ASX & Media Release

20 August 2021

CLEANAWAY
Making a sustainable future possible

CLEANAWAY DELIVERS INCREASED ANNUAL REVENUE, PROFIT AND DIVIDENDS

Cleanaway Waste Management Limited ("Cleanaway") ASX:CWY today announced its financial results for the year ended 30 June 2021 ("FY21").

Statutory Net Profit After Tax (NPAT) increased 31.2% from $112.6 million to $147.7 million.

On an Underlying basis compared to the year ended 30 June 2020 ("FY20") Cleanaway reported:

- NPAT increased 2.1% from $150.0 million to $153.2 million
- EBITDA increased 3.8% from $515.7 million to $535.1 million
- Net revenue increased 4.7% from $2.1 billion to $2.2 billion
- Operating cash flow increased 5.7% from $401.5 million to $424.4 million
- Final dividend increased 11.9% from 2.10 cents per share (cps) to 2.35 cps, taking the total dividend for the year 12.2% higher to 4.60 cps

Net underlying adjustments totalling $5.5 million after tax largely comprised of costs associated with acquisition and integration, write offs and the CEO transition. These were partially offset by the unwinding of a prior period provision and net finance related adjustments.

Our infrastructure investments continued with greenfield developments and acquisitions including:

- Entered into an agreement to acquire two landfills and five transfer stations in Sydney from Suez with completion targeted around the middle of FY22
- Works approval for the extension of MRL upheld by the High Court
- Construction of the PET Plastic Pelletising facility progressing ahead of time and on budget
- Progressing the Energy-from-Waste project in Sydney, which is currently being assessed by NSW Department of Planning, Industry and Environment
- Progressed value chain extension development projects in plastics and glass re-processing
- Recently invested in C&D resource recovery facilities in key states
- Acquired Grasshopper Environmental, Stawell Landfill, Oilwise and Pinkenba CDS businesses

People and Culture

The total recordable injury frequency rate for the group improved 20% from 4.5 to 3.6 recordable injuries per million hours worked. Employee engagement during the year was at a record high of 66% with an 85% participation rate in the June 2021 survey. We had increased female representation across management, operations and overall, with further work required to increase representation levels further. Improved gender diversity is a specific KPI for all management in FY22.

Financial Summary

	Underlying			Statutory	
	FY21	FY20	Change	FY21	FY20
Gross revenue ($m)	2,406	2,332	+3.2%	2,406	2,332
Net revenue ($m)	2,199	2,100	+4.7%	2,199	2,100
EBITDA ($m)	535.1	515.7	+3.8%	528.8	487.1
EBIT ($m)	258.7	256.6	+0.8%	242.7	204.9
Net profit after tax ($m)	153.2	150.0	+2.1%	147.7	112.6
Earnings per share (cents)	7.3	7.3	-	7.1	5.5
NPATA[1] ($m)	164.1	161.7	+1.5%	158.6	124.3
Final dividend (cps)	2.35	2.10	+11.9%		
Total dividends (cps)	4.60	4.10	+12.2%		
Operating Cash Flow ($m)	424.4	401.5	+5.7%		
Free cash flow ($m)	252.5	274.4	-8.0%		
Net Debt to EBITDA[2] (times)	1.61x	1.46x	-0.15x		

Management Commentary

Cleanaway's Chief Operating Officer, Brendan Gill, said "*In what has been a challenging operating environment I am pleased with the way our business and our people have responded to deliver a strong set of financial results. This once again reflects the diversification of our customer base and service offerings.*"

"FY21 presented ongoing challenges and disruption caused by the COVID-19 pandemic and severe weather events. Some regions were more affected than others and we adapted how we work and operate to ensure we could continually service the needs of our customers and the community.

"The safety, health and wellbeing of all Cleanaway's staff, contractors, customers, and members of the public remains paramount. As a shared responsibility amongst our people, we continue to work towards our target of Zero Harm. During the year we commenced the roll out of our site-based compliance framework, which focuses on the HS&E risks of our assets whilst optimising the performance of our assets. We continue to raise awareness, enhance our training, and identify and respond to health and safety risks."

"The defensive characteristics of our revenue streams continue to underpin our financial performance. Each of our three operating segments grew their earnings during the year.

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[1] *Excludes tax effected amortisation of acquired customer contracts and licences.*

[2] *Covenant ratios under finance agreements are calculated on a pre AASB16 basis. Certain other immaterial adjustments are made to the ratio calculations for covenant testing purposes.*

"Cleanaway continues to pursue and deliver accretive projects and acquisitions and in FY21 we:

- *Entered into an agreement to acquire two landfills and five transfer stations in Sydney from Suez and secured associated committed debt funding at attractive pricing;*
- *Commenced construction of a PET Plastic Pelletising facility, which is progressing ahead of time and on budget;*
- *Progressed the Energy-from-Waste project in Sydney, which is currently being assessed by NSW Department of Planning, Industry & Environment;*
- *Progressed value chain extension development projects in plastics and glass re-processing; and*
- *Completed the acquisition of Grasshopper Environmental, Stawell Landfill, Oilwise and Pinkenba CDS businesses.*

"Our mission to make a sustainable future possible continues to progress as we advance initiatives to drive the circular economy. We took another step forward this year in our sustainability reporting journey outlining our ambition to align a reduction in our carbon emissions to the 2015 Paris Agreement goal; keeping the increase in global temperature to 'well below 2 degrees C' above pre-industrial levels.

"We will Identify carbon emissions reduction opportunities across our operations. We will set and disclose a credible long term emissions reduction target, acknowledging the complex nature of landfill emissions. Our interim targets will be based on our long-term target."

Cleanaway's Executive Chairman, Mark Chellew said, *"I would like to extend my thanks to Brendan Gill and the Cleanaway Executive Team for their support and diligence during the leadership transition period. I look forward to Mark Schubert commencing in the role of CEO on 30 August and on behalf of the Board and wider Cleanaway team I wish him every success in the role."*

Dividend

A final dividend of 2.35 cents per share (pcp: 2.10 cents per share) has been declared, representing an increase of 11.9% on the final dividend paid last year. This takes the total dividends for the year to 4.60 cents per share (pcp: 4.10 cents per share). The dividend will be fully franked and paid on 5 October 2021 to shareholders on the register on 13 September 2021.

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 14 September 2021. 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 15 to 21 September 2021. No discount will be applied to shares issued under the DRP.

Cleanaway is eligible to participate in the Commonwealth Government's Instant Asset Write Off Scheme, which is forecast to reduce tax payments made by the Group in FY22, FY23 and FY24. Cleanaway will pay a fully franked final dividend in respect of FY21, however, because of lower tax payments resulting from the Instant Asset Write Off Scheme, Cleanaway does not expect to resume franking dividends fully until calendar year 2024.

Underlying Segment Performance

Solid Waste Services

Solid Waste Services net revenue increased 7.5% or $103.5 million to $1,476.3 million. EBITDA increased 4.4% or $17.2 million to $405.5 million, and EBIT increased $0.3 million to $213.0 million.

Solid Waste Services benefited from full year contributions from Statewide Recycling and the VCRR businesses (former SKM assets) and initial contributions from and Stawell landfill, Grasshopper Environmental (NSW C&D collections) and the Pinkenba Recycling acquisitions.

Municipal contract wins including the City of Casey, Wyndham, Randwick and SA Council Solutions together with the WA regional CDS contract, national C&I customer account wins and increased volumes from the Metropolitan Waste and Resource Recovery Group (MWRRG) contract further benefited the segment.

Headwinds included lower post collections volumes at the Erskine Park inert landfill in Sydney, where work being undertaken to construct a mechanically stabilised earth (MSE) wall was delayed and impeded its ability to accept volumes. In addition, we experienced lower Western Australian post collections volumes and prices at Dardanup landfill as municipal councils seek to fill their airspace ahead of Energy from Waste facilities commencing operations in Perth. To a lesser extent there were some impacts from weather events and COVID-19 related restrictions.

The MSE wall at the Erskine Park landfill is expected to be completed in Q2 FY22 and will create 400k cubic metres of additional airspace. Subject to completion of the transaction with Suez, the Kemps Creek landfill will provide Cleanaway with a longer-term inert landfill solution for NSW.

The Perth MRF rebuild was completed during the year and commissioned towards the end of the financial year. At this early-stage post commissioning it is producing high quality outputs within customer specifications.

Whilst EBITDA was up the EBITDA margins declined 80bps across the year reflecting several factors including lower post collections margins due to significantly lower volumes at the Erskine Park and Dardanup landfills, increased MWRRG volumes at Melbourne Regional Landfill, and a changing mix of earnings with the full year contribution from VCRR (including the former SKM assets), new acquisitions and new municipal and national account collections contract wins.

The segment reported 9.6% higher depreciation and amortisation costs compared to FY20. The increase was due to new acquisitions, new municipal contracts, and increased landfill depreciation largely due to increased volumes at Melbourne Regional Landfill attributable to the MWRRG contract and a higher depreciation rate at Erskine Park, which was fully depreciated prior to the investment in the MSE wall.

FY22 depreciation and amortisation is expected to be higher reflecting full year contributions from acquisitions and municipal contracts that partially contributed in FY21, new municipal contracts that start in FY22 (Logan, Hornsby), commencement of operations at the rebuilt Perth MRF and higher landfill depreciation.

Industrial & Waste Services

Industrial & Waste Services (IWS) reported EBITDA of $48.0 million, 4.6% higher than FY20. EBITDA margin was 110 bps higher than the FY20 reflecting the successful execution of the strategy of exiting low value workstreams.

EBIT increased by $1.2 million to $22.6 million and EBIT margin increased 60bps to 7.4%.

The IWS segment performed strongly and consolidated the quality of earnings delivered in previous years. It was particularly strong in the mining sector in the Western Australia market despite the challenges of COVID-19 and the labour shortages resulting from border closures. Building on its leading market position in the mining sector in WA, the segment is also expanding its platform for growth across the oil and gas and infrastructure markets. The segment experienced challenging business conditions in Queensland during the year, but it has developed a strong pipeline of activity in the region.

Industrial Services remains extremely competitive across all markets, and particularly in infrastructure where our focus is on major road and rail infrastructure projects, along with a targeted market plan for the oil and gas segment.

During the year IWS renewed several key contracts including South32, Eurobodalla Shire Council and BHP Olympic Dam, and commenced its contract with Fortescue Metals Group, with most contracts having a 3-year tenor. We also secured contracts with Southern Ports Authority and ASC Sullage Services.

IWS undertook significant uncontracted project activity with Beach Energy, Lochard Energy, Viva Energy, Roy Hill, Santos and Rio Tinto through FY21 with a positive outlook in FY22 for similar works.

As COVID-19 continues to be managed across Australia we are closely monitoring our asset and people movements to ensure we can deliver safe, reliable and efficient industrial waste services.

Liquid Waste & Health Services

Liquid Waste & Health Services reported steady revenue and increased EBITDA by 3.5% to $110.0 million. EBITDA margins increased 80 basis points to 21.5%.

EBIT increased 5.1% to $67.6 million and EBIT margins increased 70 basis points to 13.2%.

In the **Hydrocarbons** business the lingering effects of COVID-19 lockdowns resulted in lower East coast oil collections volumes, particularly in Victoria and Southeast Queensland. A temporary increase in product stewardship receipts for high quality recycled base oil offset the lower first half benchmark oil commodity prices.

Pricing, service improvements and business efficiency initiatives helped to improve margins in the equipment services (industrial cleaning) part of the business.

The **Health Services** business realised higher earnings from COVID-19 related activity at aged care facilities (in Victoria in particular), hotel quarantine, and mass testing and vaccination centres. This waste was predominantly light and bulky and introduced increased service requirements of customers and transport challenges that the business worked through. Lower elective surgeries resulted in lower sharps and related medical waste and the international border closures has resulted in substantially lower quarantine work from airlines and cruise ships.

During the year, the Health Services business upgraded its incinerator at Laverton, commenced the redevelopment of its Queensland site and commissioned a shredder to handle product destruction at its Sydney site.

The **Liquids and Technical Services** (LTS) business realised higher earnings than the pcp notwithstanding lower volumes from tourist heavy states, hospitality (grease trap), cruise ships and automotive sectors resulting from COVID-19. Competition remained stable throughout the year. Increased regulatory pressures impacted interstate waste movements across the market.

New technology was developed at our Dandenong site to handle asbestos contaminated soils and to deal with residual waste from the Tottenham chemical storage plant fire. The segment also benefitted from the treatment of contaminated soils from the Parramatta Light Rail project and other clean-up projects. Seasonally high rain events in NSW and QLD resulted in an increase in leachate volumes across the network.

The Victorian EPA implemented a waste tracking system for hazardous waste that went live in July 2021, which has resulted in an increase in resources (Health Services and LTS) required for both Cleanaway and its customers to remain compliant.

We expect to see increased regulatory controls and monitoring across all elements of dangerous goods storage and transport, composting and PFAS management. In principle Cleanaway supports such initiatives and is well positioned to deliver customer solutions.

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FY22 Outlook

Heading into FY22 there was strong underlying momentum in the business, and we expected to grow our earnings had COVID-19 related impacts been broadly similar to FY21.

The duration and nature of the current NSW lockdowns and potential medium-term implications on economic activity is more severe than in FY21. The diversification of our revenue streams and our ability to flex costs continue to provide a partial offset to these headwinds.

However, under the current policy settings, restrictions in NSW are estimated as currently having ~$4m EBITDA negative monthly impact, primarily as a result of closure of the bulk of the NSW Container Deposit Scheme, restrictions on construction activity and weakness in the C&I market.

We will provide a trading update at our Annual General Meeting (AGM).

Cleanaway Waste Management Limited will hold its 2021 AGM as a virtual meeting at 11am (AEDT) on Friday 22 October 2021.

END

Investor Briefing

The Company will be holding an investor and analyst briefing on the results at **9.30am** (AEST) today.

Presenters:	Chief Operating Officer – Mr Brendan Gill Chief Financial Officer – Mr Paul Binfield
Tele-conference:	**Register at** https://s1.c-conf.com/diamondpass/10014010-jxq3fa.html
Webcast:	https://services.choruscall.com.au/webcast/cleanaway-210820.html

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Cleanaway Waste Management Limited is Australia's leading total waste management, industrial and environmental services company. Our team of more than 6,000 highly trained staff are supported by a fleet of over 4,000 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.