Good morning, everybody.

Thank-you for the opportunity to present to you.

Today I'm going to cover how our progress on recovering the profitability of the base business, combined with significant strategic progress and momentum on Blueprint 2030, and a reiteration of our FY23 guidance, will enable us in the coming months to release a scorecard that states our medium-term financial ambition for Cleanaway and against which investors can track our progress.

I will begin by taking you through the really pleasing progress on commodities, labour, Queensland solids collections and Health Services that we have made since we reported our half year results in February. Resolving these will materially improve profitability and increase margins. And towards the end of the presentation, I will take you through a bridge that quantifies how we will expand margin and drive profitability and which provides the starting point for our medium-term financial ambition.

Commodities

Starting with commodities and as you can see in the chart, the commodity rebate paid to eligible customers in the first half compressed margins. As expected, the rebate has fallen in this half, tracking the lower RISI index from the prior period and restoring most of the lost margin from the first half. Since the lows in October and November 2022, the good news is the index has continued to rise through the course of this half thereby also improving the profit attributable to the non-rebated volumes.

We have sold volumes for May already, and on that basis, we don't expect any material impact from OCC price movements for the balance of the financial year.

Labour

Moving to labour.

Through the various strategies that we outlined at the half year results; we are successfully reducing the number of vacancies across the organisation.

As you can see on the slide, we are now down to 622 vacancies as at the end of April. We are also starting to see voluntary turnover reduce and female representation continues to rise (22.7%) including having 166 women drivers at the end of March. To put this in perspective, over the last 18 months we have increased the % of females in Cleanaway by 16% and we have reduced our vacancies by 336 from 958 in September to 622 at the end of April, remembering that normal is 300-400 vacancies, not zero.

We will continue to fish in different labour pools and implement initiatives that create opportunities for our employees to improve and expand their skills and make Cleanaway an employer of choice in the industry. We are working hard to create an environment where everyone feels safe, included, and confident to bring their unique selves to work every day. What's exciting is that with reduced vacancies, we are now seeing some branches back to a full people complement. The focus at our fully resourced branches now becomes improving labour efficiency and productivity.

We are also busy shifting the way we lead across Cleanaway with open books, where information – good and bad - is openly shared, providing transparency through branch level visual management boards. The visual management boards focus on the value drivers – which are those easily measured non-financial metrics, which when done well will result in great service and efficiency whilst at the same time empowering our teams to make informed decisions, seize opportunities and achieve outstanding results. And you will see examples of this in Queensland on the next slide.

You will no doubt have read about some of the elevated levels of industrial action taking place more recently. This is reflective of a larger number of agreements under negotiation than usual following COVID. It’s a tricky topic but I do want to say that the offer we are making to our employees seeks to balance the flexibility we must provide to retain and attract a modern workforce with the flexibility we need to service our customers. The question I always ask is, why would we want to offer anything that would be uncompetitive or unattractive given we know our team today and into the future have a choice as to where they work. The good news and often not reported is that many Cleanaway sites have already voted and continue to vote in favour of workplace conditions just like that.

Queensland

Moving to the Queensland Solids business where we are starting to make really good progress in the metro C&I segment that was the most impacted by the floods last year.

Our SIFOT levels in March were at their highest level in two years evidenced by metro C&I achieving a SIFOT of 98.9%.

There has been a focus on attracting and retaining drivers and mechanics with initiatives ongoing to ensure we remain a competitive employer and a place people want to work. Open vacancies are 42% lower than the prior corresponding period and consequently overtime as a % of total hours has also fallen significantly and that is reflected in lower overtime and subcontractor costs as a % of net revenue.

Our key metrics around labour productivity and business recovery are tracked and driven with visual management boards as described earlier. Across Queensland we have rolled out VMBs in 20 branches and what you see on the slide is the Brisbane North visual management board where SIFOT, double overtime, absenteeism, run sheet processing, and vehicle downtime are key performance measures that are discussed weekly with actions put in place to continue driving performance improvements. Using branch led visual management boards creates an area where we can huddle and allows us to learn from yesterday to improve today, thereby enabling shorter-cycle operational control and improvements.

We have also implemented detailed performance improvement plans across the Queensland business unit that capture initiatives such as improving fleet utilisation, increasing recycling commodity payloads, optimising routes and disposal locations and converting labour hire to company drivers.

The business is reorienting itself to operate without New Chum for the foreseeable future as the timing of its reopening as a longer-term solution is not within our direct control.

We remain engaged with the regulator (DES) and council in relation to filling cell 3B, and we have not received any feedback from the Land and Environment Court in relation to the appeal of the height extension decision. If those decisions are ultimately favourable, then that’s a bonus for the Queensland solids business.

Health Services

Our Health Service business unit has two challenges that it is currently addressing. Firstly, recovering its Victorian clinical waste processing capacity and secondly, unwinding the operational settings that it progressively implemented through COVID in response to the rapid increase in clinical waste volumes.

I'm pleased to report that since February we have made strong progress. We have installed the two autoclaves at our Dandenong clinical waste processing site. We have completed commissioning and waste testing on both autoclaves and commenced processing waste with a ramp up in activity to continue over May and June. They are operating 24/7 and we expect to be at full capacity ahead of the FY24 financial year.

Further margin improvement will come from improving equipment reliability, transport efficiencies and associated cost reduction work across our network. We are currently developing these detailed plans. We also have a strategic review underway of our pricing to ensure we are charging an appropriate price for the services that we provide.

There is a big prize for restoring the Health Services business performance back to its pre-Covid levels (and opportunities for further improvement beyond that as we implement our operational excellence blueprints in that SBU.) Our ambition for Health Services is that we transition the business to perform at or near historical level over the next 12-18 months as we develop and execute our plans.

We expect the underlying adjustments attributed to the higher waste disposal costs to reduce as we ramp up capacity at the autoclaves with no related underlying adjustments expected in FY24.

Blueprint 2030 progress

Moving to Blueprint 2030 where I'd like to take some time to highlight the significant progress that has been made since we released the strategy around 14-15 months ago.

We have developed detailed plans across our 14 blueprints that will drive the growth of the business.

Those expected timeline and deliverables under each plan are tracked and reviewed monthly by the executive team and relevant leaders.

We have installed new capacity to support the delivery of the strategy and foundations including but not limited to a refreshed and aligned executive team that is passionate about our purpose and strategy and a significantly new and improved capability in areas such as HS&E, carbon, organics, C&D, landfill gas and sustainability to name just a few.

We have two new verticals established in the Container Deposit Schemes and Construction & Demolition business units.

We have set greenhouse gas reduction targets aligned to a 1.5-degree pathway and have taken strong actions that mean we are on the path to meeting those targets.

We acquired and integrated GRL, a site and facility that provides a strategic location and infrastructure to enhance our broader network and customer offering today and into the future as we position ourselves to capture share of the growing FOGO market opportunity.

We have secured strategic sites for our proposed Energy from Waste facilities in Melbourne and Queensland and advanced the planning workstreams for each of the projects.

We have commenced and/or completed the construction of three mechanical plastic pelletising facilities.

We continue to expand our core infrastructure footprint, including though the recent Victorian CDS network operator appointment and have developed plans to optimise the current footprint across our segments.

We have done the work to identify the automation and digitisation needs of the business and have commenced the delivery of CustomerConnect.

We have rolled out analytics tools that will support improved profitability.

We have commenced the digitisation of our workshops and fleet.

Our sales team have been trained and equipped with tools to improve sales effectiveness.

We have been publicly recognised by one of our largest customers for our customer service and our customer value proposition is central to our strategy. Done well, we will see Cleanaway increasingly becoming the supplier of choice for recycling, resource recovery and waste management services across a broad spectrum of customers.

We are delivering on our strategy to increase our participation in the Oil & Gas sector with significant contract wins with Santos and Exxon and have exciting further opportunities in the pipeline, which will position us well to participate in the decommissioning growth vector in that sector.

We have made this progress with safety and the environment as our foundations, and we have done all of this through very challenging operating conditions. I am immensely proud of our team and their achievements and look forward to realising the financial benefits of much of this effort over the next few years and for many years to come.

We have done the internal work to re-imagine our Cleanaway values aligned to our strategy and we are on track to launch these at the end of FY23. Most importantly these are going to be less about words on a page and instead all about self-reinforcing mechanics that will bring them to life in how we work, how we lead, how we show up and how we treat each other.

We have taken investors on this journey with us through our regular strategy days and we will continue to do so to give you the opportunity to see the blueprints in action across the business and to meet the capable and passionate leaders we have throughout the business.

And that’s just looking backwards – looking forward I am excited, and I know the entire Cleanaway team is excited, about what comes next as we bring our Blueprints to life, and I look forward to sharing those achievements soon.

We won’t have time to touch on each of the blueprints today so I will touch on the approach we are taking with respect to our Energy from Waste projects and provide some more detail around the recently announced success in the Victorian Container Deposit Scheme.

Energy from Waste

As Australia’s largest waste management company, Cleanaway is well positioned to capitalise on the immense opportunity EfW bring to meeting Australia’s landfill diversion targets.

As you are aware we are pursuing our Victorian and Queensland Energy from Waste projects on a 100% equity basis. Whilst we have spent considerable time and effort on assessing the strategic fit of these projects as part of our broader portfolio, the capital investment to date has been relatively modest and focused on creating the option value to execute on these projects – at the right time and only if the returns are attractive.

I have said on many occasions that these are not going to be schedule driven projects. The drive you are observing to get the projects to the FID stage gate, including the statutory approval steps, should not be confused with our underlying returns led approach.

I'm pleased to report that we are progressing the projects at pace. In Victoria two key applications were lodged recently, these being the development licence and the planning permit. The next step in the process is to secure an allocation under the cap and we are preparing our submission in anticipation of the request for proposals.

Victorian Container Deposit Scheme

The TOMRA Cleanaway joint venture was recently appointed as one of the network operators for the Victorian Container Deposit scheme. We estimate that zones that we will operate represent approximately half a billion containers per annum.

The Victorian scheme is due to commence in November 2023 and we will commence the roll out and development of the associated infrastructure in the lead up to this.

Cleanaway expect to invest up to approximately $40 million in a sorting facility, fleet and other associated infrastructure. The sorting facility will be in Tottenham in Melbourne's inner-west. We expect to generate an attractive return profile as the scheme becomes fully operational and participation rates rise to our initial targets.

Margin Evolution and Recovery pathway

Over the last 3-4 years there have been significant impacts to the business related to COVID, from external environmental impacts, and from a change to the portfolio – both acquisition and asset mix or contributions. The waterfall chart on this slide seeks to bridge those moving parts from a margin perspective and provide some guidance towards where we have clear line of sight to margin recovery that will be further enhanced with the continuing contribution from Blueprint 2030

On the far left we have normalised earnings for the impact of the New Chum and Erskine Park landfills. Given the uncertainty around the timing of a height extension decision we have excluded the future contribution from New Chum for this purpose. We have also adjusted the net change in EBIT margin contribution from Erskine Park, which prior to the construction of the MSE wall delivered significantly higher EBIT margin as it had little associated D&A for some time.

The SRN and GRL acquisitions and their integrations have materially added to the group EBIT margins, but over the last few periods group margins have been compressed by the challenges associated with labour, Health Services and Queensland. As disclosed in June of last year we are incurring $15 million of higher corporate cost that have added critical capability to deliver the Blueprint strategy and foundations. There has also been a progressive hardening of the insurance market with respect to the waste sector generally and Cleanaway specifically because of significant insurance claims. This has resulted in consistent sharp rises in premiums over the last four years of almost $20 million. This increase in insurance cost has been offset by other operational improvements including the benefits being realised through our data and analytics work.

As mentioned earlier we are making pleasing progress in resolving our key headwinds and those plans should recover our business-as-usual EBIT margins to around 12.0% on a group basis.

In the November 2022 strategy deep dive, I said that I wanted to see the business begin to stabilise before articulating our medium-term ambition. With good progress being made in stabilising the business and with the capability in place to deliver the blueprints and associated blueprint progress, we are now nearing that point. We intend to provide investors with financial targets and a scorecard aligned to Blueprint 2030 and linked to the long-term incentive plan.

We have also discussed with investors that EBITDA is no longer the right metric for Cleanaway given the capital intensity of the business and the need to focus on returns.

Therefore, our ambition will be presented as a 3-year EBIT CAGR with incremental improvement in return on invested capital a key performance marker of success. ROIC will be adjusted for any non-productive capital associated with Energy-from-Waste projects that are under construction. We intend to roll forward our ambition each year as we deliver on the strategy and have better line of sight to significant new investments.

Our scorecard will be updated every six months and presented to investors as an assessment of progressive performance against this ambition.

It is our intention to set out our first 3-year EBIT CAGR ambition in the coming months.

Conclusion

Wrapping up, we are reiterating the guidance we gave at the February results. With 8 weeks of the financial year to go, we expect underlying EBITDA to be approximately $670 million and underlying EBIT to be approximately $300 million.

As I mentioned earlier, we will continue our regular series of strategy days with investors with our next one scheduled for next month in Melbourne. Given we have now been through our 14 blueprints, our June session we will focus how the Blueprints collectively come to life this time through a Victorian solid waste services lens. We have outlined on the slide some of the topics that we intend to cover. A webcast and transcript of the event will be available, but should you wish to participate in person please reach out to Richie. His details are included at the end of the presentation.

Thank you and I am now happy to take any questions.