

Renewi plc



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Renewi plc: Pre-close trading statement

Renewi plc (RWI)

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23 March 2022

Renewi plc

("Renewi", the "Company" or, together with its subsidiaries, the "Group")

Pre-close trading statement

Renewi plc (LSE: RWI), the leading European waste-to-product business, announces its pre-close trading update for the year ending 31 March 2022.

Overall trading for the Group in the period has remained strong, with the Board expecting performance for the year ending 31 March 2022 ("FY22") to be ahead of previous expectations.

Continued positive trading performance

We are, of course, appalled by events in Ukraine. While the Group has no business exposure in Russia or Ukraine, the Board recognises the increased geopolitical instability and potential macroeconomic impact. Although a significant and widespread economic slowdown could eventually impact Renewi, the Board is confident that the Group remains well placed to continue to operate as normal in the current circumstances.

Renewi has a resilient business model in that it:

provides an essential service across all sectors of the Benelux economies, with no material exposure to any one sector;

has demonstrated an ability to pass inflationary costs through to customers. Price increases implemented on 1 January 2022 are expected to cover 2022 cost inflation;

has hedged the majority of its energy requirements for 2022; and

has existing guidance for FY23 that anticipates a reduction in recycle prices from their current highs.

Renewi has continued to trade strongly through January and February, with ongoing high recycle prices and good cost control more than offsetting volumes that continued to be adversely affected by Covid restrictions. Cash flow performance has been in line with expectations and the balance sheet remains strong, with leverage at year-end expected to be around 1.5x net debt to EBITDA.

We have extended the Group's main banking facility, with most commitments now maturing in May 2025. At the same time, the size of the facility has been reduced to €400m from €495m, removing excess liquidity following the Green Bond issuance completed in 2021.

Outlook

Following the continued strong performance, the Board expects performance for FY22 to be ahead of previous expectations.

We remain confident in both the medium and the long-term outlook for the business. Our strategic growth programme, driven by our Innovation pipeline, is on track to deliver significant additional earnings over the next three years and beyond, as is our internal Renewi 2.0 digitisation and simplification programme.

We continue to see positive structural growth drivers as Dutch and Belgian regional governments progressively tax carbon emitters, incentivise recycling over incineration, and promote the use of secondary materials. This translates to positive growth opportunities across Renewi's markets as we assist our customers in recycling more and in using our high-quality secondary materials.

New accounting regulations

Total onerous contract provisions are in line with expectations and are expected to remain unchanged overall, prior to the IAS 37 adjustment, as referenced below.

From 1 April 2022, the company will apply the Amendments to IAS 37, "Onerous contracts - costs of fulfilling a contract." Consequently, all costs required for the fulfilment of a contract should be included when assessing the onerous contract provision, including an allocation of divisional central overheads. The Group is in the process of finalising the impact which is estimated to increase reported annual underlying EBIT from 1 April 2022 by c€5m. An increase of c€50m will be recorded in the onerous contract provisions, which have up to 18 years still to run. This increase is taken as an adjustment to retained earnings on 1 April. There is no impact on cash and this adjustment reflects no change in the underlying performance of the contracts.

Following on from an IFRS clarification on the accounting treatment of costs associated with configuring or customising application software under cloud computing arrangements, the Group has determined that most costs relating to its cloud-based software solutions can no longer be capitalised. This change in accounting policy will result in an exceptional charge of c€4m in the current year and c€7m in prior periods relating to the derecognition of assets previously capitalised. Going forward, the accounting policy will be to expense the majority of investments in cloud computing arrangements. These changes have no impact on cash.

For further information:

Renewi plc	Paternoster Communications
Adam Richford, Head of IR +44 7976 321 540	Tom Buchanan +44 20 3012 0241
Michelle James, Communications +44 7773 813 180	Ben Honan +44 20 3012 0241
www.renewi.com	

About Renewi

Renewi is a pure-play recycling company with a focus on extracting value from waste and used materials rather than disposal through incineration or landfill. The company also plays a key role in limiting resource scarcity through the creation of secondary materials, and by so doing addresses both social and regulatory trends and contributes to creating a cleaner, greener world.

Renewi's vision is to be the leading waste-to-product company in the world's most advanced circular economies. By opting to recycle, the company avoids emissions of more than 3 million tonnes of CO₂ and as a result plays a part in contributing to a sustainable society, transitioning to a circular economy and driving the progress needed to halt climate change.

Renewi, which draws on innovation and the latest technology to turn waste into useful materials - paper, metals, plastics, glass, wood, building materials, compost and energy - employs over 6 500 people who work on 165 operating sites in 6 countries across Europe and the UK. Renewi is recognised as a market leader in Benelux and a regional European leader in recycling.

Visit our website for more information: www.renewi.com.

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