

Renewi

Making more from waste

Renewi's operations are at the heart of the circular economy that collects, processes and converts waste into usable secondary materials to reduce the use of primary resources and to lower carbon emissions. The company has recently entered a new strategic phase with a clear roadmap to deliver a substantial increase in group profitability. Consequently, Renewi offers investors an environmentally friendly above-average earnings growth opportunity.

Creating value from waste streams

Renewi is a leading European waste-to-product company focused on extracting value from waste through the supply of high-quality recycled secondary materials. The company now operates in a three-division structure. Commercial (including industrial/commercial and construction waste) remains the dominant revenue and profit generator in the group. Mineralz & Water processes contaminated materials including soil for re-use or disposal. Specialities contains two niche waste stream processors (glass and white goods) and producers of recycled secondary materials, plus Renewi's UK Municipal household waste processing operations.

Plotting a path for recovery and growth

Having created a market-leading European business platform through the merger and integration of two leading waste collection and processing companies in 2017, Renewi has entered the next phase of its development. This [strategic plan](#) includes further business simplification and efficiency gains (Renewi 2.0), increased value generation from secondary materials (through process innovation) and re-building profitability from thermally treated soil activities (at ATM). This three-pronged approach aims to add up to €60m of incremental EBIT to group profitability within a three to five years.

FY21 trading and COVID impact to date

The COVID-19 pandemic had a small impact on Renewi's reported profitability at the end of FY20 and the extent of the effects on its waste collection, processing and secondary markets so far in FY21, while material, are less than management originally anticipated. Commercial volumes recovered further year-on-year in Q2 versus Q1 and forward indicators for ATM are improving. Consequently, we increased our FY21 PBT estimate (by €4m in a low base year) ahead of a fuller trading update with the H121 results in November. Looking beyond the current year, Renewi's P/E and EV/EBITDA multiples are 6.1x and 4.2x respectively.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
03/19	1,780.7	63.1	6.0	1.7	4.0	7.1
03/20	1,775.4	54.3	5.4	0.5	4.4	2.1
03/21e	1,560.4	10.6	0.9	0.0	26.4	N/A
03/22e	1,691.3	42.2	3.9	0.0	6.1	N/A

Source: Edison Investment Research

Industrial support services

20 October 2020

Price 21.6p
Market cap £173m
 €1.10/£

Share price graph



Share details

Code	RWI
Shares in issue	800.1m
Core net debt (end Sept 2020)	€407m

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.

Bull

- Leading market positions in the Netherlands and Belgian waste markets.
- Three-pronged recovery and growth strategy to deliver significant uplift in profitability.
- Focus on environmental sustainability in its operations and markets, which are compatible with EU and national government policies towards increased recycling.

Bear

- Currently in a trough earnings phase, influenced by COVID-19 market effects.
- Gearing is relatively high for the current level of profitability but has trended down and been well managed during COVID-19 affected trading.
- Not currently paying a dividend.

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