



Morgan Stanley 2015 Australian Emerging Companies Conference

Strategies to deliver growth in a low growth environment

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Agenda



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Australian Waste Market – growing and attractive

- The Australian waste market is estimated at \$14 Bn pa*
- Average growth rate is estimated at 5.2% pa*
- The industry is highly fragmented, with the top 5 industry players having less than 50% market share – there are ~1100 other waste operators that make up the remaining 50%
- For the period 2011/12 – 2013/14, waste volumes increased by 12% and the value per tonne increased by 29%.
- Hazardous waste is approximately 11% of total waste tonnes and 15% of the total estimated EBIT

Waste Type	Industry Revenue (\$Bn)	Industry profits (EBIT \$Bn)	EBIT Margins
Commercial	4.1	0.53	13%
Construction	3.5	0.35	10%
Municipal	2.6	0.28	11%
Industrial	2.5	0.40	16%
Hazardous	1.5	0.27	18%
Total	14.2	1.83	13%



Source: insidewaste, Industry Report 2014-15 , IBIS – Waste Disposal Services in Australia 2012.

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Waste market attractiveness

Competition is lowest and growth potentially the most attractive in Hazardous Treatment and Disposal segment where margins are sound

Barrier to Entry	Construction and municipal	Commercial and Industrial	Hazardous Treatment & Disposal	Recycling & Recovery
Competition	High	Medium	Low	Medium
Life Cycle Stage	Growth	Growth	Growth	Growth
Capital Intensity	High	Medium	Medium	Medium
Technology Change	Low	Low	High	Medium
Regulation & Policy	Light	Medium	High	Medium
Industry Assistance	Low	Low	Low	Medium

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



Key drivers

There are a number of key drivers that are contributing to growth of the market at a rate greater than population growth. They are;

- Commercial - Increasing government landfill levies and disposal costs will divert waste from landfill and continue to drive recycling and treatment
- Regulation - Government regulation through product stewardship and regulatory initiatives is also driving the transition from landfill to recycling and recovery
- Sustainability - There is a global trend for more sustainable waste practices driven by public and corporate social responsibility
- Consolidation - Large clients are aggregating procurement and increasing numbers seek a “One Stop Shop” solution

Source: IBIS Waste Report 2014



Corporate Strategy

Technical and Environmental Services
Leader in Hazardous and Industrial Waste Management

- 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

Waste Services
Provide all waste services in all regional hubs of Australia

- Regional focus - WA, QLD, Tas, SA and NT
- Total waste management solutions to blue chip clients
- Municipal, Commercial, Industrial
- One stop shop
- Market to producing assets is estimated at >\$1Bn pa

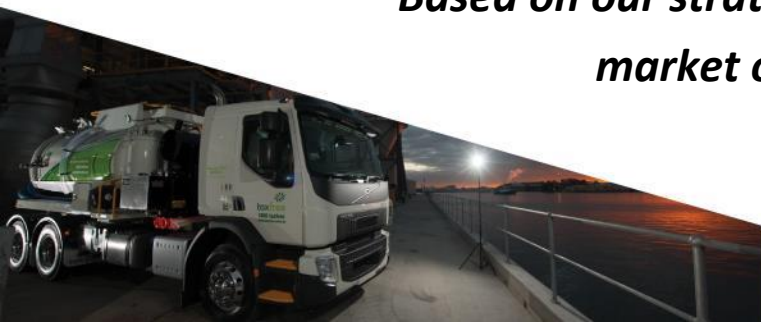
Industrial services
Leader in provision of industrial services throughout Australia

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

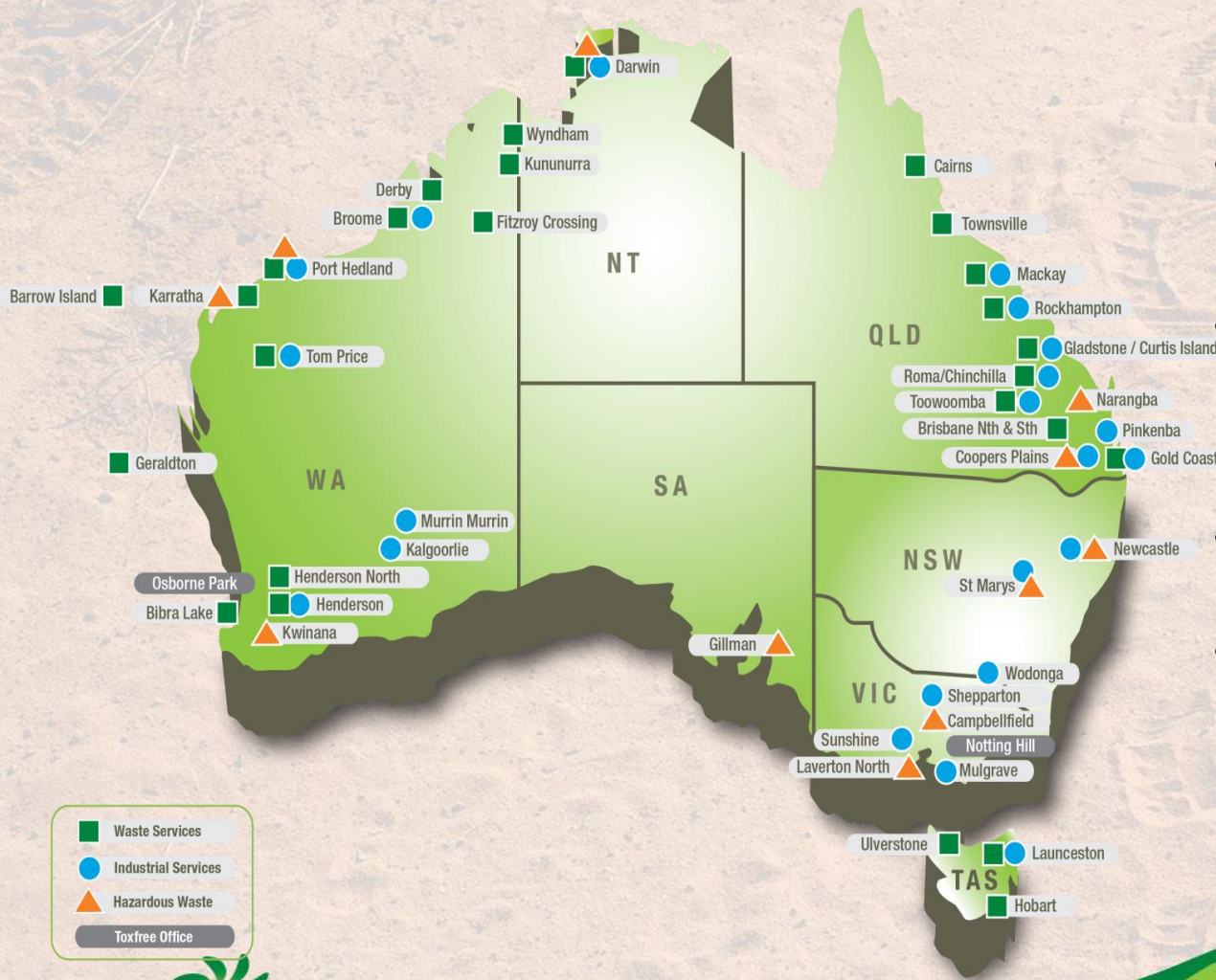
Integrated services

‘Based on our strategy Toxfree have estimated a target market of approximately \$5Bn pa’

57 SITES NATIONALLY
& OVER 1100
EMPLOYEES



Our business

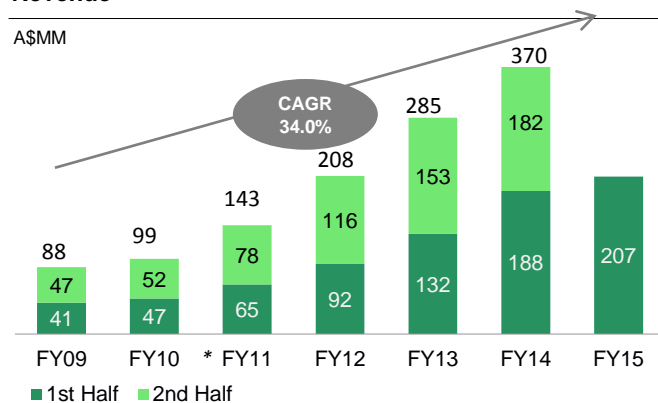


- One of the largest industrial service and waste management businesses in Australia
- 57 strategically located operations throughout Australia
- National network of strategically licensed sites throughout Australia
- Employ over 1,100 people nationally
- Diverse range of industrial and waste services to all market sectors

Our Track Record

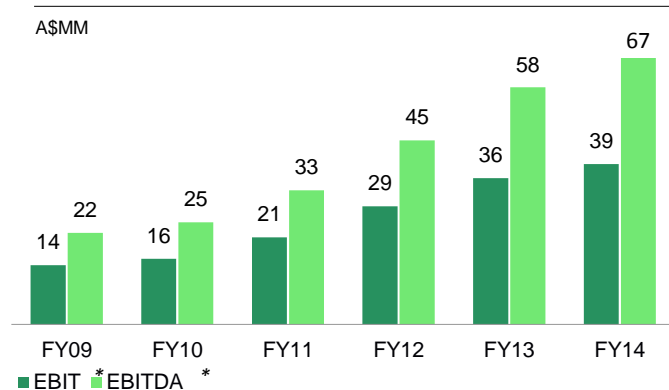
Revenue

A\$MM



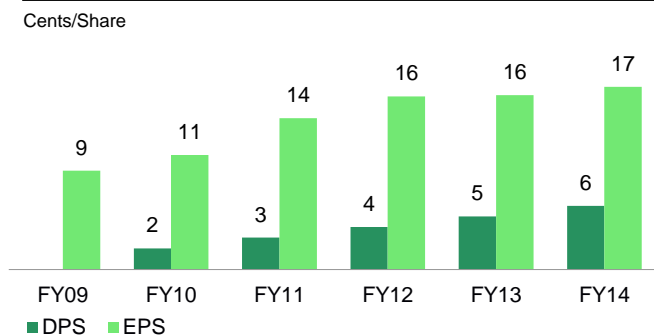
Underlying EBITDA and EBIT

A\$MM

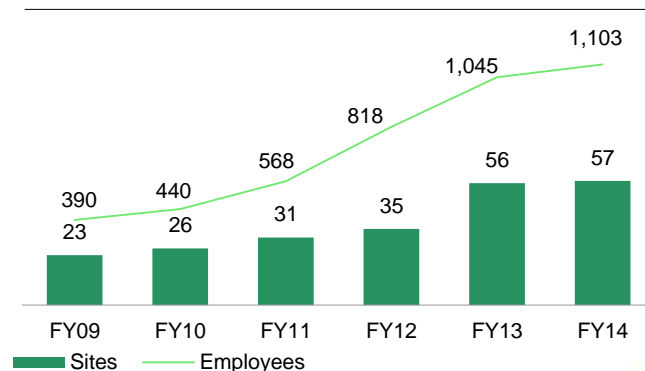


Underlying EPS and DPS

Cents/Share



Sites and Employees



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

Strategies to deliver earnings growth

Revenue growth

- Business development - Targeting \$50 M pa of new total waste management and industrial services contracts to targeted blue chip clients. We aim to be the safest, most efficient and capable industrial service and waste management provider
- New technologies and projects to manage our current clients problematic waste streams
- Addition of complementary services focussed on producing assets
- New greenfield sites, strategic acquisitions and partnerships in new technologies and geographic areas linked to our target markets

Reducing Costs

- Reducing costs and improving efficiencies through addition of new technologies
- Focus on reorganising and reducing labour and overhead costs.
- Review of underachieving sites to recycle capital into higher returning parts of the business
- 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 – \$8M to \$9M capital cost to be completed within FY15.



Operational update – Waste Services

- Successfully transitioned to Chevron contract 1 October 2014 (5+5 year contract)
- Chevron contract on Barrow island performing well. Transfer station commissioned and efficiency improvement underway. Over the next 12 months the volumes of waste are expected to reduce as the LNG facility commences operation
- Wheatstone waste services are expected to commence at the start of 2016
- Our indigenous JV (PTES) awarded 12 month extension with FMG for Cloud Break / Christmas Creek and 3 year contract with Thiess Mining for Solomon
- Other major production contracts including Rio, Apache and FMG performing well but limited activity outside of this in the Pilbara region
- Browse basin oil and gas activity is patchy – Inpex drilling underway
- South East Queensland market remains challenging and competitive – seasonal effect of the wet season evident
- The Materials Recovery Facility in Tasmania is not meeting expectations - a review of the business has been completed and action plans implemented
- Surat basin activity is still high – Awarded 6 month extension with Origin for our waste and industrial services contracts



Operational update – Tech. and Env. Services

- East coast facilities are meeting budget expectations mainly through continued momentum in household hazardous waste volumes
- Expanded scope of services in NSW with award of NSW EPA Household Hazardous Waste Contract
- Activity in the Pilbara has slowed with reduced offshore oil and gas development
- Hydrocarbon based waste volumes from mining sector have increased
- As LNG production facilities come on line over the next few years we expect an increase in waste volumes
- Our Waste to Energy Facility for the Pilbara is continuing through basic engineering design which is required before submission to the EPA for assessment
- Volumes of intractable waste have declined as waste producers defer disposal reflecting challenging economic conditions
- Further technologies to manage additional waste streams and improve productivity are underway



Operational update – Industrial Services

- Civil infrastructure sector remains flat due to the lack of infrastructure projects in Australia
- Contract with Telstra for NBN project is performing well after a slow start to Calendar year 2015
- We continue to gain market share in the oil and gas sector servicing existing production assets onshore and offshore
- Awarded 3 year contract with Bechtel for Wheatstone
- Gladstone and Victoria are performing well
- Awarded larger scope of services with Origin Energy – incurred mobilisation and start up expenses in the first quarter of Calendar Year 2015 with additional revenue only commencing in the second quarter
- Further industrial service business development opportunities being tendered



FY16 - FY20 Strategic Plan

- Commenced 5 year strategic planning process in February 2015 using the Argenti System
- Argenti firstly identifies the Company's purpose and the Beneficial Performance Indicators (BPI) the company will use to measure its performance
- Toxfree's purpose is to improve returns for our shareholders and the appropriate BPI for Toxfree is Total Shareholder Returns (TSR).
- To deliver TSR, Toxfree will focus on initiatives aimed at increasing our Earnings per Share and our Return on Invested Capital above our WACC.
- Thirty Two Strategic Initiatives were identified for implementation over the next 5 years aimed to deliver TSR to our shareholders
- Aligns Board and Management, ensures discipline and enables clear communication to all employees on the Company's strategy and purpose



Outlook



- Trading conditions remain challenging across most sectors, however at this point in time we are forecasting to be in line with market EBITDA expectations.
- Contracts to production based clients are continuing to perform well.
- Further services and expansion of scope to existing customers is a focus.
- Business development opportunities exist across Australia – large tender book.
- North West – new LNG facilities to moving to production provides opportunities for growth, however waste volumes from offshore oil & gas development are uncertain.
- Hazardous waste volumes expected to remain stable – further treatment efficiencies and new technologies continue to be our focus.
- 2H FY15 tax rate will be higher due to non-deductible contract amortisation within our Indigenous Joint Venture
- Waste management is an essential service and Toxfree has 60% of revenue contracted.
- 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 – FY2015 & FY2014 Non-recurring adjustments



**Non-IFRS Financial Information: Adjustments that were excluded in order to reflect the underlying performance of the Group are:*

HY1 FY 15:

- Acquisition costs including advisor, legal and rebranding = \$0.866m (Corporate).
- These adjustments resulted in an increase in underlying NPAT after tax of \$0.606m (before tax \$0.866m).

HY2 FY 14:

- Acquisition costs including advisor, legal and rebranding = \$0.392m (Corporate).
- These adjustments resulted in an increase in underlying NPAT after tax of \$0.275m (before tax \$0.392m).

HY1 FY 14:

- Acquisition costs including advisor, legal and rebranding = \$0.428m (Corporate \$0.334m).
- Net loss on scrapping of plant and equipment (incinerator) = \$0.976m (Technical and Environmental Services).
- These adjustments resulted in an increase in underlying NPAT after tax of \$0.983m (before tax \$1.404m).



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