21 October 2022

Company Announcements Office
ASX Limited
Exchange Office
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Cleanaway Waste Management Limited (ASX:CWY)
2022 Annual General Meeting – Address by Chairman and CEO

In accordance with ASX Listing Rule 3.13.3, please see attached the address to shareholders and accompanying presentation to be delivered by the Chairman, Mark Chellew and the CEO and Managing Director, Mark Schubert at the CWY 2022 Annual General Meeting to be held today at the Sofitel Sydney Wentworth Hotel.

This announcement has been authorised for lodgement by the Board of Directors.

Yours sincerely

Dan Last
Company Secretary

Cleanaway Waste Management Limited is Australia's leading total waste management, industrial and environmental services company. Our team of more than 6,600 highly trained staff are supported by a fleet of over 5,000 specialist vehicles working from approximately 250 locations across Australia. With the largest waste, recycling and liquids collections fleets on the road - and 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 of making a sustainable future possible for all our stakeholders.

Chairman's address

It is my pleasure to address shareholders once again as Chairman of Cleanaway Waste Management Limited.

In a year of significant challenges for our industry and the wider economy, I am pleased to report that Cleanaway delivered a strong underlying financial performance while continuing to prioritise safety and refreshing our strategy.

In February 2022, we introduced our new strategy, known as BluePrint 2030. It is the outcome of a process led by our new CEO Mark Schubert, who joined us in August 2021. Mark will speak to the strategy in more detail in his address.

BluePrint 2030 is an evolution of our previous strategy and provides the framework to guide Cleanaway through the next period of its growth in a rapidly changing world. A high level of rigor and governance has gone into its planning and execution. The Board strongly believes that it will lay the foundations for long-term sustainable growth for Cleanaway.

In our efforts to tackle climate change, our ambition is to reduce our emissions in accordance with the Glasgow Climate Pact, which reaffirmed the long-term global goal originally defined in the Paris Agreement. We have set separate targets for carbon and methane reduction for 2030 and 2050. Our carbon and methane reduction targets are consistent with Australia's international commitments to reduce greenhouse gas emissions and were set using a robust process based upon the latest climate change science. Furthermore, we have included a tranche of our executives' long-term incentive program that relate to interim methane reduction targets, which are consistent with our 2030 targets.

Health and safety and environmental performance were reset as key foundations of our business during the year.

Both are critical to the successful delivery of our mission of making a sustainable future possible together. Customers entrust us to manage their waste streams in a safe, sustainable and compliant manner and these are responsibilities we take very seriously.

Our safety performance, as measured by our total recordable injury frequency rate, increased to 4.2. This represented a 17% deterioration from the prior year. This was very disappointing given the heightened focus place on safety during the year. While many of the incidences were minor in nature, there were some significant injuries to our people. The lessons to be learned from these incidences are being incorporated throughout the organisation.

Tragically, there were also three fatalities during the year. Two of them were non-work-related medical incidents while the third related to a fall from height at a site that was under the control of our landlord at the time of the incident. While the Company was not at fault in those incidents, the loss of those lives has had a significant impact on family and friends left behind and the broader Cleanaway family.

The 2022 financial year was another year impacted by COVID-19. Variant outbreaks and government restrictions placed significant strain on labour availability and operations. We are very proud of our frontline workers who continued to work hard in difficult circumstances to perform essential services in the communities that we support. In particular, I would like to acknowledge our Health Services teams who played an important role in keeping our essential health services functioning. They had to process significantly increased volumes of medical waste from facilities dealing with COVID testing, vaccine roll outs, hotel quarantine and hospital care and recovery.

In the context of the challenges faced during the year, Cleanaway delivered a strong underlying financial performance. We reported an underlying net profit after tax of $145.0 million, 5.4% lower than the prior year. This reflected relatively flat EBIT and higher interest expense largely related to the fully debt funded Sydney Resource Network acquisition. This translated into 4.8% lower earnings per share of 7.0 cents per share. On a Statutory basis, net profit after tax of $80.6 million was 45.4% lower than the prior year, largely reflecting costs and provisions taken to rectify the New Chum landfill, acquisition and integration costs, leadership transition costs and costs associated with the loss of Health Services processing equipment.

The business remains in very strong financial health. During the year we raised a $500 million 3-year committed debt facility to purchase the Sydney Resource Network under the Group's Syndicated Facility Agreement. We had $473 million of undrawn debt facilities and an average debt maturity of 4.1 years as at 30 June 2020. Our net debt to EBITDA ratio of 2.23x as at 30 June 2022 is elevated as a result of debt funding the Sydney Resource Network transaction but remains comfortably inside our covenant. We have a demonstrated history of prudently reducing our gearing following acquisitions, and we expect to do so again in this instance. We will continue to monitor the market for accretive acquisition opportunities and remain disciplined with respect to capital allocation.

On 19 August, together with the GRL acquisition, we launched an equity raise comprising a $350 million placement and $50 million share purchase plan. Both components of the raise we heavily oversubscribed and I wish to thank our shareholders for their support. The proceeds raised through the equity raise will provide significant balance sheet capacity to fund medium term opportunities aligned to the Blueprint 2030 strategy.

Our strong financial performance and financial position enabled us to increase our dividend and the Board was please to declare a final unfranked dividend of 2.1 cents per share taking the total partially franked dividend for the year to 4.1 cent per share, payable on 7 October 2022. This was an 6.5% increase on the prior year and represents a 70.5% payout ratio, in line with our stated policy of paying out 50-75% of underlying profits. Because of lower tax payments resulting from the Commonwealth Government's Instant Asset Write Off Scheme, we do not expect to resume franking dividends fully until calendar year 2024.

We are aware that some shareholders disagreed with the Board's assessment of certain remuneration matters this year. I, together with some of my fellow directors, have engaged extensively with our shareholders and proxy advisors and have heard their concerns. As a Board we seek to remunerate executives appropriately and understandably some year's that is easier to do than others. The significant events and challenges of FY22 made our assessment of executive performance more difficult and we acknowledge that some shareholders felt we didn't get the balance right. We will continue to work constructively with our shareholders in seeking to deliver equitable outcomes.

I would now like to talk about our program of orderly board renewal. We appointed two new Independent Non-Executive Directors during the year, with Michael Kelly joining the board in November 2021, and Jackie McArthur appointed in August 2022.

Michael and Jackie are both experienced executives with diverse and complementary domestic and international experience. Michael and Jackie both bring a wealth of skills and experience from which the Board will benefit. and I look forward to them playing key roles in contributing to execution of our BluePrint 2030 strategy over the coming years. I am delighted to welcome Michael and Jackie to the Board of Cleanaway and congratulate them on their respective appointments. Both are standing for election today.

With Jackie's appointment, female representation on the Board is now more than 30% and ensuring appropriate diversity at the Board level, including by gender, will continue to be a key priority for the Board.

I would also like to recognise Mike Harding's valued service to Cleanaway since his appointment as a Non-Executive Director in 2013. Mike stepped down as a director effective yesterday. Mike has made a significant contribution to the Company, in particular through his role as Chair of the Human Resources Committee. I would like to thank Mike personally and on behalf of the Board for his wise counsel over many years.

I would also like to take this opportunity to thank our CEO Mark Schubert, the executive management team and all Cleanaway employees. They demonstrated dedication and remarkable resilience in responding to significant operational challenges the business faced during the year. I acknowledge my fellow Board members and thank them for their extended efforts, commitments, and wise counsel over this past year. I look forward to continuing to work together to shape the future of Cleanaway.

Finally, I would like to thank our shareholders for the continued support you have given the Board and Management of Cleanaway.

CEO address

Thank you Mark, and good morning everybody.

On behalf of the Cleanaway team, it is my pleasure to report to shareholders on your Company's performance over the past year.

When I addressed you last year, I had only recently joined the Company and told you my four priorities. Firstly, ensuring that working in a safe and compliant way is always a foundation. Secondly, ensuring our culture and teamwork is fit for purpose as we embark on the next stage of our journey together. Thirdly, ensuring that our performance measures, while assessing what we have achieved, also captured key measures that will contribute to future value creation. And finally, refreshing our strategy to evolve our strategic direction and ensuring we are looking far enough into the future and that we are capturing the tailwind opportunities provided by decarbonisation and a circular economy.

I will speak to each of those points individually, but let me first talk to the outcomes, which is the financial performance of the company during the year.

In a year of significant challenges posed by a global pandemic, natural disasters, supply chain disruptions and emerging inflation, Cleanaway delivered a strong financial performance.

We reported underlying net profit after tax of $145.0 million, 5.4% lower than the prior year, translating to earnings of 7.0 cents per share.

COVID-19 continued to adversely affect the market and our business throughout the year. Increased clinical waste volumes challenged our Health Services business. Lockdowns impacted revenues and efficient operations. While widespread community infections reduced labour availability and increased pandemic leave costs.

Against this backdrop, it was pleasing that we were able to grow net revenue by 18.4% to $2,603.8 million and underlying EBITDA by 8.7% to $581.6 million. Underlying EBIT was marginally lower than the prior year at $257.1 million.

After years of low Inflation, we started to see inflation increase sharply across the economy. There were several reasons for this. These included supply chain constraints, the war in Ukraine and the wider economic impacts of the pandemic. One of the largest contributors to rising operating costs was fuel prices, with the price of oil having risen dramatically over the year.

We have strong contractual mechanisms that allow us to recoup rising costs over time, however there is a temporary impact on margins due to the lag.

During the year, flooding in NSW and Queensland caused inefficiencies in our operations in the affected areas. This included disruption to services and unavailability of vehicles and sites. In response, we relocated vehicles from other regions to support the local operations. We have new fleet vehicles on order, but it will take time some to get back to normal operations.

Constraints on labour availability continue to impact our ability to service our customers and operate efficiently. Our team has mitigated the impact by making an extraordinary effort to balance our labour pools and maintain our service levels as we continue to fill job vacancies.

Each of our operating segments reported year on year revenue growth.

In Solid Waste Services, net revenue increased 23.2% or $342 million to $1.82 billion. EBITDA increased 15.8% or $64 million to $469 million, and EBIT increased 6.9% or $14.8 million to $228.million.

Solid Waste Services benefited from an initial contribution from the Sydney Resource Network assets, new municipal collection and post-collections contracts, higher commodity prices and a full year contribution from the Perth MRF. This was partially offset by the impacts of COVID lockdowns, contributions from flood affected regions, lower volumes into New Chum landfill and higher operating costs discussed earlier.

During the year the team successfully tendered for the Bayside, Eurobodalla, City of Clarence, and City of Vincent municipal contracts. The TOMRA-Cleanaway joint venture was awarded an extension to the NSW CDS contract until late 2026.

Cleanaway was also awarded the Supplier Service champion of the year by Coles for supporting its landfill diversion goal.

As Mark mentioned, the significant flood events and damage to cells at New Chum landfill during the year resulted in a decision to temporarily close the landfill until rectification work is completed. We are progressing well with our project plan. We have installed stormwater bunds, removed the body of water and are installing more landfill gas capture infrastructure and remediating the cell.

We completed the acquisition of the Sydney Resource Network from Suez on 18 December 2021 and our integration team quickly onboarded ~100 new employees. The integration team worked tirelessly over the first few days post acquisition to ensure a seamless transition for customers and Cleanaway. This has been completed with a full operational handover to the NSW business unit in February.

We are also benefiting from enhanced operating leverage through expanded footprint and route optimisation, and we expect to extract further synergies through leveraging the network, licences and land to accelerate the progress of our organics and C&D blueprints in NSW.

In Liquid Waste & Health Services, revenue increased 7.4% to $550.5 million, while EBITDA decreased 12.5% to $96.2 million. EBIT decreased 21.6% to $53.0 million.

From an EBITDA perspective, the Hydrocarbons business performed in line with the prior year. Revenue benefited from higher post collections volumes and prices, and higher Cleanaway Equipment Services revenue from increased machine sales and growth in servicing activity.

The Health Services business's revenue increased by 12%, largely attributable to increased clinical and general waste at healthcare facilities because of the pandemic, and an increase in biosecurity waste as borders reopened. EBITDA decreased by 36%, reflecting significantly higher costs. The second half was particularly impacted by two incidents that resulted in damage and the loss of waste processing equipment, including at our Dandenong site in Victoria, where customer contaminated clinical waste led to damage and loss of the hammer mill. As a result, we decided to install autoclaves across our sites to eliminate the risk associated with mechanical processing of incompatible waste.

The Liquids and Technical Services business realised 9% higher revenue and 6% higher EBITDA, predominantly due to a strong recovery in QLD, and significant work on the Tottenham, Kaniva and Parramatta Light Rail projects. This was partially offset by increased cost of disposal in NSW, capacity constraints due to labour availability and higher fuel and labour costs.

We are exploring opportunities to treat more complex waste streams and are working collaboratively with clients on potential future issues and how we can support them.

Industrial & Waste Services (IWS) reported EBITDA of $47.2 million, 1.7% lower than FY21. This was a good performance in challenging market circumstances.

The performance reflected higher unit labour costs and costs to cover pandemic leave, higher fuel costs and fewer higher-margin infrastructure projects in various states, which were delayed due to COVID. This was partially offset by a strong performance in the Western Australian, South Australian and Northern Territory markets that were less affected by COVID during the year.

During the year, IWS re-signed available contract extensions with a 100% renewal rate, and progressively improved its new business win rate.

Indigenous participation is an increasingly important consideration for Tier 1 resource companies. The Pilbara Environmental Services joint venture between Cleanaway and King Kira Group will be well placed to participate in the next wave of Industrial Services contracts starting in north-west WA.

IWS continues to deliver organic growth from its existing client base plus new business across the regions, with the outlook for sustainable growth over the next few years supported by a healthy pipeline of work.

At a group level, net cash from operating activities increased by $41.9 million to $466.3 million compared to FY21, reflecting increased underlying EBITDA and lower tax payments, partially offset by cash outflows attributable to underlying adjustments and higher interest payments. This resulted in a strong cash conversion ratio of effectively 100%.

I would now like to share with you progress on my four priorities.

Foundations

During the year, we redefined *''protecting people"* and *"protecting the environment''* as the two foundations upon which we operate. Defining the two as foundations rather than priorities is both deliberate and important, as it entrenches their primacy in everything we do. It also ensures that in situations where our team members must choose, our foundations always come first.

Over the last 12 months we have intensified the focus on our foundations across our operations.

To further improve our performance, we have been developing a small set of core processes to manage critical risks consistently. Furthermore, with our growing fixed asset footprint we are improving our preventative maintenance system, which will improve our fixed asset reliability.

In addition to the intense focus on our foundations. We have now placed sustainability, including circularity and carbon, at the centre of our customer proposition, and employed specialist resources to drive this. We have set 2030 and 2050 greenhouse gas reduction targets that align to COP26 and are supported by the IPCC's 2022 Sixth Assessment Report. Reducing methane, which represents about 80% of our overall greenhouse gas emissions, is now an element of management's long-term incentive target for the next three years. We have initiatives identified to support the delivery of these targets.

Culture and Teamwork

I am pleased to report that team engagement across the organisation continues to head in the right direction, with this year's employee engagement survey showing an increase in overall engagement from 66% to 67%. We also added diversity and inclusion questions to this year's survey and recorded an overall favourable inclusion score of 72%, as measured by equity, belonging and authenticity. From a gender diversity perspective, we also saw a 7.3% improvement in our female representation rate, increasing from 19.3% to 20.7%. Pleasingly, at the executive and senior management level we increased female representation from 15% to 23% over the year. Both metrics are still below where we want to be, and we have several initiatives underway that will help drive greater female representation across the organisation, including our women's driver academies being run across the country.

As part of the leadership transition, we recruited three new members during the year - Tracey Boyes, Michele Mauger and Deborah Peach - to join the executive team. They bring significant experience and capability to the organisation and with our broader leadership team will shape the culture and behaviours that will support the delivery of our strategy.

Although we are still relatively early on this journey, I am proud to report to you that the leadership team is very closely aligned, with shared goals and expectations. We are working collaboratively, identifying and managing risks, sharing our operational learnings, addressing challenges and celebrating shared and individual successes together. We are collaborating more effectively across business units and functions. And when we leverage the humble, willing, and hard-working characteristics of our workforce, this becomes immensely powerful.

Performance measures

In terms of performance, we are building on one of our competitive edges, being our execution and performance focus, and extending it with bottom-up involvement and innovation. We want all employees to behave like owners and unlock their passion and ideas to improve our business – together.

We have been piloting these changes in a number of first-mover 'Lighthouse Branches'. This includes continuous improvement of branch level value drivers. Each of our employees will have a clear understanding of the daily activities they can control and that move the needle in terms of value. We are taking the learnings from the Lighthouse pilots and implementing them across our entire business to deliver maximum value.

At the branch level, we are also ensuring that managers are aware of the capital intensity of their activities in delivering financial outcomes, through the discussion and analysis of branch-level EBIT performance whereas previously our focus has been on EBITDA.

Strategy refresh - *BluePrint 2030*

In the first half of FY22, we developed Cleanaway's *BluePrint 2030* strategy, which I introduced to the market in February 2022. Through *BluePrint 2030* we will create superior shareholder value by integrating and extending our leading network of infrastructure assets to provide high-circularity, low-carbon solutions, seamless customer service and value for our customers.

Under our *BluePrint 2030* strategy, we will create a competitive advantage and generate significant value by extending and integrating our assets and capabilities, to address Australia's increasingly complex waste needs. We will do this in the most sustainable way possible, while delivering an exceptional customer experience, powered by the passion of our workforce.

Building upon the platform created by Footprint 2025, *BluePrint 2030* will be supported by three strategic pillars, namely: *Strategic Infrastructure Growth, Sustainable Customer Solutions and Operational Excellence*.

Under our Strategic Infrastructure Growth pillar, we will continue to invest to extend our recycling and landfill diversion infrastructure and services platforms. We will innovate to ensure we are well positioned to capture opportunities from emerging at-scale waste streams to meet the country's future recycling needs.

Under our Sustainable Customer Solutions pillar, we will integrate our prized assets for circularity, carbon and seamless customer service. We will create products and services to provide our customers with access to integrated platforms that best meet their needs and the nature of their waste.

Under our Operational Excellence pillar, we will align our culture with our strategy and extend our performance culture to the frontline, both to deliver for today and improve for tomorrow. We will better connect our frontline teams to our business and work together for continuous improvement.

We will be able to work smarter through the data & analytics and digitisation programs that we are rolling out. It's through these programs and how we use them that we will achieve a step change in operational productivity.

Strategy execution

Throughout the year, we advanced several growth projects and initiatives. We completed the acquisition of two landfills and five transfer stations from Suez in Sydney. This was a transformational transaction for our New South Wales business, giving us unrivalled scale and market presence in the state, and we have now integrated these assets, collectively referred to as the Sydney Resource Network, into our business.

We announced plans and have identified sites to develop Energy-from-Waste projects in Victoria and Queensland, which will be 100% owned by Cleanaway. Energy-from-Waste is one of the key planks of *BluePrint 2030.*

Our construction and demolition blueprint will benefit from our acquisition of the Vin Bins business in the Mornington Peninsula.

During the year, we commissioned our first PET plastic pelletising facility in Albury, New South Wales with our joint venture partners Pact, Asahi and Coca-Cola. We also have plans to build a second facility in Victoria. Early work is underway at a separate HDPE and PP plastic pelletising facility that we are building in a joint venture with Pact. That facility will be co-located with our Material

Recovery Facility at Laverton in Victoria. We also secured an extension to the NSW container deposit scheme Network Operator agreement.

The acquisition of GRL on 19 August 2022 represents an important step in the acceleration of our BluePrint 2030 strategy and in particular our organics blueprint. The site and facility provide a strategic location and infrastructure to enhance our broader network and customer offering today and into the future as we position ourselves to capture share of the growing FOGO market opportunity.

It is clearly aligned to our strategy and can deliver highly circular and low carbon solutions for our customers today and in the future. Our organics strategy includes plans to operate two strategically located enclosed organics facilities to service the Sydney region. In addition to GRL, we plan to develop enclosed FOGO composting infrastructure at our existing garden organics composting site at Lucas Heights.

With those facilities providing substantial processing capacity, there is potential – over time - to repurpose and redevelop the existing mixed waste and organics processing facility at the inert Kemps Creek landfill into a C&D resource recovery facility.

We also advanced our CustomerConnect project, which when complete will deliver a scalable, seamless and digitised service experience across the customer journey. It is a business-led multi-year program that is about helping our people to better serve our customers and making it easier for our customers to work with Cleanaway.

During the year we were awarded the Coles Supplier Service Champion of the year award, recognising outstanding service levels during a challenging operating environment and supporting achievement of Coles' sustainability goals.

Trading update

We expect that for FY23 the Company will perform in line with the expectations we communicated at our FY22 full year results presentation.

We continue to expect FY23 earnings to be higher than FY22, due to a full year contribution from SRN, underlying growth, the GRL acquisition and our Blueprint 2030 initiatives.

Including GRL, we expect FY23 underlying EBITDA to be in the range of $650-690 million. Based on current operating conditions and a balanced assessment of the opportunities and risks the business is tracking towards the mid-point of this range. However, the material factors that can influence the outcome are volumes into post collections assets, labour availability and commodity prices. Since the update that we provided to you in August, the inflationary pressures in the broader economy have increased and we are continuing to see a challenging labour market, which impacts cost and availability of labour. Managing these impacts by passing on the effects of inflation to our customers where possible and attracting and retaining labour have been a key focus for the year to date. This includes the roll out of the RPO with Hays Recruitment and the continued success of our new hires coming from our women's driver academy.

In the Health Services business, the new autoclaves to replace the hammer mill are on-site, however delays in regulatory approvals will mean that new capacity will be operational around the end of the third quarter of FY23. As previously advised, we are excluding the $2-3m per month costs associated with the alternative temporary treatment and disposal solution in our underlying performance guidance.

Depreciation and amortisation, including GRL, is expected to be ~$365 - $375 million.

We will host the second of our strategy deep dive sessions with investors on 28 November 2022.

In closing I would like to reflect on team Cleanaway.

It was gratifying during the year in challenging conditions to see how much our teams truly care about each other on a personal level and also the work that we do. Those deep personal connections will be a foundation for the successful execution of our strategy. We will keep each other safe, protect the environment, deliver for our customers today and improve for tomorrow as we continue to strive towards making a sustainable future possible together.

I would like to thank the Board and the executive team for the support they have given me in my first year leading this company. I also thank our more than 6,500-strong workforce whose efforts make this business great. I look forward to working together to deliver another strong performance in FY23.

Investor Enquiries
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