Event Transcript

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Start of Transcript

Daniel Tartak: Good morning all, and welcome to Bingo's full year results presentation for financial year 2018. Given we have also today announced the acquisition of Dial A Dump and the associated entitlement offer, there is a lot to cover. So, I will touch briefly on the results for financial year 2018 and also the outlook for financial year 2019 before outlining the details of the transaction. With me today is our Chief Financial Officer, Anthony Story, who will briefly talk about the financials, and our Chief Development Officer, Chris Jeffrey, who will talk to you about how our strategy has evolved over the past year.

On slide 5, we have outlined the highlights of financial year 2018, which was an extremely busy and productive year for Bingo. Our first full year as a listed company. We are very pleased with the performance of the business in this period. First and foremost, we continue to improve our safety record as we move towards our goal of zero harm and achieved a 65% reduction in our lost time injury frequency rate. The strong business momentum continued in the second half, resulting in revenue growth of 45% and pro forma EBITDA growth of 46% for the year, ahead of the updated guidance we provided following the acquisitions we made post-IPO.

Despite some timing pressures due to the delay in regulatory approvals, our development program remains on track and within budget with a network capacity of 2.2 million tonnes per annum at the year end. The construction program at Paton Lane is on track to enable it to open early in financial year 2020. We achieved this while successfully integrating the Victorian acquisitions as well as National Recycling Group and are on track to achieving identified synergies of $6 million for that acquisition.

We remain focused on our financial metrics, and I note that cash conversion for the year was strong. We delivered a return on capital of 20% and refinanced our debt facility to give us more flexibility to fund our organic growth program. The Board declared a final dividend of $0.02 per share, taking the dividends for the year to $0.372 per share. We anticipate the continued growth in underlying business should result in pro forma EBITDA growth for financial year 2019 of between 15% to 20%. I'll talk more about the outlook for the business later.

Finally, today we announce the acquisition of Dial A Dump Industries for $577.5 million. I'll discuss this in more detail later in the presentation.

Turning to slide 7. We have delivered on all our key metrics. Net revenue growth of 45% and pro forma EBITDA growth of 46% was driven by our expanded operating footprint in New South Wales and Victoria and the ongoing strength of our end market. This was achieved despite the prevailing cost headwind outlined at the half and the expansion of the management team ahead of schedule to support our growth objectives.

Operating conditions remained strong with the structural shift towards recycling supporting our business going forward. Our Group EBITDA margin was strong at 30.8%. While we expect this will reduce slightly in financial year 2019 as we continue to invest in the business, we expect to maintain our long-term target of circa 30%. Pro forma NPATA was up 45%, while we had strong growth in operating free cash flow to $88.9 million, up 45.6% and cash conversion for the year was 95%. Despite a significant capital program, we delivered our net debt in line with guidance. All in all, this was a performance that I and the team can be proud of, and positions the business well going into financial year 2019 and beyond.

On slide 8 we have shown how our exposure to different end markets continues to diversify. Consistent with my comments at the time of the IPO in May 2017, Bingo Bins is generating a greater proportion of revenue from the diversified construction and infrastructure markets. The infrastructure sector now contributes 22% of its revenue, compared to just 8% at the time of the IPO. We have also seen residential construction activity hold up over the last 12 months. We expect that any softening in this sector would be more than offset by the considerable growth in infrastructure and commercial construction, demonstrating the set counter-cycles within the construction sector. Our infrastructure presence will only increase with the acquisition of Dial A Dump.

Our C&I business continues to grow year on year and helps to diversify the revenue base of the collections business with the C&I business weighted towards large retailers and shopping centres. I am also pleased to note that we have had a number of new contract wins over financial year 2018. In our post-collections business, 36% of our revenue is internally generated. This helps underpin our business model, but post-collection remains largely dependent on third parties to achieve its growth target moving forward. I'll now hand over to Anthony.

Anthony Story: Thanks, Daniel. On slide 9, you can see how our organic and inorganic growth has contributed to revenue and pro forma EBITDA in the year. As we complete our 2020 network upgrade, I'd expect the level of organic growth to increase substantially. Net revenue increased by 44.5% from $210 million to $303.8 million. Pro forma EBITDA was ahead of the revised guidance of $93 million, which was provided following the acquisitions made post-IPO. Including these acquisitions, pro forma EBITDA CAGR over the past two years was more than 60% with pro forma NPAT CAGR of 74%. This demonstrates the exceptional growth we are generating across the business.

On slide 10, you can see that while collections still generates the most revenue for the business, post-collection is the largest earnings contributor. This is despite a slight decline in post-collections EBITDA margins as a result of the Victorian acquisitions, which we advised at the time of the transactions, as well as slightly higher operating cost. Collections revenue has increased 45.2% to $176.9 million, with margins improving to 23.5%. It has been driven by continued growth in waste volumes, and our focus on the core business. Post-collections revenue grew as we expanded our network in Victoria and New South Wales, with full year contributions from St Marys and Revesby and several sites coming on stream including Artarmon, Campbellfield and Greenacre.

Minto and Mortdale are currently closed for redevelopment, and these sites will provide enhanced capacity to support earnings once the redevelopment is complete. Toro continued to perform well as waste volumes grew and Bingo now accounts for 42% of Toro's revenue compared to 30% at the end of last year.

Slide 11 shows we've maintained a strong balance sheet with net debt of $136.6 million and our leverage ratio of 1.5 times net debt to EBITDA. This is in line with our guidance and below where we were at the end of the last financial year.

We generated a return of capital employed of more than 20% and this continues to be our long-term target, with Group ROCE expected to return to 18% to 20% in FY20, post completion of our development program and the positive impact from the Queensland levy and the Dial A Dump transaction. We have the flexibility on our balance sheet to support our committed development program, with around $30 million of the $100 million in identified CapEx spent to date. So far at Paton's Lane, we've spent $5 million of the $40 million in CapEx. Construction is progressing well and is on track for delivery in early financial year 2020.

Turning to slide 12; we recently refinanced our syndicated facility agreement, increasing our debt facility to $400 million, up from $200 million when we listed. In addition, we have access to a $100 million accordion facility, should we need it. This is aligned with the increased scale of our business and gives us much greater flexibility to execute on our growth plans on more attractive terms. On a like for like basis, annual interest savings are in excess of $1 million. The maturity of this syndicate facility has now been extended until August 2021.

On slide 13, you can see we continue to generate strong cash flow in line with earnings. Cash collection was a big focus area in the second half, and it's pleasing to see this return to 95% for the full year, being in line with last year. We remain committed to maintaining this above 90%. Total CapEx during the year was $206 million. This includes $57 million in growth CapEx, with just over half being for development upgrades, which will significantly increase our network capacity. $133 million was incurred on our respective acquisitions, and $16 million related to maintenance CapEx. On a steady state basis, I'd expect the underlying CapEx requirements for the business be around $35 million to $40 million per annum. I'll now hand over to Chris to discuss Group strategy.

Chris Jeffrey: Thanks, Anthony. Moving to slide 14, I wanted to touch on how our thinking has evolved over the past 12 months. This provides some important context before Daniel speaks to the transaction of Dial A Dump. At our core, we're committed to diverting waste from landfill, to a recycling revolution by being innovative and through investing in technology in order to deliver sustainable growth and maximise returns. This remains a constant. What is different is how we achieve this. Here, we have set out our key focus areas categorised under three strategic enablers.

Firstly, we need to protect and optimise our core operation. This includes constantly reviewing and upgrading our systems and technology, maintaining a customer-centric model based on service excellence and building critical mass in our C&I business. This is a key objective of the team in conjunction with the focus on the 2020 network capacity deliverables. Secondly, we will continue expanding geographically, concentrated on the east coast of Australia. The opportunity on the east coast of Australia over the next five years is so compelling that this will be our main focus area.

We believe that the returns we are able to generate along the east coast are likely to be higher in the near term. That said, we'll grow into favourable markets which provide strong return metrics. We'll optimise our existing facilities to deliver stronger economies across the business. We will maintain our disciplined approach to M&A in line with strict financial hurdles. More on that shortly. Thirdly, we'll continue to enhance our vertical integration. Principally, this will see us internalise more of our own volumes to capture greater margins through the waste cycle.

This vertical integration is just as important for our growth as is the geographical expansion. We'll look to broaden into areas such as refuse derived fuels, alternative waste treatment for putrescible waste and energy from waste, all of which will enhance diversion from landfill and lower our cost of disposal.

Turning to slide 15. Slide 15 is a reminder of where we're headed in terms of our network expansion. We delivered on our target for financial year 2018 despite some delays [from] our redevelopment program due to the timing of regulatory approvals in New South Wales. We are on track to reach 3.4 million tonnes per annum in financial year 2020. Please refer to slide 43 for further detail in this regard. With that, I'll hand back to Daniel.

Daniel Tartak: Thanks, Chris. On slide 16, we have summarised the outlook for financial 2019. The business momentum has continued into this financial year and our markets in New South Wales and Victoria provide the backdrop for another year of solid growth. In particular, revenue growth will be supported by the committed infrastructure programs and solid construction markets in New South Wales and Victoria, the ongoing population expansion and structural shift towards recycling. In addition, the introduction of a levy in Queensland should significantly enhance the amount of waste staying in the New South Wales market.

Our ongoing redevelopment program, which will see lower recovery rates and higher transport cost in the near-term, along with the lower margin Victoria acquisitions will result in slightly lower EBITDA margins in financial year 2019. However, we expect our margins in Victoria to grow as we build scale over the next couple of years, while longer term enhanced recovery rates and greater utilisation of our volumes will see Group EBITDA margins return to our target of 30% post the completion of the upgrade program.

Before the impact of the Dial A Dump acquisition, which I'm about to talk about, we expect financial year 2019 EBITDA growth to be in the range of 15-20%. This reflects the slightly lower near-term margin outlined earlier. There is a strong rate of growth - this is a strong rate of growth for a business of our size. We're confident in the future. We have the right team in place to execute our plans and we have a strong ambition to be the leading recycling and waste management business in Australia. The next step in this journey is covered over the coming slides.

Now turning to slide 18, I am pleased to announce today that we have entered into a binding agreement to acquire Dial A Dump Industries for $577.5 million. Dial A Dump is a fully integrated recycling and waste management business in New South Wales. This is a landmark deal for Bingo which aligns perfectly with our Group strategy, accelerating our vertical integration and diversification into new markets. This acquisition will position our business well for the future, and I will talk more about this in a moment.

The acquisition will be funded by 1 for 2.48 fully underwritten $425 million accelerated non-renounceable entitlement offer priced at $2.54 per ordinary share and a $200 million issue of new Bingo shares to its vendors at the same price. I have committed to take up my entitlement in full, investing a further $72 million into the business. Ian Malouf, who absolutely shares our vision for the business, will become a major shareholder with just over 10% of the Company. Ian's stock will be subject to escrow restrictions which further aligns our interests. As part of the acquisition, Ian will join the Bingo Board.

The deal will be more than 15% EPS accretive on a pro forma financial year 19 basis, including approximately $15 million in run-rate annual cost energies that we will extract over the next two years. I also expect that the transaction ROCE will be in excess of 15% at that time. Dial A Dump's primary asset is an 82-hectare site at Eastern Creek in the heart of the western Sydney growth precinct. This includes a recycling facility and landfill with approved capacity of 2 million tonnes per annum and a remaining useful landfill life of approximately 15 years.

This provides us with the opportunity to transform the future of recycling and resource recovery in greater Sydney through the development of a one-stop recycling ecology park, the first of its kind in Sydney. I'll speak about this in more detail a little later. Turning to slide 19, I'll talk a bit about why this deal makes so much sense for Bingo and aligns so well with our five-year strategy. It will significantly enhance the value of our network. The main asset is positioned in the middle of western Sydney growth corridor adjacent to the M4 and M7. It also supports our expansion into post-collections for C&I and provides a platform to deliver on our vision to enter the market for putrescible C&I and municipal solid waste processing for the first time.

This will significantly broaden our customer base and make us much more competitive with the larger local and international waste players. It also helps provide a potential solution to the challenges raised by China's National Sword policy on importing recycled material. Fundamentally, it gives us the opportunity to develop New South Wales' first ever recycling ecology park of any scale. Once complete, this will the biggest fully integrated waste management asset in the country and will transform recycling and resource recovery in greater Sydney.

It significantly expands our land asset base, making our business more defensive, reducing our financial risk and providing a platform for sustainable earnings growth. Centralised more of our future recycling, processing, distribution and landfill activities on a single site will deliver considerable economic benefits and complement our existing network of recycling facilities in the broader Sydney metropolitan basin. It allows us to further grow our waste volumes by freeing up space in our network of satellite sites and to reconfigure the use of some of these to enhance efficiency and capacity.

We expect all of our B&D and C&I waste volumes to now be internalised. It's important to note that the landfill at Eastern Creek is highly complementary to our existing landfill asset at Paton's Lane. Together, they provide the capacity for internalising our volumes, but they're also licenced to accept different types of material. So, the revenue streams between the two sites will vary. 70% of the revenue at Eastern Creek will come from materials that Paton's Lane is unable to take. The facility will allow us to expand into timber shredding, brick and concrete crushing, scrap steel recycling, garden organics and contaminated soils in the Sydney metropolitan area.

Plus, with the approved capacity at 2 million tonnes per annum and a landfill site of approximately 15 years, it positions us strongly for the introduction of a waste levy in Queensland. All very compelling reasons on why we are so excited to have executed this transaction.

On slide 20, we have summarised the details of the transaction. The headline purchase price is $577.5 million split as follows: 65% of the acquisition will be paid as cash consideration, and 35% through the issue of shares. Implied deal multiples are approximately 9.6 times enterprise value to EBITDA for the 12-month ending 30 June 2019. Factoring in identified synergies the multiple is 7.7 times.

We also have a two-year option to retain adjacent pockets of land for expanding the site at Eastern Creek for a consideration of $98 million and a five-year option for the Alexandria facility and an adjacent property for a further $63.6 million. We will assess the merits of these deals as we progress our development plans over the next two to five years. The shares issued to Ian Malouf will be escrowed over four equal transfers, released after nine, 12, 18 and 24 months respectively. Ian will also join the Board on completion of the transaction. I have known Ian for a long time and believe he will make a very positive contribution to our business.

Our pro forma leverage will be 0.9 times post the acquisition pre-synergies. Assuming we exercise both land options, this would increase to 1.8 times, still well within our target range and would be supported by the announced expansion of our existing debt facilities. The acquisition remains subject to customary closing conditions, including ACCC informal merger clearance. It's important to note that the proposed waste to energy facility and associated land at Eastern Creek is not part of this transaction.

Slide 21 summarises the assets we are acquiring. Dial A Dump operates a waste transfer facility in Alexandria and a self-contained materials processing facility and landfill in Eastern Creek, where it receives, sorts, recycles and disposes of non-putrescible, BMD and C&I waste. It has a collection business with a fleet of 55 vehicles. The landfill at Eastern Creek is currently licenced to receive 700,000 tonnes per annum of non-putrescible and special waste, with a remaining useful life of approximately 15 years.

It also sells a range of recovered materials such as aggregates, road bases and mulch. Dial A Dump has a better exposure to the infrastructure market in New South Wales and will significantly enhance our presence in this sector. The landfill and processing business make up more than 75% of the Company's annual revenue. On slide 22, we provide the details of the Genesis Waste Facility at Eastern Creek, and the Alexandria transfer facility. The materials processing centre and landfill at Eastern Creek is a fully integrated facility which currently accepts and processes 1.4 million tonnes per annum of volume. This is a freehold property which, given its size and location, is a rare asset is every respect.

The transfer facility at Alexandria is currently leased, but as mentioned, we have the option to acquire the land, which would considerably de-risk the asset. It has unlimited licence capacity with an operational capacity in excess of 100,000 tonnes per annum. On slide 23, you can see Dial A Dump's historic and projected revenue and EBITDA. The business generated revenues of $198.2 million in financial year 2018 with pro forma EBITDA of $51.6 million. Forecast revenue growth for financial year 2019 is just over 10%, as Dial A Dump invests in its processing equipment and fleet and increases its volumes.

EBITDA is expected to grow by more than 16%. This is largely due to expected margin expansion as the business grows volume and internalises more of its collection waste. The margin will also expand over time as it processes more highly recyclable waste from infrastructure projects in New South Wales, which will boost recovery rates. We see good incremental synergy opportunities beyond those initially identified from bringing the businesses together, including introduction of a Queensland levy as mentioned before.

On slide 24, we have stepped out what the combined assets base looks life. The combined Group will have over 1000 employees, more than 300 trucks and the network capacity of around 4.2 million tonnes per annum.

What I want to highlight on slide 25 is just how well this fits into our Group strategy. Chris talked to this slide earlier and now you can see how Dial A Dump is absolutely aligned with what we are trying to achieve. In terms of meeting our goals on geographic expansion, I talked about how we will free up space on our sites to drive greater volumes, while it significantly strengthens our presence in the buoyant New South Wales infrastructure market. It also aligns with our M&A hurdles.

In terms of enhancing our vertical integration, it ticks every box. The recycling ecology park, once complete, will process every type of waste in the market. By seeking alternate waste solutions, we can significantly enhance our recovery rates consistent with our goal of diverting waste from landfill to a recycling-led solution. The ability to centralise future facilities at this site will allow us to capture greater scale efficiencies, especially in our C&I business.

On slide 26, you can see our vision for the recycling ecology park. In my view, this is the most exciting element of this acquisition. The recycling ecology park will be a fully integrated recycling and waste infrastructure asset for all types of waste in one single location. It will be 100% powered by renewable energy. No one else in our industry has done this. The park will transform recycling and resource recovery in Sydney by providing a unique one-stop-shop facility where we will centralise recycling, processing, distribution and recovery of multiple waste streams. We will have a complementary network of transfer stations across Sydney that will service the park, and it will produce a much broader range of processed end products as we work towards our vision for a circular economy.

The park will continue to enhance Bingo's leadership role in driving solutions for diverting waste from landfill. For those that are interested, we've included a short video on our website showing a flyover of the site.

On slide 27, we have broken out where the run rate annual cost synergies will be captured over the next two years. $6 million in operational efficiencies will be captured by centralising our processing capabilities at Eastern Creek. As mentioned, the reorganisation of our network will create additional capacity and network utilisation. This does not mean the investment we have made through our onsite redevelopment program is redundant - far from it. Investment made to date of these facilities have increased our processing capacity. Going forward, it will enable CapEx to be reallocated across our network and some facilities to remain as is or become large transfer stations that feed waste into the recycling ecology park at Eastern Creek. This will also result in greater efficiencies across our fleet and reduce transport costs.

Internalising our combined volumes and processing of mixed waste and more end products onsite will deliver synergies of $5 million. We will also save $4 million in cost overheads and the annual synergies captured over the next two years will more than offset the integration cost. These synergies don't take into account the proposed introduction of a Queensland levy, extending the site capacity limit and operating hours, site amendments and growth opportunities from expanding into C&I and MSW putrescible waste streams. It also doesn't factor in our ability to offset capital costs through selling off pockets of surplus land as we reconfigure the network. These all add to the potential upside from this acquisition, and to be clear, complement our existing network of assets across the broader Sydney metropolitan area.

Finally, on slide 28 we have broken out how the funds raised are being allocated. We will acquire two freehold sites at Braeside in Victoria and Greenacre in New South Wales from the additional capital raise. Transaction costs are just over $15 million and stamp duty is approximately $12 million. As a reminder, post all of these transactions and should we exercise the additional land options at Alexandria and Eastern Creek, we would remain within our self-imposed debt limit.

The next two slides include details on the entitlement offer and placement, but before handing over to questions, I'd like to emphasise how excited we are to have done this deal. This is a gamechanger for Bingo that is aligned with our five-year strategy and will underpin our growth for the next few years. We have built up Bingo through a series of acquisitions primarily designed to gain the right site with the right licence. Property [plays] in a disciplined and methodical manner, and we have a strong record of integration and underlying organic growth which should expand in financial year 2020 and beyond.

We have a team of very senior and experienced people who are also passionate about what we're trying to achieve, and we invested significantly in internal processes to manage our growth. We have a culture of success that makes Bingo special. I am very confident in our ability to generate strong, sustainable growth for shareholders over years to come and to maintain the strong culture of the business which I believe truly sets us apart. Thank you. I'll now hand over to questions.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Your first question comes from the line of Michael Peet from Goldman Sachs. Please ask your question

Michael Peet: (Goldman Sachs, Analyst) Hi Daniel, Chris, Anthony. Just on CapEx it's a little bit higher than I thought and I'm just wondering what we should look for, I guess excluding Dial A Dump for FY19 and beyond, maybe? I know you mentioned that maintainable CapEx, but I'm just looking for the total number.

Anthony Story: Yes Michael, CapEx during the year was $203 million as we've outlined there. $133 million for acquisitions. Our maintenance CapEx was broadly in line with where we indicated at the start of the year, but going forward as I said earlier, Michael our CapEx will be around that $35 million to $40 million level.

Michael Peet: (Goldman Sachs, Analyst) $35 million to $40 million maintenance, and then growth CapEx for 19?

Anthony Story: No, sorry Michael, that includes some growth as well.

Michael Peet. (Goldman Sachs) Okay, got it, and in terms of the CapEx required on the ecology park? What sort of number are we looking at there?

Daniel Tartak: Michael, Daniel. So, that's still early stages, but we're looking over time probably about $100 million to $120 million over time.

Michael Peet: (Goldman Sachs, Analyst) What sort of return are you expecting on that?

Daniel Tartak: We're expecting greater than 20% return.

Michael Peet: (Goldman Sachs, Analyst) Okay. I just noticed the aged receivables has jumped up quite a bit over 90 days. Can you just - maybe Anthony talk us through that?

Anthony Story: Yes, Michael, at the half year we flagged at - we've had a bit of a mix in - a change, a mix in business in our infrastructure and long government contracts, so that's pushed our debtor days out a little bit but - our provision's up a little bit higher but we're still confident of obviously collecting all those debts. We only wrote off $90,000 so it was only quite a small write-off of bad debt, so we're still obviously confident of collecting those debts.

Michael Peet: (Goldman Sachs, Analyst) Okay, great. Thank you.

Operator: Your next question comes from the line of Peter Steyn from Macquarie. Please ask your question.

Peter Steyn: (Macquarie, Analyst) Morning, Dan, Anthony, Chris. Thanks very much for your time. Just very quickly, could you give us a sense of how the network rollout challenges in New South Wales have influenced both FY18 and your thoughts for FY19, just in terms of some of the operational outcomes you may have expected if you didn't have those?

Daniel Tartak: So, Peter, it's Daniel. So, in FY18 it's pretty much happened as planned. In FY19, there's probably the bulk of the CapEx on the redevelopment program will be spent, so it will affect the business in FY19 more than it did in '18, hence why we've discussed that our margins will slightly decrease in '19 by get back in track in 2020. So, over the course of '19 there will be at least two sites shuttered at any one time, but at the end of '19, as we forecasted, the capacity will be at about 3.4 million tonnes excluding the Dial A Dump deal.

Peter Steyn: (Macquarie, Analyst) Yes. Perfect, thanks Dan. Then perhaps just on Dial A Dump, could you give a sense how you thought about the make-up of the enterprise value between the landfill operations, additional property purchases and the recycling facilities, if you could break it down? You mentioned that 75% of the revenue comes from landfill but just interested in how to think about these EV splits.

Anthony Story: So, Pete, we haven't broken it down, we've looked at the business there holistically. The business does come with considerable freehold land, part of the transaction, and as I said, the majority of the revenue comes from the post-collection business out of that actual Eastern Creek asset. But in terms of value, we've looked at it holistically.

Chris Jeffrey: Also, Pete, from an NPV perspective, there is a model fitting behind that that looks at the landfill as an infrastructure asset with a finite lifespan. Separate to that as Dan said, we've got the recycling facility which is not a finite asset and then we've clearly looked at the other elements that Daniel spoke on in terms of what we can build on that site and the returns [associated with them]. So, we've looked at it individually, but to Dan's point, we haven't commented publicly on that breakdown.

Peter Steyn: (Macquarie, Analyst) Yes, sure. Then, perhaps just want to clarify in my mind a little bit around the property. So, you referred to 54.6 hectares associated with the facilities that you've acquired. Within that, how much spare land is there for development purposes? Is that the schematic we need to look at on page 26 or how do we think about the - what's available in the initial transaction that you've announced today?

Daniel Tartak: Yes, so in the 54 hectares of land there still is considerable bare land that we can utilise, and then obviously as mentioned we have an option for another 20-odd hectares of land for further expansion. So, plenty in the existing freehold land and obviously we've got surplus with the option that we've got.

Peter Steyn: (Macquarie, Analyst) Okay. Perfect, thanks. I'll leave it there.

Operator: Your next question comes from the line of Raju Ahmed from CCZ Equities. Please ask your question.

Raju Ahmed: (CCZ Equities, Analyst) Hi guys, thanks for your time. Just a couple of questions from me - actually, three. The first one is, with Victoria and NRG and Paton's Lane and now with Dial A Dump Industries, it looks like you guys have got your hands more than full. What's your intentions with regards to acquisitions for the rest of this financial year? Is it no acquisitions, are you still on the lookout? Can you just give us a flavour?

Daniel Tartak: Hi Raju, Daniel. So, yes, you've mentioned the businesses we've acquired in the last 12 months, so we haven't acquired a business in the last nine months. So, we - at the time of the NRG acquisition, we said that we'd take the time to integrate, and we have done so. So, we've taken a break to get the business in a steady state. This deal has come to the table at this particular time and obviously we've been lucky enough to transact. This is a big deal for the

Company, so there is a two-year integration plan and a vision to build this recycling ecology park, so right now we're not thinking of any other deal bar the one that we transacted, and our focus is purely is on the integration of this deal and obviously our growth in Victoria.

Raju Ahmed: (CCZ Equities, Analyst) Right, so just going Daniel to maybe one of our comments a couple of months ago, maybe a year ago. You mentioned Queensland as an opportunity at some point, so with the acquisition of Dial A Dump and given the scale and scope what you could do here, can we assume that Queensland is now something that's pushed back, perhaps into the medium-long-term, or is that still very much in the agenda?

Chris Jeffrey: Raju, it's Chris here. The opportunity in Queensland with the levy changing is a real opportunity, however as Dan said, the focus is on integrating Dial A Dump. It doesn't mean we're not looking at organic entry into that market and opportunities that would be thrown up, particularly around that Brisbane metropolitan region. So, Queensland is definitely still part of that organic growth story in the near term, and more broadly once we bed this down something we would look at. But that work continues.

Raju Ahmed: (CCZ Equities, Analyst) Okay. The second question is actually on the Queensland and specifically the levy. There sounds like there's going to be a levy of around $70 per tonne coming in sometime in the first quarter of next calendar year, based on what various market sources are saying. You've mentioned in the past that you see an upside in addition to recovery of around $7 million. Is that still the view and what are - can you just go through what are the key variables and how that could influence your foray with Dial A Dump Industries?

Daniel Tartak: Yes, so the Queensland levy as far we know, too, will be introduced on 4 March 2019 at $70. Again, we see this as a really big positive for the whole waste industry in New South Wales. Circa million tonne of waste will stay back in the market. We're still very happy with the $7 million number that we've been talking about in the last 18 months and the introduction of a Queensland levy will also benefit the Dial A Dump business. So, as you know it obviously has its own landfill assets, so there's only a benefit to both Dial A Dump and Bingo as a result of the Queensland waste levy, but also the whole New South Wales market.

Raju Ahmed: (CCZ Equities, Analyst) Right, okay. The last question is, just going into some of the synergies that you've talked about in the past with regards to Victoria and NRG Paton's Lane. Are you seeing those synergies coming through now and do those synergies materially change with the addition of Dial A Dump into the foray, i.e. does it expand?

Daniel Tartak: Yes, so the $6 million of synergies from NRG, yes, they've - we've basically seen all them and they're starting to come through to FY19 and we'll get the impact of the whole $6 million through FY19. The Dial A Dump business will have, I guess, its own set of synergies which will apply to the whole Bingo business including NRG, which we've listed of $15 million. So, we expect to achieve that over the next two years.

Raju Ahmed: (CCZ Equities, Analyst) Okay. All right, thank you.

Operator: Your next question comes from the line of Tim Plumbe from UBS. Please as your question.

Tim Plumbe: (UBS, Analyst) Hi guys, just a couple of questions from me, if that's all right. Daniel, within the C&I business, can you maybe talk about the underlying growth that you're seeing within that revenue stream and maybe if you can touch on any key contract wins, how the pipeline is looking, et cetera?

Daniel Tartak: Hey Tim, Daniel. Our organic growth in the C&I business has been over 90% in the last three years. We've had a record year in terms of the C&I business in terms of in the last financial year. We're still winning significant contracts, so it's been a very positive year. We've won some major contracts in New South Wales and Victoria and continue to win some major ones, especially in New South Wales. As I've mentioned before, we're still tendering some very large contracts along the east coast of Australia.

Operator: Your next question comes from the line of Stewart Oldfield from Field Research. Please ask your question.

Stewart Oldfield: (Field Research, Analyst) G'day gentlemen. Can you give us any insight in whether you think the ACCC will take an interest in the proposed increased concentration in the B&D collections in the Sydney market?

Daniel Tartak: Hi, it's Daniel. No, we're very comfortable with the process in which ACCC will take over the next few months. This is a bigger deal than just the collections of B&D waste, this is - for us, it's all about the post-collections asset at Eastern Creek. For us in terms of internalising waste volumes and diversification into some new markets that currently Bingo does not operate in Sydney. A bit over 70% of the revenue and volumes that Dial A Dump accept at Eastern Creek are revenue and volumes that Bingo currently does not handle.

Chris Jeffrey: Stewart, to be very clear we've done a lot of prework around the ACCC division and our understanding of the market. Obviously, we wouldn't be entering this transaction if we weren't comfortable with what that revenue was showing us. So, we're more than comfortable on that front as it goes for the process over the next three to four months.

Stewart Oldfield: (Field Research, Analyst) Got it. You talk about your strong record of integration, I just noticed in your accounts you've got - these days, you've got 44-odd separate entities and you've added 13 subsidiaries in the last 12 months. So, can you just talk about the time that you're allocating for integrating businesses as opposed to expansion?

Anthony Story: Stewart, Anthony here. So, those entities are part of the acquisition that we've taken on in the last 12 months. We have - as we indicated, we have expanded our team to take on this integration and to be part of the expansion of the Group. So, although the last 12 months, especially the last six months with Victoria we have spent a far bit of time integrating, we have bolstered up the team. With that in mind, then obviously with '19 and '20 in mind, as well, so we're quite comfortable now that we've got the management and senior management to take us forward.

Chris Jeffrey: Really, Stewart, the majority of the business are focused on the things that we've picked out in the strategy, the operational improvement and the customer-centric side of it, the technology, the [freed] efficiencies - that is where the majority of the time for the majority of the business focus [unclear] better focused on the inorganic activity and the growth that comes with it.

Stewart Oldfield: (Field Research, Analyst) Got it. You talk about beefing up your management team - you've lost your state general manager down here in my home state of Victoria. How's that state being managed currently?

Daniel Tartak: Yes, so the state general manager that was put in place in the very early days was one of the vendors of one of the original businesses that was acquired in Victoria. That was part of the transition phase. We've now got a national functional structure throughout our business, so we don't have a state general manager. The move to a functional structure was needed. Our Chief Operating Officer, Geoff Hill who runs the operations of the whole business is actually based in Melbourne, so he has really good oversight of the Melbourne business.

On the Melbourne business, we've been down there nine or 10 months, the business is tracking in line with expectations. We've got increased volumes, increased revenue. Our West Melbourne site now is currently closed for redevelopment, should be open in a few months with a brand-new recycling facility. So, Melbourne in terms of management is running well and Melbourne in terms of our expectations is also running well.

Stewart Oldfield: (Field Research, Analyst) Got it. Perhaps the last one from me - we've heard some of your wonderful contract wins during the period. Did you lose a contract with Meriton?

Daniel Tartak: No, not that I'm aware of. We do the majority of Meriton's work and have had for quite a number of years. [Unclear] we're still Meriton's preferred supplier and we are on the majority of their projects in Sydney.

Chris Jeffrey: Clearly, we don't win every job with every customer across the sector. We've got a number of customers where we have master service agreements and they are doing it job-by-job, so we can't expect to have every one of those win, but we win more than our share of them.

Stewart Oldfield: (Field Research, Analyst) Good on you gentlemen, thanks very much.

Operator: Your next question comes from the line of Tim Plumbe from UBS. Please ask your question.

Tim Plumbe: (UBS, Analyst) Hi guys, apologies, I got cut off before. So, sorry if these have been asked since we spoke last. But just to clarify, Daniel, you mentioned that the $15 million of synergies into the Dial A Dump business does not include any upside in terms of the Queensland levy benefit. Does that $60 million of EBITDA include four months of benefit or is that exclusive of any Queensland…

Daniel Tartak: The $60 million of EBITDA for Dial A Dump for '19 includes no benefit of Queensland. For that $60 million number we've assumed the Queensland levy does not come in. But any levy in Queensland will be a benefit and a positive to any numbers that we've put forward today.

Tim Plumbe: (UBS, Analyst) You've mentioned $7 million for the Bingo business. Are you able to give us any sense for what your thoughts are in terms of benefit within the Dial A Dump business?

Daniel Tartak: No, not at this stage, but it will be significantly higher than the $7 million for the Bingo business.

Tim Plumbe: (UBS, Analyst) Great. Then just lastly, are you able to talk a little bit about volumes, pricing et cetera within the Sydney post-collections business in the second half of the year? It looked to be a little bit softer, or is that…

Daniel Tartak: Yes, so in the second half the volumes were slightly softer. Our margin in the second half was really good and obviously our overall FY18 margin was very solid and above our forecast. So, volumes were slightly softer, pricing remains pretty constant. Over the last month, month and a half, volumes are starting to ramp back up in the market and that's basically as a result of projects finishing and new projects coming back online.

Tim Plumbe: (UBS, Analyst) Got it. Great, thanks guys.

Operator: The next question comes from the line of Paul Hannan from Pendal Group. Please ask your question.

Paul Hannan: (Pendal Group, Analyst) Good morning, can you hear me?

Daniel Tartak: Yes, we can hear you.

Paul Hannan: (Pendal Group, Analyst) Can you just please confirm the total value of the benefits of internalising 100% of your B&D and C&I volumes with the Dial A Dump facilities is $5 million? That's the $5 million that you include on page 27, is that correct?

Daniel Tartak: Yes, it's correct.

Paul Hannan: (Pendal Group, Analyst) What's the total tonnes to be internalised?

Daniel Tartak: Oh, we haven't calculated those exact numbers at the present time.

Paul Hannan: (Pendal Group, Analyst) Thank you. Perfect, appreciate it.

Daniel Tartak: Thank you.

Operator: Your next question comes from the line of Russell Gill from JPMorgan. Please ask your question.

Russell Gill: (JPMorgan, Analyst) Hi guys. Two questions: going back to the ACCC, when Cleanaway Tox merged, the ACCC said - they sort of noted the growing consolidation industry and indicated that future mergers would be closely investigated. The announcement to clearance that Cleanaway took five months. I was just wondering what the anticipated timing of this transaction to close is?

Chris Jeffrey: Thanks, Russell. We've said in the presentation that that would likely be three to four months for it to go through from the current stage to completion.

Russell Gill: (JPMorgan, Analyst) Okay. Is that - have you engaged the ACCC yet, or that's just your estimation?

Chris Jeffrey: We've pre-engaged with the ACCC, as I mentioned earlier. We have done a rigorous amount of work around all of the markets and what they look like and a submission to the ACCC has already been commenced.

Russell Gill: (JPMorgan, Analyst) Great. Secondly, you did note that the $7 million benefit from the Queensland levy - is your guidance in FY19 incorporating four months of that benefit?

Chris Jeffrey: No. To the same question that Tim noted, in our underlying guidance for both our business and the business we're acquiring, we've assumed that there's no change to Queensland just to be conservative.

Russell Gill: (JPMorgan, Analyst) Okay, thanks.

Operator: There are no further questions at this time. I would now like to hand the conference back to today's presenters.

Daniel Tartak: Thank you very much everyone.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for participating, you may all disconnect.

End of Transcript