ASX & Media Release

21 August 2024

CLEANAWAY
Making a sustainable future possible together

FY24 FINANCIAL RESULTS

Delivered another year of double-digit EBIT growth and margin expansion; on track to deliver mid-term ambitions

Cleanaway Waste Management Limited ("Cleanaway") ASX:CWY today announces a Statutory Net Profit of $158.2 million for the year ended 30 June 2024 ("FY24"), up from $23.5 million in the prior corresponding period ("pcp" or "FY23"). Underlying NPAT grew by 14.8% for the period to $170.6 million, $12.4 million higher than the Statutory NPAT.

Highlights

Financial performance

- Strong net revenue growth of 7.7%
- Record underlying EBIT growth rate of 18.9% to $359.2 million, driven by the restoration of QLD Solids, transformation of Health Services, strong growth in the NSW Solids and the Liquid Technical Services (LTS) business
- Expansion of underlying EBIT margin to 11.2%, up 100bps reflecting earnings growth and operational excellence benefits
- Strong EPS growth of 15.2% and Final Dividend increased to 2.55 cps, 100% franked
- Improved underlying ROIC up 60 bps to 5.5%, supporting Blueprint 2030 mid-term ambition of more than $450 million EBIT in FY26

Operational

- Labour efficiency improved as workforce numbers stabilised and voluntary turnover returned to pre COVID levels
- Continued with the roll-out of our 5-year HSE strategy and Respect@Cleanaway program, launched our Guiding Principles
- Blueprint 2030 operational excellence initiatives gained momentum
- Continued to reduce CWY's greenhouse gas emissions and remain on track to deliver 1.5° Paris aligned 2030 targets

Strategic

- Delivered Blueprint 2030 priorities
  - Restored Queensland (QLD) Solids profitability
  - Transformed Health Services business
- Progressed build out of growth platforms
  - Launched Victorian Container Deposit Scheme operations
  - Brought forward Eastern Creek Organics (ECO) FOGO transition to meet customer demand
  - Announced acquisition of Citywide's waste collection and recycling assets
  - On track for Western Sydney MRF to be commissioned in early 2025
- On-track to deliver FY26 EBIT ambition of more than $450 million

Cleanaway Waste Management Limited
ABN 74 101 155 220

Registered Office:
Level 4, 441 St Kilda Road,
Melbourne VIC 3004
Australia

P +61 03 8397 5100
F +61 03 8397 5180

cleanaway.com.au

Financial performance overview

	FY24	FY23	Variance
Net Revenue ($m)	3,194.5	2,965.8	↑ 7.7%
Underlying EBITDA ($m)	728.7	668.1	↑ 9.1%
Underlying EBIT ($m)	359.2	302.2	↑ 18.9%
EBIT Margin (%)	11.2%	10.2%	↑ 100 bps
Net Profit After Tax ($m)	170.6	148.6	↑ 14.8%
Underlying Return on Invested Capital (%)	5.5	4.9	↑ 60 bps
Underlying Earnings per share (cents)	7.6	6.6	↑ 15.2%
Final dividend per share (cents)	2.55	2.45	↑ 4.1%

Net Revenue of $3,194.5 million, up 7.7% on pcp driven by price and volume.

Underlying EBIT of $359.2 million was 18.9% higher compared to the previous year, driven by the execution of profitability restoration strategies for the QLD Solids operations and the Health Services business, as well as a strong performance from NSW Solids and the Liquid Technical Services (LTS) businesses. Carbon and commodities EBIT was up year on year primarily due to the Old Corrugated Cardboard (OCC) price volatility of FY23 being replaced with steadily increasing prices throughout FY24. EBIT in the Industrial & Waste Services (I&WS) business was flat year on year as softer economic conditions in the second half, offset the gains made in the first. Landfills EBIT was down 2.4% vs pcp as price increases and proactive management initiatives at all landfill sites tempered the impact of lower volumes.

Voluntary turnover has improved to 17.6%, from 21.5%, 12 months ago. Vacancies finished the period below Cleanaway's historical average of 300 - 400. First year turnover is improving and the aim is to have it below 30% by the end of FY25. Reduced vacancies and lower turnover enabled reduced use of higher cost subcontractors and improved labour metrics.

Cleanaway's underlying EBIT Margin expanded to 11.2% from 10.2% in the previous year. The 100-basis point expansion was the result of management initiatives including the restoration of QLD Solids, the transformation of the Health Services business, strong performance from the LTS business, the stabilisation of the workforce and use of Data & Analytics tools across the branch network.

FY24 capital expenditure was $446 million, within the top end of our $430 to $450 million guidance range. FY25 capital expenditure is expected to be approximately $400 million.

Net finance costs increased by $19.6 million to $115.7 million reflecting higher interest payments due to a full 12 months of higher underlying interest rates.

Statutory NPAT was $158.2 million versus $23.5 million in FY23, which was negatively impacted by a number of one-off costs. Underlying NPAT of $170.6 million, was up 14.8% on FY23, $12.4 million higher than Statutory NPAT primarily due to the net impact of SaaS software costs incurred by the on-budget CustomerConnect business transformation program, integration costs associated with the GRL acquisition in FY23 and net insurance recoveries.

Underlying earnings per share ("EPS") grew to 7.6 cents per share, along with an improved ROIC.

Net cash from operating activities increased by $60.3 million to $542.1 million compared to FY23, as a result of higher underlying EBITDA due to improved business performance and lower New Chum rectification activities than in the prior year, offset by higher interest payments. This resulted in a cash conversion ratio of 97.6%.

The Board declared a final, fully franked dividend of 2.55 cps, up 4.1% on pcp.

Management commentary

Chief Executive Officer and Managing Director of Cleanaway, Mark Schubert, said, "FY24 was about execution, progress and delivering another year of double-digit EBIT growth and improving returns to shareholders. Equally important, it was about doing what we said we would do.

Our FY24 financial result demonstrates the underlying strength and scale of our business, its increasing resilience, and the value creation being delivered through the year on year execution of our Blueprint 2030 strategy.

Through the disciplined and methodical approach to addressing the challenges of the recent years and executing our Blueprint 2030 strategic initiatives, we have delivered double digit EBIT growth as well as increased operational resilience.

In FY24, our record underlying EBIT growth rate of 18.9% was driven by the completion of our QLD Solids restoration program, the transformation of our Health Services business and a solid underlying performance from across the Group. This underpinned a 60 bps increase in underlying ROIC to 5.5%.

Through the execution of our Blueprint 2030 operational excellence initiatives and disciplined price management, we increased our EBIT margin by 100 basis points to 11.2%, up from 10.2% last year.

Key highlights of our FY24 results include the faster-than-expected restoration of QLD Solids, our progress in transforming Health Services, and the realisation of initial labour efficiencies. These achievements, driven by the dedication of the entire Cleanaway team, underscore the credibility of our Operational Excellence initiatives, which are poised to deliver further results in FY25, FY26, and beyond, as they are grounded in the same principles and branch-led execution approach

FY24 marks the first full year of benefiting from our Data & Analytics capabilities. Since beginning our data journey in 2022, the value of these efforts has become increasingly evident. Enhanced capabilities have been crucial in driving our disciplined focus on returns, as they have enabled us to develop tools *for our Branch Managers to identify and deliver efficiencies or identify opportunities to optimise costs and capital spend in our Fleet, as just two examples.*

We continued to extend and strengthen our leading waste solutions network. With the start-up of VIC CDS, we cemented our position as the leading operator of container deposit schemes in Australia. Pending approvals, including from the ACCC, the acquisition of Citywide's waste and recycling assets will strengthen our Melbourne Solids network, particularly through the integration into our network of the complementary Dynon Road transfer station. In Sydney, we are meeting our customers' growing demand for FOGO with the transition of our Eastern Creek Organics processing capabilities, and we are adding materials recycling to our offering through the commissioning of our Western Sydney MRF in October 2024.

Mid-term Financial Ambition Commentary

Commenting on the mid-term financial ambition, Mr Schubert said,

"Our performance and progress in FY24 provides confidence in our ability to execute on our strategy to grow and achieve our ambitions, and we are on track to deliver our mid-term financial goal of more than $450 million EBIT and improving returns in FY26.

Importantly, we have a clear pathway to achieving this FY26 ambition.

In FY25 we expect to close out our operational excellence 'restoration' workstream given we have restored QLD Solids, the Health Services transformation will be completed and labour productivity is expected to meet the target we set ourselves.

The execution of our operational excellence 'efficiency' initiatives, such as Branch Optimisation and Fleet Transformation are taking root and are forecast to deliver more than $50 million in EBIT in FY26. And, we have deployed most of the capital across those strategic infrastructure growth projects that we expect to deliver approximately $50 million EBIT in FY26.

We're continuing to press our advantages where we see them and invest for growth. Through strategic discipline and our continued focus on returns, we are positioning Cleanaway to deliver attractive EPS growth in FY25, FY26 and beyond," he said.

Dividend

A final franked dividend of 2.55 cents per share (pcp: 2.45 cents per share unfranked) has been declared, representing an increase of 4.1% on the final dividend paid last year. It will paid be on 7 October 2024 to shareholders on the register on 16 September 2024. This takes the total dividends for the year to 5.0 cents per share (pcp: 4.9 cents per share).

The final dividend will be 100% franked. Cleanaway is resuming the payment of 100% franked dividends following the end of the Commonwealth Government's Instant Asset Write Off Scheme, which reduced tax payments made by the Group in FY22, FY23 and FY24. Total dividends for FY24 will be 51.0% franked as the 1H24 dividend was unfranked.

The Dividend Reinvestment Plan (DRP) will be in operation for this dividend. Shareholders residing in Australia or New Zealand may elect to participate in the DRP. The DRP election date for determining participation is 17 September 2024. Under the DRP, Cleanaway shares will be issued at the average of the daily Volume Weighted Average Price (VWAP) of all shares sold on ASX over the period from 18 to 24 September 2024. No discount will be applied to shares issued under the DRP.

Underlying Segment Performance

Solid Waste Services

FY24 Solid Waste Services (SWS) net revenue increased 6.3% to $2,224.2 million, from $2,091.7 million the prior corresponding period (pcp). Underlying EBIT increased 18.3% or $50.9 million to $329.0 million from $278.1 million, and underlying EBIT margin increased 150 basis points to 14.8% from 13.3%.

Net revenue was predominantly driven by price increases in the collections business with support from volume growth in the Container Deposit Scheme (CDS) business and Organics operations.

Disciplined price increases and contractual price mechanisms more than recovered higher labour and fuel costs, however the benefit of price increases was tempered by higher fleet repair and maintenance costs and the general inflationary environment.

In response to the tight labour market challenges of recent years, targeted initiatives over the past 18 months have successfully stabilized our workforce. The improved voluntary turnover and lower vacancies led to a reduction in subcontractor hours and improving labour productivity metrics.

Underlying EBIT growth was driven by the restoration of the QLD business, strong performance in NSW/ACT, and the realisation of operational efficiency benefits. However, this growth was moderated by lower landfill volumes and ongoing market challenges in the Construction & Demolition sector. In addition, the contribution from commodities and carbon was up year on year, predominantly because of the Old Corrugated Cardboard (OCC) price trending steadily higher over the period.

During the period we completed the restoration of the QLD Solids business profitability following the successful execution of our data enabled, branch-led restoration program implemented to address the impact of the 2022 QLD floods and closure of the New Chum landfill. Volume growth and price increases have been underpinned by service improvements, while operational excellence initiatives have delivered efficiency benefits, which have been complemented with tight cost control.

Commercial & Industrial collections net revenue grew by 7.1%, with 6.0% of the increase driven by price adjustments. Customer churn decreased year-on-year, as Cleanaway's enhanced data capabilities enabled more targeted price increases.

Cleanaway's municipal collections business continues to deliver growth through contractual price mechanisms and tight cost control.

The CDS business continues to grow. Strong volume growth was driven by the expansion of the QLD program to include wine and spirit bottles. In November 2023, our VIC CDS operations were successfully launched with initial volumes tracking in line with expectations. CDS EBIT was up year on year, despite including the VIC CDS ramp-up costs.

Landfills EBIT declined by 2.4% year-on-year. In managing these hard-to-replicate assets for long-term returns, the management teams at each of our landfills continued to utilise the performance drivers of price, mix, compaction and operational efficiency. This largely offset volumes being down 8.7% for the period. Lucas Heights and Kemps Creek, our two landfills within the Sydney basin were able to balance price and volume resulting in profitability per cubic metre improving year on year. In Melbourne, MRL continues to operate in a particularly competitive market, and the team remains focused on extending waste codes to capture higher margin waste streams, and operational improvements to maximise returns. The cost of landfill materials is tempering these operational improvements and we are applying a performance improvement focus on MRL similar to what we used to reset the Health business and Queensland Solids last year.

Organics EBIT was up year on year driven by NSW/ACT through improved management of the network. While VIC's FOGO market is relatively mature, and the ability to service QLD's FOGO market remains challenging due to regulation, NSW's FOGO market is expected to continue to grow, reflecting the State Government policy to drive landfill diversion. Cleanaway is meeting this customer-led growth through accelerating the transition of Eastern Creek Organics, (the renamed GRL asset) to FOGO processing.

In June 2024, Cleanaway announced it has agreed to acquire the waste and recycling business and assets of Citywide Service Solutions Pty Ltd (Citywide Waste) for $110 million. Acquiring Citywide's collections business and the inner-city Melbourne transfer station (Dynon Road) presents an attractive opportunity to expand the VIC Solids business in metropolitan Melbourne. In addition, Cleanaway plans to redevelop the Dynon Road facility, nearly doubling its capacity and unlocking earnings growth for shareholders from FY26. Dynon Road already directs a large portion of its waste streams to Cleanaway's post-collection assets, and its integration would support future volume growth into Cleanaway's network.

Liquid Waste & Health Services

Liquid Waste & Health Services segment revenue increased 13.3% to $691.7 million from $610.6 million in FY23. Underlying EBIT increased 38.7% to $67.7 million from $48.8 million in FY23 and underlying EBIT margin expanded 180 basis points to 9.8% from 8.0% in the pcp.

The **Liquid Technical Services (LTS)** business delivered revenue growth of 16.0% on pcp and EBIT growth of 35.4% on pcp. This was driven by increased activity as LTS's technical expertise, and innovative solutions continue to be sought out over cheaper, potentially less environmentally friendly options. Key projects completed during the year included remediation projects and hazardous waste management for Tier 1 Resources and Oil & Gas companies as well as hazardous soil remediation for major infrastructure projects, and the recycling of hand sanitiser for government agencies. The closure of Qenos in Australia did adversely affect our revenues this financial year.

During the year, LTS integrated the business and assets of Australian Eco Oils (AEO), acquired on 21 August 2023 for $39 million. Trading under the Scanline brand, AEO collects and processes used cooking oils to improve the quality and then sells the product into the stockfeed and renewable fuel sectors. The acquisition aligns with Cleanaway's focus on growing its low carbon, high circularity solutions to customers. Its initial earnings contribution in FY24 was offset by integration costs.

LTS continues to build on its market-leading capabilities and growing reputation of being able to collect, manage, treat, reuse and dispose of complex, hard to treat waste streams. During the period, LTS re-signed two key state-wide, household recycling community contracts and was awarded an extension of a national stewardship program for another three years.

Cleanaway's **Health Services** business revenue grew by 14.1% in FY24. EBIT was significantly ahead of pcp. The transformation program has turned this business around from being loss-making in FY23, to being on track to deliver approximately $15 million EBIT in FY25.

Health Services is being transformed through a comprehensive profitability restoration program, underpinned by our data-enabled, branch-led approach to operational excellence. Health Services was one of the first businesses within Cleanaway to implement our branch optimisation program and tools, including Visual Management Boards, daily stand-up meetings, and labour dashboards. The transformation program has driven improved service levels and EBIT margin expansion through the realisation of efficiencies in labour and transportation. Productivity efficiencies have also been realised following our treatment and disposal network becoming fully operational with the commissioning of two new autoclaves at our main processing facility in Victoria in the second half of the previous financial year.

Hydrocarbons revenue grew 2.9%, with EBIT up 8.6%. This reflected increased deployment of parts washers to its growing base of Equipment Services customers. EBIT margin also benefited from improved pricing discipline and a focus on selling a higher grade of re-refined base oil. As well as improving customer service and margins, our Hydrocarbons business is incredibly well positioned to capture the opportunities presented by the evolving low carbon, high circularity lubes and fuel oil market.

Industrial & Waste Services

Industrial & Waste Services (I&WS) revenue increased 7.7% to $404.6 million from $375.8 million in FY23, while EBIT was $26.5 million, in line with FY23. Underlying EBIT margin declined 60bps to 6.5% from 7.1%.

Revenue growth in the first half was strong, supported by price increases, volume growth, and the start of the multi-year national Santos service contract. In the second half, softer market conditions led to customers deferring or cancelling projects, which impacted IW&S's financial performance due to its operating leverage, where profitability is optimised when there is a high utilisation of assets and staff. The second half was also impacted by the announcement of the upcoming closure of the Alcoa Kwinana site.

I&WS business has successfully delivered on its strategy to increase the proportion of its earnings from Oil & Gas and Resources companies. In doing so, it has positioned itself to benefit from the attractive medium-term outlook as customers continue to outsource maintenance contracts.

In July 2024, I&WS undertook a restructure to align the business to the medium-term outlook. On the East Coast of Australia, I&WS's operations have been consolidated, as the business focuses on larger projects, that offer more stability and predictability. On the West Coast, I&WS operations have been adjusted to support greater customer segmentation, in response to the business's growth over the past few years and its attractive growth outlook.

FY25 Outlook

Cleanaway's FY25 underlying EBIT is expected to be in the range of $395 to $425 million.

Depreciation and Amortisation for the period is forecast to be between $380 and $400 million. FY25's interest expense is expected to be approximately $130 million and assumes the current RBA cash rate. Total capital expenditure for FY25 is expected to be approximately $400 million.

Guidance assumes no material change to prevailing market and economic conditions.

This announcement has been authorised for release by the Board of Cleanaway.

ENDS

Investor Briefing

The Company will be holding an investor and analyst briefing on the results at **11:00am** (AEST) today.

Presenters:	Mr Mark Schubert - Chief Executive Officer and Managing Director Mr Paul Binfield - Chief Financial Officer
Tele-conference:	https://s1.c-conf.com/diamondpass/10040591-6ajd8f.html
Webcast:	https://event.choruscall.com/mediaframe/webcast.html?webcastid=qhy75ldH

Investor contact:	Josie Ashton, Head of Investor Relations, +61 416 205 234
Media contact:	Mark Biddulph, Head of Corporate Affairs, +61 499 322 601

Cleanaway Waste Management Limited is Australia's leading total waste management, industrial and environmental services company. Our team of more than 7,900 highly trained staff are supported by a fleet of over 5,900 specialist vehicles working from more than 330 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 for all our stakeholders.