# H1FY22 Results

## Prepared Remarks

**17 February 2022**

**Presenters:**
**Mark Schubert – CEO and Managing Director**
**Paul Binfield - CFO**

### Snapshot

It is my sincere privilege this morning to present the financial results for the first half of FY22 on behalf of the more than 6,600 hardworking, humble and willing employees that together make Cleanaway the great business that it is.

Today we will talk about how we are going and where we are going. I want to say right up front that it is our people and what it is like to work at Cleanaway that will determine the success of our business. And for that reason, ensuring our culture develops in a way that creates deep personal and team alignment and ownership is a key pillar of our strategy.

### Agenda

In terms of the agenda today I will take you through our foundations and the highlights for the half.

Paul will discuss the Statutory to underlying NPAT Reconciliation and the financial performance from a group perspective including some of the COVID-19 challenges. He will also walk you through our cash flows, capital expenditure and our financial position, liquidity and associated key metrics.

I will then take you through the performance of each of our operating segments.

This will be followed by an introduction to our refreshed strategy – Blueprint 2030.

I will finish the presentation with our priorities and outlook for the remainder of the year.

### Our foundations

I want to start today by talking to you about safety and the environment. Firstly, we have redefined ''managing our safety and environmental risks'' as our two foundations. Importantly they are foundations rather than priorities, the reason we do this is so that, if our teams need to choose then, our foundations now always come first.

Clearly our foundations are central to our purpose of making a sustainable future possible together.

Over the last 6 months we have intensified our focus with all our branches now regularly discussing their risks, associated controls, assurance, compliance, licence conditions and performance. We have and will continue to support our leaders to cease operations at any site rather than operate with non-compliances.

In order to further improve our performance, we are developing a small set of core processes to manage risk consistently. Furthermore, with our growing fixed asset footprint we are improving our preventative maintenance system, which will improve our fixed asset reliability.

In addition to our intense focus on our foundations. We have now placed sustainability, including circularity and carbon, at the centre of our customer proposition and as part of this employed specialist resources to drive this. I will discuss that a bit later in the presentation.

## Highlights

The underlying financial performance for the half-year was pleasing with around 15% top line growth compared to the prior corresponding period. This flowed thru to around 4% higher EBITDA at $273.7 million and translated into 10.5% higher net operating cash flow of $223.6m. There were a few structural and temporary headwinds impacting margins that we will unpick in detail for you this morning, but as Paul will outline, we do see this as temporary, with margin recovery expected in all segments in the second half.

Our statutory NPAT, which included the Sydney Resource Network acquisition and integration costs, was 33.9% lower at $52.5 million. Paul will provide a reconciliation of Statutory to Underlying NPAT.

The strong financial performance, together with our cash flow and strong balance sheet allowed directors to increase the interim dividend to shareholders.

We completed the significant Sydney Resource Network transaction on 18 December 2021 and the assets have been contributing to earnings from that day. Following an efficient integration, operational control has been passed to the Solids NSW business unit.

We undertook a deep review of our strategy and refreshed it and we will spend a bit of time on that later in today's presentation.

We also welcomed onboard two new Executive General Managers. Tracey Boyes and Michele Mauger will have responsibilities for our Solid Waste Services segment and our People, respectively. I very much look forward to working with them and they will bring increased capability and experience aligned to our refreshed strategy.

## Financial Performance Summary

Net revenue growth of 15% was very pleasing. The drivers of the revenue growth can be grouped into four key areas.

Firstly and encouragingly, we saw some general recovery in activity across all segments, which was coupled with the surge volumes being managed by our Heath business. On a Group basis, this more than offset the negative revenue impact caused by the COVID-19 related lockdowns in the first quarter.

Secondly, almost $60m of incremental revenue came from council contract wins last year that either had a partial or no contribution in the first half of FY21. These included the Melbourne Waste and Resource Recovery Group disposal contract (April 2021) and several large council collection contracts.

Third, the Grasshopper acquisition, which had minimal contribution in the first half of FY21, the reopening of the Perth MRF at the start of this year and the Sydney Resource Network acquisition further contributed to revenue growth in the half.

Finally, about a quarter of the incremental revenue has come from increased commodity prices, in particular cardboard. This resulted in higher revenue from commodities but also a very significant increase in customer rebates and shipping costs for us.

So, in summary, roughly half the increase in net revenue was due to the new contracts and the contribution from new assets and the other half relates to general recovery and commodities.

Looking forward to our second half revenue, most of the new contracts and assets that I referred to were in place in the second half of FY21, so we don't expect material incremental revenue from them. Of course, this excludes the Sydney Resource Network assets where we expect a full half of revenue in line with our previous disclosure. In terms of general economic recovery, subject to any continuing disruption from COVID-19, we are hopeful of further improvement.

So now moving to EBITDA margin. At a Group level, there were four key reasons why we didn't see the full benefit of increased revenue drop through to EBITDA and hence contributed to the margin erosion.

First, we have previously guided the market to lower volumes from higher margin businesses at New Chum and Erskine Park and also the impact of the delta lockdown in NSW in Q1.

Secondly, we have incurred approximately an additional $10m in higher fuel and Adblue prices. These costs will ultimately flow through to higher prices to customers in contractual rate adjustments, but there is a timing impact in the meantime.

Third, our Health Business has been working tirelessly to meet the needs of major customers that are in the front line of managing the pandemic such as public hospitals, COVID-19 testing centres and quarantine hotels. These businesses and public services are keeping the community safe, and it is our duty to ensure we prioritise servicing them. This comes with significant inefficiencies in our business leading to temporary but higher operating costs and often at the expense of deferring our regular service to higher margin customers.

Finally, commodity price increases have resulted in higher rebates to customers, but we have also had to absorb the higher freight costs due to global shipping constraints and hence margin has been eroded.

Consequently, our Group EBITDA and EBIT margins have compressed.

Focusing now on how these margin impacts are reflected within each of the segment.

Higher fuel costs led to lower EBITDA and this was a consistent theme across each of the segments.

In Industrial and Waste Services our labour cost recovery was adversely impacted where higher margin work, such as shut-down work, was postponed due to COVID-19.

In Liquids and Health, the margin compression was largely related to the Health Services segment where we had very high revenue, but higher costs in relation to labour, treatment and disposal options to meet surge demand.

In the Solids segment the reduced contribution from the New Chum and Erskine Park landfills and the NSW Q1 lockdown compressed margins. Furthermore, the new council collection contracts were on average delivering EBITDA margins lower than the segment average. Finally, higher commodity revenue came with higher customer rebates and much higher shipping costs thereby compressing margins.

That said, we are expecting a recovery in EBITDA margins across all segments in the second half.

Clearly, some of this will be attributable to a full six-month contribution from the Sydney Resource Network assets, but a good proportion is related to some of the headwinds that I discussed earlier, subsiding. This together with some of the productivity initiatives that Mark will talk to shortly will ensure we stay on track towards our stated medium term margin targets for the Solids business.

The Solids segment is always going to be a bit of a mix between higher margin post collections activity and the lower margin collections business. Both are valuable activities with different capital intensity and as the mix changes from time to time so will our ultimate segment margin.

For the other segments the lower EBITDA margin in the first half is mostly a case of disruption caused by COVID-19 and higher fuel prices. However, we do expect, that on a business-as-usual basis, those segments will reach our stated medium term margin objectives.

## Statutory NPAT reconciliation to Underlying.

Statutory profit after tax attributable to ordinary shareholders of $51.5 million was 34% lower than the prior corresponding period.

The Underlying adjustments to EBIT totalled $29.4 million and a net $23.8 a million at NPAT.

$25.0 million related to acquisition and integration costs, predominantly the Sydney Resource Network acquisition.

CEO transition and restructuring project costs comprise CEO sign-on and performance rights costs, costs associated with Executive Committee changes and the costs associated with consultants commissioned to assist with the strategy refresh.

A loan to the Sydney Energy-from-Waste project for costs related to the environmental impact study was written down following a change in policy by the NSW government that made the project unviable at the Eastern Creek site in Sydney.

The sale and lease back of a depot at Erskine Park in New South Wales resulted in an $8.2 million gain.

## COVID-19 impacts

Like many businesses COVID-19 continued to create challenges for us, which have impacted our financial performance during the half.

We had foreshadowed the impact of the delta lockdowns in NSW at our full year results in August and those impacts came to pass in Q1. The Q1 COVID-19 impact was characterised by lower business activity; some customer sites were closed, and projects were deferred. This resulted in lower revenue and the Cleanaway teams seeking to actively manage the associated cost impact. There was a high degree of fixed costs that could not be recovered. However, some of this adverse COVID-19 impact was recovered in Q2 as businesses re-opened, economic activity resumed and in particular, volumes in the NSW CDS rebounded. Now that we are learning to live with the virus, this type of lockdown event, touch wood, will not recur.

The Health Services business has and continues to be uniquely impacted by the pandemic. The high volumes of light bulky waste from testing locations, hospitals and hotel quarantine sites have put significant strain on collections and post collections infrastructure. To meet customer needs the Health Services business has had to increase the number of services. Revenue is up significantly, but costs have escalated much more rapidly as we have suffered significant inefficiencies.

These increased costs can be grouped into 4 categories:

**In Collections** – the additional labour and hire vehicles required to perform the extra services

**In Processing** – the additional operational labour for increased receptacle management and treatment

**In Disposal** – the additional waste disposal cost that we are incurring from using third-party infrastructure, and

**And for Waste movement** – the intra business sub-contracted freight costs to move waste interstate to ensure that we remain within site licence limits

Our Health Services team was also impacted by rising community infections through late December and into the new year, which impacted our staff availability. This has meant that we have prioritised public health needs resulting in the deferral of higher margin services.

The Omicron impact in December and into the start of 2022 has been characterised by a lack of labour availability as community infections increased. This is true of both the Cleanaway team and our supplier's staff. This tight labour market has resulted in us paying pandemic leave, utilising higher cost temporary labour and paying more overtime. We have also incurred higher logistics and disposal costs.

While those factors are affecting us on the cost side, we are also experiencing impacts on the revenue side. We have had to defer or miss some collections services, for example profitable hard waste collections and we have had to change the frequency of collections for others. Furthermore, in certain segments customers are also deferring projects while the Omicron wave persists.

Whilst the impact has moderated in February, it is uncertain how long we will continue to experience these impacts.

Cleanaway has made a decision to require employees, labour hire workers and contractors to be fully vaccinated before entering a Cleanaway workplace. This is a risk-based decision to ensure that we can protect our employees and members of our community whilst continuing to deliver essential services to our customers. There has been a material uptake from employees to be vaccinated with a small proportion of the unvaccinated workforce still considering their employment options.

## Net Operating Cash Flow

Cleanaway continues to generate strong and consistent operating cash flow.

In the first half operating cash flow increased by $21.2m to $223.6m due to higher profitability and lower tax payments. The cash conversion ratio of 97% was largely in line with the prior corresponding period.

Our ongoing strong credit management has resulted in overdue debtors continuing to fall and we have seen no material increase in credit defaults caused by COVID-19.

Our consistent earnings growth and cash flows have provided directors with the confidence to increase the interim dividend to 2.45 cents per share, while remaining comfortably within our target payout range of 50-75% of underlying NPAT.

With a well-capitalised balance sheet, we have ample capacity to support further accretive growth.

## Capital Expenditure

In the half capex slightly higher than the prior corresponding period and this reflects the $15 million acquisition of land in Melbourne for our potential Energy-from-Waste development.

Our continued success in winning government related contracts has resulted in us utilising an additional $29.3 million of leasing to finance the related asset purchase. This will continue should we win further contracts.

We are taking a more disciplined approach to making our investment decisions. The split between stay-in-business and growth capex helps us to make more focused allocations of capital. We now have greater visibility over our pipeline of potential projects and hence our ability to invest to maximise returns.

Total growth capex includes new municipal contracts, the acquisition of the site in Wollert for the Melbourne Energy-from-Waste development and assets to service the new C&I customers and other contractual wins across our IWS and Liquids businesses.

With the Victorian EFW land acquisition and capex required for the Sydney Resource Network sites, we now expect total capex for FY22 to be marginally higher than FY21

We expect that FY22 D&A will be approximately $295 million, excluding the Sydney Resource Network assets. We are still completing the acquisition accounting and purchase price allocation in relation to the transaction as detailed in the half year financial statements, however, our high-level expectation is that FY22 D&A for the Sydney Resource Network is anticipated to be in the range of $20 to 30 million.

## Balance Sheet and Liquidity

From a debt capital perspective, at the end of December, the Group had $492m of headroom under existing banking facilities. As we previously advised, we fully debt funded the acquisition of the Sydney Resource Network, but we still have ample spare capacity to support further investment and growth.

The funding for the Sydney Resource Network acquisition was a $500 million, 3-year committed debt facility. While our proforma leverage increased to two a quarter times, we remain well within our covenants and have a strong deleveraging profile.

We have significant headroom within our banking covenants and our next refinancing is not due until July 2023.

## Solid Waste Services

Solids Waste Services reported increased net revenue of $834.4m, 17.0% higher than the prior corresponding period due to higher MRL volumes, new municipal and C&I contracts, higher commodity volumes and prices, commencement of the Perth MRF and an initial contribution from the acquired Sydney Resource Network. This was partially offset by lower post collections volumes at New Chum and Erskine Park and the impact of COVID-19 lockdowns, particularly in NSW.

Underlying EBITDA of $209.1m was 5.4% higher than the prior corresponding period due to higher revenue partially offset by higher fuel costs, higher commodity rebates and the fixed cost impact of the COVID-19 related lockdowns.

Underlying EBIT of $107.0m was 1.2% lower than the prior corresponding period reflecting higher depreciation and amortisation expenses associated with the new municipal and C&I contracts, and a higher contribution from recent acquisitions and the Perth MRF.

Some of the key contributors to the segment were the additional Metropolitan Waste and Resource Recovery Group (MWRRG) volumes into MRL, the municipal contracts that Paul referred to earlier, higher contributions from the Grasshopper business and as I just mentioned the Perth MRF and the Sydney Resource Network acquired from Suez on 18 December 2021.

We continue to await the outcome of the height extension court appeal at New Chum and stage 1 of the Erskine Park MSE wall was completed during the period. Each resulted in a lower contribution from those assets.

I'm pleased to be able to report that Cleanaway was recently awarded Supplier Service champion of the year by Coles for supporting its landfill diversion goal.

We have also been successful in our tender for the Eurobodalla and Hobsons Bay municipal contracts.

As I mentioned in the group highlights, we completed the acquisition of the Sydney Resource Network from Suez and our integration team quickly onboarded ~100 new employees. There has been some fantastic knowledge sharing amongst the team, and we have already benefited from some of those ideas.

The integration team worked tirelessly over the first few days post acquisition to ensure a seamless transition for customers and Cleanaway. This has been completed with a full operational handover to the NSW business unit. While it is early days, I'm pleased to report that we are trading in line with our expectations.

## Liquid Waste and Health Services.

Liquid Waste & Health Services net revenue of $278.1 million was 10.1% higher than the prior corresponding period due to significant project work and increased activity in Liquid and Technical Services (LTS) and higher COVID-19 related activities in the Health Services. This was partially offset by lower LTS activity in NSW during the lockdown.

The Hydrocarbons business was steady. Volume and price increases were offset by the non-recurrence of the PSO (product stewardship for oil) supplement, implemented during the first COVID-19 lockdown in 2020.

Underlying EBITDA of $53.4m was 3.1% or $1.7 million lower.

The LTS business benefited from the Tottenham and Kaniva clean-up projects, general recovery in Queensland and Victoria relative to the prior corresponding period and growth in the Western Australian market. This was offset by the impact of the NSW delta-wave lockdowns and higher disposal costs due to interstate consignment authorisation challenges.

Paul discussed earlier the financial impacts of COVID-19 on our Health Services business and I want to reiterate, we will continue to prioritise those Heath Services customers that are in the frontline of dealing with the pandemic. We will do so because it is the right thing to do. I also want to acknowledge the support and express my appreciation to certain customers who have had as a consequence accept a temporary lower level of service from us.

## Industrial and Waste Services

Industrial & Waste Services net Revenue was $163.3m or 7.6% higher than the prior corresponding period driven by strong performances in Western Australia and South Australia predominantly from the Olympic Dam project and increased industrial services volumes from newly mobilised contracts for Southern Ports in Esperance and Australian Shipbuilding Corporation in Kwinana. This was partially offset by COVID-19 impacting infrastructure activity in New South Wales and Victoria, where key customers have postponed work, and ongoing restrictions have reduced labour availability.

EBITDA was marginally lower at $23.6 million compared to $23.8 million in the prior corresponding period.

EBITDA margin was 120 bps lower. The variance was largely attributable to a change in mix, with higher low-margin BAU activity compared to one-off project work, and higher short-term direct labour costs.

During the period the segment has re-signed and/or secured all material contract extensions available, while also securing new business. There is strong activity in the mining and mineral processing and the oil and gas sectors, and the business has a pipeline of large contract and project opportunities that it is competing for.

We have covered how we are going and now I would like to discuss where we are going and introduce our refreshed strategy.

## Australian Waste Landscape

As part of commencing the strategy refresh, we reviewed in detail our existing business created under Footprint 2025 and the external waste landscape both now and looking forward.

It is evident that there is significant change happening. In a relatively short period, the industry has moved from a collect and dispose one to a much more complex one with a far greater focus on resource recovery through the value chain.

We are seeing tailwinds for our business under four headings – or the four C's. Which when coupled with a supportive regulatory environment and our existing footprint creates an exciting array of opportunities for Cleanaway.

If we start where we always should, which is with Customers, what we know is that Customers are demanding more. They no longer just want bins collected and sent to landfill. They want exceptional service; value for money; and increasingly across our commercial, industrial and municipal customers, they want us to help them to achieve their sustainability goals.

Communities, regulators and customers expect reduced volumes going to landfill, and increased recycling and reuse of materials. To incentivise this, landfill levies will continue to increase which increases the value in the waste management chain.

The energy transition and economy wide decarbonisation efforts are creating new and emerging waste streams and hence a need for new solutions. There are also new technologies available to reduce the carbon footprint resulting from waste.

There are many lessons to be learned from the pandemic, but a clear one is the need to be self-sufficient, and this in now an emerging and observable trend. We are seeing increasing demand for recycled content both from manufacturers looking to be more sustainable and through societal demand.

The 5th "C", which is not on the page is competitors. So let me just say we are cognisant of the evolving competitive landscape and the emergence of stronger competitors. And so, standing still is not an option and we need to ensure we stay ahead of the pack.

So, with sustainability here to stay in the form of lower carbon and higher circularity driven by customers and communities, our landscape review showed a long and exciting runway of domestic opportunities in our core markets which we are well positioned capture.

## Blueprint 2030

As part of our Footprint 2025 strategy, we have assembled a hard to replicate, vertically integrated post-collections network, including prized landfills, transfer stations, recovery and treatment facilities. This gives us superior economics and resource recovery outcomes across the value chain.

And it is combining our footprint today with the 4C's that led us to our refreshed strategy – Blueprint 2030 - our customer led evolution of Footprint 2025.

Firstly, why Blueprint?: Blue represents Cleanaway, it represents sustainability and it represent the blue-sky ambition and mindset that we will bring to the strategy, while ''print'' acknowledges this as an extension of our Footprint 2025 strategy, which underpins this strategy evolution

In Blueprint 2030 we will create superior shareholder value by integrating and extending our leading network of infrastructure assets to provide high-circularity low-carbon solutions, seamless customer service and value for money for our customers.

Our goal is to be recognized by our customers as the most innovative and sustainable waste company. We will do this with foundations of zero harm to people and the environment.

We have a secret sauce in execution and delivery capability, which has underpinned our multi-year track record in performance, and we have set up exactly this to execute our strategy effectively.

## Strategy Evolution

Under our BluePrint 2030 strategy, we will create a competitive advantage and generate significant value by extending and integrating our assets and capabilities to address Australia's increasingly complex waste needs. Doing this in the most sustainable way possible, with an exceptional customer experience, and powered by the passion of our workforce.

Building upon the platform created by Footprint 2025, Blueprint 2030 will be supported by three strategic pillars namely, Strategic Infrastructure Growth, Sustainable Customer Solutions and Productivity & Culture.

If we take the pillars one by one and starting with our strategic infrastructure growth pillar. Here we will continue to invest to extend our recycling and landfill diversion infrastructure and services platforms. We will be more innovative, while remaining selective and disciplined in how we spend our capital. We will ensure we are well positioned to capture opportunities from emerging at-scale waste streams. These will come from the waste industry transition and decarbonization, and through meeting the country's future recycling needs.

Moving to our Sustainable Customer Solutions pillar. Here we will integrate our prized assets for circularity, carbon and seamless customer service. We will create products and services to provide our customers to access to that part our integrated platforms that best meets their needs, and the shape of their waste. In doing so, we will grow our market share through delivery of value for money and tailored customer solutions.

For us to deliver value for money solutions we need to work smarter, not harder. I don't think our people can work much harder. What Cleanaway has achieved over the last number of years is a testament to that.

Under our productivity and culture pillar we will align our culture with our strategy and extend our performance culture to the frontline to both deliver for today and improve for tomorrow. We will connect our frontline teams to the key value drivers and work together to improve them. We will be able to work smarter through the data & analytics and digitisation programs that we are rolling out. It's through these programs and how we use them that we will achieve a step change in operational productivity. In so doing we will unleash the energy and ideas of our 6,600 plus employees and make Cleanaway the best place to work in the industry.

Many of the themes within the strategy have been spoken about before and should be familiar to you. Today we have laid them out in a cohesive and refreshed strategy, building on the successful strategy of the past. While we have a lot of work ahead of us, we have also been quite busy over the last six months on activities that are fundamental to our strategy. Therefore, I would like to walk you through each of our three value creating pillars with the objective being to introduce the pillar and talk to progress.

## Energy from Waste

Starting with our strategic infrastructure growth pillar. We have invested a lot of resources into creating an east-coast Energy-from-Waste platform. This will set us up to capitalise on the gradual transition away from putrescible landfills, and help turn residual waste into energy to help reduce the carbon footprint.

In NSW, the EfW policy has changed from when we started our project with developments expected to be limited to certain defined zones outside the Sydney basin. We are considering our options in light of these proposed changes as details of the policy are released.

Macquarie will continue to be a 49% equity partner alongside us in our New South Wales development.

As Energy-from-Waste will be a core part of our business into the future we are now pursuing our proposed Melbourne and Queensland projects on a 100% equity ownership basis. In Melbourne we have purchased a site in Wollert, which is about 30km north-east of the city and surrounded by other industrial activities. In Queensland, we have an agreement in place for the purchase of a site and are finalising detailed documentation.

We have a dedicated Energy-from-Waste platform team in place to support the three projects and supported by specialists from Macquarie Capital. This structure will ensure we can leverage the knowledge and learnings and synergies across the platform.

## Resource Recovery

To provide a comprehensive suite of solutions to our customer we need to ensure we have the right infrastructure in place across the value chain.

We have a strong network of Material Recovery Facilities across the country, and we are continuing to grow this network with our Sydney MRF currently under construction.

This network, together with the high-quality commodities we collect through our container deposit scheme with Tomra, allowed us to develop cross value chain partnerships for plastics. Now we have a leading plastics reprocessing platform. As illustrated on the right-hand side of this slide, we have commissioned a brand-new food-grade pelletising facility in Albury. We also have several other planned investments in the pipeline to ensure we can meet the demands for different types of polymers, and that we can do it on a national basis. As recovery rates improve through both future container deposit schemes and through better source separation, we can continue to build out this platform.

We are further developing our cross-value chain partnership as we look for opportunities to recycle mixed plastics which are not suitable for our mechanical processing facilities. As an example, we are currently working with Qenos, Australia's only manufacturer of polyethylene and supplier of a diverse range of specialty polymers, on a feasibility study to chemically recycle these mixed plastics and turn these into raw materials that are used to make new plastic polymers for a circular solution.

Beyond plastics we see clear opportunities to invest in the growing food and garden organics or 'FOGO' segment. More and more councils are seeking FOGO processing solutions to reduce the amount of waste they send to landfill. The acquisition of the Sydney Resource Network included a significant organics business, with further opportunity at Lucas Heights. We acquired council contracts under which we are currently processing ~80 kilotonnes of garden organics per annum at the facility. This is being done utilising traditional windrow methods. As FOGO becomes more prevalent, we see the opportunity to transition to an in-vessel solution. Furthermore, many municipal contract opportunities that we are currently pursuing have FOGO processing requirements attached to them.

In addition to our FOGO strategy, we are also scaling up a bioconversion facility with Hatch biosystems to process food waste into protein-rich livestock feed and organic fertiliser using Black Soldier Fly larvae.

Traditionally Cleanaway has had a relatively low exposure to the Construction and Demolition sector. As landfill levies increase so too does the opportunity to recover resources from the waste created by the sector. We see an opportunity to grow our share of this market over time. We recently acquired 'Vins Bins', a C&D collections and resource recovery business operating in the Mornington Peninsula region of Victoria. This further complements our recent Grasshopper acquisition in Sydney and our C&D resource recovery investments at Clayton and Brooklyn in Melbourne and at New Chum in Brisbane. We continue to assess other resource recovery infrastructure options to complement our network.

Over time we expect to expand our resource recovery platform as new, at-scale waste streams emerge. Though this platform we will turn more waste into high quality recycled products.

## Sustainable Customer Solutions

Moving to our second pillar being Sustainable customer solutions.

Our future customer platform is a three-part customer proposition covering Service, Value and Sustainability.

We are creating a scalable, seamless & digitised service experience across the customer journey through *CustomerConnect.* This is a business led multi-year program. At its core, CustomerConnect is about helping our people to better serve our customers and making it easier for our customers to work with Cleanaway. It will not have a “big bang” delivery meaning customers, employees and shareholders will realise the benefits of the program through its delivery schedule.

We recognise that our customers have differing needs and priorities. As such it is important that we can deliver value-for-money solutions by providing customers tailored access to our prized & scale infrastructure. For some that might be an end-to-end recycling and comprehensive reporting and tracking solution. For others, they might simply want a responsive service provider that they can rely on to responsibly manage their waste.

As I said earlier, sustainability is here to stay. It’s no longer a buzz word. It’s a mainstream requirement that is well understood, and while it is a broad topic, it is well defined by customers. Our customers know and communicate the sustainability outcomes that they are seeking. It is our job to ensure we can integrate our infrastructure, capabilities and systems to deliver the sustainable solutions that meet those needs.

## Productivity and Culture

Moving on to productivity and culture

Let me start by saying that only through creating best-in-class productivity and culture can we drive sustainable margin expansion. We will do this by aligning our strategy and our culture. This means recommitting to our purpose of “Making a sustainable future possible together”, you might notice we have added the word together – emphasising that we will bring about this change by working together with our more than 6600 employees, by integrating our assets together and working together with our partners and customers.

As discussed earlier we have shifted from safety as a priority to safety and environment as our two foundations. Our tickets to play and the core of everything we do. We will build on one of our competitive edges being our top-down execution focus and culture and extend it and complement it with bottom-up involvement and innovation. We will have all employees behaving like owners and unlock their passion and ideas to improve our business – doing it together.

We will bring this to life by piloting these changes in a number of first mover 'Lighthouse Branches'. This will include continuous improvement of branch level value drivers. What I mean by that is each of our employees will have a clear understanding of the daily activities they can control and that move the needle in terms of value. You cannot take a P&L to the frontline to improve performance, but you can take the value driver and its parts. Then we will look to rapidly take the learnings from the Lighthouse pilots and replicate this across our entire business following the value.

And as I said earlier, we are installing a small set of core processes that will ensure consistent, repeatable and efficient operations across Cleanaway as well as providing the stable platform for further improvement and growth.

We will work smarter by using data & analytics to achieve best-in-class: customer profitability, route optimisation, sales effectiveness, procurement savings and fleet cost efficiency. And use these data and analytics to bring the value drivers to life at the frontline.

And we will realise these benefits progressively with many activities already underway and being rolled out enterprise wide.

## Blueprint 2030 Future Strategy update

We've covered quite a bit this morning and I'm sure you will all have many questions. Before I move to the outlook, I'll try to bring it all back together.

As part of our Footprint 2025 strategy, we have assembled a hard to replicate, vertically integrated post-collections network, including prized landfills, transfer stations, recovery and treatment facilities. This gives us superior economics and resource recovery outcomes across the value chain.

In Blueprint 2030, we will create shareholder value by integrating and extending our leading network of infrastructure assets to provide high circularity low carbon solutions, seamless customer service and value for money for our customers,

We have a secret sauce in execution and delivery capability, which has underpinned our multi-year track record in performance, and we have set up exactly this to execute our strategy effectively.

And most importantly, with me I have a team of leaders that fully believe in this strategy and are 100% committed to successfully executing it together.

We are seeing this as an ongoing dialogue following the introduction today, therefore, over the coming year we are planning a series of deep dives for investors across our three strategic pillars. The first of these will be on Strategic Infrastructure Growth in Q2 2022. Further detail will be provided closer to the date.

## Priorities and Outlook

Firstly, we are delivering improvements in our two foundations of safety and the environment

Then we have two clear priorities:

Making material progress on BluePrint 2030 pillars in near term and we will come back to investors over the course of the year on that.

And delivering growth in earnings and profitability.

Turning to the outlook.

When comparing the second half of FY22 to the first half of FY22, the second half has six less working days to earn revenue. Excluding Sydney Resource Network contribution, we expect second half EBITDA to be similar to the first half. In addition, FY22 EBITDA will also include the Sydney Resource Network from 18 December, which is trading in line with expectations.

COVID impacts are difficult to forecast. The Omicron COVID impact in December and into the start of 2022 has resulted in higher labour and logistics costs, both of which we expect to be temporary. The impact has moderated in February, but it remains uncertain and therefore may impact the outlook.


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