

# ANALYST INVESTOR DAY VIRIDOR (MANCHESTER)

**SUSAN DAVY**  
GROUP DIRECTOR OF FINANCE, PENNON

**IAN McAULAY**  
CHIEF EXECUTIVE, VIRIDOR

**19/20 OCTOBER 2015**



# PENNON VIDEO

# WELCOME



UK WASTE MARKET BRIEFING  
22 JULY 2015



WATER BRIEFING:  
DELIVERING AND OUTPERFORMING  
OUR K6 PLAN  
24 SEPTEMBER 2015



ANALYST INVESTOR DAY:  
VIRIDOR (MANCHESTER)  
19-20 OCTOBER 2015



# **VIRIDOR IS A LEADING UK RENEWABLE ENERGY, RECYCLING AND WASTE MANAGEMENT BUSINESS**

**A MARKET LEADER WELL – POSITIONED TODAY AND FOR THE FUTURE**



- **Value-enhancing ERF portfolio**
- **Forecast to deliver substantial growth over the long-term  
c£100M to EBITDA in 2016/2017**
- **Earnings enhancing for Pennon Group**



OUR PURPOSE AND VALUES

# GIVING THE WORLD'S RESOURCES NEW LIFE



Transforming waste™



Viridor

Transforming waste™



# ACHIEVING OUR PURPOSE WILL BENEFIT OUR CUSTOMERS, STAKEHOLDERS AND EMPLOYEES

## TOP 3 UK RENEWABLE ENERGY, RECYCLING, AND RESOURCES BUSINESS



DIFFERENTIATED BY:

- **QUALITY**
- **PARTNERSHIP**
- **INNOVATION**
- **SKILLS**



# UNRIVALLED EXPERTISE DELIVERING THE RIGHT STRATEGY FOR EACH BUSINESS

	LEGACY BUSINESS	RECYCLING AND RESOURCES		ENERGY	
	LANDFILL	RECYCLING	COLLECTION & CONTRACTS	LANDFILL GAS	ERF
Short-term outlook	✓	Headwinds in commodity pricing currently creating challenging environment	✓	✓	✓
Long-term fundamentals	Prescribed to close by EU and UK government policy. Managed well for cash maximisation and alternative uses	✓	✓	✓	✓

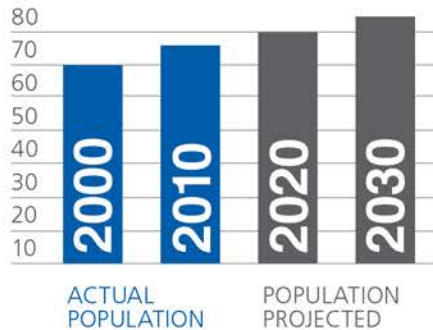
FOCUSED ON CREATING VALUE FOR SHAREHOLDERS

[illegible]

# OUR STRATEGY IS BUILT ON THREE DRIVING TRENDS

# 1

## POPULATION



# 2

## LEGISLATION

**30%** REDUCTION OF  
FOOD WASTE BY 2025

**70%** MUNICIPAL WASTE  
RECYCLING TARGET BY 2030

**80%** PACKAGING WASTE  
RECYCLING TARGET BY 2030

BAN ON RECYCLABLE WASTE  
TO LANDFILL 2025

BAN ON LANDFILL BY 2030

# 3

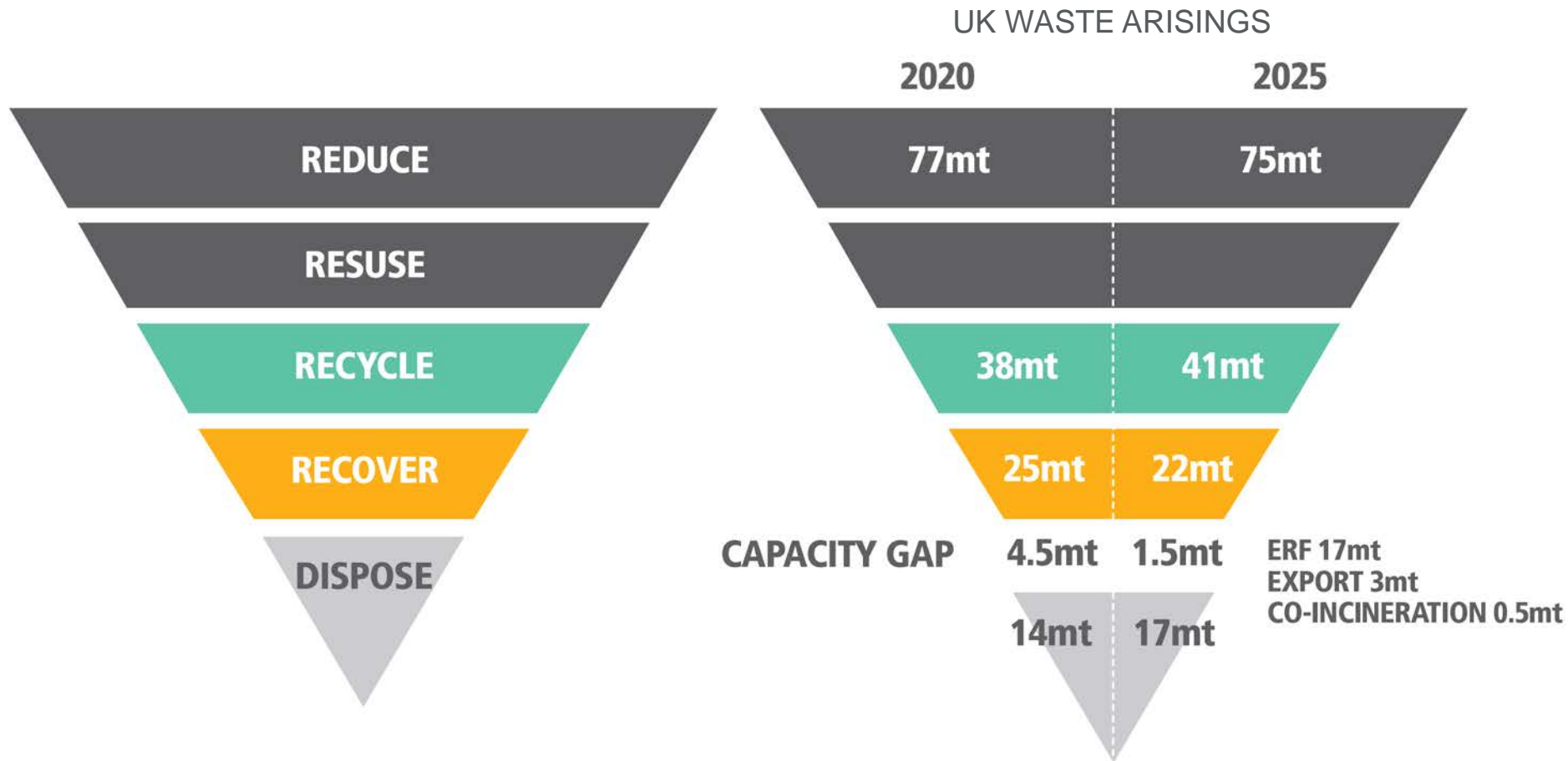
## CONSOLIDATION

SECTOR  
COMPETITORS





# FUTURE UK WASTE ARISING REMAIN RELATIVELY STABLE AND MUST BE TREATED WITH A 2020 VISION IN THE WASTE HIERACHY (MEETING EU TARGETS)



WE ARE THEREFORE WELL POSITIONED TO PERFORM IN ALL OUR MARKETS.

**OUR STRATEGICALLY  
LOCATED NETWORK OF  
SOCIAL INFRASTRUCTURE  
DELIVERS ESSENTIAL  
ENERGY RECOVERY,  
RECYCLING AND RESOURCE  
MANAGEMENT SERVICES,  
AND COMMUNITY BENEFITS  
ACROSS THE UK.**



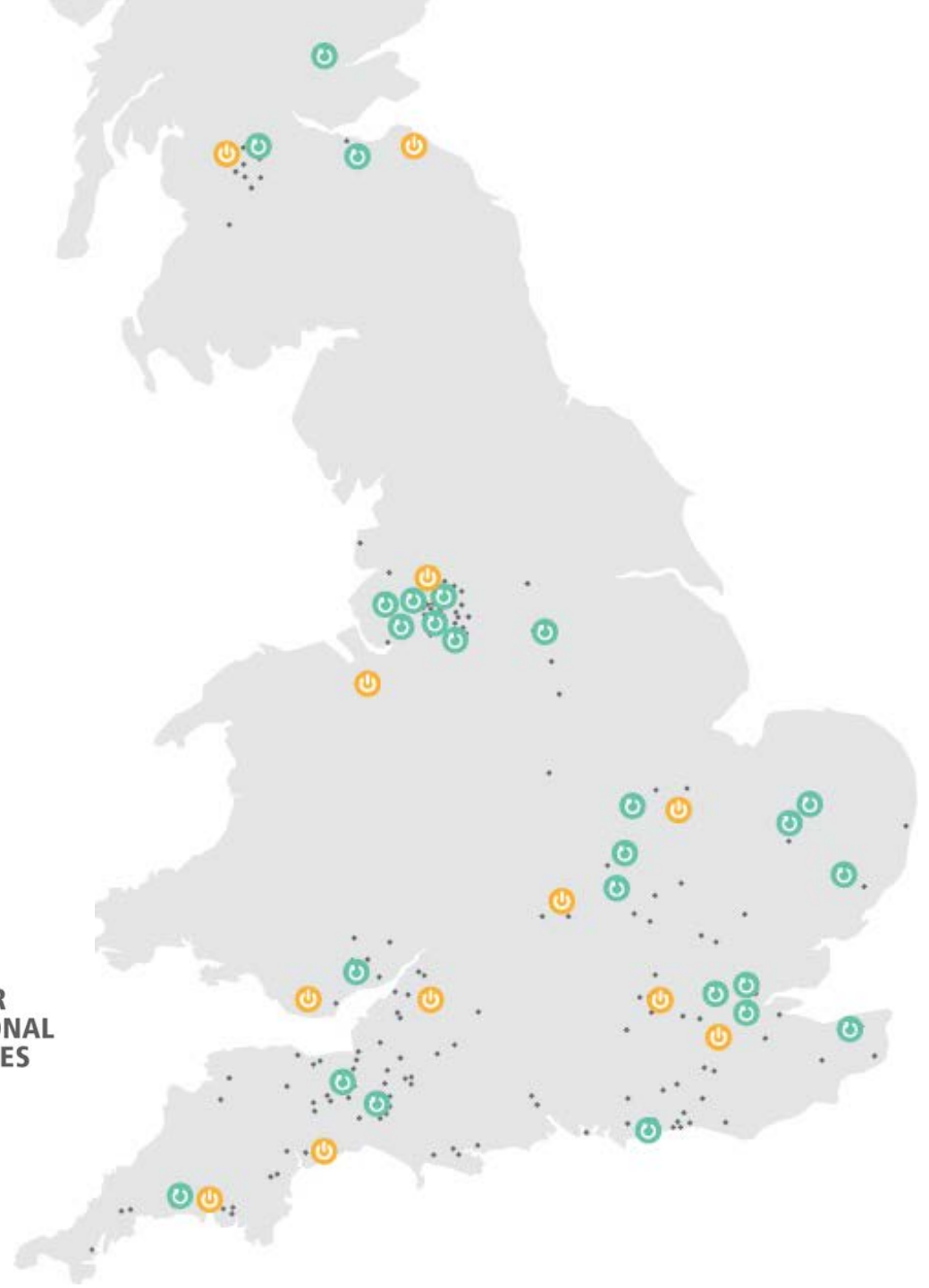
**MATERIAL  
RECYCLING  
FACILITIES**



**ENERGY  
RECOVERY  
FACILITIES**



**OTHER  
OPERATIONAL  
FACILITIES**



WE HAVE IDENTIFIED A  
STRATEGIC RATIONALE  
AND PRIORITIES FOR OUR  
KEY SERVICE AREAS

**ENERGY**  
**RECYCLING  
AND RESOURCES**  
**LANDFILL**





# ENERGY: STRATEGIC RATIONALE IS TO OPTIMISE OUR MAJOR FACILITIES AND DEVELOP COMPLEMENTARY TECHNOLOGIES



**ENERGY  
RECOVERY  
FACILITIES**



**ENERGY  
STORAGE**



**LANDFILL  
GAS**



**NEXT GEN SOLAR  
& DECENTRALISED  
ENERGY**



# RECYCLING AND RESOURCES: OUR STRATEGIC RATIONALE IS FOCUSED ON INPUT, THROUGHPUT AND OUTPUT OPTIMISATION (ITOO)



**LARGER  
RECYCLING AND  
RESOURCE HUBS**



**FOCUS ON  
HIGH VALUE  
COMMODITIES**



**70%  
RECYCLING  
TARGET**



**INTEGRATED  
COLLECTIONS &  
QUALITY SERVICE**





# RECYCLING AND RESOURCES: OUR STRATEGIC RATIONALE IS FOCUSED ON INPUT, THROUGHPUT AND OUTPUT OPTIMISATION (ITOO)



**LARGER  
RECYCLING AND  
RESOURCE HUBS**



**FOCUS ON  
HIGH VALUE  
COMMODITIES**



**70%  
RECYCLING  
TARGET?**



**INTEGRATED  
COLLECTIONS &  
QUALITY SERVICE**





# LANDFILL ENERGY: OUR STRATEGIC RATIONALE IS FOCUSED ON MINIMISING COSTS AND MAXIMISING OPPORTUNITIES



**ALTERNATIVE  
USES FOR SITES**



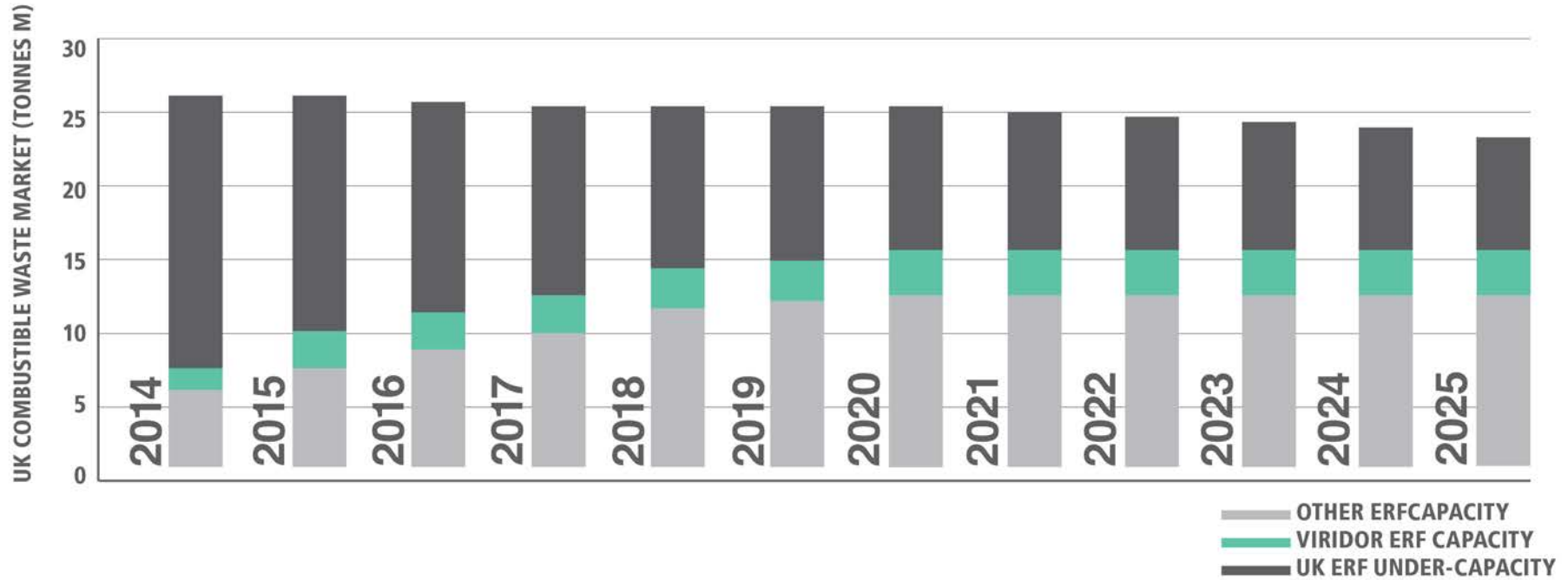
**REDUCE  
THE COSTS**



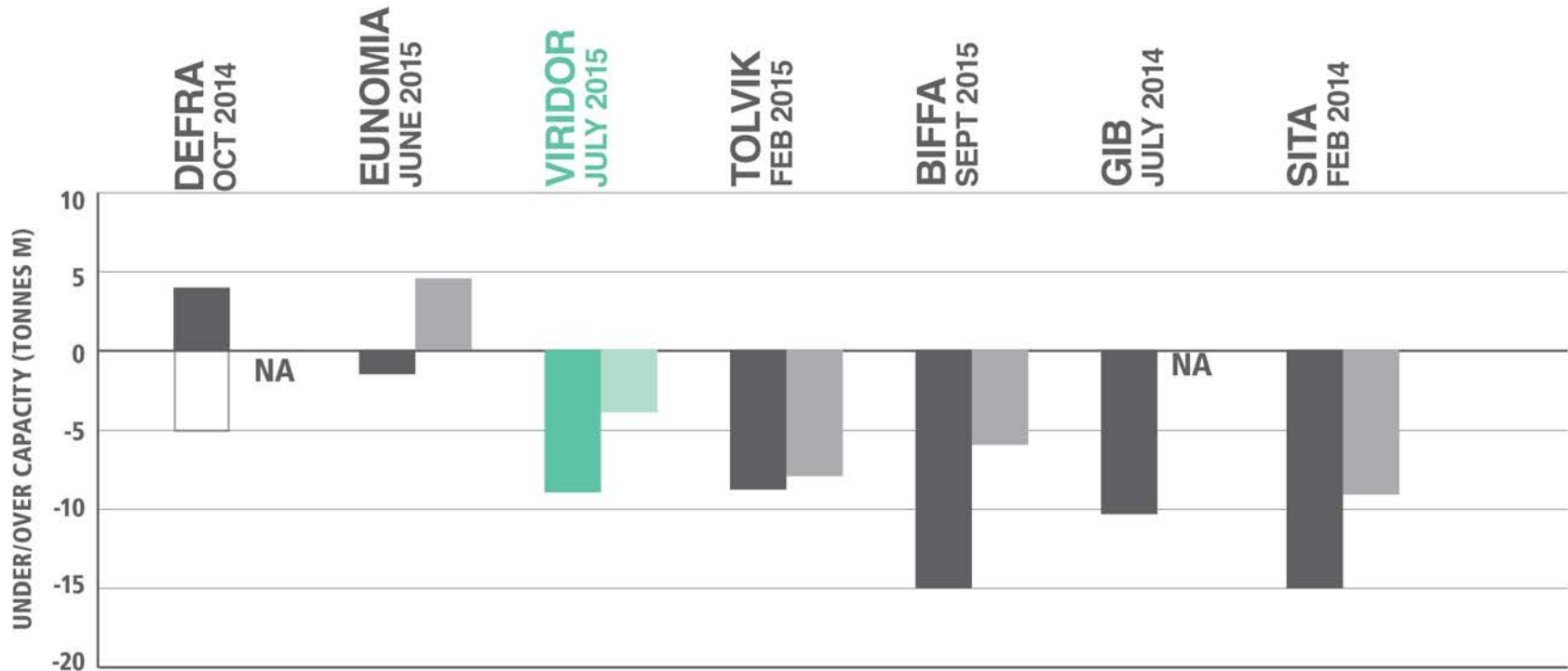
**REDUCE OPERATIONAL  
SITES, MAXIMISE  
ELECTRICITY AND  
GAS GENERATION**



# VIRIDOR IS TARGETING 15% ERF MARKET SHARE



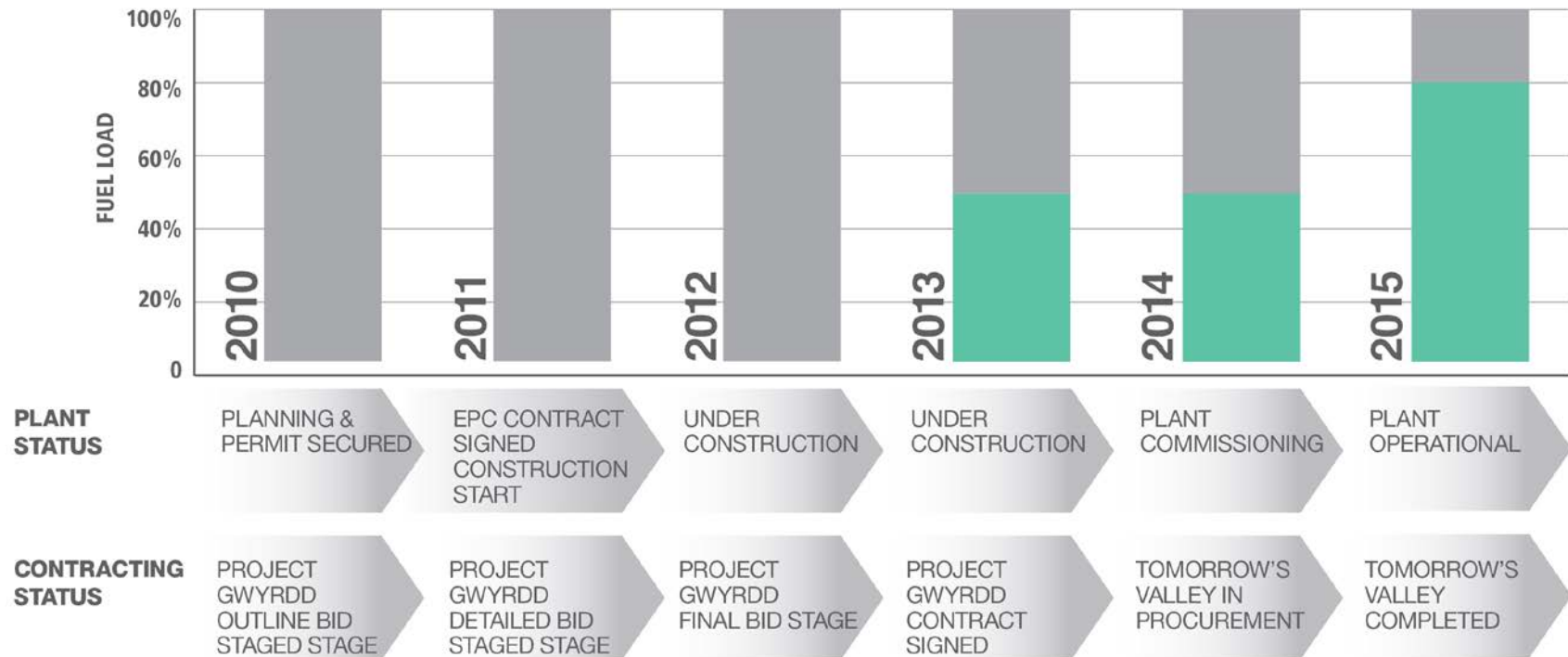
# BALANCE OF EVIDENCE STRONGLY SUPPORTS VIRIDOR'S ASSESSMENT OF UNDER CAPACITY



2020 AND 2025 ERF CAPACITY PROJECTIONS

VIRIDOR CONSISTENT AND CONFIDENT THAT THERE WILL BE UNDER CAPACITY IN THE UK MARKET

# CASE STUDY: TRIDENT PARK ERF FUEL LOADING

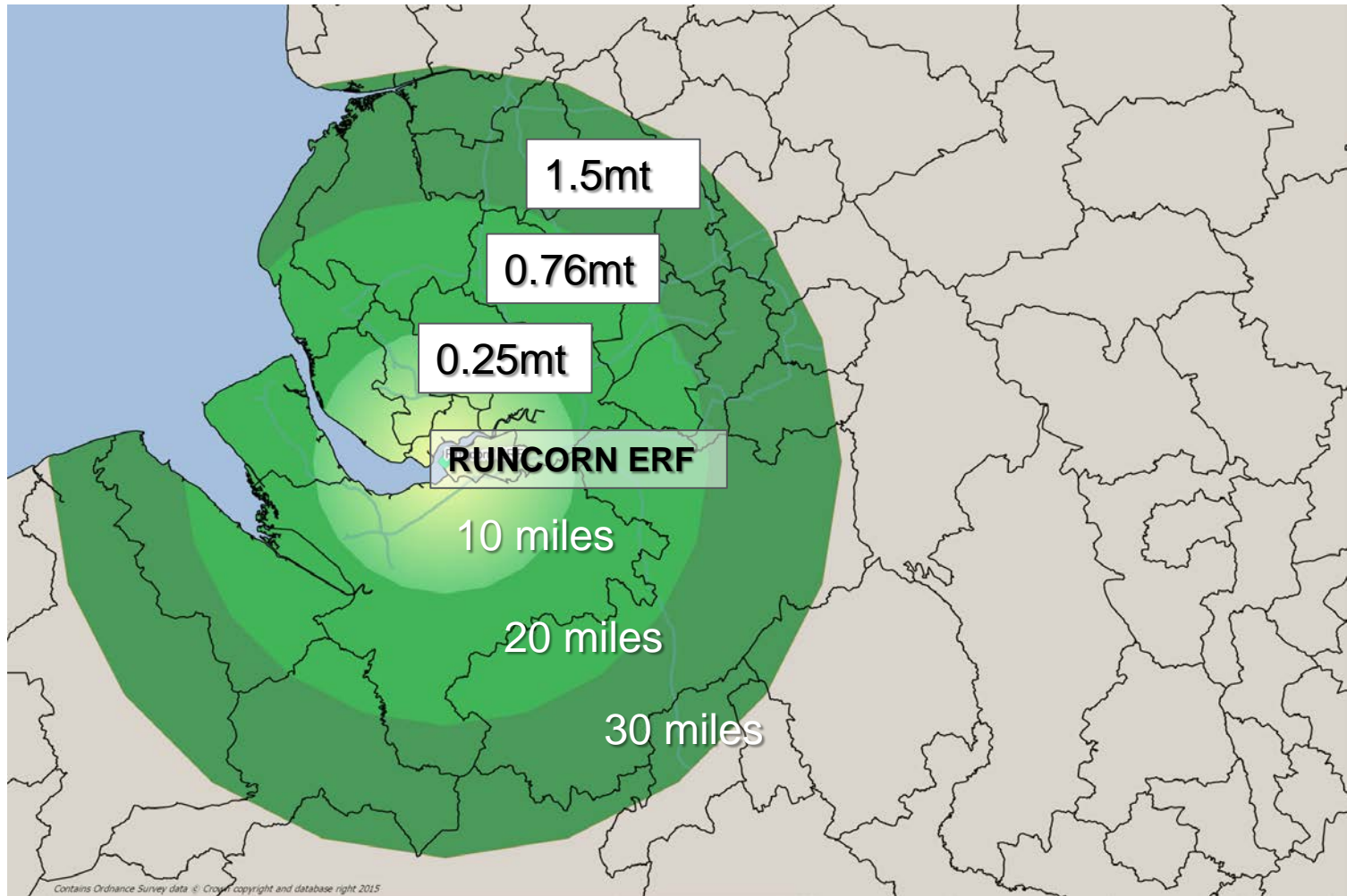


**20% merchant exposure enables plant flexibility and short-term price optimisation while balancing risk**

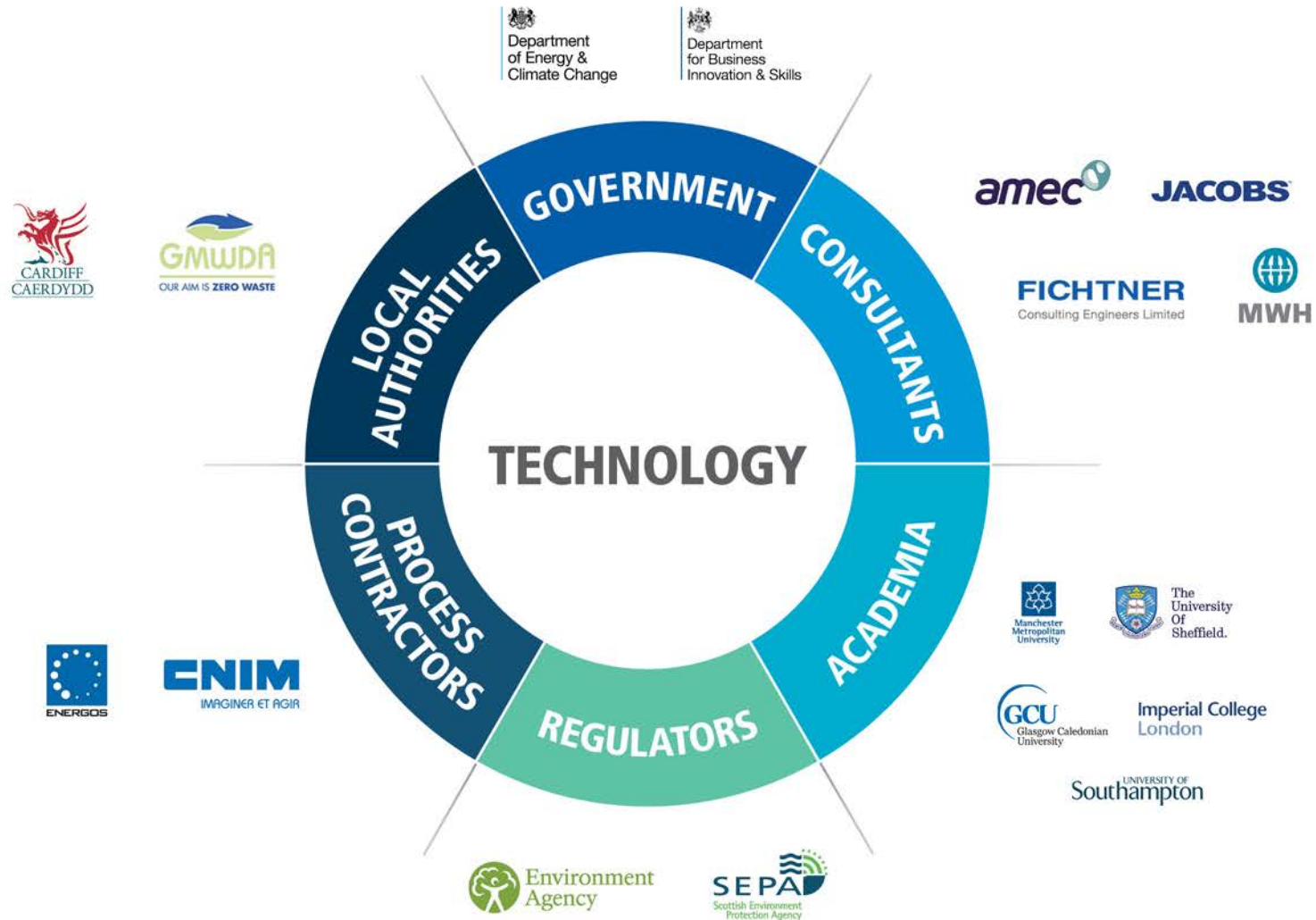
**FROM MERCHANT PROJECT TO LONG-TERM CONTRACTED FACILITY**



# TOTAL COMBUSTIBLE RESIDUAL WASTE ARISING AROUND RUNCORN ERF ESTIMATED TO BE UP TO 1.5MT WITHIN 30 MILES RADIUS



# A STRUCTURED APPROACH TO R&D AND INNOVATION WILL HELP DRIVE FUTURE PROFITABILITY AND GROWTH



# ACHIEVING OUR PURPOSE WILL BENEFIT OUR CUSTOMERS, STAKEHOLDERS AND EMPLOYEES

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# WELCOME TO GREATER MANCHESTER A WORLD CLASS RESOURCE MANAGEMENT MODEL



HEALTH AND SAFETY IS AT THE HEART  
OF EVERYTHING WE DO.



ALL VISITORS TO SIGN AN INDUCTION FORM  
AND EVERYONE WILL BE PROVIDED WITH PPE

## HEALTH AND SAFETY ON SITE: PLEASE STAY IN YOUR GROUPS WITH YOUR ESCORT



DO NOT USE YOUR  
MOBILE PHONE  
ON SITE.



BE AWARE OF MOVING  
VEHICLES AND  
CONTRACTORS  
MOVING AROUND  
THE SITE CARRYING  
EQUIPMENT.



IN THE EVENT OF AN  
EMERGENCY THE SITE  
SIREN WILL SOUND.  
VACATE THE BUILDING  
AND GO TO THE MUSTER  
POINT WHICH WILL BE  
ADVISED BY YOUR SITE  
TOUR GUIDE.



THANK YOU FOR YOUR TIME.  
ENJOY YOUR VISIT



Viridor

Transforming waste™

# GREATER MANCHESTER PFI (GMPFI) OVERVIEW

**RICHARD JENKINS**  
REGIONAL MANAGING DIRECTOR



# IN THE BEGINNING THERE WAS A CONTRACT – GREATER MANCHESTER WASTE PFI SIGNED 8TH APRIL 2009

- 25 YEAR INTEGRATED CONTRACT TO DELIVER GMWDA MWMS WITH A VALUE OF £3.8B
- VIRIDOR LAING 50:50 JOINT VENTURE
- INVESTMENT OF £400M INTO NEW INFRASTRUCTURE IN GREATER MANCHESTER
- SECOND SPV (TPSCO) A VENTURE BETWEEN VIRIDOR, INEOS AND LAING
- INVESTMENT OF £240M IN RUNCORN EFW PHASE 1
- KEY CONTRACTUAL DELIVERY IS A MINIMUM 75% LANDFILL DIVERSION





# CONTRACT FACILITIES PROVIDE PLATFORM OF SERVICE AND FUTURE INNOVATION

20 – HWRCS

7 – TRANSFER LOADING STATIONS

5 – MBT PLANTS (4 WITH AD AND RAIL CONNECTIONS)

4 – IVC PLANTS

2 – GREEN WASTE SHREDDING FACILITIES

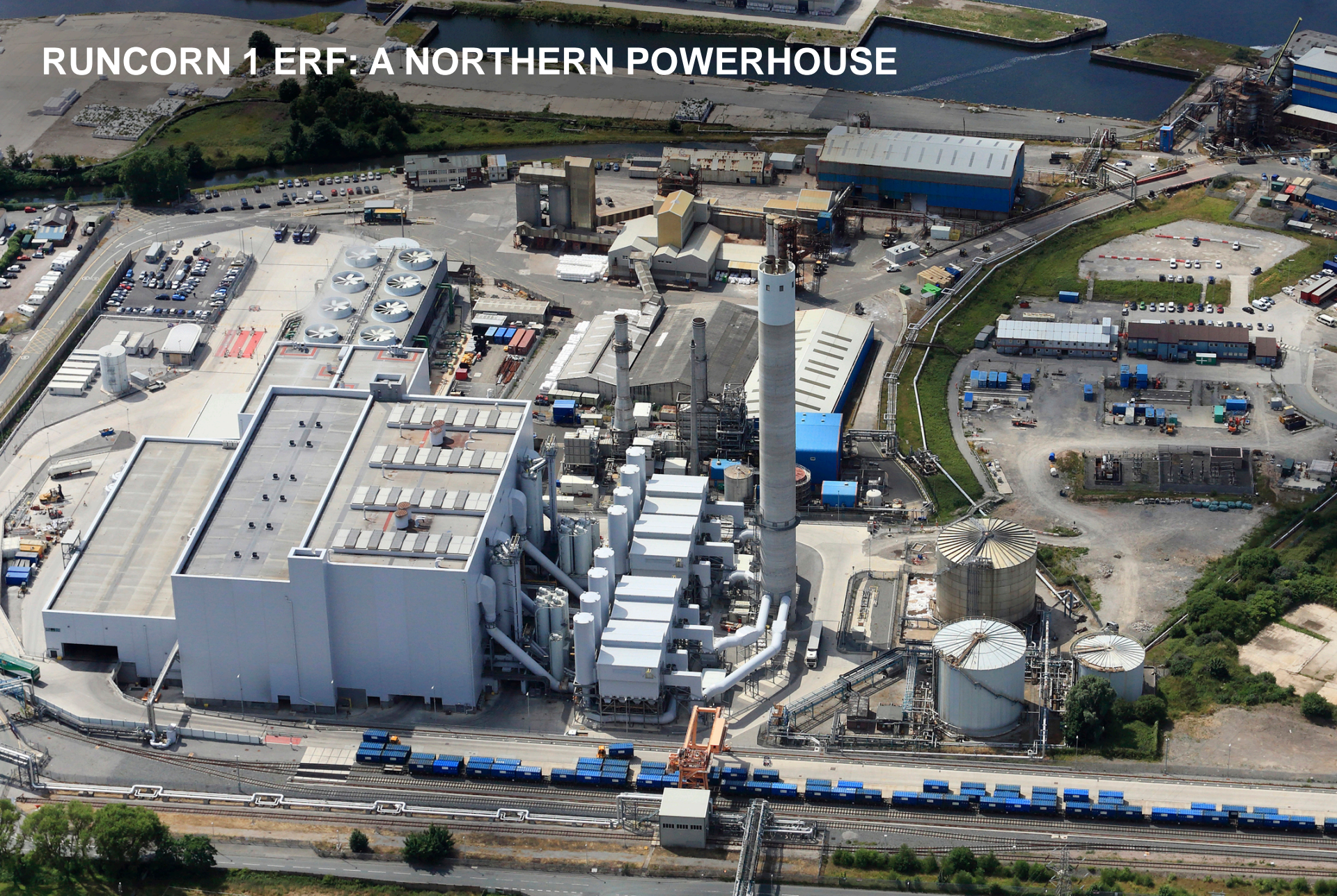
1 – MRF

1 – THERMAL RECOVERY FACILITY (TRF)





# RUNCORN 1 ERF: A NORTHERN POWERHOUSE





[illegible]



**WE HAVE DEVELOPED A SHARED 2020 VISION BETWEEN  
THE PARTNERS TO DELIVER A WORLD CLASS RESOURCE  
MANAGEMENT SOLUTION FOR GREATER MANCHESTER**

**Viridor**

**Transforming waste™**



**PARTNERSHIP PRINCIPLE IS AN INTEGRAL AND  
EMBEDDED PART OF THE CONTRACT**

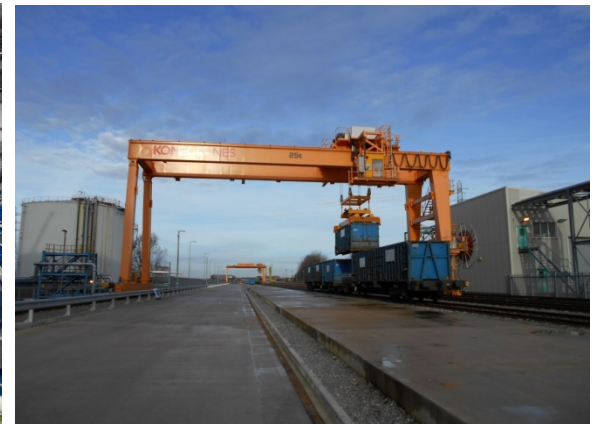
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# KEY 2020 VISION SUCCESS FACTORS HAVE BEEN IDENTIFIED

## KEY ACTION TO ENSURE CONTINUOUS IMPROVEMENT:

- RECYCLING 50%+
- LANDFILL DIVERSION 90%+
- OPTIMISED FACILITIES
- FINANCIAL RETURN FOR ALL PARTIES
- GLOBAL BEST PRACTICE



# DELIVERING WORLD CLASS SERVICES IN THE EVER CHANGING LEGISLATIVE AND ECONOMIC ENVIRONMENT THROUGH A SHARED AND DELIVERABLE VISION – TRUE PARTNERSHIP





An aerial night view of a city street with several green light beams shining upwards from the ground. The beams are positioned at intervals along the street, creating a rhythmic pattern. The street is lined with buildings, and cars are visible parked along the sides. The sky is dark with some clouds.

# The Client Perspective

20<sup>th</sup> October 2015

David Taylor  
Greater Manchester Waste Disposal  
Authority

# About Greater Manchester Disposal Authority



2.6m population

1m households

1.1m tonnes p.a.  
of municipal waste

9 Collection Authorities



# 'Our Aim is Zero Waste'

## Greater Manchester's Integrated Solution

50% recycling by 2016

60% by 2025

Zero waste to landfill

## Achievements to 2014/15

- 42% Recycling
- 71% Landfill diversion





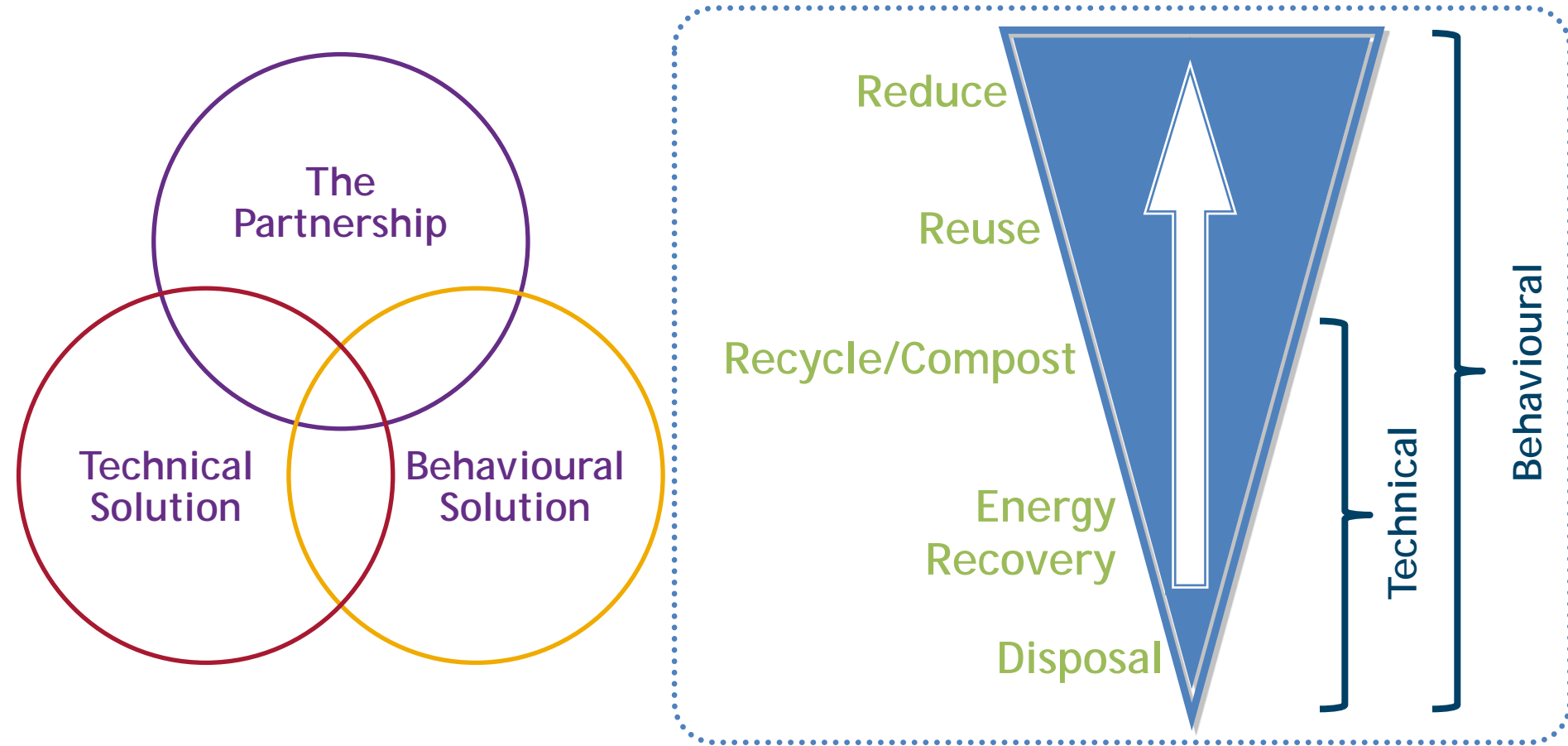
# Where have we come from



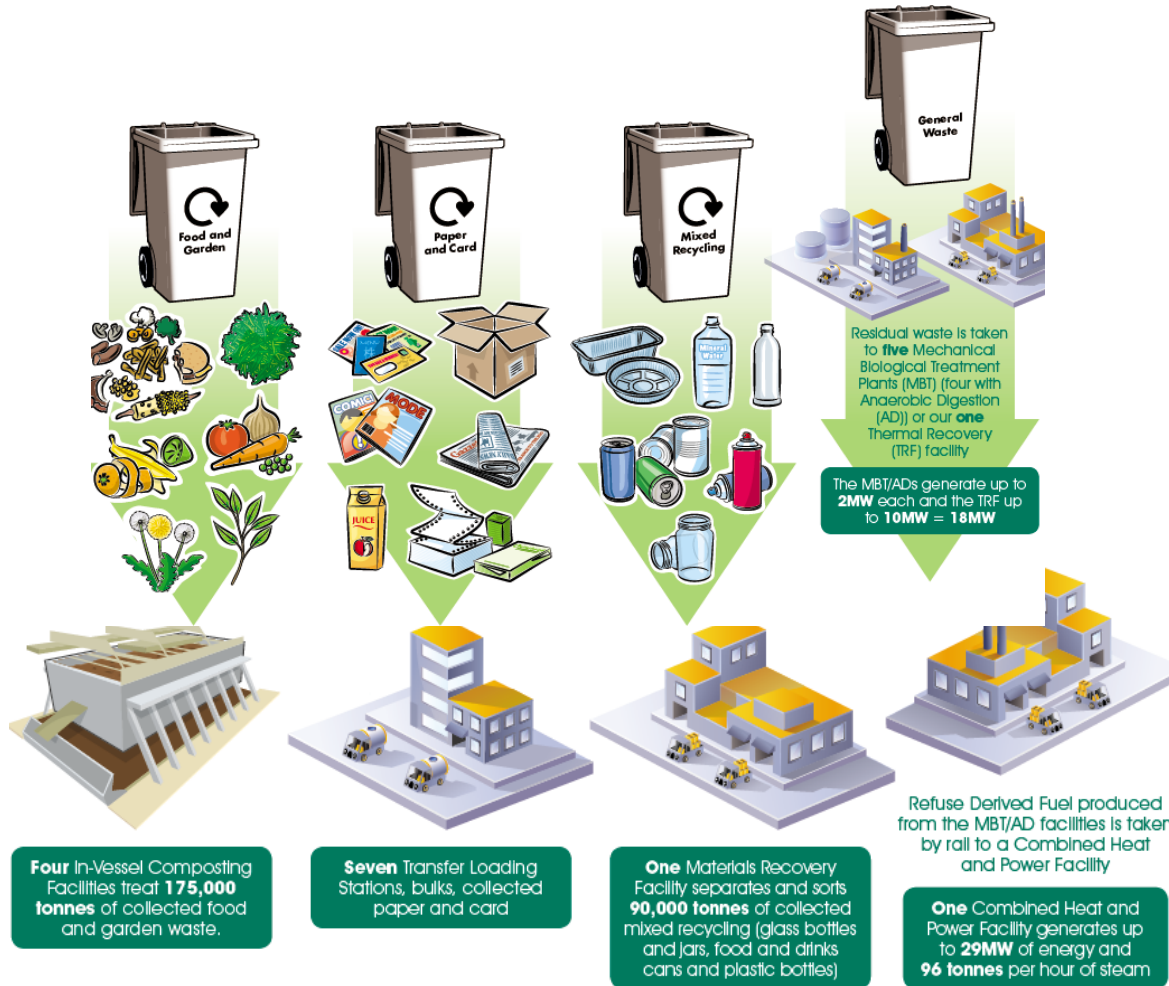
In 2004/05

Landfill	80%
Recycling	15%
Recovery	5%

# Achieving 'Zero Waste'

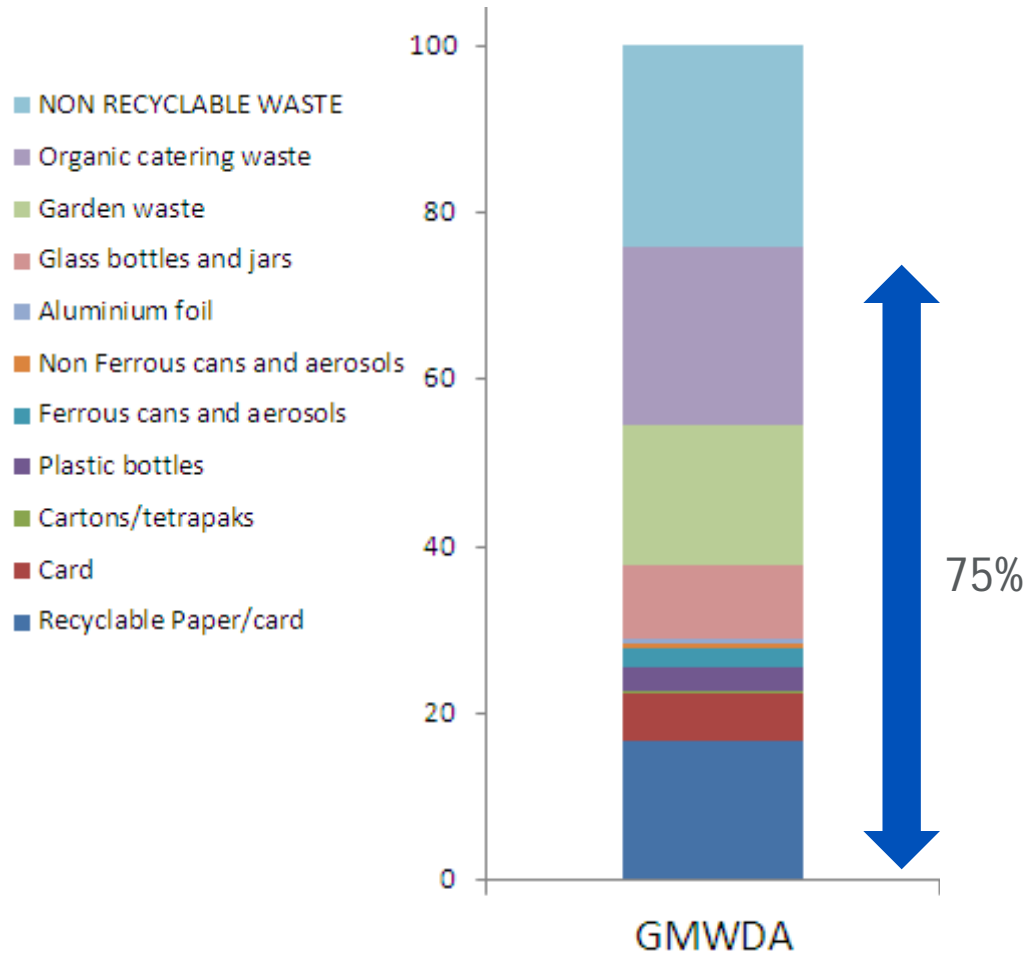


# Our 4 “bin” collection system





# Importance of Behavioural Change



- Around three quarters of our kerbside collected waste may be recycled by our system

# Communications and Engagement



Audit



Target



Support

# Challenges Ahead

Continued austerity measures

CSR late 2015/early 2016

2020 Vision sets a framework for this

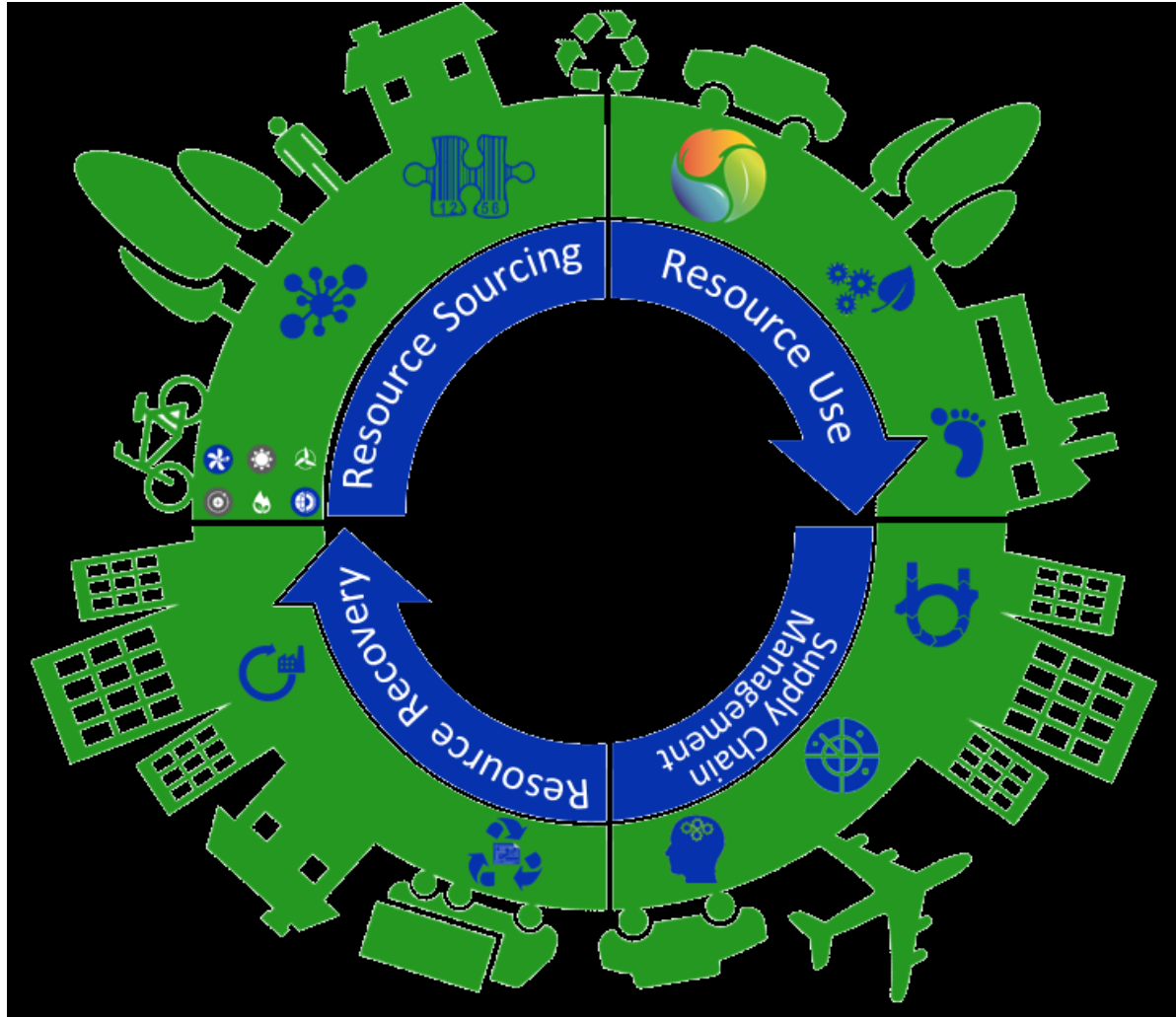
Lack of waste policy for England

Defra focus is short term to meet 2020 recycling targets





# The Circular Economy



An aerial night view of a city street, likely in Manchester, showing a row of terraced houses and parked cars. Several bright green light projections are visible, emanating from the ground and pointing upwards towards the sky, creating a dramatic effect. The background shows a city skyline with various buildings under a dark, cloudy sky.

# Thank You

## David Taylor

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[www.gmwda.gov.uk](http://www.gmwda.gov.uk)

[www.recycleforgreatermanchester.com](http://www.recycleforgreatermanchester.com)