A ROBUST FINANCIAL PERFORMANCE, KEY GOALS DELIVERED, AND THE LAUNCH OF NEW BUSINESS AND SUSTAINABILITY STRATEGIES...

We have enjoyed a successful year, but as ever we are forward-facing in our drive to deliver growth by enabling the circular economy. Together our enhanced business strategy and sustainability action plan will help establish Renewi as a market leader in green collection and the production of secondary materials

Otto de Bont
Chief Executive Officer

OVERVIEW

We made robust progress during the year, delivering financial results in line with our expectations and a number of strategic and financial objectives, including: raising €107m through strategic disposals; receiving permission to resume TGG shipments at ATM; and delivering our cost synergies and other restructuring projects. We also made good progress with a growing pipeline of circular solutions and partnerships.

Renewi provides an essential service in the front line of maintaining vital services to hospitals, businesses and communities, and our dedicated employees have been able to keep serving our customers while we have innovated to ensure a safe working environment. Our specific actions on cost and cash will preserve our liquidity even in an extended crisis, and we have secured amendments to our banking covenants until September 2021. As a result of these actions, we are well placed to mitigate the impact of Covid-19.

Looking forward, the momentum towards a circular economy is unstoppable. Here we announce our enhanced strategy, which will enable us to capture the growth opportunities from the circular economy, and our Renewi 2.0 programme, which will deliver improved customer service as well as €20m of cost benefits through digitisation and optimised internal processes. Aligned with our enhanced strategy, we have defined our ambitious sustainable development goals.

GROUP FINANCIAL PERFORMANCE

IFRS 16 is a new reporting standard that has had a material impact on our reported results. The application of the modified retrospective approach has meant that comparative information has not been restated. For the purpose of like-for-like comparatives, the FY20 results have also been presented in accordance with the previous leasing standard, IAS 17, and all variance analysis shown is on the IAS 17 basis.

Excluding discontinued and disposed operations and on an IAS 17 basis, revenues grew by 2% to €1,697m and, as expected, underlying EBIT decreased by 10% to €72.0m on an IAS 17 basis. Underlying profit before tax from ongoing businesses reduced by 23% to €44.5m on a like-for-like basis and underlying earnings per share fell by 25% to 4.1c (2019: 5.5c).

The Commercial Waste Division grew revenue by 2% to €1,224m and underlying earnings by 1% to €87.6m. This was a positive performance, with stronger inbound pricing and the delivery of synergies more than offsetting weaker markets

Total operations

	REVENUE			UNDERLYING EBIT			
	FY20 IFRS 16 basis €m	FY19 IAS 17 basis €m	Variance %	FY20 IFRS 16 basis €m	FY20 IAS 17 basis €m	FY19 IAS 17 basis €m	Variance IAS 17 basis %
Commercial Waste	1,223.6	1,194.4	2%	89.9	87.6	86.5	1%
Hazardous Waste	91.7	95.4	-4%	(0.1)	(1.1)	1.7	N/A
Monostreams	213.6	213.3	0%	14.5	14.1	12.9	9%
Municipal	197.2	195.2	1%	(2.8)	(2.5)	0.8	N/A
Group central services	–	–		(26.0)	(26.1)	(21.7)	-20%
Inter-segment revenue	(29.1)	(27.4)		–	–	–	
Ongoing businesses	**1,697.0**	**1,670.9**	**2%**	**75.5**	**72.0**	**80.2**	**-10%**
Reym	78.4	109.8		12.1	10.0	5.3	
Continuing operations	**1,775.4**	**1,780.7**	**0%**	**87.6**	**82.0**	**85.5**	**-4%**
Discontinued operations	10.8	18.3		3.1	2.5	1.5	
Total	**1,786.2**	**1,799.0**	**-1%**	**90.7**	**84.5**	**87.0**	**-3%**

The underlying figures above are reconciled to statutory measures in note 2 in the consolidated financial statements.
Reym revenue includes inter-segment revenue between Reym and other Group entities and intra-segment revenue between Reym and other Hazardous Waste entities.
Discontinued operations include the results of the Canada Municipal segment, which meets the criteria as set out in IFRS 5.

(including a slowdown in Dutch construction), lower recyclate income and an estimated €4m adverse impact from Covid-19.

The Hazardous Waste Division's revenues fell by 4% to €92m and underlying EBIT reduced, as expected, to a loss of €1.1m due to lower soil volumes processed, especially in the first half. The waterside had a good year with robust volumes and pricing.

The Monostreams Division delivered ongoing benefits from its restructuring programmes, with a particularly strong second-half performance. Revenues were flat at €213m and underlying EBIT increased by 9% to €14.1m.

Municipal performed as expected. Revenues increased by 1% to €197m and the business made a small underlying loss of €2.5m, reflecting a lower contribution from the Derby contract and one-off items.

Group Central Services increased slightly less than expected, to €26m. This was primarily due to the non-recurrence of incentive and other accrual releases in the prior year.

Total exceptional items of €120m (2019: €146m) were incurred in the year, of which €35m were cash. These items included €56m of charges relating to the disposal of Reym and Canada, the majority of which were non-cash. It also included €16m of planned synergy delivery and integration costs. We also recognised a €26m charge at ELWA as a result of additional taxation levied on burnable waste imported into the Netherlands and a €15m legal provision following an EU State Aid claim against the Walloon region in respect of our Cetem facility. As a result, there was a Group statutory loss for the year of €77.1m (2019: loss of €97.7m). We remain focused on reducing the exceptional items incurred by the Group and delivering statutory profits in the future.

The business delivered a positive net cash inflow of €39m before the benefit of disposals and a total net cash inflow of €141m as a result of a strong focus on cash management. Underlying free cash flow on an IAS 17 basis increased from €30m to €93m, with improved working capital and tight control of capital expenditure. Our core net debt at 31 March 2020 was €457m, a 17% reduction on the previous year. Leverage was 2.98x EBITDA (2019: 3.06x), within our covenant of 3.50x. As previously announced, the total dividend for the year is 0.45p (2019: 1.45p), reflecting our prudent decision not to pay a final dividend in light of the Covid-19 crisis.

DELIVERING OUR STRATEGIC AND OPERATIONAL GOALS

During the year we delivered on a wide range of strategic and financial objectives that have strengthened and de-risked the Group, including:

- the €40m synergies promised when we completed the merger three years ago;
- a fifth consecutive year of underlying EBIT growth in the core Commercial Waste Netherlands Division despite numerous market headwinds, including Covid-19;
- the reopening of the TGG market by the authorities and the first shipments from ATM in two years, as well as the installation of capacity to make building materials from cleaned soil;
- the disposal of our Reym and Municipal Canada businesses for €107m in cash, reducing our net debt by 17%;
- strengthening the management team, with four important new hires to lead two of the Divisions, as well as Human Resources and IT; >

2%

Renewi's growth in revenues, excluding discontinued and disposed operations

64.7%

Renewi's recycling rate – the highest in the industry

- transitioning to a new, profitable contract with the Derby City and Derbyshire County Councils to manage their waste;
- €8m investments in our innovation pipeline and in two niche acquisitions in the growing circular economy, Rotie and RetourMatras; and the successful secondary listing on Euronext Amsterdam.

MANAGING THE IMPACT OF COVID-19

We announced a full update relating to Covid-19 on 29 May 2020. In summary:

- We are an essential service and we have continued to provide seamless waste collection and processing throughout the lockdowns, serving communities, businesses and hospitals. We are deeply appreciative of the dedication and determination of our colleagues who have provided this excellent service. We have partnered up with Van Straten Medical/Greencycl for the collection, recycling and returning of sanitised PPE to Benelux healthcare workers.
- Renewi had liquidity of €252m as at 31 March 2020, sufficient to trade through the Covid-19 crisis with no need for additional funding from governments, banks or shareholders. Appropriate covenant amendments have been agreed with our banks for the period to September 2021.
- We have detailed scenarios for the potential economic impact of the lockdowns and subsequent market recovery, and we are currently trading at the positive end of those scenarios.
- We have introduced measures to reduce operating costs (including a voluntary 20% reduction in Board salaries and fees, and 10% reduction in Executive Committee members' salaries) and capital expenditure and optimise cash flows, which will save more than €60m of cash during the next financial year.

OUR ENHANCED STRATEGY FOR LONG-TERM PROFITABLE GROWTH

Our purpose is to protect our planet by giving new life to used materials, and our vision is to be the leading waste-to-product company in the world's most advanced circular economies. This differentiates Renewi as a pure-play recycler, a company that focuses on supplying high-quality secondary materials, which we believe is the best way to extract value from waste.

Our industry is driven by increasing environmental legislation, particularly in the European Union which, on 11 March 2020, published its Circular Economy Action Plan as a progression of proposals outlined in its plan from 2015. It demonstrated the necessity of tackling consumption of resources in the EU and the environmental pressures that such consumption created. More recently, on 28 April 2020, the Dutch Government reconfirmed its intent to impose rising tariffs on CO_2 emitters to encourage the carbon transition. These taxes, to be imposed over the coming decade, are expected to have a significant positive impact on demand for secondary products and will increase the cost of incineration.

After a year of successful repositioning of the Group, we are pleased to outline our enhanced strategy to ensure that Renewi captures the profitable growth opportunities arising from carbon reduction and the transition to a circular economy. This strategy will transition Renewi from a waste collection company to a company focused on production of secondary raw materials to the highest possible quality.

Our enhanced strategy and innovation funnel

To expand our position as a secondary raw material producer, our strategy is based on three pillars:

1. Divert more into products from waste streams currently being incinerated or landfilled We will invest to start or expand production of secondary raw materials out of waste streams currently going to incineration or landfill. This will further increase our recycling rate, which we believe is already the highest in the industry, at 64.7%. Over the next five years we intend to decrease our incineration and landfill rate further by a minimum of 25% and convert this waste into new products. Some examples of projects that will fuel our growth are the recycling of mattresses and nappies and the advanced recycling of waste plastics and wood.

2.Improve the quality of the products we produce To build a circular economy the usage of secondary raw materials must increase. For production companies currently using primary raw materials, the easiest way to convert is by using high-quality secondary raw materials that they can 'drop in'. We aim to significantly increase the value of our products by investing in advanced processing of our materials; which we call 'spread expansion'. Examples include the AP4Terra project at ATM to make clean sand and gravel from contaminated soil, making clean HIPS and ABS plastic from fridges at Coolrec, and manufacturing bio-LNG from food waste in Organics.

3. Selectively gain market share Our primary focus is on driving margin expansion from existing waste flows through the first two pillars of our strategy. In addition, we will continue to selectively increase volumes through net customer gains, niche acquisitions and potentially, in the longer term, through geographic expansion.

Innovation is one of our core values and we are working on a number of initiatives to deliver our growth strategy. Going forward, we will report on this funnel with our results, demonstrating the breadth of opportunities for growth that we are able to pursue. Given that a number of these relate to new products or technologies, we do not expect them all to proceed to commercialisation.

Shifting from collection to secondary material production

We have a large fleet of trucks collecting commercial waste to supply our recycling operations and today Renewi is the clear market leader in the Benelux. The collection provides an essential service to waste producers and it marks the beginning of Renewi's value chain, as we become the owner of the commercial waste. That waste provides the raw materials for Renewi to generate value from the products it makes. Waste collection is expected to transform in the coming years to reduce carbon emissions and traffic congestion in cities. This will include white-label collection collaborations between waste companies to share logistics, as well as a transition to low- and ultimately zero-emission collection vehicles. Renewi will actively drive this transition, securing the waste streams with smart and innovative collection methods. This should ultimately lead to a reduced investment in our own fleet, allowing capital to be deployed in the production of secondary materials.

Our strategy is underpinned by the Renewi 2.0 programme.

Renewi 2.0

As previously announced, while we have successfully delivered the €40m of cost synergies following the merger of Shanks and VGG, we have identified the opportunity to drive further improvement through a three-year programme to make the company simpler, more customer-focused, more efficient and a better place to work. This comprises multiple projects, oriented around two key themes:

- **Digitisation of the business** The waste industry currently lags behind other industries in providing a fully digital solution for its customers. We are developing a new front-end interface for customers that will allow them to place and amend orders and have full visibility on our services and related cost, as well as on the circular benefits their waste is creating. This digitisation will deliver a better 24/7 customer experience, while reducing our cost to serve.
- **Simplification and harmonisation of processes** Our core processes can be simplified and standardised across our divisions to reduce cost, reduce errors, and improve customer, supplier and employee experiences. We are implementing global process owners for our core processes and centres of excellence to simplify our product offering, improve our core data and eliminate wasted activity.

The programme is expected to deliver a minimum of €20m of annual cost benefits on a run-rate basis after completion of this three-year programme (March 2023) for a total cash cost of €40m, which will be split into an exceptional cost (€33m) and capital investment (€7m).

Our focus on a simpler and lower-risk business has included a divisional restructuring. We have created three strong divisions, combining similar activities into one division, and we have disbanded the Monostreams Division, reallocating its four business units. From 1 April 2020, our new divisional structure comprises:

- **Commercial Waste (Belgium and Netherlands)** Unchanged except that Orgaworld is now >

€40m

Cost synergies achieved by the completion of integration

Our innovation pipeline

PROJECT	PARTNER	OPPORTUNITY	STATUS
Sand, gravel and filler at ATM for construction materials	Stand-alone	€€€€€	▸ Successful trials complete and customers engaged ▸ Capacity expansion under way
Expansion in biogas production	Stand-alone	€	▸ Permits awaited to construct expanded food waste processing hall in 2020
Expansion of mattress recycling	IKEA	€€€	▸ Third facility opening May 2020, increasing capacity to one million mattresses
Upgraded feedstock for chemical recycling of plastics	SABIC	€€ – €€€€€	▸ Commercial contracts being negotiated with major plastics producer and technology company ▸ Engineering designs being finalised for 30kt line
Transition biogas from electricity to bio-LNG	Shell	€€	▸ Commercial contracts signed with Shell and technology partner Nordsol ▸ Gas cleaning upgrade under way
Upgraded wood flake supply for low-carbon steel	ArcelorMittal	€€ – €€€€	▸ Technical trials and commercial feasibility alongside major steel producer
Cellulose from nappies and incontinence products	FMCG major	€ – €€€	▸ Transition to new technology and commercial partners ▸ Technical feasibility under way
Next-generation bottom ash conversion to construction materials	Energy-from-waste leader	€€€	▸ Engineering feasibility under way with waste-to-energy partner
Polyurethane	Chemical recycler	€ – €€€	▸ Development project to purify polyurethane from mattresses

included within the combined Organics activities of Commercial Waste Netherlands;

- **Mineralz & Water** This new Division comprises ATM and CFS from Hazardous Waste and Mineralz from the Monostreams Division. The focus of all these units is on the creation of clean mineral products or water, creating commercial and operational synergy; and
- **Specialities, comprising Municipal, Coolrec and Maltha** All three of these businesses are international in nature and have larger-scale process-based facilities focused on operational excellence and recycling. Two of the three businesses have no collection activities. Collection activities at Municipal are minimal.

In addition, we are centralising group functions further to drive consistency across the Group and leverage expertise and optimise capacity. Central Services costs will be increasingly recharged to the Divisions, reflecting that they are the drivers and causes of these charges. Around €10m of central costs relating to the Board, strategy and investor relations will be retained as a separate reported cost.

SUSTAINABILITY IS AT THE CORE OF ALL WE DO

We are also launching Renewi's first long-term sustainability strategy and our new sustainable development objectives for the next three and five years. These have been developed using current best practice, drawing together our input capital sources and our business strategy to develop three key themes for our sustainability strategy, which contribute towards six of the UN Sustainable Development Goals. These are: Enable the circular economy, Reduce carbon emissions and waste, and Care for people. From these three themes, we have developed six key objectives:

- **Turn our customers' waste into new products** By doing so we reduce carbon emissions and reduce depletion of the world's finite natural resources. The key metric for this is the recycling rate.
- **Be a leader in clean and green waste collection** The collection of waste is essential and we aim to reduce the pollution and carbon emissions it causes through deployment of low- and ultimately zero-emission trucks, white-label collection and route optimisation.
- **Reduce the carbon impact of our operations** By their nature, our operations reduce total carbon emissions elsewhere by returning materials for re-use. Nevertheless, we aim to reduce our own energy consumption where we can and increase use of renewable energy.
- **Positively impact our communities** Providing an essential service to our communities as the national champion of recycling and circularity, we seek a positive impact in the locations where we work, engaging closely with communities, supporting them, and minimising any negative aspects of the work that we do.

OUR FOCUS ON CUSTOMERS

We have created a 'customer-centricity' strategy in our Belgian operations to ensure that those we serve receive the very best experience. The aim is to increase customer satisfaction by making our operations as efficient as possible – from handling customer calls to ensuring waste collection teams empty bins as agreed with clients and on time.

We are focusing on customer feedback and have established clear sets of KPIs for operations and processes, so we can monitor progress and constantly improve our service. For example, we have rolled out our automatic call handling distribution system to smartly allocate incoming customer calls to free operators. KPIs will help us reduce the time callers wait to be connected and the number of lost calls.

A monthly net promoter score system has also been set up so we can measure customer advocacy. We email 4,500 SMEs for their opinion of our performance, so increasing our ability to respond with service enhancements.

- **Deliver people home safe and well, every day** Safety is our first value and we continue to strive to improve our accident rates and to avoid all serious incidents. In addition, we wish to support the health and mental wellbeing of all our employees.
- **Make Renewi an even more rewarding, diverse and inclusive working environment** We seek an engaged workforce, drawing on a wide range of backgrounds, all with the opportunity to thrive and achieve their potential in our organisation.

Each of these objectives has challenging targets set against them, which are detailed in full in this Annual Report and in our Sustainability Report.

OUTLOOK

Based on our experience in March and April, we expect Covid-19 to cause a potential earnings and cash shortfall of up to €20m in the first quarter against our previous expectations. This outflow is comfortably contained within our €252m of liquidity as at 31 March 2020 and our revised banking covenants. The outlook for the remainder of the year will be dependent on the speed of recovery of the economy and the extent of ongoing restrictions on certain sectors such as hospitality. Longer term, waste volumes are resilient through cycles and the transition to increased recycling is expected to continue to support our business model. The recovery of earnings at ATM and our Renewi 2.0 programme are expected to further support sustained future earnings growth.

Otto de Bont
Chief Executive Officer