



## **Macquarie Securities 2017 Australia Conference**

**Vik Bansal - CEO and Managing Director**

ASX: CWY

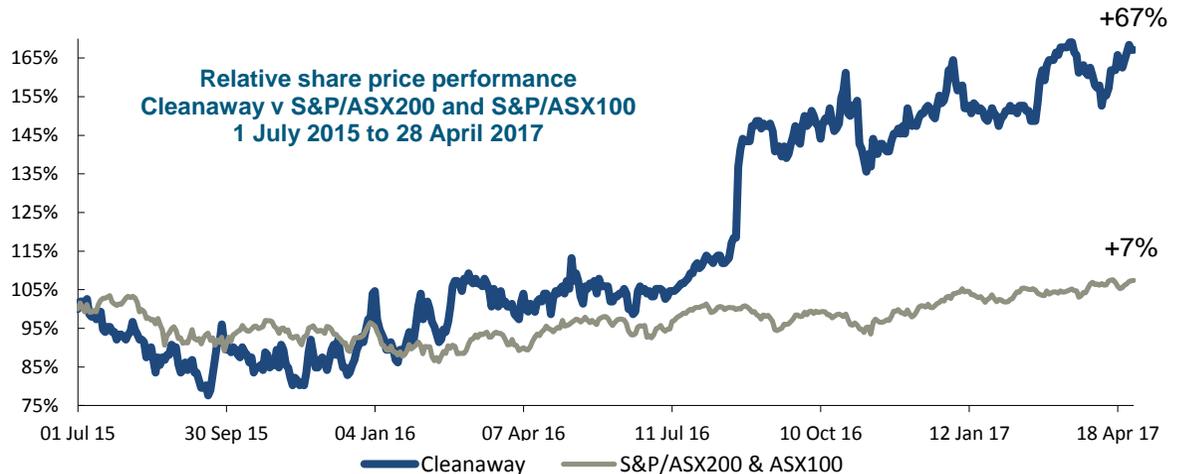
3 May 2017

# Australia's leading total waste management services company

## Increasing shareholder returns by:

- ❖ Making a sustainable future possible for all stakeholders – customers, employees and investors
- ❖ Growing top line organically
- ❖ Maintaining a “fit for purpose” organisation and operating cost discipline
- ❖ Drive operating leverage in a typical well run waste business
- ❖ Increasing cash flow
- ❖ Investing in well positioned prized infrastructure assets across the country

ASX Code: CWY  
Share price: \$1.27  
(28 April 2017)  
Market Capitalisation: \$2.02 billion  
Index: S&P ASX200



# Largest scale and leverage in the waste value chain in Australia



- ❖ Serving over 100,000 Commercial and Industrial customers
- ❖ 90+ Municipal contracts serving over 2 million residences per week
- ❖ ~600 million litres of waste liquids
- ❖ ~130 million litres of waste oil



- ❖ Generating over 145m kWh of renewable energy each year
- ❖ Recycling per annum
  - ~230,000 tonnes of cardboard
  - ~11,000 tonnes of plastic packaging
  - ~22,000 tonnes of steel
  - ~ 110 million litres of fuel and base oil



- ❖ Increasing network of landfill and transfer stations across the country



# Our journey from 'good to great' is underpinned by five strategic pillars and we are making progress on our journey



**Pillar 1**

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**Customer for Growth**

- ❖ Segmented sales structure operational – early signs of organic growth
- ❖ Customer churn rates down, new business levels up
- ❖ Small to medium sized acquisitions identified and being progressed
- ❖ Branding will be completed six months ahead of schedule

**Pillar 2**

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**Continuous Improvement for Cost**

- ❖ \$30 million in permanent cost reductions achieved
- ❖ 1ERP platform operational
- ❖ Procure to Pay Software platform being deployed
- ❖ Fleet Operating Management System being deployed
- ❖ Fleet standardization and national oversight

**Pillar 3**

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**Capital for Cash**

- ❖ Maintaining capital expenditure spending below D&A
- ❖ Landfill rectification and remediation being tightly managed
- ❖ Capital disciplined but not constrained

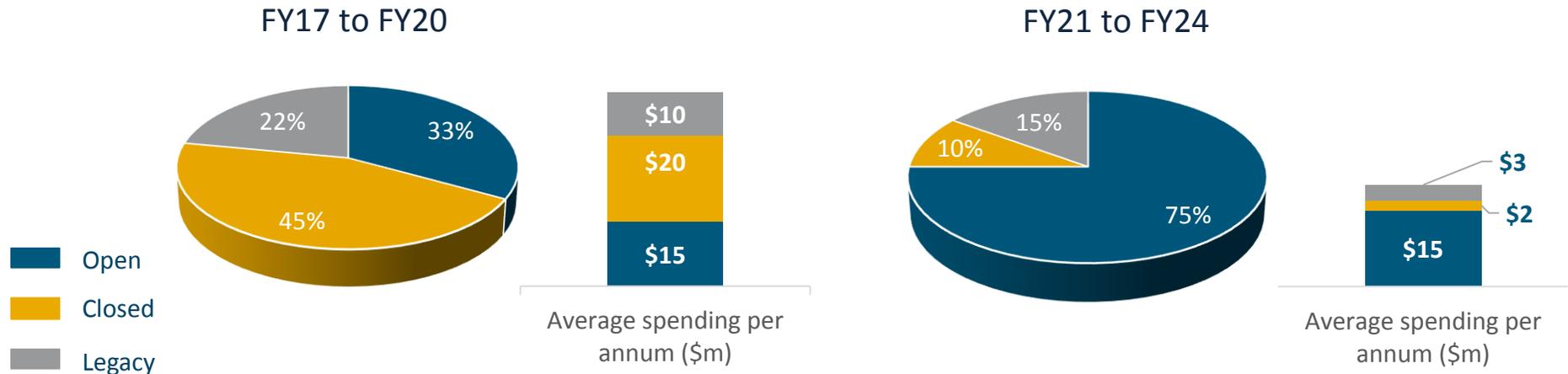


## Capital for Cash – Landfill Remediation and rectification

### Sale of closed landfills Brooklyn, Melbourne

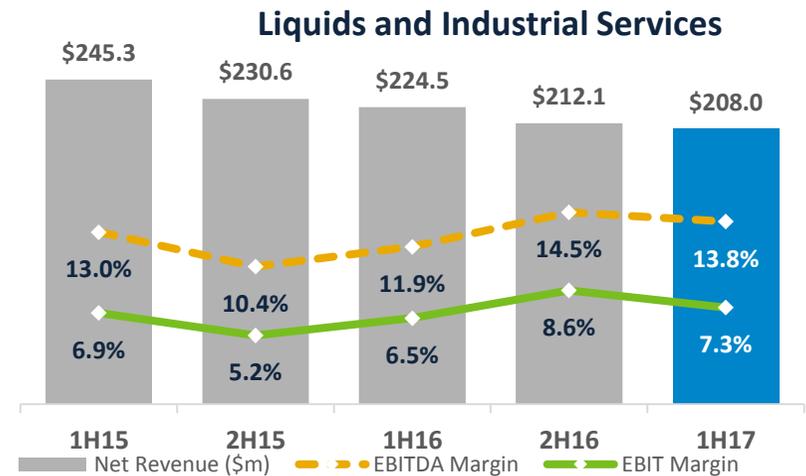
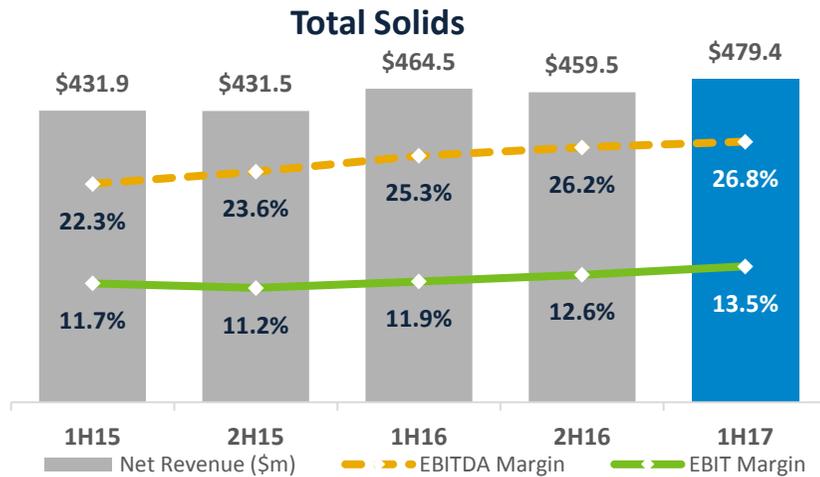
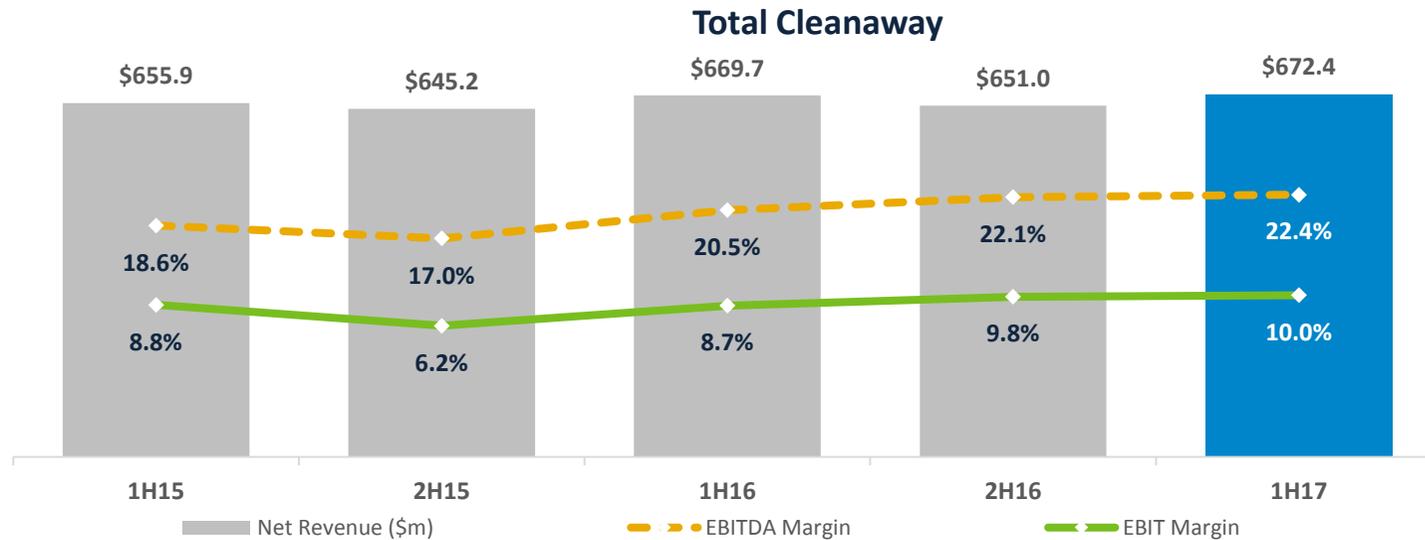
- ❖ Forecast to generate a pre-tax profit of approximately \$20-\$22 million in 2H17 – As announced on 31<sup>st</sup> Jan 2017
- ❖ Profit comprises release of rectification and remediation provisions partially offset by the book value of site assets transferred to the buyer
- ❖ Will reduce spending on rectification and remediation by approximately \$20 million over next six years

### Forecast Landfill Rectification and Remediation Spending

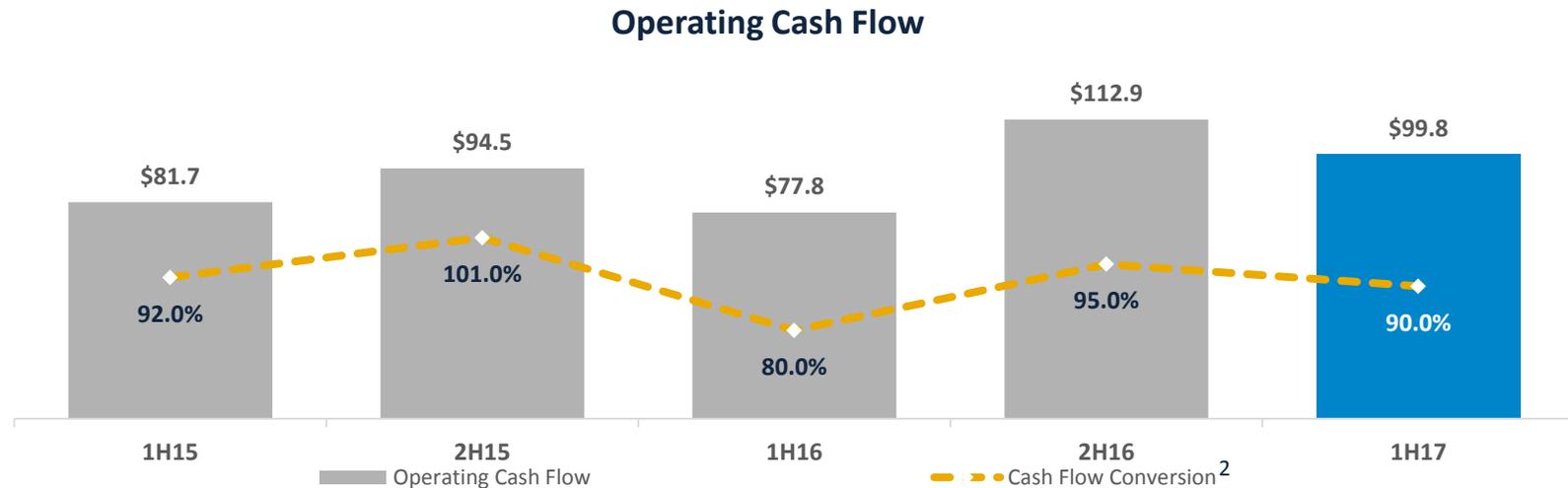
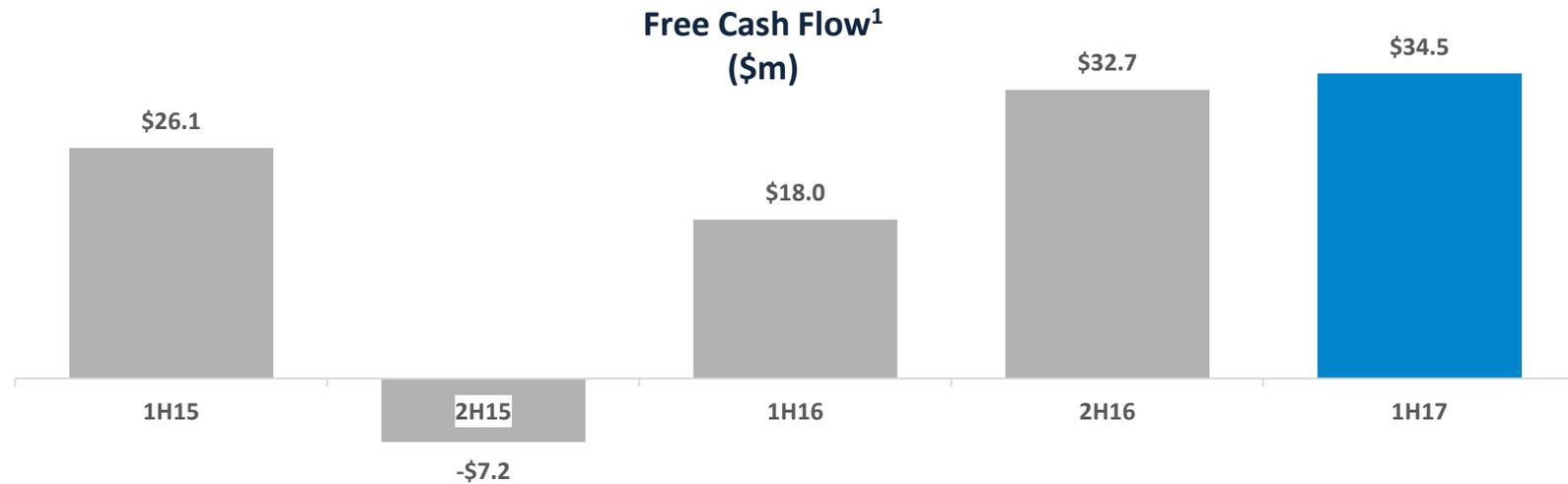


Note 1: Legacy spending represents rectification costs identified following reviews conducted by management and landfill consultants in 2014

# An improving operational performance..... LIS turnaround WIP



# Improving free and operating cash flow generation



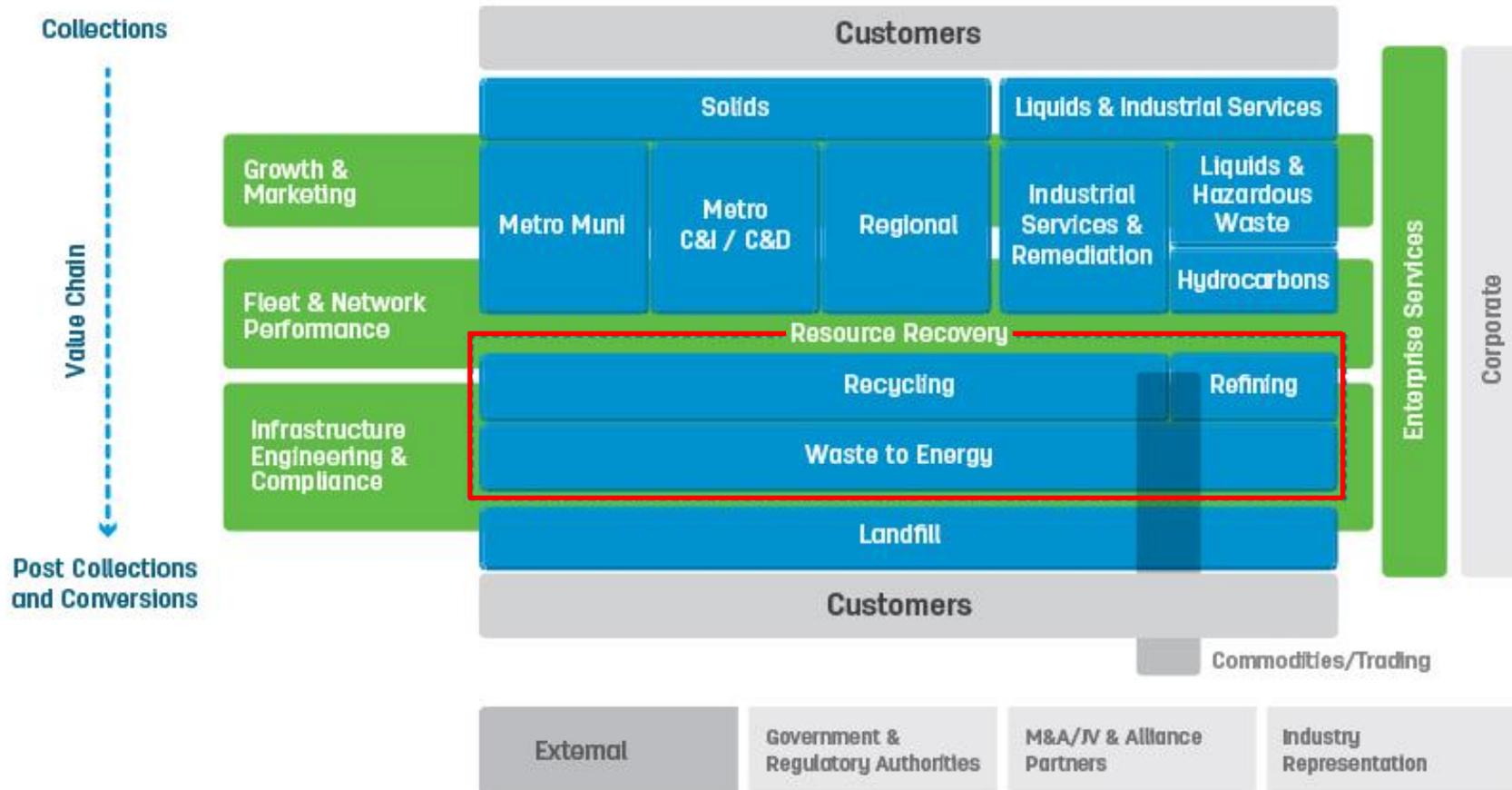
Note 1: Free Cash Flow defined as cash from operating activities excluding interest and tax less capital expenditure

Note 2: Calculated as cash from operating activities before remediation of landfills, underlying adjustments, net interest and tax divided by underlying EBITDA

# ***Footprint 2025***

*Developing a nationwide footprint of key infrastructure assets in resource recovery*

# Our Strategy, Structure and Focus is aligned with Our Value Operating Model



# The case for resource recovery is strengthening and this trend will only accelerate



## Policy changes

- ❖ State Government **diversion targets** are progressively increasing
- ❖ State governments have been **increasing levies** in recent years as an economic incentive for diversion
- ❖ This trend is expected to continue although each state is at different points of diversion maturity



## Customer requirements

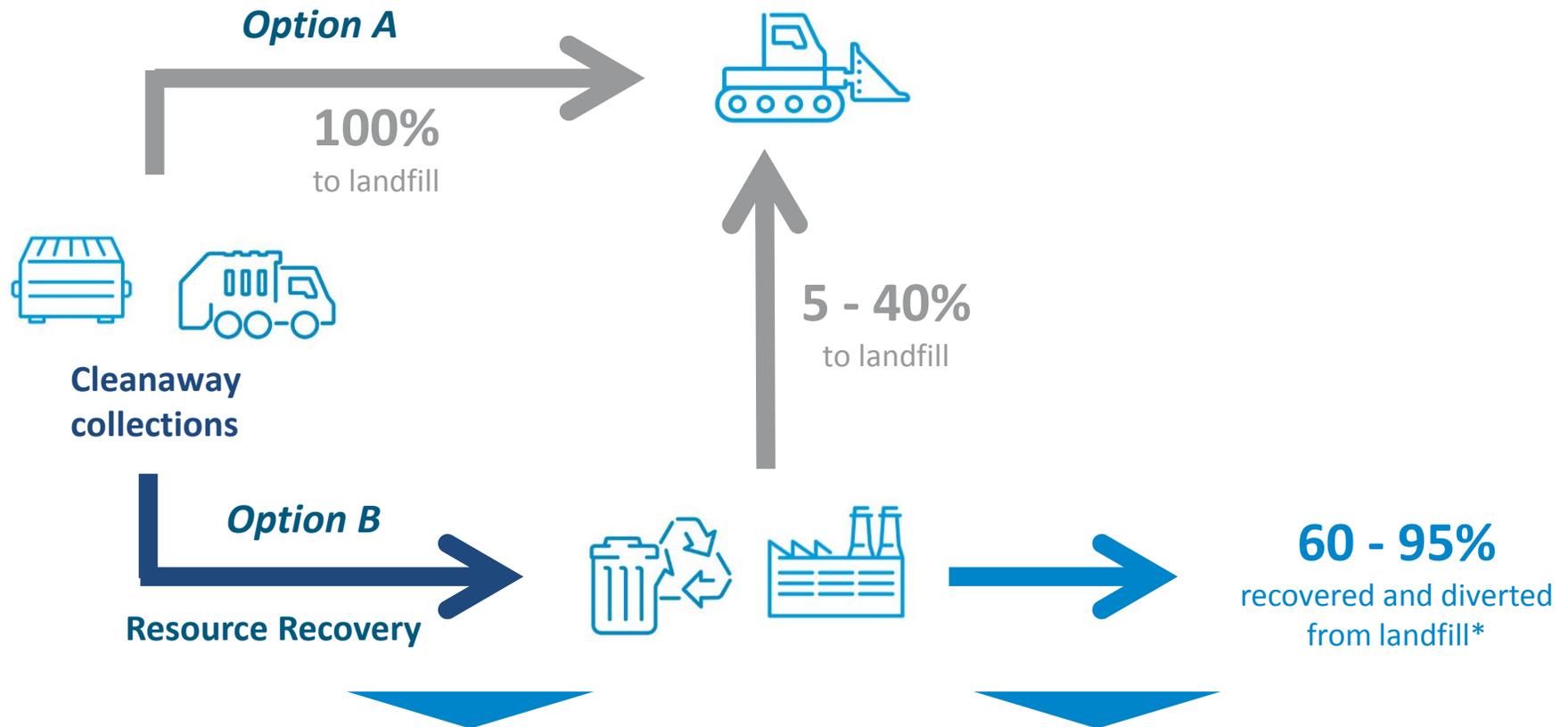
- ❖ Large customers increasingly sensitive to increased recycling
- ❖ Council groups are increasingly focussing on the **capability** of waste collection companies within Post Collections when awarding municipal contracts



## Landfill consolidation & gate fees

- ❖ Trend towards **fewer, larger landfills** and regulators reluctant to support development of major new landfills
- ❖ Landfill gate **fees are high and continue to rise** driven by levy increases and underlying price growth
- ❖ Waste companies without their own landfill capacity will increasingly look for resource recovery alternatives to **avoid paying away** a large part of profits

## The value of resource recovery can be quantified in a “diversion prize” metric



The “diversion prize” is the commodity value plus the landfill cost avoided minus cost of resource recovery – Higher landfill prize creates economic impetus as commodity price can be volatile

# The diversion prize varies by geography



## Geography drivers

### Landfill gate fees



Underlying gate fees vary significantly by state

Gate rates generally rising at CPI plus

### Levy



Large differences in levies by state

Several states have seen large increases recently

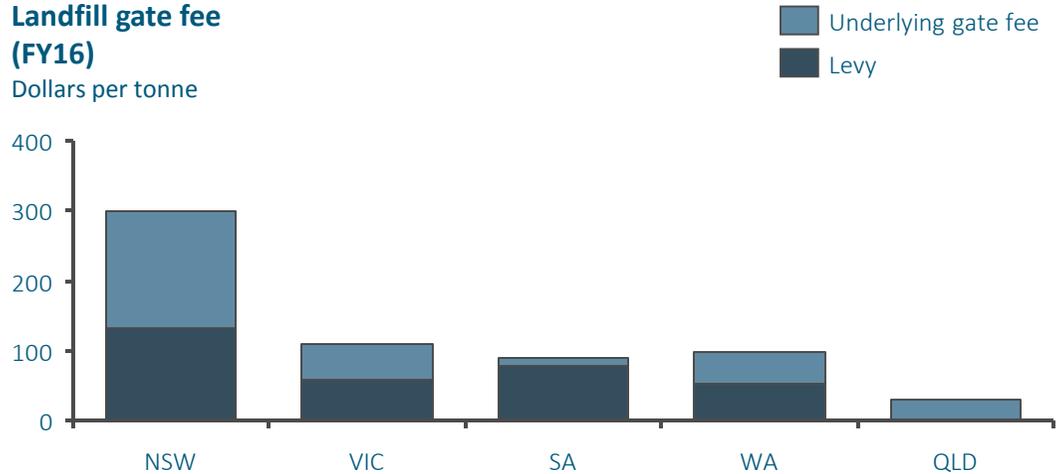
### Legislation



Government legislation, such as container deposit schemes, also drive diversion prize

### Landfill gate fee (FY16)

Dollars per tonne



### Landfill levy (FY12-17)

Dollars per tonne

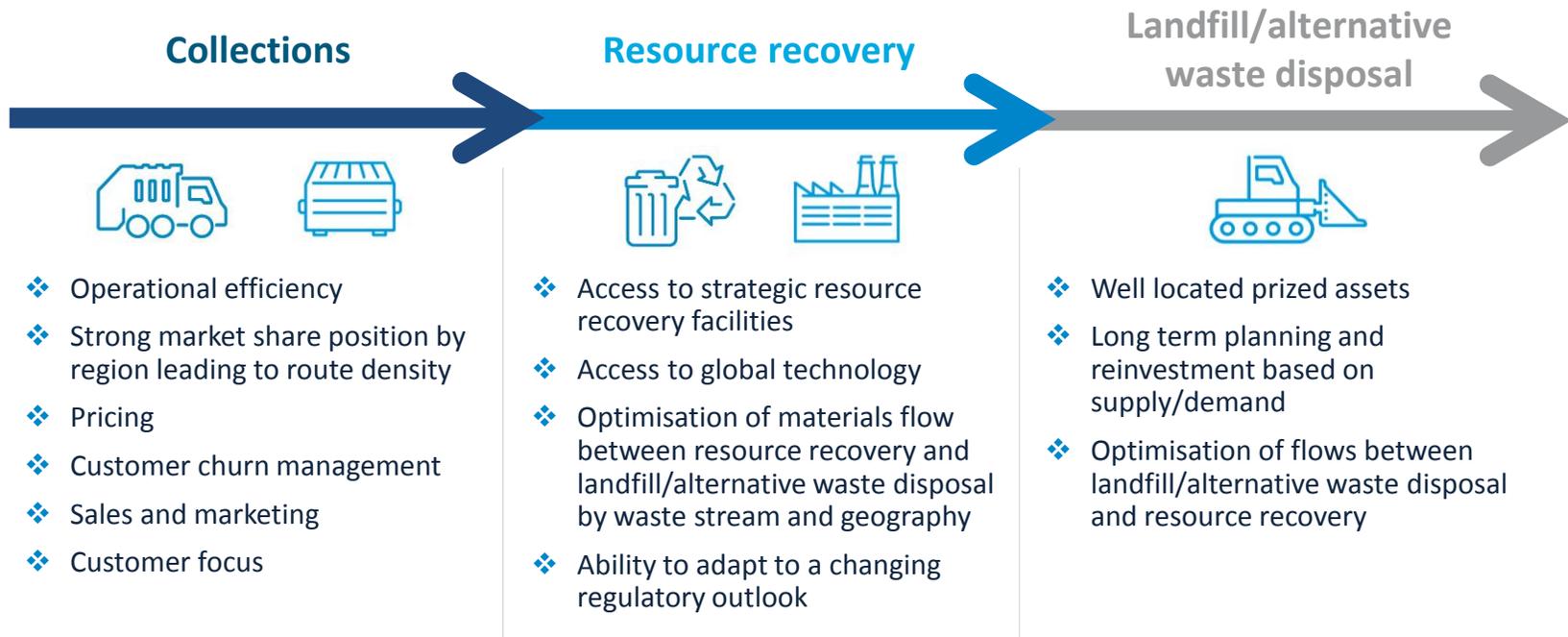


# There is a wide range of proven technologies for cost effective resource recovery of various waste streams

Key Technologies		Mixed Solid Waste	Organics	Commingled recycling	C&I – dry inert	C&D
Sorting and Recycling 	C&I / C&D Material Recycling Facility			✓	✓	✓
	Clean Material Recycling Facility			✓	✓	
	Dirty Material Recycling Facility	✓				
	Mechanical and biological treatment	✓				
Composting 	Windrow composting		✓			
	Gore/tunnel composting	✓	✓			
	Soil injection	✓	✓			
	Anaerobic digestion	✓	✓			
Waste to Energy 	Landfill gas	✓	✓			
	Refuse derived fuel	✓	✓	✓	✓	
	Incineration	✓	✓	✓	✓	
	Gasification	✓	✓	✓	✓	
	Pyrolysis	✓	✓	✓	✓	

# Footprint 2025

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



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

# Cleanaway prized infrastructure assets completed or in planning stages

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## Queensland

- ❖ New Paper Recycling facility
- ❖ Exploring options for putrescible landfill

## Victoria

- ❖ Biogas generation increase at MRL
- ❖ EPA Works Approval received for MRL licence extension
- ❖ Transfer station in South-East Melbourne
- ❖ Material Recycling Facilities under review

## New South Wales

- ❖ Transfer Station and Material Recycling Facility in Western Sydney
- ❖ Waste to energy options under review

## Western Australia

- ❖ Material Recycling Facility and Transfer Station in Perth

## South Australia

- ❖ Consolidation of landfills
- ❖ Expansion of Transfer Station network



*Making a sustainable future possible*

## In closing

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- ❖ Our journey is in line with our commitments – Our Vision, Our Operating Model, Our 5Cs, and our understanding of the competitive landscape which will continue to evolve
- ❖ Improvements are being achieved across the Company along a number of key metrics
- ❖ Footprint 2025 strategies are in place and being acted upon
- ❖ Confident that we will leverage our scale and continue to increase shareholder value