



# **Cleanaway Waste Management Limited**

## **FY17 Half Year Results**

### **For the six months ended 31 December 2016**

**Vik Bansal – CEO and Managing Director**  
**Brendan Gill – CFO**

# With a nation-wide footprint in solid, liquid, hydrocarbon and industrial services, Cleanaway is Australia's leading total waste management services company

Approximately 200 solid, liquid, hydrocarbon and industrial services depots and processing facilities across the country servicing well over 100,000 customers



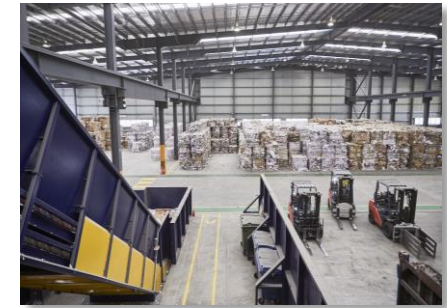
8 operational landfills



15 transfer stations



>2,500 vehicles



25 recycling sites

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- All amounts are in Australian dollars unless otherwise stated. A number of figures in the tables and charts in the presentation pages have been rounded to one decimal place. Percentages (%) have been calculated on actual whole figures.
- Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Refer to CWY’s Directors’ Report for the definition of “Underlying earnings”. The term EBITDA represents earnings before interest, income tax, and depreciation and amortisation expense and the term EBIT represents earnings before interest and income tax expense.
- This presentation has not been subject to review or audit.

# Agenda

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# Group Performance Overview

\$million	Underlying Results				Statutory Results		
	1H17	1H16	Growth		1H17	1H16	Growth
Gross Revenue <sup>1</sup>	724.5	746.8	(3.0)%	▼	724.5	746.8	(3.0)%
Net Revenue <sup>2</sup>	672.4	669.7	0.4%	▲	672.4	669.7	0.4%
EBITDA	150.4	137.2	9.6%	▲	150.0	128.4	16.8%
EBITDA Margin	22.4%	20.5%	190bps	▲	22.3%	19.2%	310bps
EBIT	67.0	58.5	14.5%	▲	60.7	49.7	22.1%
EBIT Margin	10.0%	8.7%	130bps	▲	9.0%	7.4%	160bps
NPAT	34.9	29.0	20.3%	▲	28.0	23.0	21.7%
EPS (basic cents per share)	2.2	1.8	22.2%	▲	1.8	1.5	20.0%

	1H17	1H16	Growth	
Dividend per share (cents)	1.0	0.8	25.0%	▲
Cash from operating activities	99.8	77.8	28.3%	▲
Free cash flow <sup>3</sup>	34.5	18.0	91.7%	▲

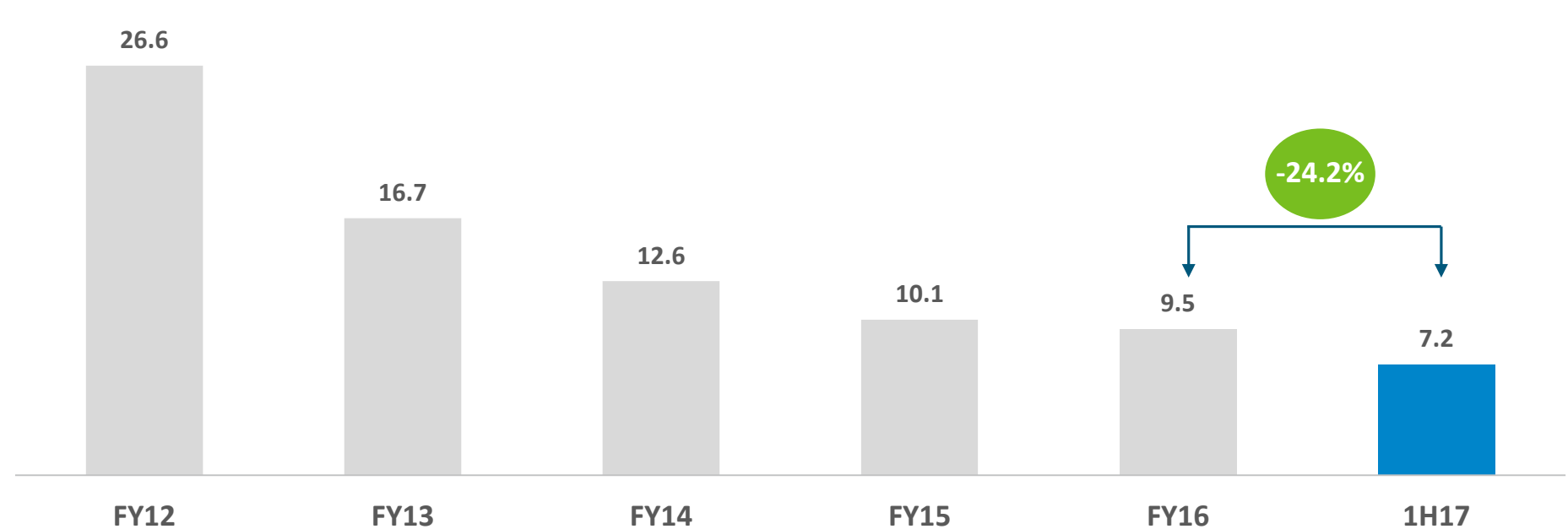
Notes 1: Gross revenue impacted by reduction of \$30.5 million from planned transition to closure of Erskine Park landfill as well as lower Liquids & Industrial Services revenues

2: Net revenue (Gross revenue less landfill levies) impacted by reduction of \$5.7 million from planned transition to closure of Erskine Park landfill as well as lower Liquids & Industrial Services revenues

3: Free cash flow defined as cash from operating activities excluding interest and tax less capital expenditure.

# Safety and Environmental – Our objective is Goal Zero

Total Recordable Injury Frequency Rate



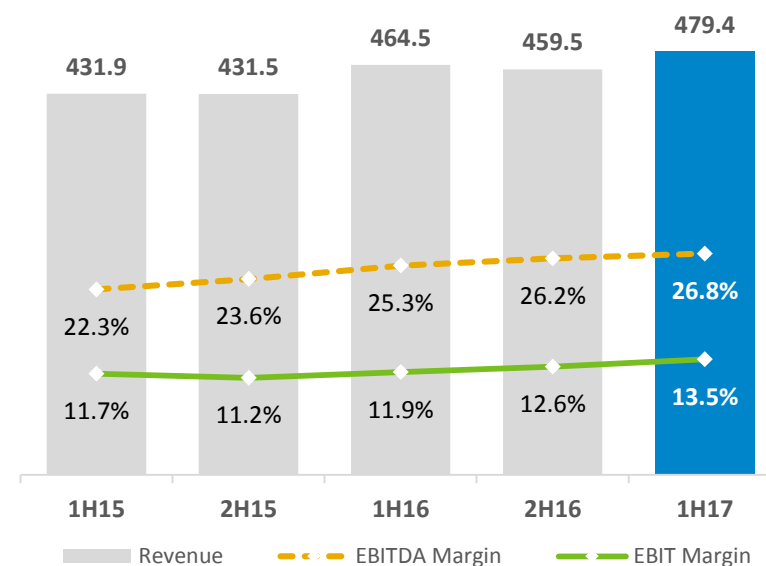
Total recordable injury frequency rate continues to decline as a number of new safety initiatives launched

Safety performance is a key performance measure in short term incentive calculations for all management personnel

No major environmental breaches were reported during the period

# Total Solids Performance

\$million	1H17 <sup>1</sup>	1H16 <sup>1</sup>	Growth
<b>Net revenue<sup>2</sup></b>	<b>479.4</b>	464.5	<b>3.2%</b>
<b>EBITDA</b>	<b>128.7</b>	117.5	<b>9.5%</b>
<b>EBITDA Margin</b>	<b>26.8%</b>	25.3%	<b>150bps</b>
<b>EBIT</b>	<b>64.8</b>	55.5	<b>16.8%</b>
<b>EBIT Margin</b>	<b>13.5%</b>	11.9%	<b>160bps</b>



- ❖ Revenue growth across collections and post collections
- ❖ Post collection results impacted as Erskine Park landfill planned transition to closure but well mitigated by other sites
- ❖ Top line improvement an outcome of market driven actions implemented including increase in sales force
- ❖ Maintaining strong cost disciplines across the business, productivity improvements still work in progress
- ❖ Improvement in quantity and quality of earnings

# Solids – Collections

Cleanaway has the largest solid waste services fleet and widest network across Australia



Largest network of collections vehicles operating from more than 100 depots in Australia



Servicing 90+ municipal councils across the country



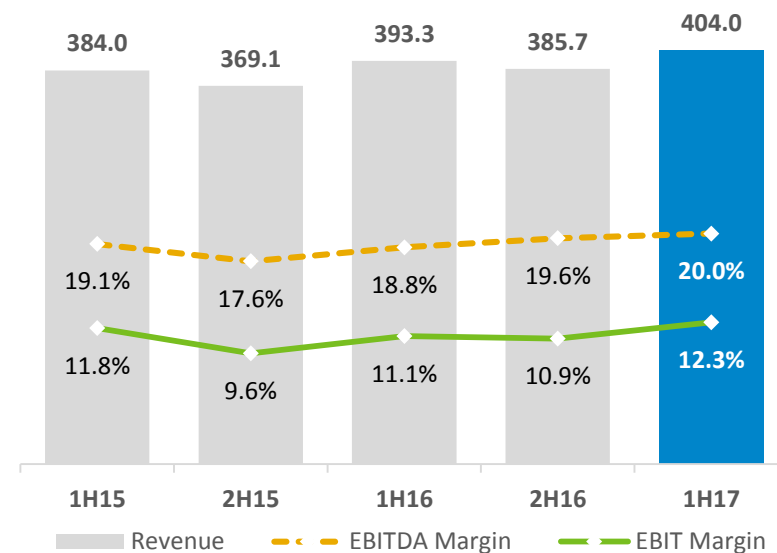
Extensive network of resource recovery facilities in all mainland states of Australia



Material Recycling Facility in Perth – opening May 2017

# Solids – Collections Performance

\$million	1H17 <sup>1</sup>	1H16 <sup>1</sup>	Growth
<b>Net revenue</b>	<b>404.0</b>	393.3	<b>2.7%</b>
<b>EBITDA</b>	<b>81.0</b>	74.1	<b>9.3%</b>
<b>EBITDA Margin</b>	<b>20.0%</b>	18.8%	<b>120bps</b>
<b>EBIT</b>	<b>49.8</b>	43.6	<b>14.2%</b>
<b>EBIT Margin</b>	<b>12.3%</b>	11.1%	<b>120bps</b>



- ❖ Improvement in EBITDA and EBIT margins
- ❖ Volume growth across all major solid waste collection categories
- ❖ Pricing remains under pressure in metropolitan markets and focus on improving pricing a priority
- ❖ Customer churn rates showing improving trend
- ❖ Focus continues on customer service and operational improvements
- ❖ Investing in a number of recycling facilities in Queensland, Victoria and Western Australia. NSW investment to commence in the next 12 months

# Solids – Post Collections

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Cleanaway has one of the strongest post collections asset bases in Australia



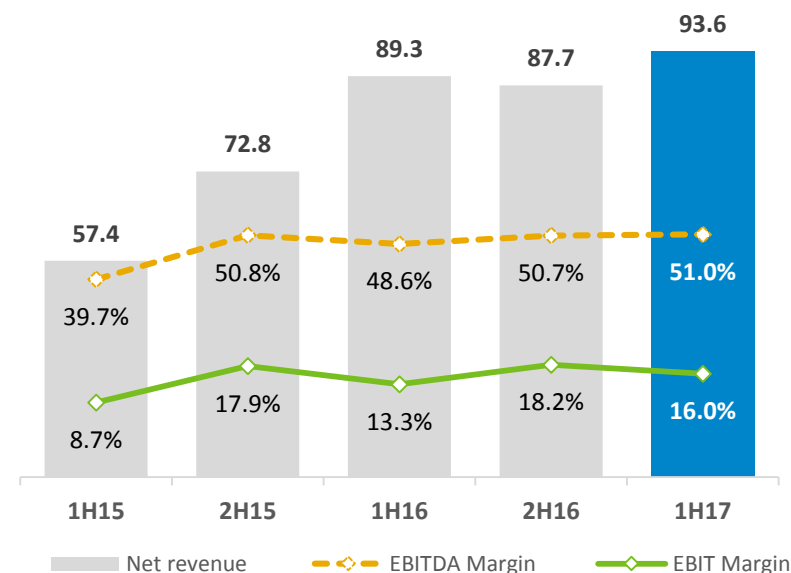
Growing network of transfer stations across the country



Landfill assets located across Australia generating over 120 million m<sup>3</sup> of landfill gas some of which is converted into 145 million kWh of renewable energy, enough to power over 36,000 homes annually

# Solids – Post Collections Performance

\$million	1H17 <sup>1</sup>	1H16 <sup>1</sup>	Growth
Gross revenue	145.7	166.4	(12.4)%
Net revenue (Ex. Landfill levies)	93.6	89.3	4.8%
EBITDA	47.7	43.4	9.9%
<i>EBITDA Margin</i>	<b>51.0%</b>	48.6%	<b>240bps</b>
EBIT	15.0	11.9	26.1%
<i>EBIT Margin</i>	<b>16.0%</b>	13.3%	<b>270bps</b>



- ❖ Improvement in results was achieved after taking into consideration the planned transition to closure of the Erskine Park landfill located in Sydney. Compared to previous corresponding period impact was:
  - Gross revenues \$30.5 million, net revenues \$5.7 million (landfill levies down \$24.8 million) and EBITDA \$3.7 million
- ❖ Landfill volumes, particularly in Queensland and Western Australia increased
- ❖ Construction of the new transfer station in South East Melbourne almost completed, expected to be fully operational by 30 June 2017

# Liquids & Industrial Services

Cleanaway is the largest hydrocarbons recycling business in Australia and a leader in the overall liquids and industrial services market



Collecting and processing 130 million litres of mineral oil, offsetting Australia's annual requirements for oil by 900,000 barrels



Collecting and processing over 600 million litres of hazardous and non-hazardous liquids



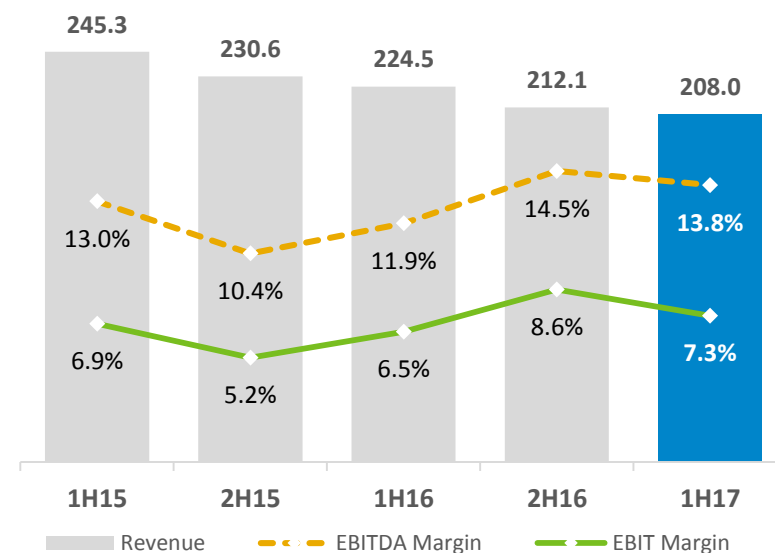
Providing a wide range of environmentally focussed industrial services across the country



Rutherford Refinery

# Liquids & Industrial Services Performance

\$million	1H17 <sup>1</sup>	1H16 <sup>1</sup>	Growth
<b>Net revenue</b>	<b>208.0</b>	224.5	<b>(7.3)%</b>
<b>EBITDA</b>	<b>28.8</b>	26.8	<b>7.5%</b>
<b>EBITDA Margin</b>	<b>13.8%</b>	11.9%	<b>190bps</b>
<b>EBIT</b>	<b>15.1</b>	14.7	<b>2.7%</b>
<b>EBIT Margin</b>	<b>7.3%</b>	6.5%	<b>80bps</b>



- ❖ Revenue decline stabilizing on previous half but results impacted by planned Hydrocarbons refinery shutdowns
- ❖ Selling prices of both base and fuel oil were down
- ❖ Overall market conditions remain challenging although market activity seems to be bottoming
- ❖ Hazardous liquids volumes have shown a slight improvement but pricing remains very competitive
- ❖ Overall performance of the Liquids & Industrial Services segment remains an area for continuing further improvement and a key priority

# Statutory Profit Reconciliation to Underlying Profit

\$ million	1H17
<b>Statutory Profit After Income Tax (Attributable to Ordinary Equity Holders)</b>	<b>28.0</b>
After tax adjustments:	
Costs associated with restructuring	2.0
Costs associated with rebranding	1.0
Acquisition costs	3.4
Remediation and rectification related costs	0.3
Net finance costs	0.2
<b>Total underlying adjustments</b>	<b>6.9</b>
<b>Underlying Profit After Income Tax (Attributable to Ordinary Equity Holders)</b>	<b>34.9</b>

# Cash Flow

\$million	1H17	1H16
Receipts from customers	772.8	741.6
Payments to suppliers and employees	(638.2)	(632.0)
Remediation of landfills	(20.3)	(14.7)
Underlying adjustments	(5.5)	(6.9)
Net interest paid	(9.0)	(10.0)
Income taxes paid	—	(0.2)
<b>Cash from Operating Activities</b>	<b>99.8</b>	<b>77.8</b>
Capital expenditure	(74.3)	(70.0)
Payments for purchases of businesses and non-controlling interest <sup>1</sup>	(29.3)	(7.0)
Net proceeds from asset sales	0.5	1.9
Dividends received from equity accounted investments	0.2	1.4
<b>Cash used in Investing Activities</b>	<b>(102.9)</b>	<b>(73.7)</b>
Proceeds from borrowings	30.0	10.0
Repayment of borrowings and borrowing costs	(20.6)	(5.1)
Payment of dividend to ordinary equity holders	(10.1)	(10.7)
<b>Cash used in Financing Activities</b>	<b>(0.7)</b>	<b>(5.8)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3.8)</b>	<b>(1.7)</b>

❖ Cash from operating activities up 28.3%

❖ Ratio of cash flow from operating activities to underlying EBITDA 90% (pcp: 80%)<sup>2</sup>

❖ Free cash flow up 91.7% to \$34.5 million<sup>3</sup>

Group Debt	1H17	1H16
Net Debt (\$m)	\$326.1	\$325.1
Net Debt/EBITDA	1.11x	1.32x

Notes:

1: Includes MRL fixed payments

2: Calculated as cash from operating activities before remediation of landfills, underlying adjustments, net interest and tax divided by underlying EBITDA before share of profits from equity accounted investments

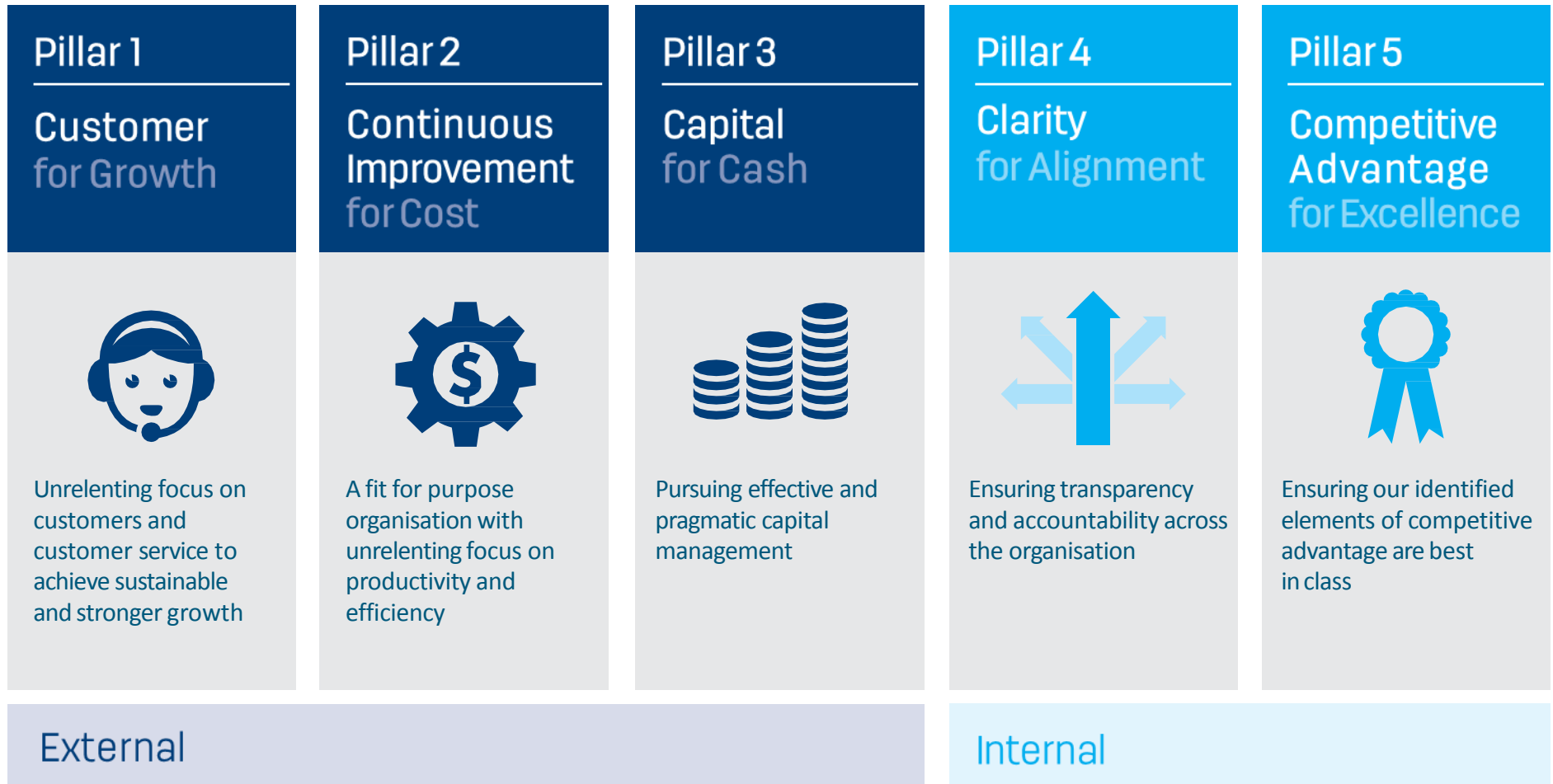
3: Free cash flow defined as cash from operating activities excluding interest and tax less capital expenditure

# Balance Sheet

\$million	31 Dec 2016	30 June 2016	31 Dec 2015
<b>ASSETS</b>			
Cash and cash equivalents	44.5	48.3	35.3
Trade and other receivables	246.2	224.3	230.5
Inventories	15.7	16.7	16.2
Property, plant and equipment	898.9	897.1	871.4
Assets held for sale	15.3	8.8	6.6
Intangible assets	1,560.9	1,544.0	1,540.9
Other assets	168.5	170.6	183.1
<b>Total Assets</b>	<b>2,950.0</b>	<b>2,909.8</b>	<b>2,884.0</b>
<b>LIABILITIES</b>			
Trade and other payables	190.0	178.8	165.3
Landfill remediation provision	334.5	374.1	379.1
Borrowings	370.6	359.4	360.4
Deferred settlement liability	80.2	79.9	85.5
Liabilities held for sale	27.9	—	—
Other liabilities	148.3	136.1	125.9
<b>Total Liabilities</b>	<b>1,151.5</b>	<b>1,128.3</b>	<b>1,116.2</b>
<b>Net Assets</b>	<b>1,798.5</b>	<b>1,781.5</b>	<b>1,767.8</b>

- ❖ Landfill remediation provision reduction primarily reflects the transfer to liabilities held for sale and remediation and rectification payments made during the half offset by the unwinding of the discount
- ❖ Deferred settlement liability mainly represents annual fixed payments relating to the Melbourne Regional Landfill discounted to present value
- ❖ Liabilities held for sale represent rectification and remediation provisions attached to the sale of closed landfills in Melbourne

# Strategy is underpinned by five key pillars

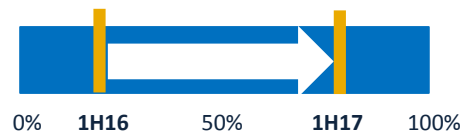




# Customers for Growth

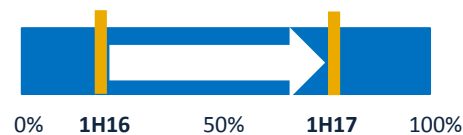
## Initiatives producing results

### Target market verticals



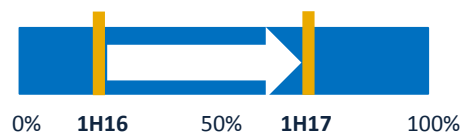
- ❖ Sales structures by market verticals fully operational
- ❖ We are maturing in our Go to Market to a more segmented approach especially in the solids business
- ❖ Increasing sales productivity across the board remains an area of focus

### Organic volume growth



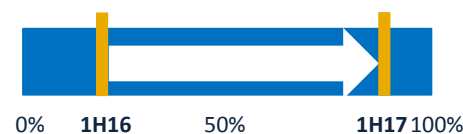
- ❖ Customer churn rates show improving trend
- ❖ Increased new business levels over prior corresponding period
- ❖ Further marketing and sales initiatives developed – better mix of pull/push

### Inorganic growth



- ❖ \$23.5 million spent on four bolt on acquisitions during the half
- ❖ \$2.5 million on the acquisition of minority interest in the Rutherford hydrocarbons refinery
- ❖ Further small to medium sized acquisitions identified

### Single branding



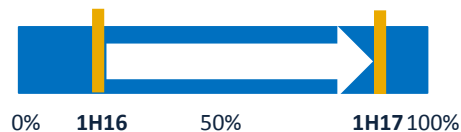
- ❖ \$1.4 million costs incurred in 1H17
- ❖ Approximately \$5.0 million in total to be incurred in FY17
- ❖ Branding will be completed by December 2017, six months ahead of schedule



# Continuous Improvement for Cost

By 30 June 2017, \$30 million pa in permanent cost reductions will be achieved

## Fit for purpose organisation



- ❖ Implementation of 1ERP platform completed
- ❖ Corporate office streamlined and operational decision making decentralised in line with operating model
- ❖ Organisation on journey from silo to collaborative way of working
- ❖ Positive impact on net cost base

## Procurement led cost reduction



- ❖ Negotiations continue with suppliers across all areas of discretionary spending
- ❖ New procure to pay process installed, full deployment still in progress
- ❖ Remains area of focus in 2H17 and beyond

## Productivity agenda

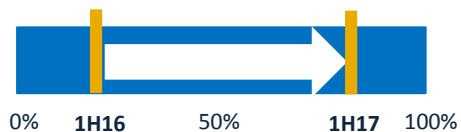


- ❖ Fleet utilisation and maintenance improvements
- ❖ Reducing the level of high cost agency labour and rationalisation of loss making branches will continue into FY17
- ❖ Site rationalisation where applicable under one common brand will continue through FY17 for improved customer service and productivity

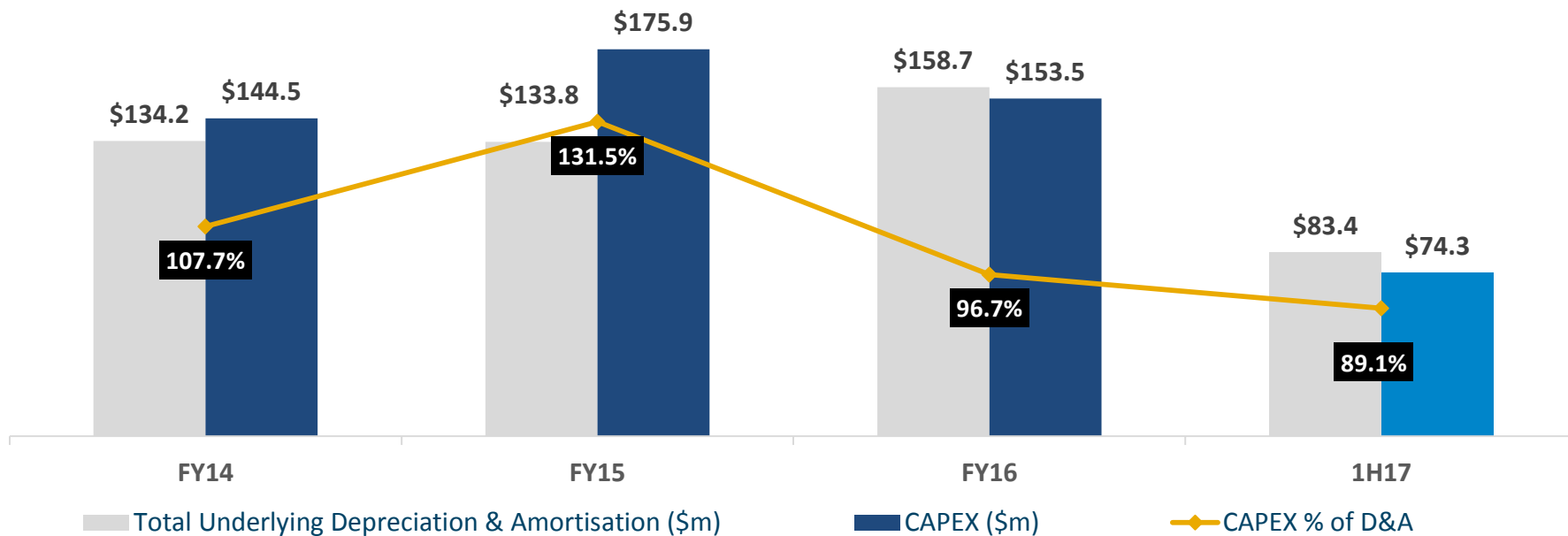


## Capital for Cash – Capital Expenditure

### Reducing our capital intensity



- ❖ Maintaining spending below underlying depreciation & amortisation
- ❖ Average age of fleet relatively low with improved spending controls
- ❖ FY17 underlying D&A expense expected to be ~ \$160 - \$165 million
- ❖ FY17 capital expenditure spending will remain lower than D&A



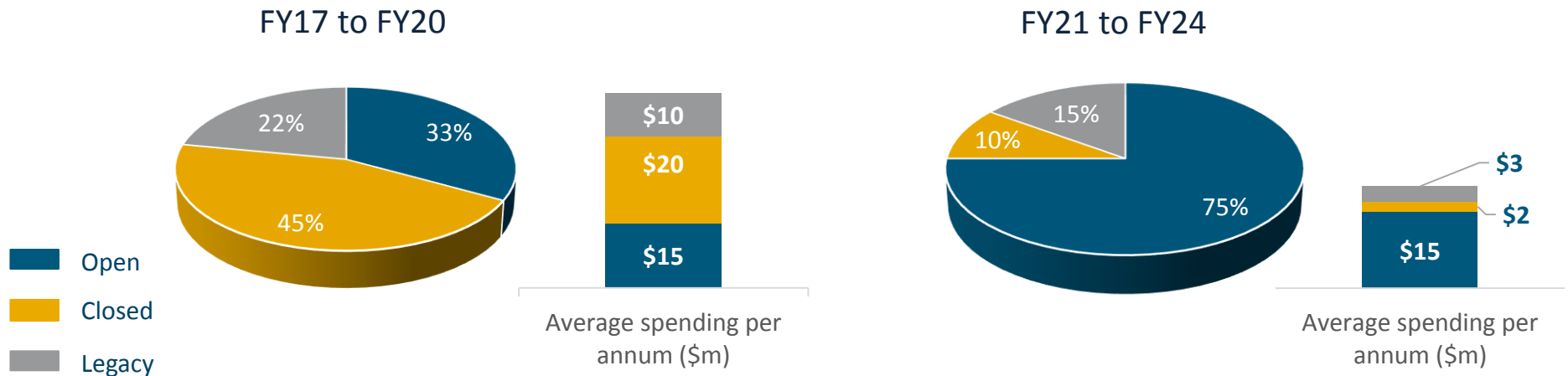


## Capital for Cash – Landfill Remediation

### Sale of closed landfills Brooklyn, Melbourne

- ❖ Announced 31 January 2017 and forecast to generate a pre-tax profit of approximately \$20-\$22 million in 2H17
- ❖ Profit comprises release of rectification and remediation provisions partially offset by the book value of site assets transferred to the buyer
- ❖ Will reduce spending on rectification and remediation by approximately \$20 million over next six years

### Forecast Landfill Rectification and Remediation Spending

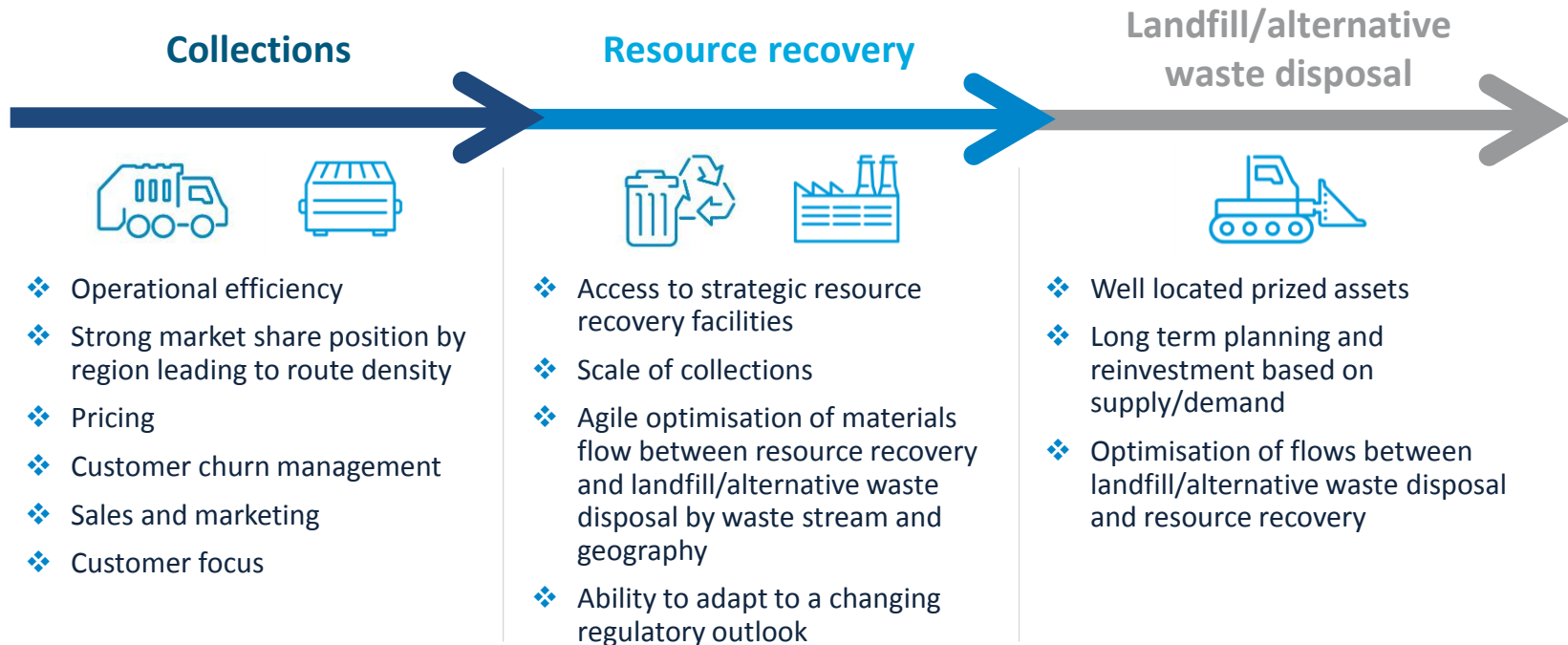


Note 1: Legacy spending represents rectification costs identified following reviews conducted by management and landfill consultants in 2014

Note 2: Closed spending represents remediation costs where the site is no longer receiving waste and has reached final capacity or management have elected not to continue further development or operations

# Cleanaway Footprint 2025

To achieve our 2025 strategic vision, we will extract maximum value through the value chain



Investing in the right 'package' of assets for us to compete effectively and extract maximum returns across the value chain

# Priorities and FY17 Outlook

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## Priorities

- ❖ Improve Liquids & Industrial Services revenue performance
- ❖ Foster a culture of premium customer service and continuous improvement
- ❖ Focus on pricing performance – both core price and yield
- ❖ Improve operational effectiveness, productivity, asset utilisation to improve Gross Margin
- ❖ Continue the progress we are making on all strategic initiatives

## FY17 Outlook

- ❖ The earnings outlook for the remainder of FY17 remains unchanged with both our Solids and Liquids & Industrial Services segments expected to report increased EBITDA earnings for the year, and overall, in line with current market expectations

# Appendices

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# Segment Performance Summary

\$million	Net Revenue <sup>1</sup>			Underlying EBITDA			Underlying EBIT		
Segments	1H17	1H16	Growth	1H17	1H16	Growth	1H17	1H16	Growth
Solids – Collections	404.0	393.3	2.7%	81.0	74.1	9.3%	49.8	43.6	14.2%
Solids – Post Collections	93.6	89.3	4.8%	47.7	43.4	9.9%	15.0	11.9	26.1%
Intra-segment sales	(18.2)	(18.1)	N/A	—	—	—	—	—	—
<b>Total Solids</b>	<b>479.4<sup>1</sup></b>	<b>464.5<sup>1</sup></b>	<b>3.2%</b>	<b>128.7</b>	<b>117.5</b>	<b>9.5%</b>	<b>64.8</b>	<b>55.5</b>	<b>16.8%</b>
<b>Liquids &amp; Industrial Services</b>	<b>208.0</b>	<b>224.5</b>	<b>(7.3)%</b>	<b>28.8</b>	<b>26.8</b>	<b>7.5%</b>	<b>15.1</b>	<b>14.7</b>	<b>2.7%</b>
Equity accounted investments	—	—	—	0.4	0.4	—	0.4	0.4	—
Corporate & Other	0.2	—	N/A	(7.5)	(7.5)	—	(13.3)	(12.1)	(9.9%)
Inter-segment sales	(15.2)	(19.3)	N/A	—	—	—	—	—	—
<b>Total Cleanaway Group</b>	<b>672.4<sup>1</sup></b>	<b>669.7<sup>1</sup></b>	<b>0.4%</b> ▲	<b>150.4</b>	<b>137.2</b>	<b>9.6%</b> ▲	<b>67.0</b>	<b>58.5</b>	<b>14.5%</b> ▲

# Group Income Statement – Statutory and Underlying Results

\$million	Statutory Results			Underlying Adjustments		Underlying Results		
	1H17	1H16	Growth	1H17	1H16	1H17	1H16	Growth
<b>Sales revenue external and other revenue (Gross Revenue)</b>	<b>724.5</b>	746.8	<b>(3.0)%</b>	—	—	<b>724.5</b>	746.8	<b>(3.0)%</b>
Share of profits in equity accounted investments	<b>0.4</b>	0.4	—	—	—	<b>0.4</b>	0.4	—
Expenses (net of other income)	<b>(574.9)</b>	(618.8)	7.1%	<b>0.4</b>	8.8	<b>(574.5)</b>	(610.0)	5.8%
<b>Total EBITDA</b>	<b>150.0</b>	128.4	<b>16.8%</b>	<b>0.4</b>	8.8	<b>150.4</b>	137.2	<b>9.6%</b>
Depreciation and amortisation	<b>(89.3)</b>	(78.7)	(13.5)%	<b>5.9</b>	—	<b>(83.4)</b>	(78.7)	(6.0)%
<b>Total EBIT</b>	<b>60.7</b>	49.7	<b>22.1%</b>	<b>6.3</b>	8.8	<b>67.0</b>	58.5	<b>14.5%</b>
Net cash interest expense	<b>(9.4)</b>	(9.9)	5.0%	—	—	<b>(9.4)</b>	(9.9)	5.0%
Non-cash finance costs	<b>(7.8)</b>	(7.7)	(1.3)%	—	—	<b>(7.8)</b>	(7.7)	(1.3)%
Changes in fair value of derivatives and USPP borrowings	<b>(0.3)</b>	0.2	—	<b>0.3</b>	(0.2)	—	—	—
<b>Profit before income tax</b>	<b>43.2</b>	32.3	<b>33.7%</b>	<b>6.6</b>	8.6	<b>49.8</b>	40.9	<b>21.8%</b>
Income tax (expense)/benefit	<b>(15.2)</b>	(9.7)	(56.7)%	<b>0.3</b>	(2.6)	<b>(14.9)</b>	(12.3)	(21.1)%
<b>Profit after income tax</b>	<b>28.0</b>	22.6	<b>23.9%</b>	<b>6.9</b>	6.0	<b>34.9</b>	28.6	<b>22.0%</b>
Non-controlling interest	—	0.4	N/A	—	—	—	0.4	N/A
<b>Attributable profit after income tax</b>	<b>28.0</b>	23.0	<b>21.7%</b>	<b>6.9</b>	6.0	<b>34.9</b>	29.0	<b>20.3%</b>
Weighted average number of shares	<b>1,588.8</b>	1,581.6	N/A	—	—	<b>1,588.8</b>	1,581.6	N/A
<b>Basic earnings per share (cents)</b>	<b>1.8</b>	1.5	<b>20.0%</b>	<b>0.4</b>	0.3	<b>2.2</b>	1.8	<b>22.2%</b>

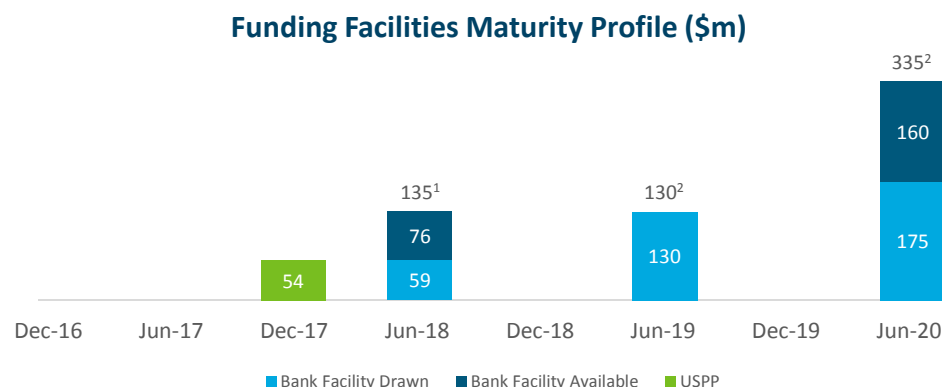
# Capital Structure – Net Finance Costs

\$ million	Statutory		Underlying	
	1H17	1H16	1H17	1H16
<b>Cash interest expense</b>				
Bank interest	5.1	5.7	5.1	5.7
Commitment and Guarantee fees	1.4	1.4	1.4	1.4
USPP Notes	3.1	3.1	3.1	3.1
Interest received	(0.2)	(0.3)	(0.2)	(0.3)
<b>Net cash interest expense</b>	<b>9.4</b>	<b>9.9</b>	<b>9.4</b>	<b>9.9</b>
<b>Non-cash finance costs</b>				
Amortisation of borrowing costs	0.2	0.6	0.2	0.6
Unwinding of discount on landfill remediation provision	4.6	3.9	4.5	3.9
Unwinding of discount on MRL fixed payments	3.0	3.2	3.1	3.2
<b>Total non-cash finance costs</b>	<b>7.8</b>	<b>7.7</b>	<b>7.8</b>	<b>7.7</b>
<b>Changes in fair value</b>				
Foreign currency exchange loss on USPP borrowings	1.6	3.3	—	—
Change in fair value of derivatives related to USPP borrowings	(1.3)	(3.5)	—	—
<b>Total changes in fair value</b>	<b>0.3</b>	<b>(0.2)</b>	<b>—</b>	<b>—</b>
<b>Total net finance costs</b>	<b>17.5</b>	<b>17.4</b>	<b>17.2</b>	<b>17.6</b>

# Capital Structure – Debt

\$ million	31 Dec 16	30 Jun 16	31 Dec 15
Current interest bearing liabilities	66.6	0.8	0.7
Non-current interest bearing liabilities	304.0	358.6	359.7
<b>Gross Debt</b>	<b>370.6</b>	359.4	360.4
Cash and cash equivalents	(44.5)	(48.3)	(35.3)
<b>Net Debt</b>	<b>326.1</b>	311.1	325.1
<b>Gearing ratio</b>	<b>15.3%</b>	14.9%	15.5%

- ❖ Net debt to underlying EBITDA ratio 1.11x (30 June 2016: 1.11x)
- ❖ At 31 December 2016 the Group had \$241.0 million of headroom under existing banking facilities
- ❖ Average debt maturity at 31 December 2016 is 3.0 years (30 June 2016: 3.5 years)
- ❖ Increase in current borrowings relates to the USPP notes which mature in December 2017. The Group has sufficient unutilised debt facilities available to repay the USPP notes



Notes 1: The Working Capital drawn mainly comprises bank guarantees  
 2: Facilities pending extension to July-20 and July-21

# Reconciliation of Divisional Results to Statutory Segment Disclosures

\$ million	Solids Collections	Solids Post Collections	Eliminations – Solids	Total Solids	Total Liquids & Ind Serv	Equity Accounted Investments	Corporate & Other	Eliminations – Group	GROUP
<b>Revenue</b>									
Sales of goods and services	397.2	121.0	—	518.2	189.7	—	—	—	707.9
PSO benefits	—	—	—	—	6.8	—	—	—	6.8
Other revenue	3.5	5.3	—	8.8	0.8	—	0.2	—	9.8
Internal sales	3.3	19.4	(18.2)	4.5	10.7	—	—	(15.2)	—
<b>Gross Revenue</b>	<b>404.0</b>	<b>145.7</b>	<b>(18.2)</b>	<b>531.5</b>	<b>208.0</b>	<b>—</b>	<b>0.2</b>	<b>(15.2)</b>	<b>724.5</b>
<b>Underlying EBITDA</b>	<b>81.0</b>	<b>47.7</b>	<b>—</b>	<b>128.7</b>	<b>28.8</b>	<b>0.4</b>	<b>(7.5)</b>	<b>—</b>	<b>150.4</b>
Depreciation and amortisation	(31.2)	(32.7)	—	(63.9)	(13.7)	—	(5.8)	—	(83.4)
<b>Underlying EBIT</b>	<b>49.8</b>	<b>15.0</b>	<b>—</b>	<b>64.8</b>	<b>15.1</b>	<b>0.4</b>	<b>(13.3)</b>	<b>—</b>	<b>67.0</b>