Shanks Group plc

Proposed merger with Van Gansewinkel Groep

29 September 2016

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This presentation contains inside information.

Key Messages

Shanks
Making more from waste

1. Transformational deal with compelling strategic rationale
2. Expected pre-tax cost synergies of €40m and significant earnings enhancement
3. Funded by mix of consideration shares, debt financing and £141m equity raise
4. Integration planning underway to ensure delivery of benefits
5. Positive trajectory in Benelux market as well as Shanks and VGG current trading

Deal has become more attractive since initial announcement on 7 July

Agenda

Transaction Summary

VGG Overview

The Combined Group

Details of the Placing and Rights Issue

Transaction Overview

- Consideration to VGG shareholders of €482m, on a cash free/debt free basis
- Consideration settled through the:
  - payment of €286m cash, financed through new debt facilities and £141m equity issue; and
  - issue of approximately 190m new Shanks shares, representing approximately 23.8% of the enlarged share capital on a pro forma basis
- Consideration shares subject to lock-up until Shanks results for year end 31 March 2017 plus orderly marketing thereafter, with 1/3 shares available to be sold post lock-up expiry, and remaining 2/3 of the shares after 4 & 8 months
- Equity Issue comprises of a Placing of £45m and a Rights Issue of £96m
- Subject to anti-trust clearances and shareholder approvals
- Support of respective works councils and VGG board
- Future Executive Board leadership to be Shanks' existing CEO and CFO
- Anticipated completion: December 2016

Compelling Strategic Rationale

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1. Creates a leading and focused waste-to-product business in Benelux - one of the most advanced recycling markets in the world
2. Results in enhanced geographical coverage
3. Brings together two groups with complementary portfolios
4. Provides customers of the Combined Group with a broader range of complementary technologies and services
5. Accelerates the commercial development of the two businesses through the sharing of best practice
6. Generates significant synergies through economies of scale and efficiencies
7. Creates a focused enterprise with stronger growth prospects and the scale, capabilities and resources to remain at the forefront of recycling technology

Expected Cost Synergies

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Expected to achieve aggregate risk-weighted pre-tax cost synergies of approx:

€40 million

in the third full year following completion

Expected phasing:

First 12m: 30%

Second 12m: 75%

Third 12m:100%

Expected one-off cash costs to achieve of €50m over three years

Direct (30%)

- **route optimisation to increase logistic efficiency and reduce costs**
- **site rationalisation where the Combined Group has depots or processing sites in the same geographic region**

Scale (20%)

- **improved procurement, including scale gains and the application of VGG's procurement capabilities across the Combined Group**
- **improved recyclate income, including the benefits of scale and the sharing of best practices**
- **reduced off-take costs and optimised application of combined off-take contracts**

Indirect (50%)

- **rationalisation of the headquarters and regional overheads of the combined entity**
- **cost reductions from more efficient combined back-office processes and systems**

Strong Track Record in Cost Reduction

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Shanks' structural cost programme in FY13 to FY15 used the same core levers as in the synergy plan

Direct

- site rationalisation; new operating model based on master plants, with local satellites to serve customers
- implementation of route optimisation initiative; reduced truck fleet size and costs

Scale

- greater coordination of regional and national procurement delivered Opex and Capex savings
- tighter management and aggregation of business unit trading resulted in margin expansion
- group-wide initiatives on off-take trading delivering gains (quality and price)

Indirect

- implementation of shared service centres (SSCs) in NL (Amersfoort) and Belgium (Brussels)
- cost reductions from more efficient combined back-office processes and systems
- introduction of centres of excellence to drive performance

Potential Additional Synergies

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1. Margin expansion through **cross-selling and internalisation** of waste treatment and in outbound logistics management

2. Revenue synergies from the application of Shanks' successful **commercial effectiveness programme** to VGG, including greater segmental focus

3. Long term **cash savings** from reduced capital expenditure, and capital procurement at scale, as well as in reduced landfill aftercare costs

Integration Principles

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“Full integration under a new brand”
We will integrate all businesses into one single, new, stronger company with a new brand

“Build deep and broad waste-to-product capabilities”
We will create value and achieve our synergy targets through generating economies of scale and expanding our offering to customers

“Go slow to go fast”
We will conduct careful forward planning followed by rapid implementation; we will not disrupt business continuity

“Seek to leverage the best of both worlds”
We will move to one way of working, learning from both businesses

“Cultivate a winning team”
We want to retain the best people and develop Shanks/VGG talent; culture and the employee experience is a key integration priority

Integration Planning Well Underway

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Planned "Day One" Deliverables

1. **Launch of new brand identity & appropriate communication** to cascade into the markets, customers and employees

2. **Day 1 planning, governance & controls** in place
   - Excom appointed
   - High-level organisation structure
   - Clarity on second tier management, but not communicated

3. **End state operating model**
   - End state target operating model (conceptual view)
   - Assessment and selection process
   - HR database and workforce transition framework

4. **Integration & value capture plan** detailing what needs to be delivered by when

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VGG Overview

VGG Overview

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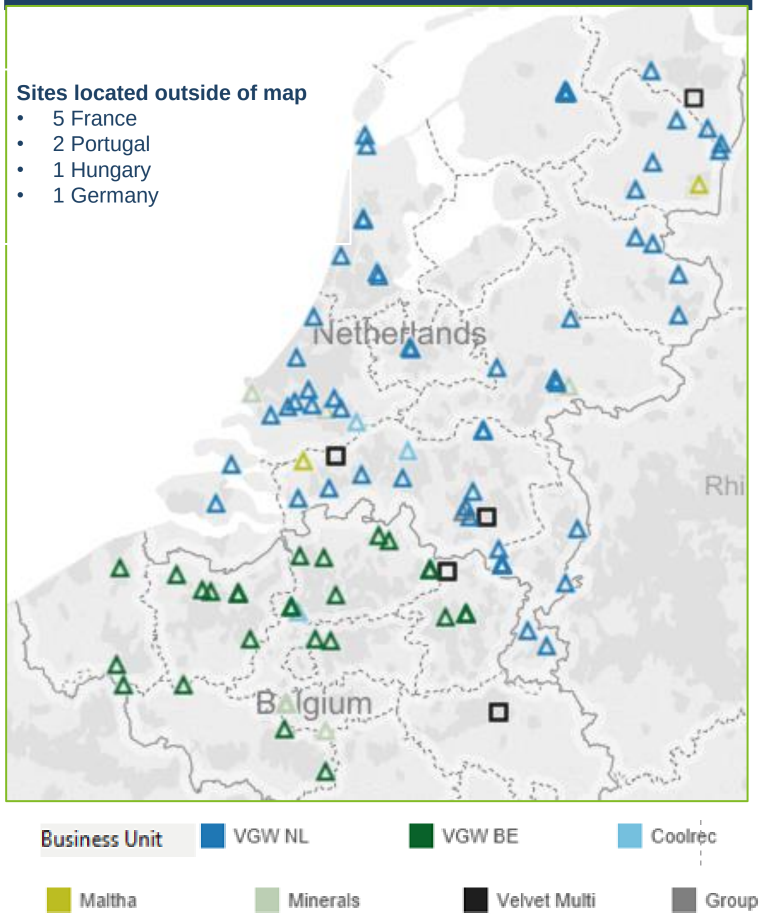
VGG site map



van Gansewinkel

Waste Collection

Segments:

Netherlands

Belgium

Recycling

Segments:

Coolrec

Maltha

Minerals

VGG – Waste Collection

Core operations

Netherlands Waste Collection

- **FY15 Revenue*: €462.5m**
- **FY15 EBITDAE*: €27.6m, margin 6%**
- Joint market leader
- National business mainly active in the collection and processing of waste
- Spread between North and South regions
- Includes KGA and VGIS businesses
- Challenged through downturn

Belgium Waste Collection

- **FY15 Revenue*: €254.1m**
- **FY15 EBITDAE*: €33.6m, margin 13%**
- Second largest player in market
- National business mainly active in the collection and processing of waste
- Spread evenly between East and West regions
- Reasonably stable performance through cycle

Financials

(€m) Year end 31 December	**2013**	**2014**	**2015**
Revenue	805.3	769.2	760.5
EBITDAE	94.8	70.9	57.0

Source: Extracted from Part 11 of the Shanks Group Prospectus, Historical Financial Information of the VGG Group

Example Growth Levers

- **Top-line management to improve quality of earnings**
- **On-going cost reduction to ensure lean operations**
- **Alignment of operating model closer to customer**

*** Unaudited management information**

VGG – Recycling

Core operations

Coolrec

- **FY15 Revenue*: €80.1m**
- **FY15 EBITDAE*: €5.1m, margin 6%**
- European recycler of WEEE and white goods
- Operations in Benelux, Germany and France
- Exposure to commodity prices

Maltha

- **FY15 Revenue*: €41.3m**
- **FY15 EBITDAE*: €3.3m, margin 8%**
- 33% owned by glass producer, Owens-Illinois
- Major European glass recycler with plants in Benelux, France, Portugal
- Glass market has been challenged

Minerals (Landfill)

- **FY15 Revenue*: €44.7m**
- **FY15 EBITDAE*: €11.8m, margin 26%**
- Three landfills (1 BE, 2 NL)
- Maasvlakte landfill seeking extension
- Two remaining landfills to close within 6 years
- Soil washing, bottom ash and minerals activities

Financials

(€m) Year end 31 December	**2013**	**2014**	**2015**
Revenue	175.0	165.8	165.7
EBITDAE	26.2	24.2	20.2

Source: Extracted from Part 11 of the Shanks Group Prospectus, Historical Financial Information of the VGG Group

Example Growth Levers

- **Focus on margin (exiting contracts where needed)**
- **Investing in innovative technology (eg Maltha)**
- **Establishing further back-to-back materials contracts**

*** Unaudited management information**

VGG Income Statement

(€m) Year end 31 December	2013	2014	2015
Revenue:			
Waste Collection	805.3	769.2	760.5
Recycling	175.0	165.8	165.7
Group Support[(1)]	13.2	12.9	13.3
Inter-segment revenue	(36.5)	(25.2)	(24.7)
Total revenue	**957.0**	**922.7**	**914.8**
EBITDAE:[(2)]			
Waste Collection	*94.8*	*70.9*	*57.0*
Recycling	*26.2*	*24.2*	*20.2*
Group Support	*(4.8)*	*(4.4)*	*(3.2)*
EBITDAE[(2)]	**116.2**	**90.7**	**74.0**
EBITDAE %	*12.1%*	*9.8%*	*8.1%*
EBITAE[(3)]	54.7	27.0	12.7
Operating loss	(3.3)	(522.0)	(37.3)
Profit/(loss) before tax	(80.8)	(591.4)	292.4
Profit/(loss) for the year	(13.5)	(555.8)	303.7

- Industry downturn 2013 to 2014
- Impact exacerbated by internal restructurings
- Revenue decline stabilising under new ownership and management
- Recycling less impacted

- Significant margin erosion through pricing pressure in industry
- BE more resilient than NL
- Impact of recyclate and commodity price falls

- Significant impact of restructurings make analysis of net profits unhelpful to valuation

Note:
(1) Group Support mainly includes revenues related to external real estate rental income.
(2) VGG Group's EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring costs and exceptional items
(3) EBITAE is calculated by adding the depreciation charge for the year, as disclosed in Part 11 of the Prospectus, to EBITDAE described above

Source:
Extracted from Part 11 of the Shanks Group Prospectus, Historical Financial Information of the VGG Group

VGG Trading Update

- VGG trading update released 16 September 2016
- VGG "has turned the corner in 2016"
- Trading has been particularly strong in Belgium, while the Netherlands has shown an improvement in run rates
- Recycling business lines have also performed well in the period
- Outcome for the year expected to be ahead of VGG management expectations
- Significant due diligence to understand the drivers of recovery
- Cash flow is approximately €20 million ahead of VGG management's expectations

VGG Cash Flow

(€m) Year end 31 December	2013	2014	2015
Result before tax	(80.8)	(591.4)	292.4
Adjusted for:			
Fair value (gain) loss on financial instruments	(11.3)	2.1	2.6
Net finance income and charges	86.0	67.2	(329.2)
Share in results from associates and joint ventures	2.8	0.1	(3.1)
Operating loss from continuing operations	**(3.3)**	**(522.0)**	**(37.3)**
Depreciation and amortisation	126.2	91.4	77.6
Net gain (loss) on disposal of property, plant and equipment, discontinued activities and disposal of associate	27.8	(0.7)	(0.2)
Impairment charge	2.0	490.1	1.0
Change in working capital and provisions	(8.3)	11.9	19.5
Fair value (gain) loss on financial instruments and share based payments	(0.3)	0.2	2.3
Cash flows from operating activities	**144.1**	**70.9**	**62.9**
Income tax paid	(2.7)	(2.3)	(3.3)
Investments	(58.4)	(46.0)	(64.2)
Divestments and disposals	893.0	5.1	18.6
Dividend received	0.3	0.4	0.6
Loans received/granted	(1.3)	0.9	1.2
Net cash flows from operating and investment activities	**975.0**	**29.0**	**15.8**

- Cash-flow significantly impacted by restructurings in each of the three years
- D&A falling due to lower investment levels and reducing acquired intangibles
- The increase in financial income in 2015 was a result of a one-off gain of EUR 402.8 million due to the debt restructuring

- Working capital inflow includes around €35m from sale of receivables programme in both 2014 and 2015

- Recovery in capex in 2015 under new management
- Divestment of non-core East European assets in 2015

Source:
(1) Part 11 of the Shanks Group Prospectus

The Combined Group

Illustrative Combined Group Financial Summary

(£m)	van Gansewinkel Year ended 31/12/2015(1)	Shanks Year ended 31/03/2016	Illustrative Combined Group(2) (excl. synergies)
Revenue	669.2	613.8	1,283.0
EBITDA before non-trading and exceptional items(3)	54.1	68.2	122.3
EBITA before non-trading and exceptional items(4)	9.3	35.0	44.3
Net cash flow from operating activities	43.6	67.4	111.0
Capital expenditure(5)	47.0	28.4	75.4

Creating a market leader of significant scale

Note:
(1) VGG financial information, as disclosed in Part 9 and 12 of the Shanks Group Prospectus, converted into GBP using a GBP/EUR exchange rate of 1.367
(2) Illustrative Combined Group numbers have been calculated by aggregating (i) the numbers extracted from VGG financial information for the year ended 31 December 2015, as disclosed in Part 9 and 12 of the Shanks Group Prospectus, converted into GBP at a GBP/EUR exchange ate of 1.367 and (ii) Shanks' historical financial information for the year ended 31 March 2016, extracted from the annual report
(3) In respect of the VGG Group means the VGG Group's EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring costs and exceptional items
(4) In respect of the VGG Group means the VGG Group's EBITAE is calculated by adding the depreciation charge for the year, as disclosed in Part 11 of the Prospectus, to EBITDAE described above
(5) Extracted from Part 12 of the Shanks Group Prospectus

Financial Returns

- Returns based on prudent growth forecasts for both businesses overlaid with delivery of cost synergies
- Significant enhancement to underlying earnings by second full year after completion
- Post synergies return on investment expected to exceed Shanks' weighted average cost of capital by second full year after completion
- De-levering profile and significant increase in operating and underlying cash generation, underpinned by synergy delivery
- Further potential upside from improved operational grip, commercial effectiveness and market improvement
- Post-completion, Shanks' current dividend per share will be adjusted to take account of the equity issue. The policy is to rebuild the dividend cover from its current level to 2.0 to 2.5 times EPS and resume a progressive dividend policy once achieved

Capital Structure and Cash Flow

- Net debt / EBITDA for the Combined Group, pre synergies, to be broadly similar to Shanks' current standalone leverage expectations

- Leverage to reduce with realisation of synergies and application of Shanks' strategy, including active portfolio management

- New banking facilities for the Combined Group
  - New 5 year €600m facility, comprising €450m RCF and €150m Term Loan
  - Debt priced comparable to current facility
  - Financial covenants tested quarterly and in line with current facility, principally:
    - Leverage ratio: net debt/EBITDA (at average FX): 3.5x up to 31 March 2018, 3.25x up to 31 March 2019 and 3.0x from 30 June 2019 onwards; 0.25x temporary covenant increase at Shanks' option in 2017 and 2018
    - Interest cover: 3.0x
    - No Tangible Net Worth covenant

- Existing €200m retail bonds due 2019 and 2022 remain in place

- Funding designed to support synergy delivery and ongoing capital investment

Shanks Trading Update

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- Pre-close update announced on 16 September
- The Commercial Division has continued to perform well, delivering growth on the prior year in line with management's expectations
- Strong performance from Hazardous Waste, in particular soil intake. Reym has performed in line with management's expectations
- Municipal challenges continue in UK SRF (Solid Recovered Fuel) / RDF (Refuse Derived Fuel) markets and with operational ramp-up of BDR and Wakefield. Six month delay in Derby PPP project
- Overall trading in line for the first half and management expectations for full year unchanged
- Cash in line with management expectations

Details of the placing and rights issue

Placing and Rights Issue statistics

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Firm Placing* statistics

Placing price	100p
Gross proceeds	£45.0m
Number of new shares issued	45m
% of current issued share capital	11.3%

* Firm Placing shares qualify for the Rights Issue

Rights Issue statistics

Terms	3 for 8
Gross proceeds	£96.4m
Number of new shares issued	166.2m
% of current (pre-placing) issued share capital	41.7%

Subscription price	58.0p
Theoretical ex right price (TERP)**	88.5p
Theoretical nil paid price (TNPP)	30.5p
Subscription price discount to TERP	34.5%

** TERP calculated by reference to the Firm Placing price

Expected Timetable to Completion

• Announcement & publication of prospectus	29 September
• Shanks General Meeting	24 October
• Ex rights date	26 October
• Placing shares and nil paid rights issue shares admitted to trading	26 October
• Rights Issue shares (fully paid) dealing date	10 November
• Publication of readmission prospectus and completion	by 31 December

(Assuming anti-trust Phase 1 clearance is obtained)

Summary

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Making more from waste

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2. Expected pre-tax cost synergies of €40m and significant earnings enhancement
3. Funded by mix of consideration shares, debt financing and £141m equity raise
4. Integration planning underway to ensure delivery of benefits
5. Positive trajectory in Benelux market as well as Shanks and VGG current trading

Deal has become more attractive since initial announcement on 7 July

Appendices

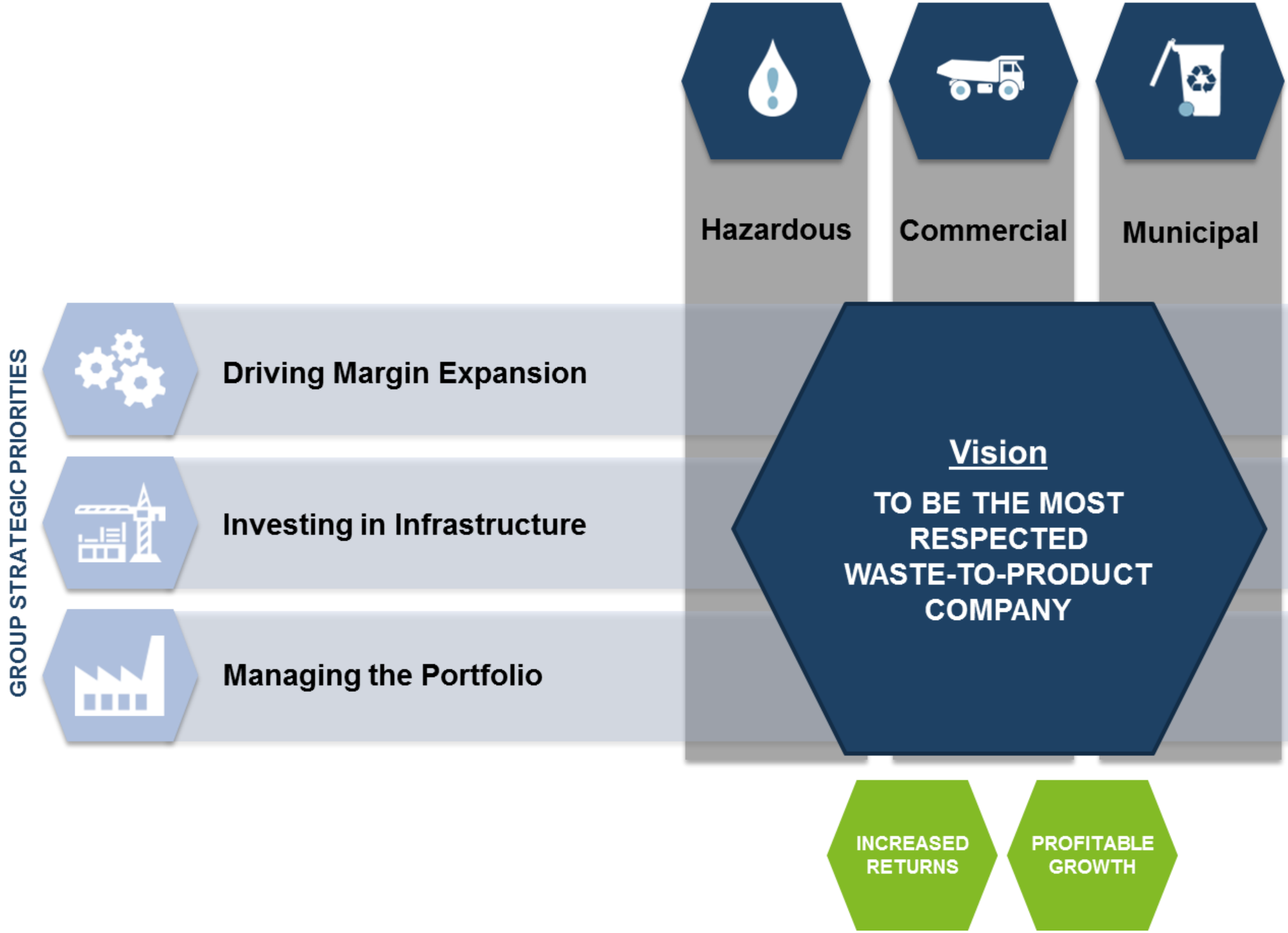
Shanks' Financial Track Record

(£m) Year end 31 March	**2014[1]**	**2015**	**2016**
Revenue	**633.4**	**601.4**	**614.8**
EBITDA	**82.9**	**72.8**	**68.2**
Trading profit	45.6	34.3	33.4
Net finance income/charges	(15.8)	(13.4)	(13.4)
Income from associates & JVs	0.3	0.8	1.0
Underlying profit before tax	**30.1**	**21.7**	**21.0**
Non-trading and exceptional items	(22.5)	(42.2)	(23.5)
Profit/(loss) before tax	7.6	(20.5)	(2.5)
Taxation	(5.8)	2.3	(1.5)
Profit/(loss) after tax	1.8	(18.2)	(4.0)
Discontinued operations	(30.0)	1.3	0.1
Profit/(loss) for the year	(28.2)	(16.9)	(3.9)

Note:
(1) Financial information for the year ended 31 March 2014 has been restated following the adoption of IFRS 11.

Source:
Shanks Annual Reports dated 2014 - 2016

Shanks Strategy



VGG: Summary and Recent History

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- **1964**: Founded by van Gansewinkel family
- **2007:** Acquired by KKR/CVC to join with AVR (incineration)
- **2012:** Management and strategy change
- **2013:** AVR was sold to CKI in 2013
- **2014:** CVC & KKR explored options for the business
- **2015:** Business taken over by debt holders; disposal programme to exit Eastern Europe
- **2016:** MoU signed with Shanks