



ASX ANNOUNCEMENT

Strategic Acquisition and Capital Raising

30 April 2013

ASX Limited

Tox Free Solutions Limited ("Toxfree") today announces that it has signed a binding asset acquisition agreement under which Toxfree will acquire the assets and business of Wanless Enviro Services Pty Ltd, Smart Skip Pty Ltd, and Jones Enviro Services Pty Ltd, and certain of the assets of Wanless Enviro Asset Management Pty Ltd, for \$85.0 million.¹ Together, the three businesses represent a leading waste management business operating throughout Queensland and Tasmania (for the purpose of this announcement, "Wanless").

Highlights:

- **Wanless Enviro Services is a leading provider of solid waste services to business customers in Queensland, operating a branch network that extends from Cairns to the Gold Coast and Toowoomba**
- **Smart Skip is a construction and demolition waste business servicing the South East Queensland building and construction markets**
- **Jones Enviro Services offers industrial, commercial and municipal waste recovery and recycling services in Tasmania**
- **The acquisition represents a significant expansion of Toxfree's East Coast presence, positioning Toxfree in particular as a major participant in the Commercial & Industrial (C&I) segment of the Queensland waste management market**
- **The acquisition creates the potential to leverage Toxfree's expertise in Hazardous Waste and Industrial services to offer clients a broader waste management solution**
- **The Wanless footprint will position Toxfree to benefit from significant capital investment into Queensland's Oil and Gas sector, in particular, including CSG extraction and downstream LNG export plants, and the ongoing activity within the mining and resources sector**
- **An excellent cultural fit between organisations, and a highly experienced management team is expected to add significant value to Toxfree's operations**
- **The acquired businesses are expected to deliver full year pro forma EBITDA of \$14.6 million in FY2013²**
- **The acquisition is expected to deliver EPS accretion in FY2013 of 8% on a full year pro forma adjusted basis (based on broker estimates for Toxfree)³**

¹ The purchase price does not include stamp duty or other acquisition costs and is subject to a post-completion working capital mechanism which may result in an adjustment reducing the purchase price; Toxfree will not assume any cash or debt (other than trade creditors, provisions and other payables)

² Assumes full year basis; no potential revenue or cost synergies; excludes rebranding costs

³ Adjusted for transaction costs and acquired intangible amortisation

- The acquisition is subject to conditions precedent, including: the successful assignment of key customer contracts, supplier agreements, and lease agreements, as customary in an asset acquisition structure, the provision of debt facilities to Toxfree and receipt of subscriptions by Toxfree under the placement (see below)
- The acquisition is payable 100% in cash and will be partly funded through a fully underwritten institutional placement for \$43 million and drawing from a new committed debt facility with Australia and New Zealand Banking Group Limited (ANZ)
- Toxfree also intends to offer a Share Purchase Plan (SPP) at the same time as the institutional placement

Background on Acquired Businesses

Wanless comprises three independent businesses:

- **Wanless Enviro Services**
 - Wanless Enviro Services is a leading waste collection business headquartered in Cooper Plains, Brisbane, with a substantial presence servicing business customers across a diverse range of industry sectors, including the manufacturing, retail, industrial industries.
 - The business operates a branch network spanning from the Gold Coast, in the South, to Cairns in North Queensland, and has a substantial presence in the Brisbane industrial corridor in the South East.
 - Typical services are front lift and commercial hook lift collection of general waste and cardboard, the latter which is recycled rather than disposed at landfill.
 - The business operates very efficiently, particularly in the high density regions of Brisbane, and operates on high EBITDA margins.
 - Wanless Enviro Services is one of the largest player in its relevant markets.
 - Pro Forma FY2013 Revenue: \$42 million.
- **Smart Skip**
 - Smart Skip is headquartered in Oxley, Brisbane, and offers a range of services for the construction, demolition, and landscaping markets.
 - The business provides primarily skip and hook lift services to the major construction companies and SME sectors of the building industry.
 - Pro Forma FY2013 Revenue: \$8 million.
- **Jones Enviro Services**
 - Jones Enviro Services is a commercial and industrial waste recovery business based in Tasmania, servicing a range of business customers in the retail, industrial, and utilities sectors.
 - Customer base includes local municipalities under long term contracts, representing approximately 50% of revenue.
 - Branch network comprises Launceston, Ulverstone and Hobart.
 - Jones Enviro Services is the second largest player in the Tasmanian market.
 - Pro Forma FY2013 Revenue: \$12 million.

Each business is supported centrally by a head office function, and reports through respective branch General Managers to the CEO of Wanless. In total, the business comprises 156 employees, including 16 senior managers within the network and head office. In addition to its own fleet of vehicles, the business operates an “Owner Driver” model, predominantly within Wanless Enviro Services and Smart Skip.

Strategic Rationale

The acquisition of Wanless is a significant expansion for Toxfree into the East Coast waste market, and positions Toxfree to benefit in particular from the substantial capital investment and industrial growth underway in Queensland.

- Positions Toxfree into the key metropolitan and regional growth hubs in a market that is larger than, but structurally very similar to, the Western Australian / Northern Territory markets where Toxfree already enjoys substantial scale.
- Wanless Enviro Services business complements Toxfree's existing operations in Gladstone, Mackay, Toowoomba and Rockhampton, as well as Roma, where Wanless Enviro Services does not operate, with potential to move to single site operations in future.
- Building on Toxfree's existing rapidly growing Queensland Industrial Services and Hazardous Waste business units, the acquisition will enable Toxfree to pursue a full Total Waste Management offering to a large and diverse commercial and industrial customer base, and to cross sell services between divisions.
- Branch network, local relationships and service capabilities will enable Toxfree to springboard into the local mining and industrial sector customers that are either under serviced or not currently targeted by either organisation.
- An excellent cultural fit between organisations and a highly experienced management team is expected to add significant depth to Toxfree's existing operations.

Steve Gostlow, Managing Director of Toxfree, commented, "the Wanless acquisition is a fantastic opportunity for Toxfree to expand our services into a large and attractive market, particularly in Queensland, where the Wanless assets will complement our existing industrial services and hazardous waste services and position Toxfree in a similar way as we have in Western Australia."

"The focus on the commercial and industrial collection market is a good strategic fit for Toxfree, with its strong growth potential and substantial market size, and represents a significant opportunity to leverage our hazardous and industrial services offerings and accelerate our East Coast strategy."

"In addition to the substantial market presence in the South East metropolitan markets, Toxfree is attracted by the potential to expand the services offered in the regional branches, and to work with local management to offer clients a total waste management solution, which in our view represents a very real and material opportunity."

"Wanless represents a major step change for Toxfree that will enhance our profile, diversify our revenues, and has the potential to add significant value for Toxfree shareholders."

Transaction Summary

Toxfree has entered into a binding asset acquisition agreement to acquire the assets and business of Wanless Enviro Services Pty Ltd, Smart Skip Pty Ltd, and Jones Enviro Services Pty Ltd, and certain of the assets of Wanless Enviro Asset Management Pty Ltd, for \$85.0 million. The purchase price may be subject to a post completion adjustment following determination of the working capital position of the acquired businesses.

Toxfree is acquiring the business assets, PP&E, intellectual property, inventory and trade receivables in the business. Toxfree will assume the trade creditors and certain employee entitlements, but will not be assuming any cash or debt as part of the transaction.

Completion of the transaction, and the transfer of legal and beneficial ownership, will occur following satisfaction of certain conditions precedent, including, but not limited to, assignment of key customer contracts, supplier agreements, lease agreements, together with the transfer of employees, the provision of debt facilities to Toxfree and receipt of subscriptions by Toxfree under the institutional placement. Completion is expected to occur in the month of May.

The senior management team have signed letters of employment with Toxfree and will be transferring with the business, including Howard Wilson, the CEO of Wanless.

Financial Impact on Toxfree

The business is estimated to generate pro forma revenue of \$62.0 million and pro forma EBITDA of \$14.6 million in FY2013.

The acquisition is expected to have the following effect on Toxfree on a pro forma basis:

- Expect EPS accretion in FY2013 of 8% on a full year pro forma adjusted basis (based on broker consensus for Toxfree)⁴
- Significant increase in revenue and higher EBITDA margin
- Expect gearing post acquisition and equity raising of approximately 41% as at 30 June 2013⁵

Following the acquisition, Toxfree will retain a strong balance sheet with additional head room under expanded facilities.

Transaction Funding

The acquisition will be funded by a combination of

- Draw down from new debt facilities, and
- Underwritten equity placement.

The debt component of the transaction will be funded through a new \$50 million committed facility provided by Australia and New Zealand Banking Group Limited (ANZ).

Toxfree has today launched a fully underwritten institutional placement to raise \$43 million to partly fund the acquisition. The placement will be undertaken by way of a fixed price offering at \$3.16 per share, representing a 2.5% discount to the 5 day VWAP and 3.7% discount to last close and will result in a maximum issue of approximately 13.6 million new ordinary shares. The institutional placement is fully underwritten by Morgan Stanley.

Toxfree advises that the current trading halt in the Company's securities will remain in place pending the outcome of the above institutional placement.

In addition, Toxfree will offer a Share Purchase Plan (SPP) at the same price as the institutional placement. Toxfree will offer eligible shareholders as at 4.00pm Perth time on 29 April 2013 (the Record Date) an opportunity to participate in the SPP allowing them to acquire up to \$10,000 in new Toxfree shares. The SPP will be subject to a scale back at the discretion of Toxfree directors. Details of the SPP will be sent to shareholders in the near future.

⁴ Adjusted for amortisation of identifiable intangibles. Excludes the expensing of transaction costs

⁵ Acquisition funding excludes any proceeds from SPP

Key Dates

SPP Record Date	Monday 29 April 2013
Institutional Bookbuild	Tuesday 30 April 2013
Placement Settlement Date	Monday 6 May 2013
Allotment and trading of Placement shares	Tuesday 7 May 2013

Outlook and Operational Update

Toxfree is experiencing solid operating performance in the current period and is trading in line with market expectations for the full year. Toxfree is also experiencing significant new contract momentum, having recently announced a \$30 million industrial services contract win with Queensland Alumina Limited (QAL). QAL demonstrates Toxfree's ability to win major waste and industrial services contracts, complements the acquisition of Wanless, and is indicative of Toxfree's expected expansion into the Queensland market.

Further information

Further information on the acquisition and capital raising will be lodged with ASX and included on Toxfree's website at toxfree.com.au.

Morgan Stanley is acting as Sole Financial Adviser and Clayton Utz as legal adviser on the acquisition. Morgan Stanley is acting as Sole Underwriter and Joint Lead Manager and Evans & Partners is acting as Joint Lead Manager on the institutional placement.

For further information, please contact:

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About Tox Free Solutions Ltd (ASX code: TOX)

Tox Free Solutions Ltd (Toxfree) is one of the largest integrated waste management, industrial service and environmental businesses in Australia. The Company offers a full range of waste management services through its national network of licensed waste treatment facilities. In addition Toxfree are fast becoming the leaders in onsite industrial services, waste minimisation, resource recovery and total waste management services.

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