ASX & Media Release

15 August 2019

CLEANAWAY
Making a sustainable future possible

FY19 FULL YEAR RESULTS
REVENUE, EARNINGS AND CASH FLOW GROW STRONGLY
FINAL DIVIDEND UP 36%

- **Net revenue up 34.8% and EBITDA up 34.2%**
- **All operating segments increased revenue and earnings**
- **Strong operating and free cash flow**
- **Integration of Toxfree on track**

Cleanaway Waste Management Limited ("Cleanaway") ASX:CWY today announced its financial results for the twelve months ended 30 June 2019, summarised below.

	Underlying		Statutory	
	FY19	vs FY18	FY19	vs FY18
Gross revenue ($m)	2,283.1	+33.2%	2,283.1	+33.2%
Net revenue ($m)	2,109.1	+34.8%	2,109.1	+34.8%
EBITDA ($m)	461.6	+35.9%	433.7	+34.2%
EBIT ($m)	240.8	+44.7%	217.6	+45.7%
Net profit after tax ($m)	140.0	+43.1%	123.2	+19.3%
Earnings per share (cents)	6.9	+30.2%	6.0	+7.1%
NPATA[1] ($m)	151.2	+50.0%	134.4	+26.4%

	FY19	vs FY18
Final dividend declared (cents)	1.90	+35.7%
Total dividends per share (cents)	3.55	+42.0%
Cash flow from operating activities ($m)	350.8	+58.6%
Free cash flow ($m)	206.4	+76.4%
Net Debt to EBITDA (times)	1.4	Down 0.2

Net underlying adjustments totalled $16.8 million after tax comprising mainly costs related to acquisitions and the integration of Toxfree, effect on remediation provisions of a change in the discount rate and loss on sale of investments offset by net impairment reversals related to land and buildings.

Note 1: Excludes tax effected amortisation of acquired customer contracts and licences.

Management Commentary

Chief Executive Officer and Managing Director of Cleanaway, Vik Bansal, said: *"I am pleased to report results that once again reflect strong growth by Cleanaway across all our operating segments.*

"These results have been driven by the organic growth we have achieved in revenue, earnings and margins, in addition to the synergies achieved so far from the acquisition of Toxfree.

"The strategies that we have implemented in all our businesses over the past four years and the performance culture that has been fostered throughout the organisation are the major drivers of our success.

"Notwithstanding continued improvement in our lost time injury frequency rate for the past four years, we aspire to achieve much more. Our target of Goal Zero remains a key priority and the continuing alignment of culture and behaviours is needed.

"Margins have expanded and the integration of the Toxfree businesses is progressing as planned and we remain confident of delivering the $35 million of annual synergies from the acquisition.

"The development of our prized infrastructure assets as part of Footprint 2025 continued. During the year we completed construction of post collection facilities in Sydney and Perth, an organics facility in Melbourne and upgraded our soil treatment facility in Sydney.

"Numerous strategic initiatives which we have been implementing across the Company continue to strengthen our position as the leading waste management company in Australia."

Commenting on the challenges facing recycling in Australia, Mr Bansal added:

"Our mission is 'making a sustainable future possible' and as part of this we need to work towards developing a circular economy in Australia.

"This will require changing the way products are designed, produced, sold and used to minimise waste and reduce environmental impact. A circular economy is impossible without a well-functioning waste management industry, underpinned by first class infrastructure, credible and high quality operators, robust government policies and initiatives and an educated community."

Dividend

A final dividend of 1.90 cents per share (pcp: 1.40 cents per share) has been declared representing an increase of 35.7% from the final dividend paid last year. The dividend will be fully franked and paid on 3 October 2019 to shareholders on the register as at 5pm on 10 September 2019.

Combined with the interim dividend of 1.65 cents per share paid earlier in the year, the dividends declared in respect of FY19 total 3.55 cents per share compared to 2.50 cents per share last year, an increase of 42.0%

The Dividend Reinvestment Plan (DRP) will be in operation for this dividend. Shareholders residing in Australia or New Zealand may elect to participate in the DRP. The DRP election date is 11 September 2019. 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 12 to 18 September 2019. No discount will be applied to shares issued under the DRP.

Underlying Segment Performance

<u>Solid Waste Services</u>

Solids Waste Services reported increased net revenue, earnings and margins.

Compared to last year, net revenue increased 23.0% to $1,362.3 million. EBITDA increased 23.5% to $352.8 million and EBIT 28.1% to $204.0 million.

EBITDA margins increased 10 basis points to 25.9%.

Growth initiatives continue to be successfully implemented with volume and price increases being recorded. Pricing in metropolitan markets remains competitive.

Growth was further enhanced by the full ramp up of major contracts.

Both revenue and earnings also increased by the addition of the Toxfree Solids businesses located in North West WA and Qld.

The China National Sword policy is leading to increased costs of sorting, which is being passed on to Municipal and Commercial customers progressively. Volatility in the commodity supply chain and pricing continues.

Industrial & Waste Services

Industrial & Waste Services reported increased net revenue, earnings and margins.

Compared to last year, net revenue increased 84.0% to $341.9 million. EBITDA increased 146.6% to $46.6 million and EBIT 341.2% to $22.5 million.

EBITDA margins increased 340 basis points to 13.6%.

The acquisition of Toxfree has increased scale in this segment and was a major factor in the growth achieved. As part of the integration of Toxfree, further streamlining of the organisational structure was completed.

The segment also achieved modest organic growth during the year, notwithstanding the completion of the Toxfree Wheatstone project last year.

The pipeline of work across both infrastructure and resources is currently being worked on to take advantage of future market conditions.

Liquid Waste & Health Services

Liquid Waste & Health Services reported increased net revenue, earnings and EBITDA margin.

Compared to last year, net revenue increased 53.5% to $495.0 million. EBITDA increased 60.3% to $86.9 million and EBIT 46.7% to $54.0 million.

EBITDA margins increased 80 basis points to 17.6%.

The Health Services and Technical & Environmental Services businesses performed well and continue to deliver revenue and earnings growth.

Hydrocarbons also had a good year and remains on track for further growth with increased production efficiencies.

Volumes in hazardous and non-hazardous liquids were down on last year. We have restructured the business through the Toxfree integration to improve performance and remain confident that this will be achieved.

Packaged waste services continue to grow both revenue and earnings as new hazardous waste streams are recognised by the market.

Footprint 2025

We have continued to grow our network of prized infrastructure assets during the year as part of our Footprint 2025 strategy.

The new Western Sydney Waste Transfer Station and Resource Recovery Centre is now fully operational. When combined with the acquisition of the ResourceCo waste to fuel facility, these prized infrastructure assets are providing significant and strategic opportunities.

In Melbourne the new organics facility is fully operational, providing a critical service to councils that are moving towards combining organic and green waste in the same bin.

AASB 16 Leases

Effective from 1 July 2019, the Company has adopted the AASB 16 Leases standard change which requires Lessees to recognise assets and liabilities for all leases with a term of longer than 12 months, unless the underlying asset is of low value. The standard will have a material impact on the FY20 profit results, specifically:

- EBITDA expected to increase by $35 to $45 million.
- Depreciation expense expected to increase by $30 to $40 million.
- Net Interest expense expected to increase by $8 to $12 million.
- Net Profit After Tax to decrease by $2 to $5 million.

FY20 Outlook

We expect all our segments to deliver earnings growth in FY20 despite the outlook for general economic activity in Australia.

In addition, the China National Sword policy has resulted in increased sorting costs and variability in pricing for recycled commodities. These impacts will have to be mitigated by price increases which are currently underway.

Hence, excluding the $35 to $45 million positive impact to EBITDA of AASB 16, we expect underlying FY20 EBITDA growth to moderate slightly from current market expectations.

Investor Briefing

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

Presenters:	CEO and Managing Director – Mr Vik Bansal	
	CFO – Mr Brendan Gill	
Tele-conference:	Australia:	1 800 558 698
	International:	+61 2 9007 3187
Quote Conference Code:	**100 009 07**	

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