Growth, Delivery and Momentum

Half Year Results FY 2019

21 November 2018

Agenda

1	Introduction & Overview: Michael Topham, CEO
2	Operating & Financial Review: Richard Pike, CFO
3	Strategy Execution & Update: Michael Topham, CEO
4	Q&A

Growth, Delivery and Momentum

- A solid first half – full year expectations unchanged
  - Strong I&C performance mitigating anticipated external headwinds
- Good progress in delivery of strategy
  - M&A execution and pipeline strong
  - EfW opportunity progressing well
  - Announcement of further commitment to plastic recycling
- Well positioned for the future

Net Revenue ↑4.2%	Underlying EBITDA ↓ 0.9%	4 Acquisitions: £20m invested	Net Debt : EBITDA 2.0x

Notes: definitions on slides 26 & 27

Operating & Financial Review

Group Highlights

Biffa

Key trends

£m (unless stated)	H119	H118	%
Revenue	549.2	534.6	2.7%
Net Revenue	501.8	481.6	4.2%
Underlying EBITDA	75.6	76.3	(0.9)%
% margin	*13.8%*	*14.3%*	
Underlying Operating Profit	40.8	43.4	(6.0)%
% margin	*7.4%*	*8.1%*	
Underlying Profit before Tax	30.9	33.3	(7.2)%
Underlying Profit after Tax	24.9	26.7	(6.7)%
Leverage (Reported Net Debt : EBITDA)	2.0x	1.9x	
Dividend per share	2.3p	2.2p	6.0%

Commentary

- Solid first half performance
- Net revenue growth 4.2%, with 3.1% organic growth in I&C
- Underlying Operating Profit impacted as expected by commodity prices
- Interim dividend 2.30pps – continuing our progressive policy

Notes: definitions on slides 26 & 27

Industrial & Commercial (60% Net Revenue)

£m (unless stated)	H119	H118
Revenue	302.9	280.7
% growth, of which - *organic* - *acquisition*	*7.9%* *3.1%* *4.8%*	*7.4%* *3.5%* *3.9%*
Underlying EBITDA	42.9	38.4
% margin	*14.2%*	*13.7%*
Underlying Operating Profit	27.5	24.7
% margin	*9.1%*	*8.8%*

Key commentary

- Organic revenue growth 3.1%
  - Significant new customer wins
  - Further reduction in SME customer churn
- Acquisition revenue growth 4.8%
- Further Margin enhancement, up from 8.8% to 9.1%
  - Ongoing price discipline mitigating cost headwinds and softer recycled commodity prices
  - Continuing excellence in customer service
  - Delivery of acquisition synergies
- Outlook:
  - Continued organic and acquisition revenue growth
  - Focus on incremental margin improvement
  - Strong acquisition pipeline

Municipal (17% Net Revenue)

£m (unless stated)	H119	H118 [1]
Revenue	83.4	87.4
Net Revenue	83.4	87.4
% growth, of which	*(4.6)%*	*9.6%*
- organic	*(4.6)%*	*2.7%*
- acquisition	-	*6.9%*
Underlying EBITDA	7.9	11.3
% margin	*9.5%*	*13.4%*
Underlying Operating Profit	2.1	4.9
% margin	*2.5%*	*5.6%*

[1] H118 has been restated to exclude the Leicester City Council contract, which has been transferred to the Energy division with effect from H119

Key commentary

- A difficult first half; trading conditions remain challenging
- Revenue reduction as expected due to expiring contracts
- Margins under pressure
  - Some higher margin contracts ending
  - Cost pressures (fuel, wages) not fully recovered
  - Under-performance of certain newer contracts
- Outlook:
  - Market conditions stable - unlikely to materially improve in short term
  - Continue to look at appropriateness of operating model
  - Disciplined approach to new contract bidding
    - Waverley BC contract won

Resource Recovery & Treatment (13% Net Revenue)

£m (unless stated)	H119	H118
Revenue	112.8	113.8
Net Revenue	65.4	60.8
% growth, of which *- organic* *- acquisition*	*7.6%* *4.1%* *3.5%*	*13.2%* *9.4%* *3.8%*
Underlying EBITDA	15.1	19.4
% margin	*13.4%*	*17.0%*
Underlying Operating Profit	5.6	10.6
% margin	*5.0%*	*9.3%*
Tonnes Landfilled (mt)	1.5	1.6

Key commentary

- Strong organic growth – recent investments in plastic recycling and soil treatment delivering
- Profit reduction in line with expectations and primarily related to commodity prices
- Our actions to meet recycled quality standards delivered to plan
- Further investment in PET recycling to go ahead
- Outlook:
  - Commodity prices expected to be stronger than last 12 months
  - Landfill volumes declining – in line with medium term trend

Energy (10% Net Revenue)

£m (unless stated)	H119	H118 [1]
Revenue	50.1	52.7
% growth (all organic)[1]	*(4.9)%*	*1.4%*
Underlying EBITDA	16.3	15.9
% margin	*32.5%*	*29.4%*
Underlying Operating Profit	13.2	12.5
% margin	*26.3%*	*23.7%*
Energy Generation (GWh)	219.6	236.8
Energy Price (£/MWh)	42.0	40.0

[1] H118 has been restated to include the Leicester City Council contract, which has been transferred from the Municipal division with effect from H119

Key commentary

- Revenue decline in line with reducing LFG yields, partly offset by higher electricity & ROC prices
- EfW plans progressing well
- Outlook:
  - Continuing LFG volume step down in line with expectations
  - Expected full year effective electricity price of £45.9/MWh

Group Cash Flow

£m	H119	H118
Underlying EBITDA	**75.6**	**76.3**
Working capital movement	(21.9)	(11.7)
Capex	(22.4)	(19.4)
Sale of fixed assets	0.1	1.2
Finance lease payments	(16.9)	(17.4)
Net interest paid	(7.7)	(10.5)
Pension deficit payment	(4.0)	(3.9)
Corporation tax re acquisitions	(0.1)	(1.3)
Underlying Free Cash Flow	**2.7**	**13.3**

Key commentary

- Positive underlying free cash flow performance despite working capital outflow
- Working capital outflow in part driven by acquisition working capital profiles and non-trade debtors. This is expected to be partly recovered during H2
- Material reductions in net interest paid due to H1 2018 including payment of rolled up interest from FY17
- £4.0m pension payment in line with inflationary deficit recovery payment plan
- £45.2 m in deferred tax assets to offset against future cash tax. No tax payable on underlying business until 2020 at earliest

Notes: definitions on slides 26 & 27

Net Debt and Financing Costs

Biffa

Net debt (£m)	Sep 19	Sep 18
Cash	31.2	23.3
Loans	(213.4)	(194.3)
Finance leases	(114.3)	(101.2)
EVP Preference instrument	(6.3)	-
Reported Net Debt	(302.8)	(272.2)
Reported Net Debt: EBITDA	2.0x	1.9x

Financing Costs (£m)	Sep 19	Sep 18
Loans (inc. RCF)	5.9	5.2
Finance leases	2.7	3.1
Performance bonds	0.9	0.9
Landfill discount unwind	1.2	1.2
Underlying finance charges	10.7	10.4

Key commentary

- Capital structure remains conservative
- Leverage broadly constant at 2.0x (Reported Net Debt: Underlying EBITDA) despite continued investment for future growth
- Significant available liquidity – more than sufficient to cover anticipated EfW funding requirements
- Year on year reductions in cost of financing (term loan margin and finance leases) offset by higher Net Debt

Notes: definitions on slides 26 & 27

Strategy Execution and Update

Summary of Group Strategy

Biffa

1 **Grow market presence**

- Drive organic growth through leveraging Biffa's established brand, reputation and breadth of service offering
- Pursue synergistic acquisitions to leverage operational platform

2 **Develop services & infrastructure**

- Leverage control of waste streams and expertise to invest in waste processing, recycling and energy recovery assets
- Expand service offering to meet increasingly complex needs of customers

3 **Optimise systems & processes**

- Drive value from existing operations through efficient business operations
- Further investment to improve efficiency of operations and enhance customer experience

Group strategy has momentum and is delivering value

Grow Market Presence – I&C Organic Growth

Biffa

- High profile customer wins and extensions during H1 across a broad range of sectors

Key contract wins: Busy Bees, dfs, Metropolitan Police, INDIVIDUAL RESTAURANTS

Key contract renewals: Arriva Bus, TARMAC A CRH COMPANY, Thames Water, VILLAGE HOTELS

- Growth of partnership model – embedding our proposition into our customers' operations

On track to deliver a record level of new business this year

Grow Market Presence – I&C Acquisitions

- Another period of strong acquisition growth:
  - 4 acquisitions completed in H1 – investment of £20m
  - 1 small acquisition completed since H1
  - All acquisitions in I&C and with good geographic spread
- Integration and synergy delivery progressing well
- Financing and internal resources in place to facilitate delivery of M&A strategy
- Pipeline remains strong

	Acquired business	Location	Cash plus net debt (£m)	Completion date
1	London Recycling Limited*	London	0.1	April 2018
2	Bisset Waste Management Limited*	Scotland	0.3	July 2018
3	Weir Waste Services Limited	West Midlands	16.1	August 2018
4	H&A Recycling Limited*	Cornwall	3.5	August 2018
5	Keir Group Companies * **	East Sussex / Cheshire	1.1	October 2018

** Trade and assets purchased ** Completed after H1 FY19*

We continue to deliver against our I&C acquisition strategy

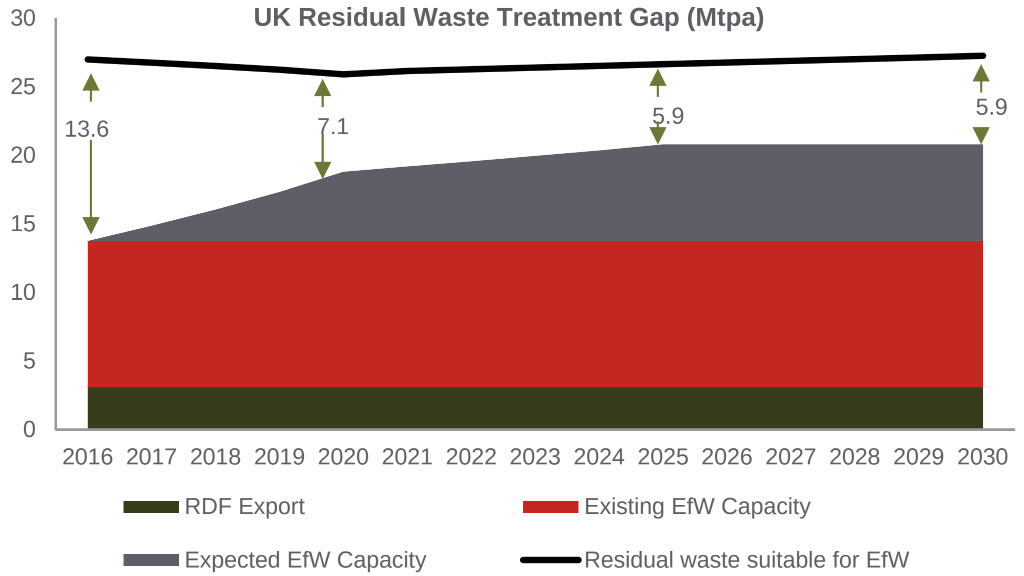
Develop Services and Infrastructure – Energy from Waste

A Compelling Investment Opportunity

- Proven capacity gap
- Tightening European market
- Strong investor and lender appetite, providing the right technology is chosen
- Biffa's increasing control of feedstock makes this even more compelling (Weir acquisition adds c.30kt)
- Strengthened central government support for EfW

Status of Projects

- EPC and funding processes nearing completion
- Both Newhurst (Leicestershire) and Protos (Cheshire) sites permit applications progressing well
- Financial case compelling
- Financial close on both projects expected in H1 2019



Source: Reality Gap report

Indicative investment metrics (per site)	
Capital cost	£260m - £270m
Capacity	350ktpa
Biffa's share of equity	50%
Biffa's equity contribution	£33m – £41m
Leverage	70-75%
Equity IRR	Mid to high teens
Biffa's tonnage commitment	c.70%

An increasingly compelling investment opportunity

Develop Services and Infrastructure – PET Recycling

- Biffa has a significant opportunity in plastic recycling:
  - Proven operational credentials – past success in PP and HDPE
  - Trusted relationships with major international plastic packaging groups
  - Control of significant feedstock
- A supportive policy and market context exists:
  - UK Govt Budget announcement to tax plastic with <30% recycled content
  - Deposit return schemes likely to further promote recycling and availability of feedstock
  - Asian export markets no longer dependable outlets
- Decision reached to make a further PET recycling investment:
  - c£15m investment
  - 18 month build programme
  - To produce c25kT p.a. of food grade recycled PET
  - Considering merits of investing alongside a JV partner

Indicative investment metrics	
Capital cost	£15m
Output	25ktpa
Biffa's share of equity	50 - 100%
Biffa's equity contribution	£7.5m-£15m
Targeted annual revenue	c£20m
Equity IRR	High-teens - early 20s%

A further major commitment to plastics recycling in the UK

Optimise Systems and Processes

Biffa

Optimising fleet operations

- Ongoing roll-out of on-board technology
- Double and triple shifting of vehicles

Delivering acquisition synergies

- Includes frontline operations; back office; procurement; internalisation
- All acquisitions on track to deliver targeted synergies

Stabilising challenged contracts

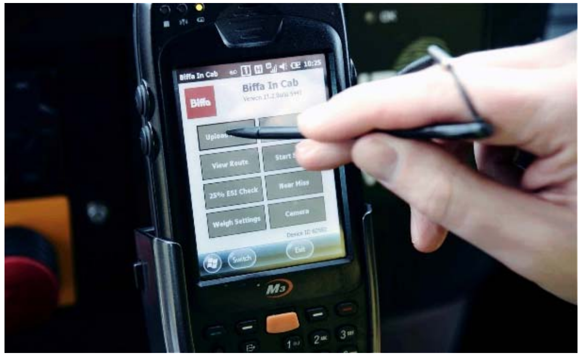
- Leicester contract performance improvement on track (Energy Division)
- Municipal under-performing contracts turnaround plan in progress

Responding to the changing recycling market

- New products and end markets established
- Aldridge plant modifications complete
- Revised terms with local authorities agreed

Maximising production yields

- Biffa Polymers HDPE – record throughputs
- Best in class Land Fill Gas operations



Growth, Delivery and Momentum

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  - Strong I&C performance mitigating anticipated external headwinds
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  - Announcement of major commitment to plastic recycling
- Well positioned for the future

Q&A

Appendix

Non-Underlying Items

£m	H119	H118
Underlying Profit after Tax	24.9	26.7
Exceptional items	(0.5)	(1.4)
Amortisation of acquisition intangibles	(8.2)	(6.2)
Landfill provision discount rate change	2.7	4.7
Interest (net)	(1.2)	(1.2)
Tax	1.3	1.1
Statutory Profit after Tax	**19.0**	**23.7**

Key commentary

- Amortisation includes 2008 LBO assets (LFG intangible, customer lists) – (non-cash)
- Landfill provision: increase in long term real discount rate (non-cash)
- Interest relating to EVP notional instrument (non-cash)
- Taxation relating to the above items amounted to £1.3m

Summary Balance Sheet

£m, as at	Sep 19	March 18
Goodwill and intangibles	317.2	317.2
Property, Plant & Equipment	354.2	349.5
Deferred tax assets	8.6	14.5
Funds on long term deposit	8.3	8.3
Long term debtors	65.4	65.4
Pension surplus	57.8	51.3
Non-current assets	**811.5**	**806.2**
Financial Assets	8.7	9.4
Working capital and other	(26.2)	(49.1)
Provisions	(99.4)	(106.4)
Reported Net Debt	(302.8)	(272.7)
EVP instrument	(46.2)	(46.2)
Net assets	**345.6**	**341.2**
Return on Capital Employed (‘ROCE’)	**8.6%**	**9.8%**
Return on Operating Assets (‘ROOA’)	**24.7%**	**27.2%**

Key commentary

- Goodwill and intangibles includes legacy balances originally arising from Biffa’s LBO in 2008 (landfill gas rights and brand)
- Increase in PPE relates to acquisitions, ongoing fleet replacement and investment in infrastructure
- Deferred tax position includes:
  - Losses, ACAs and previously written-off goodwill – total £45.2m – will offset against future tax cash
  - £(40.2)m in respect of intangibles, pension etc. – non-cash
- Long term debtors predominantly represents EVP and interest
- Pension surplus increased due to strong asset performance and actuarial / demographic changes
- Financial assets relate to insurance captive
- Provisions include landfill restoration and aftercare (£70m)
- ROCE and ROOA reduced due to the reduced Underlying Operating Profit

Other Items

Tax

- Underlying effective rate slightly above prevailing rate
- Deferred tax asset of £8.6m includes £45.2m to offset against future cash tax (ACA's, losses, previously written off goodwill)
- No corporation tax payable until 2020 at the earliest

Pension

- IAS19 position £57.8m surplus (March 2018: £51.3m surplus)
- Assets £515.8m (net of £(1.0)m restriction); liabilities £458.0m
- Payment of c£4.0m p.a. to fund actuarial deficit

Dividend

- Dividend of 2.30p per share proposed
- Ex-dividend date of 6 December 2018, payable 4 January 2019
- Increase of 0.13p per share from prior year

Reporting periods

- H1 FY19 is a 26 week year including 4 public holidays
- H1 FY18 is a 26 week period including 5 public holidays

Provisions & contingent liabilities

- Landfill provision reduced by £2.7m due to change in real discount rate – included in "other items" in P&L
- Onerous contract provisions – provision unwinding over the life of the contracts. Other provisions reduced from £19.6m to £15.9m
- Landfill tax hazardous soils dispute – potential exposure of £8.6m with no provision made.

Other Items (Continued)

Biffa

Divisional split

- Leicester long-term contract (H1 2019 revenues £10.0m, underlying EBIT £(0.5)m) moved from Municipal division to Energy division from H1 2019

IFRS 15

- Revenue and profit impact immaterial

EVP Dispute

- Tax under dispute (£63m) fully paid post-IPO – no value at risk to post-IPO investors
- Contingent value instrument (EVP preference liability) exposes pre-IPO shareholders to substantially all of potential recovery
- Interest on tax (£8.7m) not payable – payment to be made pre-IPO investors instead upon final determination of case
- First tier tax tribunal found in HMRC’s favour. Judgment appealed and will be heard by upper tribunal in Summer 2019

Financial Definitions

Biffa

Accounting Basis	▪ Prepared in accordance with IFRS ▪ H1 FY19 represents the 26 weeks ended 28 September 2018; H1 FY18 represents the 26 weeks ended 22 September 2017;
Net Revenue	▪ Statutory revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to statutory revenue
Organic Net Revenue Growth	▪ The increase/(decrease) in net revenue in the period excluding net revenue from acquisitions completed in the period and net revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such net revenue falls in the current period ▪ Organic net revenue growth can be expressed both as an absolute financial value and as a percentage of prior period revenue
Acquisition Net Revenue Growth	▪ Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) acquisitions completed in the twelve months ended to the start of the relevant period up to the twelve-month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue.
Acquisition Net Revenue Growth Rate	▪ Acquisition Net Revenue Growth Rate in any period represents the Acquisition Net Revenue Growth for the period expressed as a percentage of the prior period's Net Revenue. Acquisition Revenue Growth Rate is calculated on the same basis, using revenue in place of Net Revenue
Underlying EBITDA	▪ Profit before depreciation and amortisation, exceptional items, impact of real discount rate changes to landfill provisions, finance costs and taxation ▪ Divisional underlying EBITDA is stated after allocation of shared services costs
Underlying Operating Profit	▪ Profit before exceptional items, amortisation of acquisition intangibles, impact of real discount rate changes to landfill provisions, finance costs and taxation ▪ Divisional underlying operating profit is stated after allocation of shared service costs
Underlying Profit after Tax	▪ Profit for the period as adjusted for non-underlying operating items (exceptional items, amortisation of acquisition intangibles and impact of real discount rate change to landfill provisions), non-underlying net interest items and non-underlying taxation
Return On Capital Employed (ROCE)	▪ Operating Profit excluding exceptional items and impact of real discount rate changes to landfill provisions divided by average of opening and closing shareholder's equity plus net debt (including finance leases), pensions and environmental provisions
Return On Operating Assets (ROOA)	▪ Underlying Operating Profit divided by average of opening and closing Tangible Fixed Assets plus net working capital
Underlying Free Cash Flow	▪ Net increase/(decrease) in cash and cash equivalents excluding dividends, restructuring and exceptional items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including finance lease principal payments)
Reported Net Debt	▪ Net debt excluding EVP instrument

Financial Definitions

Biffa

Tonnes Collected	▪ Tonnes Collected is calculated as total waste tonnages collected from customers by Biffa operations. ▪ Excludes sub-contracted services and haulage / internal movements
Tonnes Processed	▪ Tonnes Processed is calculated as the tonnages received in the period subjected to processing activities at Biffa operated sites. ▪ Processing activities includes (i) sorting, baling and transfer; (ii) RDF preparation; (iii) soils and aggregates processing; (iv) composting; (v) plastics recycling; (vi) hazardous waste processing; (vii) anaerobic digestion; and (viii) mechanical and biological treatment. ▪ Where materials are subjected to more than one processing activity the tonnes are counted in respect of each process to which the material is subjected. ▪ Tonnages that have not been subjected to any processing activity and are disposed of in landfill and soils received at landfill sites for restoration are excluded. ▪ Excludes any processing activity carried out by third parties on Biffa's behalf. Where waste is not weighed (e.g. some hazardous wastes), tonnages are estimated.
Tonnes Landfilled	▪ Tonnes Landfilled is calculated as total waste tonnages accepted for disposal at a Biffa operated landfill site. ▪ Excludes sites managed by third parties. Excludes non-waste materials (e.g. restoration soils) that are not subject to Landfill Tax