# Annual General Meeting

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28 November 2014

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# Agenda





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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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# 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, Civil Infrastructure ,Heavy Industry

Integrated services

*Safe, Reliable and Sustainable*

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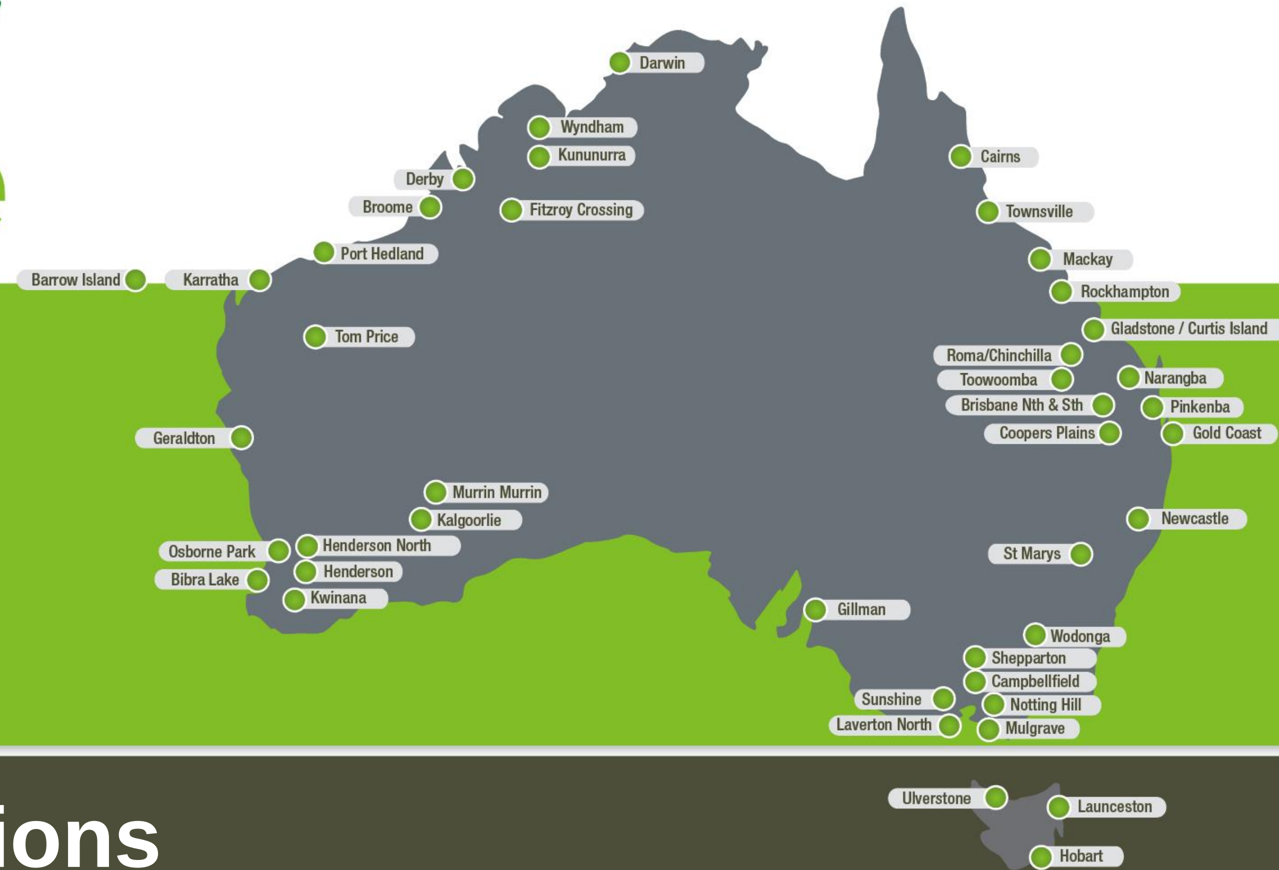
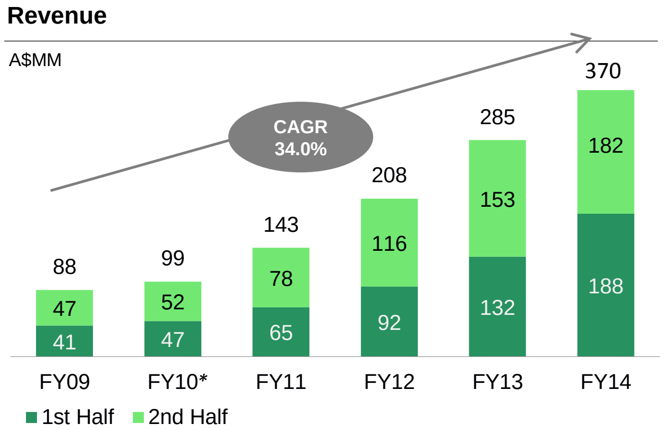
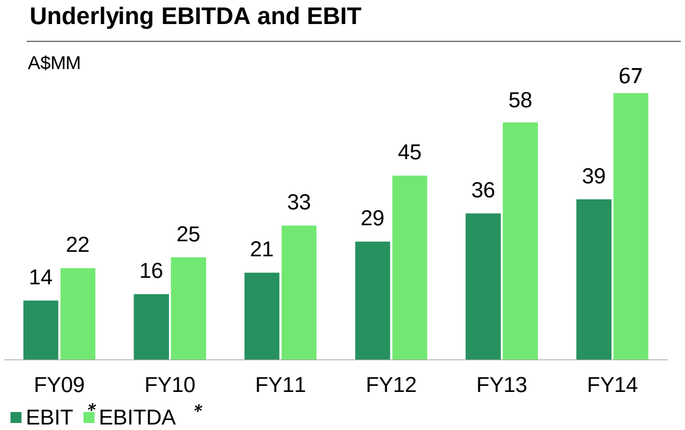
# Service locations

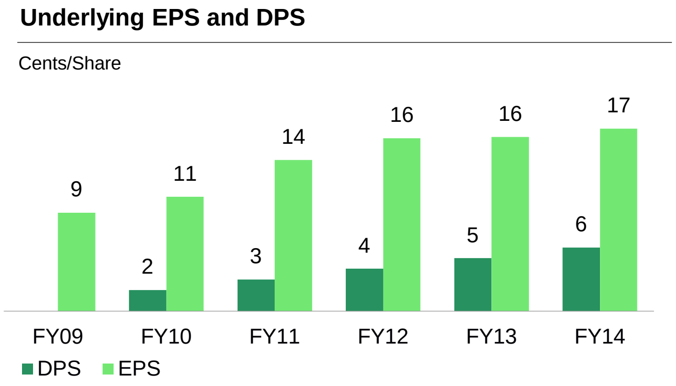


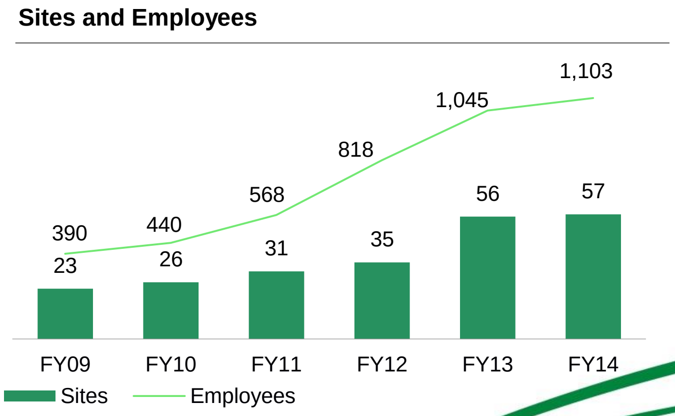


# Our track record



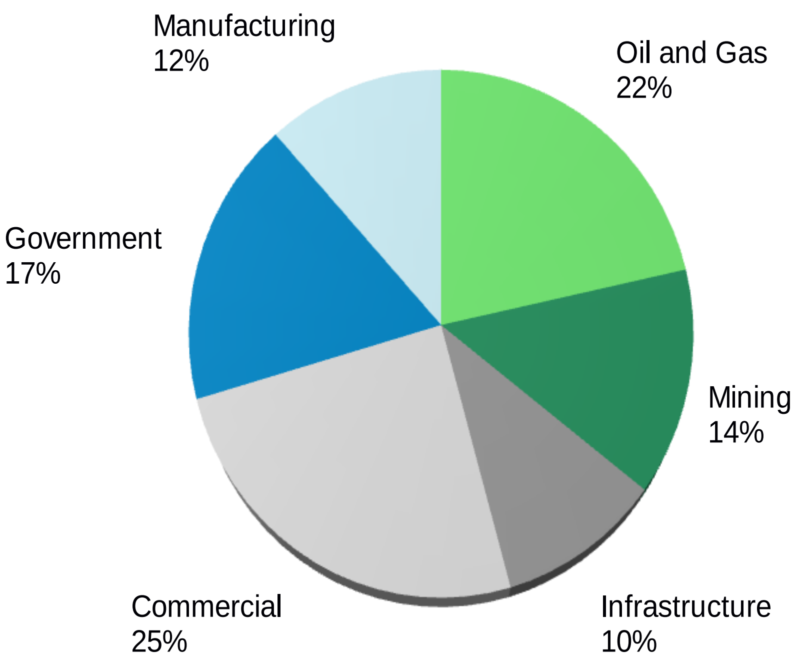



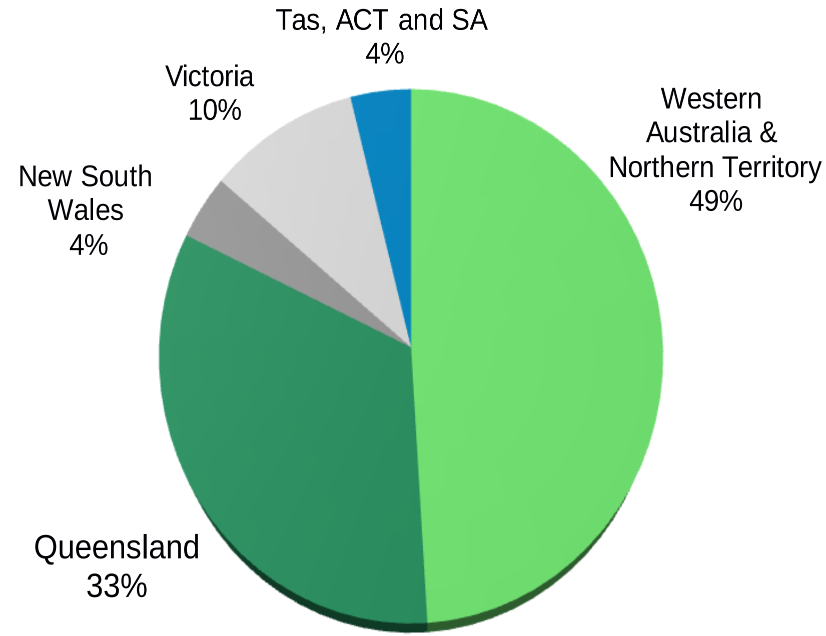




*Non-IFRS Financial Information (refer Appendix 1 for detail)

# A Diversified Business – Revenue by Market Sector and Geography




Based on FY2014 revenues

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# Year in Review – FY14

## 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
- 2 + 2 + 2 year contract with Rio Tinto Iron Ore
- High level of diversification and recurring revenue
- Technical and Environmental Services improvement in margins and earnings

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

# 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

# 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 4.7% 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.

# Operations – Waste Services

| | FY14 | 2H14 | 1H14 | FY13 | 2H14 vs 1H14 | FY14 vs FY13 |
|---|---|---|---|---|---|---|
| Revenue ($M) | **208.4** | 100.5 | 107.9 | 147.1 | -7% | 42% |
| EBITDA* ($M) | **52.9** | 25.0 | 27.9 | 41.3 | -10% | 28% |
| EBITDA margin | **25%** | 25% | 26% | 28% | -1% | -3% |
| EBIT* ($M) | **39.9** | 18.3 | 21.6 | 32.4 | -15% | 23% |
| EBIT margin | **19%** | 18% | 20% | 22% | -2% | -3% |

- Central Queensland, Kimberley and Pilbara regions performed solidly
- Wanless integration and financial performance was very good, achieving $70 M revenue and $14 M EBITDA. Competitive market, volumes stable.
- Margins impacted by
  - Change in business mix with Wanless addition
  - Gorgon construction margins and volumes reduced in the second half
- Award of 5 + 5 year contract with Chevron Australia for all operations Australia wide including both Gorgon and Wheatstone production contracts
- Award of total waste management contract with Rio Tinto Iron Ore (2+2+2)
- Retention of all Kimberley municipal and recycling contracts for a further 5 year term

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

# Operations – Technical and Environmental Services

| $ M | FY14 | 2H14 | 1H14 | FY13 | 2H14 vs 1H14 | FY14 vs FY13 |
|---|---|---|---|---|---|---|
| Revenue | **63.8** | 33.0 | 30.8 | 60.8 | 7% | 5% |
| EBITDA* | **22.4** | 11.9 | 10.5 | 21.8 | 13% | 3% |
| EBITDA margin | **35%** | 36% | 34% | 36% | 2% | -1% |
| EBIT* | **17.8** | 9.6 | 8.2 | 16.4 | 17% | 9% |
| EBIT margin | **28%** | 29% | 27% | 27% | 2% | 1% |

- Creation of Toxfree ‘Centre's of Excellence’ for various waste streams to improve treatment efficiencies
- Margins improved by 2% in second half FY14
- Volumes of waste increased by over 10% on FY13
- Performed well considering the challenging economic climate particularly the decline in manufacturing volumes
- 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 (refer Appendix 1 for detail)*

# Operations – Industrial Services

| $ M | FY14 | 2H14 | 1H14 | FY13 | 2H14 vs 1H14 | FY14 vs FY13 |
|---|---|---|---|---|---|---|
| Revenue | **97.8** | 48.5 | 49.3 | 76.9 | -2% | 27% |
| EBITDA* | **18.4** | 8.6 | 9.8 | 16.6 | -12% | 11% |
| EBITDA margin | **19%** | 18% | 20% | 22% | -2% | -3% |
| EBIT* | **9.8** | 4.2 | 5.6 | 9.7 | -25% | 1% |
| EBIT margin | **10%** | 9% | 11% | 13% | -2% | -3% |

- Revenue increased by 27% and EBITDA by 11% organically
- Higher depreciation in 2H14 from investment in new fleet resulted in flat EBIT growth over the full year
- Industrial Services Central Queensland and Gladstone were highlights
- Major contracts with Rio Tinto, QAL and Murrin Murrin performing well
- The civil infrastructure sector was flat and utilisation of equipment low which impacted earnings and margins in FY14
- Significant civil infrastructure spending of over $120 Bn has been announced and is planned – Toxfree are well placed to share in some of this investment

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

# 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

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

# Market Outlook

**Resource sector**

- The Australian economy is continuing to transition from resource sector investment-led growth to broader sources of growth. Iron Ore, Coal and LNG exports remain a key economic strength – around 20 per cent of Gross Domestic
- Production of Iron Ore, LNG and Coal is increasing – waste is generated through production.
- The Roy Hill region, North West Shelf oil and gas, Browse Basin drilling (Inpex and Shell FLNG), CSG development (Surat Basin and Gladstone), increasing Iron Ore production in the Pilbara and new LNG production facilities coming on line over the next couple of years (Gorgon, Wheatstone, APLNG, GLNG, QCLNG and Prelude) provide opportunities for growth

**Civil infrastructure**

- The Australian Government is investing $50 billion across Australia infrastructure projects over the next 7 years
- Combined with State Government and Private expenditure it is expected to generate infrastructure investment in excess of $120bn
- WestConnex NSW, NorthConnex NSW, East West Link VIC and Bruce Hwy QLD are all forecast to commence late 2014- early 2015.

*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 Outlook

**Commercial sector**

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

**Environmental drivers**

There are many key drivers that increase the available waste market for resource recovery at a rate greater than population growth

- Sustainability - There is a global trend for more sustainable practices driven by public and corporate social responsibility
- Landfill avoidance - Increasing government landfill levies, regulation and disposal costs will continue to drive recycling and divert waste from landfill
- Regulation and policy - Government regulation, policy and environmental sustainability is driving the transition from landfill to recycling and resource recovery.

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Source: IBIS Waste Report 2012

# Key Initiatives – FY15

**Revenue growth**

- Targeting $50 M pa of new total waste management and industrial services contracts to targeted blue chip clients
- Expansion of our JV (PTES) in the Pilbara
- New technologies and projects to manage our current clients problematic waste streams
- New greenfield sites and strategic acquisitions in geographic areas linked to our target markets

**Reducing Costs**

- Reducing Costs and improving efficiencies through our Centre of Excellence project
- Reducing labour and overhead – 36 employees have been made redundant since 1 July. Redundancy costs of $420K incurred in FY15 with ongoing savings of approximately $3.5M pa
- Reducing waste disposal costs – diverting waste from landfill and reducing third party disposal
- New ERP upgrade and shared service centralisation to improve back end efficiencies and reduce cost – To be completed within FY15.

# Operational update – July to October FY15

- Trading within most industry sectors continues to remain challenging and competitive, however we have seen improved conditions in September and October across the business, particularly in our Industrial Services and Waste Services divisions
- Awarded approximately $15 M pa of new contracts with a further $20 M pa pending.
  - Inpex upstream, McDermott, NSW EPA Household Hazardous Waste and Origin Energy
- Successfully transitioned Gorgon LNG construction contract direct to Chevron Australia on 1 October 2014 – volumes of waste from Barrow Island may increase in the short term through higher number of contractors on site
- Pilbara Logistics Joint Venture is meeting expectations
- Surat basin (Coal Seam Gas upstream) and Gladstone (downstream LNG facilities) performing well
- Industrial services to the civil infrastructure sector is improving – Telstra NBN scope increasing
- Waste Services East Coast performing well. Wanless rebranding to Toxfree complete – growth in waste volumes and lower R&M costs from investment in new fleet
- Provided trading in November and December continues at current rates we expect underlying first half 2015 earnings to be between $32 M to $34 M EBITDA

# 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 challenging
- Significant spending in the infrastructure sector has been announced and we are starting to see momentum in this area
- Toxfree has a high level of recurring revenue – waste disposal is an essential service not a discretionary spend
- Toxfree were awarded a 5 + 5 year contract with Chevron – this includes Gorgon construction, Gorgon production and Wheatstone production (yet to commence)
- Queensland - Surat basin and Gladstone expected to continue to perform strongly
- North West – increasing production of iron ore and Roy Hill region construction provides opportunities for growth, however waste volumes from offshore oil & gas are uncertain
- 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 FY2013 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).