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# Financial Year 2012 Results Presentation

**August 2012**

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# Agenda

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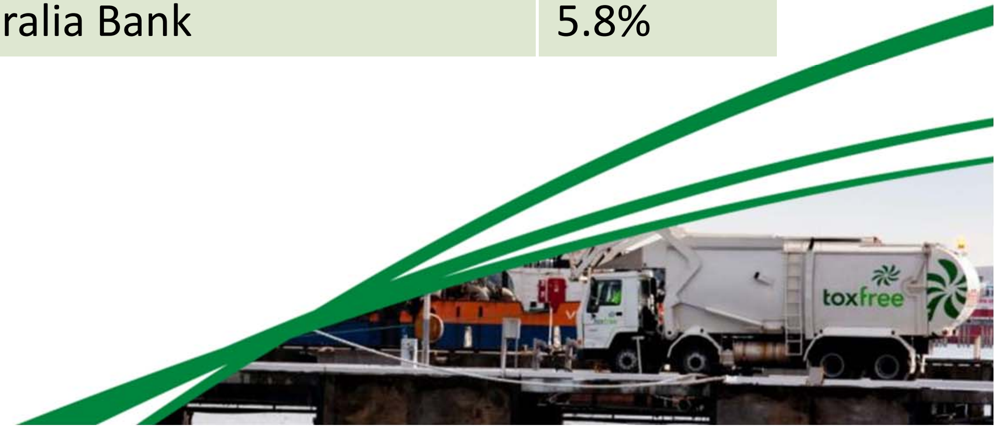
# Capital Structure

| ASX CODE – TOX | | |
|---|---|---|
| Shares on issue | 115,311,608 | |
| Unlisted employee options | 3,463,500 | |
| No. of shareholders | 3,500 (approx) | |
| Market Capitalisation | $300 m (approx) | |
| Substantial shareholders | Australian Foundation Investment Co | 8.2% |
| | Fisher Funds Management Ltd | 7.3% |
| | National Australia Bank | 5.8% |



# Our Vision


*“To be the leading Industrial Services and Waste Management Company”*

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# Company Profile

- One of the largest industrial service and waste management businesses in Australia
- Strategically located facilities
- Unique licenses and specialist technologies
- Provide diverse number of industrial and waste services to all market sectors
- Resource sector and hazardous waste focus
- Focus on competitive advantage through safety, service delivery, sustainable waste management practices, treatment licenses and technologies
- Growth - combination of acquisition, green field development, organic and contract growth

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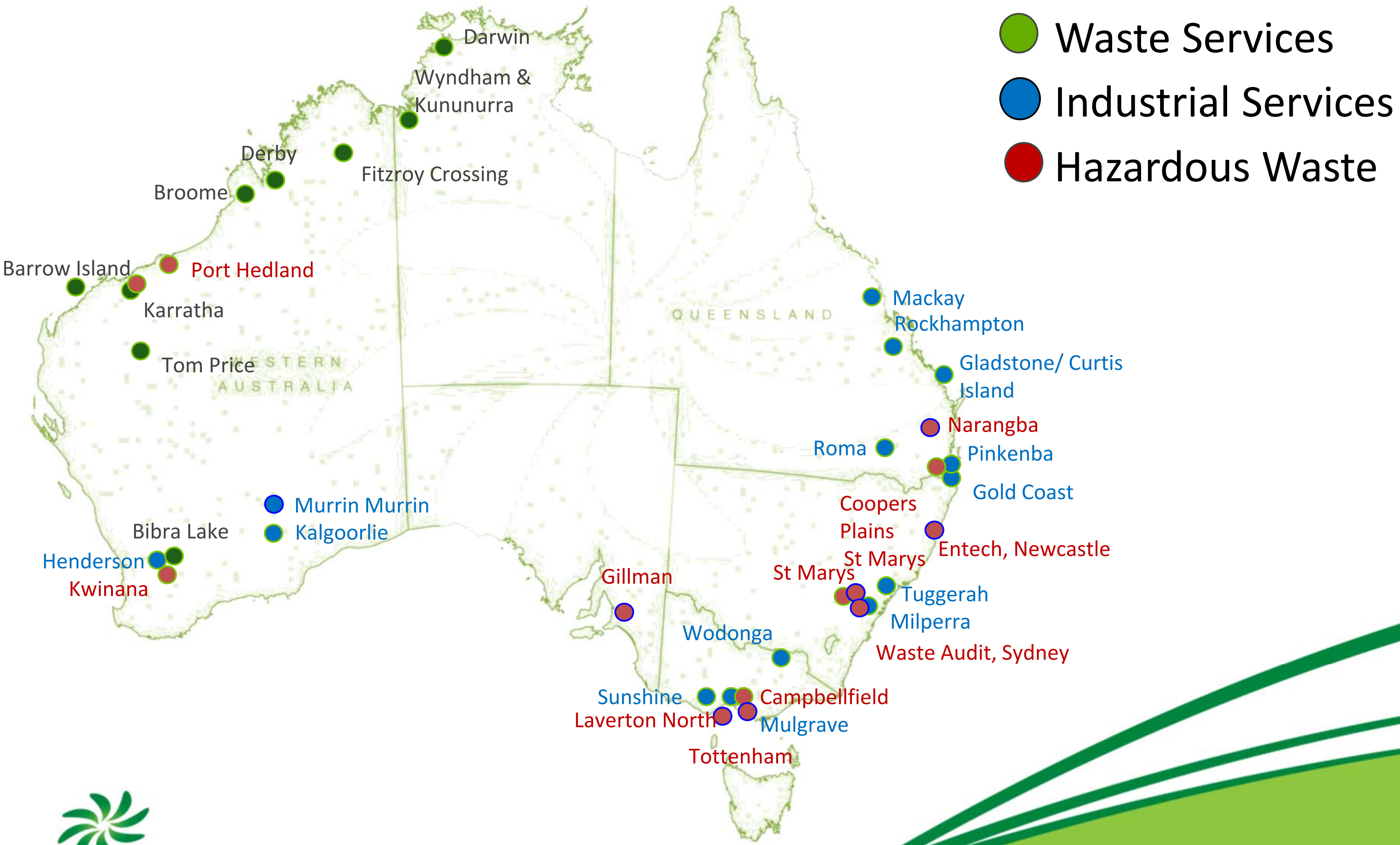
# Service Locations

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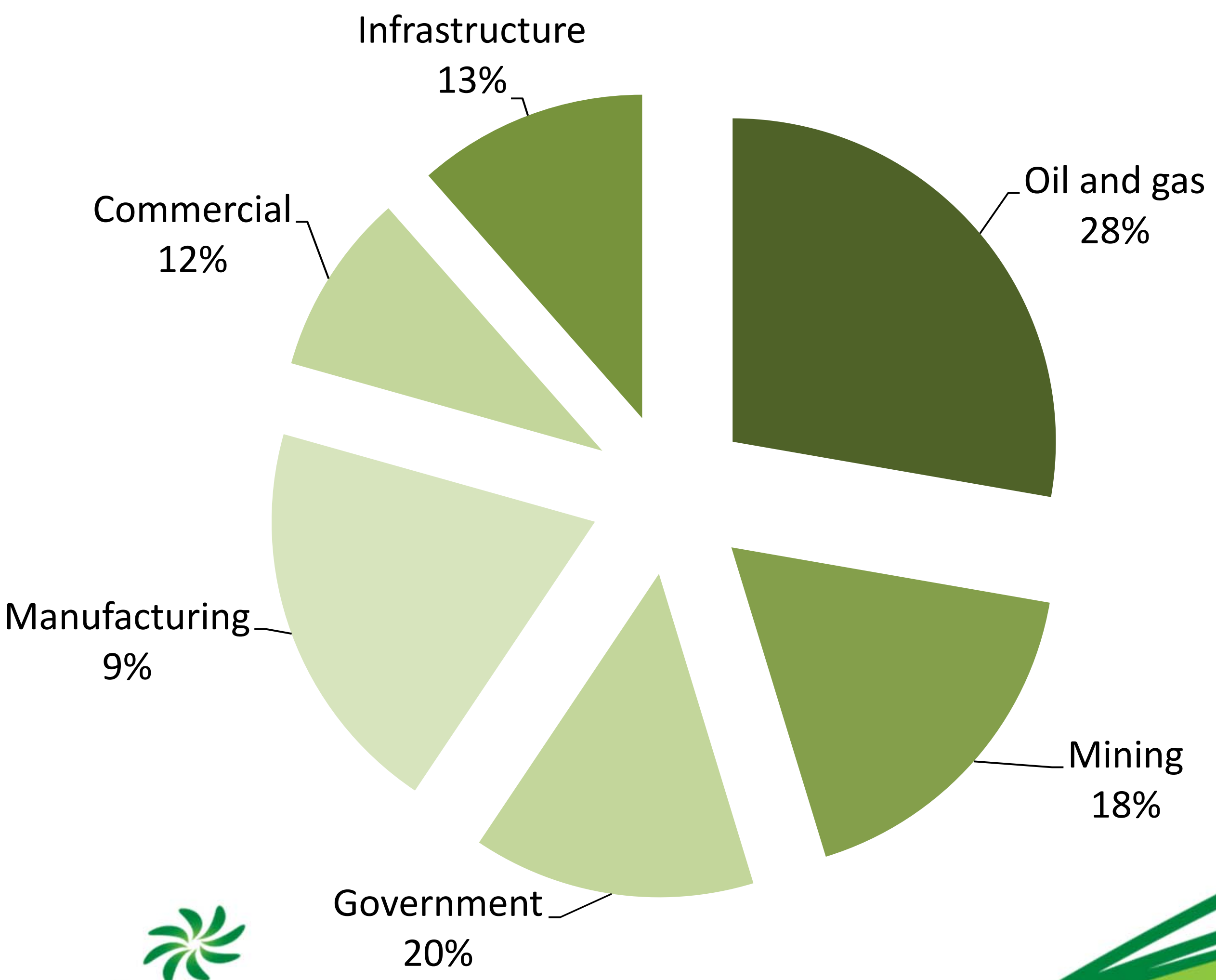
# A Diversified Business – Revenue by market sector



# Corporate Strategy

**1. Leader in Hazardous Waste Management Nationally**

- Best Technologies
- Best Licences
- Best People
- High barriers to entry
- Servicing all industry sectors

**2. Provide a broad range of Industrial Services to Blue Chip clients under long term contract**

- Mining
- Oil and Gas
- Infrastructure
- Heavy manufacturing
- Government

**3. Provide all waste services in all regional resource hubs of Australia**

- Resource focus - WA, QLD and NT
- Total waste management services
- Municipal
- Commercial
- Industrial / Construction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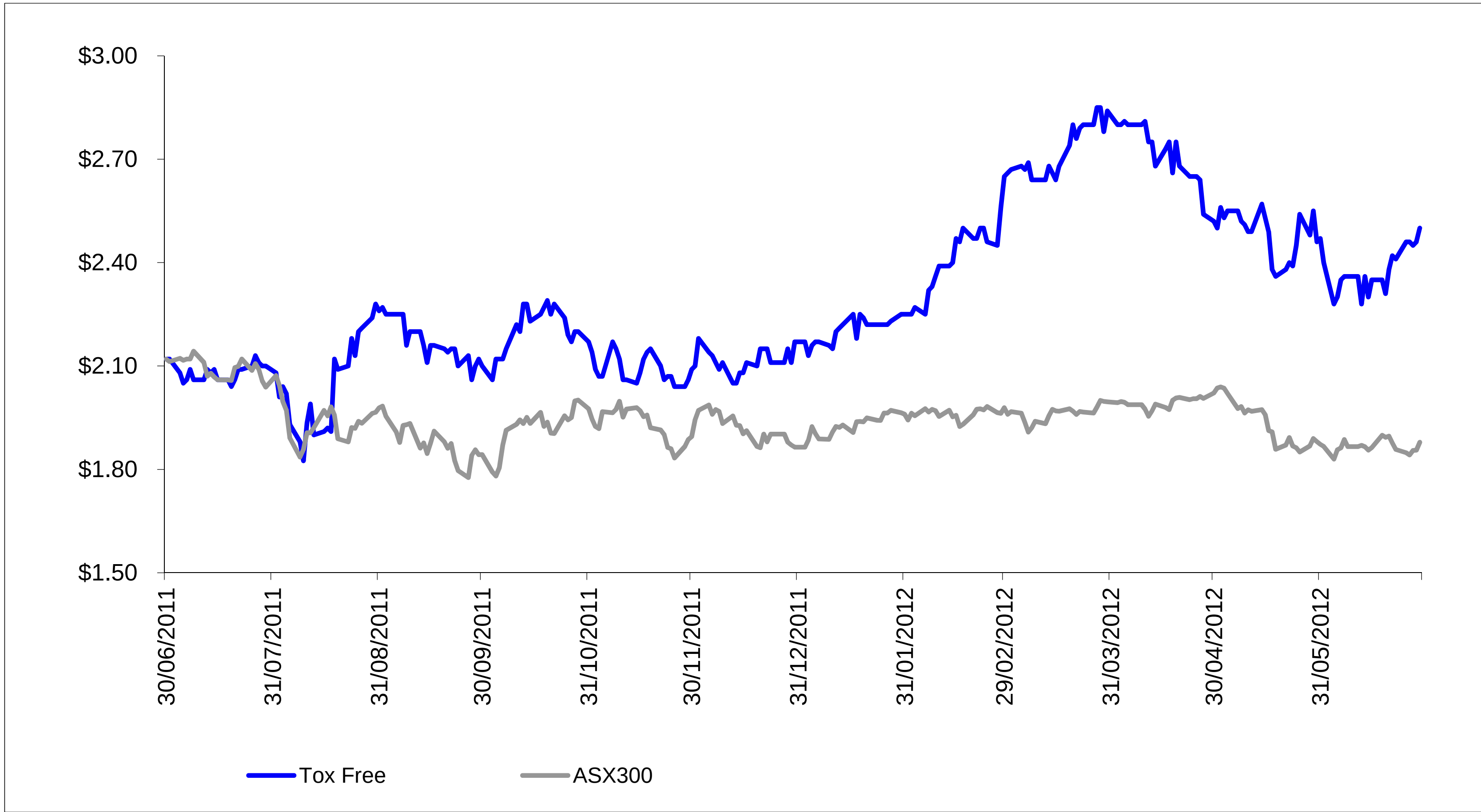
# FY12 Financial Highlights

- Revenue up 45% to $207.9M (FY11 = $143.5M)
- EBITDA up 37% to $45.0M* (FY11 = $32.8M)
- EBIT up 35% to $28.9M* (FY11 = $21.3M)
- NPAT up 31% to $17.2M* (FY11 = $13.1M)
- EPS up 15% to 16.3* cents (FY11 = 14.23cents)
- Dividend increased by 33% to 4 cents per share
- Solid cash flow from operations = $38.5M, 86% of EBITDA
- Net debt to equity = 30%

**FY12 excludes DMX acquisition costs of $1.49M*

*FY11 excludes debt write off of $1.2 M (NPAT)*

# Toxfree share price relative to the ASX 300



# FY12 Strategic Highlights

- Hazardous waste
  - Acquisition of Dolomatrix assets to create Australia's leading hazardous waste company
- Expanding services
  - Commencement of services in Gladstone, Queensland
  - Commencement of services in Roma, Queensland (Surat basin)
  - Acquisition of MMS enterprises in Mackay (Dec 2011)
  - Acquisition of Pilbara Waste in Port Hedland (Sept 2011)
  - Acquisition of Waste Solutions in the Northern Territory (July 2011)
- Long term contracts with blue chip companies
  - Successfully commenced new long term contracts with Origin Energy, APLNG and Fortescue Metals Group
- Tender pipeline - $150M tendered and pending as at 1 July

# FY12 Operational Highlights

- Zero Lost Time Injuries during period
- Awarded the National Safety Council of Australia / GIO National Safety Award of Excellence (October 2011)
- Brand refresh and national branding to "Toxfree" is underway - cost of $500,000
- Operations performed well, particularly Waste Services
- All major contracts meeting customer and company expectations
- Extension of both Woodside NWSV and Toll Energy contracts
- Commencement of indigenous joint venture in the Pilbara
- Wastefree tracking system development and roll out of electronics in the field

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# FY12 Results

| Group Results | FY12($'000) | FY11 ($'000) | % Change |
|---|---|---|---|
| Revenue | 207,963 | 143,556 | 45% |
| EBITDA^ | 45,003 | 32,842 | 37 |
| Depreciation and Amortisation | (16,121) | (11,510) | 40 |
| EBIT^ | 28,882 | 21,332 | 35 |
| Net Interest | (4,171) | (2,521) | 65 |
| Profit before tax^ | 24,711 | 18,811 | 31 |
| Income tax expense | (7,503) | (5,717) | 31 |
| Net profit after tax^ | 17,208 | 13,094 | 31 |
| | | | |
| EPS^ | 16.30 | 14.23 | 15 |
| Weighted average shares on issue | 106 | 92 | 15 |

*^FY12 excludes DMX acquisition costs of $1.49M*
*FY11 Excludes debt write off of $1.2 M (NPAT)*

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# Cash Flow

| Group Cash Flow | 30 June 2012 ($'000) | 30 June 2011 ($'000) | % Change |
|---|---|---|---|
| Cash generated from operations | 38,531 | 28,059 | 37 |
| Net interest paid | (3,517) | (2,166) | 62 |
| Income taxes paid | (6,010) | (3,457) | 74 |
| **Net operating cash flows** | **29,004** | **22,436** | **29** |
| Net purchases of PP&E | (21,682) | (19,113) | 13 |
| Net payments for businesses and intangibles acquired | (73,053) | (1,199) | 5,992 |
| **Net investing cash flows** | **(94,735)** | **(20,312)** | **3,664** |
| Net proceeds from borrowings/(repayment of borrowings) | 36,632 | (4,975) | (836) |
| Proceeds from the issue of share capital (net of capital raising costs) | 36,405 | 1,306 | 2,688 |
| Dividends paid | (2,895) | (1,836) | 58 |
| **Net financing cash flows** | **70,142** | **(5,505)** | **(1,374)** |
| **Net increase/(decrease) in cash** | **4,411** | **(3,381)** | **(230)** |
| Cash at the beginning of the half year | 14,513 | 17,894 | (19) |
| **Cash at the end of the half year** | **18,924** | **14,513** | **30** |

# Statement of Financial Position

| Balance Sheet | 30 June 2012 ($'000) | 30 June 2011 ($'000) | % Change |
|---|---|---|---|
| Cash | 18,924 | 14,513 | 30 |
| Trade and other receivables | 52,731 | 35,741 | 48 |
| Inventories | 314 | 332 | (5) |
| Prepayments | 2,265 | 644 | 252 |
| Tax assets | 8,076 | 2,997 | 169 |
| Property, plant and equipment | 96,673 | 65,166 | 48 |
| Intangibles | 93,826 | 29,905 | 214 |
| **Total assets** | **272,809** | **149,298** | **83** |
| Trade and other payables | 33,935 | 14,886 | 128 |
| Loans and borrowings | 66,605 | 26,097 | 155 |
| Employee benefits | 4,158 | 2,877 | 45 |
| Tax liabilities | 7,447 | 3,198 | 133 |
| **Total liabilities** | **112,145** | **47,058** | **138** |
| **Total equity** | **160,664** | **102,239** | **57** |
| NET DEBT | 47,681 | 11,584 | 312 |
| NET DEBT TO EQUITY | 30% | 11% | 173 |

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# FY12 Segment Result

| | Revenue FY2012 $'000 | Revenue FY2011 $'000 | Variance % | EBIT FY2012 $'000 | EBIT FY2011 $'000 | Variance % |
|---|---|---|---|---|---|---|
| Industrial services | 70,812 | 70,026 | 1 | 9,986 | 11,329 | (12) |
| Solid waste | 94,051 | 44,343 | 112 | 21,994 | 11,525 | 91 |
| Hazardous waste | 43,100 | 29,187 | 48 | 12,951 | 11,201 | 16 |
| Corporate | | - | - | (16,048) | (12,723) | 26 |
| Total Group | 207,963 | 143,556 | 45 | 28,882 | 21,332 | 35 |

| **Comments** |
|---|
| Solid waste growth – strong organic growth from Pilbara , Kimberley regions and total waste management contracts |
| Industrial services performed well in Roma, Mackay, Gold Coast, Vic and Northern NSW |
| Corporate expense excludes BD and sales – now in operating segment. Corp Costs reduced from 9.9% (H1) of Rev to 6.7% (H2) of Rev |
| DMX contributing to Hazardous Waste segment from 15 Feb 2012 |

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# FY12 Segment EBIT Margin Analysis

| | H1 2012 % | H2 2012 % | Full year 2012 % | H1 2011 % | H2 2011 % | Full year 2011 % |
|---|---|---|---|---|---|---|
| Industrial services | 17% | 12% | **14%** | 14% | 18% | **16%** |
| Solid waste | 24% | 23% | **23%** | 24% | 27% | **26%** |
| Hazardous waste | 33% | 28% | **30%** | 40% | 37% | **38%** |
| Consolidated group | 14% | 14% | **14%** | 14% | 14% | **14%** |

| **Comments** |
|---|
| Solid waste margins reduced slightly reflecting APLNG and FMG mobilisation costs |
| Industrial services impacted by one off costs (rebranding $300K, bad debt $250K, Delvex site closure of $310K) |
| Higher hazardous waste processing costs in Port Hedland and cyclones impacted margins in Hazardous Waste |
| Consolidated EBIT margins unchanged in 3 years with revenue doubling during same period |

# Operations – Waste Services

- Revenue up 112% to $94.1M
- EBIT up 91% to $22M
- Major contracts performing well
- Kimberley and Pilbara regions performed solidly
- Toll Energy (Gorgon LNG) and Woodside NWSV contracts extended
- Waste services commenced for FMG and Woodside Pluto in February
- APLNG waste services have commenced – early stages of construction
- Rebranded Kimberley Waste to Toxfree

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# Operations – Industrial Services

- Revenue up 1% to $70.8M
- EBIT down 12% to $9.9M
- Major contracts performing well
- Industrial services in Mackay and Roma were highlights
- Infrastructure and Municipal sectors in Gold Coast and Melbourne performed well
- One off costs effected margins - Rebranding of Barry Bros ($300K) plus lost utilisation of trucks, Delvex site closure ($310K) and bad debt ($250K)
- Expect margins to return to normal in FY13

# Operations – Hazardous Waste

- Hazardous waste revenue up 48% to $43.1M
- EBIT up 16% to $12.9M
- Revenue growth mainly attributed to DMX acquisition - completed February 2012
- Hazardous waste margins reduced due to higher processing costs at Port Hedland and high waste water treatment costs from cyclones
- Focus on DMX integration and streamlining of waste treatment processes
- Upgrade of Pilbara waste water treatment facilities complete – additional capacity to handle extreme cyclone events

# Market Trends – Environmental and regulatory

- Australia is the 2nd highest producers of waste per capita behind USA at 2.1 tonnes per head p.a.
- Increasing government landfill levies and disposal costs will continue to drive recycling and divert waste from landfill
- Carbon tax will further promote reuse, recycling, treatment and landfill avoidance
- Government regulation and environmental sustainability is driving the transition from landfill to recycling and recovery
- Large clients are aggregating procurement and increasing numbers seek a "One Stop Shop" solution
- At 50m tonnes and $11.9Bn, the market is large, and growing around 5% p.a.
- Highly competitive, and fragmented, with the top 5 industry players having less than 50% market share

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Source: IBIS Waste Report 2012

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# Outlook

- Focus on integration of acquisitions and operational synergies
- Commencement of services to Fortescue Metals Group by the Toxfree JV
- FY13 full year contribution from acquisitions of DMX, MMS, Pilbara Waste and new contracts of FMG, APLNG, Woodside Pluto and Origin Energy
- Organic growth of core business - Economic activity stimulated by Western Australian and Queensland committed resource projects and Environmental drivers
- $150 M tender pipeline
- Acquisitions that complement our strategy
- Positive medium to long term outlook through market drivers


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# Questions

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