

Paris, April 6th 2021

## **SUEZ announces a sale agreement with Cleanaway for the Recycling and Recovery activities in Australia subject to the results of negotiations between SUEZ and Veolia**

**SUEZ has signed, on April 5th, 2021, a sale agreement for its Recycling and Recovery business in Australia to Cleanaway Waste Management Limited (Cleanaway). This agreement is fully in line with the SUEZ 2030 strategic plan. It specifically allows for the possibility of Veolia taking control of this asset, through a takeover offer, on the basis of SUEZ proposal to Veolia on March 21, 2021, or through a direct purchase of the Australian R&R activities<sup>1</sup>. Under the agreement, in certain circumstances, a selection of landfill and transfer station assets in the Sydney area would still be sold to Cleanaway<sup>2</sup>.**

The negotiations with Cleanaway have taken place over several months and resulted in an agreement that offers real prospect for the development of this business and recognizes the commitment and professionalism of SUEZ' Australian employees. Further, SUEZ thanks Cleanaway for its willingness to reach an agreement and for having taken into account its current context, notably to still allow for the possibility that Veolia could acquire this asset.

The agreement signed with Cleanaway reflects an enterprise value of 2.52 billion Australian dollars, representing an implicit multiple of 12.9x its reported 2020 EBITDA (or 11.7x its normalized 2020 EBITDA). SUEZ emphasizes that this value shows the relevance of its asset rotation strategy under the SUEZ 2030 strategic plan. Cleanaway's offer allows to achieve this objective of creating value in the corporate interest of the Group.

### **A disposal in line with SUEZ 2030 strategic plan to refocus the Group on high value-added activities**

The disposal of the Recycling and Recovery business in Australia forms part of the SUEZ 2030 strategic plan, introduced on October 2, 2019 and further detailed on the 2021 and 2022 forecast presentations on September 22, 2020 and then at the 2020 annual results presentation on February 26, where SUEZ insisted on the necessary rotation of its assets in order to create value for its shareholders.

The first disposals (Recycling and Recovery activities in Sweden, Germany, Poland, Luxembourg, Netherlands) and the first acquisitions to strengthen the Water, Tech and specialized treatments (China, Germany and Spain) allow the Group to refocus and to highlight the value potential that was not fully appreciated by the markets. In this context, the Recycling and Recovery activities in Australia were identified as part of the second wave of the asset rotation program, assessed by SUEZ during 2020 and ultimately detailed on September 22, 2020, which completion is required to ensure the strategic continuation of the Group if the desired negotiation with Veolia were to fail.

### **A conditional agreement that allows for Veolia to negotiate a global solution with SUEZ**

SUEZ continues to seek a friendly, negotiated solution with Veolia and is accordingly leaving the door open for negotiations with Veolia for a global agreement. The conditions signed with Cleanaway for the Recycling and Recovery business in Australia are in line with SUEZ's proposal to Veolia on March 21, 2021.

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<sup>1</sup> Please refer to the attached Additional Information notice for further details.

<sup>2</sup> It is to be noted that Veolia would have, in any case, difficulty retaining those assets due to anti-trust.

#### **SUEZ**

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To this end, this agreement is conditional and expressly provides that SUEZ may terminate it if, by May 5, 2021:

- SUEZ announces and reaches an agreement on the main terms of a transaction comprising a tender offer for SUEZ ; or
- A tender offer for a cash consideration at least equal to €22.50 per share (cum dividend) for 100% of SUEZ is the subject matter of a public commitment<sup>3</sup>.

Furthermore, until April 21, 2021, it is possible for any third party, including Veolia, to submit a superior offer on the Recycling and Recovery business in Australia<sup>4</sup>. If such a superior offer was to arise, Cleanaway would be notified and has an ability to match<sup>5</sup>.

SUEZ's agreement with Cleanaway is also subject to various conditions including ACCC approval, an approval under the New-Zealand foreign investment regime (OIO), Cleanaway's successful financing of the transaction, no material adverse change and SUEZ obtaining FIRB approval in connection with a pre-closing restructuring involving its water business.

In the event the Australian Recycling and Recovery transaction is terminated due to SUEZ exercising its right to terminate the transaction by May 5, 2021 or other events<sup>6</sup>, Cleanaway and SUEZ have agreed that Cleanaway will acquire a portfolio of post collection assets in the Sydney area. The assets comprise two landfills and five transfer stations and will be acquired for 501 million Australian dollars. This transaction would also be subject to various conditions including ACCC Approval, no material adverse change and a change of control of SUEZ.

#### **SUEZ:**

Since the end of the 19th century, SUEZ has built expertise aimed at helping people to constantly improve their quality of life by protecting their health and supporting economic growth. With an active presence on five continents, SUEZ and its 90,000 employees strive to preserve our environment's natural capital: water, soil, and air. SUEZ provides innovative and resilient solutions in water management, waste recovery, site remediation and air treatment, optimizing municipalities' and industries' resource management through "smart" cities and improving their environmental and economic performance. The Group delivers sanitation services to 64 million people and produces 7.1 billion m3 of drinking water. SUEZ is also a contributor to economic growth, with more than 200,000 jobs created directly and indirectly on an annual basis, and a provider of new resources, with 4.2 million tons of secondary raw materials produced. By 2030, the Group is targeting 100% sustainable solutions, with a positive impact on our environment, health, and climate. SUEZ generated total revenue of €17,2 billion in 2020.

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<sup>3</sup> Please refer to the attached notice for further details.

<sup>4</sup> Please refer to the attached Additional Information notice for further details.

<sup>5</sup> And if Cleanaway decided not to match any superior offer it would be entitled to a 50% share of the difference between (i) the sale price for the Recycling and Recovery business in Australia resulting from such superior offer and (ii) the price resulting from the agreement initially entered into between Cleanaway and SUEZ.

<sup>6</sup> Please refer to the attached Additional Information notice for further details.

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## Additional Information

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The Board of Directors of SUEZ has structured the transaction both to ensure that SUEZ can continue with the proposals made to Veolia on the March 21, 2021, and to best preserve the interests of all its stakeholders and create substantially more value than the current Veolia offer.

### SUEZ 2030

The Board of Directors of SUEZ is highly confident in the ability of SUEZ, by implementing its SUEZ 2030 strategy, to best preserve the interests of all its stakeholders and to create substantially more value than the current Veolia offer.

One of the pillars of this strategy, announced on October 2, 2019 and detailed on September 22, 2020, is the disposal of selected assets to reduce SUEZ's total capital employed and recycle capital away from activities, which are not properly valued, to reinvest in supporting the Group's growth and performance.

The 2021 and 2022 guidance, disclosed on February 26, 2021, during the presentation of the 2020 results, takes into account asset rotations with an aim to create value for all stakeholders of SUEZ.

Our Wave 1 asset disposal program has already accomplished these goals and was able to highlight the significant and unrecognized value in our R&R assets. By the same logic, SUEZ earmarked the Australian Recycling and Recovery business as part of its Wave 2 of assets' disposals.

### Sale of Australia R&R

In this context, SUEZ has signed on April 5th, 2021 a conditional share sale agreement ("SSA") to dispose its Recycling and Recovery business in Australia to Cleanaway, for an Enterprise Value of A\$2.52bn<sup>7</sup>.

1. The implied transaction multiple of 12.9x reported 2020 EBITDA (or 11.7x normalized 2020 EBITDA) is well above the implicit valuation of this business within SUEZ in past trading, and well above the multiple reflected by Veolia's current offer of €18/share (cum dividend).
2. Proceeds from the transaction would substantially reduce the Group's gearing to below the target of 2.8/3.0x EBITDA – enabling the Group to invest in growth projects as well as opening up the potential for more direct returns to shareholders.

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<sup>7</sup> The SSA is subject to obtaining regulatory approvals, including inter alia the Australian Competition and Consumer Commission (ACCC) and the Foreign Investments Review Board in Australia (FIRB) and the New Zealand Overseas Investment Office). The SSA is also conditional upon, inter alia (i) Cleanaway obtaining by 26 April 2021, a bank financing and a volume underwriting agreement (*equity funding commitment*) relating to its capital increase, and (ii) the completion by Cleanaway of a capital increase, Cleanaway being entitled to terminate the agreement if in approximately 6 months, actions or adverse judicial proceedings are ongoing and reasonably likely to have a material adverse impact on the success of such capital increase. The SSA is also entered into subject to (i) a MAC clause allowing Cleanaway to walk away from the transaction in case such a MAC occurs as well as (ii) other usual no injunction conditions. Finally, the SSA provides for potential specific indemnities granted by SUEZ, the payment of termination fees (without prejudice to the possibility for the other party to claim payment of damages) by SUEZ (of an amount of 30 million Australian dollars, if SUEZ does not obtain the authorization of the FIRB with respect to the carve-out of its Water business in Australia, or in case of a material breach of the SSA), and by Cleanaway (of an amount of 30 million Australian dollars, if its capital increase is not completed, or of an amount of 45 million Australian dollars, in case of a significant breach to the SSA or a failure to obtain the required authorizations (ACCC and OIO).

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3. This is a further testament of the value creation potential inherent in the SUEZ 2030 strategy which demonstrates the significant intrinsic value of the Group.

### **Compatible with the negotiated solution proposed to Veolia**

The Board of Directors of SUEZ continues to wish for a friendly and negotiated solution with Veolia. SUEZ has therefore ensured the SSA does not interfere with these aims.

In that context, SUEZ is able to terminate the SSA<sup>8</sup> if, by 5 May 2021:

- SUEZ announces and reaches an agreement on the main terms of a transaction comprising a tender offer on SUEZ; or if
- A tender offer at a price of 22.50 euro per share (cum dividend) for 100% of SUEZ is the subject matter of a public commitment.

### **Alternative Transaction for Cleanaway**

Should SUEZ terminate the SSA within the indicated period, SUEZ will sell to Cleanaway two landfills and five transfer stations in Sydney<sup>9</sup>.

It is to be noted that Veolia would have, in any case, difficulty retaining those assets due to anti-trust concerns.

Cleanaway would pay a net price of \$501 million Australian dollars. for these assets<sup>10</sup>.

### **Opportunity for any Third Party (including Veolia) to make a superior offer**

Until 21 April 2021<sup>11</sup>, any third-party bidder, including Veolia, has the right to present a superior offer on the Recycling and Recovery business in Australia.

1. Upon receipt of a superior offer, such a bidder would have access to the same information as Cleanaway in a data room (subject to NDA and “clean team” arrangements as relevant). Cleanaway would have certain notification rights in relation to any superior offer, as well as matching rights (see below).
2. A bidder must offer a valuation at least 2% higher vis-à-vis the transaction agreed with Cleanaway with no cap on the increase.

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<sup>8</sup> The effectiveness of the termination of the SSA being subject to the transaction triggering such termination not being withdrawn, terminated or otherwise unsuccessful.

<sup>9</sup> Such alternative transaction would also be implemented in the event that, *inter alia*, (i) SUEZ materially breaches the SSA, (ii) at the time of the definitive closing of the sale by SUEZ of the R&R business in Australia, a court order prohibits it, (iii) SUEZ fails to obtain the regulatory approvals relating to the carve-out of its Water activity in Australia, (iv) by approximately 6 months, ongoing adverse proceedings impact significantly Cleanaway’s ability to complete its capital increase, resulting in Cleanaway terminating the SSA. The definitive closing of this alternative transaction will only occur subject that a change of control of SUEZ being able to occur by 31 December 2022.

<sup>10</sup> If SUEZ is prohibited from proceeding to the definitive closing of this alternative transaction, SUEZ would cover Cleanaway’s costs within a limit of a maximum amount of 30 million Australian dollars, it being specified, however, that such commitment to cover the costs would not apply if the failure to complete the transaction is the result of a court decision resulting from the proceedings in relation to the transaction initiated to this day by Veolia and prohibiting the completion of such alternative transaction.

<sup>11</sup> Any superior offer (including a second offer) should be notified by SUEZ to Cleanaway at the latest on 21 April 2021.

3. If Cleanaway decides to match its offer to the same level as the one offered by the third party bidder, the same bidder can submit a second offer.
4. Cleanaway has the right to match its offer to the same level as each of the overbids made by the third party bidder.
5. If Cleanaway decides not to match a superior offer or if a superior offer is retained by SUEZ<sup>12</sup>, Cleanaway will be entitled to 50% of the difference between (i) the sale price for the Recycling and Recovery business in Australia resulting from such superior offer and (ii) the price resulting from the agreement initially entered into between Cleanaway and SUEZ.

### **Additional information**

After having been contacted by Cleanaway in the first semester of 2020, SUEZ has decided at the end of July 2020 to study the potential disposal of its Australia R&R business. In the course of the discussions with Cleanaway, SUEZ received indications of interests from other interested bidders but at lower valuations than the one proposed by Cleanaway.

On 1<sup>st</sup> April, 2021, the relevant SUEZ works council has issued a favourable opinion on the disposal of the Australian R&R business.

The decision to proceed with the disposal of the Australian R&R business has been recommended to the board of directors of SUEZ by the ad-hoc committee. The decision of the Board of Directors was taken with knowledge of the report of an expert appraiser appointed by SUEZ.

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<sup>12</sup> SUEZ considering in good faith that the matching offer of Cleanaway would not be at least as favourable as for the interests of SUEZ as the offer of the third party bidder.

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