

Renewi plc

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## Renewi plc: Half Year Trading update

Renewi plc (RWI)

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### 1 October 2020

#### Renewi plc

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

#### Half Year Trading update

Renewi plc (LSE: RWI), the leading international waste-to-product business, announces its trading update for the period from 1 April 2020 to 30 September 2020, in advance of the Group's interim results which will be issued on 10 November 2020.

#### Highlights

Overall trading in the first half has been materially ahead of the Board's Covid-19 adjusted expectations

Good recovery in Commercial volumes during Q2 with Netherlands now operating at 96% and Belgium at 90% of prior year

Cost savings of €10m delivered during the first half, on track to be ahead of the €15m expectation for the full year

Strong cash performance, with a cash inflow of €63m to the end of August and leverage is expected to remain below 2.9x as at 30 September, broadly in line with pre-Covid-19 levels and well below the adjusted covenant of 5.5x

Liquidity remains strong in excess of €300m

ATM recovery on track with new silos being installed to store new filler product

Renewi 2.0 programme progressing well with secured savings slightly ahead of plan
Good progress with the innovation pipeline, especially with bio-LNG, construction materials and RetourMatras
Long-term drivers for sustained future earnings growth remain strong

### **Trading and cash materially ahead of the Board's Covid-19 adjusted expectations**

Stronger than expected volumes and effective cost action means that Renewi has materially outperformed its Covid-19 adjusted expectations in the first half.

Commercial Waste Division has seen volumes continue to recover well during the second quarter and Renewi maintained full operational capacity, with only a few employees in Belgium on furlough. In the Netherlands, volumes recovered from 94% of prior year in the first quarter to an expected 96% in the second quarter, with strong construction and bulky waste activity continuing to offset weakness in commercial roller bin collection, especially in Covid-affected sectors such as hospitality. In Belgium, volumes have recovered from 76% of prior year in the first quarter to an expected 90% in the second quarter. An adverse product mix and reduced efficiencies in route collection have been partially offset by strong cost action. Recyclate prices were significantly below last year, as expected.

Mineralz & Water Division has performed as expected, with inbound volumes weaker as a result of Covid-19 and the lower oil price reducing sludges and contaminated water from shutdowns in Rotterdam. Specialities Division has recovered well in the second quarter, with volumes picking up especially strongly in Coolrec.

Cost actions across the Group have delivered savings of €10m in the first half, on track to be ahead of our previously announced target for the year of €15m. These have included short term reductions in Board and executive salaries, reduced overtime, use of temporary staff and third-party services, and lower discretionary spend.

Cash performance has also been better than expected. Core net debt (excluding IFRS 16 lease liabilities) at the end of August was €407m, representing a reduction of €50m since 31 March 2020 and leverage is expected to remain below 2.9x as at 30 September 2020, with significant headroom against the adjusted covenant of 5.5x. Days sales outstanding has remained unchanged on prior year and levels of customer insolvency have so far remained low.

Exceptional charges are expected to be in line with the previously announced cost of the Renewi 2.0 programme, with the sole addition of €6m (€3m non-cash) relating to the closure of two production lines at Ghent and Houthalen in Belgium.

### **Good progress with value creating strategic initiatives**

Renewi outlined its new strategy with its full year results in June 2020, with three key initiatives to deliver additional earnings of up to €60m in the coming three to five years.

The recovery of ATM has made good progress during the first half of 2020. An initial shipment of thermally cleaned soil (TGG) was completed in May. Further outlets of up to 1MT are in late stage discussions with the relevant authorities and some are expected to become available in the second half. New silos for filler and other storage equipment to enable the separation of cleaned soil into construction materials, like sand, gravel and filler, are being installed and will be commissioned on time in the fourth quarter. The order book for contaminated soil is building steadily but projects may be subject to delay as a result of Covid-19.

Our Renewi 2.0 programme has also made positive progress during the first half. Secured savings are slightly ahead of plan, despite some elements of the programme deliberately being delayed due to Covid-19. Initial modules of two projects namely the MyRenewi customer interface and the digital procure-to-pay system are expected to go live in the second half.

Good progress has also been made with the innovation pipeline, focused on high quality secondary materials for the growing circular economy. In addition to progress at ATM for secondary construction materials, an agreement with Shell and Nordsol has been signed for the installation of a bio-LNG production unit at a Renewi facility. Progress on other projects in the portfolio will be presented with the interim results.

## **Outlook**

The Board remains suitably cautious about the macroeconomic outlook, including any potential future slowdown in the later-cycle Dutch construction market and potential further measures to contain Covid-19. However, given the resilience of the Group's trading in the first half, which included a period of extensive lockdown measures in the first quarter, the Board now anticipates a performance for the year ending 31 March 2021 which is materially ahead of its previous Covid-19 adjusted expectations.

Longer term, whilst the speed and extent of economic recovery will influence our performance, waste volumes have historically been resilient through cycles and the transition to increased recycling will continue to support our business model. The sustainability agenda and the potential for a "green recovery" supported by the EU and national governments are expected to present attractive opportunities for Renewi to convert waste into a wider range of high-quality secondary materials. We remain confident our three strategic growth initiatives - recovery of earnings at ATM, the Renewi 2.0 programme and our innovation pipeline - will deliver significant additional earnings over the next three years and beyond.

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### **About Renewi**

Renewi is a leading waste to product company that gives new life to used materials every day. We have around 7,000 employees working at 174 operating sites across Europe. Our extensive operational network means we are always close to our customers.

For Renewi, waste is a state of mind, and an opportunity. Our many years of knowledge and experience, combined with a broad range of services, allow us to offer sustainable, practical recycling solutions. We use innovation and the latest technology to turn waste into useful materials such as paper, metal, plastic, glass, wood, building materials, compost and energy. In other words, we turn today's waste into tomorrow's raw materials. The result of our work is less waste and contamination, a smarter use of scarce raw materials, and a reduction in carbon emissions. This means that we are contributing towards a cleaner, circular world in which we "waste no more".

Visit our website for more information: [www.renewiplc.com](http://www.renewiplc.com).

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