

Renewi

In-line FY20, coronavirus evaluation underway

Year-end &
initial COVID-19 update

Industrial support services

26 March 2020

Price **22.8p**

Market cap **£182m**

€1.17/€

Core group ongoing net debt
(ex-PPP/PFI finance and IFRS 16 leases,
€m) at end September 2019 514

Shares in issue 800.1m

Free float 98.8%

Code RWI

Primary exchange LSE

Secondary exchange Euronext Amsterdam

Share price performance



% 1m 3m 12m

Abs (43.0) (35.8) (5.4)

Rel (local) (28.0) (12.3) 19.6

52-week high/low 45.0p 22.0p

Business description

Renewi is a waste-to-product company with operations primarily in the Netherlands, Belgium and the UK and was formed from the merger between Shanks Group and Van Gansewinkel Group in 2017. Its activities span the collection, processing and resale of industrial, hazardous and municipal waste.

Next events

FY20 results announcement 4 June 2020

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FY20 is ending in line with expectations and ATM resumed soil shipments during Q4. Waste management is considered to be an essential service during the coronavirus pandemic; while the wider business impacts are evaluated, Renewi has outlined initial cash preservation measures. Our estimates have been adjusted only to reflect no final dividend expectation and additional non-underlying charges in FY20; potential coronavirus impacts beyond this are under review and not currently reflected.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/18	1,760.3	63.0	5.9	3.5	4.5	13.1
03/19	1,780.7	63.1	6.0	1.7	4.4	6.4
03/20e	1,675.7	39.7	3.7	0.5	7.2	1.9
03/21e	1,705.6	50.1	4.8	2.5	5.6	9.4

Note: *PBT and EPS (fully diluted) are normalised, excluding pension net finance costs, amortisation of acquired intangibles and exceptional items. Estimates are now on an IFRS 16 basis and for continuing businesses only.

ATM soil activities recovering as FY20 closes

For the closing year, Renewi's performance is reported to have been in line with guidance overall with underlying divisional trading patterns very similar to those noted in the [January update](#). Most noteworthy is ATM's resumption of thermally treated soil deliveries to a first project following a two-year permitting hiatus and initial shipments of graded materials in the final quarter.

This positive news is tempered by recognition that the coronavirus pandemic is beginning to be reflected in waste volumes as FY20 draws to a close. Renewi's operations have been classified as essential services and to date its multi-location business footprint has maintained full operational capacity. An expected downturn in waste volumes handled, driven by lower economic activity levels, is likely in turn to require managed capacity reduction. Established national government employment support structures in the Netherlands and Belgium – Renewi's largest markets – are in position to provide financial assistance, with the prospect of announced UK support schemes coming on stream before too long.

End-FY20 core (pre-IFRS 16 and PFI/PPP non-recourse finance) net debt is expected to be sub €500m (c 3x EBITDA), consistent with our model. Headroom under existing banking facilities is approaching €200m. The strength and duration of coronavirus impacts on business activity levels are still to be quantified, but management is sensibly flagging €40m cash preservation measures in hand (passing the FY20 final dividend saves c €8m, the remainder to come from reduced capex). Unrelated additional FY20 non-underlying charges of c €32m are unlikely to have a material near-term cash flow impact.

The company's proposed capital markets day has understandably been postponed and is now intended to coincide with the FY20 results announcement, scheduled for 4 June. At this time, Renewi will be reporting under a revised structure as individual companies within the current Monostreams division are being reallocated into three of the other four divisions (treating Commercial Waste as two regional divisions).

Exhibit 1: Financial summary

	m's	2018	2018	2019	2020e	2021e	2022e
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS		Sterling	Euros	Euros	Euros	Euros	Euros
Revenue		1,565.7	1,760.3	1,780.7	1,675.7	1,705.6	1,740.3
Cost of Sales		(1,276.9)	(1,419.2)	(1,470.4)	(1,390.8)	(1,415.6)	(1,444.4)
Gross Profit		288.8	341.1	310.3	284.9	290.0	295.9
EBITDA		156.9	176.3	179.7	154.6	163.5	171.8
Operating Profit (before GW and except.)		69.1	82.5	85.5	74.0	81.4	88.2
Net Interest		(14.2)	(15.0)	(14.4)	(18.0)	(16.0)	(16.0)
Other Finance		(5.1)	(7.1)	(8.4)	(16.0)	(15.2)	(15.2)
JV/Associates		2.3	2.6	0.4	(0.3)	0.0	0.0
Intangible Amortisation		(5.8)	(6.7)	(6.4)	(6.6)	(6.6)	(6.6)
Non Trading & Exceptional Items		(95.7)	(108.4)	(145.1)	(125.8)	0.0	0.0
Profit Before Tax (Edison norm)		52.1	63.0	63.1	39.7	50.1	57.0
Pension net finance costs		(0.6)	(0.7)	(0.6)	(0.2)	(0.2)	(0.2)
Profit Before Tax (Renewi norm)		51.5	62.3	62.5	39.5	49.9	56.8
Profit Before Tax (statutory)		(50.0)	(52.8)	(89.0)	(92.9)	43.3	50.2
Tax - headline		2.6	1.4	12.4	(3.4)	(12.0)	(13.7)
Profit After Tax (norm)		39.1	47.2	47.5	29.9	38.1	43.3
Profit After Tax		(47.4)	(51.5)	(76.6)	(96.4)	31.3	36.5
Average Number of Shares Outstanding (m)		799.9	799.9	796.7	794.6	794.6	794.6
EPS - Edison norm (p/c) FD		4.9	5.9	6.0	3.7	4.8	5.4
EPS - Renewi norm (p/c) FD		4.8	5.4	6.0	3.7	4.7	5.4
EPS - (p/c)		(5.9)	(6.8)	(11.7)	(12.2)	3.9	4.6
Dividend per share (p/c)		3.05	3.46	1.68	0.51	2.45	2.68
Gross Margin (%)		18.4	19.4	17.4	17.0	17.0	17.0
EBITDA Margin (%)		10.0	10.0	10.1	9.2	9.6	9.9
Operating Margin (before GW and except.) (%)		4.4	4.7	4.8	4.4	4.8	5.1

BALANCE SHEET

Fixed Assets	1,456.3	1,669.2	1,439.6	1,559.8	1,548.7	1,536.1
Intangible Assets	606.3	699.3	605.6	598.9	589.0	579.1
Tangible Assets (inc RoU assets)	623.0	710.8	629.1	753.6	752.4	749.7
Investments	227.0	259.1	204.9	207.3	207.3	207.3
Current Assets	366.2	418.0	370.9	375.5	369.1	369.7
Stocks	23.3	26.6	26.0	24.6	25.0	25.5
Debtors	279.0	318.4	294.5	274.2	279.2	284.7
Cash	63.9	73.0	50.4	76.8	64.9	59.5
Current Liabilities	(545.8)	(631.0)	(717.8)	(589.2)	(594.8)	(609.5)
Creditors	(532.9)	(616.3)	(599.1)	(570.6)	(576.2)	(590.9)
Short term borrowings	(12.9)	(14.7)	(118.7)	(18.6)	(18.6)	(18.6)
Long Term Liabilities	(894.3)	(1,019.9)	(895.1)	(1,132.1)	(1,082.9)	(1,033.8)
Long term borrowings	(489.7)	(558.9)	(483.7)	(548.6)	(548.6)	(548.6)
Other long term liabilities	(404.6)	(461.0)	(411.4)	(583.5)	(534.3)	(485.2)
Net Assets	382.4	436.3	197.6	214.0	240.1	262.5

CASH FLOW

Operating Cash Flow	128.4	143.6	86.8	139.1	168.8	185.8
Net Interest	(16.9)	(19.1)	(17.7)	(28.6)	(22.2)	(22.2)
Tax	(6.7)	(7.6)	(13.2)	(3.4)	(12.0)	(13.7)
Net Capex	(81.2)	(92.3)	(99.4)	(94.7)	(105.8)	(105.8)
Acquisitions/disposals	(4.1)	(4.8)	22.7	101.3	0.0	0.0
Equity Financing	0.6	0.6	(2.7)	0.3	0.0	0.0
Dividends	(24.4)	(27.6)	(27.4)	(8.6)	(5.2)	(14.2)
Net Cash Flow	(4.3)	(7.3)	(50.9)	105.4	23.6	30.0
Opening core net debt/(cash)	423.9	492.7	500.0	552.0	490.4	502.3
IFRS16 lease capital repayments	0.0	0.0	0.0	(35.4)	(35.4)	(35.4)
Other	(10.5)	(0.0)	(1.1)	(8.4)	0.0	0.0
Closing core net debt/(cash)	438.7	500.0	552.0	490.4	502.3	507.7
Closing PPP/PFI non-recourse net debt	82.9	94.6	95.4	89.3	89.3	89.3
IFRS16 Lease finance				144.0	102.4	60.8

Source: Company accounts, Edison Investment Research. Note: Estimates are on an IFRS 16 basis and for continuing businesses only.

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