

# Renewi

AGM update

Start to FY20 as expected

Year to date trading has been in line with management's expectations, which are also unchanged for the year as a whole. Forward momentum in the important Commercial division is continuing and we see other noted actions as positive, logical moves. Investor sentiment appears to have waned since the FY19 results announcement, but the investment case is gradually strengthening in our view and from a single-digit P/E base.

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	5.1	11.5
03/19	1,780.7	63.1	6.0	1.7	5.0	5.6
03/20e	1,833.5	49.7	4.7	1.7	6.4	5.6
03/21e	1,890.3	71.5	6.8	2.7	4.4	9.1

Note: \*PBT and EPS (fully diluted) are normalised, excluding pension net finance costs, amortisation of acquired intangibles and exceptional items. Canada Municipal excluded.

## Commercial progressing

Price increases put through in the Netherlands and Belgium at the beginning of the calendar year together with incremental merger synergy benefits are sustaining forward momentum in the Commercial division. Tight incinerator capacity in these markets is likely to be exacerbated by a partial six-month shutdown at AEB; as a consequence there may be potential wider pricing implications over this period but existing contractual positions provide Renewi operations with some protection against this. Elsewhere, there is no further material update at this stage on ATM (the ongoing Hazardous Waste business) from a regulatory perspective, but the development of alternative markets for separated/graded components of remediated soil are ongoing.

## Portfolio re-shaping and Green financing

The proposed [sale](#) of Canada Municipal operations was previously announced (on 17 June, expected completion by the end of H120) as was the expected repayment of €100m retail bonds maturing this month, effectively replaced by Green funding alternatives (ie €25m Green EU private placement notes in December and a €75m Green Belgian bond more recently). During H120 to date, Renewi has also made two small strategic in-fill investments in complementary waste processors in the Netherlands (ie 100% of Rotie Organics and 32% of RetourMatras, values not disclosed), which have natural fits with existing operations. The Canadian disposal may be seen as the most significant by investors, but these actions collectively suggest a proactive business enhancement agenda is being implemented.

## Valuation: Compressed rating, attractive yield

In the seven weeks since the FY19 results announcement (on 23 May), Renewi's share price has slipped back by c 26%. We consider this to be at odds with the unchanged estimates messaging at that time (and retained now) and the positive steps being taken since. On our expected and unchanged trough earnings in the current year, the company is trading on a 6.4x P/E and a 4.5x EV/EBITDA (adjusted for pension cash). These metrics compress further to 4.1x and 3.7x by FY22 on our estimates). Moreover, the prospective FY20 dividend yield – based on an unchanged payout expectation – is now 5.6%.

## Industrial support services

11 July 2019

Price **26.8p**

Market cap **£215m**

€1.12/£

Core group ongoing net debt (ex-PPP/PFI finance, €m) at end March 2019 552

Shares in issue 800.1m

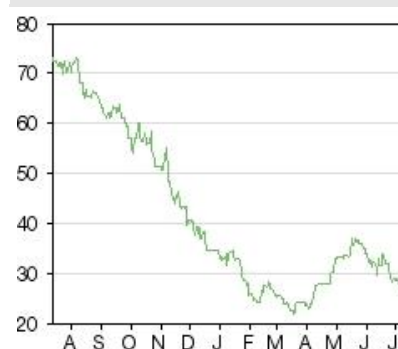
Free float 99.5%

Code RWI

Primary exchange LSE

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (15.9) (2.7) (63.9)

Rel (local) (17.4) (3.8) (62.8)

52-week high/low 75.0p 21.9p

## 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

FY19 final DPS 0.5p to be paid 26 July 2019

Euronext Amsterdam secondary listing H220e  
Tbc

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**Exhibit 1: Financial summary**

	m	2014	2015	2016	2017	2018	2018	2019	2020e	2021e	2022e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>		<b>Sterling</b>	<b>Sterling</b>	<b>Sterling</b>	<b>Sterling</b>	<b>Sterling</b>	<b>Euros</b>	<b>Euros</b>	<b>Euros</b>	<b>Euros</b>	<b>Euros</b>
Revenue		633.4	601.4	614.8	779.2	1,565.7	1,760.3	1,780.7	1,833.5	1,890.3	1,927.1
Cost of Sales		(528.3)	(506.1)	(517.8)	(653.3)	(1,276.9)	(1,419.2)	(1,470.4)	(1,501.6)	(1,548.2)	(1,578.3)
Gross Profit		105.1	95.3	97.0	125.9	288.8	341.1	310.3	331.9	342.1	348.8
EBITDA		88.5	72.6	69.2	81.6	156.9	176.3	179.7	173.9	194.3	200.8
Optg Profit (before GW and except.)		45.6	34.3	33.4	36.5	69.1	82.5	85.5	78.2	97.1	102.1
Net Interest		(12.6)	(11.4)	(11.2)	(10.3)	(14.2)	(15.0)	(14.4)	(19.5)	(16.5)	(16.0)
Other Finance		(2.9)	(1.5)	(1.6)	(2.2)	(5.1)	(7.1)	(8.4)	(9.0)	(9.0)	(9.0)
JV/Associates		0.3	0.8	1.0	2.0	2.3	2.6	0.4	0.0	0.0	0.0
Intangible Amortisation		(2.3)	(1.9)	(1.8)	(2.1)	(5.8)	(6.7)	(6.4)	(6.4)	(6.4)	(6.4)
Non-trading & exceptional items		(20.2)	(40.3)	(21.8)	(85.0)	(95.7)	(108.4)	(145.1)	(37.0)	0.0	0.0
Profit Before Tax (Edison norm)		30.4	22.2	21.6	26.0	52.1	63.0	63.1	49.7	71.5	77.1
Pension net finance costs		(0.3)	(0.5)	(0.5)	(0.3)	(0.6)	0.0	0.0	0.0	0.0	(0.6)
Profit Before Tax (Renewi norm)		30.1	21.7	21.1	25.7	51.5	63.0	63.1	49.7	71.5	76.5
Profit Before Tax (statutory)		7.6	(20.5)	(2.5)	(61.4)	(50.0)	(52.8)	(89.0)	5.7	64.5	70.1
Tax - headline		(5.8)	2.3	(1.5)	0.5	2.6	1.4	12.4	(12.2)	(17.2)	(18.5)
Profit After Tax (norm)		23.2	20.5	19.3	20.1	39.1	47.2	47.5	37.5	54.4	58.6
Profit After Tax		1.8	(18.2)	(4.0)	(60.9)	(47.4)	(51.5)	(76.6)	(6.5)	47.4	51.6
Average number of shares outstanding (m)		448.9	449.1	449.5	536.3	799.9	799.9	796.7	796.7	796.7	796.7
EPS - Edison norm (p/c) FD		5.1	4.5	4.3	3.7	4.9	5.9	6.0	4.7	6.8	7.3
EPS - Renewi norm (p/c) FD		5.1	4.4	4.2	3.7	4.8	5.4	6.0	4.6	6.7	7.3
EPS - (p/c)		(6.3)	(3.8)	(0.9)	(11.4)	(5.9)	(6.8)	(11.7)	(0.9)	5.9	6.4
Dividend per share (p/c)		3.05	3.05	3.05	3.05	3.05	3.46	1.68	1.68	2.73	2.90
Gross Margin (%)		16.6	15.9	15.8	16.2	18.4	19.4	17.4	18.1	18.1	18.1
EBITDA Margin (%)		14.0	12.1	11.3	10.5	10.0	10.0	10.1	9.5	10.3	10.4
Operating Margin (before GW and except.) (%)		7.2	5.7	5.4	4.7	4.4	4.7	4.8	4.3	5.1	5.3
<b>BALANCE SHEET</b>											
Fixed Assets		744.4	737.3	670.4	1,420.9	1,456.3	1,669.2	1,439.6	1,450.1	1,458.8	1,466.0
Intangible Assets		211.1	173.8	194.5	603.3	606.3	699.3	605.6	596.9	585.9	574.9
Tangible Assets		322.7	282.9	297.0	587.4	623.0	710.8	629.1	648.3	668.0	686.2
Investments		210.6	280.6	178.9	230.2	227.0	259.1	204.9	204.9	204.9	204.9
Current Assets		265.1	224.0	177.0	348.2	366.2	418.0	533.3	460.4	483.6	487.5
Stocks		9.4	6.9	6.8	19.9	23.3	26.6	26.0	26.6	27.4	27.9
Debtors		151.5	156.3	135.5	253.4	279.0	318.4	456.9	383.5	390.5	395.4
Cash		104.2	60.8	34.7	74.9	63.9	73.0	50.4	50.4	65.7	64.1
Current Liabilities		(229.6)	(277.4)	(227.2)	(483.2)	(545.8)	(631.0)	(758.3)	(717.0)	(717.7)	(694.3)
Creditors		(226.3)	(202.4)	(224.8)	(466.8)	(532.9)	(616.3)	(639.6)	(623.8)	(624.5)	(631.1)
Short term borrowings		(3.3)	(75.0)	(2.4)	(16.4)	(12.9)	(14.7)	(118.7)	(93.2)	(93.2)	(63.2)
Long Term Liabilities		(504.7)	(432.5)	(434.2)	(845.7)	(894.3)	(1,019.9)	(895.1)	(894.0)	(892.8)	(891.7)
Long term borrowings		(253.8)	(140.8)	(224.9)	(482.4)	(489.7)	(558.9)	(483.7)	(483.7)	(483.7)	(483.7)
Other long-term liabilities		(250.9)	(291.7)	(209.3)	(363.3)	(404.6)	(461.0)	(411.4)	(410.3)	(409.1)	(408.0)
Net Assets		275.2	251.4	186.0	440.2	382.4	436.3	319.5	299.6	331.9	367.6
<b>CASH FLOW</b>											
Operating Cash Flow		78.6	55.8	72.2	27.9	128.4	143.6	86.8	123.2	176.3	191.2
Net Interest		(13.2)	(12.8)	(12.8)	(19.0)	(16.9)	(19.1)	(17.7)	(19.5)	(16.5)	(16.0)
Tax		(1.6)	(5.7)	(4.8)	(5.3)	(6.7)	(7.6)	(13.2)	(12.2)	(17.2)	(18.5)
Net Capex		(27.1)	(37.2)	(25.8)	(41.2)	(81.2)	(92.3)	(99.4)	(112.6)	(112.3)	(112.3)
Acquisitions/disposals		(54.1)	(67.3)	18.2	39.5	(4.1)	(4.8)	22.7	56.0	0.0	0.0
Equity Financing		0.2	0.1	0.3	136.5	0.6	0.6	(2.7)	0.0	(0.0)	0.0
Dividends		(13.7)	(13.7)	(13.7)	(15.1)	(24.4)	(27.6)	(27.4)	(13.5)	(15.0)	(15.9)
Net Cash Flow		(30.9)	(80.8)	33.6	123.3	(4.3)	(7.3)	(50.9)	21.5	15.3	28.4
Opening core net debt/(cash)		177.3	152.9	155.0	192.6	423.9	492.7	500.0	552.0	526.5	511.2
HP finance leases		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		55.3	78.7	(71.2)	(354.6)	(10.5)	(0.0)	(1.3)	4.0	0.0	0.0
Closing core net debt/ (cash)		152.9	155.0	192.6	423.9	438.7	500.0	552.2	526.5	511.2	482.7
Closing PPP/PFI non-recourse net debt		151.2	222.6	91.1	87.1	82.9	94.6	95.4	95.4	95.4	95.4

Source: Company accounts, Edison Investment Research

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