

Renewi

FY20 results

Near-term flexibility, long-term growth strategy

FY20 ended on a positive note strategically for Renewi, with two non-core disposals and resumption of soil shipments by ATM. COVID-19 began to have an impact at the year-end, but cost reduction/cash preservation measures together with amended banking covenants allow financial flexibility. A strategy refresh (Renewi 2.0) provides investors with a roadmap for future business development focusing on core business strengths. Our estimates are temporarily suspended and are under review.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/18	1,760.3	63.0	5.9	3.46	5.0	11.8
03/19	1,780.7	63.1	6.0	1.68	4.9	5.7
03/20	1,775.4	54.3	5.4	0.51	5.4	1.7

Note: *PBT and EPS (fully diluted) are normalised, excluding pension net finance costs, amortisation of acquired intangibles and exceptional items. FY20 is on an IFRS 16 basis.

FY20 earnings lower, core net debt reduced

Renewi's ongoing businesses grew revenue by 2% and, although underlying EBIT was 10% lower (I-f-I, IAS 17 basis), this was slightly better than our January estimate. Divisionally, Commercial Waste and Monostreams both improved their EBIT contributions in FY20 but were outweighed in aggregate by weaker ATM and UK Municipal outturns, together with higher group central costs following one-off items in the prior year. PBT on the same IAS 17/pre-IFRS 16 basis was down 23% y-o-y. Exceptional charges of c €120m were in line with previous guidance. Positive underlying cash flow, supplemented by disposal proceeds, left year-end pre-IFRS 16 core net debt of €457m, 3x EBITDA. Net cash inflow was c €24m better than we had anticipated, primarily due to a stronger working capital performance and tighter capex spend. IFRS 16 leases were €203m (versus c €165m at the half-year stage).

Financial headroom covering COVID-19 trading risk

The 29 May COVID-19 update noted a small trading impact at the end of FY20 (c €4m) with an expected Q121 EBIT impact of around €20m (in context, H120 EBIT was c €45m). The trading impact on each of Renewi's businesses has been variable with the Netherlands – the largest revenue territory – appearing to be least affected, while the UK lockdown has reduced revenues slightly. ATM has been relatively unaffected thus far after resuming soil shipments at the end of FY20. Renewi has an agreed relaxation to its banking covenants, which now allow for net debt up to 6x EBITDA in H221, reducing back to 3.5x by September 2021. Renewi stated that operational measures taken include c €60m annual cost savings (initially c €40m), while liquidity headroom of c €250m was in place at the end of March (previously c €200m).

Renewi 2.0 frames strategic focus

A refreshed strategy (Renewi 2.0) has been announced, intended to capitalise on favourable long-term recycling drivers in markets in which the company has leading positions to deliver long-term profitable growth through investment and improved business efficiency. Financially, c €20m annual cost benefits are expected to be generated by the end of FY23, with a cash spend of c €40m to achieve this.

Industrial support services

4 June 2020

Price **26.25p**
Market cap **£210m**

€1.12/€

Core group ongoing net debt (ex-PPP/PFI finance and IFRS 16 leases, €m) at end March 2020 457

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 1.4 (29.4) (18.6)

Rel (local) (8.5) (25.1) (9.4)

52-week high/low 45.0p 18.1p

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

AGM 16 July 2020 (TBC)

Analyst

Toby Thorrington +44 (0)20 3077 5721

industrials@edisongroup.com

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Exhibit 1: Financial summary

	m's	2018	2018	2019	2020
March		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS		Sterling	Euros	Euros	Euros
Revenue		1,565.7	1,760.3	1,780.7	1,775.4
Cost of Sales		(1,276.9)	(1,419.2)	(1,470.4)	(1,467.5)
Gross Profit		288.8	341.1	310.3	307.9
EBITDA		156.9	176.3	179.7	167.1
Operating Profit (before GW and except.)		69.1	82.5	85.5	87.6
Net Interest		(14.2)	(15.0)	(14.4)	(18.5)
Other Finance		(5.1)	(7.1)	(8.4)	(15.7)
JV/Associates		2.3	2.6	0.4	0.9
Intangible Amortisation		(5.8)	(6.7)	(6.4)	(6.4)
Non-trading & exceptional items		(95.7)	(108.4)	(145.1)	(107.1)
Profit Before Tax (Edison norm)		52.1	63.0	63.1	54.3
Pension net finance costs		(0.6)	(0.7)	(0.6)	(0.2)
Profit Before Tax (Renewi norm)		51.5	62.3	62.5	54.1
Profit Before Tax (statutory)		(50.0)	(52.8)	(89.0)	(59.4)
Tax - headline		2.6	1.4	12.4	(1.1)
Profit After Tax (norm)		39.1	47.2	47.5	41.0
Profit After Tax		(47.4)	(51.5)	(76.6)	(60.5)
Average Number of Shares Outstanding (m)		799.9	799.9	796.7	794.6
EPS - Edison norm (p/c) FD		4.9	5.9	6.0	5.4
EPS - Renewi norm (p/c) FD		4.8	5.4	6.0	5.4
EPS - (p/c)		(5.9)	(6.8)	(11.7)	(9.8)
Dividend per share (p/c)		3.05	3.46	1.68	0.51
Gross Margin (%)		18.4	19.4	17.4	17.3
EBITDA Margin (%)		10.0	10.0	10.1	9.4
Operating Margin (before GW and except.) (%)		4.4	4.7	4.8	4.9
BALANCE SHEET					
Fixed Assets		1,456.3	1,669.2	1,439.6	1,616.8
Intangible Assets		606.3	699.3	605.6	610.1
Tangible Assets (inc RoU assets)		623.0	710.8	629.1	790.9
Investments		227.0	259.1	204.9	215.8
Current Assets		366.2	418.0	533.3	503.3
Stocks		23.3	26.6	26.0	20.7
Debtors		279.0	318.4	456.9	288.1
Cash		63.9	73.0	50.4	194.5
Current Liabilities		(545.8)	(631.0)	(758.3)	(635.2)
Creditors		(532.9)	(616.3)	(639.6)	(618.4)
Short term borrowings		(12.9)	(14.7)	(118.7)	(16.8)
Long Term Liabilities		(894.3)	(1,019.9)	(895.1)	(1,249.6)
Long term borrowings		(489.7)	(558.9)	(483.7)	(634.9)
Other long-term liabilities		(404.6)	(461.0)	(411.4)	(614.7)
Net Assets		382.4	436.3	319.5	235.3
CASH FLOW					
Operating Cash Flow		128.4	143.6	86.8	167.8
Net Interest		(16.9)	(19.1)	(17.7)	(27.0)
Tax		(6.7)	(7.6)	(13.2)	(10.1)
Net Capex		(81.2)	(92.3)	(99.4)	(73.4)
Acquisitions/disposals		(4.1)	(4.8)	22.7	81.0
Equity Financing		0.6	0.6	(2.7)	0.6
Dividends		(24.4)	(27.6)	(27.4)	(8.6)
Net Cash Flow		(4.3)	(7.3)	(50.9)	130.3
Opening core net debt/(cash)		423.9	492.7	500.0	552.0
IFRS 16 lease capital repayments		0.0	0.0	0.0	(38.5)
Other		(10.5)	(0.0)	(1.1)	3.0
Closing core net debt/(cash)		438.7	500.0	552.0	457.2
Closing PPP/PFI non-recourse net debt		82.9	94.6	95.4	90.0
IFRS 16 lease finance					202.7

Source: Company, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 12, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia