APAC MERGER REPORT

Jan 22, 2021 – 9.00 am ET

Deal Terms

1 BIN AU = A$3.50

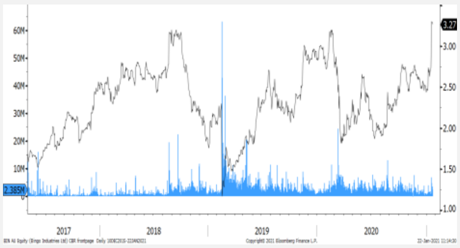
Target: Bingo

Country	Australia
Bloomberg	BIN AU
Sector	Waste Management
Share price (USD)	3.27
Market cap (USD mn)	2,139.5
Free float %	~66

Acquirer: Consortium

Country	
Bloomberg	
Sector	
Share price	
Market cap	
Free float %	

BIN AU Price Chart



Deal status:

Author

Gabor Szabo, CFA

Event Driven Analyst

g.szabo@chainbridgeresearch.com

+36 1 888 0531 (direct line)

Gabor Kokosy

g.kokosy@chainbridgeresearch.com

Peter Szeman

p.szeman@chainbridgeresearch.com

Peter Varga

p.varga@chainbridgeresearch.com

Chain Bridge Research

100 Wall Street, 20th Floor
New York, NY 10005

Tel (UK): +44 207 570 0322

Tel (New York): +1 212 796 5769

Bingo (BIN AU)/ Consortium

Proposal

We don't see significant hurdles for a firm deal to be agreed as the offer appears to be attractive based on peer / precedent valuation and given the founding family has the option to roll over its stake and has the potential for higher consideration over time via the scrip alternative. Target board might be able to squeeze out some more from the bidders given the significant rebound potential in the business.

- BINGO has received an unsolicited, highly conditional (due diligence, financing), non-binding, indicative proposal (the Proposal) from funds advised by **CPE Capital (CPEC), and Macquarie Infrastructure and Real Assets (MIRA)**, for the acquisition of BINGO by way of scheme of arrangement.
- The indicative cash price is **$3.50 per share** (Cash Proposal).
- The Proposal also references a **scrip alternative** that is under development that would provide all shareholders with the option of electing to receive a mix of cash and unlisted scrip consideration at a lower upfront price than the Cash Proposal, with the **potential for higher consideration over time, contingent on certain earnings thresholds** being achieved.
- The Proposal is being considered by an Independent Board Committee of BINGO and discussions and due diligence with the Consortium have been ongoing. BINGO said, it will only enter into a transaction on terms that deliver appropriate value for all BINGO shareholders.
- It is understood CPE Capital's offer, lobbed in December and revealed by Street Talk on Monday, allows Bingo's biggest shareholder, the Tartak family, to roll its stake into the bid vehicle. It is understood the bid was structured to see CPE Capital take about a one-third stake in Bingo, while MIRA and the Tartaks would also own large shareholdings.

Valuation

- The offer implies about 19.2x EV/EBITDA on an FY21 basis, that financial year is seen as a trough, with prospects of a recovery in FY22 potentially lowering the proposal's value.
  - FY22 EBITDA multiple is 14.8x
- Tox Free Solutions was sold at 8.4x 2018 EBITDA (and 8.0x FY19 EBITDA) in late 2017.
- BIN bought Dial a Dump for 11.2x 2018 EBITDA.
- ADSW was taken out at 12.5x LTM EBITDA (after amendment), 10.5x FY1 (2019) EBITDA
- The Veolia offer values SUEZ 8.1x 2020x EBITDA or 9.7x 2020 EBITDA incl preferred equity (7.1x FY21 EBITDA, 8.5x FY21 incl preferred)
- Largest Australian peer Cleanaway is trading at 11.2 2021 EBITDA and 10.5 FY22 EBITDA.
- Target prices ranged A$2.50-3.00 before the announcement, however some valued BIN at $3.50 or even $4.00 in case they can hit mid-term targets (2023)

Board/shareholder approval:

- **The offer appears to be attractive based on peer / precedent valuations, even if we consider longer term EBITDA, as FY21 figures are affected by the pandemic.**
- Gaining main shareholders' support is vital for the bidder consortium.
  - **The founding family would be able to roll over its stake and would have the potential for higher consideration over time via the scrip alternative.**
  - The Cash and Unlisted Scrip Alternative is also subject to a minimum and maximum acceptance condition that will likely require major shareholders BINGO Managing Director and CEO, Daniel Tartak, and BINGO Director, Ian Malouf, to accept the Cash and Unlisted Scrip Alternative.
  - A deal would hand nearly A$460 million to Chief Executive Officer and top shareholder Daniel Tartak,
    - Together they own about 32% of the company's stock, according to Bloomberg data.
- **We note that the bidders have long-term relationship as**
  - Bingo's chairman is former KPMG audit partner Michael Coleman. Coleman is also on Macquarie Group's board.
  - CPE Capital's interest comes 15 months after it agreed to buy one of Bingo's processing facilities in Sydney. CPE Capital paid $50 million for Bingo's Banksmeadow site, after Bingo was asked to divest the asset so it could acquire Ian Malouf's Dial-A-Dump
- **Based on the above we don't see significant hurdles for a firm deal to be agreed.**
  - **Target board might be able to squeeze out some more from the bidders given the significant rebound potential in the business. Our LBO calculations show that the bidders can increase their offer.**

Counter bid:

- Some analysts speculated that the Macquarie-backed proposal for Bingo may be aimed at creating a vehicle to bid for any Australian assets that are sold off as part of a successful takeover of Suez by Veolia. That may attract another bidder considering a similar strategy
- We note however, that the offer price already appears to be attractive and the number of potential strategic bidders might be limited due to possible antitrust issues (Cleanaway) or due to their own merger (Veolia, Suez).

Key terms of the proposal

Transaction Details	
■ **Deal announcement**	January 18, 2021
■ **Offer terms**	1 BIN AU = A$3.50 with cash and scrip alternative
■ **Deal size**	A$2.5b
■ **Offer structure**	Scheme of Arrangement
■ **Target's Board Recommendation**	N/A
■ **Voting Agreement**	None
■ **BIN AU incorp.**	Australia
■ **Deal announcement**	Click here for the announcement
■ **Synergies**	N/A

Dividends

- BIN AU pays dividends semi-annually in March and September / October. March dvd is expected to be cca A$0.017 / share

Key Conditions

- **Due diligence**
- **Financing**

Background

- BINGO has received an unsolicited, highly conditional, non-binding, indicative proposal (the Proposal) from funds advised by CPE Capital (CPEC), on behalf of CPEC and its potential co-investors (the Consortium), which include Macquarie Infrastructure and Real Assets (MIRA), for the acquisition of BINGO by way of scheme of arrangement.
- The indicative cash price currently offered to BINGO shareholders under the Proposal is $3.50 per share (Cash Proposal).
    - The Proposal also references a scrip alternative that is under development that would provide all shareholders with the option of electing to receive a mix of cash and unlisted scrip consideration at a lower upfront price than the Cash Proposal, with the potential for higher consideration over time, contingent on certain earnings thresholds being achieved post completion of a transaction (Cash and Unlisted Scrip Alternative).
    - The Cash and Unlisted Scrip Alternative is also subject to a minimum and maximum acceptance condition that will likely require major shareholders BINGO Managing Director and CEO, Daniel Tartak, and BINGO Director, Ian Malouf, to accept the Cash and Unlisted Scrip Alternative.
- The Proposal is subject to a number of conditions, including due diligence and financing.
- The Proposal is being considered by an Independent Board Committee of BINGO and discussions and due diligence with the Consortium have been ongoing. There can be no assurance that any transaction will result from discussions with the Consortium. BINGO will only enter into a transaction on terms that deliver appropriate value for all BINGO shareholders.
- It is understood CPE Capital and its partners, believed to include an infrastructure fund run by Macquarie Group, made a formal offer to acquire Bingo in December and have held advanced talks with the company.
- It is understood Bingo's board has called in investment bank UBS and law firm Herbert Smith Freehills to help assess the CPE Capital consortium's offer and spearhead talks. Bingo's chairman is former KPMG audit partner Michael Coleman. Coleman is also on Macquarie Group's board.
- CPE Capital's interest comes 15 months after it agreed to buy one of Bingo's processing facilities in Sydney. CPE Capital paid $50 million for Bingo's Banksmeadow site, after Bingo was asked to divest the asset so it could acquire Ian Malouf's Dial-A-Dump
- A deal would hand nearly A$460 million to Chief Executive Officer and top shareholder Daniel Tartak, whose parents started Bingo in the outer suburbs of Sydney in 2005 by acquiring a small skip bin company for less than A$1 million.
    - It is understood CPE Capital's offer, lobbed in December and revealed by Street Talk on Monday, allows Bingo's biggest shareholder, the Tartak family, to roll its stake into the bid vehicle.
    - It is understood the bid was structured to see CPE Capital take about a one-third stake in Bingo, while MIRA and the Tartaks would also own large shareholdings.
    - Bingo Chief Executive Officer Daniel Tartak and board member Ian Malouf would probably have to accept the scrip deal, based on its minimum and maximum acceptance conditions.

Company Description

BINGO DESCRIPTION

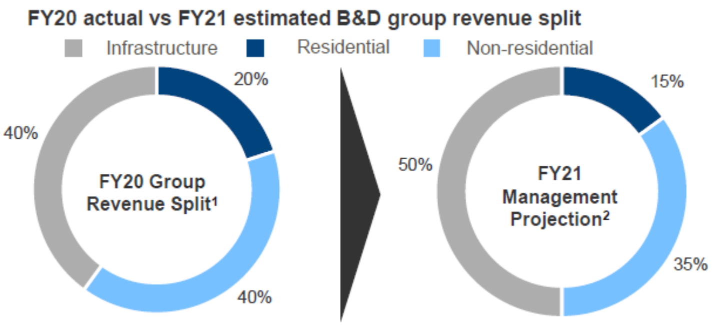
- BINGO is a fully-integrated, ASX listed recycling and waste management company with operations across New South Wales and Victoria.
- BINGO provides end-to-end solutions across the resource management supply chain including collection, processing and recovery, disposal and manufacturing. They have the largest network of recycling and resource recovery centres across NSW and Victoria.
- They are also contributing to Australia's circular economy through our ECO Product range of recycled building and landscaping materials.
- Bingo runs a fleet of 300 waste collection trucks in Sydney and Melbourne with bright orange branding. It underwent a major expansion by acquiring the rival Dial-A-Dump business in August 2018 for $578 million from entrepreneur Mr Malouf to add extra muscle to take on heavyweights such as ASX-listed Cleanaway and multinationals Veolia and Suez.

Business segments

- **Collections business** is carried out through its two business divisions BINGO Bins and BINGO Commercial.
    - **BINGO Bins focuses on the collection of non-putrescible Building and Demolition (B&D) waste from a wide range of construction sites**, civil and infrastructure projects and households.
        - BINGO's B&D Collections business consists of a fleet of more than 250 trucks across NSW and VIC.
    - **BINGO Commercial focuses on the collection of Commercial and Industrial (C&I)** waste from customers across a range of sectors, including commercial office, hospitality, education, retail and manufacturing.
        - BINGO's C&I Collections business consists of a fleet of more than 75 trucks across NSW and VIC.
- **Post collections**
    - BINGO provides post-collections services across its network of fully integrated transfer stations, recycling and disposal assets and recycled product manufacturing services.
    - BINGO diverts waste from landfill by sorting and processing mixed waste to be reused, recycled or sent to other facilities.
- **Other**
    - BINGO's remaining business activities include the manufacture and sale of steel and plastic bins through BINGO's wholly-owned subsidiary, TORO Waste Equipment, for both BINGO's Collections operations and for external customers. TORO services the waste management, mining and construction industries.

Key financials:

$m	FY19	FY20	Variance	
Underlying Revenue	402.2	486.7[2]	21.0%	↑
Underlying EBITDA	108.0[1]	152.1[3]	40.8%	↑
Underlying EBITDA margin	26.9%	31.3%[4]	440 bps	↑
Statutory NPAT[5]	22.3	66.0	196.0%	↑
Statutory EPS	3.9 cents	10.1 cents	159.0%	↑
Operating Free Cash Flow	116.5	160.1	37.4%	↑
Cash Conversion	109.8%	106.9%	(290 bps)	↓
ROCE	9.4%	8.0%	(143 bps)	↓
Leverage Ratio[6]	2.6x	2.0x	23.1%	↑
Dividend per share	3.72 cents	3.70 cents	(0.5%)	—



Source: BIN AU

BIDDER DESCRIPTION

- **CPE Capital** is one of Australia's oldest private equity firms and was recently rebadged from CHAMP Private Equity.
    - CPE Capital traditionally targets investments worth up to a few hundred million dollars and its investments include Bingo's Banksmeadow, biscuit maker Gourmet Food Holdings and luxury car dealer The Dutton Group.
    - CPE Capital's investment portfolio ranges from food to the automobile sector, and includes Banksmeadow Recycling site, which it bought from Bingo in 2019.
        - CPE Capital 15 months after it agreed to buy one of Bingo's processing facilities in Sydney. CPE Capital paid $50 million for Bingo's Banksmeadow site, after Bingo was asked to divest the asset so it could acquire Ian Malouf's Dial-A-Dum
        - The Banksmeadow facility purchased by CPE in September, 2019 is on an 8200 square metre site near Port Botany in Sydney.
            - It collects building and demolition waste from sites in the Sydney CBD, the eastern suburb of Sydney and inner south-western suburbs.
    - CPE Capital is cashed-up, thanks to a recent fundraising, and is understood to have secured firm support from MIRA and other investors.
- **Macquarie Infrastructure and Real Assets (MIRA)** is a member of the bidding consortium.
    - MIRA has more than $US130 billion in assets under management and its Australian investments include telecommunications tower company Axicom, data centre developer AirTrunk, coal carrier and intermodal transport network owner One Rail Australia, NSW electricity distributor Endeavour Energy and land titles offices in South Australia and Western Australia.
    - MIRA's investments also include waste businesses in North America and Europe.
    - Macquarie Infrastructure and Real Assets is also chasing PEXA and a berry farm owner Vitalharvest Freehold Trust and thinks about bidding for a stake in NSW motorways group WestConnex.

Deal rationale

- The offer comes at a time when the government is injecting stimulus into the recycling and construction sectors and pushing infrastructure investment as the economy reopens from coronavirus-enforced lockdowns.
- Federal and state governments implement policies to boost recycling rates in Australia, and amid a major infrastructure spending spree to stimulate the economy in the pandemic that should deliver plenty of work to the Bingo division that collects demolition and building waste.
    - The federal government in its budget committed an extra $1.75 billion of funding in the Recycling Modernisation Fund and the Modern Manufacturing Strategy. There are also more than $100 billion of direct infrastructure investments earmarked.

Key risks

BOARD / SHAREHOLDER APPROVAL

- **The offer appears to be attractive based on peer / precedent valuations, even if we consider longer term EBITDA, as FY21 figures are affected by the pandemic.**
- Gaining main shareholders' support is vital for the bidder consortium.
    - **The founding family would be able to roll over its stake and would have the potential for higher consideration over time via the scrip alternative.**
    - The Cash and Unlisted Scrip Alternative is also subject to a minimum and maximum acceptance condition that will likely require major shareholders BINGO Managing Director and CEO, Daniel Tartak, and BINGO Director, Ian Malouf, to accept the Cash and Unlisted Scrip Alternative.
        - Together they own about 32% of the company's stock, according to Bloomberg data.
        - Many investment funds, however are barred from owning unlisted assets.
    - A deal would hand nearly A$460 million to Chief Executive Officer and top shareholder Daniel Tartak,
- **We note that the bidders have long-term relationship as**
    - Bingo's chairman is former KPMG audit partner Michael Coleman. Coleman is also on Macquarie Group's board.
    - CPE Capital's interest comes 15 months after it agreed to buy one of Bingo's processing facilities in Sydney. CPE Capital paid $50 million for Bingo's Banksmeadow site, after Bingo was asked to divest the asset so it could acquire Ian Malouf's Dial-A-Dump
- **Based on the above we don't see significant hurdles for a firm deal to be agreed.**

- **Target board might be able to squeeze out some more from the bidders given the significant rebound potential in the business. Our LBO calculations show that the bidders can increase their offer.**

COUNTER-BID

- Some analysts speculated that the Macquarie-backed proposal for Bingo may be aimed at creating a vehicle to bid for any Australian assets that are sold off as part of a successful takeover of Suez by Veolia.
  - That may attract another bidder considering a similar strategy.
  - AFR: A combined Veolia/Suez would quickly become the biggest player in the Australian waste market, according to Morgan Stanley analysts' numbers, with a combined 14 per cent market share to leapfrog incumbent No.1 Cleanaway.
- We note however, that the offer price already appears to be attractive and the number of potential strategic bidders might be limited due to possible antitrust issues (Cleanaway) or due to their own merger (Veolia, Suez).

Valuation

PREMIUM / DEAL MULTIPLE

- Under the proposal, Bingo shareholders would get A$3.50 per share, a nearly 28% premium to the stock's last close, the company said in a statement.

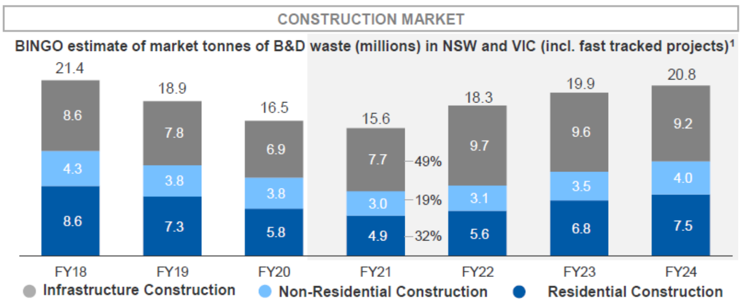
Deal multiple:

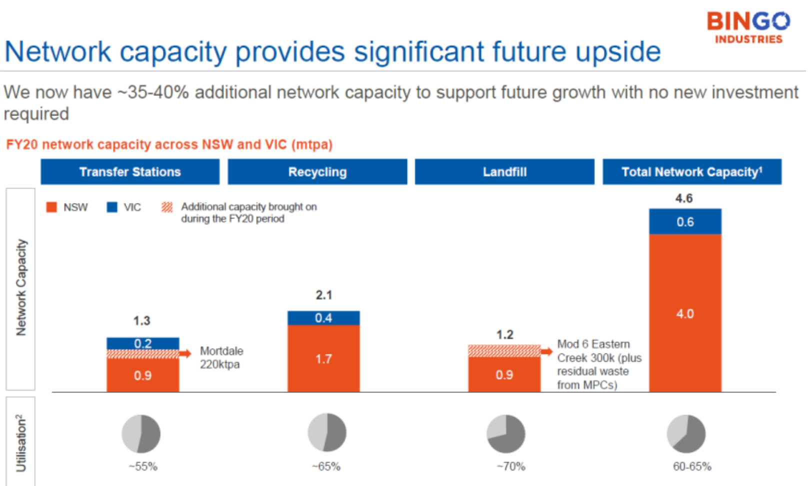
- The offer implies about 19.2x EV/EBITDA on an FY21 basis, that financial year is seen as a trough, with prospects of a recovery in FY22 potentially lowering the proposal's value.
  - FY22 and FY23 EBITDA multiple is 14.8x and 12.7 respectively.
- Tox Free Solutions was sold at 8.4x 2018 EBITDA (and 8.0x FY19 EBITDA) in late 2017.
- BIN bought Dial a Dump for 11.2x 2018 EBITDA.
- ADSW was taken out at 12.5x LTM EBITDA (after amendment), 10.5x FY1 (2019) EBITDA
- The Veolia offer values SUEZ 8.1x 2020x EBITDA or 9.7x 2020 EBITDA incl preferred equity (7.1x FY21 EBITDA, 8.5x FY21 incl preferred)
- Largest Australian peer Cleanaway is trading at 11.2 2021 EBITDA and 10.5 FY22 EBITDA.

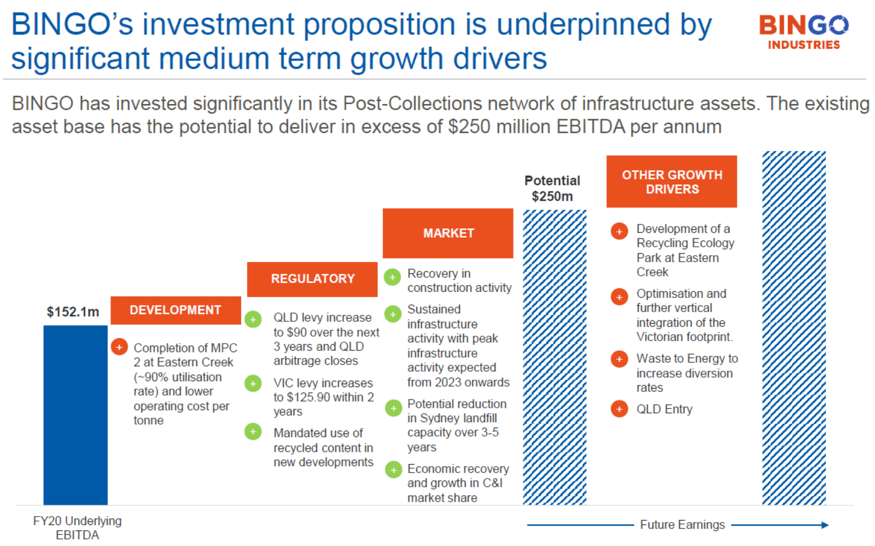
Analyst target prices:

- Target prices ranged A$2.50-3.00 before the announcement, however some valued BIN at $3.50 or even $4.00 in case they can hit mid-term targets (2023)

Mid-term upside potential:







Source: BIN AU

LBO

- Based on our calculations, the deal offers cca 15% IRR assuming a deal at A$3.50, 30% tax rate, 15% growth rate and 35% EBITDA margin.

Disclosures:

This report was produced by Independent European Research, LLC dba as Chain Bridge Research ("Chain Bridge"), and is intended only for use by the recipient. All materials published by Chain Bridge are intended for use only by professional, institutional, buy-side investors. Use by the general investing public is prohibited. The information and analysis contained in these publications are copyrighted and may not be duplicated or redistributed for any reason. Chain Bridge reserves the right to refuse any subscription request based upon the above criteria. Companies and individuals residing in Hungary, and affiliates of firms based in Hungary are prohibited from subscribing to the services of Chain Bridge Research

Chain Bridge Research
100 Wall Street, 20th Floor
New York, NY 10005
Tel (UK): 44 207 570 0322
Tel (New York): 212-796-5769
www.chainbridgeresearch.com

Neither the information, nor any opinion expressed, constitutes a solicitation by Chain Bridge for the purchase or the sale of securities. This publication does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are "eligible counterparties" or "professional clients", and may not, therefore, be redistributed to third parties without the express written consent of Chain Bridge. The information set forth herein was obtained from publicly available sources that it believe to be reliable. While due care is taken by Chain Bridge in compiling the data and in forming its opinions, Chain Bridge gives no warranty, express or implied, and it does not guarantee the accuracy or completeness of the information provided. Additional information is available upon request.

Chain Bridge manages conflicts identified through its confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from impartial investment research, and disclosure to clients via client documentation. Chain Bridge and/or persons associated with it may own securities of the issuers described herein and may make purchases or sales after this report has been disseminated to Chain Bridge institutional subscribers.

The following Research Analysts employed by Chain Bridge contributed to this report: Gabor Szabo, CFA, Peter Varga, Peter Szeman, Gabor Kokosy. Chain Bridge's home office is at 100 Wall Street, 20th Floor, New York, NY. Its branch office is located at 31 Felhevizi utca, 1025 Budapest, Hungary. The firm's branch office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, there are no planned updates to the recommendations. For previous recommendations concerning financial instrument(s) or issuer(s) mentioned in this report – if any – or other financial instrument(s) and issuer(s) during the preceeding 12-month period, please refer to our website.

The reports published by Chain Bridge intend to provide clients with a view regarding the various risks and critical factors impacting the completion of certain mergers and acquisitions. Therefore, the opinions expressed do not fit with traditional buy, sell, and hold ratings.

PCS Research Group, LLC, an affiliate of Chain Bridge, is the exclusive marketer and distributor of this and other reports produced by Chain Bridge. Neither Chain Bridge nor PCS is an investment firm or a credit institution. Affiliates of Chain Bridge and PCS include investment firms that are SEC registered investment advisers and FINRA Member broker-dealers (together, "Affiliates"). The Affiliates have not performed and do not expect to perform investment banking services for the issuer(s); are not market makers, and are not party to any agreements with the issuer(s). The issuer(s) has not been a client of Chain Bridge, PCS or the Affiliates. Chain Bridge, the research analysts, PCS, and the Affiliates have not received any compensation from the issuer(s). Chain Bridge research analysts' remuneration is determined exclusively by Chain Bridge management, and is based on the quality and accuracy of the analyst's research. Investment firm Affiliates do not contribute to appraisals of Chain Bridge analysts. Remuneration from Chain Bridge to research analysts is not linked to investment firm activities of Affiliates. Conflicts of interest for employees of PCS and Affiliates are managed by a formal code of ethics and information barrier procedures which include, but are not limited to, policies related to restricted lists, personal trading rules, and the prohibition of misuse of material non-public information.