

# Investor Presentation

**Peter Simpson**

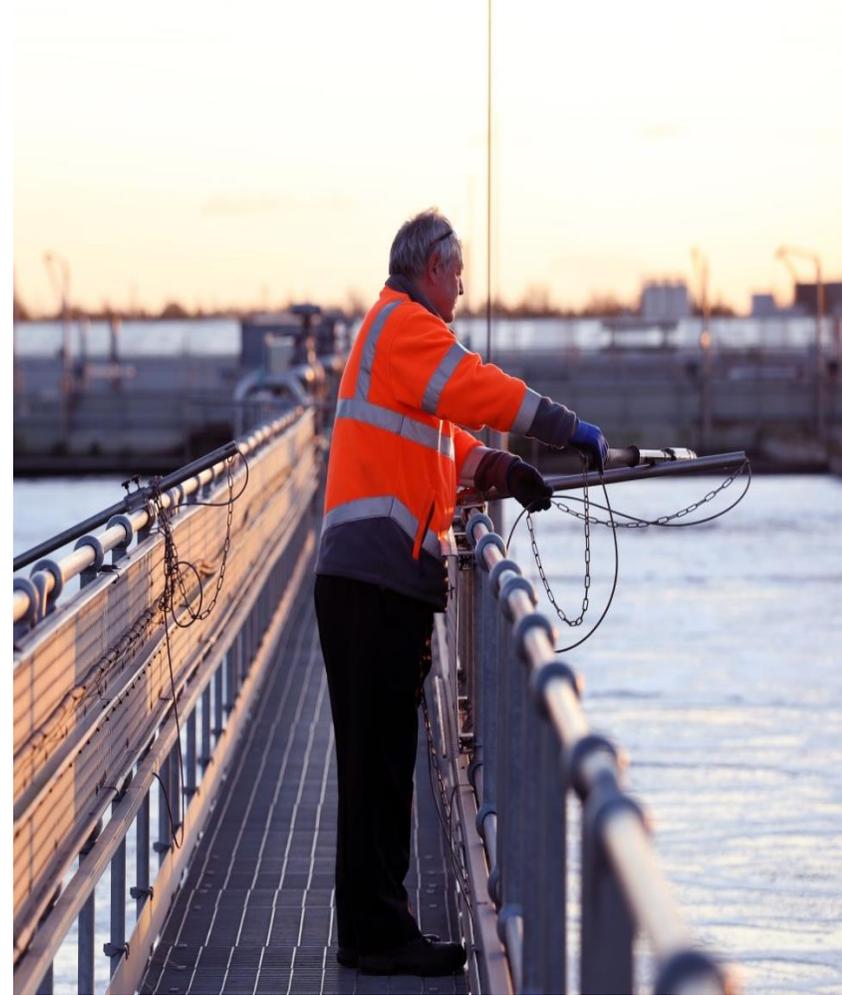
Chief Executive Officer,  
Anglian Water

**Steve Buck**

Chief Financial Officer,  
Anglian Water

---

5 December 2019



love every drop  
anglianwater 

# Before we get started



## Disclaimer

For the purposes of the following disclaimer, references to this “document” shall mean this presentation pack and shall be deemed to include references to the related speeches made by or to be made by the presenters, any questions and answers in relation thereto and any other related verbal or written communications.

Any forward-looking statements made in this document represent management’s judgment as to what may occur in the future. However, the group’s actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors including some which will be outside the control of the group.

Such factors could cause the group’s actual results for current and future periods to differ materially from those expressed in any forward-looking statements made in this document. Unless otherwise required by applicable law, accounting standard or regulation, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

# Our leading performance

Rated **number one**   
water company for service  
delivery 2018/19 by Ofwat

**Number one in SIM** 

for customer service across  
the 2015-2020 business plan  
with forecast for

**£17m + reward**

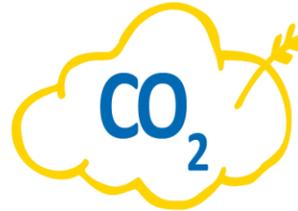
**Best ever year for  
renewable energy** 

with projected 120  
GWh CHP output 

On track to meet

**60%**

reduction in  
capital carbon



**Record-breaking  
performance**

on pollution, leakage and  
supply interruptions



with forecast of

**£47m + reward  
for the AMP**



Enough to power   
50,000 homes for 100 days

One of only **two**   
companies to reach new  
Drinking Water Inspectorate  
quality standard

**Top spot**  
in Consumer Council  
for Water customer  
services rankings



# External recognition



2019 **BEST PLACES TO WORK**  
— EMPLOYEES' CHOICE —



The Bupa Health and Wellbeing Award

Winner: Anglian Water

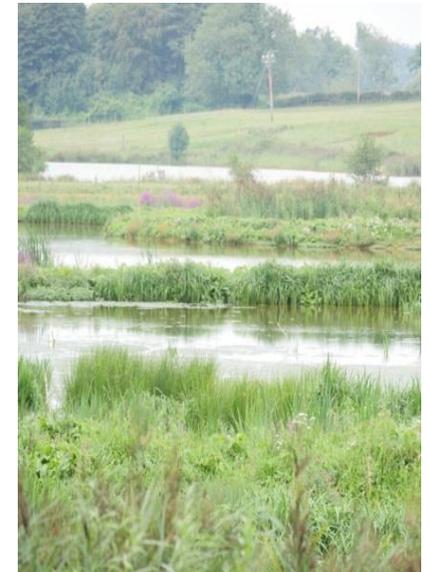


**TOP CEOs 2019**  
— EMPLOYEES' CHOICE —

# Enshrining our purpose

## Changing our Articles of Association

- Legal requirement to consider **impact on communities and the environment** in all decisions made
- The Board will adopt a **statement of responsible business principles**
- **Annual reporting** against **key environmental, social and ethical metrics**
- Developing **Responsible Business PAS** with BSI
- Creating **social contract** with our customers



**We are the first water company to make such a fundamental change.**

# Half-year highlights

Bigger than the O2: giant greenhouses to grow 20 tonnes of tomatoes a day

Low-carbon structures fed by water treatment plants can grow 10% of homegrown crop



Anglian Water signs up to major circular economy initiative



Signed partnership contract for UK's largest subsidy-free solar programme



MyAccount app launched on Google Play and Apple App Store



AM6 infrastructure investment programme nearing conclusion



International collaboration through Leading Coalition



Refreshed brand setting us up for AMP7



Key AMP7 messages reinforced through representations and engagement with Ofwat



3-day Innovate East event attracted 1,800 delegates

# Planning for the future: AMP7

Over 500,000 customer interactions have co-created our plan – 10 times more than the last

Sector-leading customer engagement

Rated **A**

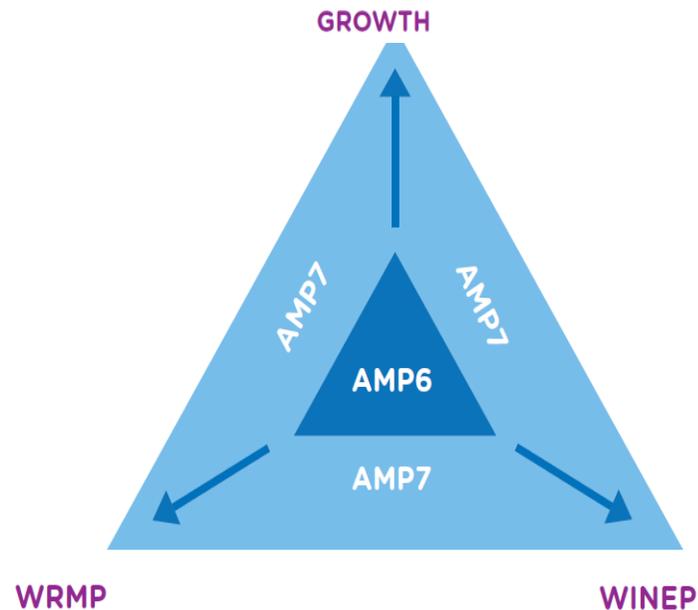


c. 20% increase in investment compared with AMP6

Bills falling by c. 1.1% during AMP7



More than 66% of customers preferred our amended plan compared to Ofwat's Draft Determination



# Anglian Venture Holdings delivering profit and cash expectations



- EBITDA £5m
- Strong operational performance at Celtic Anglian Water
- Continued progress with operational synergies at Wave



Alpheus



TIDE  
TAKING IDEAS, DELIVERING EXCELLENCE

awgproperty

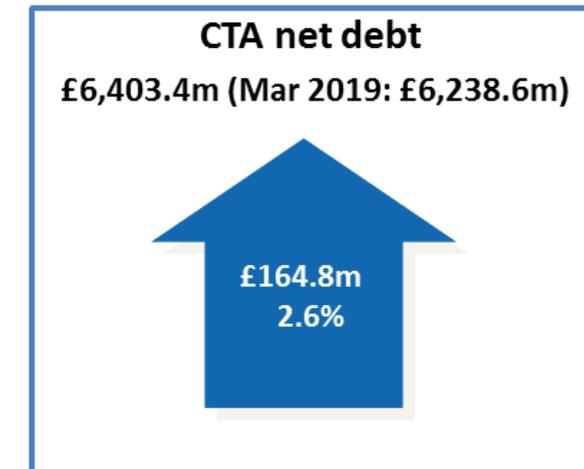
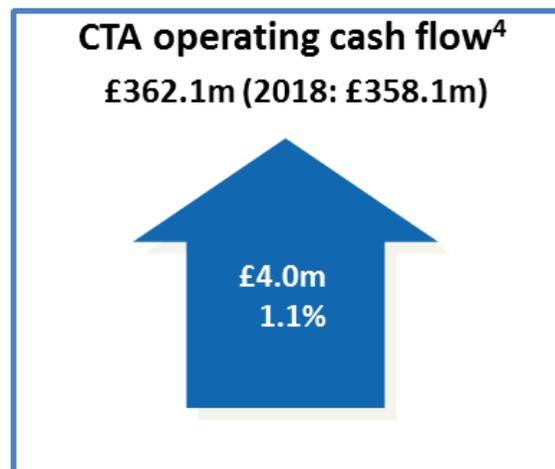
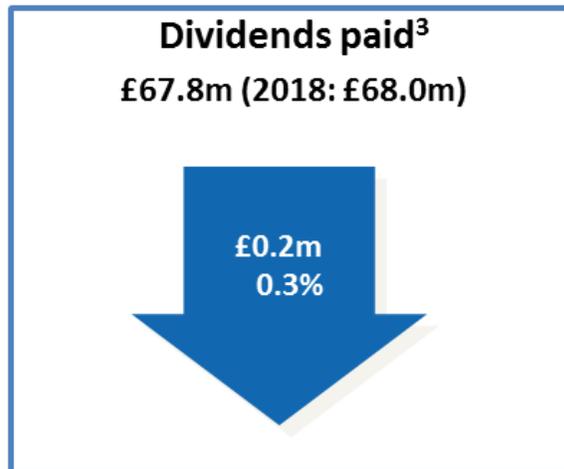
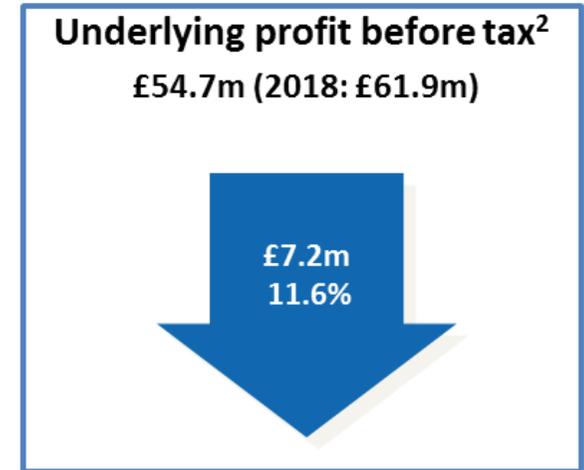
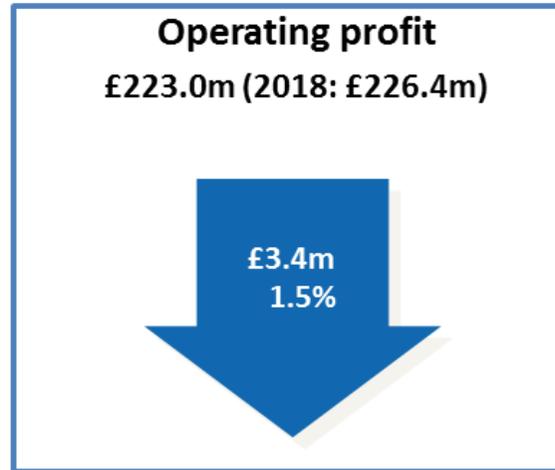
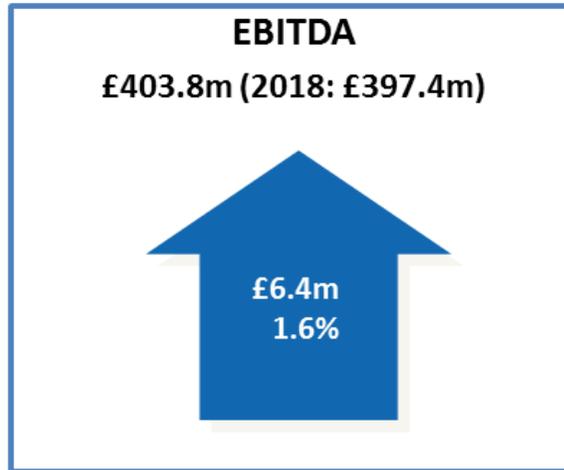
# Financial Performance



**Steve Buck**  
**Chief Financial Officer**



# Anglian Water financial highlights



<sup>1</sup> The comparatives have been restated for the impact of IFRS 15 on accounting for grants and contributions.

<sup>2</sup> Excludes loss on derivatives of £171.3m (2018: gain of £56.3m).

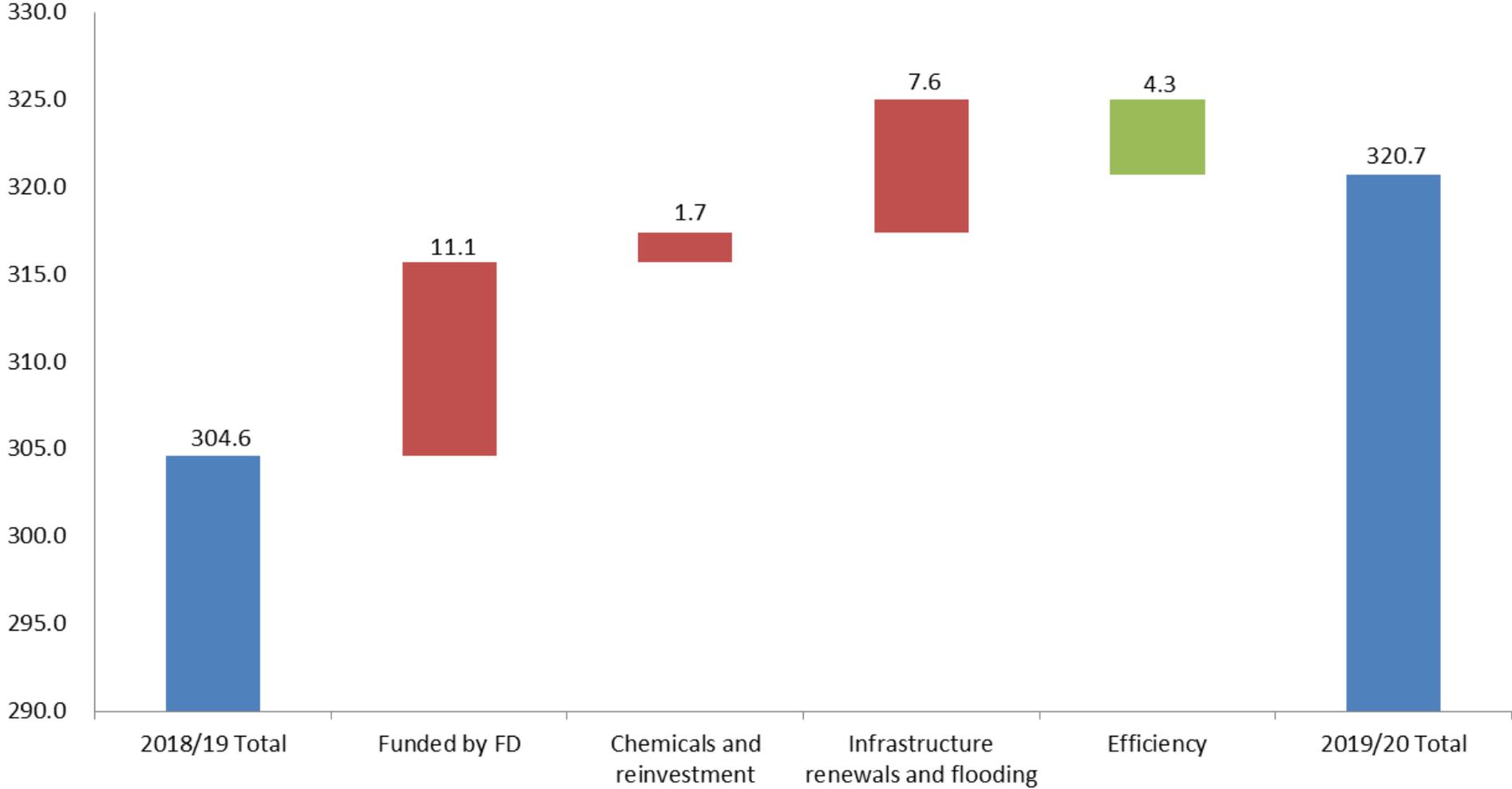
<sup>3</sup> Dividends available to the ultimate shareholders.

<sup>4</sup> Shown on a CTA basis before tax of £40.3m (2018: £nil).

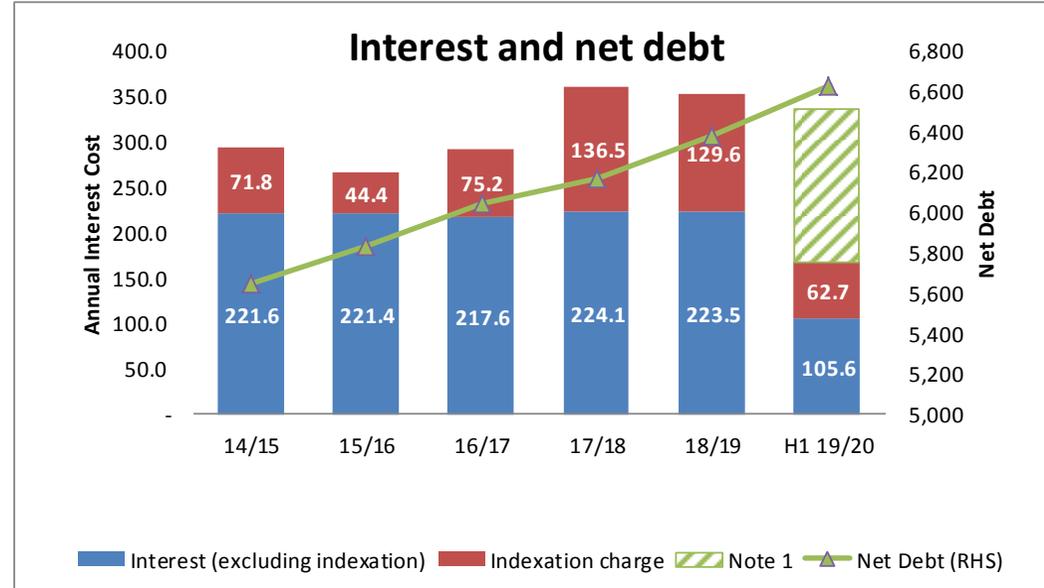
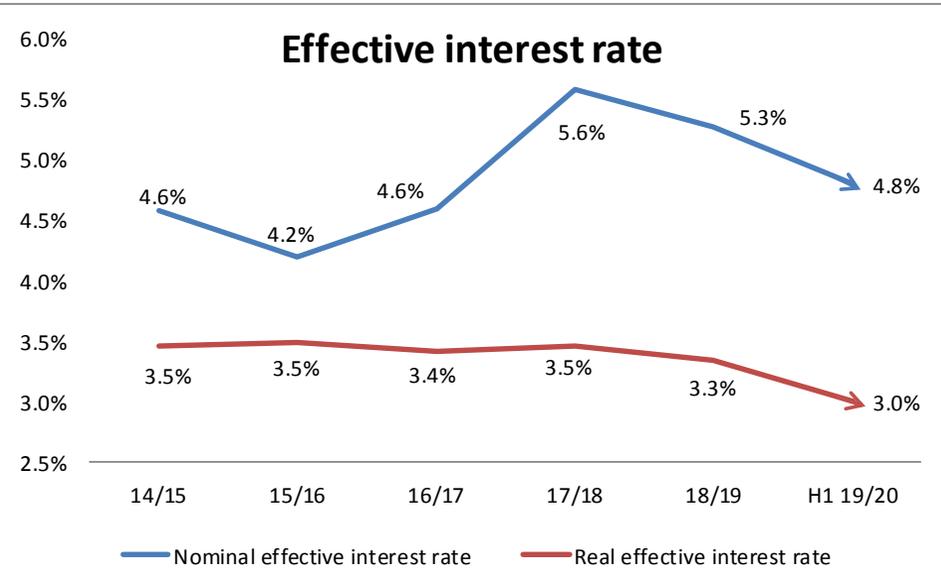
# Anglian Water underlying profit before tax

£61.9m	September 2018
£21.4m	Revenue inflation
£1.0m	Consumption and growth
£(7.6m)	Infrastructure renewals and flooding
£(8.4m)	Opex inflation and other costs
£(9.8m)	Depreciation due to increase in assets
£(3.8m)	Finance costs due to increase in debt
£54.7m	September 2019

# Anglian Water operating costs

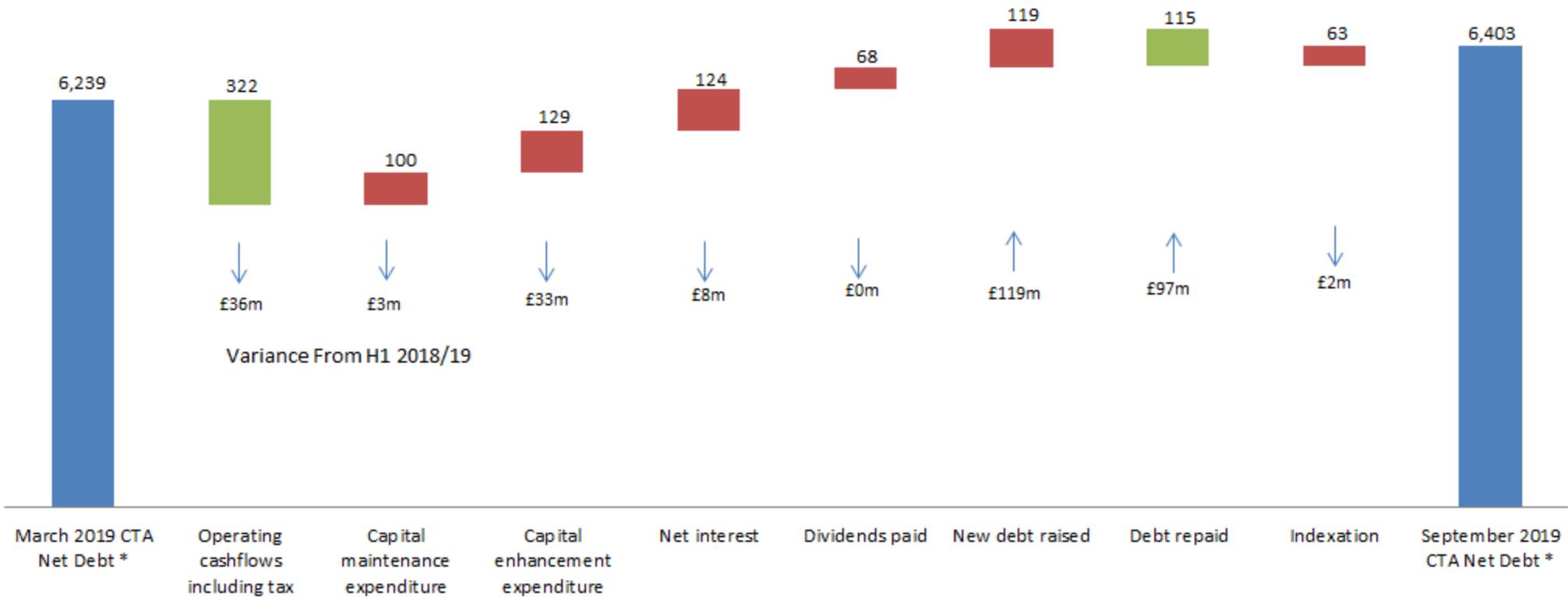


# Anglian Water interest



Note 1: Annualised interest based on current H1

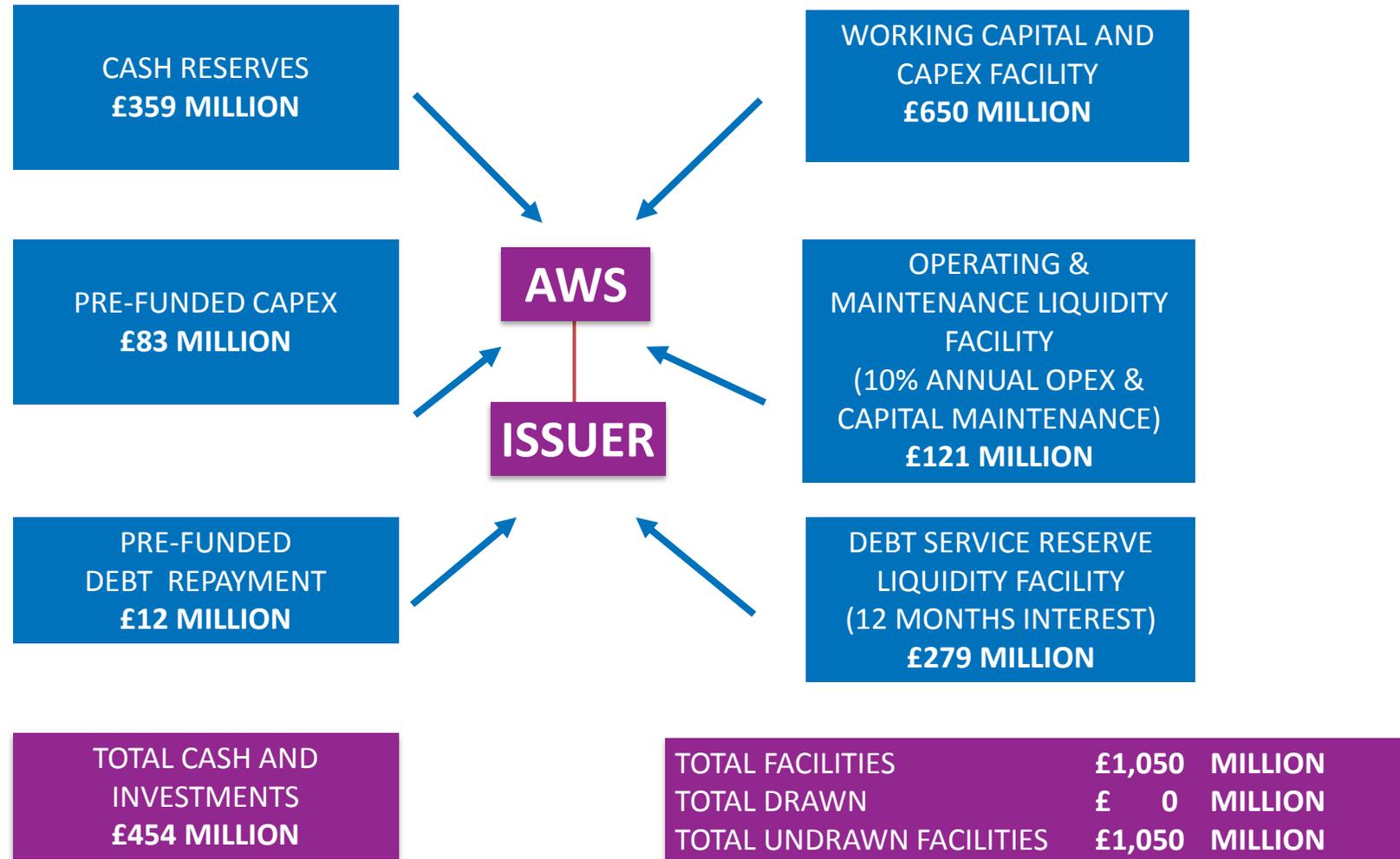
# Anglian Water net debt <sup>1</sup>



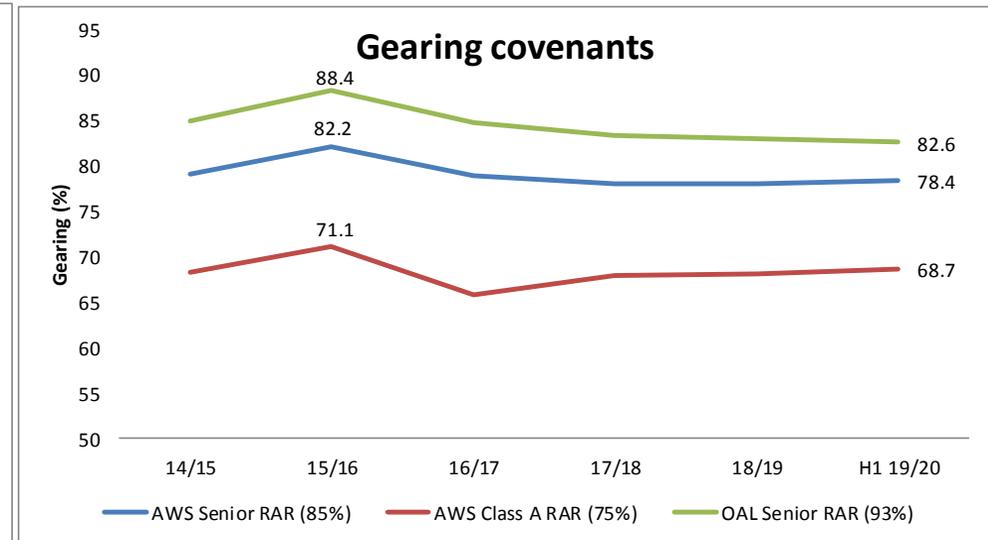
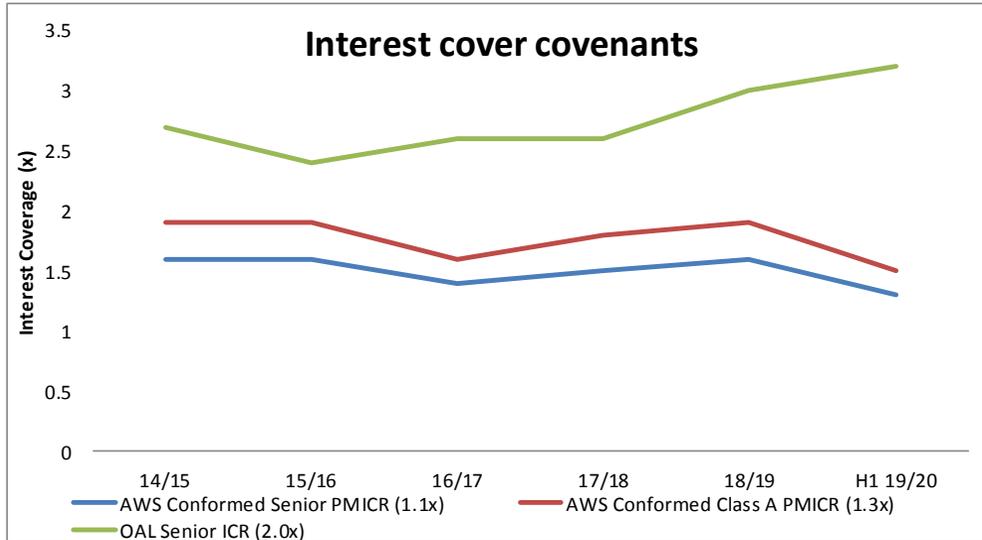
1. CTA cash flows are on a different basis to those presented in the financial statements

\* CTA cash balances at March 2019 - £551.4m; at September 2019 - £454.0m

# Anglian Water liquidity



# Anglian Water key financial ratios



Note: These ratios are calculated based on cash interest. There is more interest paid in the first half of the year and therefore the September ratios are lower than for the full year.

RAR = Regulated asset ratio

ICR = Interest cover ratio

PMICR = Post-maintenance interest cover ratio

# Sustainable financing

Bonds funding major capital initiatives

 **5 Green Bonds**

now in place - a sixth scheduled for April 2020

**£811 million**

invested in Green Bond capital projects

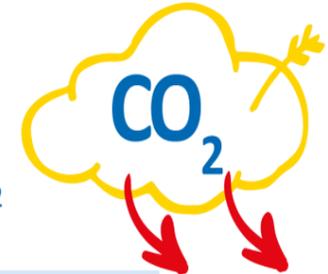


**61%**

reduction in capital carbon vs 2010 baseline

**160,736**

tonnes reduction in CO<sup>2</sup>



**850+**

schemes underway



**All of our capital spend is subject to our governance requirements and meets Green Bond principles**

# Sustainability benchmarks

	Target	Measure	Actual Sept 2019	Benchmark March 2020
	Capital carbon	% reduction on 2010 baseline	59%	60%
	Water consumption	Three-year average litres per capita per day	135	136
	Water leakage	Megalitres per day	183	184
	Pollution incidents	Incidents per 10,000km of sewer	YTD 17 <sup>1</sup>	29
	Supporting vulnerable customers	% of customers on priority register	1.3%	1.4%

**£600m of AWS RCF facilities and the £250m Osprey facility are linked to Anglian Water's Sustainability Benchmarks for AMP7**

<sup>1</sup> At the current rate of incidents the indicative figure for 2018/19 is 34

# Summary

- Delivered leading performance in first four years of AMP6.
- Focus on ensuring last year of AMP6 is another strong performance.
- Continue to work with Ofwat to ensure the right plan for our region.
- Ensure we are prepared for AMP7 with specific focus on year one.

**Any questions?**



# Appendices



# Index of Appendices

1. Anglian Water - Reconciliation of CTA operating cash flow
2. Anglian Water - Reconciliation of CTA net debt
3. Anglian Water - Reconciliation of underlying profit before tax
4. Anglian Water - Summary of new loans and repayments
5. Anglian Water - Debt maturity profile
6. Anglian Water - Derivatives mark to market valuation
7. Osprey Acquisitions - Income statement
8. Osprey Acquisitions - Revenue segmental analysis
9. Osprey Acquisitions - Operating profit segmental analysis
10. Osprey Acquisitions - Group cash flow
11. Osprey Acquisitions - Net debt
12. Osprey Acquisitions - Operating cash flow
13. Osprey Acquisitions - Taxation
14. Anglian Water Group - Consolidated Capital Structure

# Anglian Water - reconciliation of CTA operating cash flow

Appendix 1

	2019 £m	2018 £m
<b>Operating cash flow - statutory accounts basis</b>	<b>366.2</b>	<b>360.7</b>
Impact of IFRS 15 <sup>2</sup>	-	(25.4)
Tax paid	(40.3)	-
Commissions on debt facilities not drawn	(1.5)	(1.4)
Other <sup>1</sup>	(2.4)	(1.2)
<b>Net cash inflow from operating activities - CTA basis</b>	<b>322.0</b>	<b>332.7</b>

<sup>1</sup> Primarily relates to issue costs on new debt

<sup>2</sup> The September 2018 CTA figures have not been restated for the impact of IFRS 15.

# Anglian Water - reconciliation of CTA net debt

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>Net debt - statutory accounting basis <sup>1</sup></b>	<b>6,630.4</b>	<b>6,342.5</b>
Unpresented cheques and lodgements	1.0	0.5
Capitalised issue costs	32.9	29.3
IFRS 16 Leases	(31.8)	-
IFRS 9 adjustments	(229.1)	(185.7)
<b>Net debt - CTA basis <sup>1</sup></b>	<b>6,403.4</b>	<b>6,186.6</b>

<sup>1</sup> The CTA net debt continues to be on old UK GAAP basis, while statutory net debt is on an IFRS basis, excluding derivatives

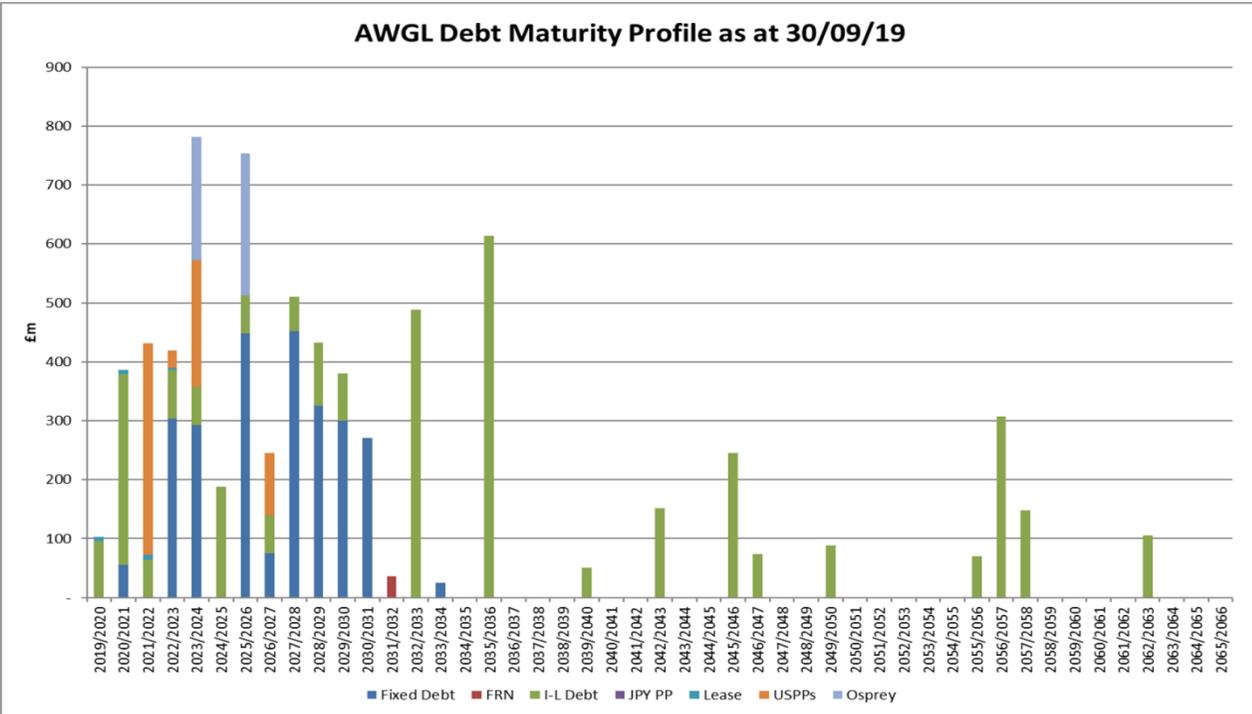
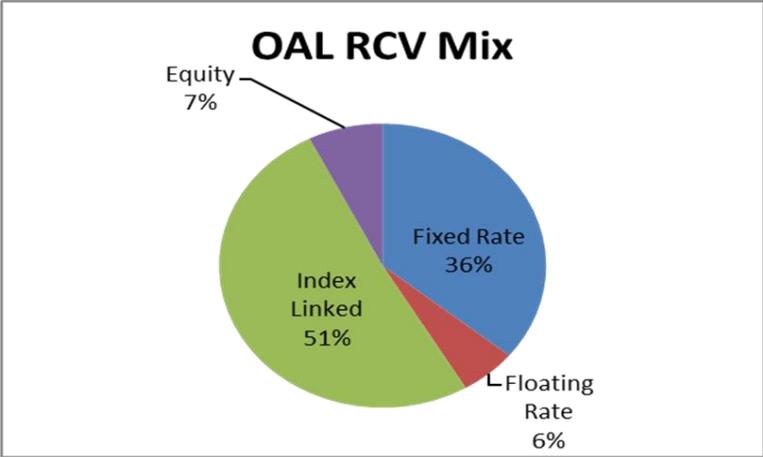
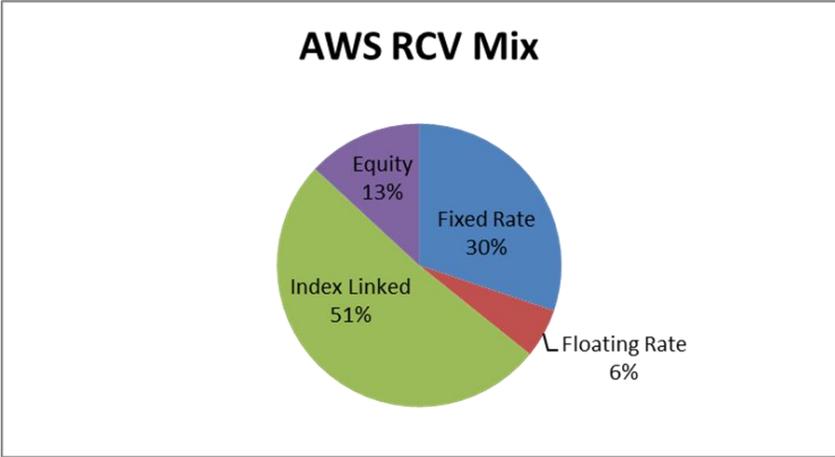
# Anglian Water - reconciliation of underlying profit before tax

	2019 £m	2018 £m
<b>Profit before tax on an underlying basis</b>	<b>54.7</b>	<b>61.9</b>
Finance costs - fair value (losses)/gains on financial derivatives	(171.3)	56.3
<b>(Loss) / profit before tax as reported on a statutory basis</b>	<b>(116.6)</b>	<b>118.2</b>

# Anglian Water - summary of new loans and repayments

	2019		2018
New debt raised	£m	New debt raised	£m
S61 A Fix 2.870 2029 GBP 65m	65.0		
S62 A Fix 0.855 2039 JPY 7bn	50.9		
	<u>115.9</u>		
Non cash debt raised			
IFRS 16 lease agreements	36.8		
<b>Total debt raised</b>	<b><u><u>152.7</u></u></b>	<b>Total debt raised</b>	<b><u><u>-</u></u></b>
	2019		2018
Debt repaid	£m	Debt repaid	£m
S31 A Fix 3.220 2019 JPY 5bn	(34.7)	£75m EIB Tranche 1 0.53% 2027	(4.4)
L01 A RPI 1.626 2019 GBP 50m	(67.9)	£75m EIB Tranche 2 0.79% 2027	(4.4)
L02 A RPI 0.530 2027 GBP 75m	(4.5)	£150m EIB 0.000% 2028	(8.5)
L02 A RPI 0.790 2027 GBP 75m	(4.5)		
L03 A RPI 0.000 2028 GBP 150m	(8.9)		
L04 A RPI 0.410 2029 GBP 65m	(3.8)		
	<u>(124.3)</u>		
Settlement of leases	(2.0)		
<b>Total debt repaid</b>	<b><u><u>(126.3)</u></u></b>	<b>Total debt repaid</b>	<b><u><u>(17.3)</u></u></b>

# Anglian Water - debt maturity profile Appendix 5



# Anglian Water - derivatives mark to market valuation

Appendix 6

Swap Type	Notional £m	MTM £m <sup>1</sup>
Interest Rate Swap	2,431.6	(228.1)
Cross Currency Interest Rate Swap	795.8	216.3
RPI Swap	565.9	(713.4)
CPI Swap	665.9	(155.4)
	<hr/> 4,459.2	<hr/> (880.6)

Energy Derivatives	Notional £m <sup>2</sup>	MTM £m
LEBA <sup>3</sup> Power Swaps	61.4	6.2

<sup>1</sup> Mark-to-Market valuations include accrued interest to valuation date.

<sup>2</sup> Notional value for Energy Derivatives represents locked in purchase price for power.

<sup>3</sup> LEBA = London Energy Brokers Association.

# Osprey Acquisitions Ltd - income statement

	2019	2018
	£m	£m
<b>Revenue</b>	<b>718.2</b>	697.1
<b>Operating profit</b>	<b>219.4</b>	221.5
<b>Interest</b>		
Interest	(108.2)	(102.7)
Indexation charge	(62.7)	(65.4)
<b>Underlying profit before tax</b>	<b>48.5</b>	53.4
Fair value (losses)/gains on financial derivatives	(171.3)	56.3
<b>(Loss)/profit before tax</b>	<b>(122.8)</b>	<b>109.7</b>

# Osprey Acquisitions Ltd - revenue segmental analysis

		2019 £m	2018 £m
<b>Anglian Water</b>	3.2%	<b>717.0</b>	<b>694.6</b>
Head Office and other		1.4	2.7
less: intersegmental trading		(0.2)	(0.2)
<b>Total revenue</b>	<b>3.0%</b>	<b>718.2</b>	<b>697.1</b>

# Osprey Acquisitions Ltd - operating profit segmental analysis

	2019	2018
	£m	£m
Anglian Water	223.0	226.4
Head Office and other	(3.6)	(4.9)
<b>Operating profit</b>	<b>219.4</b>	<b>221.5</b>

# Osprey Acquisitions Ltd - group cash flow

Appendix 10

	2019 £m	2018 £m
<b>Operating cash flow</b>	<b>348.5</b>	<b>346.0</b>
Taxation	-	0.3
Capital expenditure	(228.4)	(249.1)
Disposal of business net of cash disposed	-	-
Transition to IFRS 16 <sup>1</sup>	(35.5)	-
New IFRS 16 Finance leases <sup>1</sup>	(3.4)	-
Net interest paid	(136.1)	(131.8)
Principal settlement on derivatives	9.6	(11.7)
Dividends paid	-	(40.8)
Indexation <sup>2</sup>	(46.7)	(50.4)
Other non-cash movements in net debt <sup>3</sup>	(80.9)	(38.4)
	<hr/>	<hr/>
<b>Movement in net debt</b>	<b>(172.9)</b>	<b>(175.9)</b>

<sup>1</sup> On 1 April 2019, IFRS 16 'Leases' came into effect. The principal consequences of this new standard are that a lease liability reflecting future lease payments and a 'right-of-use' asset are recognised on the balance sheet, and an interest expense on the lease liability and depreciation on the 'right-of-use' asset are recorded in the income statement.

<sup>2</sup> In addition to the above indexation on debt, there is a further £16.0m (2018: £15.0m) indexation on derivatives which is included for covenant purposes in calculating net debt.

<sup>3</sup> Other non-cash movements in debt comprise IFRS 9 adjustments primarily in respect of fair value losses £86.6m (2018: £43.9m) offset by interest accruals £7.9m (2018: £7.8m).

# Osprey Acquisitions Ltd - net debt

Appendix 11

	September 2019 £m	March 2019 £m
<b>Anglian Water<sup>1</sup></b>	<b>(6,630.4)</b>	<b>(6,380.3)</b>
<b>Head office and other</b>	<b>71.2</b>	<b>45.2</b>
	<b>(6,559.2)</b>	<b>(6,335.1)</b>
<b>Osprey Acquisitions Limited</b>		
£210m 5.0% bond 2023	(213.1)	(213.1)
£240m 4.0% bond 2026	(238.9)	(238.9)
Net cash	64.4	13.2
<b>Osprey Acquisitions Group<sup>2</sup></b>	<b>(6,946.8)</b>	<b>(6,773.9)</b>

<sup>1</sup> Net debt on an IFRS statutory basis - see appendix 2 for reconciliation to CTA basis

<sup>2</sup> Excludes loan from parent company (£728.8m\*) and fair value debt adjustments arising on acquisition (£155.0m)

\* Total shareholder investment of £1,550m was put into Osprey Acquisitions Ltd from Osprey Holdco Ltd by a mixture of equity and subordinated debt. At 30 September 2019 and 31 March 2019 this quasi-equity subordinated loan stands at £728.8m

# Osprey Acquisitions Ltd - operating cash flow

Appendix 12

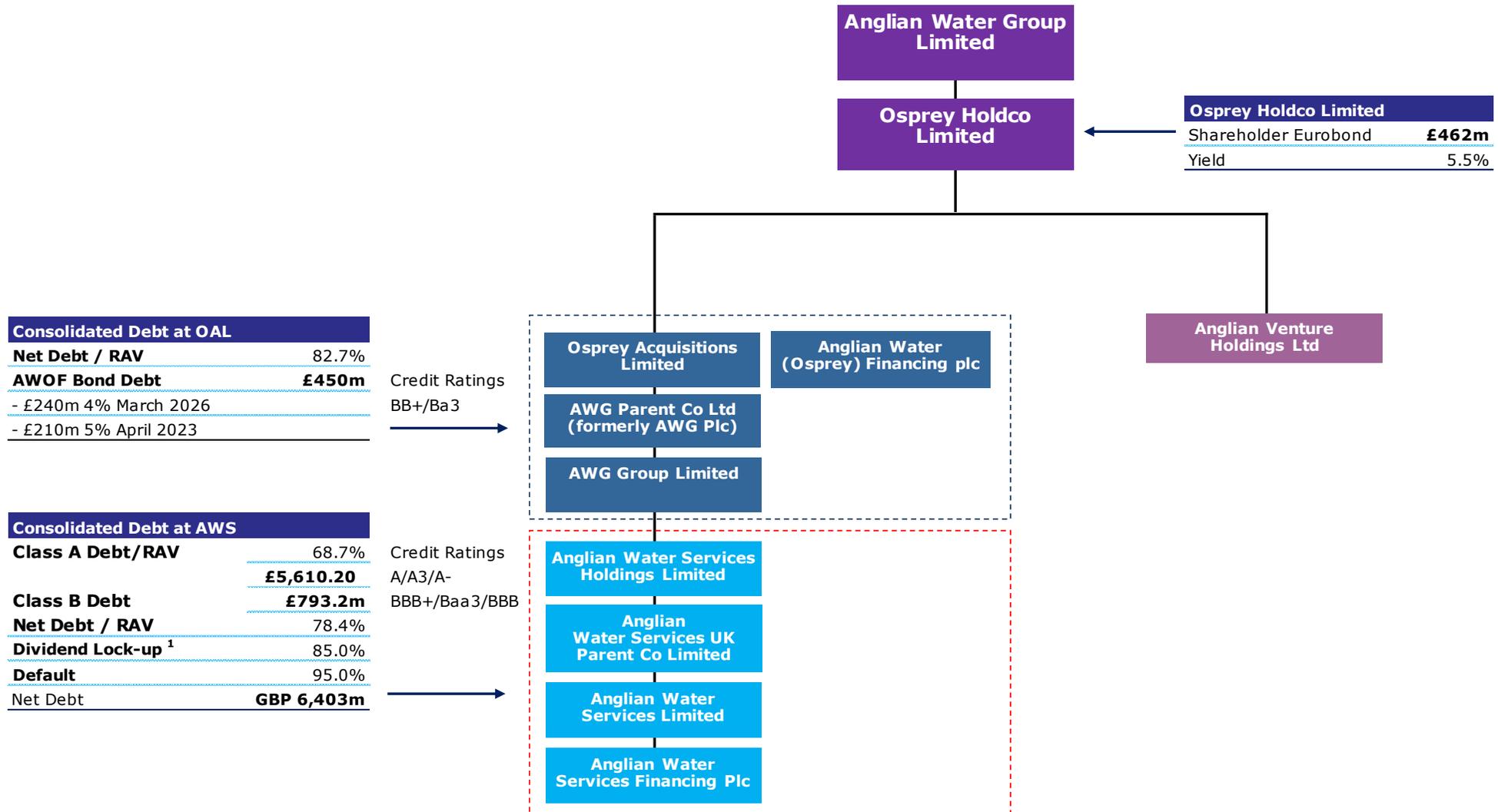
	2019	2018
Anglian Water	366.2	360.7
Head Office and other	(17.7)	(14.7)
<b>Total operating cash flow</b>	<b>348.5</b>	<b>346.0</b>

# Osprey Acquisitions Ltd - taxation

## Appendix 13

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>(Loss)/profit before tax</b>	<b>(122.8)</b>	<b>109.7</b>
Tax at UK rate of 19% (2018: 19%)	(23.3)	20.8
Effects of recurring items:		
Items not deductible for tax purposes	2.5	4.0
Effects of non-recurring items:		
Items not taxable	-	-
Reduction in corporation tax rate	-	(1.1)
Effects of differences between rates of CT and DT	2.2	0.9
Other permanent differences	(0.3)	7.2
Adjustments in respect of prior periods	-	1.8
<b>Tax (credit)/charge for the period</b>	<b>(18.9)</b>	<b>33.6</b>

# Anglian Water Group Financing Structure - consolidated capital structure



<sup>1</sup> Senior RAR Trigger Event is 90%, with Dividend lock up at 85%

**Thank you  
for listening**

