

# Capital Markets Day

## Rotterdam, Netherlands

## September 2014

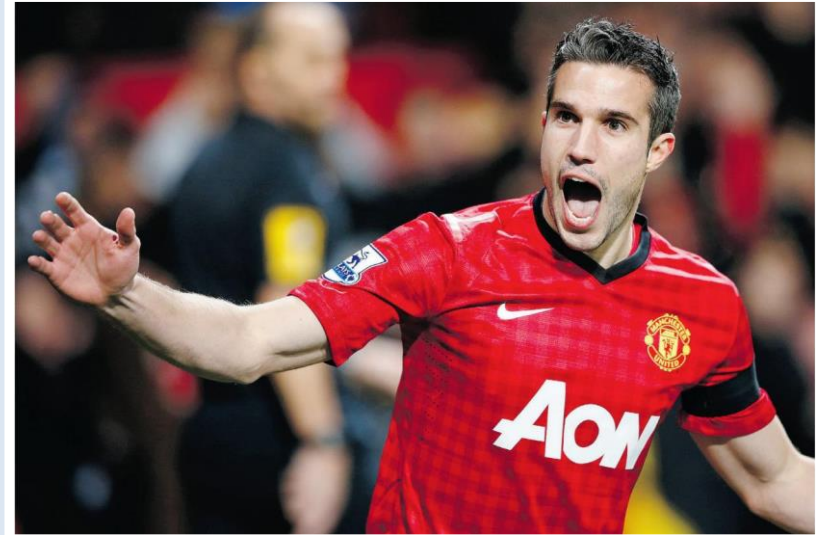


# Welcome

# CMD Objectives

- 1 Introduce our new vision**
- 2 Update on the implementation of our Group growth strategy**
- 3 Explain NL SW market dynamics and our activities**
- 4 Showcase our differentiated growth business at ATM**
- 5 Provide an opportunity to meet the Shanks team**
- 6 Listen and learn from your perspectives**

# Rotterdam



**Europe's largest port  
with access globally  
and deep into the  
continent**



# Executive Committee



**Toby Woolrych**  
Group Finance Director

**Joined Shanks in Aug 12**

- Consort Medical plc & Acta SpA
- Johnson Matthey plc



**Michael van Hulst**  
MD, Benelux Solid Waste

**New Role in Jul 12**

- Shanks Excom since 08
- 20+ years waste experience



**Jonny Kappen**  
MD, Hazardous Waste

**Joined Excom in Jul 12**

- Hazardous Waste leader since 07
- 30+ years waste experience



**Michelle Cummins**  
Group HR Director

**Joined Shanks in Sep 12**

- Inchcape plc
- BAE Systems plc



**Peter Eglinton**  
MD, UK

**Joined Shanks in Apr 13**

- Iron Mountain Inc
- Christian Salvesen, DHL and Exel Plc



**Henk Kaskens**  
MD, Organics

**Joined Excom in Jul 12**

- Founded Orgaworld in 01
- 20+ years waste experience

# Our CMD Team



**George Slade**  
Group ICT Director



**Bob Cartwright**  
Group Treasurer



**Rick Van Vliet**  
Director,  
Solid Waste Benelux



**Dieter Avonds**  
Business Development Manager,  
Solid Waste Benelux



**Pim te Riele**  
Head of Shared Services,  
Solid Waste Benelux



**Henk Rogiers**  
Finance Director,  
Solid Waste Benelux



**David Mulligan**  
Finance Director, UK



**Lindert Verhagen**  
Finance Director, Organics



**Aad van Marrewijk**  
Finance Director,  
Hazardous Waste



**Ron Grobecker**  
Commercial Director,  
Hazardous Waste



**Fred Muller,**  
Sales and Marketing  
Director, Hazardous Waste



**Jacques de Jong**  
Compliance Director,  
Hazardous Waste

## Capital Markets Day

# Vision and Strategy Update

Peter Dilnot, Group Chief Executive



# Key Messages

- 1 We have refocused our Shanks vision to reflect and harness our competitive advantages**
- 2 NL SW continues to face extremely tough market headwinds, but positive medium-term recovery drivers remain**
- 3 Our three growth divisions continue to perform robustly**
- 4 Our growth strategy is robust, differentiated and being implemented successfully**
- 5 We continue to invest in infrastructure that will deliver high-quality earnings growth in the years ahead**

# Agenda

## Context

## Revised Shanks Vision

## Our Growth Strategy

# Divisional Updates

Division	Update	Outlook
<b>Solid Waste</b> 	<ul style="list-style-type: none"> <li>Extremely tough market conditions due to depressed end markets, intense competition and lower recycle values</li> <li>Commercial effectiveness initiative is focusing us where we can win profitably</li> <li>On-going cost programme to deliver further structural gains, plus continuous improvement</li> <li>Staying close to market developments in light of likely consolidation</li> </ul>	<ul style="list-style-type: none"> <li>Likely to remain challenging and will impact 14/15 performance</li> <li>Management actions will not offset market headwinds in short-term</li> <li>Medium-term drivers increasingly positive</li> </ul>
<b>Hazardous</b> 	<ul style="list-style-type: none"> <li>Investment plans on track to increase capacity in soil and water treatment, plus expand range of waste inputs</li> <li>Construction started at new Theemsweg site in Rotterdam, plus expanding commercial reach</li> <li>Continuing to increase commercial reach and</li> <li>Legislation continues to support domestic treatment – including degassing, TAG and water</li> <li>NL petrochemical market for industrial cleaning under strain, but offsetting through productivity</li> </ul>	<ul style="list-style-type: none"> <li>Some impact on 14/15 performance from capex commissioning</li> <li>Likely broadly flat year on year</li> <li>On track to deliver sustained profitable growth thereafter</li> </ul>

# Divisional Updates

Division	Update	Outlook
<b>Organics</b> 	<ul style="list-style-type: none"> <li>• Successfully secured Dutch Flevoland tender to underpin Dry AD operations</li> <li>• Record results at Cumbernauld AD in Scotland, new investment planned to increase capacity</li> <li>• Good progress with Canada commercial funnel, including final bidding stage for two large projects</li> <li>• Excellent operational performance in Canada, but legal challenges with Ottawa continue</li> </ul>	<ul style="list-style-type: none"> <li>• Performance in line with expectations</li> <li>• Strong long-term growth from new facilities, especially in Canada</li> </ul>
<b>UK Municipal</b> 	<ul style="list-style-type: none"> <li>• Achieved Financial Close on 27-year Derby PFI contract and £145M project underway</li> <li>• Excellent progress with BDR and Wakefield construction, on track for commissioning in 2015</li> <li>• Delivering record diversion levels and supporting clients under budget pressure</li> <li>• Contingency and recovery plans working well to mitigate impact of recent fire at ELWA</li> </ul>	<ul style="list-style-type: none"> <li>• Performance in line with expectations</li> <li>• Projected profit growth from new operational projects on track</li> <li>• Investment in sub-debt will generate financial returns</li> </ul>

# Shanks Group Context

## Strategic Direction

Revised 'market-facing' divisional structure has driven focused and decisive management action

- Structural cost programme in Benelux SW
- Accelerated investment in HW and UK Municipal

Strong emphasis on capital discipline has resulted in successful divestment programme, most notably with UK SW

HW and UK Municipal growth on track, but sustained strong headwinds in NL SW

## Trajectory

Combination of growth strategy and market conditions have changed the shape of Shanks Group

- >60% of earnings from higher quality, less cyclical, infrastructure based businesses versus <25% in 10/11 <sup>(1)</sup>

Growth strategy on-track in UK Municipal, HW and Organics – supported by ongoing investment and future acceleration plans

Shape and timing of NL SW recovery remains key strategic challenge

**Need strong grasp on our markets and clear strategy for growth, plus clear future vision**

(1) Profit contribution from Hazardous Waste, UK Municipal and Organics in 13/14 versus 10/11

# Agenda

Context

**Revised Shanks Vision**

Our Growth Strategy

# Our Current Vision



# Our New Vision

*What do we want to be?*

**“To be the  
MOST RESPECTED  
waste-to-product  
company”**

Reflects our unique competitive position and future direction

# MOST RESPECTED by Customers

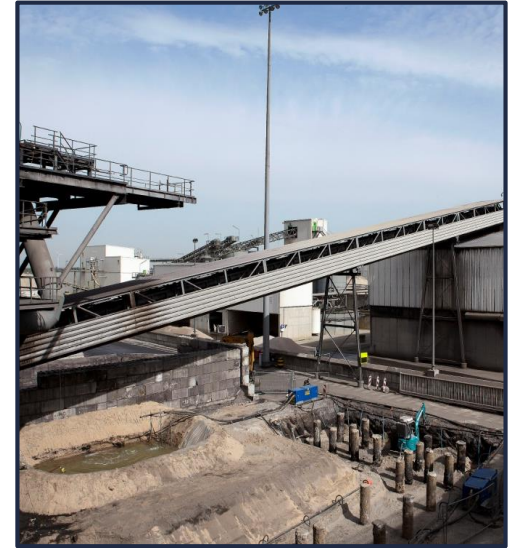
**Shanks**  
Making more from waste



# MOST RESPECTED by Employees



# MOST RESPECTED by Shareholders



# MOST RESPECTED by Communities



# Our Approach

*How will we get there?*

**“We will GROW  
market-focused, dynamic businesses  
supported by  
excellent capabilities  
from across the group”**

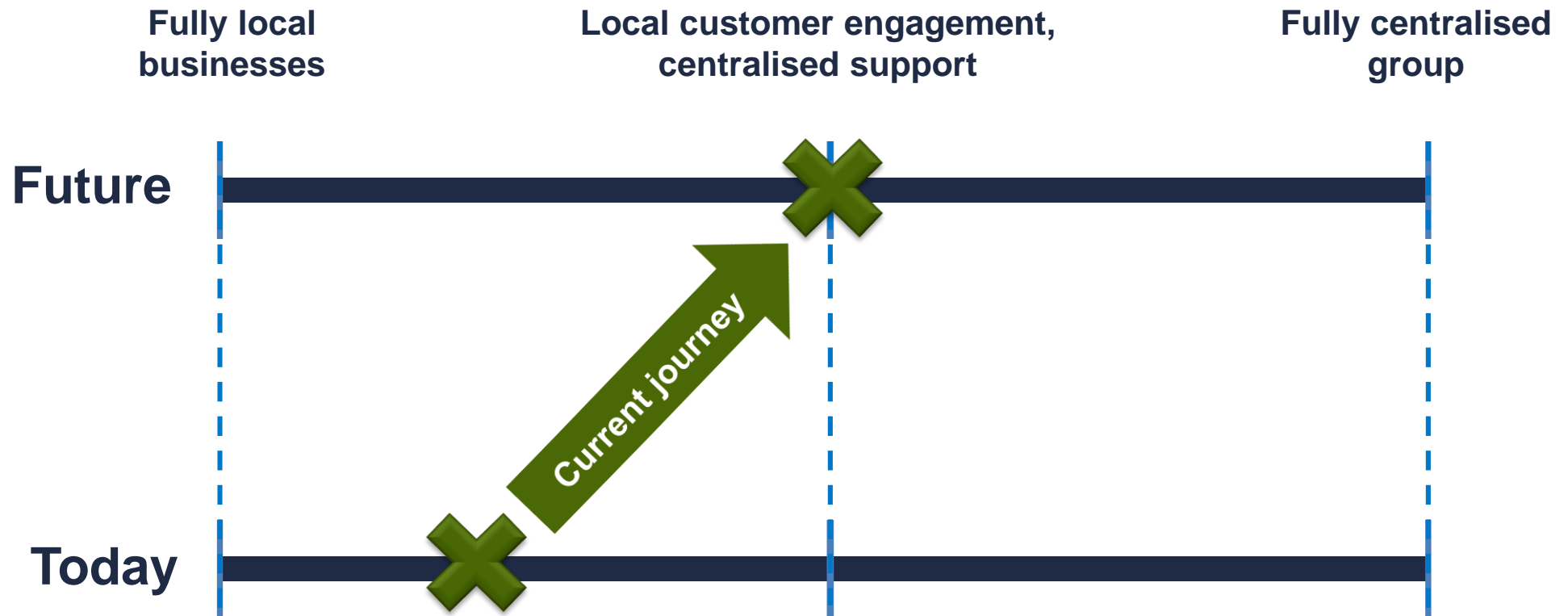
# Dynamic Team!



# ...and excellent support capabilities



# Shanks Differentiated Model



# Our New Values

**making** **i**ntegrity  
**m**ore from waste  
**p**assion  
**a**ccountability  
**C**ustomer focus  
**t**eamwork

**Shanks**

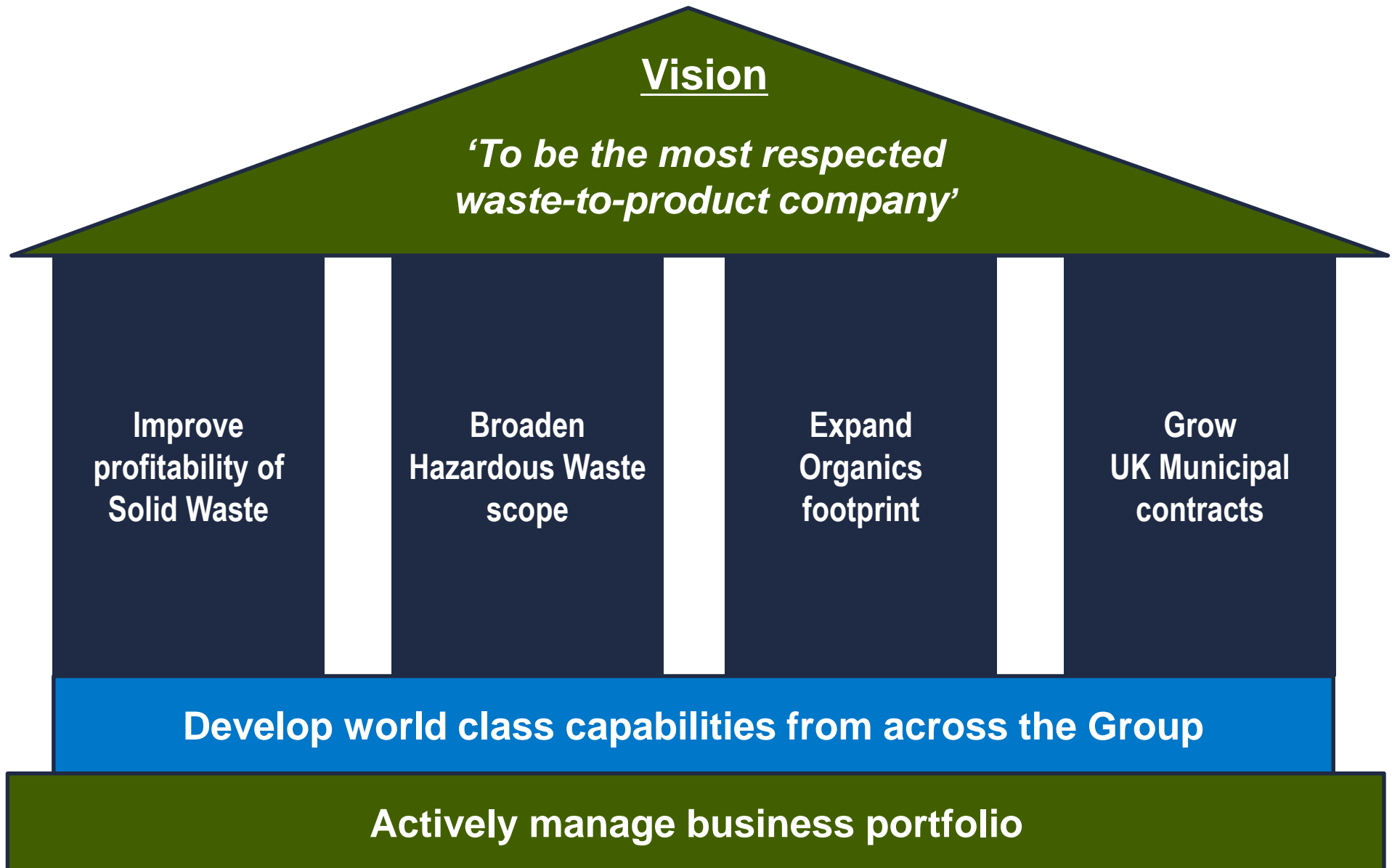
# Agenda

**Context**

**Revised Shanks Vision**

**Our Growth Strategy**

# Strategy for Growth



# Divisional Strategies

Division	Shanks Position	Growth Strategy
<b>Solid</b> 	<ul style="list-style-type: none"> <li>• <u>Market leader</u> in Benelux</li> <li>• Linked to NL construction</li> <li>• Strong commercial presence</li> </ul>	<ul style="list-style-type: none"> <li>• Lowest cost and leading productivity</li> <li>• High quality innovative products</li> <li>• Commercial effectiveness</li> </ul>
<b>Hazardous</b> 	<ul style="list-style-type: none"> <li>• <u>Market leader</u> in EU thermal soil treatment</li> <li>• Advantaged water technology</li> <li>• Integrated &amp; synergistic model</li> </ul>	<ul style="list-style-type: none"> <li>• Fast-tracked waterside expansion</li> <li>• Broader range of treatment inputs</li> <li>• Increased regional presence</li> <li>• Further synergies and productivity</li> </ul>
<b>Organics</b> 	<ul style="list-style-type: none"> <li>• <u>Market leader</u> in Netherlands</li> <li>• Differentiated operating model</li> <li>• Growth footprint in Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Ramp-up EU assets profitably</li> <li>• Canada growth leveraging NL/UK</li> <li>• Co-processing with EU A-brands</li> <li>• Maintaining technology leadership</li> </ul>
<b>UK Municipal</b> 	<ul style="list-style-type: none"> <li>• <u>Market leader</u> in UK MBT</li> <li>• Proven operational excellence</li> <li>• New infrastructure being built</li> </ul>	<ul style="list-style-type: none"> <li>• Sustain operational contract delivery</li> <li>• Commission BDR, Wakefield &amp; Derby</li> <li>• New volumes to utilise capacity</li> </ul>

**CMD will focus on Solid and Hazardous,  
so quick update on Organics and UK Municipal strategy now**

# Organics Strategy

## Strategy

- 1 Ramp-up new EU assets profitably
- 2 Capture NA opportunity
- 3 Co-processing with NL A-brands
- 4 Maintaining technology leadership

## Future Growth Drivers

Increased returns from AD assets ramping-up or being commissioned

- Amsterdam and Cumbernauld gains
- Westcott electricity under ROCs

New business in NL to offset current price erosion, plus access to longer-term growth markets

Additional secure income streams from new NA facilities

- Good investment returns (selective bids)
- Underpinned by long-term contracts



# UK Municipal Strategy

## Strategy

- 1 Sustain margin with authority partnership
- 2 Commission assets under construction
- 3 Achieve Financial Close on new contracts
- 4 Win new volume to utilise full capacity

## Future Growth Drivers

Additional secure income streams from new operational contracts

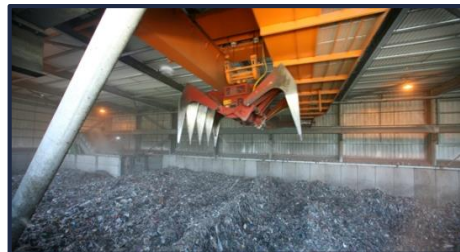
- BDR and Wakefield facilities
- Derby PFI including gasification

Further financial income due to attractive returns from subordinated debt investments

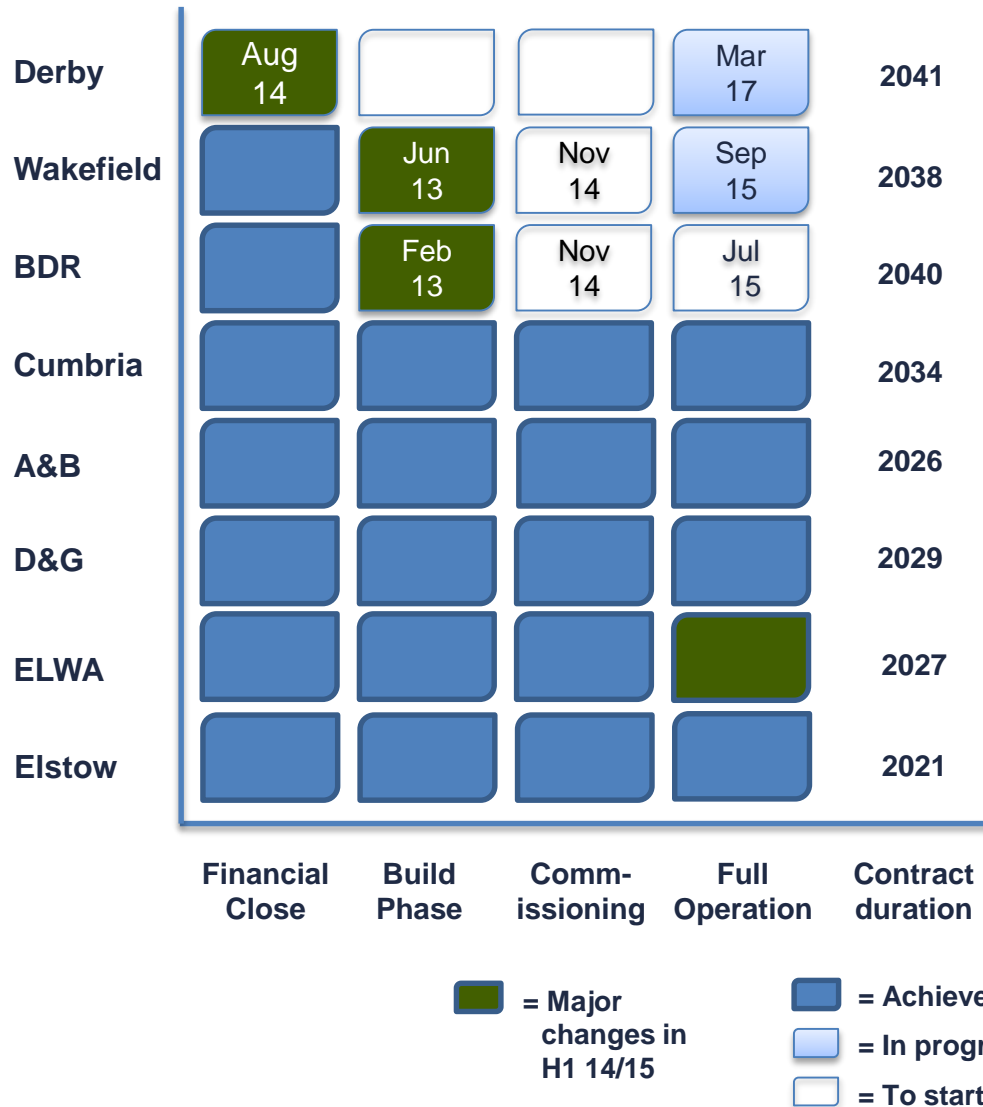
- BDR and Wakefield 2015, Derby 2017

Incremental margin from continuous improvement and improving productivity

- Improved value from fuel production
- Impact of incremental volumes



# UK Municipal Progress



# UK Municipal Investment

	FC Date	GMT	Technology	Capital Spend	Funding Banks	FSC Date	Notes
BDR	Mar 2011	180kt	Residual <ul style="list-style-type: none"> <li>Biodrying</li> <li>Dry AD</li> </ul>	£69m	Lloyds SMBC	Jul 2015	190kt plant; 3SE is SPV (75% Shanks/25% SSE); Shanks act as EPC Contractor
Wakefield	Jan 2012	120kt	Residual <ul style="list-style-type: none"> <li>Presort MRF</li> <li>Autoclave &amp; AD</li> </ul> Mixed Dry Recyclates <ul style="list-style-type: none"> <li>Dry MRF</li> </ul> Composting <ul style="list-style-type: none"> <li>Enclosed windrow</li> </ul>	£97m	Barclays Bayern LB SMBC GIB	Sep 2015	145kt plant; Shanks are SPV and EPC Contractor
Derby	Aug 2014	149kt	Residual <ul style="list-style-type: none"> <li>Biodrying</li> <li>Gasification</li> </ul>	£145m	Bayern LB SMBC GIB	Mar 2017	190kt plant; RRS is SPV (50% Shanks/50% ICL) ICL is EPC Contractor

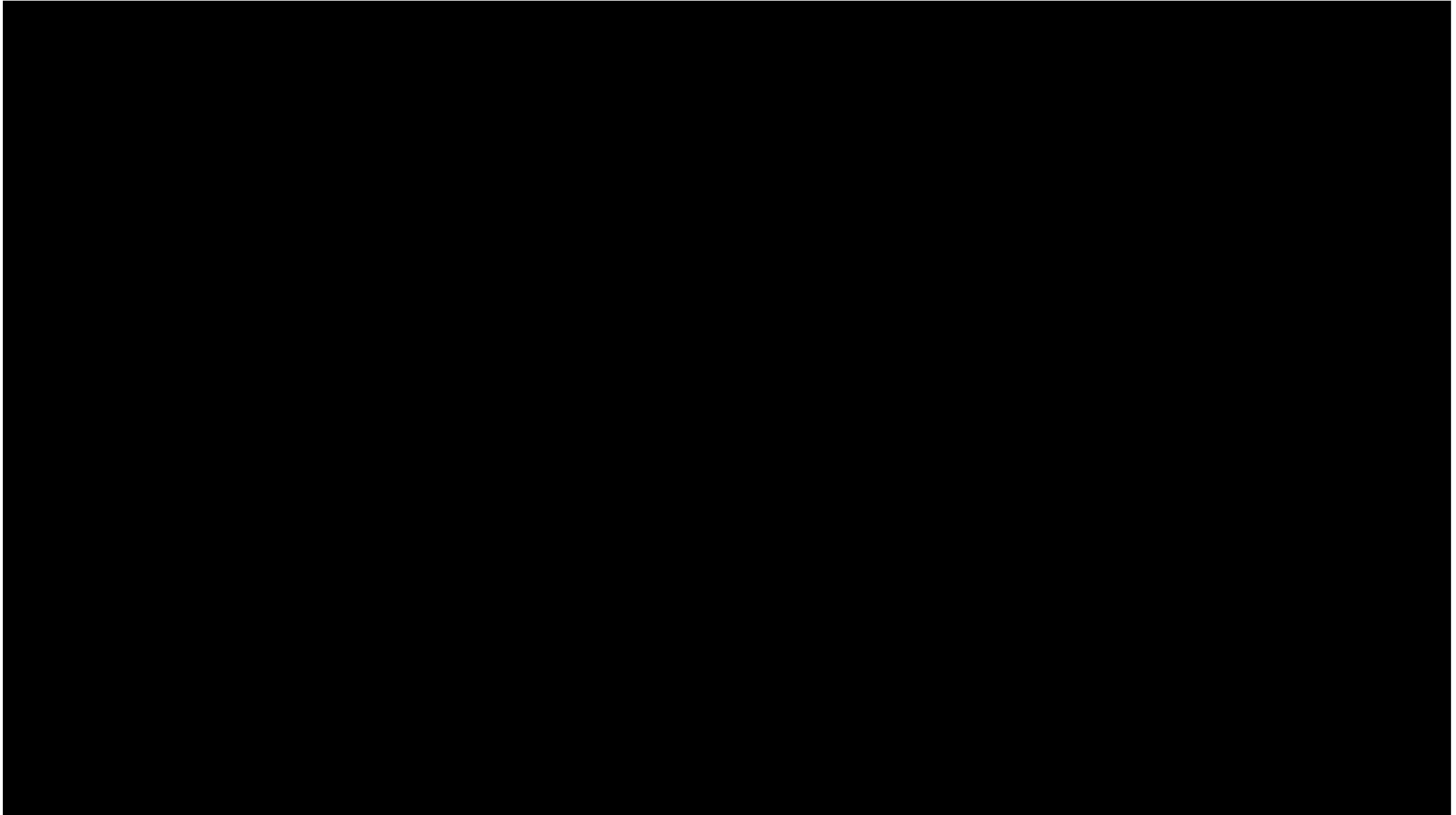
# UK Municipal Investment

## Aerial Photo of Wakefield – Aug 14



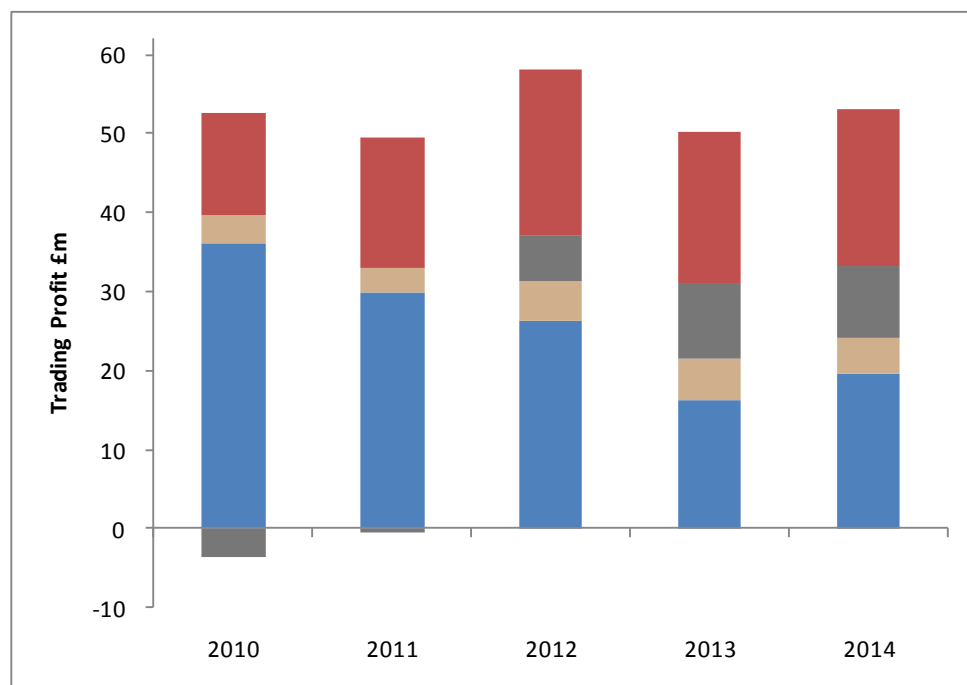
# UK Municipal Investment

[BDR Video – Aug 14](#)



# Group Trajectory

## Recent Profit Evolution...



- = Hazardous Waste
- = UK Municipal
- = Organics
- = Solid Waste Benelux

## ...Future Profit Trajectory

**Continued growth in high-quality earnings from Hazardous Waste and UK Municipal**

- More long-term contract based
- Higher returns on assets
- Reduced cyclical

**Organics set for strong mid-term growth from new assets**

**Solid Waste profit on track for sustained mid-term growth**

- Commercial gains
- Structural cost action
- Macro recovery

# Key Messages

- 1 We have refocused our Shanks vision to reflect and harness our competitive advantages**
- 2 NL SW continues to face extremely tough market headwinds, but positive medium-term recovery drivers remain**
- 3 Our three growth divisions continue to perform robustly**
- 4 Our growth strategy is robust, differentiated and being implemented successfully**
- 5 We continue to invest in infrastructure that will deliver high-quality earnings growth in the years ahead**

# Appendices

# Strategy in Action

## Organics

Strategic Lever	Recent Progress (H1 15)
1 Ramp-up new EU assets profitably	<ul style="list-style-type: none"> <li>Record results at Cumbernauld AD, planning to invest ~£4M in additional capacity (H2 15)</li> <li>Westcott Park now operational (Sep 14)</li> </ul>
2 Capture NA opportunity	<ul style="list-style-type: none"> <li>Preparing final bids with large city projects in H2 (ongoing)</li> <li>Good progress on other major opportunities (ongoing)</li> </ul>
3 Co-processing with NL – A-brand customers	<ul style="list-style-type: none"> <li>Albert Heijn contract now fully operational (Apr 14)</li> <li>New funnel of opportunities progressing (ongoing)</li> </ul>
4 Maintaining technology leadership	<ul style="list-style-type: none"> <li>Received EU subsidy to support breakthrough bio-ethanol conversion (Aug 14)</li> <li>Assessed rubber organic processing (Jul 14)</li> </ul>

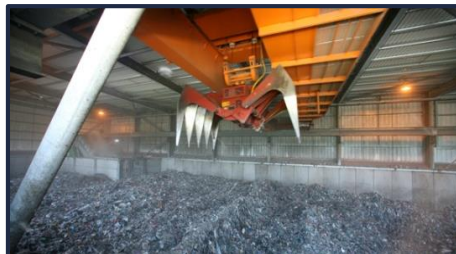


**Outlook: step-down due to NL price, new facilities provide mid-term profit growth**

# Strategy in Action

## UK Municipal

Strategic Lever	Recent Progress (H1 15)
<b>1</b> Sustain margin in partnership with local authorities	<ul style="list-style-type: none"> <li>Delivered record diversion levels to reduce landfill costs</li> <li>Instigated lean initiatives on transport and procurement</li> <li>Ongoing programmes with authorities for mutual gains</li> </ul>
<b>2</b> Commission assets under construction	<ul style="list-style-type: none"> <li>Good progress at BDR and Wakefield with both construction projects on track (ongoing)</li> <li>Hiring operational and commissioning teams, with key leaders now appointed (Aug 14)</li> </ul>
<b>3</b> Achieve Financial Close on new contracts	<ul style="list-style-type: none"> <li>Derby PFI deal reached Financial Close with Interserve Plc providing EPC wrap (20 Aug 14)</li> <li>ROC application now submitted and construction underway</li> </ul>
<b>4</b> Win new volume to utilise full capacity	<ul style="list-style-type: none"> <li>Current capacity in core contracts fully utilised</li> <li>Negotiating deals to “top-up” capacity at BDR/Wakefield and Derby (ongoing)</li> </ul>



**Outlook: on track to double profit as contracts ramp-up over next 5 years\***

\* Excluding win fees

# Wakefield

- Financial Close: 14 January 2013
- Technology:
  - MRF
  - Autoclave
  - AD facility
  - Composting plant
  - HWRCs
- Funding banks:

- 145kt Residual Plant
- GMT: 120kt Residual Waste
- Capital spend: £97m
- FSC date: 1 September 2015



**Green  
Investment  
Bank**



**Shanks are SPV and EPC Contractor**

# BDR

- **Financial Close: 2 April 2012**
- **Technology:**
  - **MBT**
  - **AD**
- **Funding banks:**



- **190kt Residual Plant**
- **GMT: 180kt Residual Waste**
- **Capital spend: £69m**
- **FSC date: 1 July 2015**



**3SE is a SPV (75% Shanks, 25% SSE) - Shanks are EPC Contractor**

# Derby

- Financial Close: 21 August 2014
- Residual Waste Treatment:
  - MBT
  - Gasification
- Funding banks:



Green  
Investment  
Bank

- 190kt Residual Plant
- GMT: 149kt Residual Waste
- Capital spend: £145m
- FSC date: 1 April 2017



**RRS is a SPV (50% Shanks, 50% Interserve) - Interserve are EPC Contractor**

# Capital Markets Day

## Introduction to Solid Waste Netherlands



## Shanks Main Focus

### I&C

- Collection and processing of industrial and commercial waste
- #3 in market: Sita and VGG major competitors
- Linked to GDP
- Proportion goes to incineration

### C&D

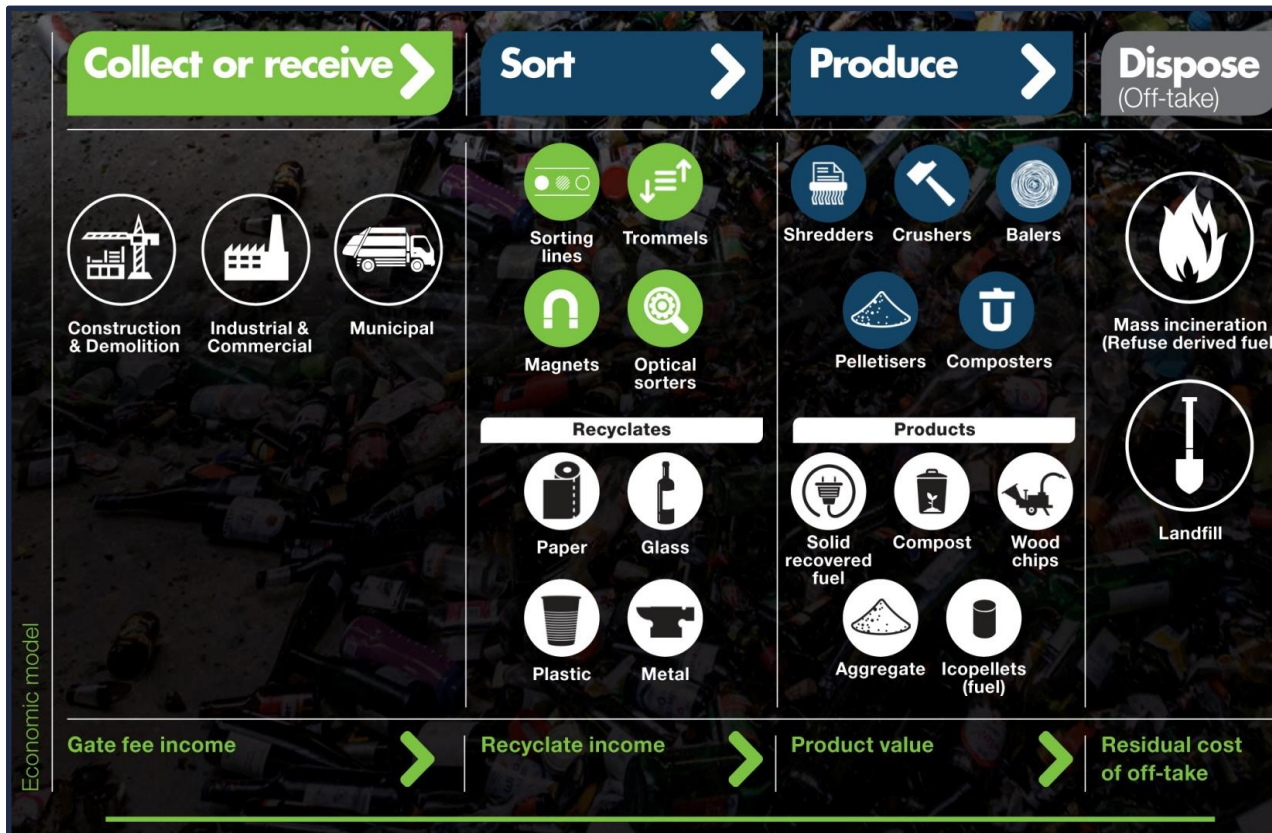
- Collection and processing of rubble, soil, green waste, wood and metal
- #3 in market: Sita and VGW major competitors
- Linked to construction activity
- Mostly recycled or sorted

### Municipal

- Municipal waste “owned” by municipalities
- Collection partly privatised: VGG and Sita leading providers
- Low margin and often linked directly to incinerators

**In depth review of current market in next presentation**

# Our Activities



## Key Facts

- 3m tons per annum
- 50%: C&D waste
- 45%: I&C, plus other (soil, glass, paper, green)
- 5%: landfill
- 90% of income from gate fee, 10% from recyclates
- 88% recycling rate

**We create value by receiving a gate fee, extracting valuable recyclates and then minimising the cost of the residual through making reusable products**

# Our Locations



## Focused on Randstad:

- Shanks' core market
- Majority of NL GDP, 4th biggest urban region in Europe (after Paris, London & Milan)
- Strong position in C&D and I&C
- 22 site locations
- 4 C&D lines: Amsterdam, Rotterdam, The Hague and Utrecht
- Local brands with strong brand identity
- Competitive scale in target regions

## Glass:

- National activity, with production line in Gameren

## Wood:

- National activity, with production line in Utrecht

## Green / Composting:

- The Hague area

## Outside Randstad:

- Service via partners

## Landfill: Amersfoort

**Market leader in C&D**  
**Concentrated in Randstad area**

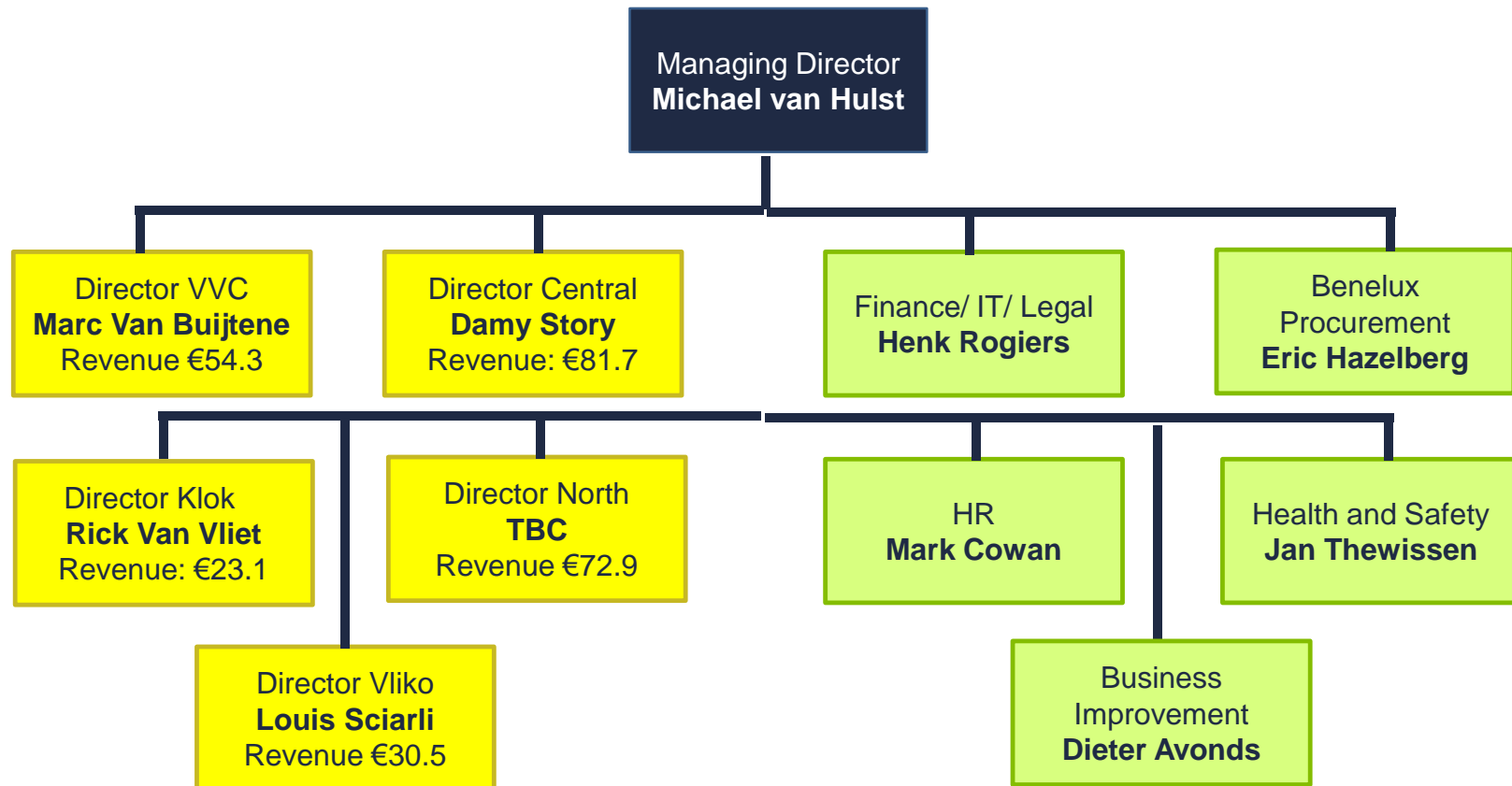
# Our Financials

Year ended	Mar 14 €m	Mar 13 €m	Change	
			€m	%
Revenue	223.3	231.0	(7.7)	(3%)
Cost	211.5	222.1		
Trading profit				
Operating units	14.2	11.9	2.3	19%
Central services	(2.4)	(3.0)	0.6	
	<b>11.8</b>	<b>8.9</b>	<b>2.9</b>	<b>33%</b>

- Volume flat (share gain)
- Revenue down (price and mix)
- Cost out (operational and structural)
- Headcount out (structural change)

**Fiscal year 15 is very challenging as market conditions have continued to deteriorate**

# Our Team



**Good balance between local autonomy and central functions**

# Our Strategy

Strategic Lever	Recent Progress (H1 15)
<b>1</b> Lowest cost position through scale and productivity advantages	<ul style="list-style-type: none"> <li>• Structural cost programme lowering fixed costs (ongoing)</li> <li>• Continuous improvement launched in pilot sites (Sep 14)</li> <li>• Implementation of Shared Service Centres (H1 live)</li> </ul>
<b>2</b> High quality, innovative products for target markets	<ul style="list-style-type: none"> <li>• Renegotiation of key offtake contracts (ongoing)</li> <li>• New contract in final stages for Icopower pellets</li> </ul>
<b>3</b> Commercial effectiveness to increase share and margin	<ul style="list-style-type: none"> <li>• Selective price increases launched (1 Jul)</li> <li>• Action to terminate or fix 'bleeder accounts (ongoing)</li> <li>• New segmentation in Icova, Klok and VVC (Sep 14)</li> </ul>
<b>4</b> Actively managing portfolio to increase returns	<ul style="list-style-type: none"> <li>• Tuck-in acquisition of Marcelis at VVC (Sep 14)</li> <li>• Actively monitoring markets for value-accretive deals</li> </ul>



# Our Key Profit Levers

**Commercial effectiveness**

**Structural cost programme**

**Plant productivity**

**Winning in tough markets**

**Continuous improvement**

**Procurement**

**Route / fleet optimisation**



**Well positioned to capture value from market recovery**

**Capital Markets Day 2014**

# **Dutch SW Market Overview**

**Peter Dilnot, Group Chief Executive**



# Key Messages

- 1 **NL SW market continues to be under significant strain**
- 2 **Volumes are depressed and not set to rise significantly, except in C&D**
- 3 **Over-capacity and intense competition has led to sustained price reductions**
- 4 **Dutch legislation and waste imports are already leading to price increases**
- 5 **Company rationalisation and consolidation will lead to reduced capacity**
- 6 **Shanks has unique market position and is well placed to emerge strongly**

**We have a clear market oriented strategy  
and are focused on its execution**




# Agenda

**Market Dynamics**

**Competitive Landscape**

**Shanks Strategy**

# NL SW Segments and Drivers

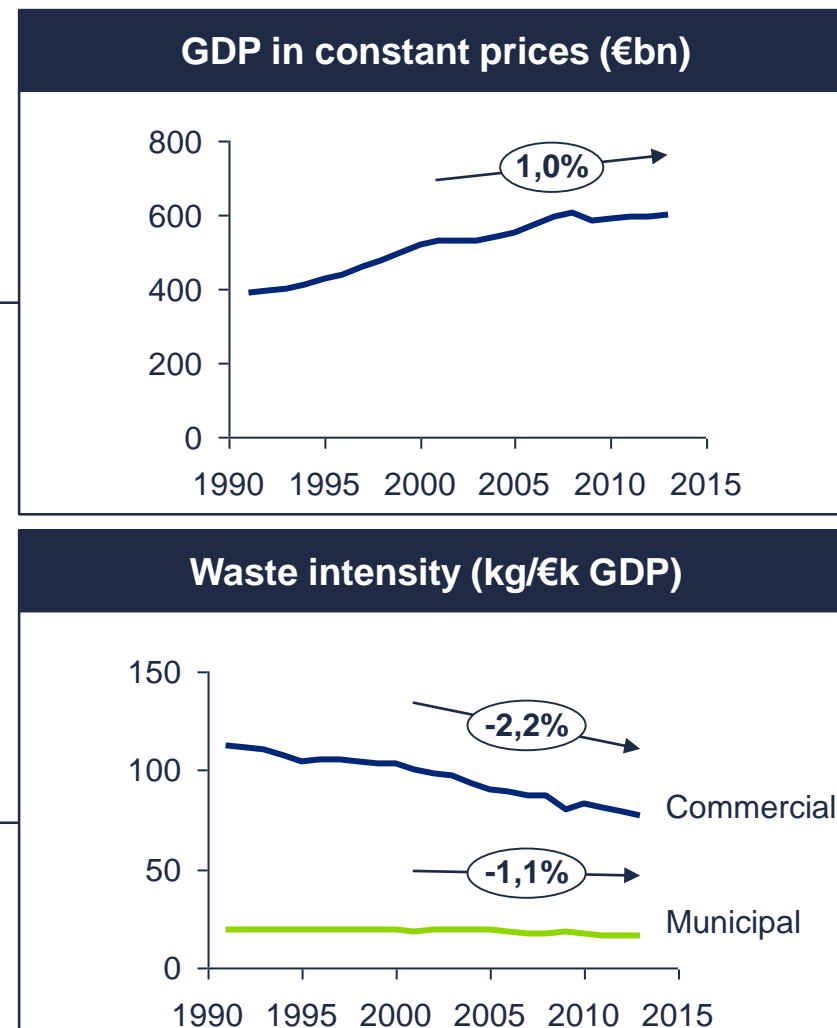
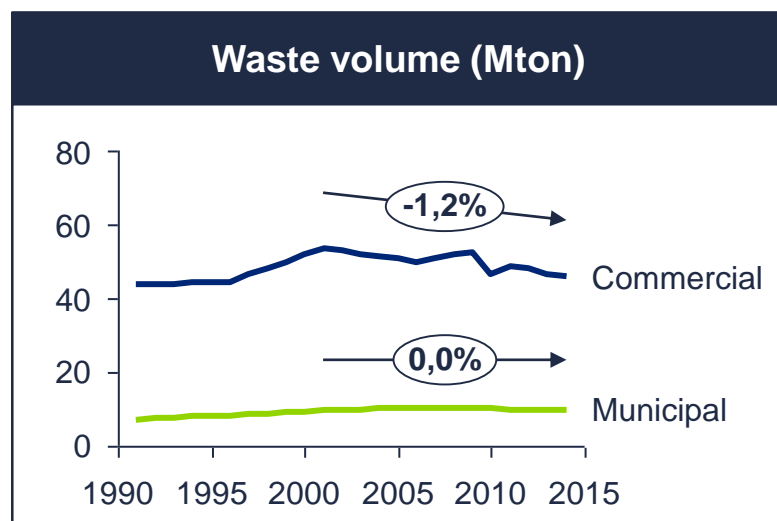
Segment	Vol <sup>(1)</sup>	Drivers	Destination & Collection	Recycling Rate <sup>(2)</sup>	Outlook
<b>Municipal</b> 	~5MT	<ul style="list-style-type: none"> <li>Population growth</li> <li>'Diftar' tariffs to reduce waste</li> <li>Recycling incentives</li> <li>Source segregation schemes (local)</li> </ul>	<ul style="list-style-type: none"> <li>Significant proportion goes direct to EfW</li> <li>Collection through separate contracts</li> </ul>	50% in 2012 65% target	-0.7% CAGR arising --- Higher recycling rate
<b>I&amp;C</b> 	~22MT	<ul style="list-style-type: none"> <li>Linkage to GDP</li> <li>Companies segregating waste to get recycle value</li> <li>"Producer pays" obligations</li> </ul>	<ul style="list-style-type: none"> <li>Significant proportion goes direct to EfW</li> <li>Collection typically by sorter/recycler or logistics player</li> </ul>	55% in 2012 85% target	+1% CAGR arising ----- Higher recycling rate
<b>C&amp;D</b> 	~25MT	<ul style="list-style-type: none"> <li>Construction activity (household, commercial &amp; infrastructure)</li> <li>Companies segregating waste to get recycle value</li> </ul>	<ul style="list-style-type: none"> <li>Most waste sorted/recycled or reprocessed</li> <li>Collection typically by sorter/recycler</li> </ul>	90% in 2012 99% target	+3% CAGR arising ----- Stable recycling rate

<sup>(1)</sup> Estimated total market volume 2012

<sup>(2)</sup> Destination that is not incineration or landfill

# Stable I&C Outlook

## Dutch Waste Volumes

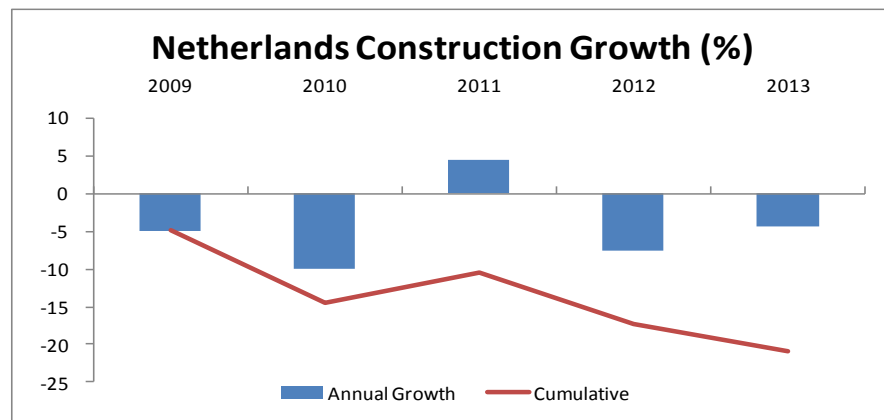


**Decoupling of I&C volumes from GDP due to waste prevention efforts**

# Positive C&D Outlook

## Dutch Construction Activity

### Currently at 60 year low



### Growth forecast <sup>(1)</sup>

	2013 (EIB)	2014 (Rabo)	2015 (Rabo)	2019 (Rabo)
Homes	-9%	-0.5%	5.0%	6.5%
Utilities	-4%	0.0%	2.0%	2.5%
Infra	-3%	-1.0%	1.5%	2.0%
Sub Con	-4.5%	0.0%	3.0%	3.0%
Total	-4.5%	0.0%	2.5%	3.0%

Three core construction segments all at extremely low levels

- Housing/domestic
- Commercial property
- Infrastructure

Housing construction showing promising signs of growth

- 44% increase in houses sold<sup>(2)</sup>
- 30% increase in new homes<sup>(2)</sup>
- Greater certainty on mortgage tax relief

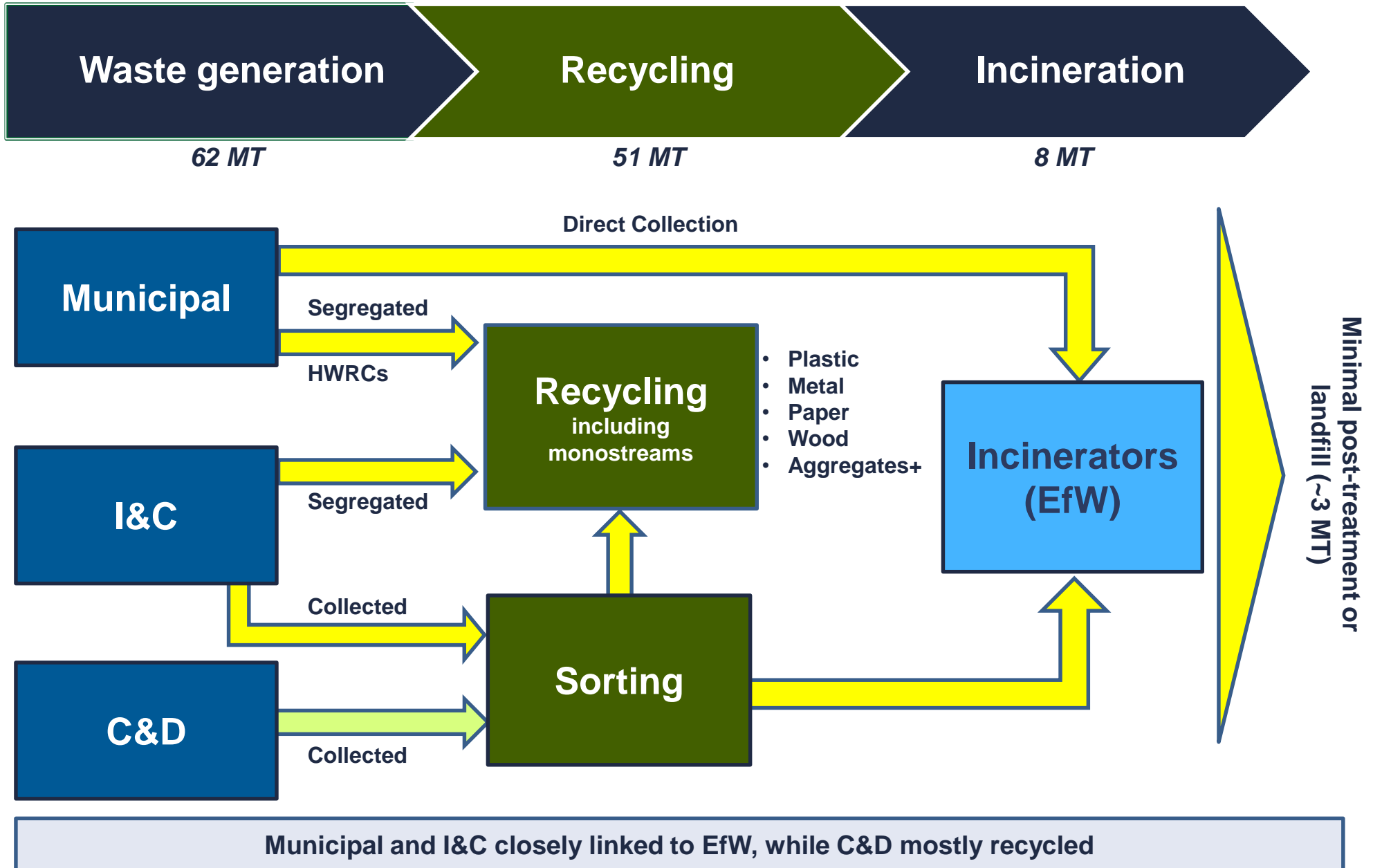
Commercial and infrastructure activity still low with industry overcapacity

- BAM, Ballast Nedam and Volker Wessels poor recent results
- Claims of “irresponsibly low pricing”
- Likely to take two years to unwind due to lead times

(1) EIB data, plus Rabobank number and trends forecast, published 24 Sep 2014.

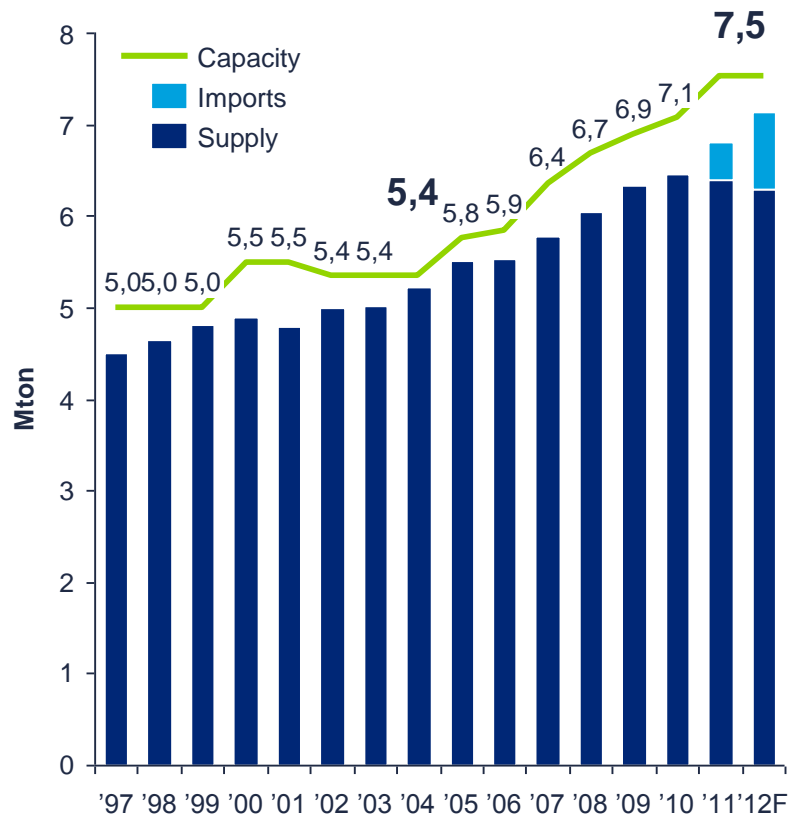
(2) Dutch Land Registry annual date @ July 2014

# NL SW 'Mass Balance'

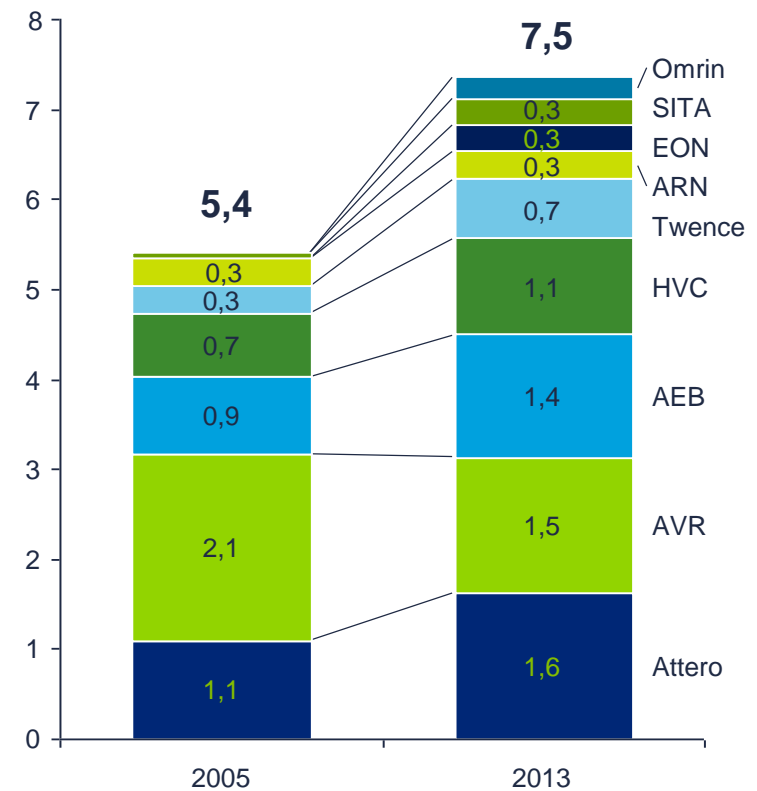


# Excess NL Incinerator Capacity

## Dutch Incinerator Market



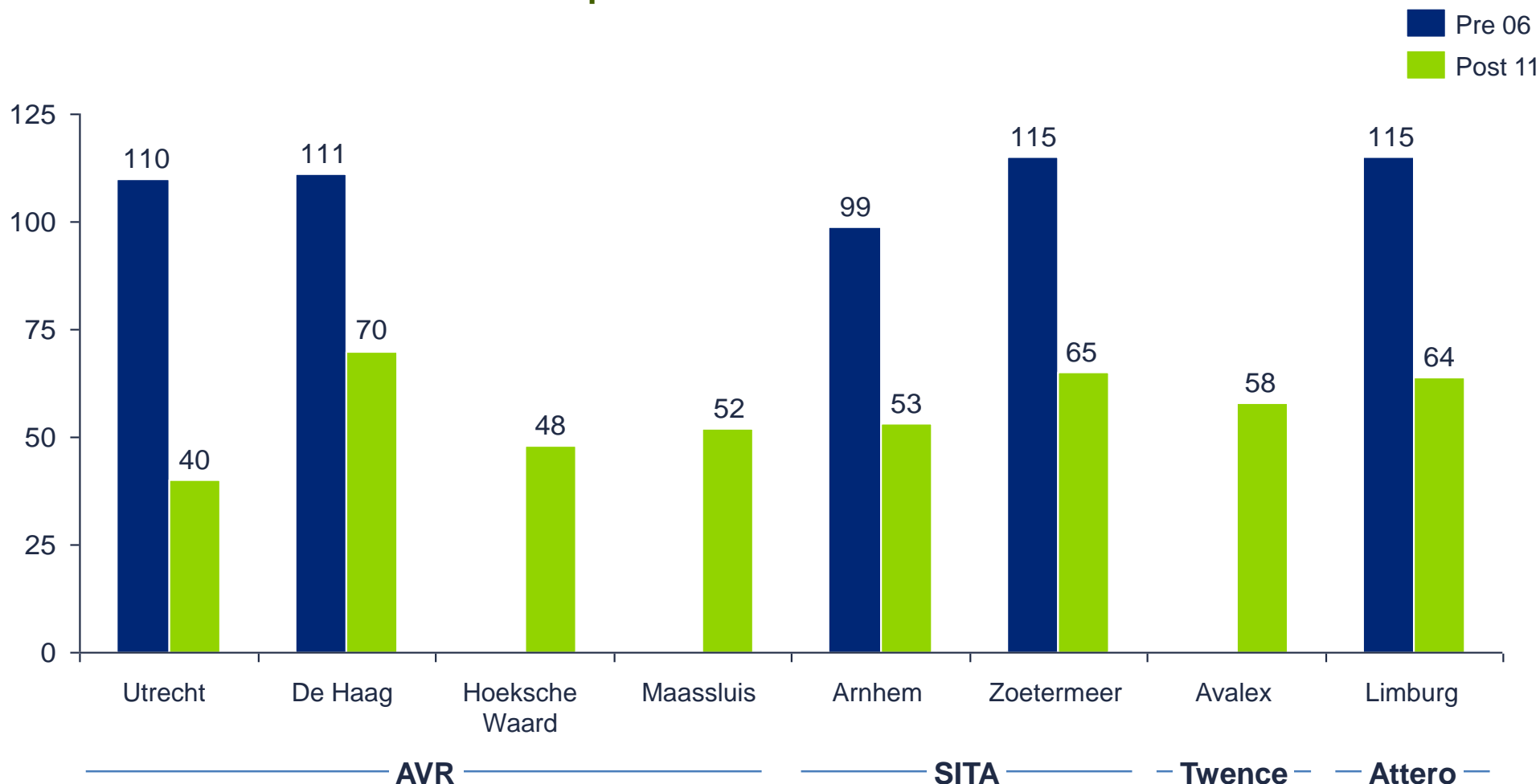
## Capacity per Processor



**38% increase in capacity while volumes declined**

# Recent Gate Fees Declines

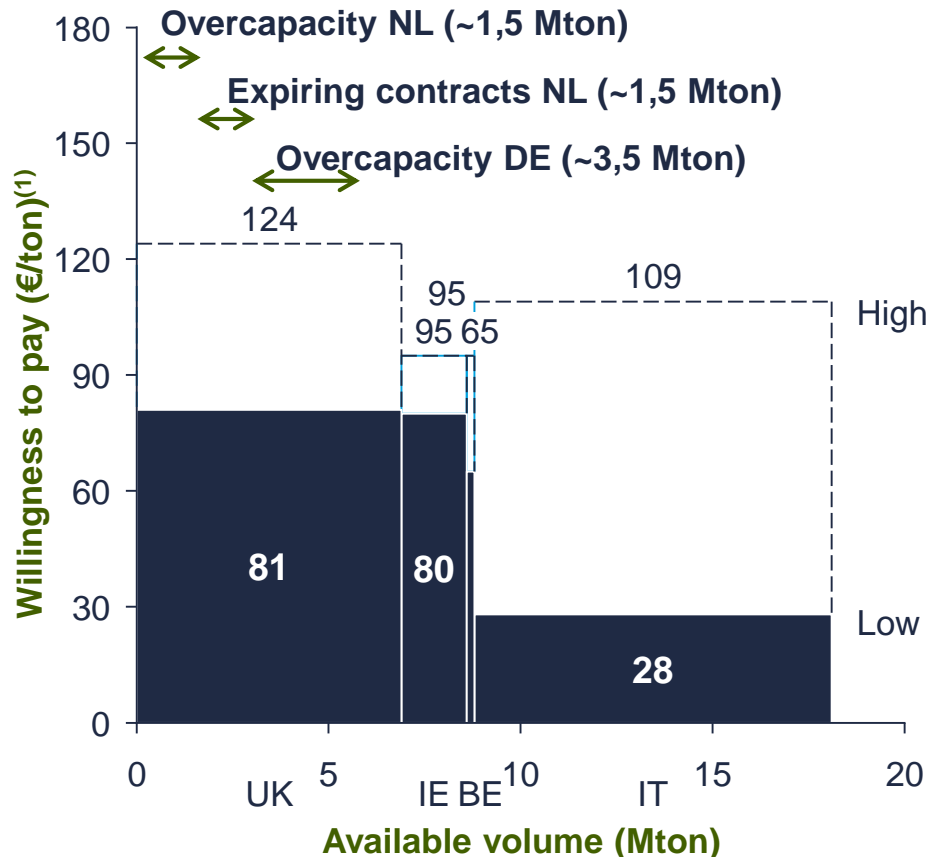
## Dutch Incinerator Prices for Municipal Tenders



**Overcapacity has led to significantly lower gate fees**

# Gate Fee Outlook More Positive

## EU Demand Curve for Combustible Waste (2017)



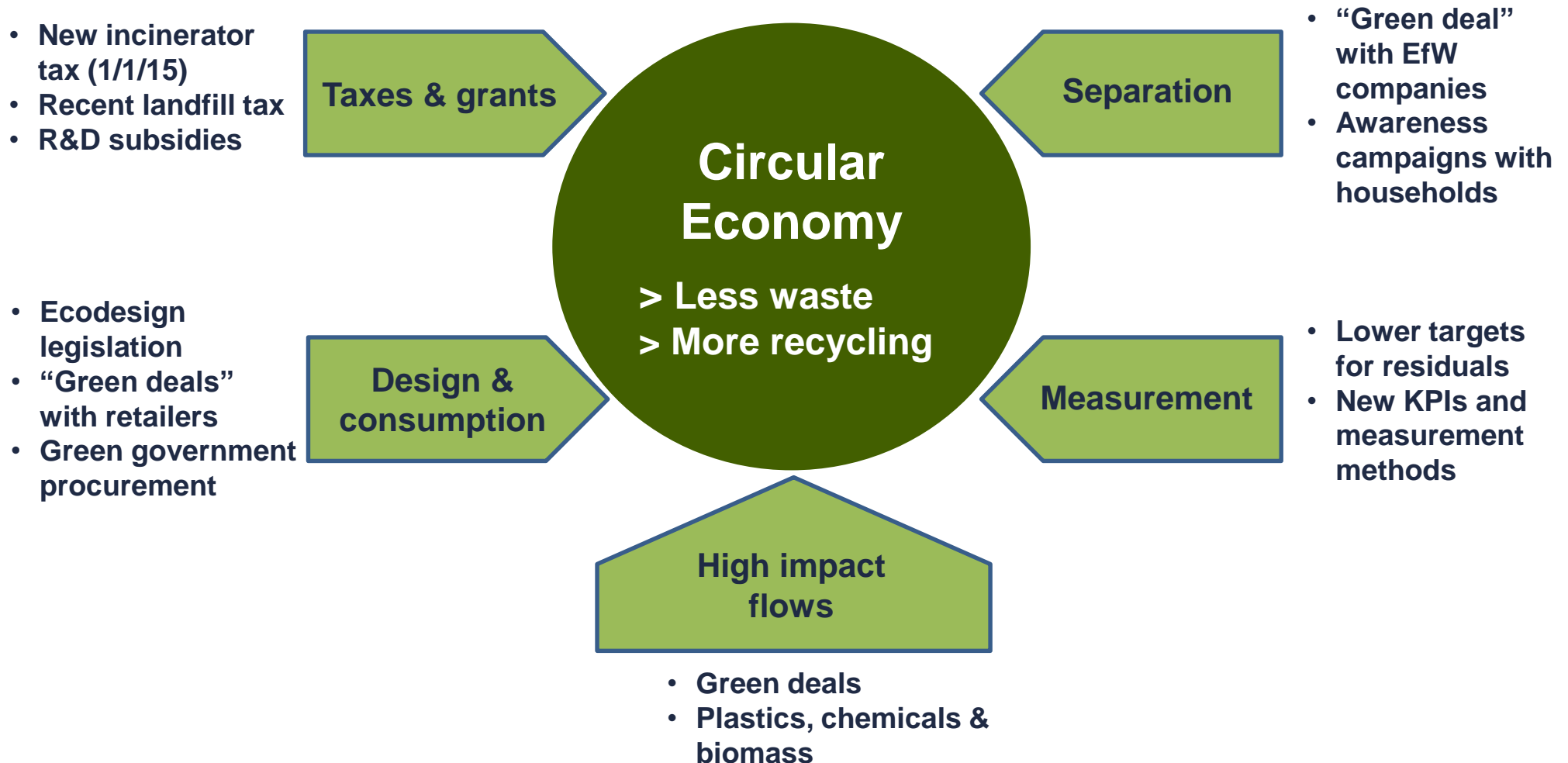
## Likely Market Developments

- Under-capacity of c. 18MT in UK, BE, IE & IT
- Overcapacity in NL and DE c. 4.5MT
- Net capacity shortage ~ 13.5MT
- NL more competitive due to water access
- UK EfW capacity under construction, but gradual commissioning and not all accessible
- NL EfW plus transport cost remains less than UK local landfill, so importing attractive
- Gate fees in NL likely to be set by landfill alternative in UK, IE & IT

**Gate fees increasing due to imports, expected to reach >€80 per ton**

# Legislation to Increase Recycling

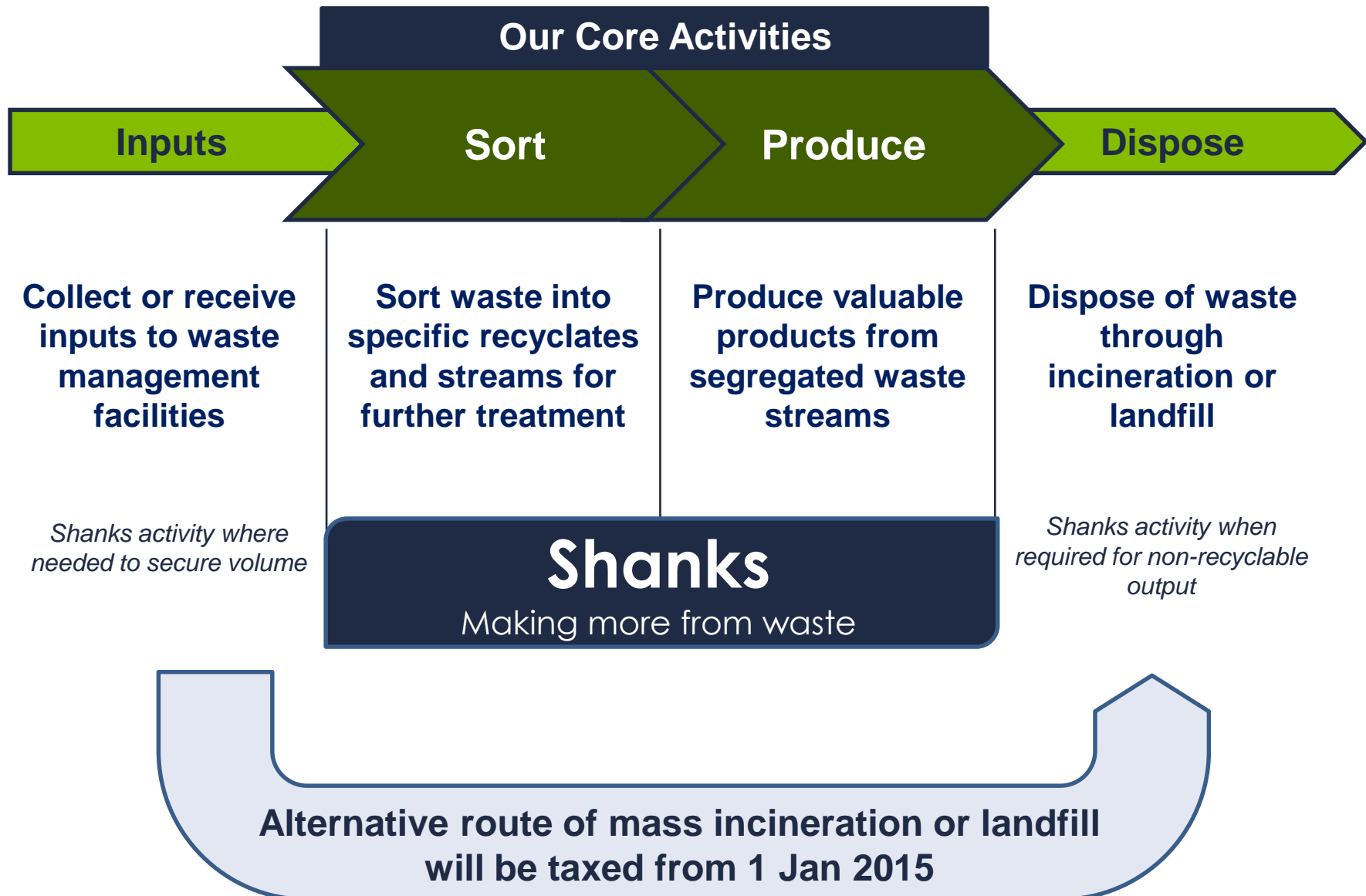
## Dutch Policy Measures<sup>(1)</sup>



(1) Source: VANG (2014);

Note: Drive to Circular economy is clear stated objective by Minister Mansveld; with new laws passed in Sep 2014

# Shanks Positioned to Benefit



# Agenda

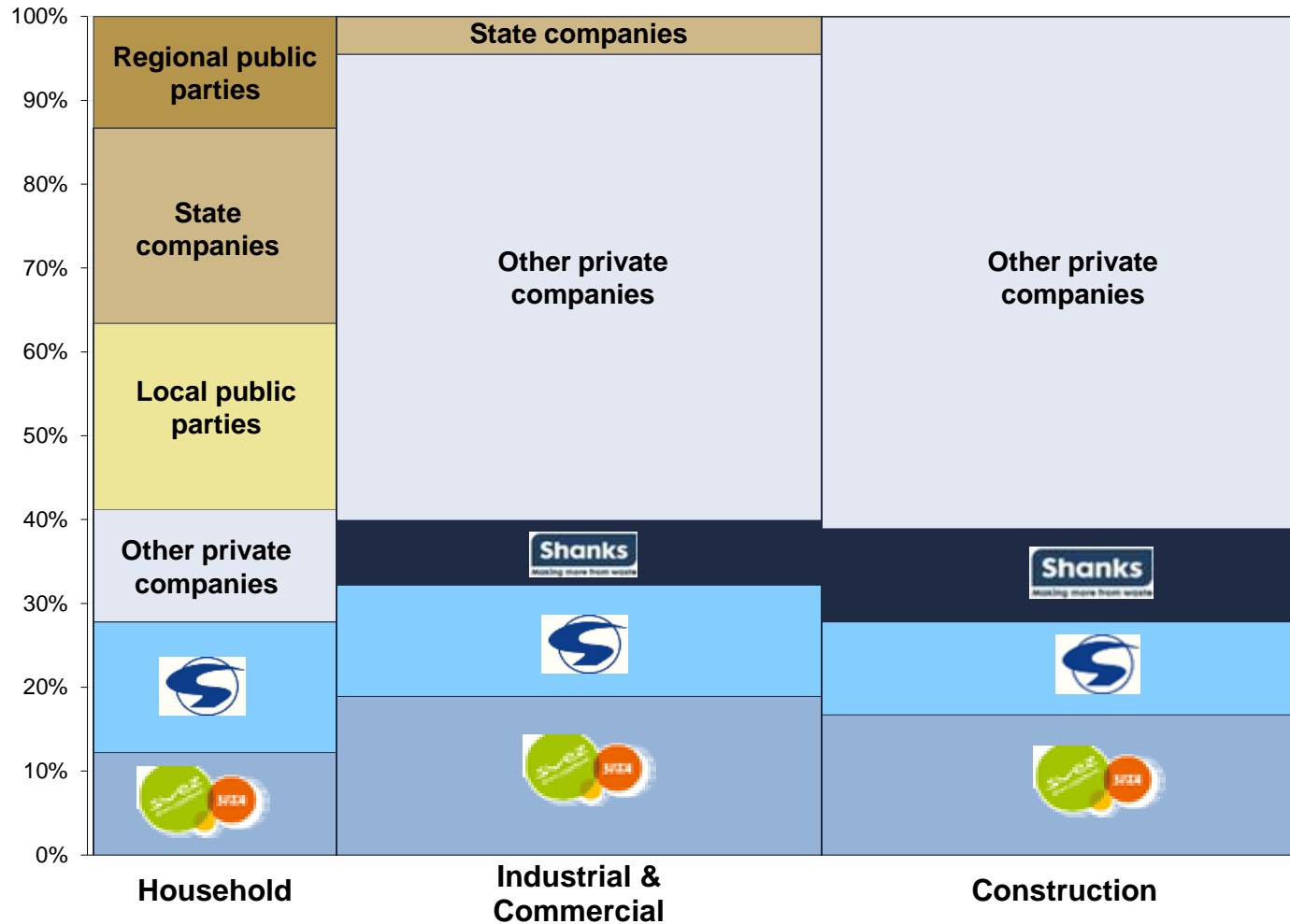
**Market Dynamics**

**Competitive Landscape**

**Shanks Strategy**

# NL SW Market Structure

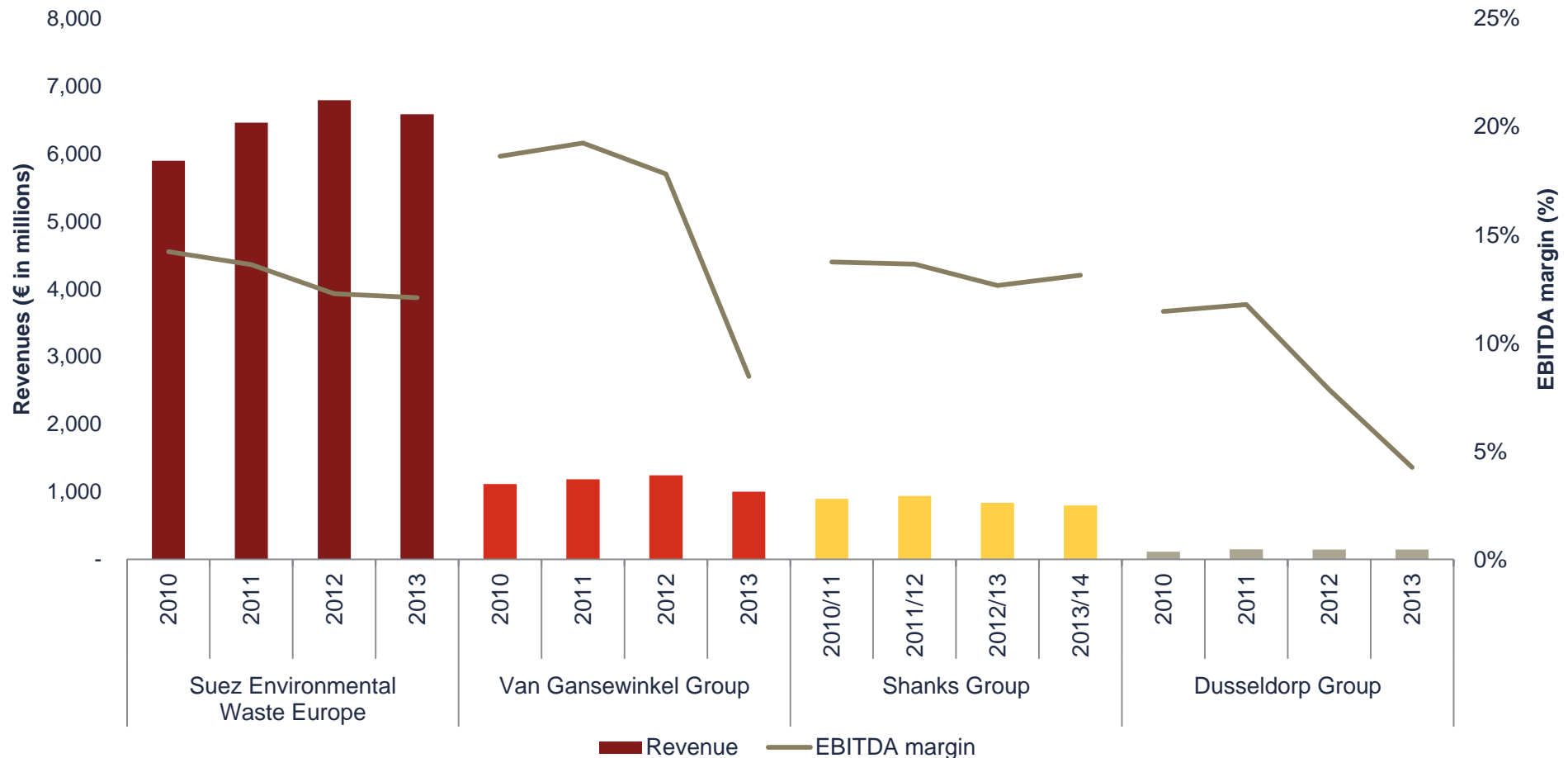
Waste Collection Volumes by Segment and Company (%)



- Shanks is number 3 nationally in I&C and construction
- However, Shanks is market leader in dense Randstad area
- Highly fragmented local market beyond Sita, VGW and Shanks
- Conditions for consolidation are ripe given pressures
- State-linked companies mostly linked to household

# Sustained Margin Pressure

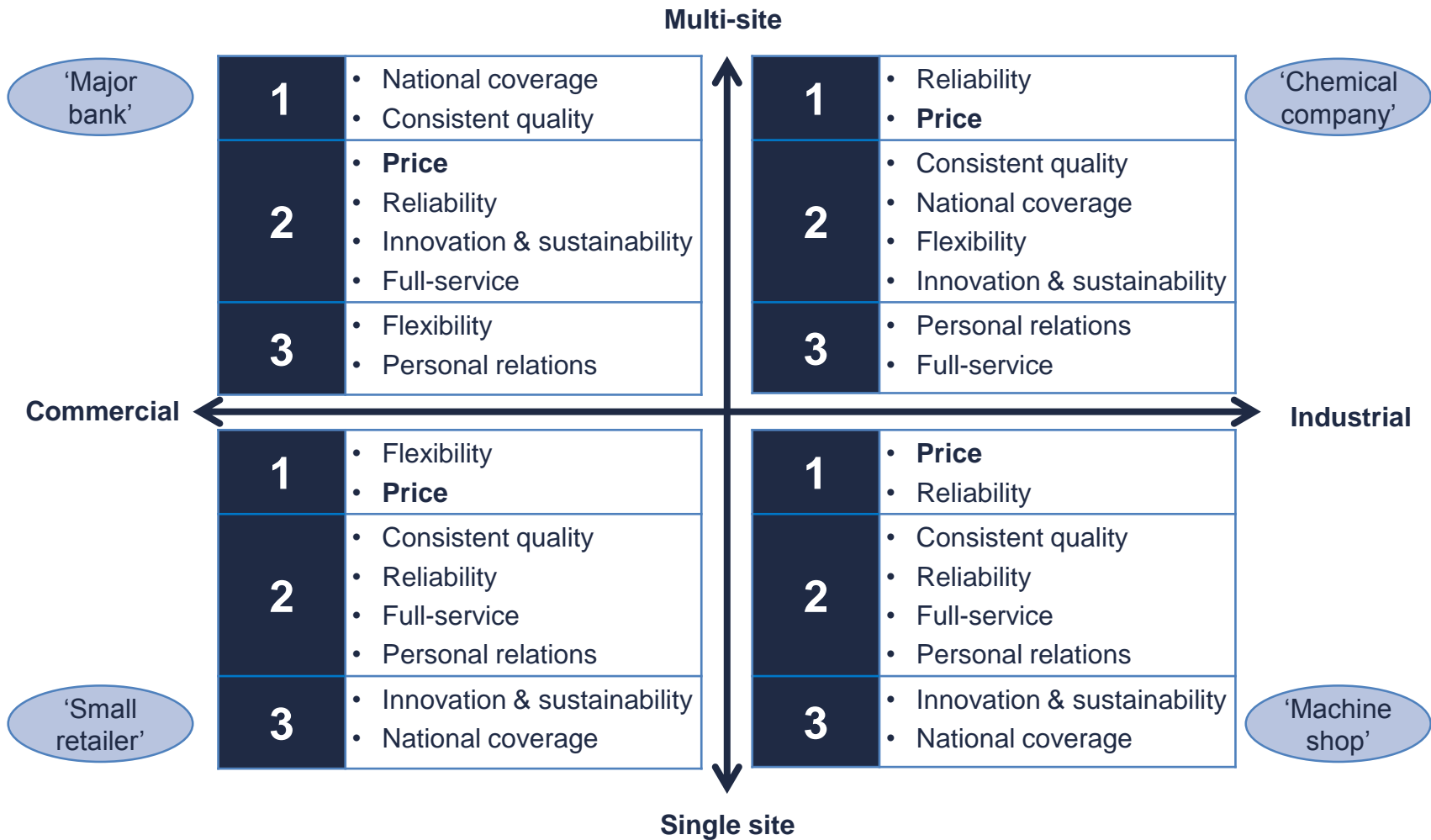
Revenue & EBITDA Margin Development 2010-2013



**Large players also hampered by long-term incinerator prices  
above spot fees available to smaller players**

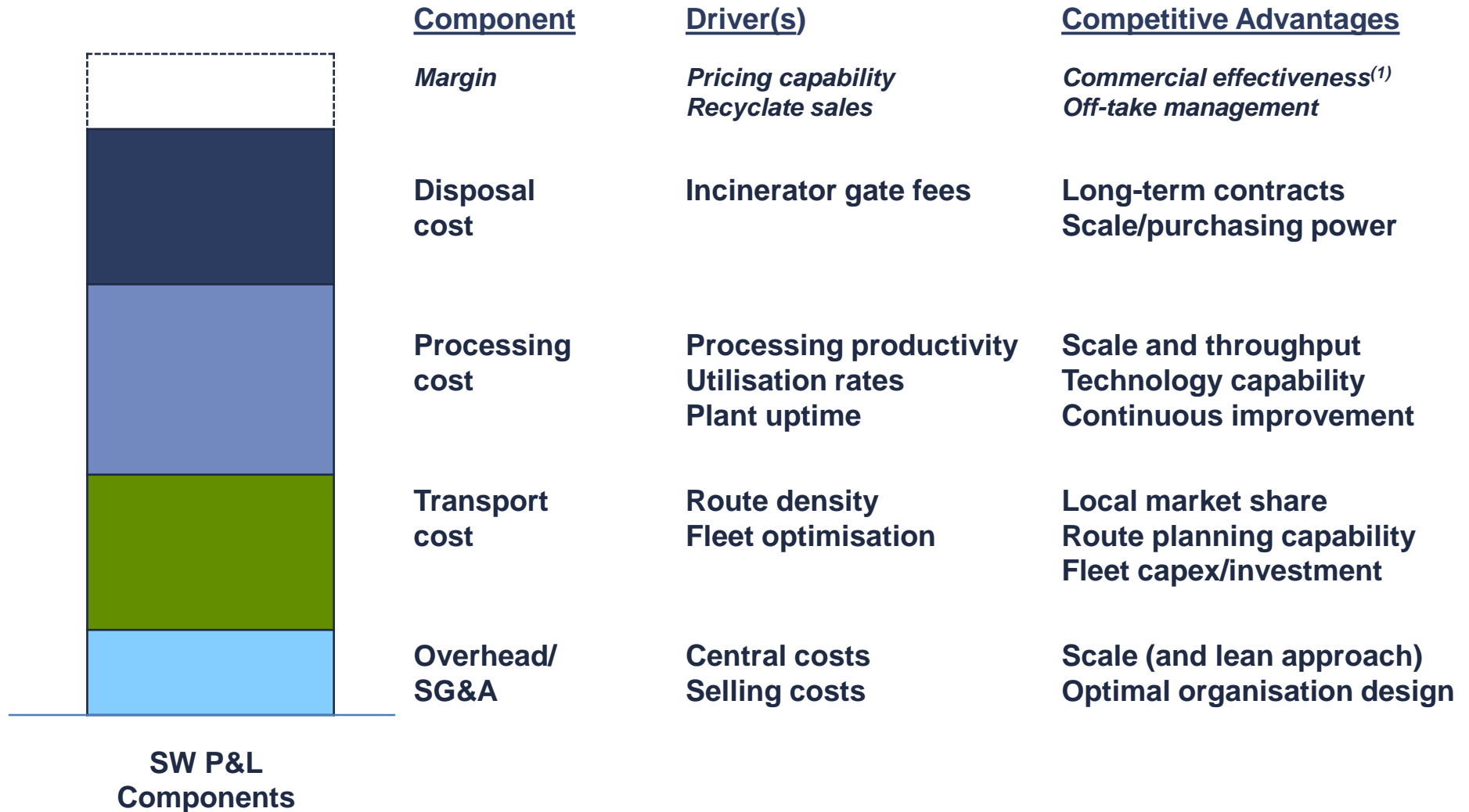
# Customers Focus on Price

## Waste management key purchasing criteria by type of customer



Source: Deloitte waste management customer survey

# Cost Structure Critical



<sup>(1)</sup> Ability to segment market and sell based on waste value and/or differentiated service

# Agenda

**Market Dynamics**

**Competitive Landscape**

**Shanks Strategy**

# NL SW Strategy

## Strategy and Execution

- 1** Lowest cost position through scale and productivity advantages
  - *Structural cost plans on track*
  - *Continuous improvement projects*
- 2** High quality, innovative products for target markets
  - *New export and offtake contracts*
  - *Product developments on track*
- 3** Commercial effectiveness to secure volume and sell product profitably and internationally

## Future Growth Drivers

Top and bottom line impact from commercial effectiveness & business model advantages

- Share gain in target segments
- Price improvements

Operational gearing with any recovery

- Structural cost savings embedded
- Incremental volume flow-through

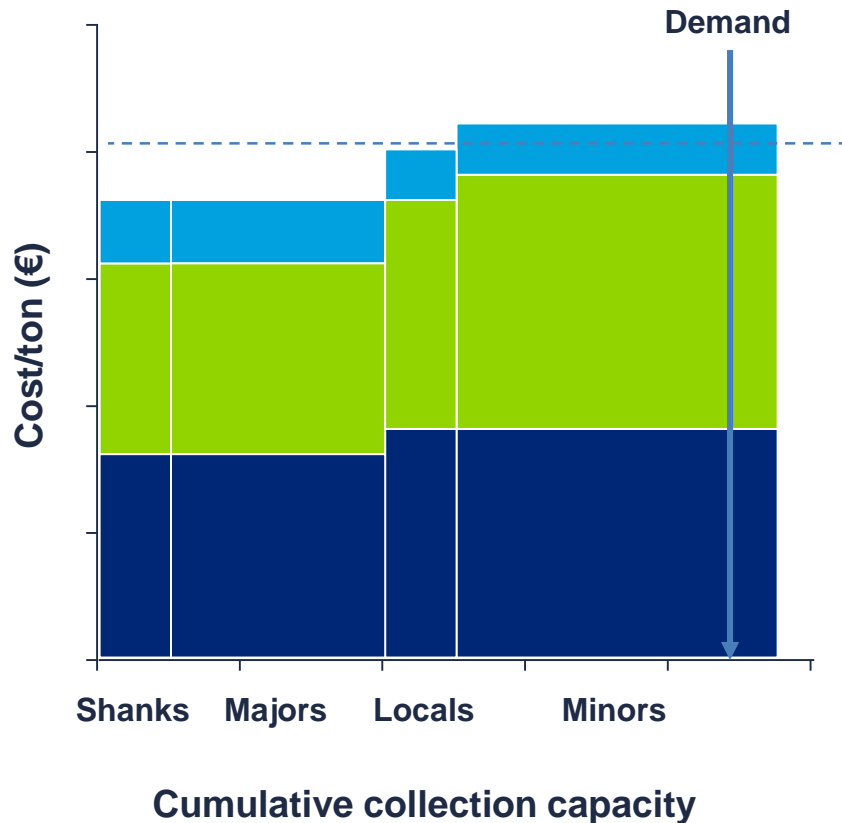
Returns from investment in focused areas where Shanks advantaged

- On-going capital investments
- Potential bolt-on acquisitions



# Shanks Advantaged Cost Position

## Indicative Future Supply Structure

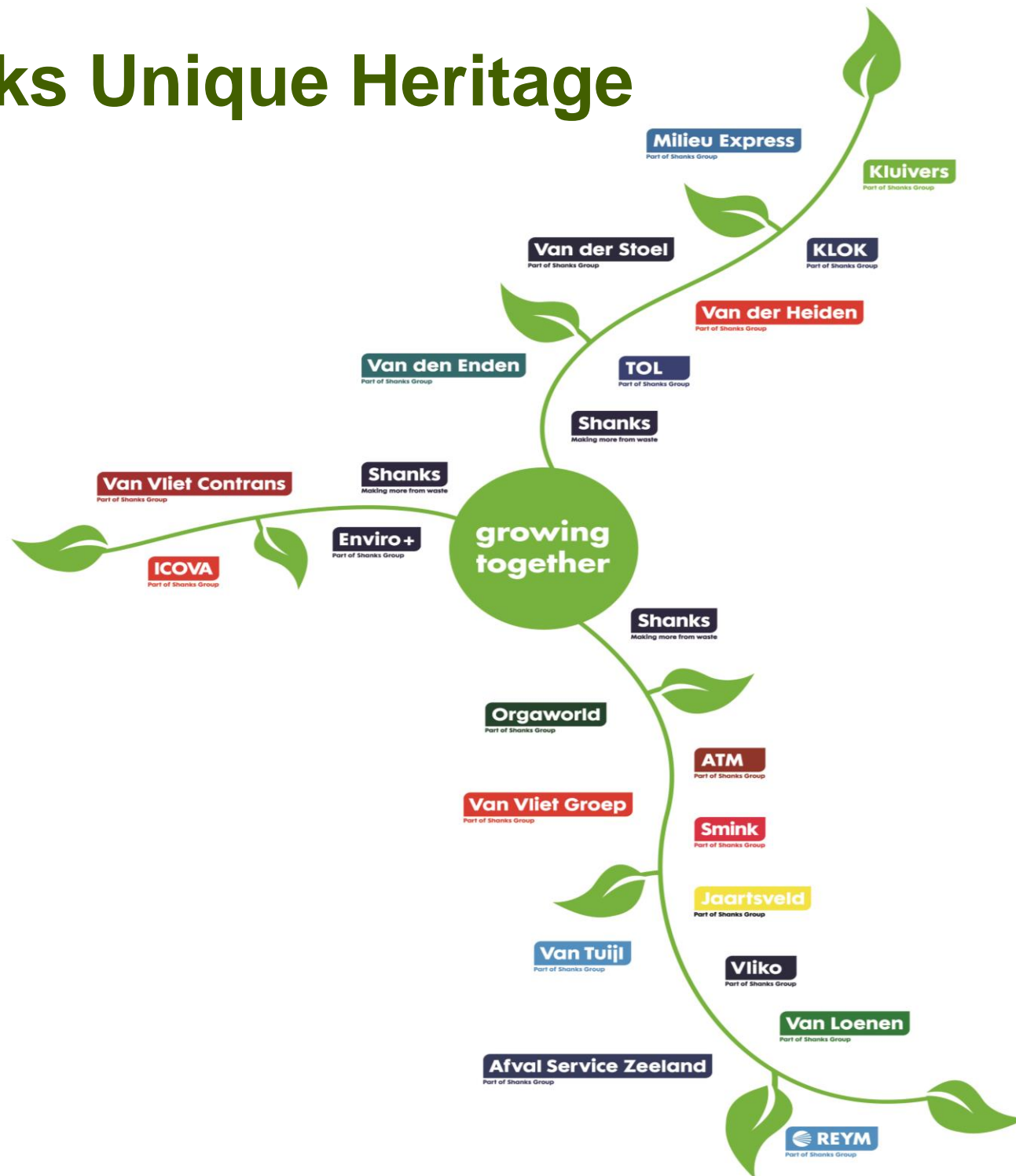


- Incineration rates assumed to go up to € 80 per ton (excluding tax)
- Shanks should be able to contract lower than that price
- Locals will be stuck with higher gate fees to match imports (with no tax)
- Shanks scale will be an advantage, while retaining local intimacy
- Route density matched with smaller players due to concentrated footprint

Overhead Disposal  
Collection Profit  
--- Price level

**Local and minor players will be under sustained pressure as disposal fees no longer an advantage**

# Shanks Unique Heritage



# Shanks Total Care



# Key Messages

- 1 **NL SW market continues to be under significant strain**
- 2 **Volumes are depressed and not set to rise significantly, except in C&D**
- 3 **Over-capacity and intense competition has led to sustained price reductions**
- 4 **Dutch legislation and waste imports are already leading to price increases**
- 5 **Company rationalisation and consolidation will lead to reduced capacity**
- 6 **Shanks has unique market position and is well placed to emerge strongly**

**We have a clear market oriented strategy  
and are focused on its execution**

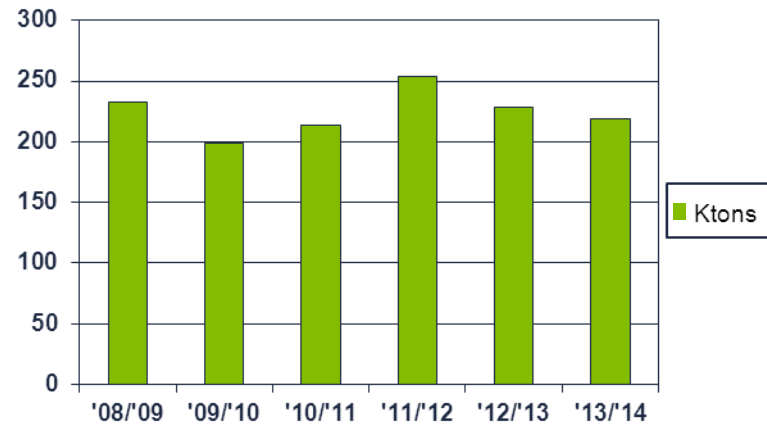
## Capital Markets Day



# History KLOK Containers

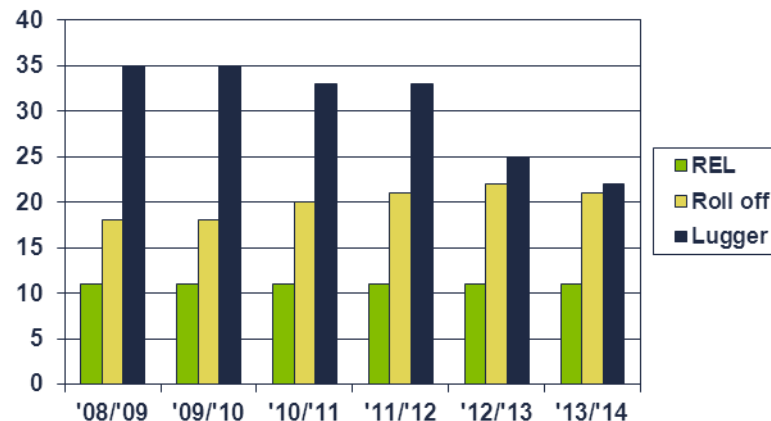
- |   |               |  |  |   |                |  |                                    |
|---|---------------|--|--|---|----------------|--|------------------------------------|
| 1 | 1932<br>start |  | Two brothers start a transport company                     | 5 | 1993<br>35FTE  |  | Take over by Waste Management      |
| 2 | 1955<br>3FTE  |  | Transporting coal and fuel using one truck                 | 6 | 1995<br>45FTE  |  | Aquisition strategy for growth     |
| 3 | 1974<br>20FTE |  | Entering the waste business                                | 7 | 2000<br>115FTE |  | Part of Shanks Group               |
| 4 | 1989<br>30FTE |  | Installs one of the first sorting lines in the Netherlands | 8 | 2014<br>140FTE |  | 40th anniversary in waste business |

# Activities and key financials KLOK



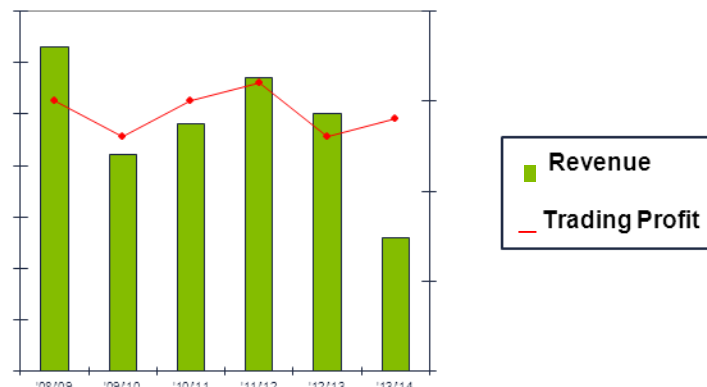
Steady tonnage created by:

- New business
- Focus on bulk waste
- Entering the roof material and wood market



Started up an efficiency program for operations:

- Reduction of trucks
- Creating new transfer hubs
- Connect sales strategy with logistics



Financial performance:

- Significant drop in prices
- Reduction on breakeven by cost savings and efficiency
- Trading profit % up

# Sales and customer strategy



4700 active customers;

- 46      A = 50k >
- 52      B = 30-50k
- 352     C = 7,5-30k
- 4250    D = < 7,5k..



New business 2013-14

- 980 new clients
- €1,055k revenue
- Focus on profitability
- Defined segments



Total Care

- Joint venture solid and hazardous waste
- Petrochemical industry
- Total Cost of ownership



Added value

- Long- term partnership
- Trust and knowledge
- Close to the customer
- Operational performance

**Focus on commercial and operational delivery**

# Site KLOK Containers



# Summary

- 1 Klok has grown over the years into a professional, safety conscious organisation**
- 2 We have steady tonnage, an efficient programme of operations and the ability to maintain our results in a highly competitive market**
- 3 Our sales and customer strategy utilises our deep local knowledge and part in Shanks Group through the Total Care offering**

## Capital Markets Day

# Commercial Effectiveness



# Changing role of the waste provider

## From waste handler to trusted partner

- Advise the clients on new technology and optimisation
- Consultancy on reducing waste at source, supporting our customers' business efficiency
- Total Cost of Ownership
- Alternative is commoditisation

## Waste-to-product company

- Energy pellets as a substitute for fuel
- Wood chips for the plywood industry
- Compost for local farmers and growers
- New paper streams out of waste

## Leading role in sustainability

- Innovation to reduce energy and optimize the process handling
- Socially responsible by creating work for the local community
- Open with the communities around our sites and being in contact with them
- Pride in our socially and legislative responsibilities

# Our historic strength in a dynamic and highly competitive market

## Operational strengths

- Experienced colleagues
- Dedicated and willing workforce, working hard in a demanding market
- Strong skills in operational effectiveness and continued operational cost reduction

## Commercial edge

- Knowledge of the local market: waste is a very local market.
- Using our operational distinctiveness to our advance
- Close and intimate contact with the costumers
- Long-term relationships
- Leveraging the strength and capabilities of other Shanks businesses

## Knowledgeable and experienced colleagues

**We have a new opportunity  
We now need to LEAP in**



# Commercial Effectiveness

## Goals:

- To grow existing revenue streams and target new revenue segments with strong margins
- To blend our businesses' deep industry knowledge and experience with a data approach to target segments with highest potential opportunity and margin.
- To implement processes, procedures and key performance indicators to embed and manage ongoing improvements

## Key levers:

- Existing customer analysis
- Waste stream margin analysis
- Market potential
- Sectors customer product demands
- Customer's service profile
- Customers revenue profile



# Introducing excellent capabilities to support local teams

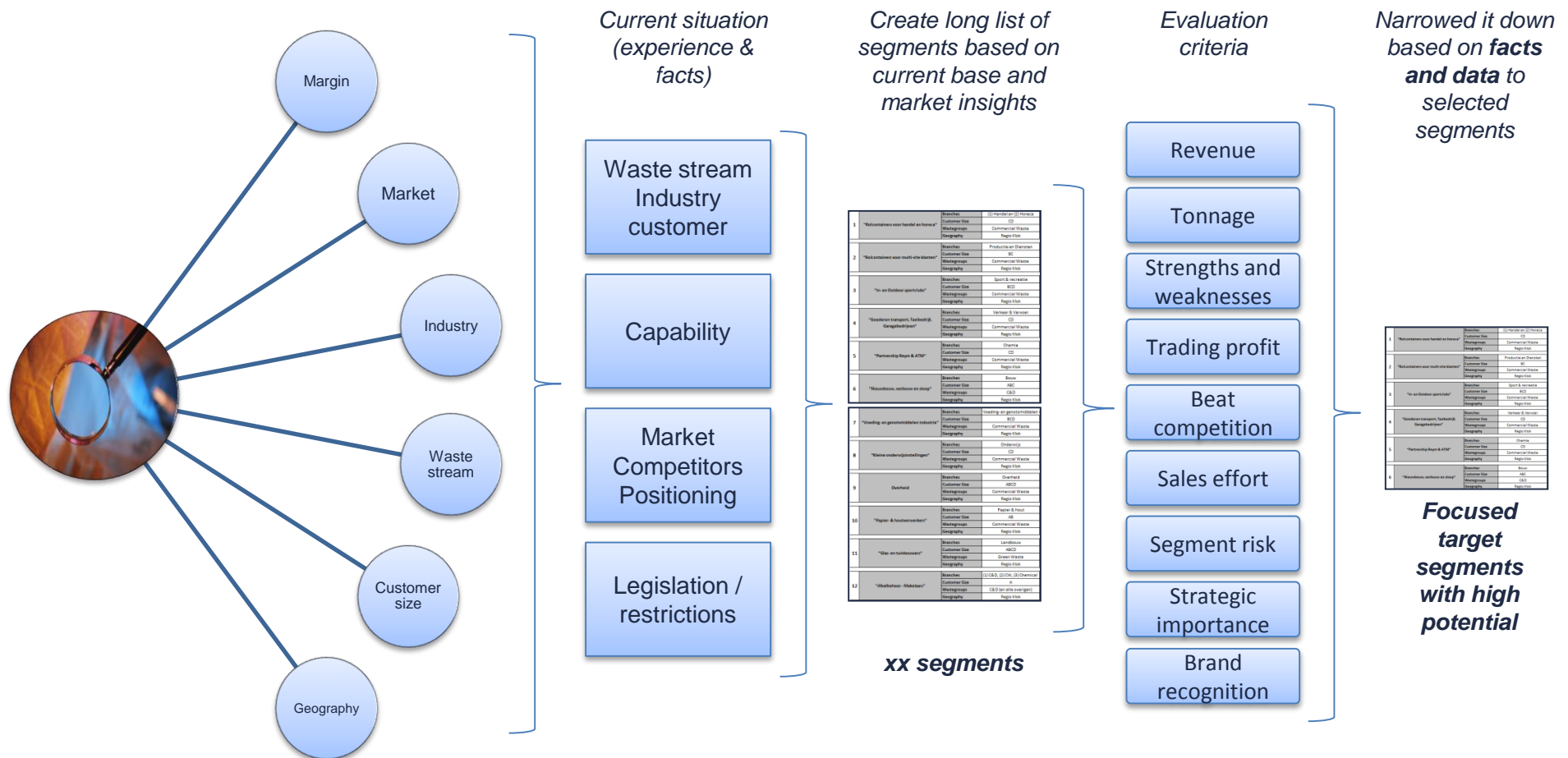
- 1 Build segmentation profiles and prospect lists for each OpCo
- 2 Implement sales key performance indicators
- 3 Pricing and product restructure and realignment
- 4 Construct target prospect lists, marketing plans and organisational options
- 5 Improved sales processes and procedures
- 6 Tools to identify and rectify outliers (negative margin customers)

**Executing on knowledge and data to improve our business**

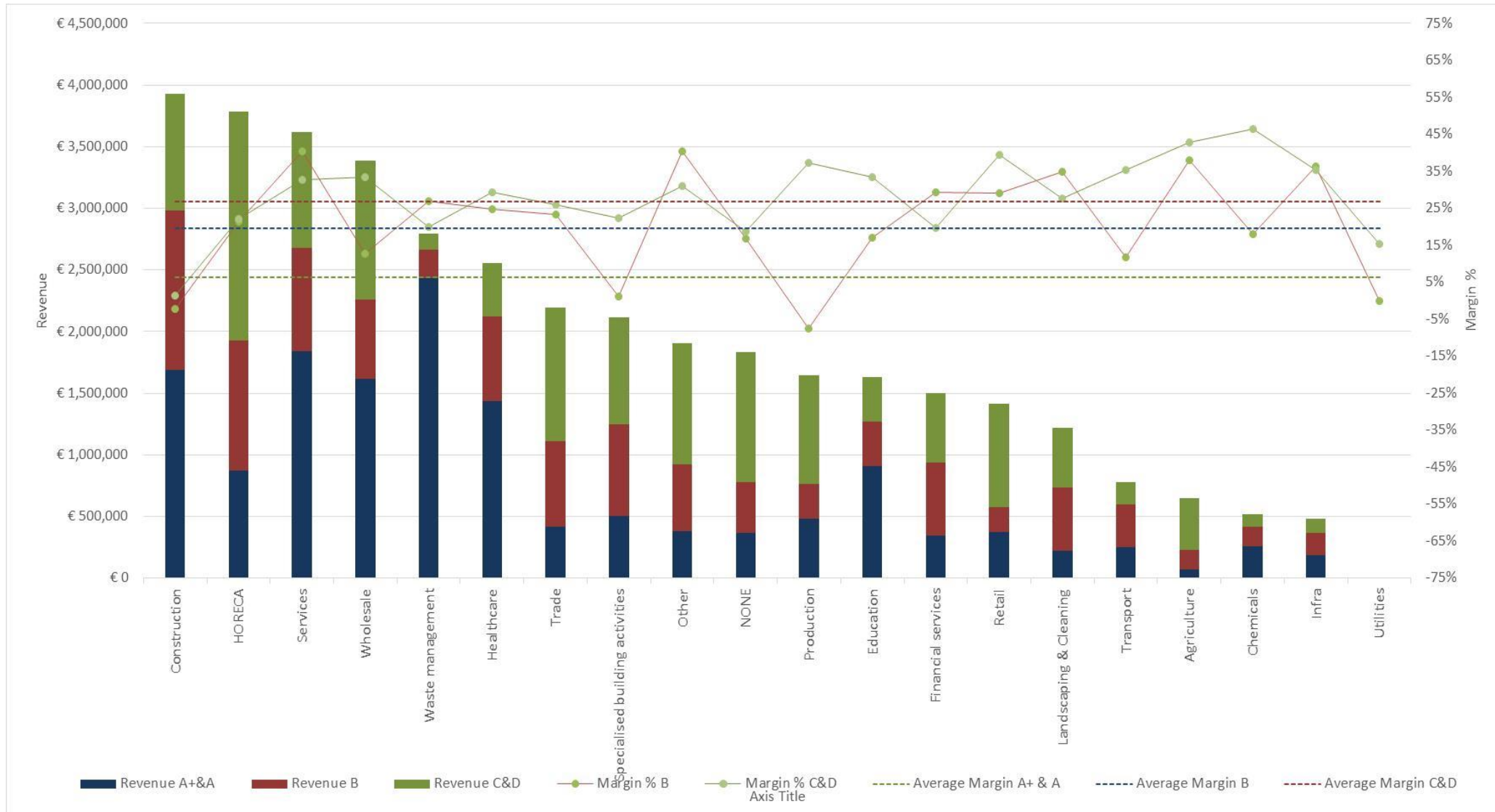
# Segmentation and Sales Strategy

## Segmentation strategy:

- Identify segments with strong margins and growth with product and service needs matched to our regional Opco's
- Increase focus on targeted segments to maximise revenue and margins for Opco's



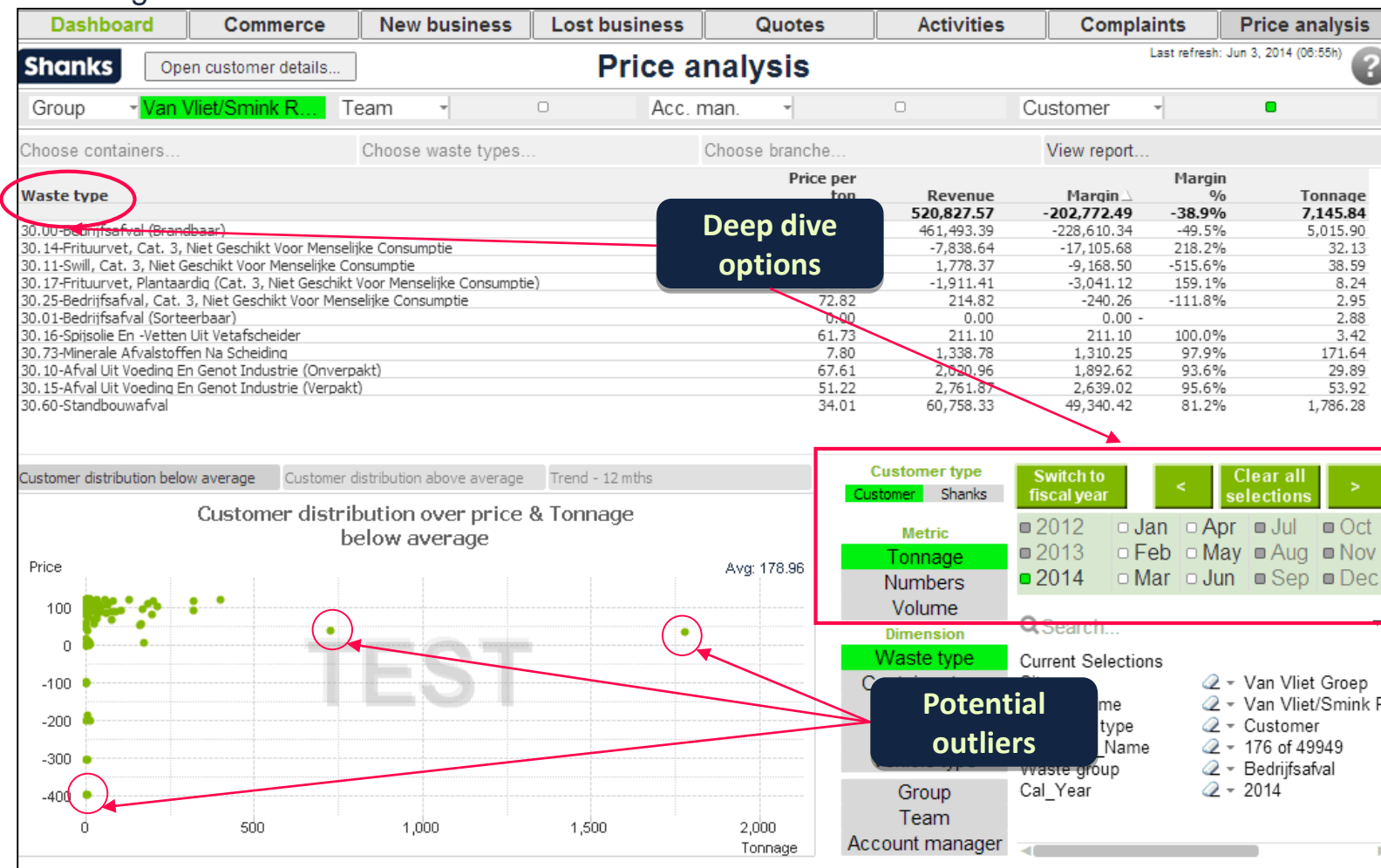
# Customer Profitability Analysis



# Pricing Tool

## Pricing and Margin tool:

- Provides analysis of current customer base from various groupings to individual customer analysis
- Identification of outlier customers and deep dive analysis to quickly target customers to move to higher margins



# Combination of local experience and technology



- Local operating brands in the Netherlands
- Deep sector knowledge
- Embedding data-lead technology in customer and sales tactics
- Analytical insight to categorise and maximise sales approach

**Van Vliet Groep**  
Part of Shanks Group

**TOL**  
Part of Shanks Group

**ICOVA**  
Part of Shanks Group

**Vliko**  
Part of Shanks Group

**Smink**  
Part of Shanks Group

**KLOK**  
Part of Shanks Group

**Van Vliet Contrans**  
Part of Shanks Group

**Data-lead technology maximises the efficiency of our regional operating model**

# Summary

- 1 Investing in commercial effectiveness to take advantage of market opportunities in a tough environment**
- 2 Using local knowledge and experience, with data and analytics to maximise higher margin new business and retention of high value customers.**
- 3 Embedding repeatable processes to grow overall revenue and retain valuable customers.**

## Capital Markets Day

# Profit & Continuous Improvement



## Strategic Levers

- 1 Lowest cost position through scale and productivity advantages
- 2 High quality, innovative products for target markets
- 3 Commercial effectiveness to increase share and margin
- 4 Actively managing portfolio to increase returns



# Different Cost Levers

Lever	Cost/ Effort	€ benefit	Comment	Increasing sustainability
Structural	Med	€10m	Delivered: one off action, recurring savings	
Profit improvement plans	Low	€1-2m pa	Ongoing business: harder to achieve without different approach	
Procurement I	Med	€1-3m pa	Complex cross-trading and long term contracts limits short term gains	
Lean/systematic projects	Med	€1-2m pa	Quick wins based on data driven analytical projects	
Shared Service Centres	High	€3-4m	Control improvements, enabler of other projects, long term CI	
Procurement II	High to Med	>€2m pa	Next generation supply chain management	
Full lean conversion: "The Shanks Way"	High	€??	Embedded sustainable world-class processes and efficiency drivers	

Transitioning effort to programmes that will build sustainable advantage

# Agenda

**1. Profit Improvement Plans – Henk Rogiers**

**2. Shared Service Centres – Pim te Riele**

**3. Continuous Improvement - Dieter Avonds**

# Strategy to be a cost leader

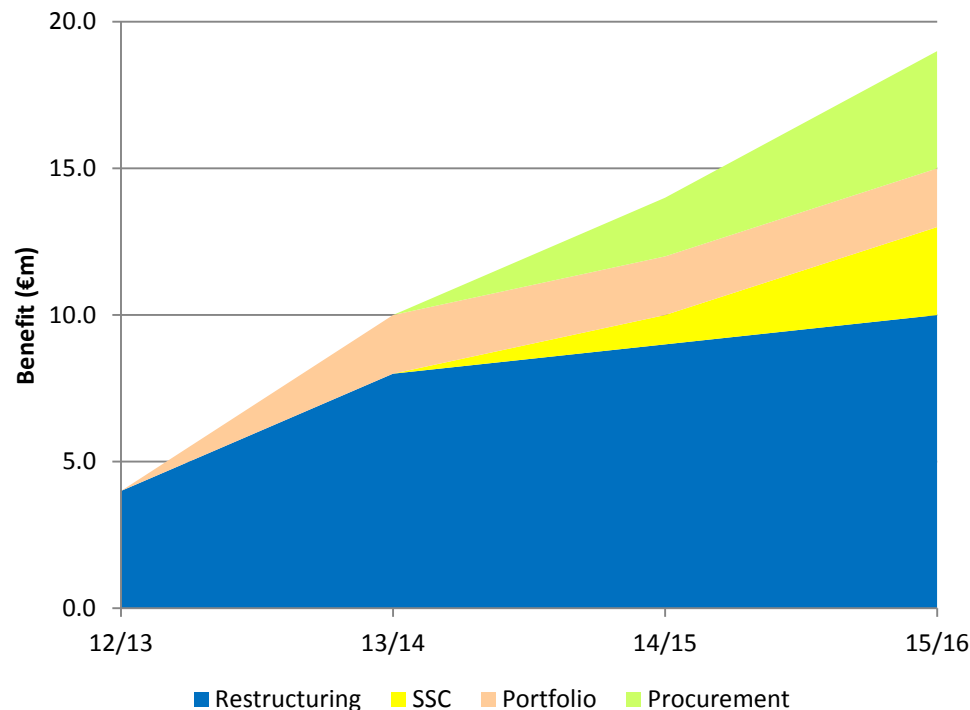
We have a strategy to position ourselves as lowest cost operator in our core markets. We do that by:

- 1 Managing our offtake costs (fuel and Icopower)
- 2 Optimising recycle income (volume, price & quality)
- 3 Installing central procurement
- 4 Rolling-out Shared Service Centres (SSCs)
- 5 Business Portfolio Management
- 6 Cost management programmes: rightsizing, increase asset utilisation, route management, cost reduction programmes (financial grip, benchmarking, cut overhead), capital allocation improvement, closing sites

**We take structural costs out by planned measures & processes  
and install a cost awareness culture**

# Progress update

## Savings Targets



## Delivered

- 218 heads out
- All facilities to be closed now complete
- Portfolio actions completed
- Offtake rebalanced
- SSC's live & stabilising, performance improvement initiated
- Procurement fundamentals in place

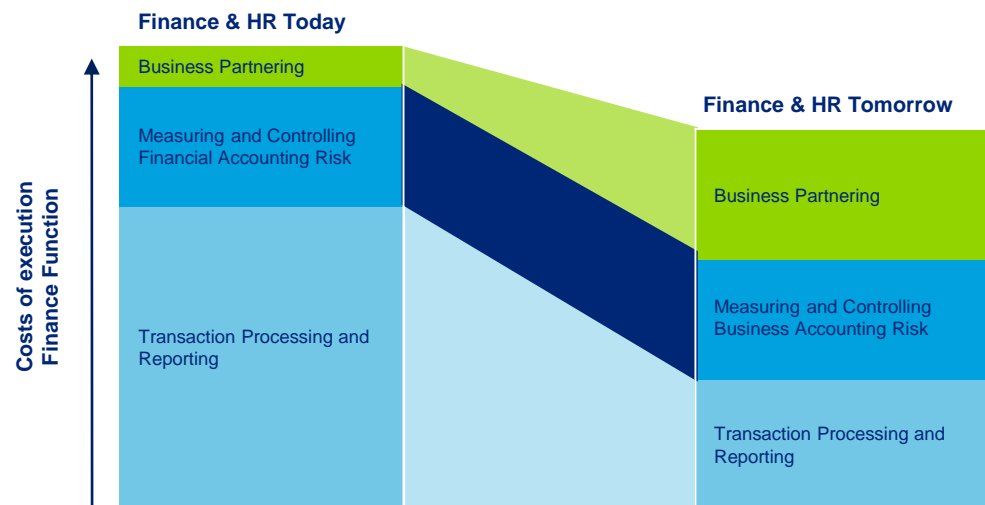
**Structural cost programme progressing well → 10€m cost out yearly (achieved 13/14), excluding continuous improvement projects.  
Quick wins done, back office processes being simplified**

# Introducing the SSCs

**SSC will enable Shanks to focus on their core business and safeguard the entrepreneurial spirit, keep close to the customer while performing administrative processes more efficiently**

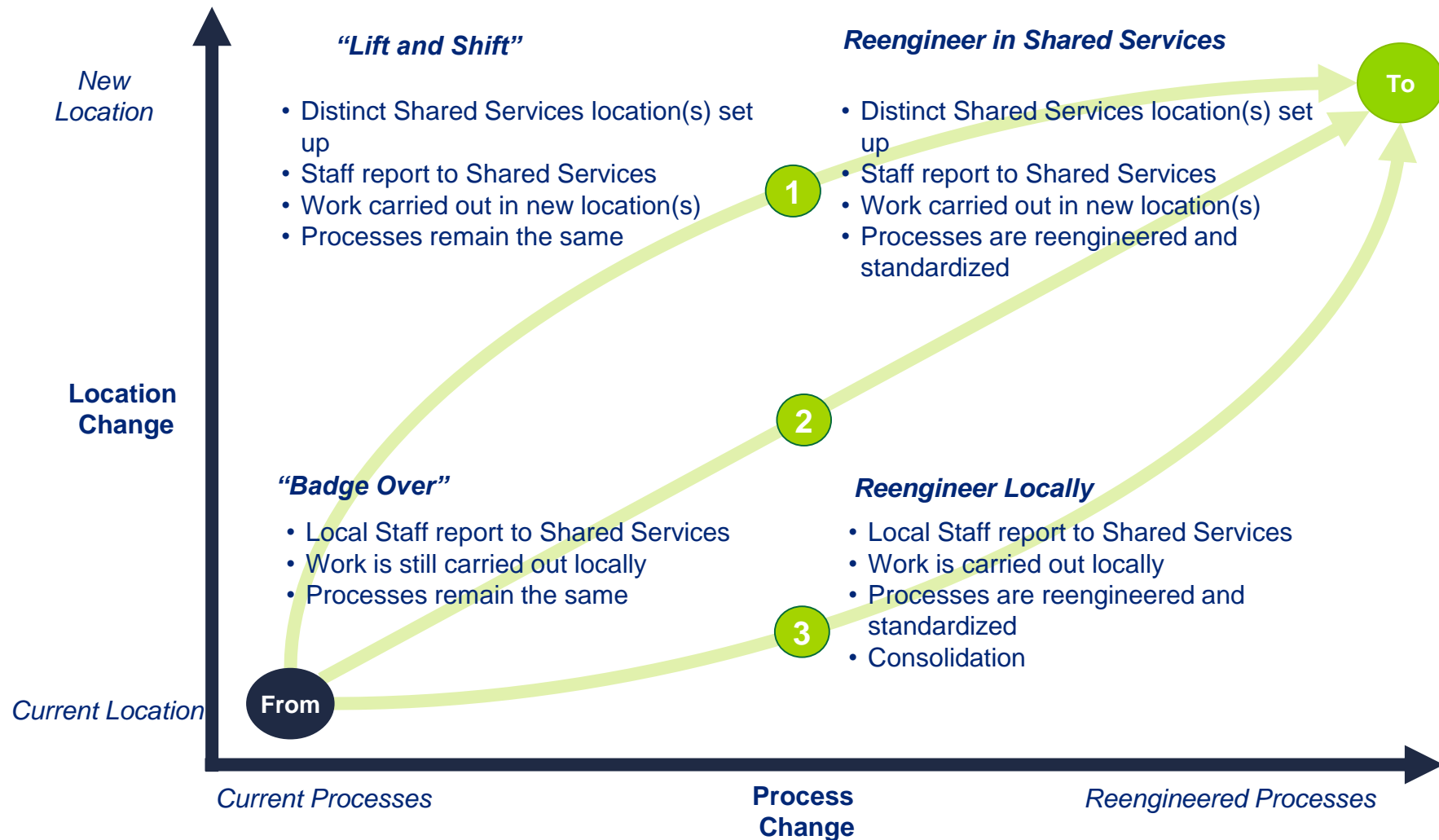
- 1 Shared Services allows to shift towards business partnering, while reducing overall cost → structurally improving performance
- 2 Successful SSC is created by ensuring the right mix between quality and cost via:
  - Centralisation (e.g. economies of scale) and
  - Decentralisation (e.g. customer focus)
- 3 Governance board to ensure the right balance between quality of service having lower cost

**“Adding more value at a lower cost”**



# Lift & Shift: the transition process

Several transition strategies can be used:



# Lift & Shift: the transition process



# The journey to first class SSC

The SSC forms a major part of our transformational journey which will maximise efficiency and economies of scale. We have brought these key business functions together, we will drive more efficient people and technology processes to create a first-class SSC which brings real benefit to our business.



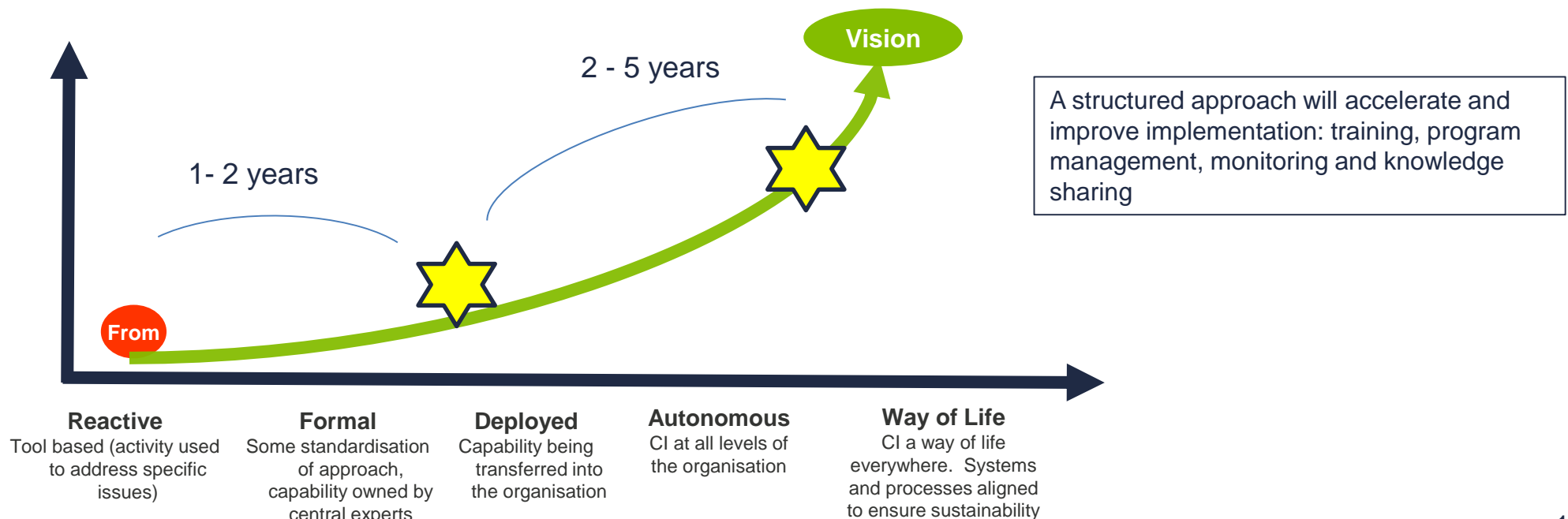
# Introducing CI to SKS

- Research shows that company's with CI programs have better growth, operating income and cash flow. Continuous Improvement (CI) is a **value creator**.
- Shanks beliefs that a CI program creates a **competitive advantage**: improved communication – faster problem solving based on data – understanding customer – long term focus – better enterprise understanding.
- Shanks perceives CI not as a new buzz-word for cost- cutting. It can support cost cutting but is about: **customer value** and satisfaction, quality, speed to market, flexibility and **reduced cost/waste**.
- Shanks is convinced that CI program can **unlock energy** at all levels of the organisation
- It is our **ambition** to grow to a higher level of maturity and **make CI part of our DNA**.

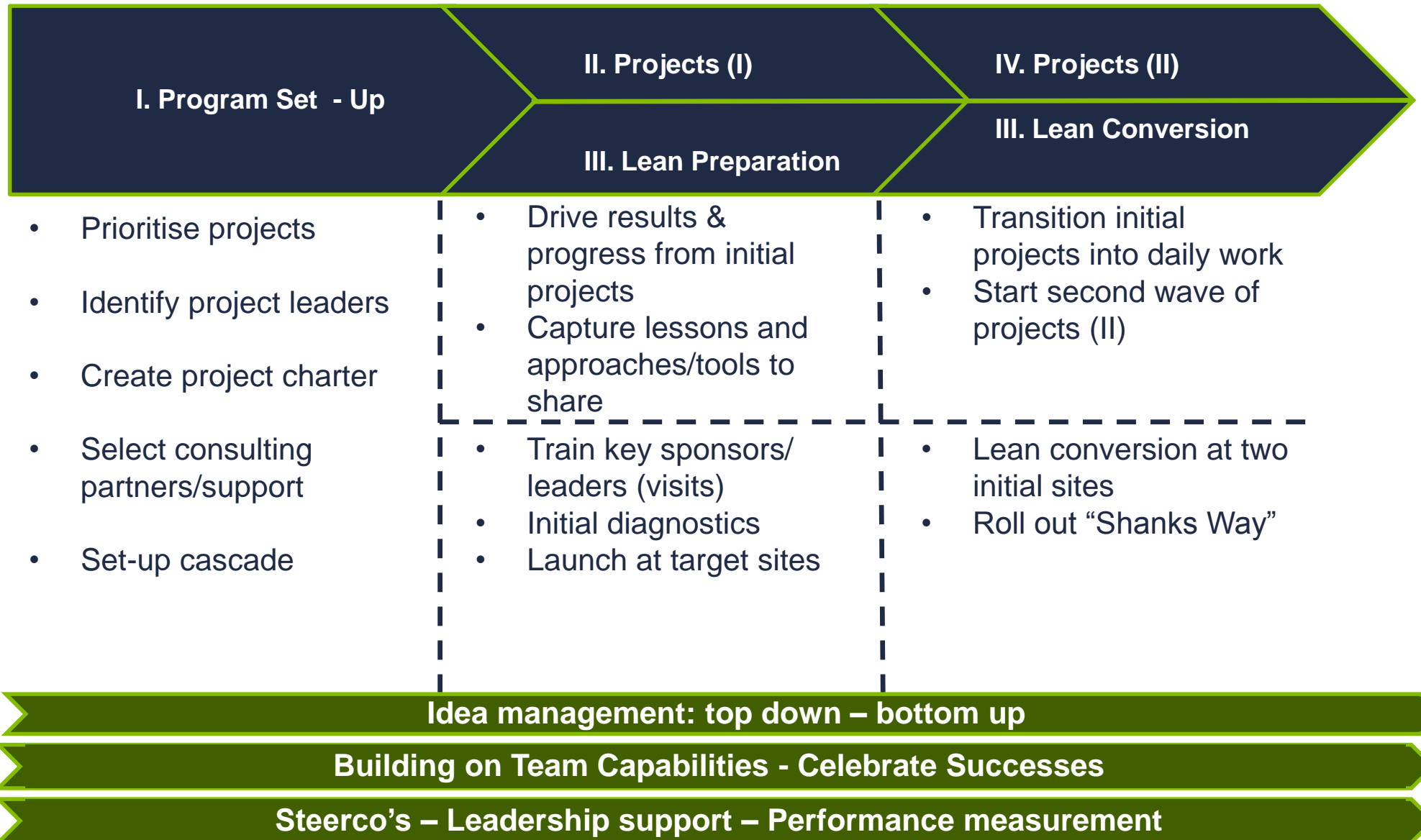
**Change is not an option in our market – it's essential**

# Current CI programmes

- Currently 28 projects in BeNeLux division of different scale and functionality are ongoing and could be categorised as CI
  - e.g. Lean manufacturing review Icopower plant; Route density Van Vliet Contrans; Improve operational efficiency Van Tuijl production line; Optimisation clients waste flows; Flanders maintenance...
- Lot of opportunities where we can unlock significant benefits: fuel efficiency, energy audit, sharing of assets, recycles, ...
- Shanks phased approach:



# Benelux CI Approach



# Summary

- 1 We have a structured programme of cost reduction with a clear trajectory for medium-term ongoing savings**
- 2 Our Shared Service Centres will drive operational excellence, cost savings and efficiencies**
- 3 Continuous Improvement Programme will transform our business, creating a competitive advantage, customer value and unlocking energy at all levels of the business**