



## NZX RELEASE

30 May 2024

# WasteCo achieves \$48 million sales revenue for 12 months to 31 March 2024 during transformative year

WasteCo Group Ltd (NZX:WCO) today announces its audited financial results for the 12 months to 31 March 2024 (FY24).

### Highlights for the 12 months to 31 March 2024

- Sales revenue increased 40% to \$48 million compared to the same period last year (FY23).
- Achieved operating EBITDA of \$4.09 million for the second half of FY24 before non-recurring items, in line with guidance.
- Successfully integrated Cleanways, Bond Contracts and Central Suction Cleaners businesses into our operations. These businesses are performing well.
- The business successfully transitioned to a new financial reporting and accounting platform that adds scale, and greatly improves analysis and visibility across and within divisions.
- A net \$6.5 million increase in equity share capital, of which \$2.2 million related to shares taken up by the vendor of Cleanways.
- New CEO David Peterson commenced in February 2024. He is focused on improving profitability and organic growth from existing operations and earnings accretive ambitious growth through acquisition of established waste management companies.
- Restructuring initiatives in the first half of the year had a material impact on improving operating performance in the second half.
- Overall loss of \$4.14 million. The loss reflected costs largely incurred in the first half, and non-cash accounting treatment of adjustments of \$1.5 million in the second half.

### Financial performance summary

#### RESULTS OVERVIEW

	2024	2023
	NZ\$000	NZ\$000
Revenue	\$48,233	\$34,392
Profit/(loss) from operations	\$(2,788)	\$1,549
Gain on bargain purchase	\$762	
Acquisition costs	\$(639)	
Finance costs	\$(3,078)	\$(2,063)
Reverse acquisition - share based payment		\$(1,239)
Reverse acquisition - listing expenses		\$(403)
Loss before income tax	\$(5,743)	\$(2,156)
Income tax benefit	\$1,608	\$236
Loss for the year	\$(4,135)	\$(1,920)

A combination of organic business growth and acquisition growth during FY24 means the size and scale of WasteCo's operations grew revenue by 40% from \$34 million in FY23 to \$48 million in FY24. This significant increase results in an annualised revenue run rate of \$55 million based on the last six months of trading.

The total overall loss for the year was \$4.14 million, which was higher than FY23 \$1.92 million.

The business recorded a net gain of \$762,000 on the acquisition of the Bond Contracts business after deducting a deferred tax liability of \$1.52 million.

Notwithstanding the pleasing revenue growth, the underlying financial performance of the existing business operations in the first half was disappointing and has been addressed by the company.

As the economy slowed, external conditions that impacted WasteCo included:

- increased interest rates impacting our customers' own activities, notably within the construction sector;
- cost of debt; and
- increased labour and fuel costs.

Internal, one-off costs included:

- the three acquisitions completed and restructuring costs; and
- significant investment in assets, systems and organisational structures to position the business for future growth.

During the year, issues within WasteCo's control that suppressed EBITDA and NPAT performance were addressed aggressively and are reflected in the increased performance of the the business during the second six months of trading. Management has identified additional initiatives that are expected to see further significant gains in the next financial year.

WasteCo achieved an EBITDA of \$4.09 million for the second half of the financial year (1 October 2023 to 31 March 2024), in line with the earnings guidance range communicated in the half-year commentary on 29 November 2023. This equates to an annualised run rate of \$8.18 million.

WasteCo reported a loss from operations of \$2.79 million in FY24. This is the first full-year operational result for the company since the reverse listing transaction in December 2022, and compares with a profit of \$1.55 million in FY23. There was a loss before income tax of \$5.74 million compared with a loss before income tax of \$2.16 million in FY23.

WasteCo continued to increase the level of equity in the company during the year with a combination of new capital raised and \$2.2 million in shares taken up by the vendors of Cleanways businesses acquired during FY24. This resulted in the \$6.5 million increase in equity.

#### EBITDA overview

	2024	6 mths ended 30 Sept 2023	6 mths ended 31 March 2024
	NZ\$000	NZ\$000	NZ\$000
Revenue	\$48,233	\$20,778	\$27,455
Profit/(loss) from operation	\$(2,788)	\$(2,590) <sup>(1)</sup>	\$(198)
Add back non- recurring expenditure			
Site and system infrastructure	\$415	\$288	\$127
Staff share based incentive accrual	\$275	\$0	\$275
Employee related and restructuring costs	\$341	\$0	\$341
Depreciation and amortisation expenses	\$6,192	\$2,648	\$3,544
Total	\$7,223	\$2,936	\$4,287
EBITDA before non-recurring expenditure	\$4,435	\$346	\$4,089

<sup>(1)</sup> Excludes gain on business acquisition as classified in the interim consolidated financial statements for the six months ended 30 September 2023

#### OUTLOOK

WasteCo's focus for FY25 is optimising the financial performance of the leveraging initiatives taken by existing businesses during the last year, and acquiring earnings accretive waste management businesses. The company expects to at least maintain the EBITDA achieved in the second half of FY24 while delivering sustainable and innovative solutions to customers and partners. Overall emphasis will continue to be on people, asset utilisation, competitive pricing structures and further debt reduction. WasteCo also continues to strengthen its reporting and financial processes.

A pricing restructure has already started to flow through to the bottom line and further improvements are expected as this initiative cascades throughout the business. The company is reviewing key supplier arrangements and terms to ensure it is utilising the benefits of considerable growth and increased scale.

There is an immediate opportunity for the company to grow aggressively through a focused and disciplined acquisition strategy. WasteCo is well positioned to be a market leader as a principal aggregator of small and medium-sized enterprises in the waste, refuse and industrial services sector. Consolidation opportunities offer WasteCo significant scalability and synergy value.

New CEO David Peterson is focused on executing a clear and ambitious growth strategy that leverages the company's strengths and capitalises on emerging opportunities. This will involve operational improvements and efficiencies, acquisitions, upskilling management capability, health and safety improvements, and new technologies.

WasteCo is at the forefront of the waste and sustainability journey of its customers and the communities it serves – working closely with them to divert waste from landfill, and coming up with innovative services to reduce their waste burden economically and sustainably.

WasteCo will likely face further cost pressure as the business continues to grow and incur further increases in compliance costs. However, the diversity of its operations throughout the South Island is its strength, together with the various revenue streams through the different waste management and industrial solutions WasteCo provides its customers. In addition, the company is well positioned to benefit at a corporate level from the leverage to the fixed cost nature of the NZX listing and compliance costs.

The company's earnings base is largely underpinned by the provision of essential waste services, including a significant proportion secured by long-term contracts, with geographic and sector diversification across councils, healthcare, infrastructure, commercial and industrial customers.

Post balance date, WasteCo consolidated all its asset finance facilities with its banker, Kiwibank. The consolidation is a mix of principal and interest, and interest only facilities, to provide cash flow benefits to WasteCo. WasteCo has undrawn facilities with Kiwibank.

#### Dividend Policy

The directors have not declared any dividend for the 2024 financial year. In the medium term, the opportunities for growth in the business are expected to be the priority for any surplus funds. The Board will review the dividend policy as revenue and cashflows allow.

#### **About WasteCo**

WasteCo is a leading South Island waste solution company, processing and diverting liquid and solid waste from landfill. It provides comprehensive solutions for household, commercial, industrial and local authority customers. WasteCo is New Zealand's only diamond-certified Toitū Enviromark waste solutions provider and delivers outcomes that ensure its customers are at the leading edge of the sustainability frontier. The company provides waste and sorting options as well as waste remediation, sweeping and industrial cleaning services – all delivered using leading-edge technology and highly trained customer-focused staff. The Christchurch-based business was established in 2013.