This announcement contains inside information

29 March 2019

Renewi plc

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

Year end trading update

Renewi plc (LSE: RWI), the international waste-to-product business, announces its year end trading update for the year ending 31 March 2019.

Expectations for year ending 31 March 2019

Trading has continued in line with our expectations with a stronger fourth quarter, particularly in the Commercial Division in the Netherlands. Our integration activities remain on track to deliver cost synergies of €30m this year and €40m next year. Group core net debt is expected to be as forecast, slightly above 3x EBITDA at the end of March and below our bank covenant of 3.5x.

ATM update

We are progressing the additional tests required by the Dutch authorities for the resumption of shipments of thermally treated soil from ATM on an interim basis and as an input to a planned new regulatory framework. We continue to expect the authorities to permit shipments under such an interim regime during the year ending 31 March 2020 and we maintain a strong order book of domestic and export customers waiting to take the cleaned soil once regulatory clearance is given.

However, we are changing our approach to guidance regarding ATM and we have prudently assumed no such shipments for the purposes of the Group's financial forecasts for the year ending 31 March 2020, resulting in a reduction in EBIT of around €25m when compared to a year of full production. Further updates on the resumption of shipments will be provided as and when appropriate. We are confident that Renewi will remain within its bank covenants under this more prudent outlook.

Our plans to develop a new process to make building materials from the cleaned soil are also progressing. Initial production is expected to begin in early 2020.

Capital structure

In view of the continued suspension of soil shipments at ATM, the Board has implemented a series of actions to reduce the Group's core net debt and leverage ratio, including:

- agreement with our banks to extend the Group's net debt to EBITDA bank covenant of 3.5x for a further year until 30 June 2020;
- the disposals of our Reym and Canada Municipal businesses, which remain on track. The Canada Municipal process is in the due diligence phase and significant interest has been expressed for Reym. The proceeds are expected to reduce the Group's leverage ratio by at least 0.5x;
- additional specific projects across the Group to reduce costs over the next two years, including cost reductions in Commercial, plant performance improvements in Municipal and actions already underway in Monostreams to improve efficiency in our glass businesses and Coolrec; and

- reduction in the Group's proposed final dividend for the year ending 31 March 2019 to 0.5 pence per share, which will result in a total dividend for the year of 1.45 pence per share. This, together with a similar reduction in the total dividend for the year ending 31 March 2020, will benefit the Group by around €30m. Thereafter, the Board will review the dividend policy and expects to maintain a dividend cover policy of 2.0x – 2.5x in line with previous guidance.

As a result of these actions, we expect the Group to de-lever significantly over the coming year even if full production is not resumed at ATM. The Group's target leverage is to be below 2.0x.

Non-cash impairments relating to Derby and ELWA

Our PPP contract with the Councils of Derby City and Derbyshire is a joint venture between Renewi and Interserve (previously Interserve Group plc, now Interserve Group Ltd). Interserve is the prime contractor for the construction and commissioning of the advanced gasification facility. Renewi is expected to become the operator once the facility is fully commissioned.

Commissioning of the facility by Interserve is significantly behind plan. Intensive discussions have been underway for several months between stakeholders regarding how best to commission the facility.

In view of the current uncertainty with the project, including the recent insolvency of Interserve's holding company, we will make a non-cash impairment of up to £39m, comprising historic costs of £17m, and subordinated debt with accrued unpaid interest of £22m in the results of the year ending 31 March 2019. In addition, we shall make a provision against the £10m of delay damages owed to the Group in case our efforts to secure recovery are unsuccessful. The provision has no impact on the Group's core net debt and leverage ratio.

As previously reported, our ELWA operating contract is the one part of our business that has a significant exposure to Brexit as the majority of its refuse derived fuel is exported to incinerators in the Netherlands. Transport costs have already increased in anticipation of cross-border friction and there is an elevated risk of increased diversion to landfill over the next two to three years. The Board has therefore decided to take a non-cash impairment of £4m in relation to the carrying value of its investment in its ELWA operating contract and expects to take an onerous contract provision in the year ending 31 March 2019 of between £2m and £15m, the higher level being a possible consequence of extended disruption in the event of a disorderly Brexit. The extent of this provision will be kept under review as the situation around Brexit evolves.

Outlook for the year ending 31 March 2020

At this stage we have prudently assumed no shipments of thermally treated soil from ATM for the purposes of the Group's financial forecasts for the year ending 31 March 2020, resulting in a reduction in EBIT of around €25m when compared to a year of full production. We expect to see year on year progress in the Commercial and Monostreams Divisions offset by a reduced performance in Municipal due to Derby and higher central costs. Overall, the Board now believes the Group results for the year ending 31 March 2020 will be lower than its previous expectations. We are confident that Renewi will remain within its bank covenants under this more prudent outlook.

Looking forward, Renewi is well placed as an established leader in the European recycling market which is set for sustained and structural growth. Our post-merger "waste to product" strategy is on track to deliver profitable growth and attractive returns over the medium term.

For further information:

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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 more than 8,000 employees working at 200 sites across Europe and North America. 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".

Renewi was created in 2017, following the merger of Shanks Group plc with Van Gansewinkel Groep BV, and is listed on the London Stock Exchange. Visit our website for more information: www.renewiplc.com. Images are available at www.renewiplc.com/imagelibrary.