



Text



UBS Australasia Conference

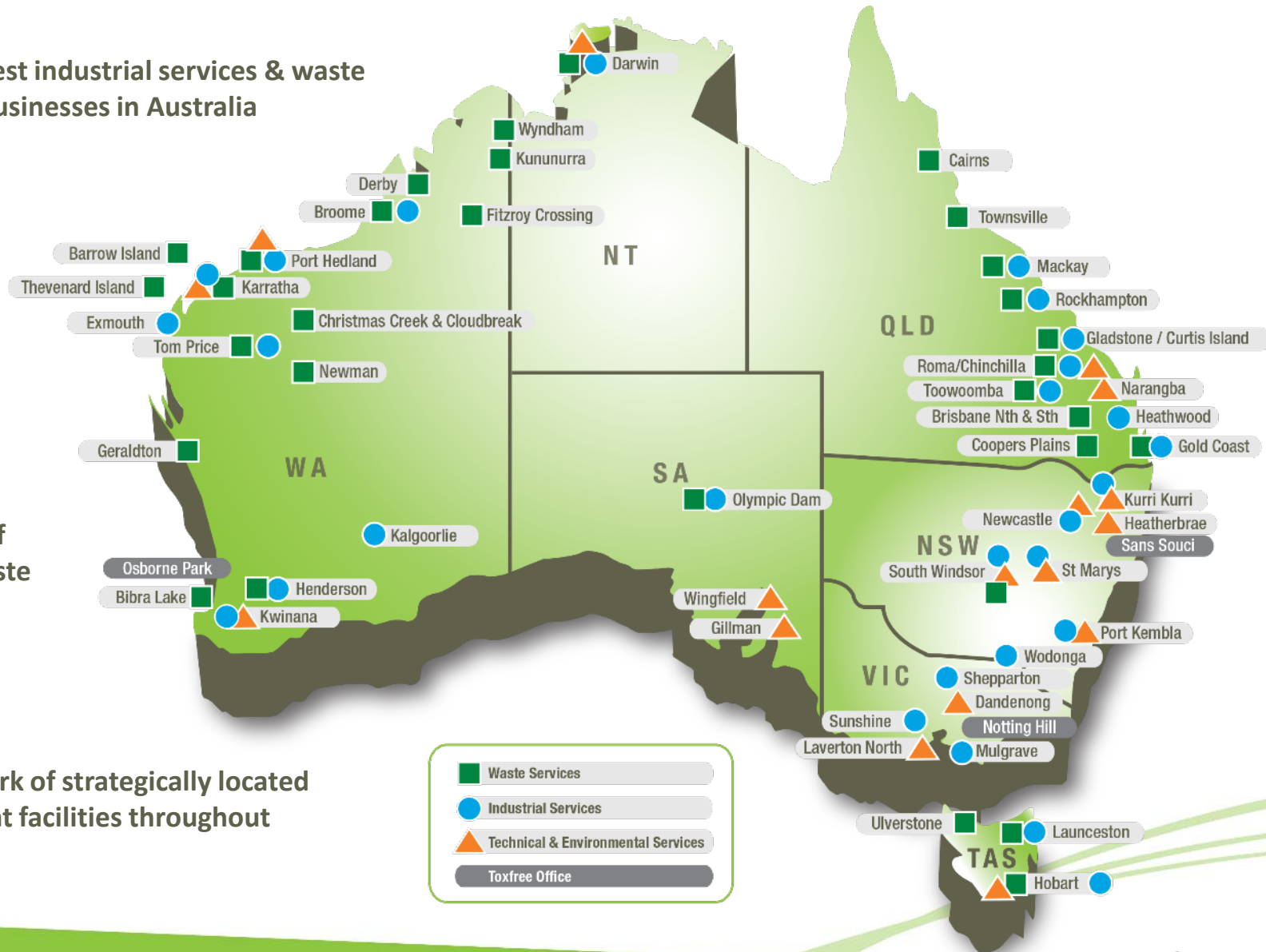
Steve Gostlow, Managing Director
8 November 2016

Agenda

- Toxfree overview
- Our strategy – “Creating Australia's leading waste and industrial services specialist”
- Acquisition of Daniels Health Australia
- Outlook
- Questions

Toxfree overview

- One of the largest industrial services & waste management businesses in Australia
- Employer of over 1350 people nationally
- Diverse range of industrial & waste services
- National network of strategically located waste treatment facilities throughout Australia



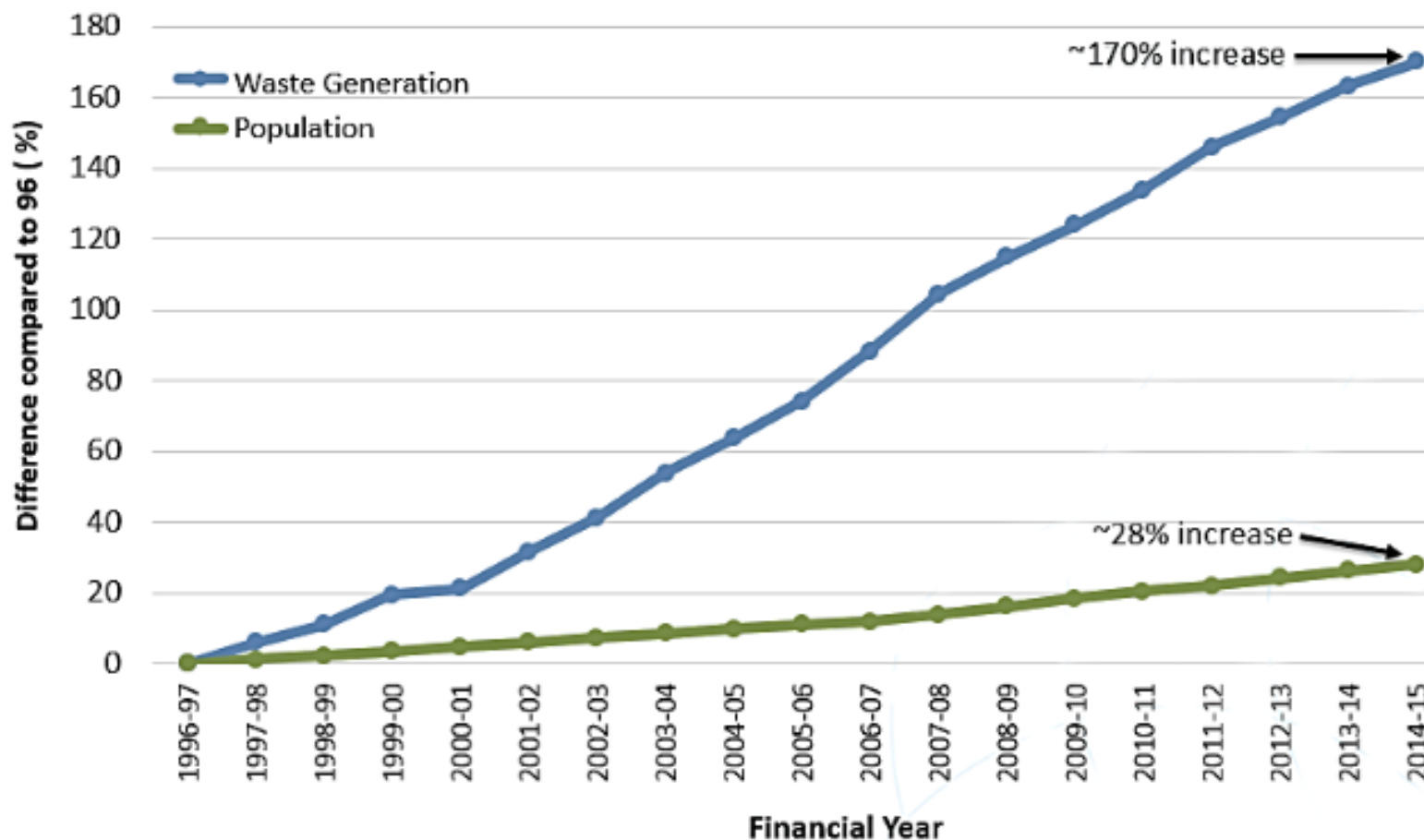
Creating Australia's leading waste and industrial service specialist



Estimated target market of approximately \$4Bn to 5Bn pa

	Services	Key Growth Drivers
HAZARDOUS	<ul style="list-style-type: none"> ✓ Treatment of all types of hazardous and industrial wastes ✓ Focused on specialist, low operating cost technologies 	<ul style="list-style-type: none"> • Increasing cost of landfill drives recycling and treatment rates • Increasing regulation banning hazardous waste from landfill • Product stewardship schemes
MEDICAL	<ul style="list-style-type: none"> ✓ Specialist medical waste and sharps collection services using proprietary reusable receptacles coupled with integrated medical waste treatment facilities 	<ul style="list-style-type: none"> • Growth through aging population, increased medical expenditure, shortened hospital stays, more stringent regulation and focus on infection control
RESOURCES	<ul style="list-style-type: none"> ✓ Specialist industrial services and total waste management services for mining and oil and gas sector, upstream and downstream 	<ul style="list-style-type: none"> ✓ Growth in LNG production and iron ore production, increasing focus on productivity and technology development, high level of safety and environmental sustainability
INDUSTRIAL	<ul style="list-style-type: none"> ✓ Specialist industrial services and total waste management solutions specifically focused on industrial customers 	<ul style="list-style-type: none"> • Increasing cost of landfill drives recycling and treatment rates • Increasing regulation banning hazardous waste from landfill • Product stewardship schemes
INFRASTRUCTURE	<ul style="list-style-type: none"> ✓ Industrial and waste management services to civil infrastructure, utilities, power, water including remediation of contaminated sites 	<ul style="list-style-type: none"> • Increasing infrastructure spending • Brownfield development • Population growth

A rapidly growing industry



Source: MRA Consulting Group, October 2015

Strategic acquisition of Daniels Health Australia



- ✓ Agreement to acquire 100% of Daniels Health Pty Ltd and Daniels Manufacturing Australia Pty Ltd (“**Daniels**”), the leading provider of medical waste solutions, collection and treatment in the Australian healthcare sector, for an enterprise value of \$186 million (“**Acquisition**”) from entities associated with the vendor, Dan Daniels (“**Seller**”)
- ✓ Daniels has a 30 year operating history and approximately 20% market share in Australia,⁽¹⁾ with approximately 300 employees, 80 trucks and 17 locations, including two incineration facilities
- ✓ Toxfree will acquire innovative waste management technologies and intellectual property in Australia and New Zealand as part of the transaction, including the “Sharpsmart” and “Clinismart” series of reusable medical waste containers and its supporting robotic washline technology
- ✓ Exciting, growing and defensive industry with competitive advantages for existing participants, supported by growth in hospital visits, an ageing population and increased regulatory pressures
- ✓ The Acquisition is consistent with Toxfree’s focus on specialist waste streams; highly complementary brand and culture
- ✓ Provides further diversification of Toxfree’s business, including a new pillar of growth for the business, greater exposure to Australia’s east coast markets and an entry into New Zealand
- ✓ Continuation of a highly experienced management team, with ongoing support from the founder of the business (Dan Daniels), with the Seller subscribing for shares in Toxfree on completion of the Acquisition (“**Completion**”) as part of the transaction
- ✓ Expected to be EPS accretive for Toxfree shareholders (excluding synergies)⁽²⁾
- ✓ Transaction funded via an Entitlement Offer to existing Toxfree shareholders, cash, debt funding and a share placement to the Seller



Notes

1. By pro forma FY2016 revenue. Further equivalent references to Daniels’ market position are also based on pro forma FY2016 revenue
2. Refer to note 3, page 9 of Strategic Acquisition of Daniels Health Australia and Entitlement Offer presentation dated 26 October 2016

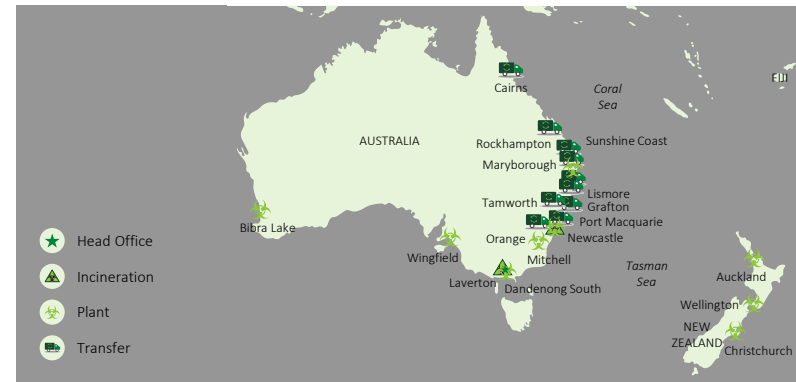
Daniels Australia and New Zealand

Daniels is the leading provider of medical waste collection, transport and treatment solutions to the Australian and New Zealand healthcare market

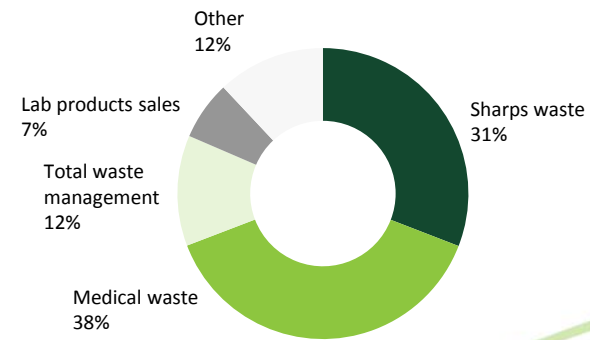
Daniels business overview

- Daniels was founded in Australia in 1986 by Dan Daniels and is a vertically integrated provider of healthcare waste products and services, including the collection, transport and treatment of sharps, clinical and related wastes
- Leading player in Australia, with an operating joint venture in New Zealand
 - Approximately 20% market share in Australia
 - 17 locations in Australia, incorporating: ⁽¹⁾
 - 10 transfer stations
 - Four autoclaves
 - Two incinerators
 - Five robotic washlines
 - 80 trucks
 - Three joint venture managed sites in New Zealand, each with collector washing facilities ⁽¹⁾
 - Approximately 300 employees ⁽¹⁾
- The business features diverse revenue streams, with ~38% relating to medical waste collection and treatment, and ~31% relating to sharps waste

Daniels geographic footprint ⁽¹⁾



Daniels pro forma revenue by product and service % FY2016 pro forma revenue



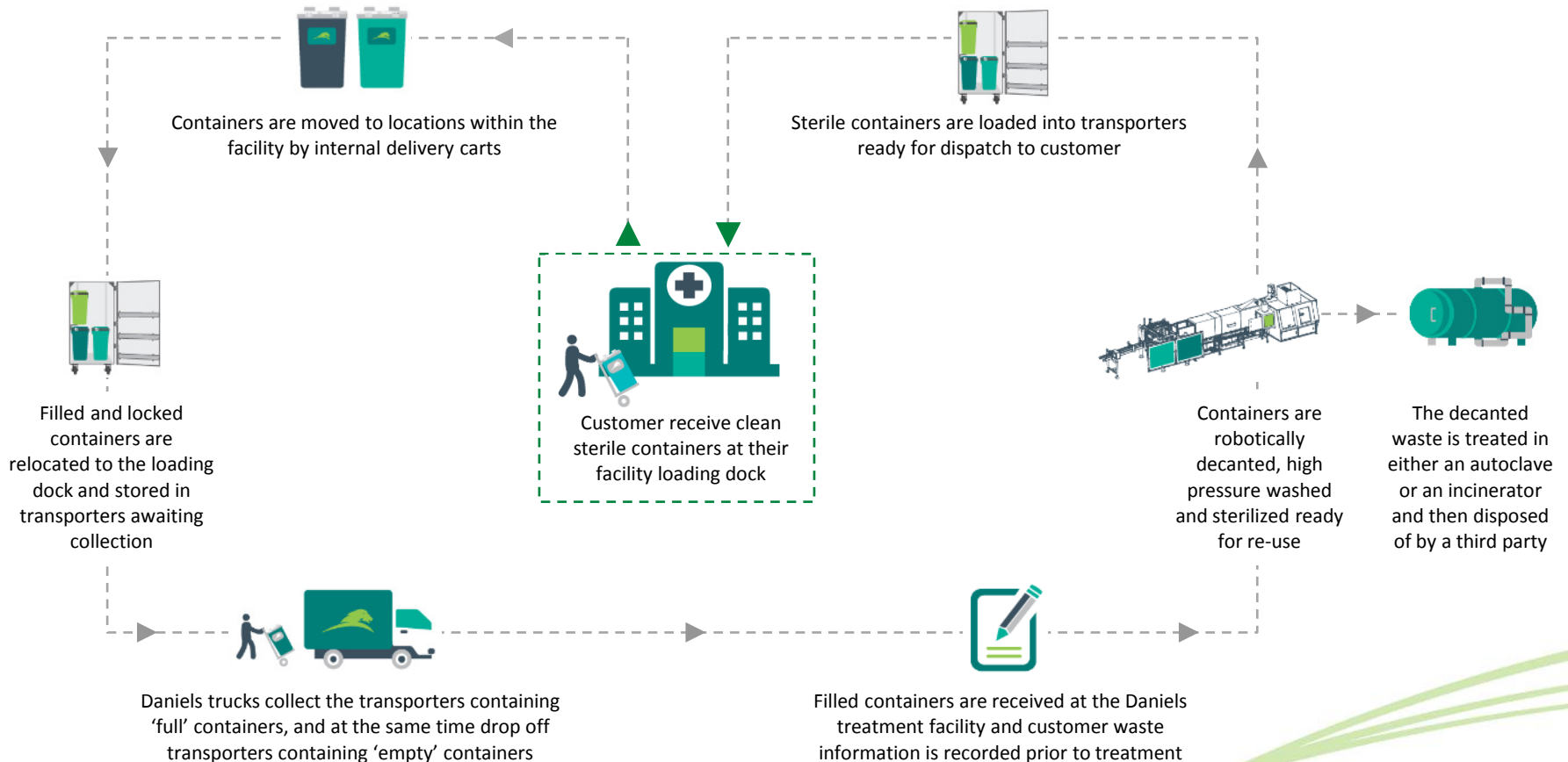
Notes

1. Number of sites, transfer stations, autoclaves, incinerators, collector washers and trucks as at 30 June 2016

Daniels Business and Operational Model

Daniels has a customer-centric business model which is designed to handle healthcare-generated waste from the point of generation through to final treatment, supported by a vast infrastructure of technology, trucks, plants and waste treatment equipment

Daniels business model and customer touch points



Key Products

SharpSmart

Easy access
Swing-action Safety Tray provides a large opening while restricting hand access

Can't be re-opened
Side locks are tamper-proof when engaged

No leaks
Leakproof seal eliminates leakage

Eliminates overfilling
Safety Tray automatically stays upright when collector is full

Check content levels
Clear-view window shows fill level while concealing messy contents



Large Customer Base with Low Attrition

Customer commentary

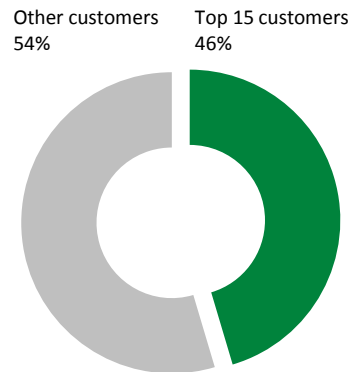
- Daniels focuses on large public and private hospital systems, including state run healthcare facilities and both “for-profit” and “not-for-profit” systems
- Daniels’ customer base is characterised by high retention and moderate concentration
 - A total of approximately 7,000 customers
 - 98% customer retention over the last 10 years, with some contracts extending back over 20 years
 - Top 15 customers account for ~46% of total revenue, with the largest customer representing ~8% ⁽¹⁾
 - Daniels provides services to over 95% of all hospitals in Victoria
- Significant potential to grow the customer base in document shredding services, hazardous waste, liquid waste, laboratory products, recall management and product destruction

Sales function overview

- Daniels sales team is organised at a regional level, with sales managers across NSW (including ACT and South Australia), Victoria, Queensland and Western Australia; larger accounts are typically supported by regional or senior management representatives
- Sales leads are generated through customer referrals, website leads, digital sales campaigns, appointments and healthcare network leads
- Sales staff are appropriately incentivised based on new customer revenue contribution

Top 15 customers

%, Based on FY2016 revenue ⁽¹⁾



Daniels top 15 customers are a mix of large, Australian State-based health services providers, privately held hospital and healthcare service providers, with a focus on the Victorian, NSW and Queensland markets

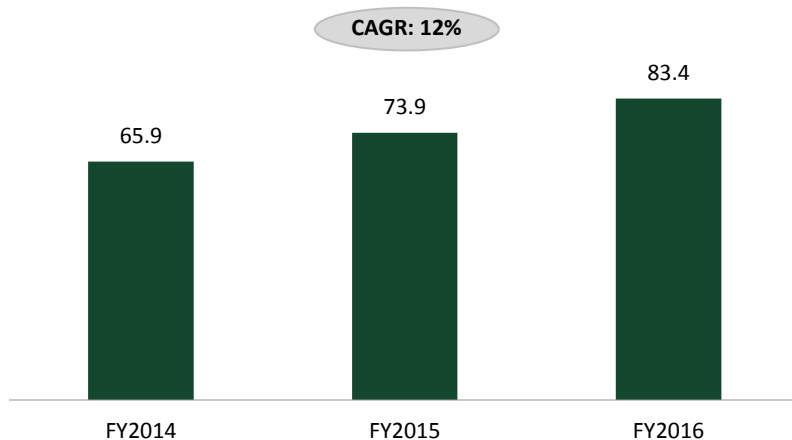
Notes

1. Based on Daniels pro forma revenue for the financial year ended 30 June 2016; excludes Daniels Manufacturing Australia Pty Limited and Redlam Waste Services

Historical Financial Performance

Daniels historical pro forma revenue ⁽¹⁾

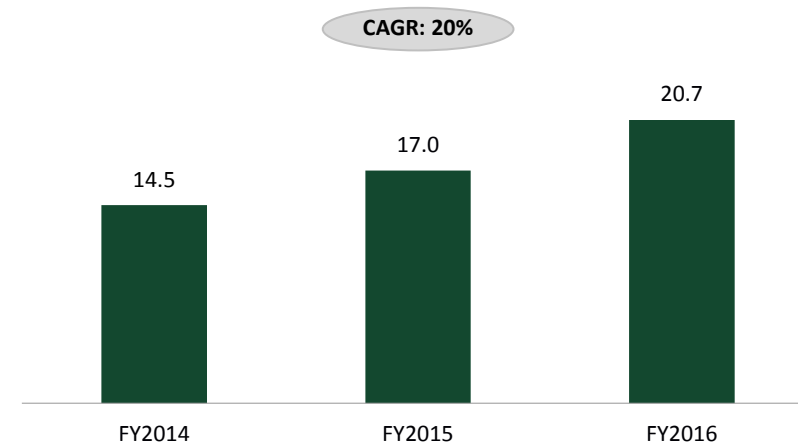
\$ million, FY2014–2016



- Over the last three years, pro forma revenue grew at a CAGR of 12% p.a. from \$65.9m in FY2014 to \$83.4m in FY2016
- Revenue growth has been driven by a combination of increased waste volumes and collector turns and some increases in customer pricing, as well as an expanded product and service offering (e.g. total waste management)

Daniels historical pro forma EBITDA ⁽²⁾

\$ million, FY2014–2016



- Over the last three years, pro forma EBITDA grew at a CAGR of 20% p.a. from \$14.5m in FY2014 to \$20.7m in FY2016
- Over the same period, pro forma EBITDA margins expanded from 22% to 25%, reflecting increased operating leverage and sales of higher margin services

Notes

1. Daniels' pro forma revenue includes adjustments relating to the acquisition of Redlam Waste Services and the elimination of intercompany sales
2. Refer to page 52 for Basis of Preparation of Strategic Acquisition of Daniels Health Australia and Entitlement Offer presentation dated 26 October 2016

Expected Impact of the Acquisition on Toxfree



- The transaction is expected to result in 16% EPS accretion in FY2017 on a full year pro forma adjusted basis, excluding synergies ⁽¹⁾
- Toxfree will continue to maintain a conservative capital structure
 - \$114.0m of new equity funding, comprising \$85.1m from the Entitlement Offer and \$28.9m in new shares issued to the Seller as part consideration for the transaction
 - Total debt facilities increased by up to \$95m, with approximately \$159m of net debt upon Completion (assuming \$67m drawdown of these increased facilities)
 - Increased debt facilities have a 2 year term
 - Results in a pro forma net debt / equity ratio of approximately 42% on Completion,⁽²⁾ which is within the preferred parameters of the Toxfree Board
- No change to Toxfree's dividend policy as a result of the Acquisition: Toxfree intends to maintain a payout ratio of 50-60% of net profit after tax, consistent with that of FY2016

Notes

1. Refer to note 3, page 9 of Strategic Acquisition of Daniels Health Australia and Entitlement Offer presentation dated 26 October 2016
2. Refer to note 4, page 9 of Strategic Acquisition of Daniels Health Australia and Entitlement Offer presentation dated 26 October 2016

Targeting Meaningful Synergy Benefits

Toxfree is targeting to deliver synergies of \$4.2 million per annum (on a full run-rate basis) within two years of ownership. One-off implementation costs are expected to be approximately \$3.3–4.1 million, likely to be incurred within the first 12 months of ownership

Description of targeted synergies	
Waste treatment	<ul style="list-style-type: none"> • Utilisation of Daniels’ incineration facilities for Toxfree waste streams • Opportunity to provide a complementary waste treatment technology for existing customers
Support functions	<ul style="list-style-type: none"> • Opportunities to realise support function efficiencies and the sharing of capabilities over time using Toxfree ERP and shared services functions
Premises	<ul style="list-style-type: none"> • Potential termination of leases for specific sites where existing Toxfree facilities can be utilised by Daniels • Rationalisation of multiple facilities across Australia
Procurement	<ul style="list-style-type: none"> • Improved procurement terms for fuel and maintenance services • Lower disposal fees paid to landfills (tipping)
Transport	<ul style="list-style-type: none"> • Potential for improved route density and elimination of overlapping collection routes • Increased fleet efficiency for the Daniels business
One-off implementation costs	
Implementation costs	<ul style="list-style-type: none"> • One-off costs incurred with the implementation of Toxfree’s 12 month integration plan • Costs associated with transition of Daniels operations to Toxfree’s systems • Re-branding costs



Creating a More Diversified Toxfree with Four Core Operating Segments

	Toxfree			
	Technical and Environmental Services	Industrial Services	Waste Services	Healthcare Services
Overview of operations	The collection, recycling, treatment and disposal of liquid and hazardous wastes	Asset maintenance, high pressure water jetting, vacuum loading, tank cleaning and industrial waste collection	Primarily the collection, recovery, recycling and disposal of solid industrial wastes	In-facility management, collection and treatment of healthcare waste, supported by proprietary product lines for the safe disposal of medical and sharps waste
FY2016 underlying EBITDA (\$ million)	21.2 ⁽¹⁾	16.8 ⁽¹⁾	59.2 ⁽¹⁾	20.7 ⁽²⁾
Target sectors	All industry sectors, including government, utilities, commercial and industrial sectors	Natural resources, utilities, municipal, civil infrastructure and heavy manufacturing	Natural resources and general industrials	Healthcare (e.g. hospitals, medical centres, dental surgeries, pathology clinics, pharmacies, veterinary clinics)
Target geographies	Australia	Australia	Australia	Australia and New Zealand
Growth prospects	Expansion into new waste streams (e.g., e-waste management)	Expansion of service offering, cross-selling across production assets in Australia	New major contracts with large clients and growth of East-coast business	Increased revenue and market share in Australia and New Zealand; cross-selling of total waste management services

Notes

1. FY2016 underlying EBITDA excludes corporate costs. Underlying EBITDA is a non-IFRS financial measure which has been calculated by normalising for \$10.2m of non-operational adjustments: acquisition, integration and rebranding costs (\$4.7m), impairment losses related to the Port Hedland facility (\$2.6m), asset write-offs (\$1.0m), redundancy and restructuring costs (\$4.4m), site closure costs (\$1.4m), reduction in contingent consideration (-\$1.1m) and income tax expense (-\$3.0m)
2. Refer to page 52 for Basis of Preparation of Strategic Acquisition of Daniels Health Australia and Entitlement Offer presentation dated 26 October 2016

Trading Update and Outlook



- Toxfree has recently been successful in the award of a number of new contracts and opportunities, including:
 - Qenos NSW, for hydrocarbon waste collection, treatment and recycling;
 - Halliburton Australia, a total waste management contract for operations in Papua New Guinea and Australia;
 - Retention of Origin Energy’s total waste management contract for APLNG upstream; and
 - A new Memorandum of Understanding with BMT International to form a Joint Venture in Australia for the purposes of managing and treating mercury related waste streams from the oil and gas sector.
- Toxfree’s business development pipeline remains strong, with over \$100 million of total contract value pending. The company’s historical tender conversion rate is high, and we remain confident of further contract wins
- Conditions in east coast markets remain strong. Our existing services to production based clients within the iron ore and alumina sector remain stable, however west coast services to the oil and gas sector continue to remain subdued
 - Underlying volumes of waste from construction related projects continue to decline as these facilities complete construction. Over the medium term, the LNG market will grow as new LNG production facilities come online
- Household hazardous waste volumes and e-waste volumes are increasing, supported by regulatory frameworks and community sustainability (Toxfree was recently awarded a contract with the ANZRP relating to e-waste recycling in NSW, which underpins Toxfree’s future NSW blue box e-Waste expansion strategy)
- As at the end of 1Q FY2017, Toxfree is trading in-line with Toxfree and market expectations. Toxfree expects underlying FY2017 EBITDA to be in the lower half of its previous guidance range of 5-10% higher than FY2016 underlying EBITDA,⁽¹⁾ excluding any impact from the Daniels Acquisition and related Acquisition costs
- The Board expects to maintain a dividend payout ratio in the range of 50-60% for FY2017

Notes

1. Assumes that there is no significant change to material contracts



Questions

Steve Gostlow

Managing Director

Email: s.gostlow@toxfree.com.au

Tel: +61 8 6216 7000

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