SNOWCAP

BINGO INDUSTRIES (ASX:BIN) – SHORT

5th February 2021

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Why this Report is in the Public Interest

- Bingo is a public company that plays a significant role in Australia's waste management.
- We are led to believe that Bingo may be substantially overstating its recovery rates, which has significant implications for the Australian environment.
- Bingo has an extensive track record for breaching its EPA environmental licenses. We believe shareholders have a responsibility to hold the Company to account for these actions.
- Bingo has raised $1.3 billion of capital from public investors since its 2017 IPO. We think this level of capital raising warrants scrutiny to ensure that the proceeds are being deployed in an efficient and appropriate manner.

Bingo Industries ("Bingo" or "the Company") is an Australian waste management business focussed on the construction and demolition sector. The bulk of its operations are in New South Wales where it holds significant market share, with a growing operation in Victoria. Waste collection accounts for 28% of EBITDA, and waste processing 72%.

On 16 January 2021, a consortium of investors led by CPE Capital ('CPE') and Macquarie Infrastructure and Real Assets ('MIRA') announced a conditional and non-binding bid for Bingo. The $3.50 offer price reflects a 36% premium to Bingo's 90-day average share price and an implied Enterprise Value of $2.6 billion. Management have confirmed receipt of the offer and the negotiations have progressed to the due diligence phase.

Bingo purports to make money by recycling a high proportion of the waste that it processes. This is key to Bingo's profitability because it minimises the Company's landfill tax costs. It is also a major selling point for Bingo's customers.

But we think Bingo's reported 83% recovery rates are vastly overstated. Bingo's own sustainability filings indicate that it actually "treats" less than half of the waste that we estimate it receives. In confirmation of this, its flagship recycling facility appears to be laying idle, and the Company's energy usage *declined* in FY20. We think this is problematic because it substantially undermines Bingo's purported economics.

Bingo claims that it is trying to become "the most sustainable company on the Australian Stock Exchange"[1]. Yet the Company has a well-documented track record for breaching environmental regulations. Far from being the ESG-friendly stock pitched to investors, we consider Bingo to be one of the most extreme cases of greenwashing[2] we have ever come across. In our view, Bingo is not an appropriate holding for any responsible investment fund or index in its current form.

[1] Bingo announcement.
[2] Greenwashing is when a company overstates its green credentials.

All considered, we believe that the current bid may run into difficulty should the parties involved conduct proper diligence.

We share our analysis below:

1. Bingo's Recycling Rates Appear Substantially Lower than it Reports.

i. Bingo's Economics are Dependent on its High Reported Recovery Rates. Bingo appears to have grown its business by undercutting its competitors. Prices on Bingo's website quote $137.50 per tonne of waste which is a fraction of the $300+ per tonne gate fees charged by local C&D recyclers[3]. In fact, Bingo's prices are so low that it is actually cheaper to "recycle" waste with Bingo than it is to landfill waste in NSW[4].

Yet despite its low price, Bingo's 31% EBITDA margins are amongst the highest of any waste business on the planet[5]. Bingo claims to achieve this by recycling a very high proportion of the waste that it processes (In FY20, the Company reported recovery rates of 83%[6]). In theory, this reduces Bingo's landfill tax costs thus preserving its high margins.

ii. ESG Disclosures Indicate that Bingo is "Treating" Less than 50% of the Waste it Receives. We estimate that Bingo received 2.4 million tonnes of waste in FY20, based on pricing quoted on its website[7]. This ties with Bingo's investor presentations which state that its network capacity (4.6 million tonnes) ran at 60-65% utilisation in FY20[8].

Yet energy intensity disclosures in Bingo's Sustainability report reveal that Bingo "treated" just 1.1 million tonnes of waste in FY20[9]. That is less than half of the 2.4 million tonnes of waste we estimate it received.

We know that Bingo cannot be processing the excess waste using a third party because it claims that 100% of its non-putrescible waste volumes are internalised in New South Wales[10].

Even if we assume generous recovery rates for the waste Bingo *treats*, the implied overall recovery rate for the Group would be around 40% at best, which is substantially below what Bingo is telling its investors and customers.

iii. Declining Energy Usage Indicates that Bingo Recycled Less Waste in FY20 than it did in FY19. Bingo's recycling rate also appears to be declining with time. Although Bingo's Post-Collection revenues increased 35% y-o-y in FY20, according to the sustainability filings the volume of waste treated by Bingo grew just 7%.

And that may even be generous. The disclosures also show that Bingo's gross energy usage actually declined 22% in FY20.

[3] See slide 5 for a detailed overview of competitor gate fees.
[4] Landfill costs estimated at $50 per tonne plus $146 NSW landfill levy. This excludes landfill operator margin.
[5] Waste management peers report EBITDA margins of 11-25%.
[6] 83% is Bingo's reported recovery rate in FY20 which it stipulates is for New South Wales specifically (Bingo's largest jurisdiction). The industry defines recovery as waste that is serving a useful purpose by replacing other materials which would otherwise have been used to fulfil a particular function.
[7] We divided Bingo's post collection revenues by $137.50.
[8] FY20 Results Presentation (p10).
[9] Energy Intensity disclosures on p.34 of Bingo's FY20 Sustainability Report. We believe the disclosures are accurate because they tie with Bingo's recycled product disclosures in its Annual Report.
[10] FY20 Annual Report (p8).

It strikes us as odd that Bingo purportedly treated 7% more waste in FY20 whilst using 22% less energy. Our conclusion is that Bingo is likely recovering an even lower proportion of waste than it appears. This is because recycling companies typically become *more* energy intensive as they recycle a higher proportion of waste, not less[11]!

iv. **Bingo's Flagship Recycling Centre Appears to be Practically Laying Idle.** In apparent confirmation that Bingo is not recycling as much waste as it claims, we calculate that Bingo's flagship recycling facility operated at <5% capacity during 2020. Bingo spent nearly $140 million on its Paton's Lane facility[12]. Yet in an October 2020 community consultation report, Bingo officials state that the site landfilled less than 1,000 tonnes of waste for the year. Assuming that the facility is recovering 90% of the waste it receives, that implies a maximum throughput of 10,000 tonnes in the year, or a fraction of the plant's designed 450,000 million tonnes per annum capacity.

v. **Bingo Over-hyped its Recycling Capabilities to Investors at IPO.** In the past, Bingo has conveyed scepticism over the recycling rates reported by other operators due to their lack of recycling infrastructure[13].

Yet Bingo itself appears to have historically over-hyped its recycling capabilities to investors at the time of its IPO. Four key facilities described by Bingo as "advanced and automated recycling facilities[14]" in its prospectus were in fact classified by official government documents as transfer facilities[15]. In apparent confirmation that the government definition was accurate, Bingo has subsequently altered its own description of the sites and today refers to them as "transfer facilities with basic recycling capabilities"[16].

Based on this, we believe that Bingo's actual recycling capabilities around the time of its IPO were much lower than it led investors to believe, which in our view raises further doubt over the Company's reported recovery rates.

vi. **Bingo's Revenue Recognition Looks Aggressive.** Bingo's accounting policies state that it recognises gate fee revenues at the point when waste is received at its facilities[17]. In our view, this is aggressive and appears to contravene the basic matching principle of accounting[18], since many, if not all of the costs associated with waste processing and landfilling are incurred after Bingo receives the waste at its facilities.

By comparison, recycling peer Renewi explicitly recognises waste processing revenues over time, as waste processing occurs[19], thus matching the revenue stream with the associated costs.

By recognising revenue upfront, we believe Bingo may be inflating its margins. The Company is also incentivised to stockpile and or delay the processing of waste.

2. Exorbitant Capital Expenditures.

[11] p48 of Renewi's FY20 Sustainability Report.
[12] Company disclosures.
[13] Bingo EPA Submission October 2019. "Unfortunately, many operators in NSW claim to achieve impressive recovery rates with limited recycling infrastructure to support such rates, and with no objective verification. Based on our knowledge and experience, we do not believe many of the recovery rates that some operators claim."
[14] Page 45 Bingo Prospectus.
[15] https://www.liverpool.nsw.gov.au/__data/assets/pdf_file/0019/114319/Western-Sydney-Recycling-Directory-CD-Updated-Nov-2017-1.pdf
[16] May 2019 Investor Presentation.
[17] Bingo's annual report states that it recognises gate fee revenue at the point in time when waste is received.
[18] The matching principal instructs that expenses should be reported in the same period.
[19] Renewi's annual report states that revenue is recognised over time as waste processing occurs.

i. **Capital Expenditures Bury Bingo's Operating Cash Flows.** Since its IPO, Bingo has capitalised nearly $500 million on payments for PP&E and intangibles, equivalent to 141% of its cumulative EBITDA during this time. The Company has funded these payments with a combination of operating cash flows and capital raises (which have totalled $1.3 billion since 2017).

In FY20 alone, Bingo capitalised $78 million as capital work in progress, landfill assets, and software – all of which we consider to be relatively difficult to verify.

ii. **Concerns Over Contractor Used for Bingo's Development Projects.** Concerningly, we estimate that at least $117 million of Bingo's capex has been spent on 'development projects' using the same local contractor – *Dewcape*. From what we can tell, Dewcape is owned by individuals who were part of the same high-school network as Bingo's CEO Daniel Tartak[20]. Although there is nothing inherently wrong with such an arrangement, given the magnitude of capital involved we believe Bingo's shareholders deserve greater transparency around Bingo's relationship with Dewcape and how the money on these projects has been spent.

3. **Poor Environmental Track Record.**

i. **Role in the Interstate Waste Trade.** For a long time, Bingo made money arbitraging New South Wales' high landfill levy by shipping vast quantities of waste across the border to Queensland, where until recently, levies were zero. Even at the time of its IPO in 2017, Bingo's prospectus disclosed that it continued to engage in the practice.

Whilst not illegal, these actions resulted in substantial excess emissions from transporting the waste, and ultimately served to undermine an initiative by the NSW government to reduce the amount of waste sent to landfill.

ii. **Illegal Dumping Allegations at Mangrove Mountain.** In 2014, Bingo was embroiled in allegations of dumping at a golf course in rural Sydney where it was estimated that one million tonnes of waste had been illegally deposited. Reports were that Bingo was so synonymous with the illegal dump that locals coined the site "Mount Bingo"[21]. Residents have since raised concerns that the dump may be contaminating local drinking water supplies due to its location at the top of a local water source.

To date, Bingo has avoided any legal ramifications from the dump since the golf course was not owned by Bingo itself, but by an entity related to its founder Tony Tartak[22]. But we think that's by the by. We believe Bingo's shareholders have a responsibility to hold the Company accountable for any environmental and or public health problems caused by the dump to the extent that it was responsible for creating them.

iii. **Ongoing Environmental Regulation Breaches.** Even since its IPO, Bingo has been fined and or prosecuted for breaking environmental regulations on at least five

[20] Source: LinkedIn accounts for Dewcape directors A Ishak and J Ishak show that both attended Trinity Grammar School at the same time as Daniel Tartak. Daniel Tartak discusses his old school network in the following video.
[21]Mangrove mountain dump was reportedly referred to as "Mount Bingo" because "Bingo was the Company most visibly associated with it at the time". "The community is still convinced that Bingo is the guiding hand behind what is going on".
[22] Mangrove Mountain was owned and operated by Verde Terra Pty, described by Newspaper reports as "an affiliate of Bingo".

separate occasions. The most recent of these was in September 2020. In our view, these incidents show that Bingo's commitment to proper environmental stewardship remains vastly below par.

Concluding Remarks

We think the independent evidence is clear. Bingo does not appear to be recycling anywhere near the proportion of waste that it claims to be. At best, we think it is recycling half of the waste it receives.

Not only is this problematic for Bingo's customers and investors who use its services and invest in its stock on the back of its environmental claims. We think our findings materially undermine the Company's reported profitability. We think there is no way that Bingo could lawfully be landfilling half of its waste without destroying its margins. In our view, Bingo owes it to its investors to provide a comprehensive breakdown of its waste processing streams.

In an age of responsible investing, we believe Bingo's historical and ongoing disregard for environmental regulations is unacceptable, and we do not consider Bingo, in its current form, to be an appropriate investment for any responsible fund or index. This is significant for the current bid because both Macquarie and CPE pledge commitment to ESG principles on their websites.

SNOWCAP

Bingo Industries

(ASX:BIN)

SHORT

February 2021

Summary

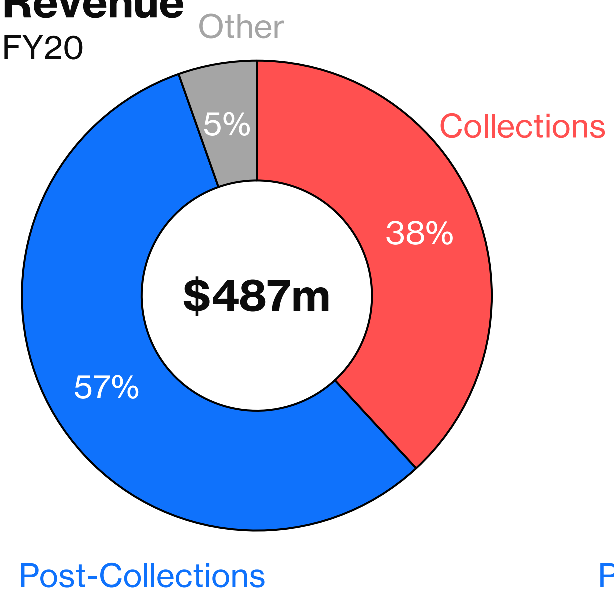
We believe that Bingo Industries (ASX:BIN) has misled investors as to the extent of its recycling activities, which undermines the sustainability and economic viability of its business model. Our independent analysis draws the following key conclusions:

1. **Bingo does not appear to recycle anywhere near as much waste as it claims to, thus undermining the Company's purported profitability and sustainability credentials.**
    - Bingo's own sustainability disclosures indicate that it is recycling a fraction of the waste that it claims to be. This is problematic for investors because we do not believe that Bingo's reported economics are compatible with a 40-50% recovery rate. From an environmental standpoint we are also concerned about what is happening to the waste that Bingo is not treating.
    - Given Bingo's declining energy usage, we suspect that the Company actually recycled less waste in FY20 than it did in FY19, despite Post-Collection revenues growing 35%.
    - Community consultation reports indicate that Bingo's flagship recycling facility is being utilised at <5% of its capacity. This is disappointing given the ~$140m of investor capital that Bingo has invested in the facility to date, and supports our thesis that Bingo is recycling vastly less waste than it claims to be.
    - An official government recycling directory appears to undermine Bingo's description of its recycling capabilities at the time of its IPO.
    - We believe Bingo's revenue recognition policies are aggressive and may be inflating its EBITDA margins. In our view, Bingo's post collection revenues should be recognised over time as waste is processed, in line with recycling peers.
2. **Bingo has deployed significant capex in recent years with limited disclosure. Unbeknown to investors, a significant proportion of this has been contracted with local developer owned by high-school mates of Bingo's CEO.**
    - Bingo's capital expenditures appear to be excessive, equating to 141% of the Company's reported EBITDA since its IPO. To date we believe this investment has provided limited value to shareholders.
    - We believe shareholders deserve greater transparency as to how this capital has been spent and any relationship between Bingo and the primary contractor used for its development projects.
3. **Bingo's past and present environmental record is seriously problematic. We do not see how the Company can constitute an appropriate holding for any responsible investor unless they are willing to hold Bingo accountable for this.**
    - We believe based on Bingo's repeated and ongoing breaches of environmental regulations that the Company is not a suitable investment for any responsible fund or index in its current form.
    - In our view, Bingo's shareholders (present and future) have a responsibility to hold the Company to account for any environmental damage at Mangrove Mountain, to the extent that Bingo was responsible for causing it.

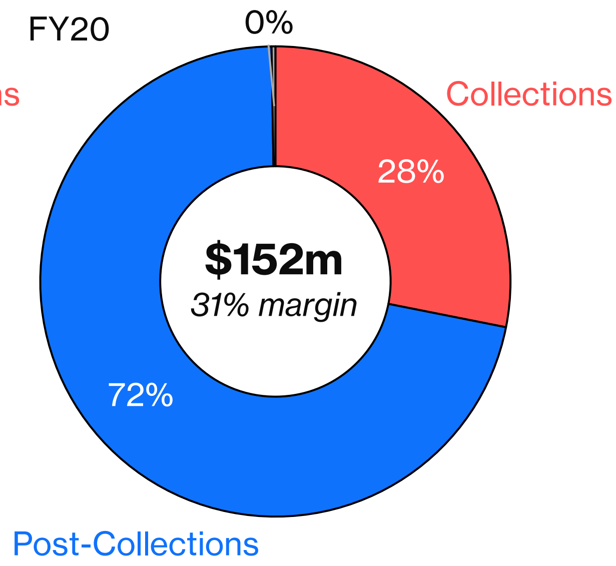
Company Overview

- **Bingo is an Australian waste management business focused on the Construction and Demolition sector. The Company owns and operates a network of waste processing facilities and collection trucks across New South Wales and Victoria.**
- Bingo has two key divisions:
  - A **Collections** – Collects waste from Building and Demolition (B&D) and Commercial and Industrial (C&I) customers using its fleet of ~325 trucks and 30,000+ skip bins.
  - B **Post-Collections** – Bingo sorts and disposes of waste using Bingo's network of recycling facilities and landfill assets. Waste is received both from the Company's own Collections division and external customers. Construction waste recycling typically involves separating the waste into its constituent parts (namely concrete and timber) before crushing to form aggregate products.

Revenue
FY20



EBITDA
FY20

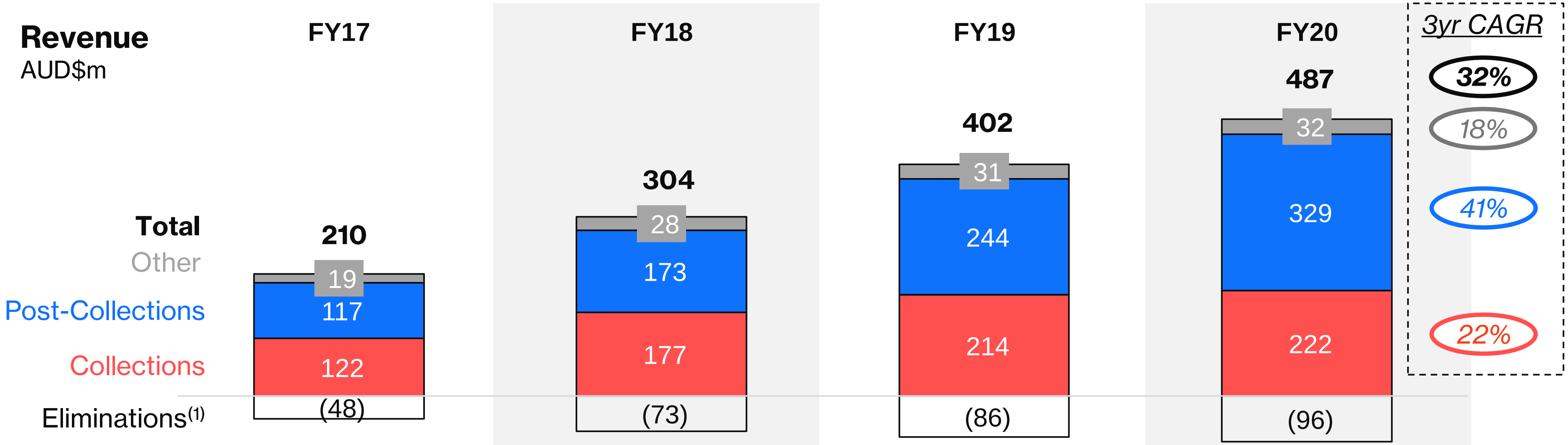


Ticker	ASX:BIN
Share Price	$3.20
Shares Outstanding	654.3m
Market Capitalisation	**$2,094m**
(+) Debt	$363m
(-) Cash	($57m)
Enterprise Value	**$2,400m**
FY20 EBITDA	*$152m*
EV/EBITDA(TTM)	*15.8x*

Source: Capital IQ as of 04/04/2021. Figures in AUD
Bingo's Other segment includes the manufacture and sale of bins for both Collections operations and for external customers.

Bingo: A brief history

- Bingo has reported impressive revenue growth since 2017 (32% CAGR), driven predominantly by its Post-Collections segment (41% CAGR).
- Revenue growth has been driven primarily by acquisitions.



Key Events

	FY17	FY18	FY19	FY20
	• **IPO** • $440m of equity proceeds raised + $73m net debt	• Acquires Patons Lane site and National Recycling Group (NRG) • $120m equity + $42m net debt raised	• Acquires Dial-a-Dump (DADI), including Eastern Creek "Ecology Park" • Acquires Greenacre, Braeside + Tomago • $425m equity + $157m net debt raised	• Begins development of MPC2 at Eastern Creek • Patons Lane becomes operational • $50m net debt raised

Source: Annual reports
(1) Eliminations refer to internal revenue generated by Bingo's Post-Collections segment by taking receipt of waste delivered by its Collections segment.

CPE & Macquarie Bid

- On 16 January 2021, a consortium of investors led by CPE Capital ('CPE') and Macquarie Infrastructure and Real Assets ('MIRA') announced a conditional and non-binding bid for Bingo. The $3.50 offer price reflects a 36% premium to Bingo's 90-day average share price and an implied Enterprise Value of $2.6 billion.
- Management have confirmed receipt of the offer and the negotiations have progressed to the due diligence phase.

Bingo Share Price Chart[1]

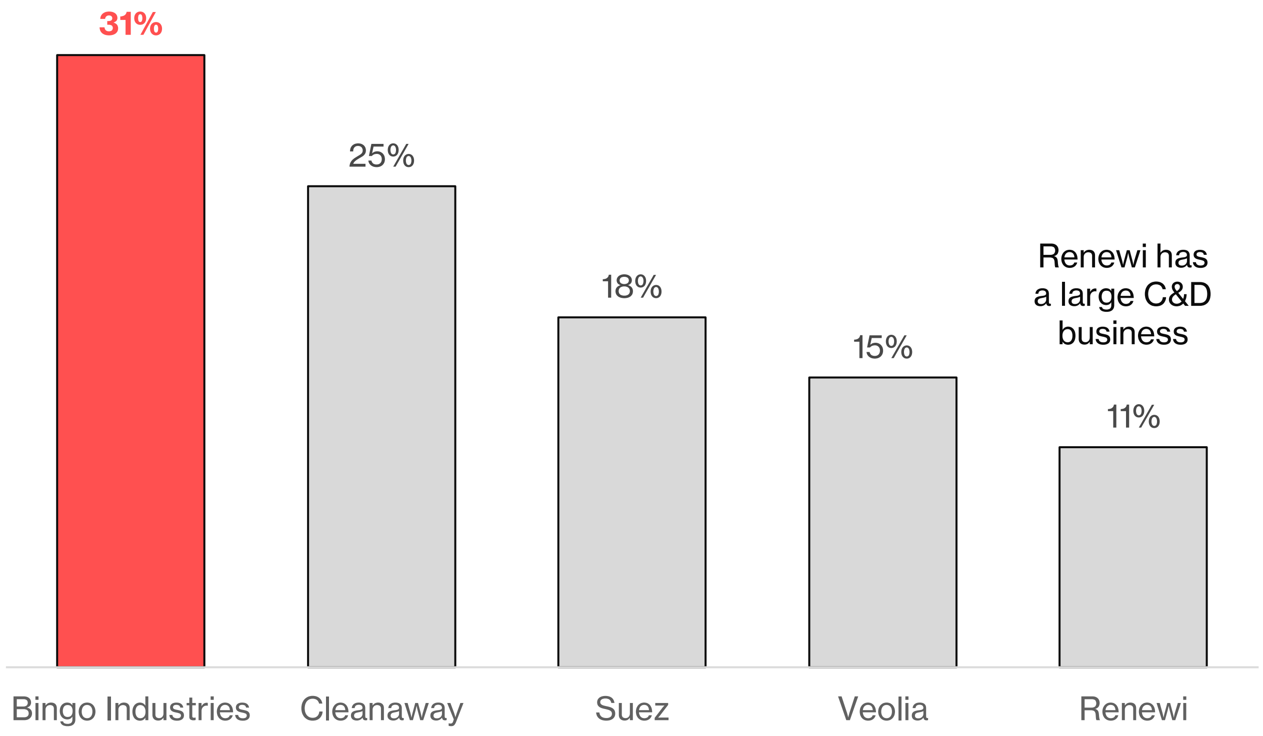
Source: Capital IQ.

Bingo reports industry-leading margins

- **Bingo's 31% EBITDA margins are amongst the highest of any waste business on the planet.**
- Waste management peers report margins between 11-25%.
- This is notable given Bingo's focus on the C&D recycling sector which generally exhibits lower technological requirements(1).

EBITDA Margin (%)(2)

Bingo vs Waste Management Peers



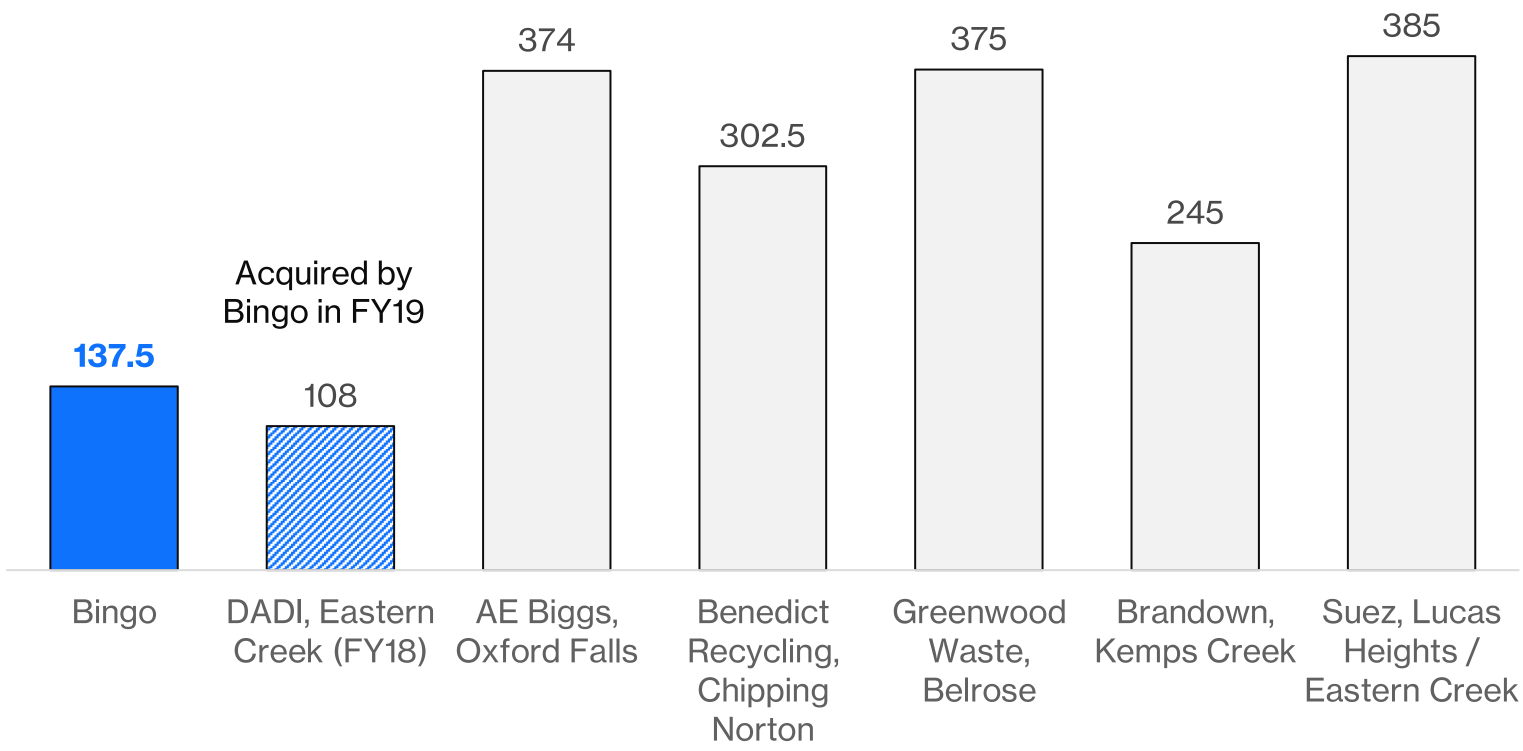
(1) Construction and demolition waste recycling is a relatively simple process that involves separating out waste into its constituent parts (namely timber and concrete), before crushing these to form aggregate products for use in road base etc.
(2) Company Filings.

Yet charges rock-bottom gate fees

- **Bingo appears to charge very low gate fees to its customers.** Prices on its website quote $137.50 per tonne of mixed C&D waste[1].
- Comparable local recyclers quote gate fees in excess of $300 per tonne[2].
- Bingos price's are even below the cost of landfill in Sydney (~$200+ per tonne)[3].

Mixed C&D Waste Gate Fees ($/t)[1][2]

Bingo vs other Sydney Recycling Companies



(1) Recycler websites; Bingo. $137.50 / tonne is the excess weight charge quoted by Bingo.
(2) AE Biggs, Greenwood, Suez, Brandown (assumes 0.4tonnes/cbm in line with densities implied by Bingo skip bin capacities) Benedict.
(3) Landfill costs estimated at $50 per tonne plus $146 NSW landfill levy. This excludes landfill operator margin.

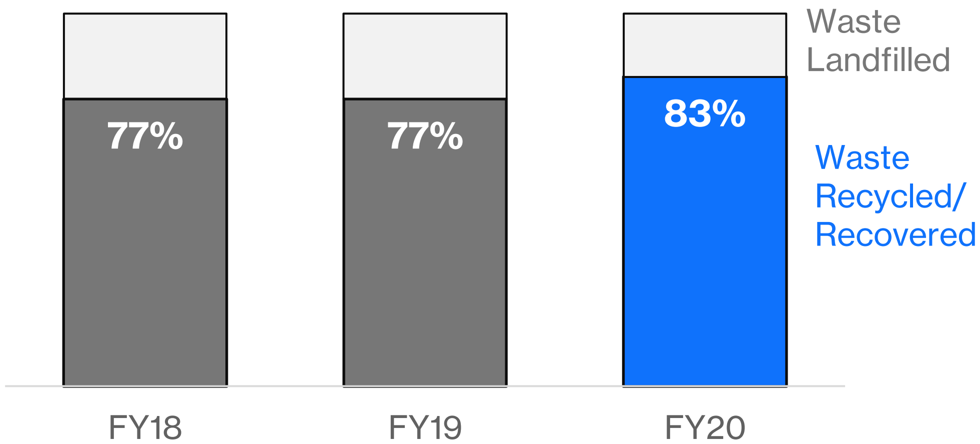
Both are dependent on its 83% Reported Recovery Rate

- **Bingo claims to achieve high margins by recycling 83% of the waste that it receives(1)**. This is key to the Company's purported economics because it keeps Bingo's landfill tax costs to a minimum.
- It is also key to Bingo's environmental credentials, which serve as a critical selling point for its customers and investors.

Extract from Bingo's **IPO Prospectus(2)**

> Bingo Recycling's network of nine resource recovery and recycling centres[7] across New South Wales comprises centres located near key population and industrial growth centres, including six centres located in Greater Sydney and three located in regional New South Wales centres (see Figure 3.8).[8] The centres receive mixed B&D and C&I waste. The recycling facilities enable Bingo to generate strong margins through:
>
> - reducing the need for external tipping (and therefore avoiding external tipping costs) by diverting waste from landfill; and
> - maximising the efficiency in collections operations through route optimisation and logistics management (with centres located in various key collection regions).

Bingo Recovery Rates reported to **investors**(3)



Recovery Rates advertised to **customers**(4)

(1) Bingo reported a resource recovery rate of 83% in New South Wales (its primary jurisdiction) in FY20.
(2) Bingo Prospectus
(3) Bingo Annual Reports
(4) Bingo Facebook Page (2014)

Disclosures indicate Bingo ***received*** 2.4mt of waste in FY20

- **Based on pricing disclosed on Bingo's website, we estimate that the Company received ~2.4 million tonnes of waste in FY20.**
- This ties with other disclosures, which state that Bingo utilised 60-65% of its network capacity in FY20. At year end, this capacity was reported at 4.6 million tonnes per annum[1].

Table 1: Bingo Waste Volumes Received (Revenue & ASP estimate)

AUD$m	FY19	FY20
Waste Processing Revenues ($m) (reported)	244	329
Charge per tonne ($) (Bingo website)	120	137.5
Waste Received (Snowcap est.) (mt)	**2.03**	**2.39**

Table 2: Bingo Waste Volumes Received (Network Capacity estimate)

AUD$m	FY19	FY20
Network Capacity (mt) (reported)	3.8	4.6
Average Capacity for the period	3.0	4.2
Utilisation Rate (reported)		60%-65%
Waste Received (Snowcap est.) (mt)		**2.52 - 2.73**

(1) Source: Company Filings, Bingo's Website, FY20 Results Presentation (p10).
Note we assume a 15% increase in Bingo's pricing for FY20.

But Sustainability filings reveal Bingo ***treated*** just 1.1mt of waste!

- **Energy intensity disclosures reveal that Bingo '*treated*' just 1.04 million tonnes of waste in FY20, which is less than half of the volume that we estimate it received.**

Figure 4: **Bingo's Energy Intensity Disclosures**(2)

FY20 Emissions results (tCO_2-e)

FY20	Electricity use (kWh) Grid Electricity (kWh)	Electricity use (kWh) Solar production (kWh)	Onsite Fuel (L)	Fleet Fuel (L)	Landfill (t)	LPG (m3)	Contractor fuel (L)	Total
Energy Consumption (GJ)	27,024	695	115,133	205,192	–	1,305	-	349,350

BINGO energy intensity metrics

	FY20	FY19	% change
GJ*/ million dollars revenue	715.93	1110.61	35% improvement
GJ*/tonne treated	0.33	0.45	26% improvement

*GJ includes operational energy from electricity and fuel use.

Bingo's sustainability report states that the Company used 0.33 GJ of energy per tonne of waste '***treated***' in FY20. From the same disclosures, we know that Bingo used 349 thousand GJ of energy in its operations that year(1).

Table 3 - Backing Out Bingo's Energy Intensity Disclosures

AUD$m	FY19	FY20
Energy Consumption (GJ)	446,691	349,350
% growth		-22%
Energy Used per Tonne of Waste Treated (GJ)	0.45	0.33
Waste Treated (mt)	**0.99**	**1.06**
% growth		*7%*

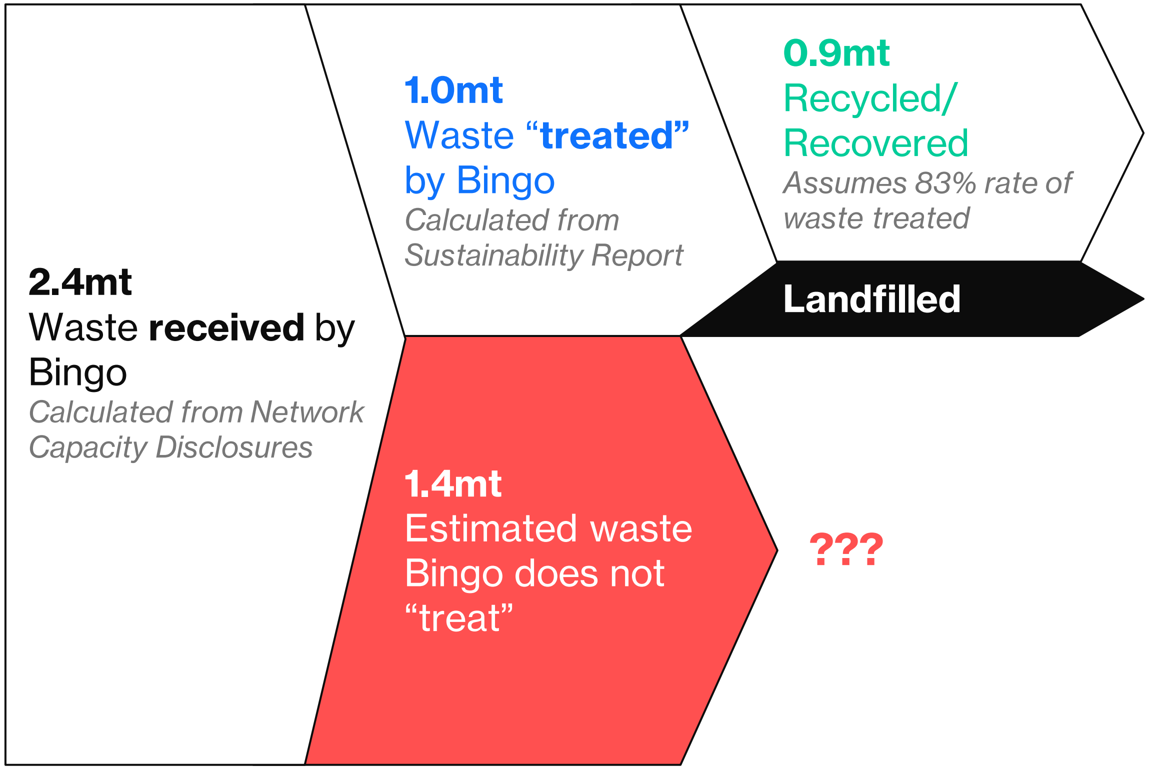
(1) Our calculation is flush with Bingo's because the Energy consumption can also be backed out using Bingo's GJ/ revenue disclosures.
(2) *Source:* Sustainability Report FY20 (p52)

This implies a recovery rate nearer **40%**…

- Even if we assume generous recovery rates for the waste Bingo *treats*, the implied overall recovery rate for the Group would be around 40% at best, which is substantially below what Bingo is telling its investors and customers.
- We are left guessing as to what Bingo does with the waste that it does not treat. If Bingo is sending half of its waste to landfill, we think that there is no way it could pay the associated landfill tax without destroying its margins(1).

Bingo's Waste Flow

Snowcap FY20 estimate(2)



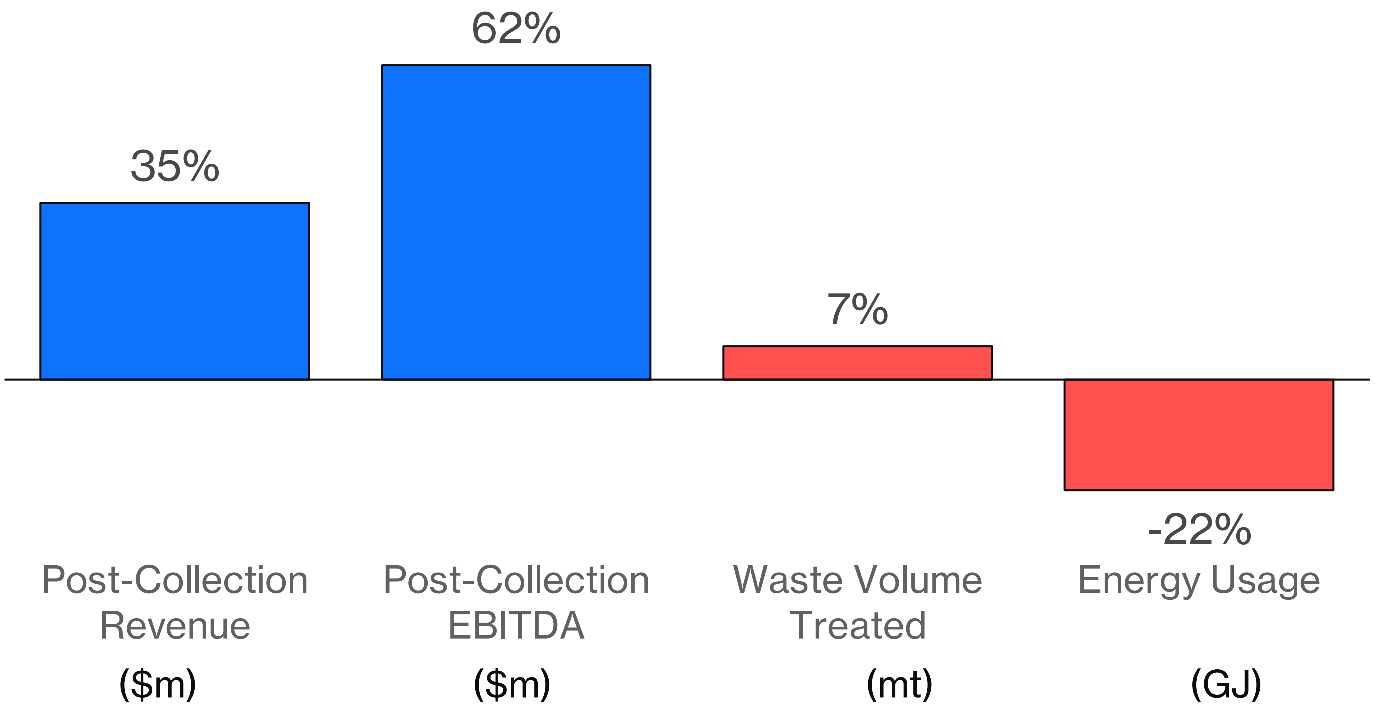
(1) We estimate that Bingo loses money on the waste that it landfills – this is because the NSW landfill levy ($146/t) alone exceeds the prices quoted on Bingo's website of ($13.50/t). This excludes substantial additional costs associated with operating landfill assets.
(2) Snowcap estimate based on Bingo's disclosures. Assumed Bingo achieves 83% recovery rates on the waste that it treats.

We think the true picture could be even worse

- **Bingo's recovery rate also appears to be deteriorating with time.** Disclosures show that the Company treated just 7% more waste in FY20 than it did in FY19. This is despite its waste processing revenues, (and network capacity) growing 35% in the same year.
- The disclosures also show that Bingo's total energy consumption **actually declined 22% in FY20**. This strikes us as odd given that recycling companies typically become more energy intensive with time, not less[(1)]! We think Bingo's declining energy usage indicates that it recycled less waste in FY20 than it did the previous year.

Bingo Post Collections KPIs

% growth FY20 vs FY19



Source: Sustainability Report FY20 (p52)
(1) Renewi Sustainability Report (p48)

Bingo's flagship Recycling Facility appears to be sitting idle

- Bingo's Paton Lane facility is its flagship recycling center. The Company spent nearly $140 million on the asset which is capable of processing 450,000 tonnes of waste per year[(1)].
- Yet since opening in July 2019, the facility appears to have been barely utilised. In resident consultation reports, Bingo states that the **site landfilled less than 1,000 tonnes of waste in 2020**. That implies a maximum throughput of 10,000 tonnes in the year assuming a generous 90% recovery rate, or **2% utilisation!**
- We think there is no way Bingo could be recovering 83% of its waste if it is barely utilising its flagship facility.

Bingo invested **$140m** in new Resource Recovery Centre...

...that is operating at **2% capacity!**

The site is fully operational, however COVID-19 continues to have an impact. There has been a slowdown in the economy which has impacted the volumes being accepted into the facility. Explained construction works are continuing, but new projects haven't started and that's where volume pressure normally originates.

The plant is operating well with good recovery rates. There has been little going into landfill this year <1000 tonnes this year. BINGO's other facility at Eastern Creek has been frequented more often, due to closer proximity to the waste sour...

Paton's Lane Community Consultation October 2020[(2)]

(1) Turmec *website*
(2) https://www.patonslane.com.au/wp-content/uploads/2020/11/CLC-Meeting-Minutes_141020_FINAL.pdf

Comments from Bingo officials contradict the Company's recycling rate

- In consultation reports, Bingo explains that waste is first sorted at other sites before "higher quality material" is sent to its Patons Lane facility for final processing. According to Bingo, this is what enables Patons Lane to achieve high recovery rates above 80-85%.
- If Bingo is only achieving 80-85% recovery rates at its flagship facility on the condition that waste has already been heavily sorted and processed before arrival, then we think there is no way Bingo could be achieving anything close to an 83% recovery rate for its operations as a whole.
- This is confirmed by Bingo officials who state that Bingo's other recycling facilities at Auburn and Eastern Creek achieve lower recovery rates.

Bingo explains that **high recovery rates at Patons Lane are because material has already been selectively filtered prior to arrival[1]:**

> MM commented this plant is very different compared to the site at Auburn and he asked if the plant at Auburn accepts different waste. DT explained the Auburn plant accepts mixed waste. DT explained all materials that come to Patons Lane have been separated at previous sites like Auburn and then arrive at Patons Lane to get any last pieces of waste out and to produce cleaner, more commercially sought-after products. DT said Patons Lane is a secondary facility in their overall network so the quality of material is much higher. DT confirmed no skip bin trucks deliver to Patons lane and it is an internal facility only

Bingo representative states that the **recovery rates of Auburn and Eastern Creek are below 80%[1]:**

> - DT explained management is happy with the facility. DT went on to say they have been landfilling and there is a limit they have to adhere to. Due to the type of material arriving to the site, they have achieved high recovery rates, generally above 80 - 85%. DT commented that if they had more mixed waste, like the site at Auburn or Eastern Creek, they wouldn't have recovery rates as high.
> - DT said the first stage of the cell they have been filling is reaching its limit and they

(1) https://www.patonslane.com.au/wp-content/uploads/2020/06/CLC-Meeting-Minutes_May-19-2020.pdf

Bingo appears to have over-hyped its recycling capabilities at IPO

- In its prospectus, Bingo claimed to own four “advanced and automated” recycling facilities, with “substantial investment” and “technological knowhow”. The Company explicitly cited the capability of these facilities as key to its “strong margins” and “competitive advantage[1].
- But a government directory published the same year categorised the facilities as transfer stations[2].This is a notable step down from Bingo’s own representations, and suggests Bingo’s waste processing capabilities were far more limited than the Company claimed at the time.
- Bingo subsequently toned down its own description of the facilities in question and today describes them as transfer facilities[3].

Bingo’s IPO Prospectus Descriptions[1]

Figure 3.9: Overview of Bingo’s recycling facilities

Facility/location	Processing equipment	Status	Notes
Auburn*[1]	Advanced automated sorting and recycling technology	Fully operational	Redeveloped in October 2015
Minto*	Advanced automated sorting and recycling technology	Fully operational Application for volume increase in progress	Redeveloped in September 2016
Banksmeadow*	Automated sorting and recycling technology	Fully operational	Acquired in November 2015
St Marys*	Advanced automated sorting and recycling technology	Under development	Development expected to complete in May 2017
Mortdale*	Proposed advanced automated sorting and recycling technology	Fully operational Application for volume increase in progress	Planned development expected to commence June / July 2017
Smithfield	Brick and concrete crushing plant	Fully operational	Acquired in February 2016
Silverwater[2]	Planning in progress	Planning in progress	Former bin manufacturing facility
Tomago	Manual sorting	Fully operational	Acquired in November 2016
Helensburgh*	Mobile sorting machinery	Fully operational	Acquisition completion expected in May 2017
Kembla Grange*	Proposed advanced automated sorting and recycling technology	Fully operational	Acquisition completion expected in May 2017

1. * indicates facilities in respect of which Bingo (through Bingo Property) will own the associated freehold land from completion of the Restructure (and in the case of the Wollongong Properties, completion of those land acquisitions).
2. Bingo is currently considering plans to operate the Silverwater facility as a resource recovery and recycling centre. Bingo has an existing development approval to process and recycle waste at the site, but it is currently not operational.

Official Government Directory Description[2]

52	Bingo Recycling Centre Auburn 3-5 Duck Street 1300 424 646 *Drop off and Pick up*	AUBURN 2144	*Processor*
78	Bingo Recycling Centre Banksmeadow 38 McPherson Street 1301 424 646 *Drop off and Pick up*	BANKSMEADOW 2019	*Processor*
81	Bingo Recycling Centre Mortdale 20 Hearne Street 1300 424 646 *Drop off and Pick up*	MORTDALE 2333	*Processor*
6	Bingo Recycling Centre St Marys 25 Dunheved Circuit 1300 424 646 *Drop off and Pick up*	ST MARYS 2760	*Processor*

Key

Processor: Waste sorted for transport to final recycling e.g. transfer station.
Recycler: Waste is recycled by the company.
Collector: Waste collected by company and transported to processor or recycler.

(1) Page 45 Bingo Prospectus
(2) https://www.liverpool.nsw.gov.au/__data/assets/pdf_file/0019/114319/Western-Sydney-Recycling-Directory-CD-Updated-Nov-2017-1.pdf
(3) May 2019 Investor Presentation

Aggressive revenue recognition

- Bingo's accounting policies state that it recognises gate fee revenues at the point when waste is received at its facilities. In our view, this is aggressive and appears to contravene the basic matching principle of accounting, since many, if not all of the costs associated with waste processing and landfilling are incurred after Bingo receives the waste at its facilities.
- By comparison, European recycling peer Renewi recognises revenues "over time as processing occurs" which in our view is a far more appropriate method of accounting.
- By recognising revenues upfront, we believe Bingo may be inflating its margins. The Company is also incentivised to stockpile waste / and or delay its processing.

***Bingo** Revenue Recognition*[(1)]

Segment	Revenue Stream	Performance obligation	Timing of recognition
Collections	Skip bin revenue	Collection of a wide range of skip bins from private households, infrastructure projects and residential and commercial construction companies for the disposal of B&D waste.	Point in time recognition when the bins are collected.
Collections	Commercial bin revenue	Collection of various solid and liquid waste streams from a range of commercial and industrial customers.	Point in time recognition when the bins are collected.
Post-Collections	Recycling centre gate fee revenue	Collecting gate fees from customers when the waste is received at BINGO's network of resource recovery and recycling centres.	Point in time recognition when the waste is received.
Post-Collections	Recycled products revenue	Sale of recycled products from BINGO's recycling centres.	Point in time recognition when the goods are transferred.
Post-Collections	Landfill gate fee revenue	Collecting gate fees from customers when the waste is received at BINGO's landfill sites.	Point in time recognition when the waste is received.

***Renewi** Revenue Recognition*[(2)]

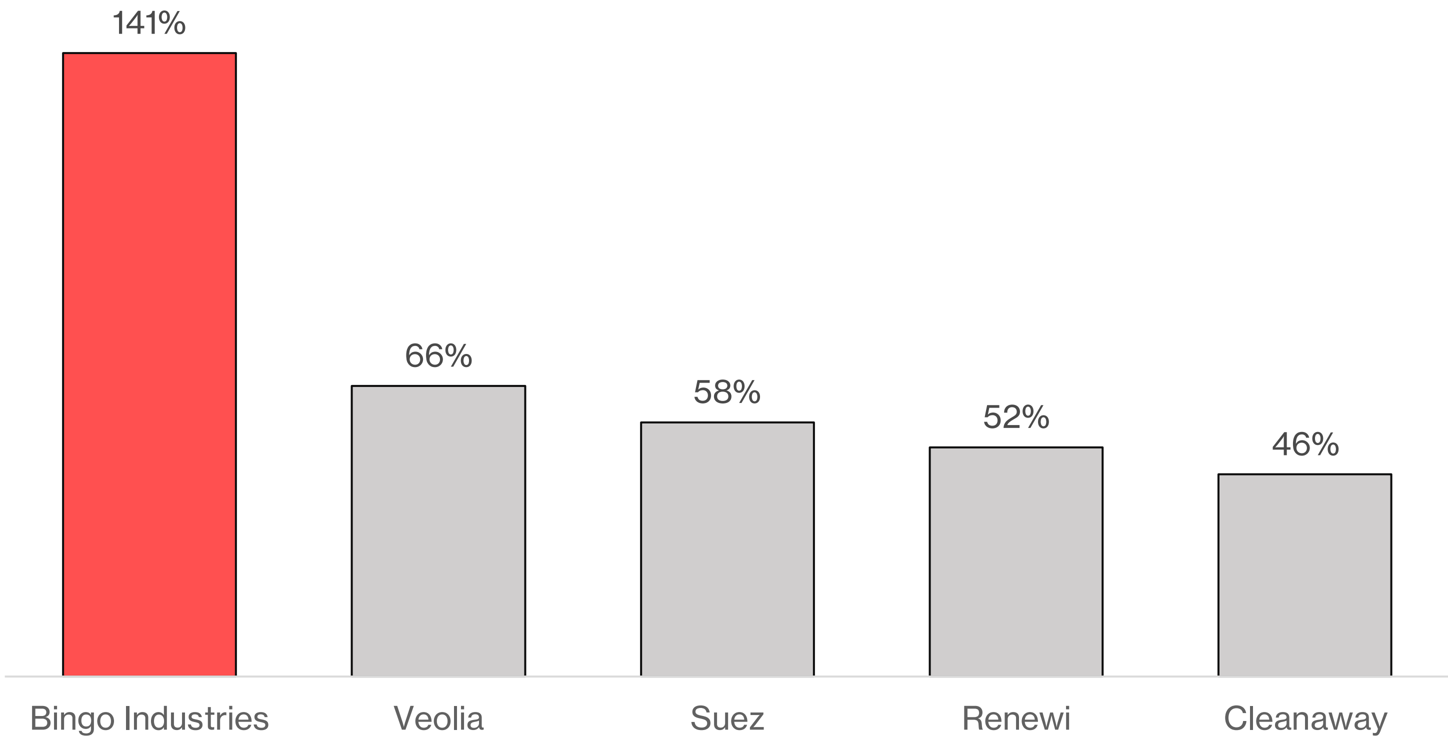
- **Waste collection services:** revenue is recognised at the point in time when the waste is delivered to transfer stations or to a third party processing facility.
- **Waste processing services:** where the Group's revenue contracts include an obligation to process waste, revenue is recognised over time as processing occurs.

(1) Bingo Annual Report FY20
(2) Renewi Annual Report FY20

Bingo has spent exorbitantly on Capex since its IPO

- Bingo has spent ~$500 million on capitalised PP&E and Intangible payments(1) since IPO, equivalent to 141% its total EBITDA reported during this time.
- This is nearly three times higher than the average spent by waste management peers (55%).
- The Company has funded these payments with a combination of operating cash flows and capital raises, which have totaled $1.3 billion since 2017.

Capex % of EBITDA:
Last three Financial Years(2)



(1) Payments for PP&E and Intangibles. Does not include cash invested in acquisitions.
(2) Source: CapitalIQ

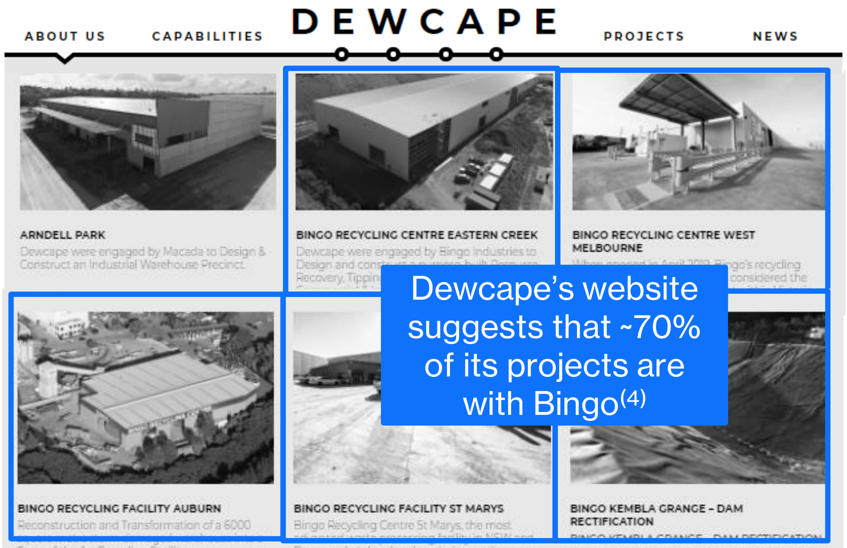
Primary contractors appear to be old school friends of CEO

- A significant proportion of Bingo's capex has been spent on 'development projects' constructed by Dewcape. We estimate this equates to at least $117 million of expenditure to date.
- **Dewcape is a local contractor owned by Andrew and John Ishak who appear to know Bingo's CEO from their school days together**[(1)]. Based on Dewcape's website, we estimate that 70%+ of its projects have been contracted with Bingo in recent years.

Most of Bingo's Development projects have been contracted with Dewcape

Key Development Project	Contractor	Est. Cost[(2)]	Comment
Patons Lane	Vaughans	$40m (+$90m for site)	Completed in FY20. Since becoming operational the site has been left largely unused.
Eastern Creek (MPC2)	**Dewcape**	$80m ($40m spent to date)	Ongoing. **Capex originally forecast to be $30m but this has slowly risen to $80m.**
St Mary's	**Dewcape**	$10-20m	Completed in FY18, reconfigured as a transfer station in FY19 before being **quietly sold in FY20**
Minto	**Dewcape**	~$10m	Completed in FY19, **sold in FY20**
Mortdale	**Dewcape**	$17m	Completed in FY20, basic transfer station
West Melbourne	**Dewcape**	$30m	Completed in FY19.
Total Development Project Spend[(2)]		**~$195m**	

Dewcape is run by the Ishak brothers, who we understand are close friends of the Tartak brothers[(3)]

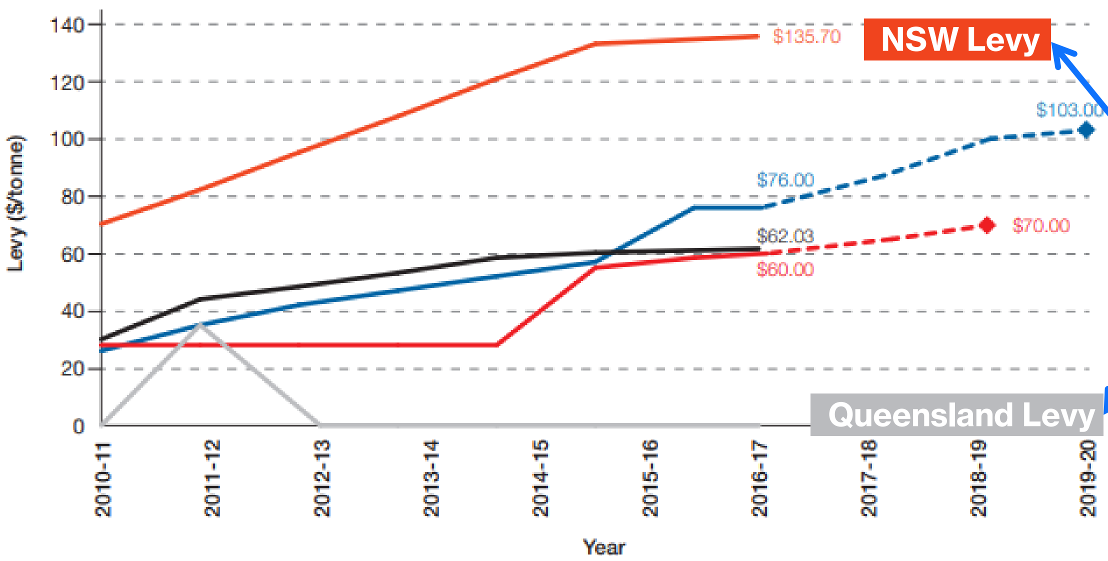


(1) Source: LinkedIn. D Tartak attended Trinity Grammar School from 1989-2003, A Ishak from 1982-1996, and J Ishak from 1985-1999. Here is a video of D Tartak quoting *"My brother was at Trinity also, three years ahead of me, his mates he's still with and we are actually one group of friends. Five of his mates work with us, five of my mates work with us…"*
(2) Estimated from figures disclosed in Annual Reports
(3) Image is from Dewcape's 30th anniversary event.

Bingo's historical role in the Interstate Waste Trade

- For a long time, Bingo made money arbitraging the differences in Australia's state environmental laws. For years, the Company trucked vast quantities of waste from New South Wales where landfill levies are high, into neighboring Queensland, where until 2019, the levy was zero. This practice enabled Bingo to undercut its more scrupulous competitors, many of which have now gone out of business, and earn substantial profits in the process.
- Even at the time of IPO, Bingo's prospectus disclosed that the Company continued to ship large quantities of waste to Queensland(2).
- Not only did this practice directly undermine the levy's objectives, it generated a substantial and totally unnecessary additional carbon footprint. Yet to its customers, Bingo pitched itself as an environmentally friendly waste disposal option, advertising recovery rates of 85%.

Australian State Landfill Levies
$/tonne



For years Bingo exploited QLD's $0 landfill levy by trucking waste from neighbouring NSW, whilst simultaneously promoting itself as an environmentally progressive company

(1) 4corners documentary
(2) Bingo IPO Prospectus

Illegal dumping allegations at "Mount Bingo"[(1)]

- In 2014, Bingo was embroiled in illegal dumping allegations over 1.2 million tonnes of waste at a golf course at Mangrove mountain in rural Sydney[(2)].
- The dump's location in a scenic area at the top of a local water source prompted concerns that it could contaminate drinking water supplies amongst other environmental risks.

(1) Mangrove mountain dump was reportedly referred to as "Mount Bingo" because "Bingo was the Company most visibly associated with it at the time". "The community is still convinced that Bingo is the guiding hand behind what is going on".
(2) Mangrove Mountain was owned and operated by Verde Terra Pty, described by Newspaper reports as "an affiliate of Bingo". In this article from 2012 it is described as a subsidiary of Bingo
(3) Source: https://i0.wp.com/mountaindistrictsassociation.com.au/wp-content/uploads/2016/02/1.jpg?ssl=1
(4) https://www.parliament.nsw.gov.au/lcdocs/transcripts/2014/Transcript%20-%2017%20August%202017%20-%20CORRECTED.pdf

Poor ongoing track record for environmental/social stewardship

- Since its IPO, Bingo has been in trouble with the EPA on at least five separate occasions for license breaches and or contamination incidents at its facilities.
- Bingo has had a fire incident and an employee death at its Eastern Creek facility on separate occasions.

Incidents at Bingo's Facilities since IPO

Date	Type	Facility	Comment
Oct 2017	**Unlawful asphalt dumping**	Helensburgh	EPA fined Bingo $15,000 for unlawfully accepting asphalt waste. (1)
May 2018	**Asbestos Contamination**	Kembala Grange	EPA issued a clean up notice to Bingo after more than 100 tonnes of asbestos contaminated material found at properties across Woolongong. (2)
May 2019	**Employee Death**	Eastern Creek	One worker died and another seriously injured after they were trapped under landfill debris when a bulldozer struck them. (3)
Jul 2019	**License Breach**	Mortdale	EPA fined Bingo $30,000 for receiving 59,0000 tonnes of waste pa at a facility licensed to receive just 30,000 tonnes. (4)
Dec 2019	**License Breach**	Minto	EPA fined Bingo $90,000 for receiving 169,000 tonnes of waste pa at a facility licensed to receive just 30,000 tonnes. (5)
Feb 2020	**Fire**	Eastern Creek	Waste at Bingo's landfill caught fire. "Toxic" smell prompted health concerns among local residents. (6)
Sept 2020	**License Breach**	Kembala Grange	$36,000 penalty. (7)

(1) EPA
(2) Illawa Mercury, Illawa Mercury
(3) ABC
(4) EPA
(5) Bingo Statement
(6) Bingo Statement, Daily Telegraph
(7) Illawa Mercury

Dubious endorsement from environmental non-profit

- Bingo claims that its environmental credentials and recovery rates are credible because they are verified by a third-party organisation called Planet Ark.
- **But we believe Planet Ark's endorsement holds little value since Bingo provides substantial financial sponsorship to Planet Ark. As far as we can tell, Bingo is Planet Ark's largest sponsor[(3)].**
- Furthermore, Bingo's Chairman Michael Coleman also serves as Chairman of Planet Ark, creating a clear conflict of interest.

Bingo boasts that it is a "Proud Partner" of Planet Ark[(1)]

Figure 3.19: PlanetArk partnership

Source: Management.

The Auburn Recycling Centre, the first in the Bingo network to have advanced recycling equipment installed, achieves a resource recovery rate of 85% on average which has been verified by Planet Ark. Management believes the positive support from Planet Ark provides a competitive edge for Bingo in pursuing growth and particularly in tendering for new collection contracts.[17]

Bingo's Chairman is also Planet Ark's Chairman![(2)]

Michael Coleman

Chairman

Michael Coleman is a Company Director and consultant. He holds Bachelor and Master's Degrees in Commerce from UNSW. He is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Michael is the Independent Chairman and Non-executive Director of BINGO Industries; Non-executive Director and Chairman of the Audit Committee of Macquarie Group Limited; member of the Audit Committee of the Reserve Bank of Australia; Chairman of the Federal Government's Financial Reporting Council; Chair of the Reporting Committee of the Australian Institute of Company Directors (AICD); Divisional Councillor for the AICD's NSW Division; Adjunct Professor at the Australian School of Business, UNSW; Chair of the Advisory Board of the Centre for Accounting and Assurance Services Research, UNSW; Director/Treasurer of Osteoporosis Australia and Director of the Belvoir Street Theatre Foundation.

I am fortunate to be part of a non-partisan, non-political organisation that campaigns for and helps consumers better understand how to contribute to a more sustainable future for our world. Planet Ark has always acknowledged the importance of working with businesses, not against it, to help propagate its message.

(1) Extract from Bingo's IPO Prospectus
(2) Planet Ark's website
(3) Planet Ark's Facebook activity over the past ten years shows countless endorsement of Bingo's activities with relatively few references to other companies.

Appendix: Bingo's Waste Processing Network

Property	State	Description	Acquired	Disposed/Closed	Comment
Auburn	NSW	Advanced Recycling Centre	IPO	-	
Minto	*NSW*	*Transfer Station*	*IPO*	*2020*	*Sold as part of 'network reconfiguration' after DADI deal*
Mortdale	NSW	Transfer Station	IPO	-	
Banksmeadow	*NSW*	*Advanced Recycling Centre*	*IPO*	*2019*	*Forced divestment to CPE as part of DADI acquisition*
St Marys	*NSW*	*Transfer Station*	*IPO*	*2020*	*Sold as part of 'network reconfiguration' after DADI deal*
Smithfield	*NSW*	*Transfer Station*	*IPO*	*2019*	*Closed as part of 'network reconfiguration' after DADI deal*
Tomago	*NSW*	*Transfer Station*	*2019 (used since IPO)*	*2020*	*Closed as part of 'network reconfiguration' after DADI deal*
Helensburgh	*NSW*	*Transfer Station*	*2017*	*2017*	*Acquired along with Kembla Grange, but sold off the same year*
Kembla Grange	NSW	Transfer Station	2017	-	
Greenacre	NSW	Transfer Station	2019 (used since 2018)	-	
Ingleburn	*NSW*	*Transfer Station*	*2018*	*2019*	*Closed as part of 'network reconfiguration' after DADI deal*
Revesby	NSW	Transfer Station	2018	-	
Silverwater	*NSW*	*Transfer Station*	*2017*	*2019*	*Closed as part of 'network reconfiguration' after DADI deal*
Braeside	*VIC*	*Transfer Station*	*2017*	*2019*	*Closed as part of 'network reconfiguration' after DADI deal*
Clayton South	VIC	Transfer Station	2017	-	
Artamon	NSW	Transfer Station	2018 (NRG)	-	
Campbellfield	VIC	Transfer Station	2018 (NRG)	-	
West Melbourne	VIC	Advanced Recycling Centre	2018 (NRG)	-	Extensive investment in facility
Patons Lane	NSW	Advanced Recycling Centre + Landfill	2018	-	Extensive investment in facility
Eastern Creek	NSW	Advanced Recycling Centre + Landfill	2019 (DADI)	-	Extensive investment in facility
Alexandria	NSW	Transfer Station	2019 (DADI)	-	
Dandenong	VIC	Transfer Station	2019	-	

Shown in order of acquisition. Grey shade denotes facilities which have been disposed of or closed.

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