EDISON

Renewi

Corporate developments

Three positive steps

Industrial support services

A number of visible operational actions taken in December 2017 are consistent with the stated business direction in each of the three divisions concerned and reinforce strong positions in their specialist markets. While there is no change to estimates, this activity confirms that steps are being taken on a broader front to drive group progress in addition to identified merger integration plans.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	614.8	21.6	4.3	3.1	24.0	3.0
03/17	779.2	26.0	3.7	3.1	27.8	3.0
03/18e	1,531.4	51.0	4.8	3.1	21.3	3.0
03/19e	1,554.3	70.6	6.6	3.1	15.6	3.0

Note: *PBT and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles and exceptional items.

New Canadian facility commissioning underway

Construction phase effects at the new, closed loop **Surrey, Canada municipal waste** facility distorted H118 divisional trading performance, so it is encouraging to note that the first waste has now been received and processed at this location. It will be producing biomethane gas (to be used as fuel in waste collection vehicles) and compost materials (for agriculture and landscaping uses) under a 25-year PPP contract with the Government of Canada. The facility is expected to become fully operational during the first six months of 2018, with profitability to build gradually. This is consistent with our expectation of a positive aggregate profit contribution from Renewi's three Canadian municipal facilities in FY19.

Corporate moves consolidate positions

Elsewhere, other developments in Europe serve to consolidate Renewi's position in two of its specialist markets. Firstly, **ATM** (soil and waste water treatment operations in its Hazardous division) has acquired further land and waterfront access adjacent to existing facilities. This provides additional storage space and scope for strategic business expansion in due course. Secondly, Renewi has successfully extended its shareholder agreement in **Maltha** (a leading glass recycler and one of Renewi's four specialist Monostream businesses and previously part of VGG), retaining the 67:33 JV split with Owens-Illinois. Maltha is fully consolidated in Renewi's financial results, with a minority deduction reflecting its partner's share of profits. These two actions are understood to have a negligible impact on group cash flow.

Valuation: Aiming for more of the same

Renewi's share price is modestly above the level when we last published on 15 November and, hence, on unchanged estimates the P/E profile (ie FY18e 21.3x declining to FY20e's 12.7x) is similar to previously noted levels. We believe that ongoing sure-footed merger execution supplemented by other positive strategic development actions will support further share price accretion.

3 January 2018

Price	**103p**
Market cap	**£824m**
	€1.12/£
Net debt (£m) at September 2017 – core group net debt (ex PPP/PFI finance)	436
Shares in issue	799.8m
Free float	99.5%
Code	RWI
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	1.2	(2.8)	12.0
Rel (local)	(3.2)	(5.6)	3.2
52-week high/low	107.3p		80.0p

Business description

Renewi is a waste-to-product company with operations primarily in the UK, the Netherlands and Belgium. Its activities span the collection, processing and resale of industrial, hazardous and municipal waste.

Next events

FY18 year-end trading update	March 2018 tbc

Analyst

Toby Thorrington +44 (0)20 3077 5721

industrials@edisongroup.com

Edison profile page

Renewi is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

£m	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS										
Revenue	717.3	750.1	614.6	633.4	601.4	614.8	779.2	1,531.4	1,554.3	1,588.4
Cost of Sales	(601.9)	(622.9)	(511.6)	(528.3)	(506.1)	(517.8)	(653.3)	(1,263.4)	(1,282.3)	(1,310.4)
Gross Profit	115.4	127.2	103.0	105.1	95.3	97.0	125.9	268.0	272.0	278.0
EBITDA	100.0	105.0	88.4	88.5	72.6	69.2	81.6	161.2	184.8	199.8
Operating Profit (before GW and except.)	49.7	53.4	44.9	45.6	34.3	33.4	36.5	71.4	94.0	108.0
Net Interest	(14.2)	(10.8)	(10.8)	(12.6)	(11.4)	(11.2)	(10.3)	(19.9)	(23.0)	(21.0)
Other Finance	(0.3)	(6.4)	(3.9)	(2.9)	(1.5)	(1.6)	(2.2)	(2.6)	(2.6)	(2.6)
JV/Associates	0.0	0.1	0.3	0.3	0.8	1.0	2.0	2.1	2.2	2.3
Intangible Amortisation	(3.9)	(3.7)	(2.5)	(2.3)	(1.9)	(1.8)	(2.1)	(5.8)	(5.8)	(5.8)
Non-Trading & Exceptional Items	(10.1)	(2.7)	(38.1)	(20.5)	(40.8)	(22.3)	(85.3)	(30.0)	(25.9)	(9.9)
Profit Before Tax (norm)	35.2	36.3	30.5	30.4	22.2	21.6	26.0	51.0	70.6	86.7
Profit Before Tax (FRS 3)	21.2	29.9	(10.1)	7.6	(20.5)	(2.5)	(61.4)	15.2	38.9	71.0
Tax - headline	0.7	(4.2)	(1.1)	(5.8)	2.3	(1.5)	0.5	(11.0)	(17.7)	(21.7)
Profit After Tax (norm)	25.9	26.6	22.8	23.2	20.5	19.3	20.1	38.3	53.0	65.0
Profit After Tax (FRS 3)	21.9	25.7	(11.2)	1.8	(18.2)	(4.0)	(60.9)	4.3	21.3	49.3
Average Number of Shares Outstanding (m)	448.0	448.0	448.3	448.9	449.1	449.5	536.3	799.8	799.8	799.8
EPS - normalised (p)	5.8	5.9	5.1	5.1	4.5	4.3	3.7	4.8	6.6	8.1
EPS - FRS 3 (p)	4.9	5.7	(7.9)	(6.3)	(3.8)	(0.9)	(11.4)	0.6	2.6	6.1
Dividend per share (p)	2.88	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.05	3.45
Gross Margin (%)	16.1	17.0	16.8	16.6	15.9	15.8	16.2	17.5	17.5	17.5
EBITDA Margin (%)	13.9	14.0	14.4	14.0	12.1	11.3	10.5	10.5	11.9	12.6
Operating Margin (before GW and except.) (%)	6.9	7.1	7.3	7.2	5.7	5.4	4.7	4.7	6.0	6.8
BALANCE SHEET										
Fixed Assets	767.9	751.6	772.1	744.4	737.3	670.4	1,420.9	1,464.8	1,457.7	1,451.0
Intangible Assets	289.6	271.4	251.8	211.1	173.8	194.5	603.3	584.6	579.0	568.4
Tangible Assets	397.5	390.9	375.3	322.7	282.9	297.0	587.4	647.2	645.7	649.6
Investments	80.8	89.3	145.0	210.6	280.6	178.9	230.2	233.0	233.0	233.0
Current Assets	244.1	233.6	247.3	265.1	224.0	177.0	348.2	362.1	367.2	371.9
Stocks	9.9	10.5	11.0	9.4	6.9	6.8	19.9	18.7	18.3	18.6
Debtors	179.7	163.3	160.9	151.5	156.3	135.5	253.4	270.4	275.9	280.3
Cash	54.5	59.8	75.4	104.2	60.8	34.7	74.9	73.0	73.0	73.0
Current Liabilities	(276.4)	(238.7)	(248.9)	(229.6)	(277.4)	(227.2)	(483.2)	(465.3)	(467.5)	(441.7)
Creditors	(237.1)	(226.5)	(230.7)	(226.3)	(202.4)	(224.8)	(466.8)	(452.0)	(452.5)	(453.8)
Short term borrowings	(39.3)	(12.2)	(18.2)	(3.3)	(75.0)	(2.4)	(16.4)	(13.3)	(15.0)	12.1
Long Term Liabilities	(338.2)	(375.9)	(444.2)	(504.7)	(432.5)	(434.2)	(845.7)	(927.4)	(926.3)	(925.2)
Long term borrowings	(222.6)	(253.8)	(234.5)	(253.8)	(140.8)	(224.9)	(482.4)	(555.1)	(555.1)	(555.1)
Other long term liabilities	(115.6)	(122.1)	(209.7)	(250.9)	(291.7)	(209.3)	(363.3)	(372.3)	(371.2)	(370.1)
Net Assets	397.4	370.6	326.3	275.2	251.4	186.0	440.2	434.2	431.1	456.0
CASH FLOW										
Operating Cash Flow	99.4	109.9	67.7	78.6	55.8	72.2	27.9	98.1	150.8	183.1
Net Interest	(9.3)	(13.4)	(11.5)	(13.2)	(12.8)	(12.8)	(19.0)	(24.0)	(23.0)	(21.0)
Tax	(4.1)	(7.1)	1.9	(1.6)	(5.7)	(4.8)	(5.3)	(9.0)	(15.7)	(19.7)
Net Capex	(67.3)	(74.8)	(50.1)	(27.1)	(37.2)	(25.8)	(41.2)	(99.0)	(89.5)	(90.9)
Acquisitions/disposals	2.5	(19.6)	(59.2)	(54.1)	(67.3)	18.2	39.5	0.0	0.0	0.0
Equity Financing	0.1	0.0	0.4	0.2	0.1	0.3	136.5	0.1	0.0	0.0
Dividends	(11.9)	(13.3)	(13.7)	(13.7)	(13.7)	(13.7)	(15.1)	(24.4)	(24.4)	(24.4)
Net Cash Flow	9.4	(18.3)	(64.5)	(30.9)	(80.8)	33.6	123.3	(58.1)	(1.7)	27.1
Opening core net debt/(cash)	319.7	207.4	206.2	177.3	152.9	155.0	192.6	423.9	495.4	497.1
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	102.9	19.5	93.4	55.3	78.7	(71.2)	(354.6)	(13.4)	(0.0)	(0.0)
Closing core net debt/(cash)	207.4	206.2	177.3	152.9	155.0	192.6	423.9	495.4	497.1	470.0
Closing PPP/PFI non-recourse net debt	0.0	52.0	100.1	151.2	222.6	91.1	87.1	84.8	84.8	84.8

Source: Renewi accounts, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the Financial Conduct Authority. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Renewi and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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
295 Madison Avenue, 18th Floor
10017, New York
US

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