

REMONDIS UK: The Covid Effect on the Waste Sector

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> Remondis Limited

REMONDIS x NERF

Summary of the effects of the Covid-19 crisis on the C&I, C&D and Municipal markets; Future outlooks

www.remondis-uk.com

1. Overview of the REMONDIS Group

The REMONDIS Group operates in many fields of business: it recovers raw materials from waste, develops innovative recycled products, offers alternative fuels and plays an important role in the water management sector supplying water and treating wastewater.

REMONDIS Worldwide:

- REMONDIS is one of the world's largest public service, recycling and waste management companies, with over 30,000 employees in over 35 countries in 4 continents. REMONDIS serves more than 30 million people and thousands of businesses.
- Founded by Josef Rethmann in 1934, the company is part of the RETHMANN Group, together with the sister companies SARIA (Animal rendering), Rhenus (Logistics) and Transdev (Public transportation)
- Key Figures of the REMONDIS Group
 - Turnover (€ million): 7.900
 - Equity (€ million): 1.950
 - Employees: 36.000
 - Legal Entities: 850



REMONDIS in the UK

- In the UK, REMONDIS Ltd started in 2016, following the acquisition of JBT Waste Management in Bedlington.
- The Business Further expanded in 2018 and now covers the North East of England as well as Yorkshire.
- In the North East the main focus of the company is C&D Waste and 2 sites are operational:
 - Bedlington (Northumberland) Transfer Station and RDF production line
 - Birtley (County Durham) Material Recycling Facility
- In Yorkshire REMONDIS focuses on the C&I and recycled commodities
 - Doncaster Transfer Station

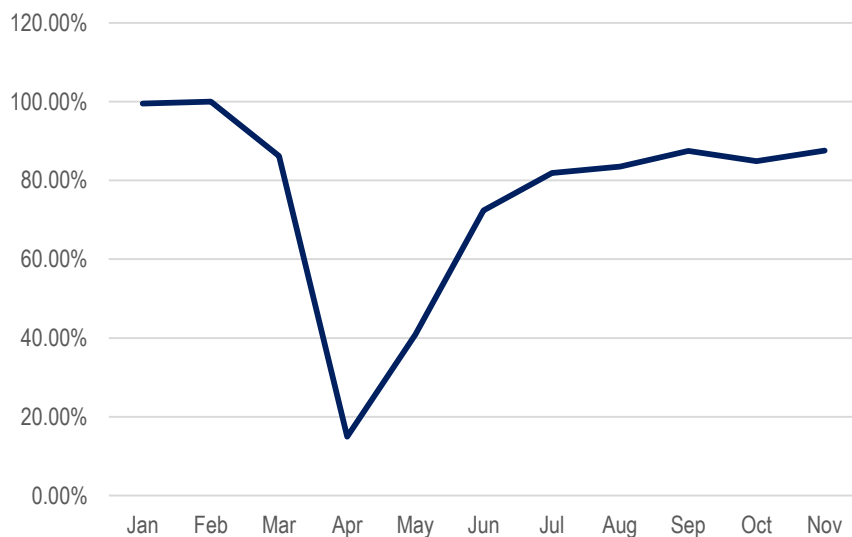


2. Impact of Covid on the C&D Business

Following the forced closure of building sites in April, the construction and demolition branch of the business has been the one suffering the most serious consequences from the first national lockdown. Recovery was aided by Government stimulus in the housing market.

Effect on turnover: a dramatic downturn

- The forced closure of all building sites during the first lockdown caused a dramatic drop in waste arisings/ turnover
- The recovery has been steady, but slow:
 - Volumes back to ~ 65% of the 2019 levels in the summer
 - ~ 80% Y-O-Y currently, with little outlook for further growth.
- Government schemes helped the construction market to restart working
 - Uncertainties regarding the effects of the reinstatement of Stamp Duty in 2021 and the changes to the Help to Buy schemes



Immediate reaction – April 2020

- Virtually no work for operative personnel in the month of April
 - At the end of the month 84% of the REMONDIS C&D staff was put on furlough
- Avoidance of risks – Social distancing
 - The Bedlington site, where the quality control is manual and it is not possible to ensure the 2m distancing, was mothballed.
- RDF production stopped: no economical sense given the low volumes.

Medium term - September 2020

- A relevant proportion of the customer went out of business or witnessed a permanent reduction in work
 - Staff reduction program – 30% reduction in Staff at the C&D sites.
- Reviewed fleet numbers to diminish ongoing maintenance costs
 - Older assets eliminated from the fleet
- The overall result was a 25% reduction of the cost base.

3. Impact of Covid on the C&I Business

The effects of Covid-19 on the C&I markets are not as dramatic as those experienced in the C&D sector although overall tonnages dipped (general waste, cardboard). The Municipal market shows higher arisings year-on-year, as a result of lockdown.

Commercial & Industrial waste - Recycled Commodities

Consider the effects on two main streams generated from C&I sources:

Cardboard

- Often separately collected
- Quality control crucial – hand sorted
- Minimal contamination in baled product

Plastics

- Sometimes separately collected – usually mixed
- Quality control crucial – hand sorted
- Minimal contamination in baled product
 - LDPE 98/2 Film
 - Jazz film
 - Mixed rigid plastics

Municipal Volumes 2020

- Overall trend of increasing arisings – estimated 3.8%
 - Lockdown
 - Home working
 - Online commerce
- Q2 2020 dry recycling collections rose by 16.5%
- Reduction in recycling rates of 3.2% due to impacts on collections and availability of HWRCs.

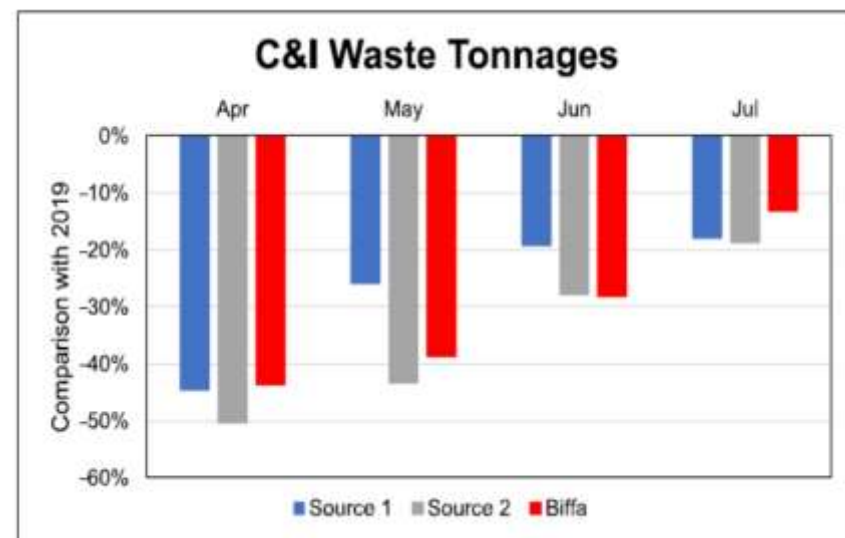
Commercial & Industrial Volumes

Cardboard

- Tonnages declined through 2020
- Reasons:
 - Lockdown 1 led to an increase in municipal arisings
 - Reduced activity in retail, hospitality & manufacturing – closures &/or reduced tonnages
 - Reduction in quality due to contamination and moisture
 - Further reductions during lockdown 2

Plastics

- Tonnages largely unaffected by Covid
- Reasons:
 - Major customer associated with glass manufacture



3. Impact of Covid on the C&I Business – cont'd

The effects of Covid-19 on the C&I markets are not as dramatic as those experienced in the C&D sector although overall tonnages dipped (general waste, cardboard). The Municipal market shows higher arisings year-on-year, as a result of lockdown.

Recycled Commodities - Cardboard Outlets

- Value increased through 2020
- Sharp rise in lockdown 1 – shortage of material
- Stabilised £70 to £75 per tonne

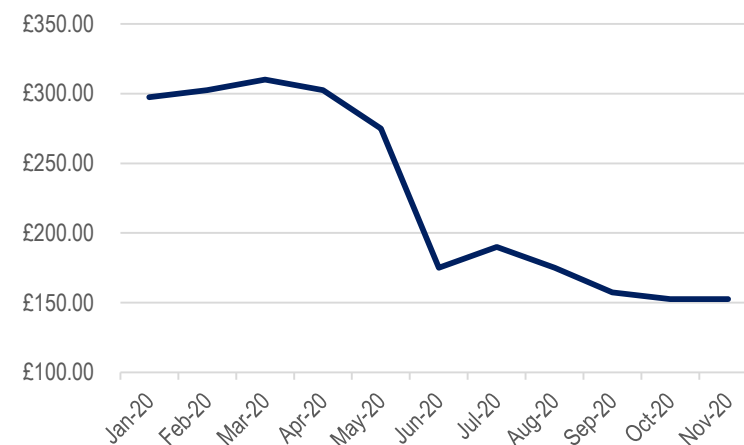
Recycled Commodities - Plastics Outlets

- Rapid initial decline affected by decline in oil prices
- Decrease in value of PRNs

Prices – MRW Mid Point - OCC (Export)



Prices – MRW Mid Point - LDPE 98/2



4. Conclusion: What does the future hold?

Challenges and uncertainties for the industry in the years to come

Waste arisings

Commercial and Industrial

- The Economy (UK and Worldwide)
- Working patterns
- Online commerce
- Distribution of printed media / zero-paper policies

Construction and demolition

- Housing market
- Population growth and new developments
- Public investment in new infrastructure

Outlets

- Indonesia to introduce 0.5% contamination limit and possible ban (The Recycling Association)
- Invest in UK infrastructure for fibre recycling?
- Restrictions on mixed plastic export from January 2021 – lower prices

Risk devolution

- Contractors less willing to accept risk – e.g. Veolia Essex
- Local authorities more prudential and with smaller budget for Municipal procurement
 - E.g. Higher sanction for poor-performances

Brexit!

- Will we get a trade deal?
- Possible 6.5% tax on plastic exports to Europe
- Waste export
 - Netherlands RDF tariff

Thank You for your attention!

Q&A

