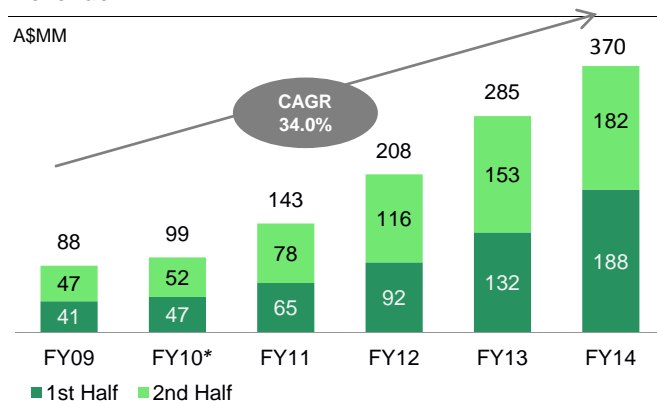
Service locations



Our track record

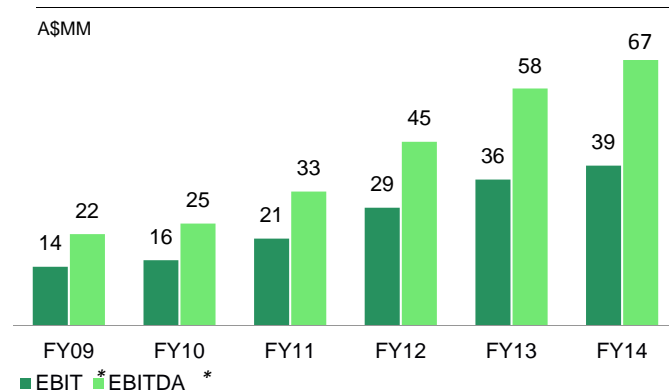
Revenue

A\$MM



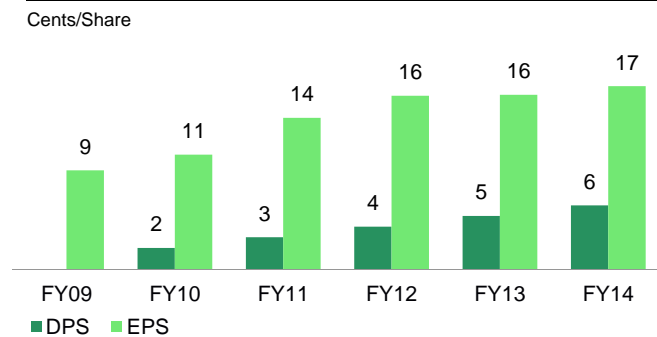
Underlying EBITDA and EBIT

A\$MM

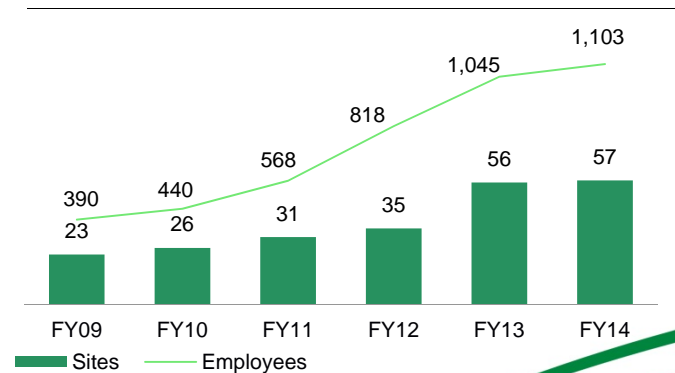


Underlying EPS and DPS

Cents/Share



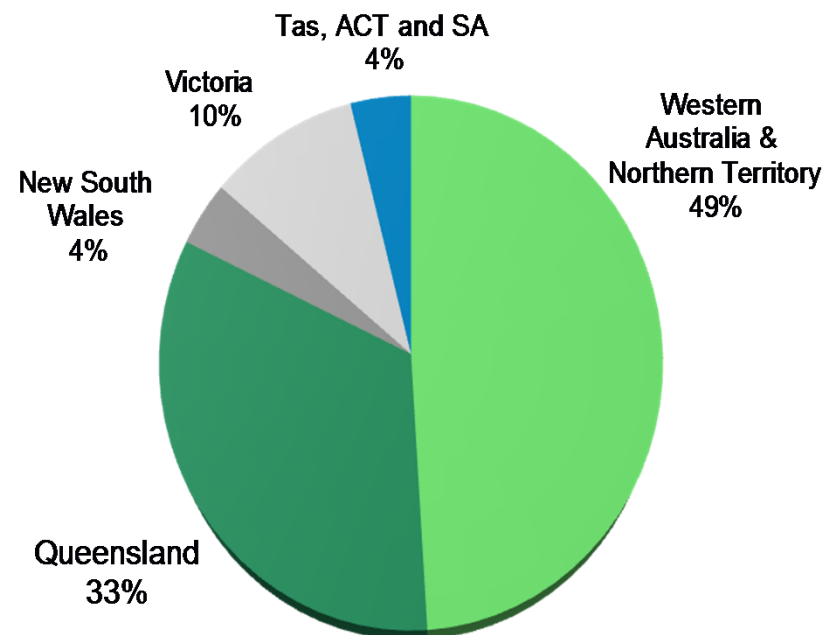
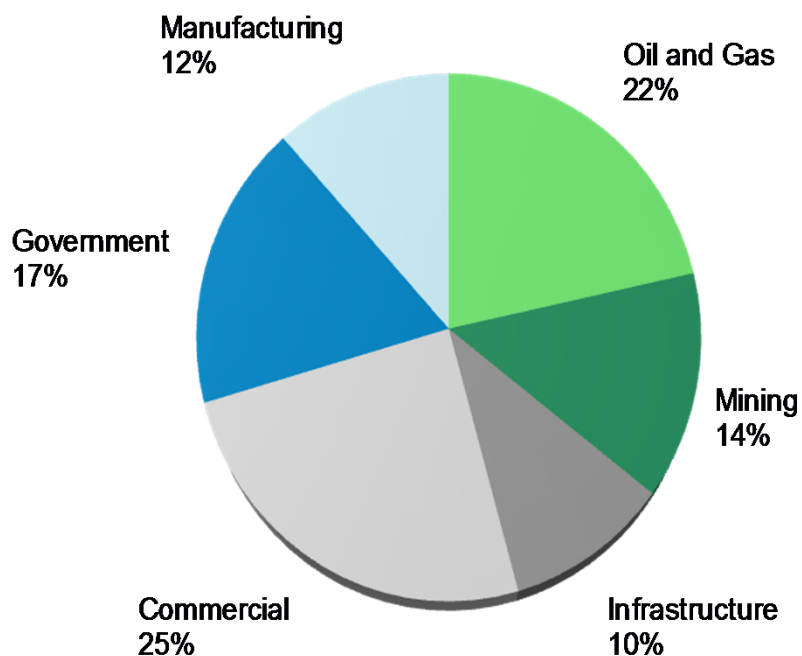
Sites and Employees



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

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A Diversified Business – Revenue by Market Sector and Geography



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
- Market to producing assets is estimated at >\$2Bn pa

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

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Australian Waste Market

- The Australian waste market is estimated at \$13 Bn pa*
- Average growth rate of the Australian Waste market is estimated at 5.2% pa*
- Based on our strategy Toxfree have estimated a targeted market of approximately \$4Bn pa*
- The available market for target blue chip clients in production mode is estimated by Toxfree to be > \$1BN in revenue, and still growing at greater than 10% p.a.*
- Toxfree will continue to be a niche, more efficient, lower cost, and higher technology player, with the aim of dominating each chosen sector sub-market we service
- To achieve our aspirations, we need continued organic growth, capture further market share through business development, strategic acquisitions and alliances, creating and diversifying our services to our targeted clients to help position Toxfree as the “go to” safest, best practice, technology and solution focused service provider in our chosen sectors
- A minimum 25% share of the industry markets identified will ensure Toxfree is a market leader

**Source: IBIS World Waste Industry Reports 2013 and Toxfree estimates*

Market Outlook - Economic

Resource sector

- It may be the end of the resources boom – but production increasing significantly – Iron ore, Coal and LNG – they all produce waste and require industrial cleaning
- There are still many areas of activity – Roy Hill, offshore oil and gas, Browse Basin drilling (Inpex and Shell FLNG), CSG downstream and upstream, FMG expansion, RTIO increased production, new LNG production facilities coming on line over the next couple of years (Gorgon, Wheatstone, APLNG, GLNG, QCLNG, Prelude....and others???)

Commercial sector

- Broader Australian economy has not shown signs of growth – stable but not improving. AUD is dropping and interest rates are low but the economy is a state of flux / transition.

Civil infrastructure

- With the resource boom over the government is planning to stimulate the economy through civil infrastructure spending
- Over \$40Bn of civil infrastructure projects planned within NSW, Vic and Federal Budgets over the next 5 years. Eg East /West Tunnel Link, Melbourne Rail Link,
- This is expected to stimulate the east coast economies predominantly but the timing on how quick this will occur is unknown?

Source:

- BREE Resources and Energy Major Projects April 2014
- State and federal budgets 2014
- Deloitte – Building the Lucky Country #3 – Positioning for prosperity? Catching the next wave'. Oct 2013



Market Trends – Environmental

- There are many key drivers that increase the available waste market for resource recovery at a rate greater than population growth
 1. Sustainability - There is a global trend for more sustainable practices driven by public and corporate social responsibility
 2. Landfill avoidance - Increasing government landfill levies, regulation and disposal costs will continue to drive recycling and divert waste from landfill
 3. Regulation and policy - Government regulation, policy and environmental sustainability is driving the transition from landfill to recycling and resource recovery.



Source: IBIS Waste Report 2012



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)*



Key Strategic Initiatives

Reducing Costs

1. *Reducing Costs and improving efficiencies through our Centre of Excellence project*
2. *Reducing labour and overhead – 40 employees have been made redundant since 1 July. Redundancy costs of \$350K incurred in FY15 with ongoing savings of \$3.5M pa*
3. *Reducing waste disposal costs*
4. *New ERP upgrade and shared service centralisation to improve back end efficiencies*

Growth

- **Additional market share - Business Development**
 - **Creating and diversifying into new waste streams and services - New Technologies**
1. *Expansion of our JV (PTES) in the Pilbara*
 2. *New technologies and projects to manage our current clients problematic waste streams*
 3. *Focussed tendering for total waste management and industrial services contracts to targeted blue chip clients*
 4. *New greenfield sites and strategic acquisitions in geographic areas linked to our target markets*

Operational update – Q1 FY15

- Trading conditions remain challenging – July / August similar to second half FY14
- Improved trading conditions in September in Industrial Services and Waste Services
- Offshore drilling activity was quiet in first quarter but expected to improve later in the Calendar year
- Successfully transitioned Gorgon LNG construction contract direct to Chevron Australia on 1 October 2014 – volumes of waste from Barrow Island remain stable
- Awarded a total of \$3m pa of contract with Inpex and McDermott for wastes associated with upstream development on the Inpex project in the Browse basin
- Pilbara Logistics JV meeting expectations in the first two months of ownership
- Numerous industrial services and waste tenders pending



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



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).

