

Press release

Changé, France, December 17, 2019

Investor Day, December 17, 2019

Séché Environnement confirms its targets for 2019¹ and 2020² and sets out its economic and financial roadmap through to 2022

Targets for 2019¹ confirmed

Contributed revenue between €670m and €690m

EBITDA between €130m and €135m, despite non-recurring items affecting profitability in the second half of the year (revamping of Salaise 2, shutdown of Triadis Rouen)

Cash and financial flexibility:

- Free cash flow generation³ of 35% of EBITDA
- Financial leverage ratio³ between 3.0x and 3.3x EBITDA, reflecting the acquisitions made in 2019

2020 targets² partially achieved in 2019 and fully confirmed

Contributed revenue:

- France: maintain quality growth on our main markets
- International: pursue strong growth across the recently acquired scope (2017-2019)

Operating margin: EBITDA at 20% of contributed revenue for French and international operations

Active investments in line with international development plans

Robust cash and financial flexibility:

- Free cash flow generation⁴ equal to 35% of EBITDA
- Financial leverage ratio³ around 3.0x EBITDA

¹ See the press release of September 9, 2019.

² See the press release of June 26, 2018.

³ Calculated according to the definition provided in the banking contract.



⁴ Cash before development investments, financial investments, dividends, and financial debt repayment.

Economic and financial roadmap through to 2022

Contributed revenue (2019 scope) between €750m and €800m with around 30% from international operations

Operating margin: Increase in EBITDA to between 21% and 22% of contributed revenue

Enhanced cash and financial flexibility:

-  Free cash flow generation⁵ equal to 35% of EBITDA
-  Financial leverage⁶ ratio below 3.0x EBITDA

At the Board of Directors' meeting held on December 10, 2019, which approved the Company's action plan and economic and financial outlook for the short and medium term as presented to the financial markets during today's Investor Day, the Chairman, Joël Séché, said,

"The recent change in our governance structure and our active development plan through to 2022 mark the start of a new era of growth, profitability and value creation for Séché Environnement and its shareholders.

With a clear growth strategy on its core business in France and around the world, which positions the Group on expanding markets with good visibility, and with a policy of enhancing industrial efficiency through the continuous improvement of its processes and productivity, Séché Environnement is able to announce solid growth prospects over the medium term, with a significant increase in its profitability and financial performance in terms of cash flow and flexibility.

This roadmap for 2022 will reinforce our shareholders' and stakeholders' confidence that Séché Environnement is successfully changing scale and extending its technological leadership on its priority markets – the circular economy and climate change – in France and around the world."

⁵ See above.

⁶ See above.

2019 targets confirmed

Solid growth on promising markets

Business was strong on Séché Environnement's markets in 2019:

- 🌱 In France, where industrial output remains high and the development of the circular economy is having a positive impact. This has produced a significant volume effect, maximizing capacity utilization at some facilities and allowing for price rises.
After a slow start to the year, Service activities were stronger in the second half, in particular in decontamination, where Séché Urgences Interventions, which is specialized in environmental emergencies, took on major projects.
- 🌱 Internationally, Séché Environnement benefited from buoyant markets across its growth platforms, in particular in waste treatment in Chile and in Services in Italy (Mecomer).

This bullish environment allows Séché Environnement to confirm its forecasts of quality organic growth in France and strong growth in international operations in 2019.

Contributed revenue is expected to reach between €670m and €690m in 2019.

Improved results despite non-recurring items in the second half

Séché Environnement expects an improvement in all its results in 2019 compared to 2018.

In particular, positive business trends (price effect) and careful management of operating expenses (first effects of the cost savings plan, industrial efficiency measures, etc.) should allow operating income to offset some of the impact of non-recurring items on EBITDA in the second half of the year, estimated at around €4m. These non-recurring items include the scheduled shutdown of Salaise 2 for its revamping, the restarting of production at the Strasbourg incinerator following four years of asbestos removal work, and the Lubrizol fire, which forced Séché Environnement to suspend all or some of its nearby activities at the end of the year.

Full year EBITDA is expected at between €130m and €135m.

Cash and financial flexibility targets confirmed

Strong operating results and careful management of maintenance investments should enable Séché Environnement to meet its target of free cash flow generation⁷ equal to 35% of EBITDA.

Séché Environnement therefore expects its financial leverage ratio to be between 3.0x and 3.3x EBITDA, slightly above its standard mid-cycle target of 3.0x, essentially reflecting the financing of major acquisitions in 2019.

⁷ See above.

2020 targets confirmed

Continued profitable growth in France and internationally

In 2020, ongoing positive trends in France and the main international markets allow Sécché Environnement to expect consolidated growth to remain at its current level, with quality growth in France and a strong increase in international activity.

In this lasting favorable environment, the first effects of the industrial efficiency plan and the cost savings plan (see below) should take gross operating margin (EBITDA / contributed revenue) higher in 2020 in relation to 2019, at 20% of contributed revenue in both France and internationally (at constant scope).

Balance sheet targets confirmed, with active investments in growth

Sécché Environnement has a major investment program for 2020, with projects to expand international capacity in South Africa (Interwaste), Italy (Mecomer) and Chile (Ciclo project).

In organizational terms, it will invest in a new ERP solution over three years from 2020, which, among other benefits, will better structure oversight of its operations in line with the Group's operational optimization policy.

All of these development projects should total around €30m in 2020, in addition to the Group's standard maintenance and development investments (estimated at around 11% of contributed revenue). Investments will be made in line with the objective of free cash flow generation⁸ (35% of EBITDA) and financial flexibility, with the financial leverage ratio maintained at around 3.0x EBITDA at the end of 2020 (at constant scope).

Economic and financial roadmap through to 2022

Confirmation of the strategic positioning on markets with a bright future: the circular economy and climate change

With a strong presence among industrial clients, which account for around 80% of contributed revenue, and as a specialist in hazardous waste treatment (around 66% of contributed revenue), Sécché Environnement has high-tech facilities and wide-reaching authorizations allowing it to handle all types of waste in France and internationally.

It offers its clients – industry and local authorities – tailored, innovative waste management solutions combining material or energy recovery and hazard containment.

The Group's research and development teams anticipate regulatory developments and its clients' expectations and to deliver innovative, high performance services at both a technological and an environmental level.

⁸ See above.

Its environmental solutions are part of an industrial ecology policy that takes into account sustainable development challenges in local areas. It is active on expanding markets with good visibility and high barriers to entry in the circular economy and climate change.

In France, Séché Environnement intends to continue expanding in the high added value businesses of the circular economy, in particular in the recovery of scarce resources from hazardous waste and energy recovery from non-hazardous waste, as well as in added value service activities.

Internationally, the Group plans to take significant positions in emerging economies offering solid growth prospects in terms of volume and value, buoyed by the tightening of local environmental standards and rising barriers to entry. To achieve this, the strong organic growth expected on these markets could be enhanced by small-scale acquisitions if opportunities arise.

Profitable growth confirmed in France and internationally

Séché Environnement's markets should remain bullish over the period:

- in France, under the effect of continued high volumes of hazardous and non-hazardous waste owing to restrictive regulations related to the implementation of the circular economy and a contraction in available waste treatment capacity;
- internationally, due to increasingly stringent regulations applicable to waste producers, which the Group is able to address with its new capacity in growth markets (Latin America, South Africa, etc.).

In France, this situation will provide a positive price mix, allowing Séché Environnement to confirm continued quality growth in France and a sharp increase in its international operations.

Based on these strengths, Séché Environnement expects contributed revenue to amount to between €750m and €800m at the end of 2022, with around 30% generated internationally (compared with around 25% in 2019) – at constant scope.

In industrial terms, the Group will further enhance its industrial efficiency over the 2020-2022 period, focused on five areas:

- Execution discipline,
- Providing structure to the supply chain,
- Health & Safety as a source of performance,
- International development,
- Regulatory and social ethics.

This industrial efficiency plan will enable Séché Environnement to meet its clients' growing requirements in terms of capacity, availability, technical capabilities and performance while optimizing industrial investments in maintenance and development.

In terms of its organizational structure, the Group will extend its cost rationalization and control policy with a new savings plan that clearly identifies areas for optimization:

- Purchasing structure,
- Suppliers,
- Information systems solutions and resources,
- Organization,
- Long-term purchasing strategy.

The new plan will add to the existing one and generate savings of €10m in 2020 (vs. €5m initially announced for 2020⁹).

The rollout of a new ERP solution over the period will optimize the Group's organization in terms of operations, sales and human resources. The ERP is expected to deliver productivity gains and improve organizational efficiency, to enhance and secure client relations and to better align human resources with the company's new challenges.

Continued improvement in operating margin Improved financial flexibility target

Profitable growth, industrial efficiency and productivity gains enable Séché Environnement to set a target EBITDA of between 21% and 22% of contributed revenue.

The free cash flow generation¹⁰ target of 35% of 2022 EBITDA is fully confirmed, with an improved financial leverage ratio (net financial debt / EBITDA) of below 3.0x 2022 EBITDA – excluding acquisitions – (vs. a mid-cycle ratio of around 3.0x).

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Calendar

Consolidated results at December 31, 2019

March 9, 2020 after market close

⁹ See the press release of June 26, 2018.

¹⁰ See below.

About Séché Environnement

Séché Environnement is one of France's leading players in the recovery and treatment of all types of waste, from both industry and local communities.

Séché Environnement is the leading independent operator in France. It is uniquely positioned as a specialist in highly complex waste, operating within regulated waste recovery and treatment markets with high barriers to entry, and develops cutting edge hazardous and non-hazardous waste recovery and treatment solutions.

Its facilities and expertise enable it to provide high value-added solutions to its industrial and public authority clients, targeting the challenges of the circular economy and sustainable development requirements, such as:

- material and energy recovery from hazardous and non-hazardous waste;
- a comprehensive range of treatment solutions for solid, liquid and gaseous waste (thermal, physico-chemical and VLL nuclear waste treatment, etc.);
- the storage of final hazardous and non-hazardous waste;
- eco-services such as decontamination, decommissioning, asbestos removal and rehabilitation;
- the global management of environmental services under outsourcing agreements.

Leveraging its extensive expertise, Séché Environnement operates in more than 15 countries around the world and is developing rapidly internationally through organic growth and acquisitions. Already operating in Europe (Spain and Germany, and now Italy) Séché Environnement has recently taken a leading position in Latin America (Peru and Chile) and in South Africa.

The Group currently employs 4,500 people worldwide (including about 2,000 in France).

Séché Environnement has been listed on Eurolist by Euronext (Compartment B) since November 27, 1997.

It is eligible for equity savings funds dedicated to investing in SMEs and is listed in the CAC Mid&Small and Einternext PEA-PME 150 indexes.

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