

## FY17 FULL YEAR RESULTS NET PROFIT AFTER TAX UP 62% FREE CASH FLOW UP 24%, FULL YEAR DIVIDEND UP 24%

Cleanaway Waste Management Limited (“Cleanaway” ASX: CWY) today announced its financial results for the twelve months ended 30 June 2017, summarised below:

	Statutory		Underlying	
	FY17	Change v FY16	FY17	Change v FY16
Gross revenue (\$m)	1,454.4	-	1,454.4	-
Net revenue (\$m)	1,350.7	+2.3%	1,350.7	+2.3%
EBITDA (\$m)	314.0	+22.1%	301.3	+7.1%
EBITDA Margin (%)	23.2%	+370bp	22.3%	+100bp
EBIT (\$m)	143.1	+48.9%	142.9	+16.6%
Net profit after tax (\$m)	72.5	+61.8%	77.5	+22.4%
Earnings per share (cents)	4.6	+64.3%	4.9	+22.5%

	FY17	Change v FY16
Cash Flow from operating activities (\$m)	189.6	(0.6)%
Free cash flow (\$m)	62.7	+23.7%
Final dividend declared (cents)	1.1	+22.2%

Underlying adjustments after tax totalled \$5.0 million and predominately comprise of costs associated with restructuring, rebranding, remediation and rectification, and business acquisitions offset by the gain on the sale of closed landfills.

### Management Commentary

Chief Executive Officer and Managing Director of Cleanaway, Vik Bansal, said, “The results for the year were pleasing, with the Solids Collections and Solids Post Collections divisions increasing revenues, earnings and margins. The Liquids & Industrial Services division EBITDA was also up again year on year, however overall performance remains an area of focus for further improvement.

“Our safety performance continues to improve with our total recordable injury frequency rate reducing 33% during the year.

## Management Commentary (cont.)

*“We have continued to reset the operational performance of our business and we’re making progress across a number of strategic initiatives targeted at both the quantum and quality of our earnings and cash flows.*

*“As previously announced, we have reduced the permanent cost base of the Company by over \$30 million net, which included significant investment in improving our sales and marketing functions.*

*“The increase in our resource recovery footprint, and the growth initiatives we have implemented over the past two years, have started to deliver some early signs of positive momentum.*

*“Over this past year we have won a number of new waste management contracts, including Chevron, the Hills Shire and Central Coast in NSW, the Noosa Shire in Queensland, Brisbane City Council’s Post Collections and recently the total waste management contract for all Coles stores nationally.*

*“In addition, we have also been awarded the role of network operator for the New South Wales Container Deposit Scheme in conjunction with our joint venture partner, TOMRA Systems ASA. The scheme will commence on 1 December 2017.*

*“Implementation of our Footprint 2025 strategy has progressed at pace with:*

- *a new paper recycling facility in Brisbane;*
- *a new material recycling facility in Perth;*
- *a new waste transfer station in Melbourne;*
- *increased investment in electricity generation at the Melbourne Regional Landfill site;*
- *upgrades to our oil refineries in Sydney and Brisbane; and*
- *commencement of construction of a waste transfer station/material recycling facility in Sydney.*

*“The future of our Melbourne Regional Landfill has also been strengthened, with both EPA works approval and Victorian Government planning permits received. These approvals will extend landfill activities at this important piece of Melbourne’s infrastructure for well over 25 years. The EPA works approval is subject to review application to be heard in October 2017.*

*“This past year we were also successful in completing the sale of two closed landfills in Melbourne, which has reduced our remediation liabilities and future spending requirements.”*

## Dividend

A final dividend of 1.1 cents per share (pcp: 0.9 cents per share) has been declared. The final dividend will be fully franked and paid on 5 October 2017 to shareholders on the register as at 5pm on 14 September 2017.

Combined with the interim dividend of 1.0 cents per share paid earlier in the year, the dividends declared in respect of FY17 total 2.1 cents per share compared to 1.7 cents per share last year, an increase of 23.5%.

The Dividend Reinvestment Plan (DRP) will be in operation for this dividend. 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 22 September 2017. No discount will be applied to shares issued under the DRP.

## Underlying Divisional Performance

### Solids Collections

The Solids Collections division reported increased net revenue, earnings and margins.

Net revenue increased 4.0% on the previous year to \$810.5 million. EBITDA increased 7.4% and EBIT 15.3% compared to the previous year.

Profit margins increased, with the EBITDA margin increasing to 19.9% from 19.2% and the EBIT margin increasing to 12.2% compared to 11.0% in FY16.

Market facing growth initiatives continue to be implemented across the division, with volume increases being recorded across all major solid waste collection categories. Pricing in major metropolitan markets remains competitive and our continued focus on improving pricing continues.

Major new Commercial & Industrial and Municipal waste management contracts received in FY17 will underpin growth in the second half of FY18 and into FY19.

### Solids Post Collections

The Solids Post Collections division reported increased net revenue, earnings and margins.

Net revenue increased 4.5% from the previous year to \$185.0 million. EBITDA increased 9.3% and EBIT 39.1% compared to the previous year.

Profit margins increased, with the EBITDA margin increasing to 51.9% from 49.7% and the EBIT margin increasing to 21.0% compared to 15.8% in FY16.

The improvement in Post Collection results was achieved after taking into consideration the planned transition to closure of the Erskine Park landfill in Sydney, resulting in lower volumes of waste collected at the landfill. This reduced gross revenue \$40.3 million, net revenue \$8.8 million (landfill levies down \$31.5 million) and EBITDA \$3.6 million when compared to last year.

Landfill volumes were up across the country and offset the reduction of volume from Erskine Park.

Depreciation and amortisation expense also decreased as the division benefited from the partial closure of landfill sites in Clayton, Victoria.

### Liquids & Industrial Services

The Liquids & Industrial Services division reported increased earnings on decreased net revenues. Net revenue decreased 2.9% compared to last year.

Second half revenues of \$216.0 million were up 3.8% on the first half and 1.8% on the second half of FY16. The first half on half improvements seen in seven years.

EBITDA increased 2.4% compared to last year as improvement initiatives targeted at both operational and cost efficiencies undertaken at the beginning of the year offset the revenue declines.

EBITDA margin increased to 13.9% from 13.2% and the EBIT margin was 7.6%, which was in line with FY16.

Revenue declines in this business appear to be stabilising. The Hydrocarbons business achieved a stronger performance in the second half as production levels returned to normal following plant upgrades and shutdowns that occurred during the first half.

Market conditions in the Liquids business and Industrial Services business remain flat, although we can see an improvement in the pipeline of work.

## **Funding Framework to match Capital Outlay**

Cleanaway has maintained an ongoing disciplined approach to both its cash and capital expenditure. As committed, capital expenditure in FY17 remained below depreciation and amortisation. This resulted in free cash flow for the year increasing 23.7% compared to FY16.

To fund growth and deliver on its remediation commitments, the Company will be utilising a funding structure to provide a better outcome for shareholders leading to further increasing free cash flow.

Changes to the funding structure includes a new \$90 million Green Term Loan Facility with the Clean Energy Finance Corporation that will support our clean energy and resource recovery investments as part of the Footprint 2025 strategy. This funding is unsecured, has a tenor of 8 years and is consistent with the terms of the Company's existing syndicated banking facilities.

In addition, Cleanaway will also utilise finance leasing for government contracts such as the NSW Container Deposit Scheme, the Brisbane City Council Post Collections contract, plus new and renewed Municipal contracts. The tenure of these contracts will match the leasing period leading to certainty of margin throughout the period of the contract, while improving cash outcomes.

As a result of these initiatives, cash capital expenditure in FY18 is expected to be 80-85% of depreciation and amortisation, further improving free cash flow.

## **FY18 Outlook**

Commenting on the outlook for FY18, Mr Bansal said, *"Recent major contract wins will establish a firm base for revenue growth in our Solids business, however we anticipate flat market conditions in the Liquids & Industrial Services businesses."*

*"The cost controls we have in place and the further initiatives being implemented across the Company should result in both the Solids and Liquids & Industrial Services segments increasing operational earnings in FY18 in line with current market expectations."*

## **Annual General Meeting**

The Company advises that its 2017 Annual General Meeting will be held on Thursday, 26 October 2017 in the Long Room, Customs House, 339 Queen Street, Brisbane, Queensland commencing at 10am Brisbane time.

## Investor and Media Relations

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## Investor Briefing

The Company will be holding a teleconference briefing on the results at **9.30am** (AEST) today.

**Presenters:** CEO and Managing Director – Mr Vik Bansal  
CFO – Mr Brendan Gill

**Teleconference:** Australia: 1 800 123 296  
International: +61 2 8038 5221

**Quote Conference Code: 5008 8320**

*Cleanaway Waste Management Ltd (ASX code: CWY) is Australia's leading total waste management, industrial and environmental services company. Our team of more than 4,000 highly trained staff are supported by a fleet of over 2,500 specialist vehicles working from approximately 180 locations across Australia. With one of the largest waste, recycling and liquids collections fleets on the road, 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 and make a sustainable future possible for all our stakeholders.*