

FY18 HALF YEAR RESULTS STRONG ORGANIC GROWTH – REVENUE UP 8.4%, NPAT UP 60.7%

- All operating divisions increased revenue and earnings resulting in continuing strong organic growth
- Strong cash conversion while ramp-up and mobilisation of major new contracts in progress
- Sale of another closed landfill site in Victoria further reducing landfill remediation provision
- Acquisition of Toxfree Solutions Ltd anticipated to be completed during 2Q of CY2018

Cleanaway Waste Management Limited (“Cleanaway”, ASX: CWY) today announced its financial results for the six months ended 31 December 2017, summarised below:

	Statutory		Underlying	
	1H18	vs 1H17	1H18	vs 1H17
Gross revenue (\$m)	785.5	+8.4%	785.5	+8.4%
Net revenue (\$m)	722.2	+7.4%	722.2	+7.4%
EBITDA (\$m)	154.2	+2.8%	159.0	+5.7%
EBIT (\$m)	74.7	+23.1%	79.5	+18.7%
Net profit after tax (\$m)	45.0	+60.7%	43.9	+25.8%
Earnings per share (cents)	2.7	+58.8%	2.6	+23.8%

	1H18	vs 1H17
Cash flow from operating activities (\$m)	112.8	+13.0%
Free cash flow (\$m)	49.5	+43.5%
Interim dividend declared (cents)	1.1	+10.0%
Cash conversion ratio (%)	104.5	+1,450 bps

Total underlying adjustments after tax were a net credit of \$1.1 million and comprise of costs associated with rebranding and acquisitions, offset by the write back of a tax provision related to a review of certain matters by New Zealand Inland Revenue completed during the half.

Management Commentary

Chief Executive Officer and Managing Director of Cleanaway, Vik Bansal, said: *“To be able to deliver again on our promise of continued growth at both an enterprise level and across all three operating divisions is satisfying and demonstrates the benefits from a number of our strategic initiatives through our Five C’s.*

“Our safety performance continues to improve, with a reduction in our total recordable injury frequency rate of 4% compared to June 2017.

“Each of our three operating divisions – Solids Collections, Solids Post Collections and Liquids & Industrial Services – increased revenues and earnings in the period.

“During 1H18 we started the roll-out of a number of major new contracts.

“Development of our resource recovery footprint continues. During the half we commenced construction of our Sydney post collection assets which we expect to have completed by the first half of FY19.

“Recently we also announced the acquisition of Toxfree, a transaction unanimously recommended by the Toxfree board, in the absence of a superior proposal. This is a strategically compelling transaction that will enhance our existing capabilities in Solids, Liquids and Industrial Services, accelerate the implementation of our Footprint 2025 strategy, and provide a leading position in the attractive medical waste sector. To support the acquisition, we also undertook an equity raising that raised approximately \$590 million and was completed in January.

“We remain optimistic of receiving all the necessary approvals for the acquisition to be completed sometime during the second quarter of CY2018.

“A great deal of change has been instigated in all of our operations over the past two and half years and I am confident that these changes have strengthened our market-leading position as the premier waste management company in Australia.”

Commenting on the recent changes to the Chinese importation of recycling material, Mr Bansal added: *“The major issue within the industry is the level of contamination from the recyclable material collected from the municipal councils. This is comingled waste and has a much higher level of contamination than the waste received from the Commercial and Industrial sectors.*

“Cleanaway’s exposure to the sale of these municipal sourced materials is minimal. However, we are in discussions with relevant municipal customers to mitigate any issues.”

Dividend

An interim dividend of 1.1 cents per share (pcp: 1.0 cents per share) has been declared. The interim dividend will be fully franked and paid on 6 April 2018 to shareholders on the register at 5pm on 14 March 2018.

The interim dividend represents a dividend payout ratio of 51% of underlying profit after tax.

The Dividend Reinvestment Plan (DRP) will be in operation for this dividend. Under the DRP, Cleanaway shares will be issued at the average of the daily Volume Weighted Average Price (VWAP) of all shares sold on ASX over the period from 16 March to 22 March 2018. No discount will be applied to shares issued under the DRP.

Underlying Divisional Performance

Solids Collections

The Solids Collections division reported increased net revenue and earnings.

Compared to the previous corresponding period, net revenue increased 9.3% to \$441.7 million. EBITDA increased 5.3% to \$85.3 million and EBIT 7.4% to \$53.5 million.

Growth initiatives continue to be implemented across the division, with volume and price increases being recorded across all major solid waste collection categories. Pricing in major metropolitan markets remains competitive and our focus on improving pricing continues.

Major new Commercial & Industrial and Municipal waste management contracts won in FY17 are expected to underpin continued revenue growth in the second half of FY18 and into FY19.

Solids Post Collections

The Solids Post Collections division reported increased net revenue, earnings and EBIT margin.

Compared to the previous corresponding period, net revenue increased 15.3% to \$107.9 million. EBITDA increased 13.0% to \$53.9 million and EBIT 78.0% to \$26.7 million.

EBIT profit margin increased to 24.7% from 16.0% in 1H17.

Landfill volumes were stronger on the East Coast due to increased activity levels and the new South East Melbourne Transfer Station being fully operational.

Depreciation and amortisation expense is variable as we enter the final phase of closure of all landfills in Clayton, Victoria.

Sale of another closed landfill site in Victoria has reduced the landfill remediation provision by \$5.4 million.

The Brisbane City Council resource recovery contract is scheduled to commence on 1 July 2018 and the construction of a new transfer station at Erskine Park in Sydney is scheduled for completion in 1H19.

Liquids & Industrial Services

The Liquids & Industrial Services division reported increased net revenue, earnings and margins.

Compared to the previous corresponding period, net revenue increased 3.2% to \$214.7 million. EBITDA increased 4.2% to \$30.0 million and EBIT 9.3% to \$16.5 million.

EBIT profit margins increased to 7.7% from 7.3% in 1H17.

Results are showing signs of sustained improvement. We are getting optimistic about achieving medium to long term growth from this segment.

The Toxfree acquisition will create synergy opportunities while also reducing the need for capital spending to upgrade aging infrastructure.

In our Industrial Services business the focus will be towards growing our position in metropolitan markets as well as increasing infrastructure work as the resources sector shows signs of improvement.

Further improvements to the performance of this segment remain an area of focus in FY18.

Acquisition of Toxfree Solutions Limited

On 11 December 2017, Cleanaway announced the acquisition of Toxfree. Key highlights of the acquisition include:

- Strategically compelling acquisition that strengthens Cleanaway's existing operating segments, further improves operating leverage and delivers Cleanaway a leading position in the attractive medical waste segment.
- Integration of the Toxfree business is expected to deliver approximately \$35 million in annual synergies, realised over a 2-year integration period, with total synergy benefits fully reflected in FY21.
- Delivers attractive financial metrics (pro forma for realisation of anticipated annual synergies):
 - More than 25% accretive to FY17 EPS before amortisation of acquired intangibles (and EPS accretive pre-synergies)¹.
 - More than 80% accretive to Free Cash Flow per share².
 - Approximately 10% Pre-tax Return on Invested Capital on the Acquisition³.

Cleanaway remains optimistic that the acquisition will receive all necessary approvals to enable it to be completed in the second quarter of CY2018.

¹ Based on NPAT excluding transaction costs, one-off integration costs and amortisation of acquired identifiable intangibles. The impact of purchase price accounting has not been completed, which will impact future depreciation and amortisation charges. In accordance with AASB 133, Cleanaway standalone EPS has been restated based on an adjustment factor to take into account the bonus element of the Offer.

² Free Cash Flow per share defined as operating cash flow excluding interest, tax and one-off transaction and integration costs less capital expenditure, divided by the number of shares on issue as at 11 December 2017. Cleanaway standalone free cash flow per share has been restated based on an adjustment factor to take into account the bonus element of the Offer.

³ Defined as EBIT excluding one-off transaction and integration costs before amortisation of acquired identifiable intangibles divided by the total consideration.

Equity Raising

In conjunction with the announcement of the acquisition of Toxfree, Cleanaway completed a 1 for 3.65 non-renounceable pro rata entitlement offer at \$1.35 per new share. The Equity Raising was completed in two tranches:

1. An institutional entitlement offer which closed on 12 December 2017 and raised approximately \$515.2 million; and
2. A retail entitlement offer which closed on 19 January 2018 and raised approximately \$75.2 million.

The entitlement offer was heavily over-subscribed with in excess of \$380 million bid for entitlements that were not exercised by shareholders.

In total approximately \$590 million was raised and 437.3 million new shares have been issued.

Each new share ranks equally with existing shares on issue and will be eligible for the interim dividend of 1.1 cents declared for the period ending 31 December 2017.

FY18 Outlook

Commenting on the outlook for FY18, Mr Bansal said: *“Recent major contract wins have established a firm base for revenue growth in our Solids business, and we remain optimistic of continuing improvement in the Liquids & Industrial Services business.*

“The cost disciplines we have in place, along with the further initiatives being implemented across the Company, should result in both the Solids and Liquids & Industrial Services segments further increasing operational earnings in FY18.”

Investor Briefing

The Company will be holding a teleconference briefing on the results at **9.30am** (AEDT) today.

Presenters: CEO and Managing Director – Mr Vik Bansal
CFO – Mr Brendan Gill

Teleconference: Australia: 1 800 123 296
International: +61 2 8038 5221

Quote Conference Code: 729 9974

Investor and Media Relations

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Cleanaway Waste Management Ltd (ASX code: CWY) is Australia’s leading total waste management, industrial and environmental services company. Our team of more than 4,000 highly trained staff are supported by a fleet of over 2,500 specialist vehicles working from approximately 200 locations across Australia. With one of the largest waste, recycling and liquids collections fleets on the road, supported by a network of recycling facilities; transfer stations; engineered landfills; liquids treatment plants and refineries, we are working hard to deliver on our mission and make a sustainable future possible for all our stakeholders.