Transpacific Industries Group Ltd
Annual General Meeting
Wednesday 30 October 2013, 10.30am Brisbane time

Chairman's and CEO's Addresses

Chairman's Address

As you are aware, we are in the process of transforming the Company, bringing greater focus and efficiency into our operations and improving Transpacific's financial performance. This year has seen a number of very significant changes that I will run through later in this address. Before I do, I would like to make some comments regarding our outgoing CEO, Kevin Campbell and deal with the recent announcement of the appointment of a new CEO and the Board's decision to look to divest our New Zealand business, the latter of which was announced earlier this morning.

This AGM is the last shareholder engagement for our CEO Kevin Campbell. I would like to convey my and the Board's appreciation for Kevin's hard work and dedication.

Kevin has been a well-respected CEO, both within and outside Transpacific. Among his achievements in the role, he has ensured that safety has become one of TPI's highest priorities. This year has seen a remarkable 47% improvement in the total recordable injury frequency rate and management continues to strive toward a zero harm work environment.

We wish Kevin well in his future endeavours. He will be speaking to the meeting following my address and I hope you will join us and the other Directors at the conclusion of the meeting for a cup of tea or coffee to say your own farewell to him.

Earlier this month we announced the appointment of Mr Bob Boucher as the new Transpacific CEO. Bob will formally commence as CEO once his visa formalities are completed.

Bob has spent 24 years working in the waste management industry in the United States, even longer if you consider that he grew up in a family whose business was waste management.

Most recently, Bob has served as the second most senior operational officer at Republic Services, Inc., one of the largest American waste management businesses. Republic is listed on the New York Stock Exchange and has a market capitalisation of approximately US$12.2 billion. It has 30,000 employees, operates 192 landfills, 199 transfer stations, 70 recycling facilities, 334 collection operations and has a fleet of 15,400 recycling and waste collection trucks.

Clearly, Bob has come from a very large business. But importantly, Republic Services has a number of operations that are very similar to those of Transpacific.

As we also announced a few weeks ago, Bob has had previous listed CEO experience in the United States. He is a well-rounded, well-credentialed, senior executive from one of the largest waste management industries in the world.

The Board and I are very pleased that Bob has agreed to lead Transpacific through the next stage of our journey. Bob's immediate priority will be to drive the operational efficiencies and performance improvement initiatives identified in the Business and Operational Review undertaken earlier in the year.

Turning now to the announcement this morning of Transpacific's intention to look at a divestment of its New Zealand business.

The Board and management, through the Business and Operational Review, have examined TPI's businesses and the markets in which we operate. This process has assisted in developing recommendations as to how best to improve operating performance and to shape the company's future portfolio strategy. It has also highlighted long-term growth opportunities and where capital should be allocated to achieve superior returns.

This work, which is continuing, led to the identification of 42 businesses and branches across Australia and New Zealand that were non-core or underperforming. While these businesses constituted 13% of TPI's branch network, they generated only 7% of revenues and disappointingly, made no contribution to earnings during FY13. In the two months since we announced our intentions regarding these businesses we have closed or sold 11 and are well advanced in exiting the balance of the businesses. Net proceeds of $7.2 million have been contracted up to today, with total proceeds in FY14 expected to meet or exceed the $20-30 million target announced on 23 August 2013.

The recommendations from the Review around the company's future portfolio strategy led to a determination by the Board and management that the focus of TPI should be on the Australian market. There are many opportunities to develop TPI's businesses here and position them for long-term growth in Australia, but these opportunities require capital to be invested in this market.

Accordingly, we have engaged advisers to assist us as we look to divest our New Zealand business. The quality of TPI New Zealand's assets, its leading market position, its people and its strong customer relationships are expected to attract interest from investors that are well-placed to develop and grow that business.

It goes without saying that we will only proceed with a sale of this business if it appropriately reflects value for our shareholders.

Initially, the proceeds will be used to further pay down debt and potentially, the redemption of the Step-up Preference Securities. In turn, this would strengthen our balance sheet and provide TPI with a greater ability to implement longer-term growth initiatives in Australia.

While all this has been going on, throughout the year we have continued to pursue our core transformation work. The key priorities have been achieving sustainable operational cost savings, selling surplus assets and non-core businesses and improving the financial metrics, particularly the debt ratios of the company,

While trading conditions have been difficult, I am pleased to say that we have made good progress on each of these fronts.

Our underlying results this year reflected the achievement of $15 million of cost savings from targeted efforts to streamline the company's organisational structure and improve procurement practices. These savings are the first instalment in a plan to realise $50 million of sustainable cost reductions over three years. The remaining savings, $20 million in FY14 and the final $15 million in FY15, are expected to flow primarily from the implementation of improved labour and fleet productivity systems. I would also like to highlight that these cost reductions do not include the additional cost savings that will be achieved as we implement the findings of the Business and Operational Review.

During 2013, TPI realised $28.2 million from the sale of eight surplus properties and four non-core businesses. When combined with the benefit of improved operating cashflow, debt reduction of $105 million was achieved this year, enabling a reduction in underlying net interest of $35.9 million.

Subsequent to the financial year end, our debt structure has been further simplified and the interest cost reduced.

First of all, in July the Company sold the Commercial Vehicles Group to the Penske Automotive Group for $219 million. The net proceeds of $185 million have been applied to reduce debt and interest expense. A net profit after tax of $85 million will be recognised in the FY14 results.

Secondly, we have also announced to the ASX this morning that TPI has successfully refinanced $290 million of syndicated facilities due to mature in late 2014. As a reflection of our stronger balance sheet and delivering on our debt reduction strategies, the refinancing was significantly over-subscribed by both our domestic and offshore lenders and the new debt has been raised on favourable terms.

I can advise that management's expectation of achieving a reduction in total interest costs for FY14 of $25 million, foreshadowed in the results announcement in August, has been revised upwards to more than $30 million.

With the benefit of the sale of the Commercial Vehicles Group, the debt refinancing and the realisation of identified operational improvements, the TPI Board expects to be in a position to consider the resumption of dividend payments in the foreseeable future. This is an important milestone for the Company.

During the past year, the Board has also undergone rejuvenation. Gene Tilbrook and Bruce Brown retired from the Board in March and in their place, Mike Harding and Mark Chellew were appointed as Non-Executive Directors. These appointments have broadened the Board's skill base as both Mike and Mark have operational backgrounds in significant industrial businesses. They bring skills and experience to the Board that will assist us as we continue to work with the management team to drive performance and shareholder value for the Company.

Mike and Mark are up for election at this meeting and I will run through their backgrounds later as the resolutions are put forward for voting.

I would like to thank the management team and Transpacific's employees for their commitment to improving the business. This year has involved a number of changes and our people have readily adopted those changes while continuing to provide a high level of service to our customers. There has also been a considerable amount of work undertaken by our people to bring the Business and Operational Review to life. There is more to be done, but I am confident the qualities our people have displayed this year will stand them, the Company, and, most importantly, our customers, in good stead as we move forward under Bob Boucher's leadership to reshape TPI and fulfil its undoubted potential in the years to come.

Finally, a comment on trading. When we announced our FY13 results in August we stated that trading conditions, especially in the second half of the year were difficult and expected those conditions would remain similar for this current financial year. Based on trading so far, there is little change from those expectations as markets have shown little or no improvement.

I would now like to pass onto our CEO, Kevin Campbell who will run through the highlights of the last financial year.

Martin Hudson
Chairman

CEO's Address

Good morning ladies and gentlemen, it is a pleasure to see you all today. In this my final address to shareholders I would like to thank you for your support of Transpacific during my tenure as CEO.

I would also like to thank the senior management team and staff, who have all worked cooperatively and ensured that we have made good progress on a number of fronts.

Of particular importance to me has been the progress we have made on safety, which the Chairman has already referred to. In a business such as this, safety is paramount and this year I appointed a specific Group Safety and Sustainability Manager as a senior member of the management team. I would like to think that the goal of a zero harm work environment is now firmly entrenched in the ethos of Transpacific and that each employee can be confident that they will return home each evening without incident.

We have also made pleasing inroads in increasing the diversity of our workforce. Our efforts have been recognised by the Queensland Supply Chain and Logistics Association. Transpacific has received awards for activities and programs to improve workforce engagement and attract and retain a more diverse workforce. Areas of focus in our program have been indigenous, youth and gender diversity.

Among our workforce now we have 26 full time indigenous employees who work closely with an indigenous mentor, 343 young trainees and 37 apprentices as well as a school to work program with 17 students currently enrolled. With respect to women in the business we have developed a mentoring program and a targeted strategy to attract and retain female drivers with one site now having 6 female drivers in a total driver group of 26.

I am a strong believer in the values and perspectives that a diverse workforce can offer our customers and our business and have been gratified at the support that the entire workforce has given these programs.

Now, to Transpacific's operations. As you are aware, over the last few years the company has been on a journey to consolidate and improve its operations and to achieve a more prudent capital structure. I am pleased to say that Transpacific today is quite different from the group I joined over three years ago. Our businesses have been streamlined and efficiency has improved. We have good market positions across the operations and our balance sheet has been strengthened.

While the results this year on a statutory basis reflected decisions to impair some of our assets, on an underlying basis net profit after tax of $67.9 million was up 17.1% on last year.

Despite this result, the operating performances of our waste management businesses could have been better. Revenues were up 0.7% but the earnings before depreciation, interest and tax were down 11.8% from last year.

Trading conditions were challenging, particularly during the second half of the financial year.

The results from our Cleanaway business were effectively, a tale of two businesses. Our collections businesses, being Commercial & Industrial and Municipal, grew both revenues and profits even though average commodity prices were weaker across the board in paper, glass and metals.

However, in the Post Collections area results were affected by weaker landfill volumes in New South Wales, Victoria and South Australia. This business is an integral part of the company's waste management model and we made the decision this year to impair the carrying value of the business by 50%. This equated to $139.9 million after tax and impacted the statutory result significantly, but was necessary to reflect the trading environment faced by this business.

The declines from the Post Collections business more than offset the growth in earnings from Commercial & Industrial and Municipal collection businesses.

Our Industrials business was hit hard by the downturn in the mining, industrial and manufacturing sectors, particularly during the second half of the year where we experienced a significant reduction in maintenance and shut-down work. While we expect to see some of these projects come back sometime over the next 12 months it is difficult to be precise as to the quantum or timing of these projects. A further impact upon the results of the Industrial business was the significant reduction in emergency response work recorded last year. This work is obviously unpredictable but usually of higher margin.

Finally, in New Zealand our results were affected by lower commodity volumes and prices and continued weak industrial markets. Trading conditions did improve in the second half of the year in both Auckland and Christchurch and the clean-up work following the 2011 earthquake in Christchurch has gained momentum.

Positioning our businesses to meet the challenges in their respective markets has been a strong focus this year and I am confident the work that management and the Board have done in the Business and Operational Review will lead to further value growth for you, our shareholders.

I cannot say farewell without thanking our people. Economic conditions over the past few years have not been favourable but our people have faced these difficult conditions and the significant changes that have occurred within the organization over these years and have continued to provide a level of service and commitment to our customers that I have been very proud of. Thank you.

Finally I would like to thank the Board for their guidance and support during my tenure as CEO of Transpacific.

I hope you will join the Chairman and I for refreshments after the meeting.

Kevin Campbell
Chief Executive Officer