

ENVIROWASTE Investment Report

1. Summary of the Deal

On the 6th of December 2006, Ironbridge completed the acquisition of EnviroWaste Services Ltd (“EnviroWaste”) from Fulton Hogan Ltd. EnviroWaste is New Zealand’s second largest waste services business and is represented in the majority of New Zealand’s major cities. The business offers landfill, transfer station and collections services to both its commercial and municipal council customers.

Ironbridge viewed EnviroWaste as an attractive investment because of the positive dynamics of the New Zealand waste market, the very defendable competitive position that EnviroWaste has in that market and the significant growth opportunities, both organic and through further industry consolidation.

As part of the transaction process Ironbridge negotiated a pre bid sale agreement with TPI whereby we agreed to sell certain assets to TPI subject to their receipt of NZ Commerce Commission clearance.

“EnviroWaste has a strong market position in the New Zealand waste management sector and has developed some excellent intellectual property around working in partnership with local councils, recycling and the ability to complete world class landfill developments.”

- Matthew McLellan, Investment Director

2. The Market

The waste industry value chain flows from the waste initiator (either a consumer or a commercial entity), who deposit waste in bins that are then collected by a specialised

fleet of trucks. This waste is then consolidated at a transfer station for forwarding on to a landfill or deposited direct at the landfill from the original collection point. In certain markets the waste is separated for recycling purposes at the transfer station before being allocated to the end disposal point or recycling methodology.

The New Zealand waste industry has a steady history of strong growth, having grown in value from approximately \$370m in 2001 to more than \$580m in 2006, reflecting an annualised growth of 9.5% per annum. Profitability has also lifted across the industry, largely driven by higher waste volumes, consolidation of this previously fragmented market and a focus on greater operating efficiencies.

The New Zealand waste market is best viewed on a regional basis and most regions have between one and three operators at the landfill level.

3. Company Background

EnviroWaste was established in July 1995, via a joint venture, combining the waste disposal operations carried out in Auckland by Northern Disposal Systems Limited (NDSL) and the waste collection businesses operated in the South Island by the Waste Division of Fulton Hogan.



Fulton Hogan built up a waste collections business with branches throughout the South Island, and a landfill in Dunedin. NDSL had its origins in the Auckland Regional Council (ARC), which was responsible for the provision of waste disposal facilities for the Auckland region.

In November 2001, Fulton Hogan bought out its partner in EnviroWaste, and then led the company through a period of strong growth and significant investment in the construction of landfills at Hampton Downs in Auckland and at Kate Valley as part of the Canterbury Waste Services Joint Venture.

4. The Business

EnviroWaste is the second largest New Zealand waste management business with collections and disposal operations throughout the country. The company also has a number of JVs providing collections, transportation and disposal services and has strong associations with regional operators in smaller areas where it does not have a presence. EnviroWaste's other services include site remediation, consultancy, landfill aftercare, waste minimisation and landfill gas utilisation.

EnviroWaste handles over 500,000 tonnes of refuse and 300,000 tonnes of cleanfill annually through its collection, processing and disposal facilities.

EnviroWaste's key asset is the recently developed Hampton Downs landfill. Hampton Downs is a high quality infrastructure style asset which is one of two landfills located close to Auckland. This facility has a long life with 25 years of consented capacity and 60 years of potential capacity at current disposal rates.

A significant portion of EBITDA growth over the past three years has been through the ownership and operation of landfill assets, with the majority attributed to Hampton Downs. This growth is expected to continue in the future as waste volumes grow in the Auckland market.



5. Management Team

The business is led by Paul Bishop who has been with EnviroWaste for 3 years. In that time Paul has built up a focused senior team who collectively has delivered impressive growth.

6. Transaction Rationale

High market growth as the New Zealand solid waste collections and disposals market is forecast to continue to grow at between 8-10% pa, with Auckland expected to be at the top end of this range.

Strong market position as the second largest player in the New Zealand waste market and with ownership of key strategic assets like Hampton Downs. There are high barriers to entry protecting this market structure, including the complexity, cost and time of having a new landfill consented. EnviroWaste also boasts a market leading track record in entering private-public partnerships to solve modern waste challenges.

Market structure with the market having recently been through a period of consolidation the market structure is favourable.

Significant growth opportunities via both organic growth and through acquisition. A significant opportunity exists to expand EnviroWaste's collections business, by infilling existing collection routes, driving sales and improved operating efficiencies.

Good exit opportunities as a function of the industry structure and EnviroWaste's position in the key growth markets we consider that an IPO, trade sale or sale to an infrastructure investor are all real opportunities.