CLEANAWAY
Making a sustainable future possible together

20 October 2023

Company Announcements Office
ASX Limited
Exchange Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Cleanaway Waste Management Limited (ASX:CWY)
2023 Annual General Meeting – Address by Chairman and CEO

In accordance with ASX Listing Rule 3.13.3, please see attached the address to shareholders to be delivered by the Chairman, Philippe Etienne and the CEO and Managing Director, Mark Schubert at the CWY 2023 Annual General Meeting to be held today at Customs House in Brisbane Queensland.

This announcement has been authorised for lodgement by the Board of Directors.

Yours sincerely

Dan Last
Company Secretary

Cleanaway Waste Management Limited is Australia's leading total waste management, industrial and environmental services company. Our team of more than 7,500 highly trained staff are supported by a fleet of over 5,000 specialist vehicles working from approximately 300 locations across Australia. With the largest waste, recycling and liquids collections fleets on the road - and 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 of making a sustainable future possible together for all our stakeholders.

Chairman's address

It is my pleasure to address shareholders of Cleanaway Waste Management Limited, my first as Chairman of the Company.

After serving as a Non-Executive Independent director of Cleanaway since May 2014, it is an honour to have been appointed Chairman in September of this year.

The 2023 financial year was a much-improved year for Cleanaway. Our *BluePrint 2030* strategy is in place and progressing well and the business has stabilised following an extended period of challenges, both internal and external. Pleasingly, we are making strides towards further improving the Company's financial performance.

Having delivered an underlying financial outcome in line with our guidance for the year, we have now set ambitious mid-term financial targets aligned with *Blueprint 2030*, and have aligned management incentives to these targets. The FY26 incentive scheme threshold represents an approximately 40% improvement in EBIT from FY23 to $425 million, while the stretch target represents an approximately 66% improvement to $500 million.

We also set our ambition to reduce our greenhouse gas emissions in accordance with the Glasgow Climate Pact and aligned that ambition to our long-term incentive plans for our executives. During the year, we made good progress on the activities that will help us to achieve these goals, and I look forward to reporting to you on our progress.

With safety and the environment as our foundations, we are committed to ensuring everyone goes home from work unharmed, and will continue to work hard in pursuit of our goal. One measure of our safety performance is our total recordable injury frequency rate (TRIFR). This improved to 3.7 in FY23 from 4.2 in FY22. While the improvement is encouraging, it is still below our expectations, given our heightened focus placed on safety during the year.

While many of the incidences were minor in nature, there were some significant injuries to our people. The lessons to be learned from these events are being incorporated throughout the organisation.

Tragically, there was also one fatality in our operations during the year. The fatality occurred at the Kemps Creek landfill, in an area of the site where a contractor was in operational control. The worker was an employee of the contractor and our thoughts go out to their family and all others who were impacted by the accident.

During the year, we faced operational challenges including labour availability and efficiency and persistent cost inflation. We also had some legacy issues to deal with in our Queensland solids business and our Health Services business. In the context of the challenges faced, Cleanaway delivered a strong underlying financial performance. We reported an underlying net profit after tax of $148.6 million, 2.5% higher than the prior year. This reflected strong EBIT growth, up 17.5%, which was mostly offset by a significantly higher interest expense in a rising interest rate environment.

This translated into earnings per share of 6.6 cents. On a statutory basis, our $21.6 million net profit after tax attributable to ordinary equity holders was 72.6% lower than the prior year. This largely reflected costs associated with the loss of Health Services processing equipment net of insurance recoveries, costs and provisions taken to rectify and remediate the New Chum landfill, and acquisition and integration costs. The New Chum costs included an impairment charge resulting from the unsuccessful height rise court appeal decision.

The business remains in very strong financial health. As at 30 June 2023, we had $504.5 million of undrawn debt facilities and an average debt maturity of 3.6 years. Our net debt to EBITDA ratio of 1.9x as at 30 June 2023 was 0.3x lower than 30 June 2022 as a result of equity raised during the year, and remains comfortably within our covenant.

Our financial performance and strong financial position allowed the Board to declare a final unfranked dividend of 2.45 cents per share, which was paid on 6 October 2023. This took the total unfranked dividend for the year to 4.9 cent per share. This was in line with the prior year and represents a payout ratio of 74.3%, in line with our stated policy of paying out 50-75% of underlying profits.

Cleanaway is eligible to participate in the Commonwealth Government's Instant Asset Write Off Scheme, which reduced tax payments made by the Group in FY22 and FY23 and is forecast to continue into FY24. Because of those lower tax payments, Cleanaway does not expect to resume franking dividends fully until calendar year 2024.

We have been busy integrating and extending our strategic infrastructure, and towards the beginning of FY23, we announced the acquisition of the GRL business for $168.5 million, which is core to our Organics blueprint.

During the year, through our various circular plastic joint ventures, we continued to develop our second PET plastic pelletising facility in Altona, and our HDPE and PP plastic pelletising at Laverton, both in Victoria.

Through our joint venture with TOMRA, we successfully tendered for Western regional and metro zones of the Victorian Container Deposit scheme. We expect to deploy approximately $40 million of capital towards the joint venture, and anticipate an attractive return profile based on a progressive ramp-up of the scheme.

We have also been advancing the long-lead items related to our Energy from Waste developments in Victoria and Queensland. We continue to take a capital lite approach to the projects and remain disciplined in our approach to capital allocation.

These projects are underpinned by our strategic pillar of creating sustainable customer solutions with high circularity and low carbon emissions.

On 21 August 2023, we completed the acquisition of Australian Eco Oils for $39 million. The acquisition provides us with an attractive entry point into a new adjacent market. High-quality used cooking oil is becoming an increasingly important source of feedstock in the production of renewable fuels, including sustainable aviation fuels and renewable diesel.

Turning now to remuneration.

At our 2022 AGM, despite the support of a significant majority of 74.5% of votes cast in favour, we received a 'first strike' against our Remuneration Report. The Board has taken this very seriously and actively engaged with our shareholders, seeking to address the key issues raised. As a Board, we seek to remunerate executives appropriately, as well as preserving our ability to attract and retain talented people. Understandably, in some years that is easier to do than others. We will continue to work constructively with our shareholders in seeking to deliver equitable outcomes.

The Board exercised discretion to moderate STI outcomes downwards for FY23 executive remuneration outcomes in order to better align management and shareholder experience. The Board has also approved further changes to our executive remuneration framework for FY24 to further strengthen the alignment between shareholders and management. While the Board always retains the right to apply discretion, we expect these changes will be well received by shareholders.

I would now like to talk about our program of orderly board renewal. During the year, we appointed two new Independent Non-Executive Directors.

Jackie McArthur was appointed to the Board in August 2022 and duly elected at last year's AGM. Clive Stiff was appointed in June 2023 and is standing for election today. Clive is an experienced executive with diverse and complementary international and domestic experience. I look forward to him playing a key role in contributing to the development and execution of our *BluePrint 2030* strategy over the coming years. I am delighted to welcome Clive to the Board of Cleanaway and congratulate him on his appointment pending his impending election.

I would like to recognise Ray Smith's significant service to the Company since his appointment as a Non-Executive Director in 2011. Ray retired as a director with effect 31 August 2023, having made a significant contribution to the growth and success of Cleanaway. In his role as a director and Chair of the Audit and Risk Committee he has played a key role in steering the performance improvement and growth of the Company. His deep understanding of finance, operations and strategy and broad corporate experience with industrial companies has been a significant asset to the Board. On behalf of the Board, I thank Ray for his wise counsel over many years and wish him all the best in his retirement.

I would also like to pay tribute to our former Chairman, Mark Chellew, and recognise the immense achievements and milestones delivered during his tenure.

Mark made a tremendous contribution to Cleanaway over the last 10 years. As a Board, we have greatly benefited from his strong leadership, deep knowledge and experience which has driven a period of significant growth and success. This included the acquisition of Toxfree and the Sydney Resource Network, development of the *Footprint 2025* Strategy and development and execution of the *BluePrint 2030* Strategy. We wish Mark well in his retirement.

With the departures of Ray and Mark, Michael Kelly has taken the chair of the Audit and Risk Committee and Jackie McArthur has taken the chair of the Sustainability Committee. In preparation for Terry Sinclair's retirement from the Board in 2024 after 12 years' service, we will seek to appoint another director over the course of FY24 as part of our ongoing board renewal.

I would like to take this opportunity to thank our CEO Mark Schubert, the executive management team and all Cleanaway employees for their efforts in delivering robust operational and financial outcomes this year. Your efforts are greatly appreciated.

Thanks also to my fellow Board members for their support, particularly as I begin my chairmanship.

Finally, I would like to thank our shareholders for the continued support you have given the Board and Management of Cleanaway.

With that, I'll hand over to our CEO, Mark Schubert, for his address.

CEO address

Thank you, Philippe and good morning everybody.

It is a privilege to report to you on Cleanaway's performance for the financial year ended 30 June 2023.

At Cleanaway, our mission is making a sustainable future possible together. To achieve that, we must ensure firstly that our business is sustainable. A truly sustainable business has strong foundations. At Cleanaway, our foundations are safety and environment. In practice that means ''*protecting our people"* and *"protecting the environment''.* Our team knows that when faced with a choice, our foundations always come first.

To strengthen our foundations, over the last 12 months we have embedded new health, safety & environment capability in the organisation. Our team has rapidly developed a HS&E strategy and intensive improvement roadmap focused on three key areas: 1) improved critical risk management; 2) growing leadership capability and safety culture; and 3) embedding a learner's mindset.

Our lagging safety indicators, while improving, are still not where we want them to be. Our TRIFR of 3.7 on 30 June 2023 represented 82 instances where one of our teammates required medical treatment. We know this isn't good enough, and for FY24, we'll continue to work towards implementing programs that continue to reduce injury numbers, improve management of critical risks such as fire, as well as starting to incorporate additional measures and lead indicators into our reporting to provide better insights in relation to our performance. We'll also roll out our first two safety-related core processes and continue a significant program of work around managing risks from fire, which have had a significant impact on performance over recent years.

As with HS&E, we have installed new capability to ensure we evolve our culture and grow our capability to deliver *Blueprint 2030*. During the year, Scott Nicholls joined the executive team as the executive responsible for our Liquid Waste and Health Services and Industrial & Waste Services segments. Scott brings significant experience and capability to the organisation and has hit the ground running, including leading our fleet strategy given his logistics background.

We have done the internal work to re-imagine our Cleanaway values, which are aligned to our strategy and will formally launch these soon. Rather than simply words on a page, we are focused on bringing our values to life with actions: how we work, how we lead, how we show up and how we treat each other.

Our people strategy is designed to embed the reinforcing mechanics that will support a Cleanaway culture where our 300 branches are at the centre of our company, driving performance with capable leaders, local ownership, care, connection and a view well beyond today. At the same time, we are focused on ensuring we build a strong talent pipeline with successors identified for all business-critical roles to support the growth embedded within *Blueprint 2030*.

One of the early achievements from our new people strategy has been an improvement in female participation levels across the Company, continuing the positive trend from FY22. From a gender diversity perspective, we saw an 8.1%, or 200bps, improvement in our female representation rate, increasing from 20.8% to 22.8%. At the executive and senior management level, we increased female representation from 23% to 36.2% and are approaching the CEO+2 element of our 40:40 diversity ambition.

Blueprint 2030

We are confident that our *Blueprint 2030* strategy 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.

Under *Blueprint 2030*, 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. We will do this in the most sustainable way possible, while delivering an exceptional customer experience, powered by the passion of our workforce.

To better define our meaning of high-circularity, we have re-imagined the well-known concept of waste hierarchy to become the Cleanaway circularity hierarchy, recognising that different recycling solutions have very different circularity and carbon outcomes.

When looking at circularity, we set ourselves the task of being able to give meaning to 'high circularity' in the context of offering the most circular and lowest carbon solutions for our customers. We also have developed a simple approach that can be used to assess our business, customer solutions and investment opportunities against an expanded waste hierarchy. This hierarchy recognises degrees of circularity and reflects the desirability of supporting first domestic then international circular economies over downcycling.

As I reflect on the progress our team has made since we released our strategy, I am filled with pride.

To drive the growth of the business, we have developed detailed plans across our 14 blueprints, with expected timelines and deliverables closely tracked and reviewed monthly by the executive team and relevant leaders.

To support the delivery of our strategy and foundations, we have installed new capacity, including a refreshed executive team that is passionate and aligned about our purpose and strategy, and new and significantly improved capability in areas such as HS&E, carbon, organics, C&D, landfill gas and sustainability.

We have set greenhouse gas reduction targets aligned to a 1.5-degree pathway. During the year we drilled more than 250 landfill gas wells, improved gas capture efficiency by more than 15% and reduced our carbon emissions by 9% on a like-for-like basis. This sees us well on the path to meeting our targets.

We also acquired and integrated GRL. This is a strategically located site and facility that enhances our network and customer offering today and into the future as we position Cleanaway to capture a significant share of the growing FOGO market opportunity.

We have commenced and/or completed the construction of three mechanical plastic pelletising facilities while we continue to expand our core infrastructure footprint. This includes infrastructure to support TOMRA Cleanaway's recent Victorian Container Deposit Scheme Network Operator appointment.

To make us more efficient, we identified the automation and digitisation needs of the business and have commenced the delivery of CustomerConnect and rolled out analytics tools that will support improved profitability.

We have also commenced the digitisation of our workshops and fleet and our sales team have been trained and equipped with tools to improve sales effectiveness.

Our customer value proposition is central to our strategy, and pleasingly we have been publicly recognised by one of our largest customers for our customer service. We expect that through continuing to execute our strategy diligently, Cleanaway will increasingly become the supplier of choice for recycling, resource recovery and waste management services across a broad spectrum of customers.

Financial performance

Against a backdrop of high inflation, a tight labour market and operational challenges, Cleanaway delivered a strong financial performance in FY23.

The Company reported net revenue growth of 13.9% to $2,965.8 million and grew underlying EBITDA by 14.9% to $668.1 million. Underlying EBIT was 17.5% higher than the prior year at $302.2 million.

Underlying net profit after tax was $148.6 million, 2.5% higher than the prior year, translating to underlying earnings of 6.6 cents per share.

Statutory net profit after tax of $21.6 million was 72.6% lower than the prior year. This largely reflected significant costs related to the New Chum landfill, medical waste disposal processing costs and acquisition and integration costs. The New Chum landfill costs are related to rectification and remediation resulting from the significant flood events and the subsequent write-off of the assets following an unsuccessful court appeal that would have allowed for its height to be extended. The medical waste costs are net of insurance recoveries and relate the loss of the hammermill in Victoria following a fire in June 2022.

During the year, as a result of tight labour market conditions, we incurred more overtime and more expensive labour hire to supplement our general workforce. We have implemented several successful strategies to address the challenges. These included improving recruitment capacity, the continued success of the Women's Driver Academy and building on leadership capability.

Our branch-level labour value drivers are tracking and improving daily performance, particularly now that vacancy rates have declined. Our actions have resulted in vacancies today being around 48% lower than back in October last year, adjusting for unfilled growth roles such as for the Victorian Container Deposit Scheme.

With retention being the focus now, we have ongoing initiatives in place across onboarding, closing our enterprise agreement backlog and a culture refresh. We feel confident that this vacancy trend will continue and that we will deliver significant operational and financial improvements.

Both Queensland Solids and Health Services business units endured ongoing challenges from FY22, and we have performance restoration plans that are making good progress.

The fleet replacement program for the approximately 40 trucks that we lost during the Queensland floods was completed during the year. This has resolved some of the availability and repair and maintenance challenges associated with operating a makeshift fleet.

The Queensland network is now set up to operate without the New Chum landfill, and today the Queensland business has stabilised and is focused on driving productivity and efficiency initiatives.

We have a new management team and replacement fleet in place following the floods of early 2022 and we are seeing that business performing and improving in line with our plans.

We undertook substantial rectification works at the New Chum landfill in preparation for the wet season. We expect to recommence construction of the final cell in FY24 and expect the landfill should deliver a modest contribution in FY25. The court appeal for a height rise at New Chum was unsuccessful, and we have decided not to pursue any further appeals. As a result, we are now planning for its closure and final remediation.

We have been successful in addressing inflationary pressures through the contractual mechanisms that allow us to recoup rising costs over time, however temporary impact on margins remain, while inflationary pressures remain elevated.

Net cash from operating activities for the group increased by $15.5 million to $481.8 million compared to FY22, reflecting increased underlying EBITDA and lower tax payments. This was partially offset by cash outflows attributable to underlying adjustments and higher interest payments. This resulted in a strong cash conversion ratio of 98.3%.

Our capital expenditure of $431.1 million reflected investment in a number of critical areas. The primary areas of investment were: fire detection and suppression equipment, LFG capture, contract renewals and replacement/refurbishment of existing assets. We allocated growth capex to our HDPE/PP plastic pelletising facility, the IWS-led Santos total waste management contract, the development of our Western Sydney Material Recovery Facility, the acquisition of QLD Energy-from-Waste site and our CustomerConnect project.

Mid-term financial ambition

We have made good progress stabilising the business and I am confident that we have the capability in place to deliver the blueprints. Earlier, I spoke to the progress that we have made, which gave us confidence to outline our three-year financial targets and a scorecard aligned to *Blueprint 2030* linked to the long-term incentive plan.

We are targeting an FY26 EBIT of greater than $450 million. This is to be achieved with incremental improvements in return on invested capital. As Philippe said in his address, the stretch target and the one the team is working to deliver is $500 million.

The Group's balance sheet remains strong and we are committed to maintaining it. We remain highly focused on capital allocation and have refined our processes to support our decision-making process. Our benchmark is always relative to returning capital to shareholders, and we assess all growth opportunities with that same financial discipline.

Trading update

I am pleased to report a strong start to the new financial year. With the benefit of stability in the business, we have continued to make progress on our strategic priorities, and we are seeing the benefits beginning to emerge in our financial outcomes. The Queensland solids business unit is benefitting from higher volumes, improving labour productivity and lower disposal and fleet costs. Service delivery metrics are strong with the focus shifting to include delivery of the mid-term ambition, and longer-term strategic growth.

Performance improvement initiatives are gaining traction in our Health Services business unit, with financial performance also supported by price increases. The newly commissioned autoclaves in Victoria are performing well, and the focus has turned to lifting productivity at the site.

Further operational efficiency improvements are helping to expand margins. These include simplification of our Solids operating structure by consolidating a number of business units, and our Data & Analytics and Fleet Optimisation blueprints.

We have been ramping up our activity in preparation for the commencement of the Container Deposit Scheme in Victoria on 1 November. Key team members have been recruited. Our new fleet of 37 trucks are in place, our 4 driver's academy for women participants have graduated and our sorting facilities are fast approaching commissioning as scheduled. With our collection points progressively rolling out, our digital platform for network logistics optimisation is well advanced.

The IWS business is having a strong start to the year benefitting from the recent tender successes.

Landfill volumes are a key variable for earnings that we monitor closely throughout the year, and competition in the Melbourne market remains strong.

Based on our performance to date and the outlook, our current expectation is that we will deliver FY24 EBIT of approximately $350 million.

I would like to thank the Board and the executive team for the support they have given me throughout the year, leading your company.

I would like in particular to acknowledge our former Chairman, Mark Chellew, for the support and guidance that he has provided me since I joined Cleanaway. I wish him all the best for the future.

I also thank our more than 7,500-strong workforce for their perseverance this year. I know how much pride our team has in delivering for our customers every day, and I appreciate the extraordinary efforts of our people as we worked through our labour shortage challenges.

It is our people that make this business great. We will keep each other safe, protect the environment, deliver today and improve for tomorrow as we continue to strive towards our mission, together.

Thank you all for attending today, I will now hand back to Philippe for the formal business of the meeting.