

T.O.-raised entrepreneur turns trash into gold

Founder of New Jersey firm wants to make waste the centre of circular economy

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In Tom Szaky's vision of the new economy, nothing is garbage. Not cigarette butts. Not dirty diapers. Not even used tampons.

Szaky, the Toronto-raised founder of TerraCycle, a New Jersey-based garbage startup, has built a \$24-million (U.S.) business around the belief that everything is recyclable. He has convinced some of the world's largest brands and retailers, including Procter & Gamble Co., Colgate-Palmolive Co. and Office Depot Inc., that there's value in spending to keep garbage out of landfills.

Now he's seeking millions to help fund a bigger mission: making trash the star of a circular economy, where re-use is the norm.

Inspired by the glass milk-bottle porch deliveries of yesteryear, he's creating a durable consumer-recycling system. Think shampoo encased in gleaming stainless-steel capsules, ice cream packaged in thermo-like containers, coffee sealed in metal pods instead of plastic — all the packages to be carted off, sanitized, deconstructed and used again.

Szaky, 35, says major brand names have already signed on. He'll unveil them at the World Economic Forum, the annual gathering of the world's problem solvers every January in Davos, Switzerland — but in 2019, not 2018. First, he needs to appeal to the environmentally conscious mom-and-pop masses and raise as much as \$25 million through a kind of pre-initial public offering in December.

For investors in the private company, one risk is Szaky's expectation to lose money on research-and-development at least until Davos, when TerraCycle plans to unveil the products for sale starting in New York and Paris. On top of that, the company has a complicated business model driven by one key executive: Szaky. He's a self-proclaimed "chronic over-projector" of revenue who survived an effort by senior staff to oust him



DAVID WILLIAMS PHOTOS/BLOOMBERG

TerraCycle Inc. takes items that are hard to recycle or cost-prohibitive to do so and turns them into other products.

before the company started earning a profit in 2011.

Plus, the money part of being green could be greener. Last year, of \$19.4 million in revenue, about \$500,000 was profit, according to Szaky. This year, it's expecting \$24 million in revenue, with just under \$1 million profit. To boost those numbers, Szaky is looking toward acquisitions and Loop, his new durable packaging platform.

"We celebrate waste, and try to make it fun, exciting and even sexy," TerraCycle states in a U.S. Securities and Exchange Commission filing.

In Szaky's favour, consumers and investors are demanding a smaller carbon footprint and corporations are spending more on sustainability. At the same time, shoppers want everything easy and fast.

"Why do we all use a disposable lifestyle? Because of convenience," he said. "It has to be as convenient or more convenient. Then it's got to play on the economics. And then everyone will love it because it's eco-friendly and solves waste in a pro-

found way."

Take tampons, for example. About 20 billion end up in North American landfills every year. But what if they came in an attractive box that doubles as a seal-tight receptacle for the used product? When the box is full, TerraCycle would pick it up, sterilize, refill and leave another batch. Would customers pay for the product plus — remember those milk bottles — a returnable deposit?

TerraCycle was built on such imagination and optimism. Szaky, born in Hungary and raised in Canada, was majoring in economics at Princeton University when he dropped out to run the company he had dreamed up in 2001.

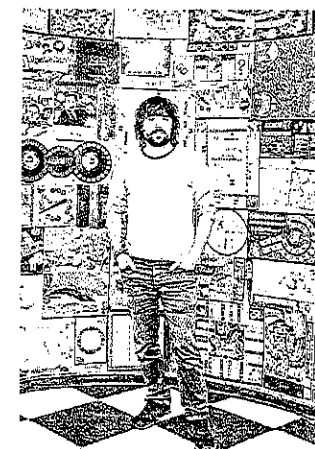
Its first iteration packaged worm manure as plant fertilizer in cast-aside plastic soda bottles. Even as the little wigglers pooped their way to profit from sales to Home Depot Inc. and Wal-Mart Stores Inc., though, the bigger mission was profits built on zero waste, not worms.

In 1960, around the milkman's heyday, the plastic share of municipal

solid waste was less than 1 per cent in middle- and high-income countries. Then came the global shift to single-use containers, and by 2005, plastic's share was 10 per cent. In 2015, 79 per cent of plastic waste wound up in dumps or was littered, according to a study published in July by *Science Advances*, a journal of the American Association for the Advancement of Science.

To turn the trend, a growing number of companies are stepping up. Kraft Heinz Co. is investing \$200 million on green initiatives. Unilever, the maker of Dove soaps and Lipton tea, in 2010 pledged to halve its environmental impact by 2020. Wal-Mart is making its private-label product packaging recyclable.

Szaky has his eye on the junk no one wants — chip bags, toothbrushes, flip-flops, candy wrappers — that are made of components that cost more to separate than to buy new. That's where retailers and consumer-product makers come in, paying TerraCycle to handle recovery and earning



TerraCycle founder Tom Szaky has built a \$24-million (U.S.) business.

good corporate-citizen bragging rights.

Schools, stores, municipalities and cleanup groups gather the castoffs and ship them, postage-paid, to TerraCycle, collecting points that can become charitable donations. At TerraCycle warehouses, the stream is processed and channelled for re-use.

At this year's Davos, TerraCycle announced its partnership with P&G and French utility Suez SA to create the world's first shampoo container made from plastic washed up on beaches.

Sales of the grey Head & Shoulders bottle began in France on June 8, World Oceans Day, and will expand to two other countries within the next month or so. By the end of next year, P&G's full hair-care line in Europe will be in recycled plastic, said Eduardo Atamoros, communications director for Head & Shoulders.

Though the new bottles cost P&G more to make than the iconic blue-and-white version, sales have increased, and the company expects prices to drop as the project becomes scalable.

"Other companies similar to ours have been inquiring for this type of plastic," Atamoros said. "We wanted to lead by example, and say we have a responsibility."