



Pitched by: Hamish Marsden

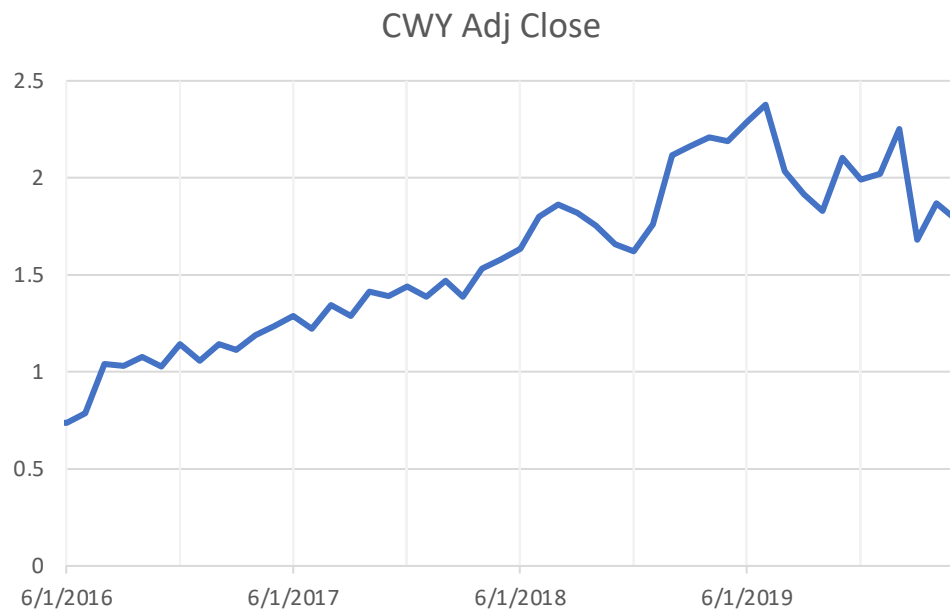


An Introduction

- Cleanaway

An Introduction

Cleanaway Share Price



Metrics

Current price (04/05/2020)	\$1.78	Market cap	\$3.58B
52 week range	\$1.4 - \$2.52	Enterprise value	\$4.19B
Annual Dividend Yield	2.2%	P/E Ratio	33.64

- Founded in 1975, Cleanaway is Australia's leading total waste management, industrial and environmental services company.
- Employs 600 people operating out of 250 branches across Australia

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Investment Thesis

Dominant position in the Australian market

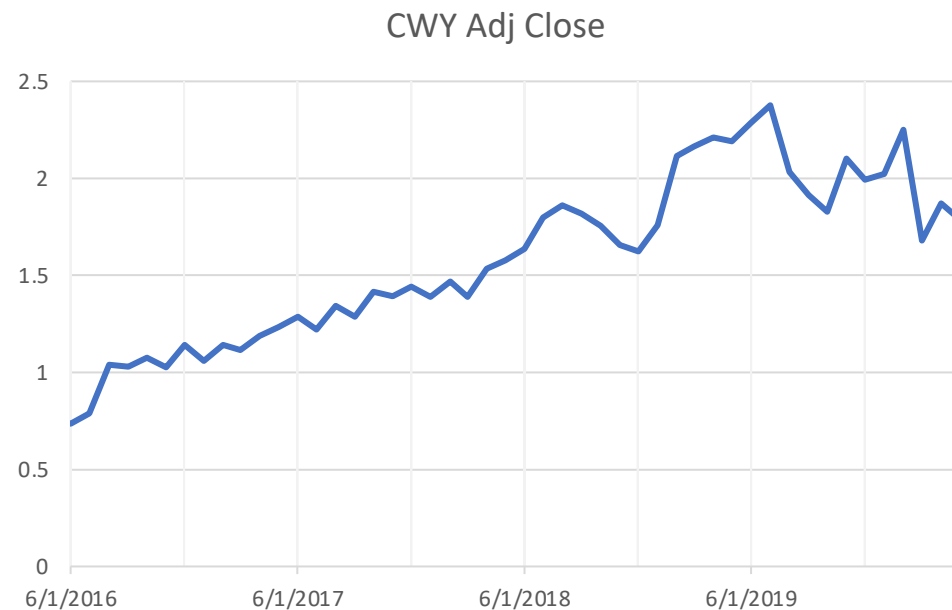
- Cleanaway is the leading waste management company in Australia, operating in an attractive industry with exposure to a range of waste disposal market segments.

An Australian domestic GDP+ exposure

- Waste management is a defensive and resistant industry, largely protected from economic downturns.

Currently trading at a significant discount

- COVID-19 and the associated economic downturn has resulted in the share price dropping from a YTD high of \$2.32, while largely unaffected the business

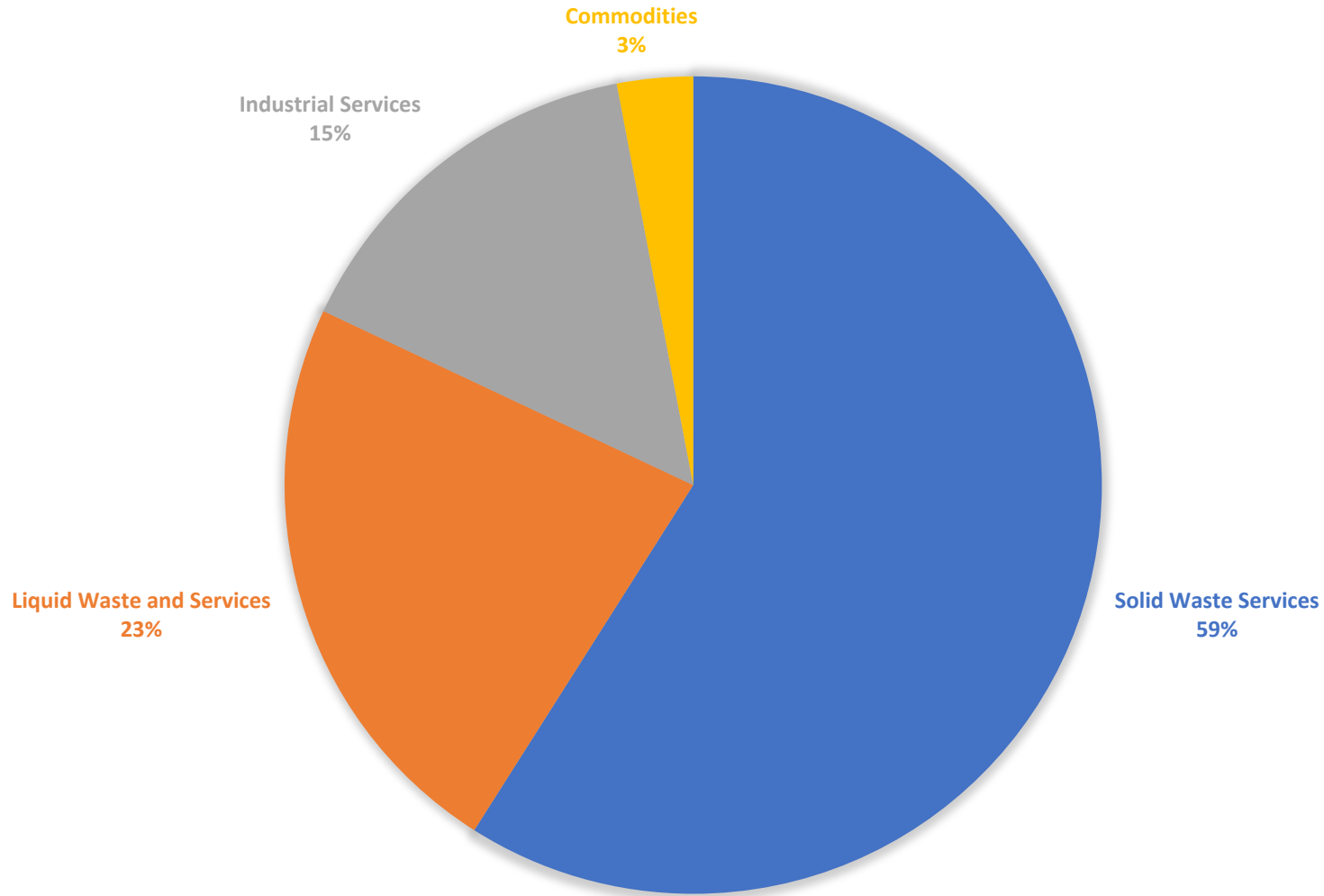




Business Segments

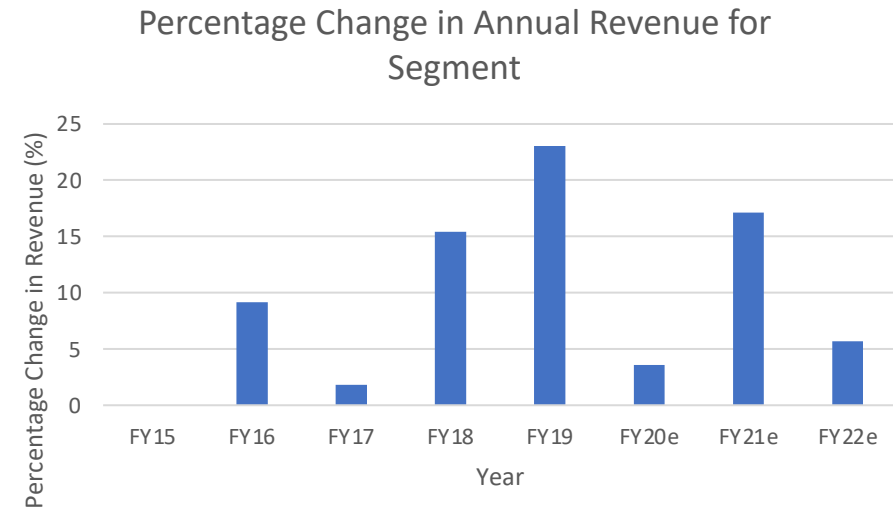
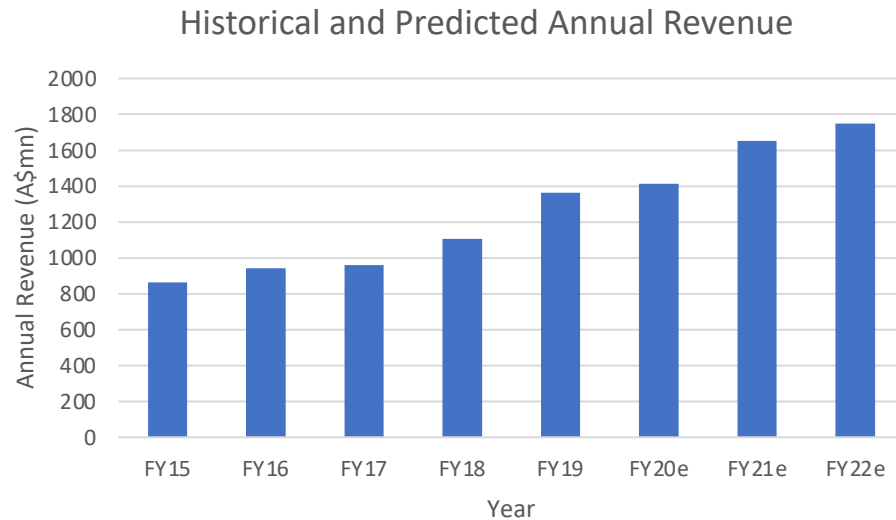
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Revenue Breakdown Among Business Segments



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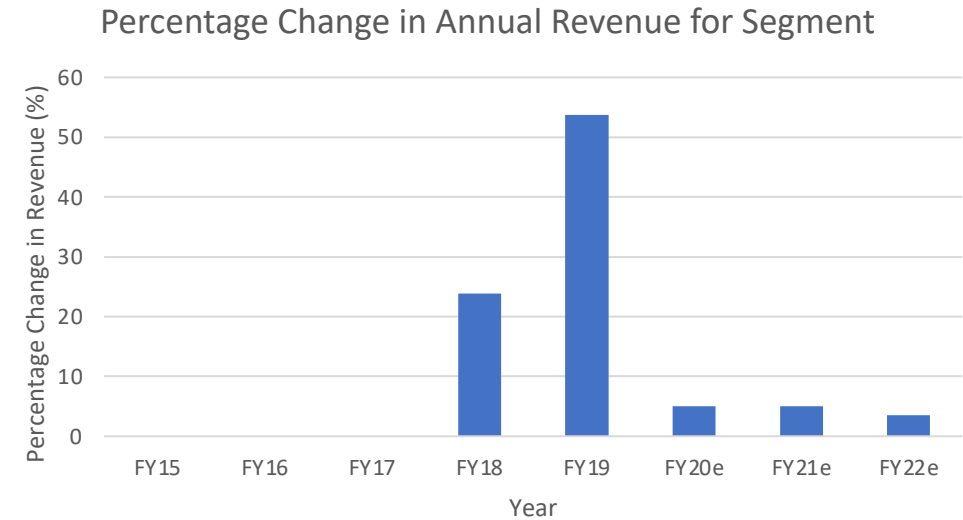
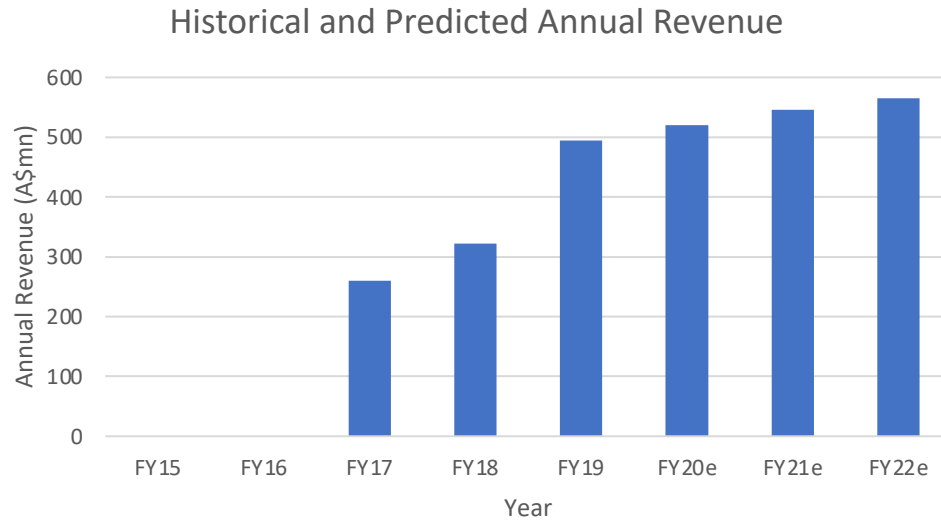
Solid Waste Services



- \$1,362A million in 2019 revenue for the sector
- Serves 100,000+ Commercial and Industrial businesses and 100+ councils
- Segment is served by 3,000+ vehicles and 3,100 employees operating out of 150 sites
- Municipal contract duration typically 7-10 years
- Commercial & Industrial contracts typically 3+ years

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Liquid Waste and Health Services

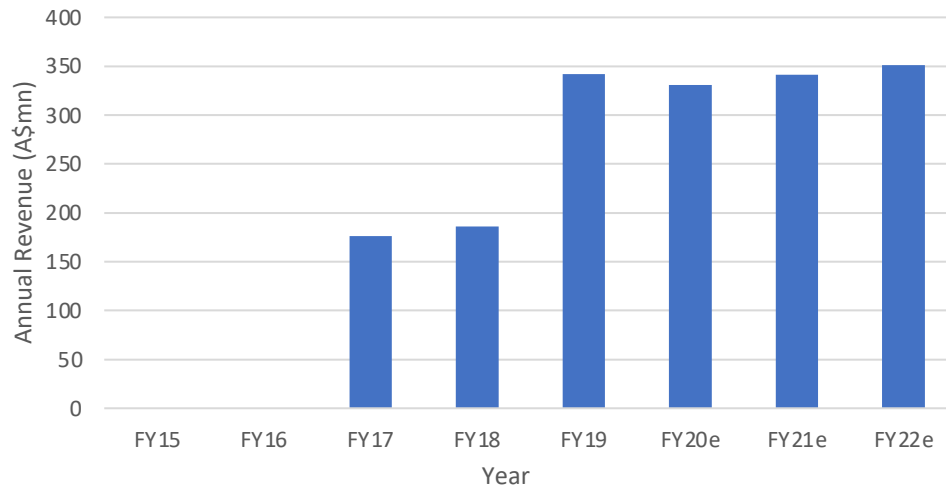


- \$495A million in 2019 revenue for the sector
- Serves 45,000+ customers, including 10,000 medical waste customers
- Segment is served by a 850 vehicles and 1100 employees operating from 90 sites
- Liquids and Hydrocarbons contracts typically 1-3 years
- Health Services contracts typically 3-5 years

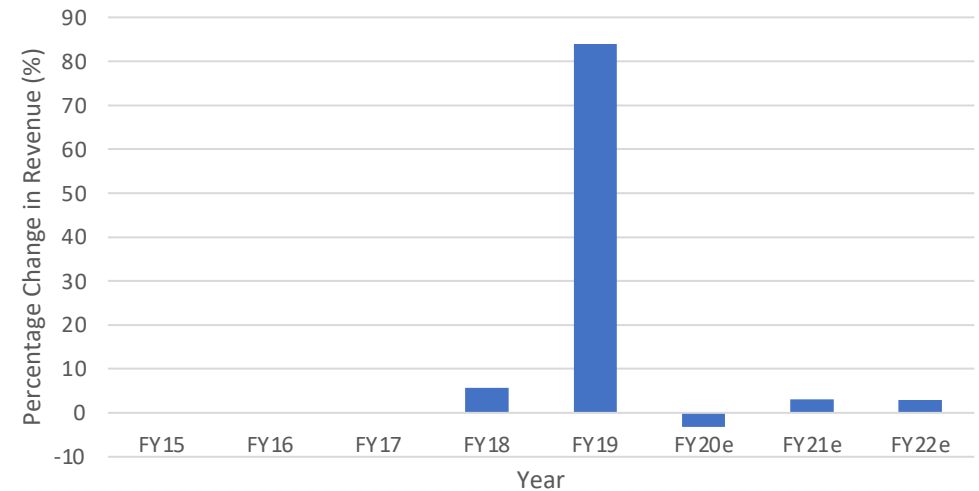
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Industrial Services

Historical and Predicted Annual Revenue



Percentage Change in Annual Revenue for Segment



- \$342A million in 2019 revenue for the sector
- Serves 2000+ customers including 30+ councils, 15+ major resource contracts and 30+ civil contractors
- Segment is served by 1000 vehicles and 1100 employees
- Infrastructure contract typically 0.5-2 years
- Resource contract typically 3-5 years



Strategy and Competitive Advantage

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Strong Market Position

- Cleanaway is market leader in waste management and has exposure to multiple different waste management segments
- Revenue base underpinned by long term contracts
- Multi-year contracts also include price adjustment mechanisms
- Strong Balance Sheet



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Irreplaceable Assets

SKM Adelaide sites

- No operations at sites
- Wingfield and Lonsdale
- Sites to be sold and on market now

SKM Laverton MRF, PRF

Key prized asset

- Processing technology fair (ageing) & in need of R&M spend
- New plastics recovery facility with plastic sorting capability to support network
- Potential site for future glass beneficiation and paper baling facility
- Capacity ~ 100KT a year

SKM Geelong MRF

Strategic West Location

- Will run the site as a transfer station for processing at Laverton, but will keep the MRF ready for excess capacity
- Capacity ~ 35KT a year

Statewide Transfer Station

- Key Regional Transfer Station
- Capacity ~ 20 KT a year

SKM Coolaroo MRF

Key prized asset

- Plant and equipment relatively new (~1 yr.) but in need of R&M
- Potential to add pute transfer station in Northern Melbourne
- Capacity ~ 120KT a year

SKM Hallam TS

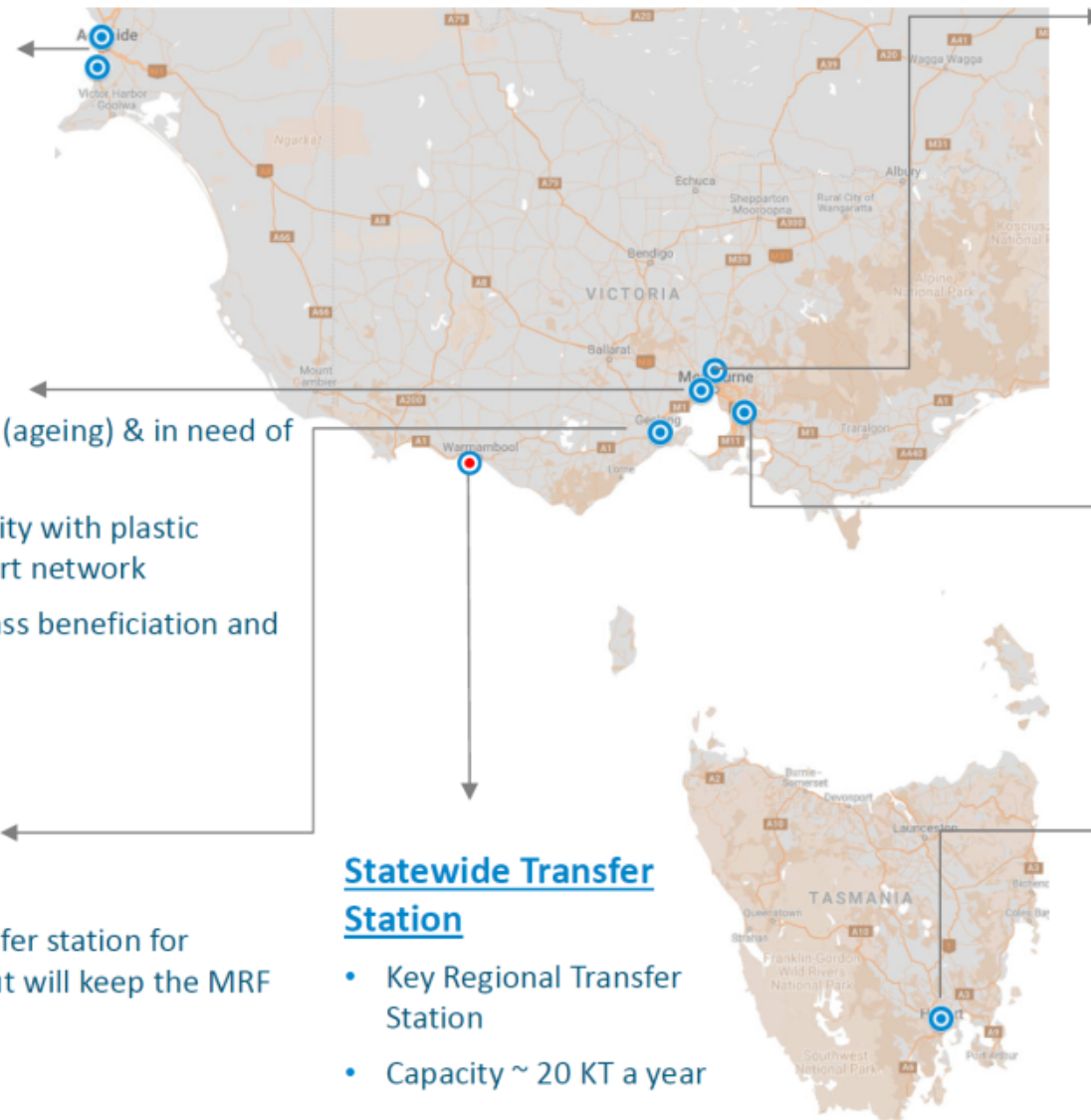
Strategic SE location

- Operates as transfer station; potential to upgrade to MRF
- Will add paper baling facility
- Capacity : 55KT a year

SKM Hobart MRF

Key Prized asset

- Very good council relationships
- Will operate as full MRF
- Capacity ~ 20KT a year



Good Growth Opportunities

- Cleanaway continues to look for opportunities consolidate industry through acquisitions
- Market very fragmented – approx. 2000 waste management businesses in Australia
- Current economic uncertainty provides good opportunities for acquisitions at low prices



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Building Sustainable Partnerships



Partnership with Pact and Asahi for plastic palletisation

- 28,000 tpa capacity plant in Albury, NSW
- A\$10mn for a 40% stake
- Will contribute to earnings from FY22 onwards



Risks

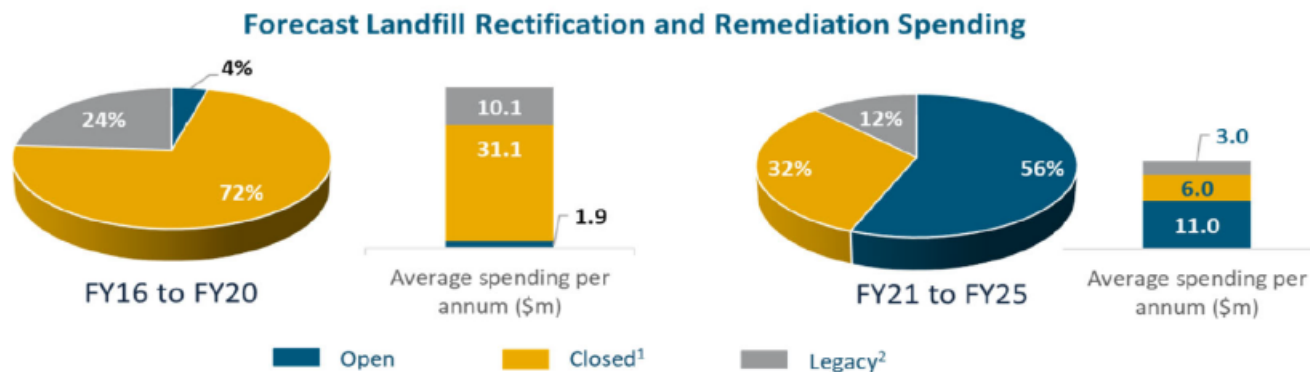
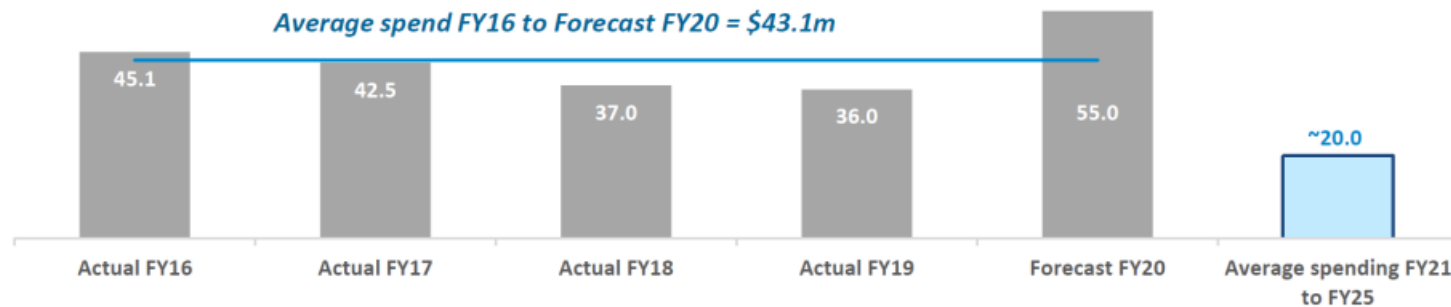
Regulatory risks



- Cleanaway operates in an environmentally sensitive industry
- Regulations could prevent complicate of greenfield sites or increase costs associated with disposal and handling of waste
- As the market leader in waste management, there is a regulatory risk associated with new acquisitions

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Landfill rectification and remediation costs



- Cleanaway obliged to return landfill sites to their natural state once they have reached capacity
- Cost to the business, but the cost projected to decrease

Commodities Business Exposed to Export Ban

- Commodities business could be impacted by export ban
- Commodities revenue projected to be reduced by 40% from FY23
- Old Corrugated Cardboard (OCC), making up 60% of commodities business, exempt from ban
- Commodities business only makes up 3% of revenue





Appendices

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Statement of Comprehensive Income

	NOTES	2019 \$'M	2018 \$'M
Profit after income tax		123.2	103.3
Other comprehensive income (not to be reclassified to profit or loss in subsequent periods)			
Revaluation of non-landfill land and buildings (net of tax)		18.4	6.3
Net comprehensive income recognised directly in equity		18.4	6.3
Total comprehensive income for the year		141.6	109.6
Attributable to:			
Ordinary equity holders		141.5	109.8
Non-controlling interest		0.1	(0.2)
Total comprehensive income for the year		141.6	109.6
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	6.0	5.6
Diluted earnings per share (cents)	10	6.0	5.6

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	OPERATING SEGMENTS				UNALLOCATED			
	SOLID WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	ELIMINATIONS \$'M	TOTAL OPERATING SEGMENTS \$'M	EQUITY ACCOUNTED INVESTMENTS \$'M	CORPORATE \$'M	GROUP \$'M
2019								
Revenue								
Revenue from customers	1,490.6	434.2	324.6	–	2,249.4	–	–	2,249.4
Other revenue	12.7	20.8	0.2	–	33.7	–	–	33.7
Inter-segment sales	33.0	40.0	17.1	(90.1)	–	–	–	–
Total revenue	1,536.3	495.0	341.9	(90.1)	2,283.1	–	–	2,283.1
Underlying EBITDA	352.8	86.9	46.6	–	486.3	0.7	(25.4)	461.6
Depreciation and amortisation	(148.8)	(32.9)	(24.1)	–	(205.8)	–	(15.0)	(220.8)
Underlying EBIT	204.0	54.0	22.5	–	280.5	0.7	(40.4)	240.8
Loss on sale of investments								(2.2)
Acquisition and integration costs								(16.6)
Revaluation of non-landfill land and buildings								4.7
Change in discount rate on remediation provisions								(9.1)
Profit from operations (EBIT)								217.6
Net finance costs								(47.8)
Profit before income tax								169.8
Income tax expense								(46.6)
Profit after income tax								123.2
Capital expenditure:								
Property, plant and equipment	151.3	21.8	10.1	–	183.2	–	3.4	186.6
Intangible assets	1.0	0.1	0.1	–	1.2	–	4.7	5.9

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Statement of Financial Position

	NOTES	2019 \$'M	2018 \$'M
Assets			
Current assets			
Cash and cash equivalents	11	56.2	52.0
Trade and other receivables	12	382.0	369.5
Inventories	13	19.9	21.0
Income tax receivable		–	8.2
Assets held for sale	15	8.8	8.8
Other assets	24	21.6	15.4
Total current assets		488.5	474.9
Non-current assets			
Property, plant and equipment	21	1,296.3	1,184.0
Intangible assets	22	2,341.8	2,310.1
Equity accounted investments	23	3.8	13.8
Net deferred tax assets	9	45.5	56.2
Other assets	24	17.3	8.1
Total non-current assets		3,704.7	3,572.2
Total assets		4,193.2	4,047.1
Liabilities			
Current liabilities			
Trade and other payables	14	257.5	235.8
Income tax payable		17.7	–
Interest-bearing liabilities	16	17.1	13.5
Employee entitlements	25	66.9	75.7
Provisions	26	86.1	75.9
Other liabilities	27	32.2	30.7
Total current liabilities		477.5	431.6
Non-current liabilities			
Interest-bearing liabilities	16	697.6	711.7
Employee entitlements	25	5.1	4.5
Provisions	26	295.8	280.0
Other liabilities	27	134.4	131.2
Total non-current liabilities		1,132.9	1,127.4
Total liabilities		1,610.4	1,559.0
Net assets		2,582.8	2,488.1
Equity			
Issued capital	17	2,678.2	2,671.0
Reserves	18	77.9	51.9
Retained earnings		(175.6)	(234.8)
Parent entity interest		2,580.5	2,488.1
Non-controlling interest		2.3	–
Total equity		2,582.8	2,488.1

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

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Statement of Cash Flows

	NOTES	2019 \$'M	2018 \$'M
Cash flows from operating activities			
Profit before income tax		169.8	117.8
Adjustments for:			
Depreciation and amortisation expense		220.8	173.6
Net finance costs		47.8	31.5
Share-based payment expense		5.5	3.8
Revaluation of non-landfill land and buildings		(4.7)	0.2
Remediation and rectification expense		9.1	–
Share of (profits)/losses from equity accounted investments		(0.7)	0.1
Net gain on disposal of property, plant and equipment		(3.2)	(4.6)
Net loss on disposal of investments		2.2	–
Other non-cash items		(0.5)	1.1
Net cash from operating activities before changes in assets and liabilities		446.1	323.5
Changes in assets and liabilities:			
Increase in receivables		(10.4)	(37.9)
(Increase)/decrease in other assets		(16.1)	2.1
Decrease/(increase) in inventories		4.2	(4.1)
Increase in payables		18.6	14.9
(Decrease)/increase in employee benefits		(8.9)	4.4
Increase/(decrease) in other liabilities		0.8	(2.4)
Decrease in provisions		(35.4)	(40.0)
Cash generated from operating activities		398.9	260.5
Net interest paid		(29.5)	(14.3)
Income taxes paid		(18.6)	(25.0)
Net cash from operating activities		350.8	221.2
Cash flows from investing activities			
Payments for property, plant and equipment		(186.6)	(135.8)
Payments for intangible assets		(5.9)	(7.7)
Payments for purchase of businesses (net of cash acquired)		(44.2)	(555.5)
Payment of special dividend to Toxfree shareholders	28	–	(113.5)
Proceeds from disposal of property, plant and equipment		11.2	7.3
Investment in equity accounted investments		(1.5)	(7.8)
Proceeds on divestment of equity accounted investments		6.1	–
Dividends received from equity accounted investments		4.0	1.6
Loans to customers repaid/advanced		0.4	(0.4)
Net cash used in investing activities		(216.5)	(811.8)
Cash flows from financing activities			
Proceeds from borrowings		95.3	885.0
Repayment of borrowings		(154.0)	(824.4)
Repayment of finance lease liabilities		(15.2)	(4.0)
Net proceeds from settlement of derivatives		–	8.7
Payment of debt and equity raising costs		(1.2)	(23.3)
Proceeds from issue of ordinary shares		–	590.4
Payment of dividends to ordinary equity holders		(55.0)	(32.9)
Payment of dividends to non-controlling interests		–	(0.1)
Net cash (used in)/from financing activities		(130.1)	599.4
Net increase in cash and cash equivalents		4.2	8.8
Cash and cash equivalents at the beginning of the year		52.0	43.2
Cash and cash equivalents at the end of the year	11	56.2	52.0

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.