BINGO INDUSTRIES

ASX Announcement

26 February 2019

BINGO announces half-year results; confirms full-year EBITDA to be broadly in line with FY18

- **Solid net revenue growth - up 25.4% to $178.7 million**
- **Strong operating free cash flow, cash conversion of 103%**
- **Consolidating Victoria footprint, West Melbourne recycling facility to open in April**
- **Strong balance sheet provides flexibility to pursue capital management initiatives**
- **Changes to network redevelopment program provides platform for FY20 growth**

BINGO Industries ("BINGO", ASX:BIN) today announced its half-year results for the six months ended 31 December 2018. Net revenue was up 25.4% to $178.7 million and underlying EBITDA increased 4.1% to $45.6 million compared with the previous corresponding period. BINGO also reaffirmed that it expects underlying EBITDA for the full-year ending 30 June 2019 to be broadly in-line with the previous year.

Underlying EBITDA margin was lower at 25.5%, a further 200 basis points below forecast, and was impacted by a number of sites being offline for redevelopment, initial impact of lower margins in the Victorian business, increased volumes of lower-margin material in post-collections, and an increase in corporate costs.

Underlying NPATA was up 3.8% to $23 million against the previous corresponding period. Statutory NPAT was $13.4 million, down 24.9% due to the inclusion of transaction and integration costs associated with recent and pending acquisitions.

The Company continued to generate strong free cash flow, with operating cash flow up 33% against the previous corresponding period to $47.2 million. A strong focus on cash collection resulted in cash conversion of 103%, and the Company ended the period with net cash of $140 million.

Management commentary

BINGO's Managing Director and Chief Executive Officer, Daniel Tartak, said the underlying EBITDA for the period was broadly in-line with budget, despite some market headwinds.

"We achieved year-on-year net revenue and EBITDA growth.

"We maintained our momentum in Victoria and recently acquired a fifth post-collections site in Dandenong. We are close to opening our upgraded recycling facility in West Melbourne which is the first step in enhancing margins in Victoria towards the Group target of 30%.

"We further reconfigured our NSW network. Once the reconfiguration is complete it will enable us to achieve enhanced operational efficiencies flagged at the FY18 full year by enhancing our network utilisation and freeing up space to attract and process greater volumes.

"Our work in hand remains solid and underpins our business going into FY20. We are seeing a growing pipeline of opportunities in infrastructure, particularly social and transport infrastructure.

"Our balance sheet remains strong and we achieved operating free cash flow of $47.2 million. This was up 33% on the corresponding period last year and came on the back of cash conversion of 103%," he said.

Segment performance

Collections

Revenue from collections increased by 27.9% to $100.4 million from $78.5 million in the prior period on the back of increased volumes. Underlying EBITDA increased 7.4% to $19.3 million. Collections EBITDA margin was impacted by softening residential construction, resulting in pricing pressure in November and December 2018. The Commercial and Industrial (C&I) business continued to experience strong growth and currently comprises 25% of the collections business.

Post-collections

Post-collections remains the largest contributor to Group revenue and EBITDA. Post-collections revenue was up 27.7% to $104.4 million and EBITDA was also up 5.2% to $25.3 million at the half. The increased revenue was primarily driven by contributions from BINGO's Artarmon and Campbellfield Recycling Centres and a sustained growth in volumes. The decrease in post-collections margins primarily reflects lower margins in Victoria, increasing operating costs without an accompanying BINGO price rise, and the network redevelopment program.

Our post-collections business continues to perform strongly with external customers making up 67% of post-collections revenue.

Other

TORO achieved 20% growth in revenue to $16 million, of which 53% came from external customers. Improved EBITDA and EBITDA margin from TORO was offset by an increase in corporate costs, primarily employee and insurance costs.

Dividends

The BINGO Board has agreed to maintain the interim dividend of 1.72 cents per share. The Board has decided to suspend the Dividend Reinvestment Plan until further notice.

Outlook

The outlook for BINGO remains positive, with the construction market in NSW and Victoria expected to deliver overall volumes of $130 billion per annum over the next few years, and opportunity to significantly increase the Company's market share in the C&I sector.

Managing Director and Chief Executive Officer, Daniel Tartak, said that FY20 would be transformational for BINGO.

"We have a solid forward order book, and we have good visibility of future revenue through our opportunities pipeline. Our aim is to use this runway to continue to diversify our earnings, by securing long-term C&I contracts to provide more annuity-style defensive earnings.

"We expect to see the benefits from the significant capital outlay over the last 12 months on our redevelopment program as our key assets come back online, most notably our recycling and landfill asset at Paton's Lane and our advanced recycling facility in West Melbourne.

"We also expect the introduction of a QLD levy to be positive for our business and there will be a BINGO price increase early in FY20 to offset increased operating costs experienced in FY19.

"These factors, coupled with our strong balance sheet and our robust five-year strategy, will allow us to look towards FY20 with confidence," he said.

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For further information

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