

11 December 2017

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ACQUISITION OF TOXFREE SOLUTIONS AND APPROXIMATELY \$590 MILLION EQUITY RAISING A STRATEGICALLY COMPELLING ACQUISITION

KEY HIGHLIGHTS

- Cleanaway has entered into a Scheme Implementation Deed to acquire 100% of the shares on issue in Toxfree for \$3.425 per share in cash ("**Acquisition Price**"), representing an equity value of \$671 million and an enterprise value of \$831 million¹ ("**Acquisition**")
- 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
- The Acquisition Price is compelling for Toxfree shareholders and represents:
 - A 27.5% premium to Toxfree's 10-day VWAP, a 28.0% premium to Toxfree's 1 month VWAP and a 34.7% premium to Toxfree's VWAP since the FY17 result announcement²
 - A 29.4% premium to Toxfree's 10-day VWAP, a 29.8% premium to Toxfree's 1 month VWAP and a 36.6% premium to Toxfree's VWAP since the FY17 result announcement,² inclusive of the interim dividend payable by Toxfree of up to 5 cents per Toxfree share
 - An acquisition multiple of 10.0x FY17 EBITDA on a pre-synergies basis or 7.1x pro forma FY17 EBITDA (post realisation of anticipated annual synergies)³
- Given the anticipated timing of completion, Cleanaway will allow Toxfree to pay an interim dividend of up to 5 cents per Toxfree share during March 2018 without a reduction in the Acquisition Price
- Cleanaway will also permit Toxfree to pay a special dividend to Toxfree shareholders⁴ with a corresponding reduction in the Acquisition Price for the cash amount of any special dividend
- 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)⁵
 - More than 80% accretive to Free Cash Flow per share⁶
 - Approximately 10% Pre-tax Return on Invested Capital on the Acquisition⁷
- Acquisition funded via:
 - a fully underwritten \$590 million 1 for 3.65 pro rata accelerated non-renounceable entitlement offer ("**Offer**" or "**Equity Raising**"); and
 - debt drawn from a new multi-tranche facility

¹ Implied diluted equity value of \$671 million based on an Acquisition Price of \$3.425 per share and including value for performance rights and share appreciation rights outstanding, net of treasury shares. Enterprise value includes Toxfree net debt of \$157 million and minorities of \$3 million as at 30 June 2017.

² 10-day VWAP of \$2.69 from 27 November to 8 December 2017. 1 month VWAP of \$2.68 from 9 November to 8 December 2017. VWAP since the FY17 result announcement of \$2.54 from 30 August to 8 December 2017.

³ Based on Toxfree's underlying FY17 EBITDA of \$82.8 million and \$35.0 million of anticipated synergies.

⁴ The extent to which any franking credits attached to the special dividend or the interim dividend deliver value to Toxfree shareholders will depend upon their individual circumstances and those shareholders should seek legal and taxation advice with regards to how the receipt of franking credits (if any) may impact upon their individual taxation circumstances.

⁵ 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.

⁶ 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. 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.

⁷ Defined as EBIT excluding one-off transaction and integration costs before amortisation of acquired identifiable intangibles divided by the total consideration.

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ACQUISITION OF TOXFREE

Cleanaway Waste Management Limited ("**Cleanaway**", ASX:CWY) today entered into a Scheme Implementation Deed under which it agreed to acquire 100% of the shares on issue in Toxfree Solutions Limited ("**Toxfree**", ASX:TOX) by way of a scheme of arrangement (the "**Scheme**" or the "**Acquisition**") unanimously recommended by Toxfree's Board of Directors.

The Acquisition will be made via a 100% cash offer of \$3.425 per share, which represents a 27.5% premium to Toxfree's 10-day VWAP, a 28.0% premium to Toxfree's 1 month VWAP and a 34.7% premium to Toxfree's VWAP since the FY17 result,⁸ and an acquisition multiple of 7.1x Toxfree's FY17 EBITDA (post realisation of anticipated annual synergies)⁹ or 10.0x FY17 EBITDA on a pre synergies basis. Cleanaway will also permit Toxfree to pay a special dividend to Toxfree shareholders with a corresponding reduction in the Acquisition Price for the cash amount of any special dividend. Cleanaway and Toxfree will provide an update on the expected quantum of the special dividend at a later point.¹⁰

In addition, Cleanaway will allow an interim dividend of up to 5 cents per Toxfree share for the six months ended 31 December 2017 following declaration by the Toxfree Board of Directors in the ordinary course without adjustment to the Acquisition Price of \$3.425 per share.

The acquisition is expected to complete in 2Q CY2018 and is subject to customary completion conditions including Toxfree shareholder approval, court approval, the independent expert concluding the scheme is in the best interests of Toxfree shareholders, no material adverse change, successful completion of institutional component of the Entitlement Offer, ACCC approval, no prescribed occurrence and no material breach of the representations and warranties. The Scheme Implementation Deed is otherwise on customary terms and conditions including in relation to implementation of the scheme, exclusivity and mutual break fees. The full terms of the scheme implementation deed have separately been released to the ASX and the market.

The Toxfree Board of Directors unanimously recommends that Toxfree shareholders vote in favour of the Scheme, and intend to vote the shares they own or control in favour of the Scheme, in the absence of a superior proposal.

COMMENTS FROM CLEANAWAY CEO AND MANAGING DIRECTOR, VIK BANSAL

"Acquiring Toxfree will consolidate Cleanaway's position as Australia's leading waste management company, balancing and re-weighting our integrated waste model."

⁸ 10-day VWAP of \$2.69 from 27 November to 8 December 2017. 1 month VWAP of \$2.68 from 9 November to 8 December 2017. VWAP since the FY17 result announcement of \$2.54 from 30 August to 8 December 2017.

⁹ Based on Toxfree's underlying FY17 EBITDA of \$82.8 million and \$35.0 million of anticipated annual synergies.

¹⁰ The extent to which any franking credits attached to the special dividend or the interim dividend deliver value to Toxfree shareholders will depend upon their individual circumstances and those shareholders should seek legal and taxation advice with regards to how the receipt of franking credits (if any) may impact upon their individual taxation circumstances.

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“Toxfree complements and integrates into our operating model, enhances our business in all areas, and creates potentially significant operating leverage across all our businesses.”

“The Acquisition will accelerate the implementation of our Footprint 2025 strategy by adding prized infrastructure assets across the country, as well as contributing an exciting new business in the form of a leading, vertically-integrated provider of healthcare waste management products and services, including collection, transport and treatment of sharps, clinical and related waste.”

“The transaction is expected to deliver approximately \$35 million in annual synergies and be strongly accretive for earnings per share and free cash flow per share when integration is complete.”

COMMENTS FROM CLEANAWAY CHAIRMAN, MARK CHELLEW

“Acquiring Toxfree presents a compelling opportunity for Cleanaway shareholders because of the high complementarity of the businesses and the synergies that are expected to be delivered.”

“Importantly, it is also a transaction that allows Cleanaway to maintain a strong post-acquisition balance sheet and a robust capacity to support future growth.”

OVERVIEW OF TOXFREE

Toxfree is a major waste management company with a national footprint and operations across four core service lines that are highly complementary to Cleanaway’s existing operations:

- **Waste Services:** focus on total waste management contracts with a strong regional presence;
- **Technical & Environmental Services:** major collections and post-collections business with specialisation in hazardous and difficult to treat waste;
- **Industrial Services:** provides a range of waste-related industrial services such as chemical cleaning, pipeline maintenance, tank cleaning and vacuum loading; and
- **Health Services:** a leading medical waste business in Australia that provides a broad range of waste management solutions, including proprietary re-usable sharps containers, recycling, waste auditing and substance destruction services.

Toxfree has a national network of strategically located assets that are complementary to Cleanaway’s existing network, including 29 licensed facilities¹¹ and a fleet of 895 waste collection vehicles.

¹¹ Refers to Environment Protection Authority licenses.

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STRONG STRATEGIC RATIONALE

The Acquisition represents a strategically compelling transaction which is expected to deliver significant value to Cleanaway shareholders:

- Affirms Cleanaway's leadership position in each of Cleanaway's operating segments by enhancing our existing capabilities and increasing Cleanaway's operating leverage
- Accelerating the implementation of Cleanaway's Footprint 2025 strategy, adding a number of prized post-collection facilities across the country
- Avoiding a significant capital spend in Cleanaway's Liquids & Industrial Services segment via the opportunity to align customer demand with combined infrastructure and internalisation
- Providing a leading position in the attractive medical waste sector with a post-collection footprint which also enhances Cleanaway's Liquids processing capabilities
- Expected to deliver approximately \$35 million in annual synergies to be realised over a 2 year period, with total synergy benefits fully reflected in FY21
- Delivers attractive financial metrics (pro forma for realisation of anticipated synergies):
 - More than 25% accretive to FY17 EPS before amortisation of acquired intangibles (and EPS accretive pre-synergies)¹²
 - More than 80% accretive to Free Cash Flow per share¹³
 - Approximately 10% Pre-tax Return on Invested Capital on the Acquisition¹⁴

Cleanaway is being advised by Macquarie Capital (Australia) Limited as Lead Financial Adviser and Blackpeak Capital in respect of the Acquisition. Gilbert + Tobin is acting as Legal Adviser to Cleanaway in relation to the Acquisition and the Offer.

TRADING UPDATE

Cleanaway expects FY18 earnings to be in line with current market expectations (excluding the impact of the Acquisition).¹⁵

As previously advised, first half FY18 results are expected to be higher than first half FY17 results (inclusive of mobilisation costs relating to major new contracts awarded in FY17).

¹² 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.

¹³ 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. 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.

¹⁴ Defined as EBIT excluding one-off transaction and integration costs before amortisation of acquired identifiable intangibles divided by the total consideration.

¹⁵ Cleanaway considers FY18 broker consensus estimates to reflect current market expectations.

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Partial benefits of these new contracts will be seen in the second half of FY18 and they are expected to deliver approximately \$1 billion in additional revenue over ten years at historical margins on top of organic growth. To support these new contracts, investment required will be approximately \$90 million and funded by finance leases which will be reflected in FY18 Net Debt.

FY18 capital expenditure (excluding the lease funded investments of approximately \$90 million) is expected to be approximately \$135 - \$140 million, in line with guidance of 80% - 85% of Depreciation & Amortisation.

The Acquisition of Toxfree is not expected to materially contribute to Cleanaway's underlying FY18 results given anticipated completion timing.

The institutional component of the Equity Raising is expected to be completed in December 2017, and the retail component in January 2018. However, the Acquisition is not expected to complete until 2Q CY2018. Accordingly, the Cleanaway shares on issue will increase in December and then again in January without a corresponding increase in earnings until the Acquisition is completed.

Cleanaway intends to maintain the dividend payment per share for the FY18 dividend at levels consistent with FY17. This will result in an increase in the dividend payout ratio to the lower end of our 50% - 70% payout range.

ACQUISITION FUNDING

The Acquisition values Toxfree at \$671 million on an equity value basis and \$831 million on an enterprise value basis (plus transaction costs) and will be funded by a combination of:¹⁶

- a fully underwritten approximately \$590 million 1 for 3.65 pro rata accelerated non-renounceable entitlement offer ("**Offer**" or "**Equity Raising**"); and
- debt drawn from a new multi-tranche debt facility which will replace Cleanaway's existing debt facility.

Cleanaway will maintain a strong balance sheet post Acquisition to support future growth and will have leverage of 1.6x pro forma FY17 Net Debt / EBITDA post completion of the Acquisition.¹⁷

¹⁶ Implied diluted equity value of \$671 million based on an Acquisition Price of \$3.425 per share and including value for performance rights and share appreciation rights outstanding, net of treasury shares.

¹⁷ Based on FY17 net debt position and EBITDA as set out in Cleanaway and Toxfree audited financial statements for the year ended 30 June 2017, including the pro forma adjustments to reflect the impact of the Acquisition on a pre synergies basis as outlined on pages 27 and 28 of the Investor Presentation lodged with ASX on 11 December 2017.

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EQUITY RAISING

Under the Equity Raising, Cleanaway shareholders are invited to subscribe for 1 new share (“**New Shares**”) for every 3.65 existing shares held as at 7.00pm on Wednesday, 13 December 2017 (“**Record Date**”), at the offer price of \$1.35 per New Share (“**Offer Price**”) which represents:

- a 8.2% discount to last close price of Cleanaway of \$1.47 on Friday, 8 December 2017
- a 6.5% discount to the theoretical ex-rights price¹⁸ of \$1.44 as at Friday, 8 December 2017.

The Equity Raising will result in the issue of approximately 437.3m New Shares and will include:

- an accelerated institutional entitlement offer (“**Institutional Entitlement Offer**”) conducted via a bookbuild process which will open on Monday, 11 December 2017 and close on Tuesday, 12 December 2017; and
- a retail entitlement offer (“**Retail Entitlement Offer**”) which will open on Monday, 18 December 2017 and close at 5.00pm (Sydney Time) on Friday, 19 January 2018.

Each New Share will rank equally with existing shares on issue and will be eligible for any dividend declared for the period ending 31 December 2017. Cleanaway will apply for quotation of the New Shares on ASX.

The Equity Raising is fully underwritten by Macquarie Capital (Australia) Limited (“**Underwriter**”).

INSTITUTIONAL ENTITLEMENT OFFER

Eligible institutional holders will be invited to participate in the Institutional Entitlement Offer which is being conducted between Monday, 11 December 2017 and Tuesday, 12 December 2017. Eligible institutional holders can choose to take up all, part or none of their entitlement.

Institutional entitlements that eligible institutional holders do not take up, and institutional entitlement that would not otherwise have been offered to ineligible institutional holders, will be offered to eligible institutional holders who apply for New Shares in excess of their entitlement, as well as certain other eligible institutional investors, through an institutional shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer. It is expected that Cleanaway will remain in trading halt while the Institutional Entitlement Offer is conducted.

RETAIL ENTITLEMENT OFFER

Eligible retail holders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday, 18 December 2017 and close at 5.00pm on Friday, 19 January 2018 (“**Retail Offer Period**”).

Further details about the Retail Entitlement Offer will be set out in a booklet (“**Retail Offer Booklet**”), which Cleanaway expects to lodge with the ASX on Monday, 18 December 2017, in advance of the despatch date (outlined below). The closing date for the receipt of Entitlement and Acceptance Forms, is 5.00pm, (Sydney Time) on Friday, 19 January 2018.

¹⁸ The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Cleanaway shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Cleanaway shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

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All the Directors of Cleanaway have indicated they will be participating in the Retail Entitlement Offer for the shares they own.

TIMETABLE

Event	Date
Trading Halt and announcement of Acquisition and Institutional Entitlement Offer opens	Monday, 11 December 2017
Institutional Entitlement Offer closes	Tuesday, 12 December 2017
Trading halt lifted – shares recommence trading on ASX on an “ex entitlement” basis	Wednesday, 13 December 2017
Record Date for determining entitlement to subscribe for New Shares	7.00pm on Wednesday, 13 December 2017
Retail Offer Booklet despatched and Retail Entitlement Offer opens	Monday, 18 December 2017
Settlement of Institutional Entitlement Offer	Wednesday, 20 December 2017
Allotment and normal trading of New Shares under the Institutional Entitlement Offer	Thursday, 21 December 2017
Retail Entitlement Offer closes	Friday, 19 January 2018
Allotment of New Shares under the Retail Entitlement Offer	Wednesday, 31 January 2018
Normal trading of New Shares under the Retail Entitlement Offer	Thursday, 1 February 2018
Despatch of holding statements	Friday, 2 February 2018

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney Time. Cleanaway and the Underwriter reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Cleanaway reserves the right to extend the closing date for the Retail Entitlement Offer, or to accept late applications under the Retail Entitlement Offer without prior notice.

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FURTHER INFORMATION

Further details of the Acquisition and the Equity Raising are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

If you have any questions in relation to the Equity Raising, please contact the Cleanaway Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia) between 8.30am and 5.00pm (AEDT) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

INVESTOR RELATIONS

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the Proposed Acquisition.

Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Cleanaway and cannot be predicted by Cleanaway and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Cleanaway operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of Cleanaway or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

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.