



# Morgan Stanley

Emerging Companies Conference  
15 June 2017



# Australia's Leading Industrial Services & Waste Management Specialist



- Employer of over 1650 people nationally

- National network of strategically located waste treatment facilities throughout Australia



- Diverse range of industrial & waste services

- One of the largest industrial services & waste management businesses in Australia

# Corporate Strategy



## Vision

- Australia's leading waste and industrial service specialist
- To have the highest customer satisfaction, loyalty, and level of repeat business in the industry

## Where will we play?

- Provide service contracts for technical waste management services
- Focus on clients within the medical & technical, resources, infrastructure and industrial sectors in major metropolitan and regional areas in Australia and South East Asia

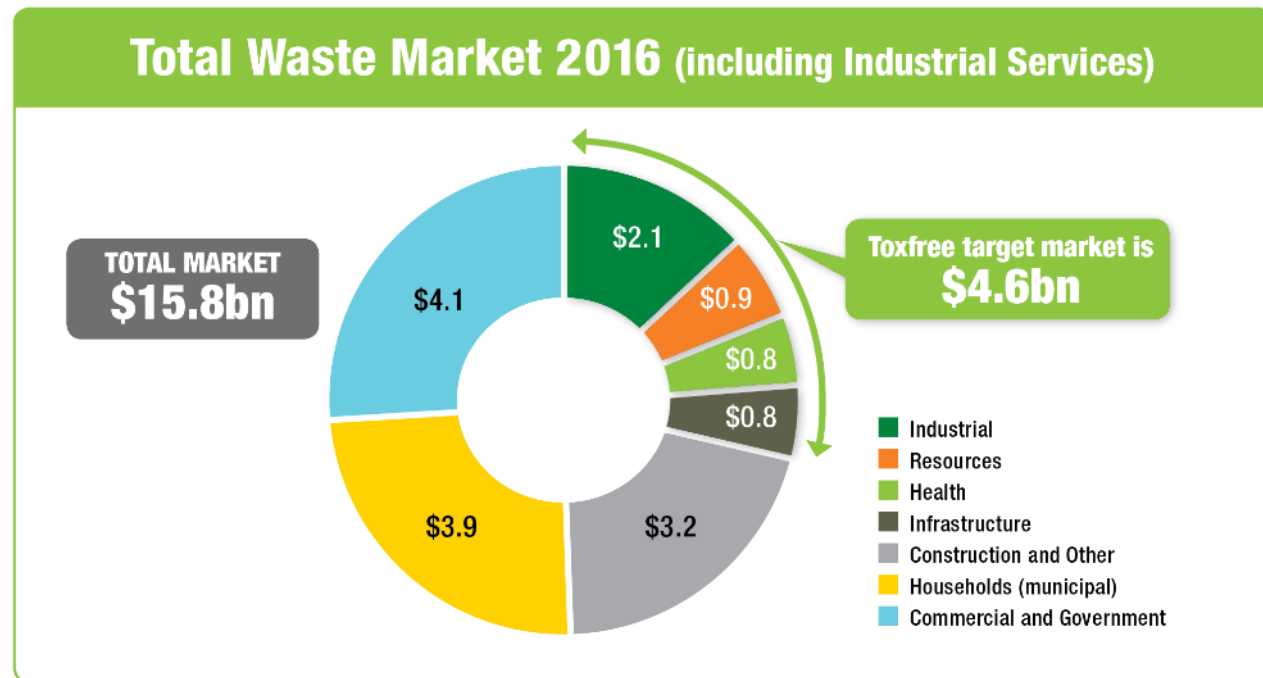
## How will we win?

- Differentiate on clear brand positioning as the technical experts in our target markets - a trusted brand
- Excellent customer service - provide tailored solutions to suit each customer with high technical requirements
- High level of technical expertise and treatment solutions for all of our customers waste streams
- Continued investment in best practice technologies

# The Australian Waste Market - Overview

Toxfree's focus is on four target sectors, accounting for 30% of the total waste market:

1. Industrial
2. Resources
3. Infrastructure
4. Health and Technical

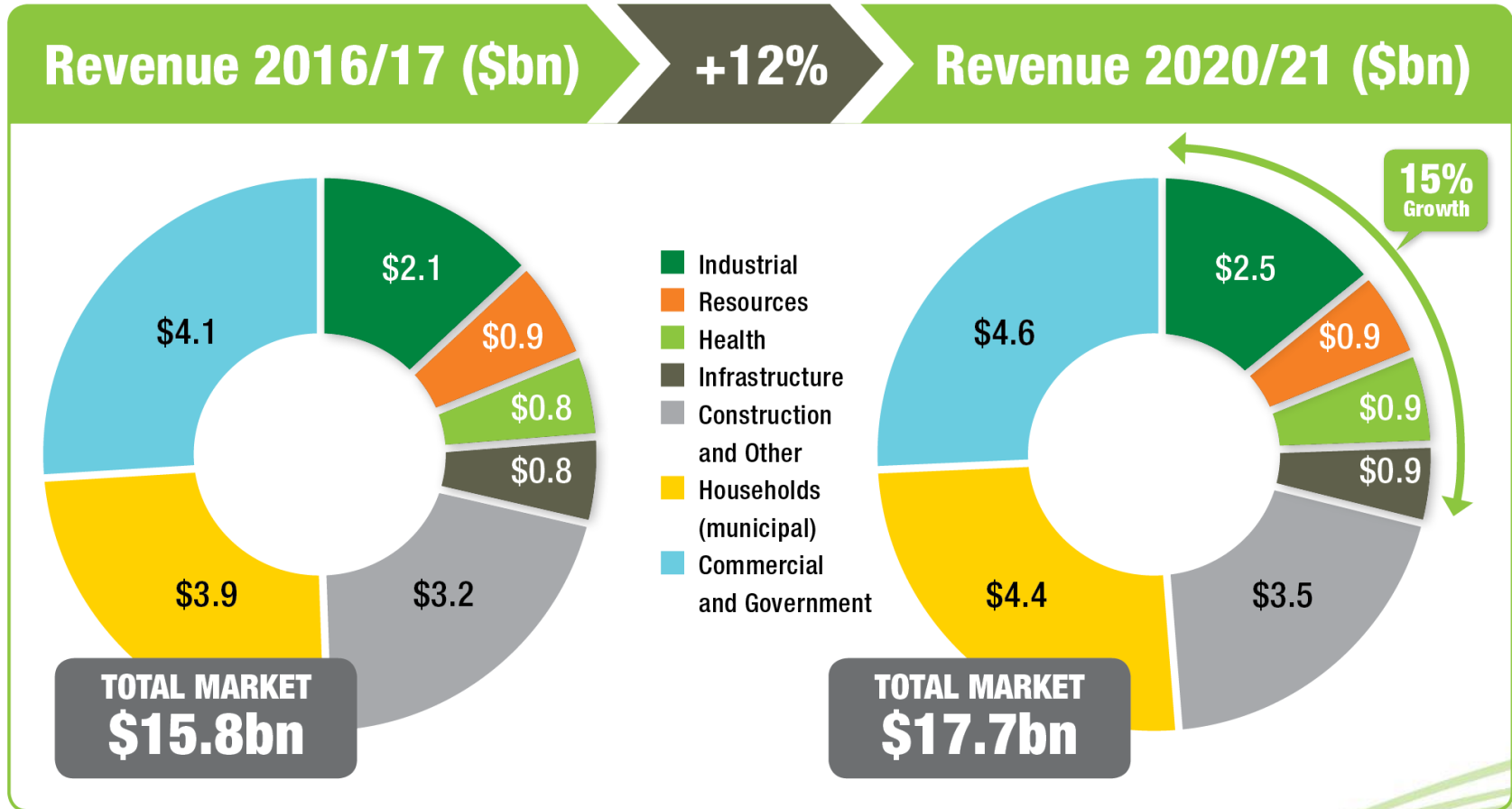


The Industrial, Resources, Infrastructure and Health sectors are attractive because:

- These markets are expected to grow at a rate higher than the rest of the market due to a number of key drivers.
- The requirement for specialised technologies, intellectual property and operating licenses provide high barriers to entry.
- Clients in these sectors seek a one stop shop solution and Toxfree can provide an integrated industrial and waste management solution.

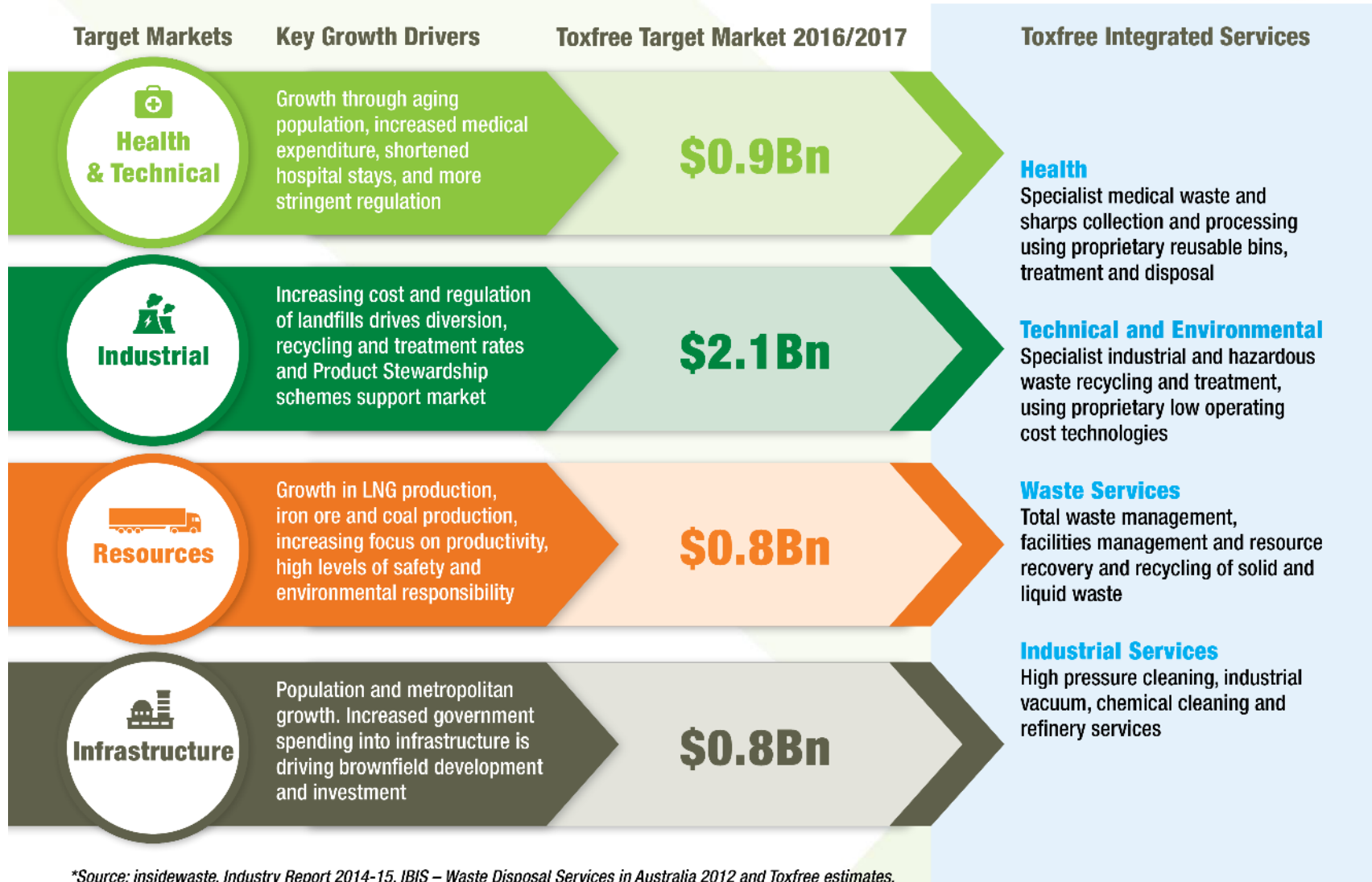
# Market Growth

- By 2021 the total market is expected to grow by 12% to \$17.7Bn  
Toxfree's target segments are anticipated to grow at a higher rate of combined 15% due to a number of market, environmental and regulatory drivers



Source: IBISWorld Industry Reports; Commonwealth Government, Budget Strategy and Outlook Budget Paper No. 1, 2016-17; Toxfree analysis; Barrington Consulting Group analysis

# Target Markets - Key Growth Drivers



\*Source: insidewaste, Industry Report 2014-15, IBIS – Waste Disposal Services in Australia 2012 and Toxfree estimates.

# Strategic summary



- Over the last 5 years Toxfree has transformed its business by sector, geography and services into a diversified provider of specialist industrial and waste management services.
- Our 2020 vision is to move to a leadership position within our target markets of Health, Industrial, Resources and Infrastructure sectors.
- The Daniels acquisition is transformational for Toxfree – Daniels are in the market leading service provider in sharps and medical waste collection and waste treatment nationally
- The Health sector provides another avenue for growth into a market with high level of recurring revenue and strong growth fundamentals
- Moving into FY18 Health Services will make a substantial contribution to group EBIT
- Toxfree's diversification strategy has generated a greater level of recurring revenue as well as opportunities for growth

# Strategic initiatives



- Initiatives are focused on improving EPS and Return on Capital
- Organisational restructure - To reflect our focus as a waste and industrial services specialist on four target markets the company's organisational structure is being aligned under each respective market; Health, Resources and infrastructure, Regulated and Technical and Industrial. This will result in efficiency gains and increased sales focus on the provision of Total Waste Management solutions specific to each sector
- Revenue growth through targeted sales and business development and additional services to existing customers
- Fleet and plant utilisation – increasing utilisation to improve margins and reduce capital expenditure
- Procurement savings – centralising and consolidating suppliers to use our buying power to reduce our expenditure and improve margins
- Recycling capital and assets to align strategic focus and improve returns (e.g. JJ Richards asset swap)
- New technologies to treat waste materials more efficiently to best practice standards
- Further realisation of Daniel's synergies including use of 'Toxfree Fuel' and ERP systems integration to improve efficiencies





# Operational update



# Health Services

- Daniels has performed well in its first 6 months of ownership and is on track to meet company financial expectations
- Operational integration is going very well and expected synergies are on track
- “Toxfree fuel” project slightly ahead of expectations with upgrade of Silverwater incinerator complete in January 2017 and stage 1 burner system upgrades completed
- Market fundamentals are strong with increasing episodes of care or procedures, hospital and medical centre visits, an ageing population and increasing compliance and disposal regulations
- Margins are expected to remain strong in FY18 as further synergies are realised
- Growth in FY18 anticipated through underlying volume growth, increased market penetration of specialised products, further synergies and increased utilisation of processing plants

*\*source: “Australian Government Institute of Health and Welfare – Australia’s Hospitals 2014-2105 at a glance”*

## Industrial Services

- Services to civil infrastructure and municipal sectors are buoyant in Victoria and NSW and we expect this to continue in FY18 in line with increased infrastructure spending
- BHPB Olympic Dam contract has performed to expectations with additional scope of work awarded for equipment remediation
- Bechtel Wheatstone pre-commissioning contract has performed well and will continue into the first half of FY18
- Awarded FMG industrial services contract by our indigenous joint venture
- Services to iron ore customers in the Pilbara region have performed strongly
- Sale of Tasmania and Rockhampton businesses and purchase of JJ Richards Industrial business in Roma will align strategy, strengthen our business and provide opportunity to realise synergies
- Singapore industrial tank cleaning contract has been signed and is expected to commence in early 2018

## Waste Services

- The company has increased the volumes of commercial and industrial wastes within Queensland in a competitive environment.
- Toxfree has commenced provision of Total Waste Management services (including solid waste management) to its customers in Health, Industrial, Regulated and Resource markets in NSW and later this Calendar year services will commence in Melbourne.
- The Pilbara region remains challenging
  - Volumes of waste from iron ore production remain stable however customers are seeking further cost reductions.
  - Upstream oil and gas activity is limited
  - Downsizing of our operations continues to maintain margins
  - Earnings from the resource sector in the Pilbara are expected to reach a sustainable base by the end of the year
- Darwin is forecast to improve in FY18 through contract wins with Inpex and services to other oil and gas projects which are expected to commence in early calendar year 2018

## Technical and Environmental Services

- Worth Recycling performance has improved meeting second half budget expectations through increased volumes of liquid waste and momentum in civil infrastructure projects
- New technologies including Hazpak for efficient container de-packaging and Blue Box e-waste processing are commissioning this month
- Retained the NSW Household Chemical Collection programme contract including additional award of the Hunter region of NSW under a four year (plus further options) contract. Toxfree provide all household hazardous waste collection and processing contracts for mobile and fixed facilities in NSW under long term contract
- Commenced services for Paintback in Western Australia
- Development of Toxfree Fuel project remains a focus to provide alternative fuel source and displace gas within our medical waste incinerators

# Outlook

- Second half trading has improved on the first half meeting budget expectations
- June is expected to meet budget expectations and on this basis Toxfree is forecasting underlying EBITDA of between \$82M to \$83M\*\* for the 12 months ending 30 June 2017
- One off costs such as site closure costs, redundancies and other costs as a result of the restructure and finalisation of the Gorgon contract will be normalised together with Daniels acquisition and integration costs
- The resources sector in Western Australia is expected to reach a stable base at the end of this Calendar year when the Wheatstone contract is expected to finish
- Darwin - New contracts with Inpex and services to other oil and gas customers will commence in FY18 as these contracts mobilise
- Health services is expected to deliver double digit revenue growth in FY18 at similar margins
- Total Waste Management services will commence in Victoria and NSW in FY18 to complement services to existing clients mainly in Health
- Hazardous waste from households and e-waste volumes are expected to increase in NSW with award of additional contracts and the commencement of Bluebox and Hazpak technologies will improve earnings in FY18
- Activity within the civil infrastructure sector on the east coast is expected to remain buoyant
- Further productivity and cost reduction initiatives continue to remain a focus in FY18.

*\*\* excludes one off normalisation adjustments*



# Questions

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