

# Investor presentation

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18 June 2021



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.

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# Presentation overview



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**Staying true to our environmental and social purpose**

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**Delivery not deflected by unprecedented challenges**

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**Long-term vision: keeping the future in focus**

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**2021 Key financial and sustainability metrics**

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# Staying true to our environmental and social purpose

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# True to our purpose in a year of challenge

Strength of commitment to environmental and social prosperity maintained throughout challenges of Covid-19, extremes of weather and financial constraints



Delivering consistently through Covid-19



Managing unprecedented demand for water



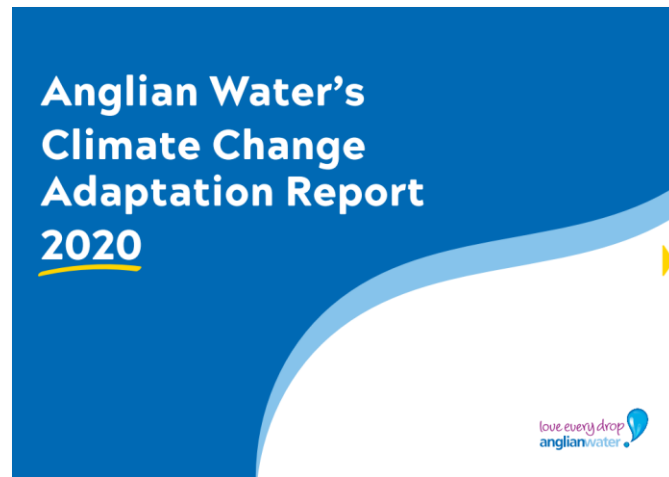
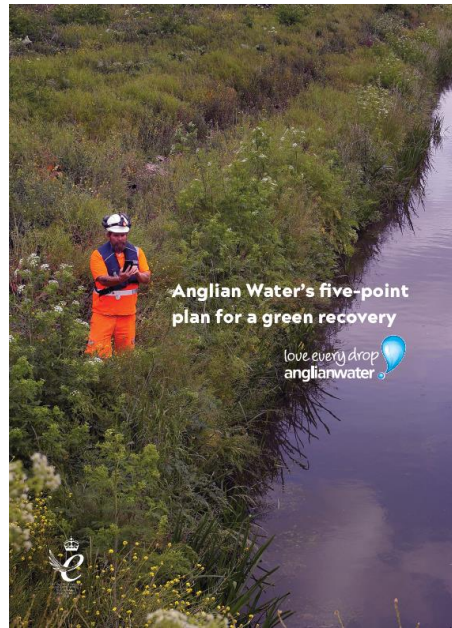
Coping with widespread long-lasting flooding



Maintaining globally leading position on leakage

# Safeguarding our environment and taking action on climate

Relentless focus on environmental protection and enhancement in our region and delivering resilience to climate change and population growth



## £300 million

environmental investment accelerated



# Supporting colleagues and communities



Five-point community recovery plan and social contract highlight depth and strength of support for our people, our customers and the communities we serve, and set out our ongoing commitments

3,000 colleagues attend half-day stand-down devoted to health, safety and wellbeing

To support local communities in the battle against coronavirus, we launched our £1 million Positive Difference Fund in April 2020 and have helped an estimated **100,000 people**

- The plan covers five key areas for community recovery:
- 1 Maintaining affordability and supporting vulnerable customers
  - 2 Being inclusive and improving social mobility
  - 3 Investing in our communities
  - 4 Supporting health and wellbeing
  - 5 Acting ethically, both within Anglian Water and throughout our supply chain



Our education programme has engaged with over **half a million people** since it was established in 2007 (19,141 in 2020/2021)



In 2020 we were awarded the Queen's Award for Enterprise: Sustainable Development for a second time



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# Delivery not deflected by unprecedented challenges

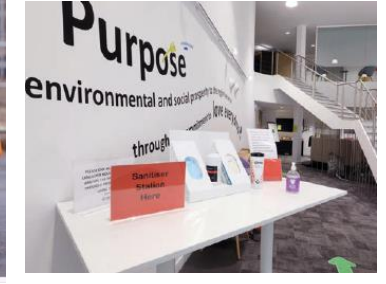
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# Managing Covid-19 impacts

The impact of Covid-19 on the business has been complex and far-reaching, but all challenges have been met



## Supporting customers

- **319,000** customers offered financial support through ExtraCare
- Priority Service Register sign ups increased by 112% to **175,000** customers through active promotion



## Financing our business

- Household consumption up **11%: £58m**
- Non-household revenue down by **16%: £(35)m**
- Household cash collection remains strong
- Largest ever investment programme on track and developer market rebound

## Keeping colleagues and supply chain safe and well

- No employees furloughed
- 3,000 colleagues transferred to home working
- Operational working practices transformed
- Half-day health, wellbeing and safety day attended by 3,000+ colleagues
- Hundreds of Covid-safe workplaces created

## Maintaining resilience

- 1.4 billion litres put into network in a single day only 8 times in 14 years – 7 of them in 2020
- Water quality maintained: ERI and CRI targets set to be hit\*
- Smaller water treatment and water recycling centres carrying extra weight due to shifting patterns of demand

# Projected £10 million reward on the back of continued excellent performance

Anglian's long history of delivering the basics brilliantly continues in year 1 of AMP7. With a third more measures to deliver than AMP6, **81%** of performance commitments are assessed to be on track



**Water, customer, protecting our environment and future sustainability ODI**s all in net reward territory



**Best-ever results: still leading the industry on leakage** with leakage down to record lows, beating regulatory target for 10<sup>th</sup> year running



**£3.0 million reward for early delivery of WINEP schemes:** for progress on largest ever Water Industry National Environment Plan (WINEP)



**£6.0 million reward: top quartile flooding performance** for strong performance on both internal and external flooding



**Support for vulnerable customers: target exceeded** 319,000 helped vs 282,000 target



**£1 million reward for interruptions to supply: best-ever performance** despite Covid pushing up usage



**£2.2 million reward for CMeX and DMeX combined**



**£1 million reward for void property measure**



**20 per cent reduction in pollutions** following significant investment

# £448 million capex investment delivered in Y1 of our most ambitious ever five year programme

Strong start made on delivering **£3 billion** of crucial investment to meet pressures of population growth and address challenges from climate change



**Shovel ready on Anglian Water's largest ever single capital investment**

**Interconnected pipelines longer than any UK motorway to be delivered by 2025 through £400m region-wide SPA programme**



**520 schemes delivered vs Y1 WINEP target of 280**

**On track to outperform our five year commitment on the Water Industry National Environment Plan (WINEP)**



**164,406 smart meters installed and switched on**

**On track to install 1.1 million smart meters by 2025**



**£37.9m network investment to advance best in class leakage position**

**Huge optimisation programme underway and recruitment of hundreds of staff to reduce leakage by unprecedented 30 million litres a day by 2025**



**More than £90m of investment to facilitate growth**

**Extending capacity, connecting new properties and creating headroom**



**At least 10% biodiversity net gain**

**Commitment made on all capital programmes from 2021**

# Maximising growth in Anglian Venture Holdings

Non-regulated and commercial business activities delivering significant value for the Group, with EBITDA of £9.8m and cash generation of £14.6m



**£227m**

funding released by Homes England to deliver a **brand-new state-of-the-art water recycling centre** for Cambridge and **significant commercial land opportunity** for AVH and AWS



All **wholesale bills paid in full**, good cash collection and winning new business, despite impact of Covid-19



**Biggest** operations and maintenance operator in Ireland with **strong development pipeline**



awgproperty

Alpheus

Cambridge Relocation

Cambridge 4 LLP

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# Long-term vision: keeping the future in focus

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# CMA outcome lays groundwork for future resilience

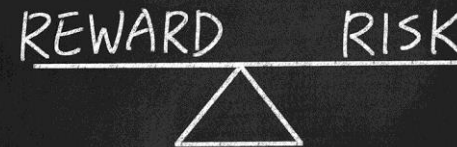
Outcome of redetermination process positive for customers, the environment and long-term resilience

Outcome factors in growth: key driver for appeal and important precedent set



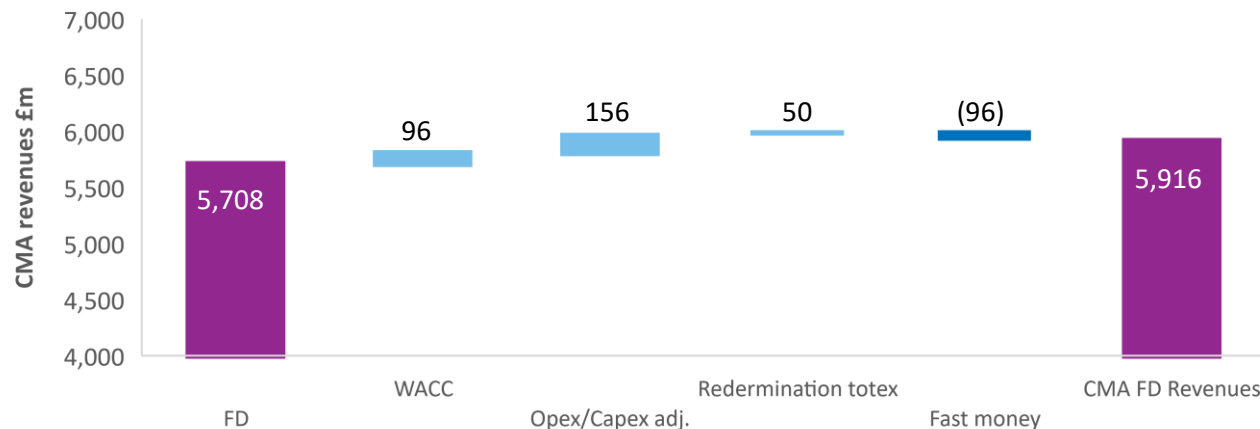
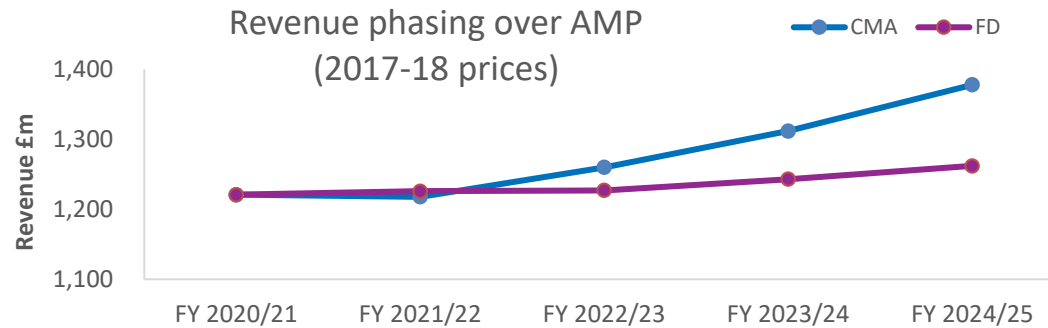
A regulatory settlement that facilitates investment for customers

Better balance of risk for owners and investors supports stronger credit profile



Clarity on regulatory issues and a better platform for AMP8 and beyond

# Redetermination results in an additional £208m of revenue in AMP7



**Growth true-up mechanism** improved by £40m

**Embedded debt** underfunding reduced from £110m to £65m

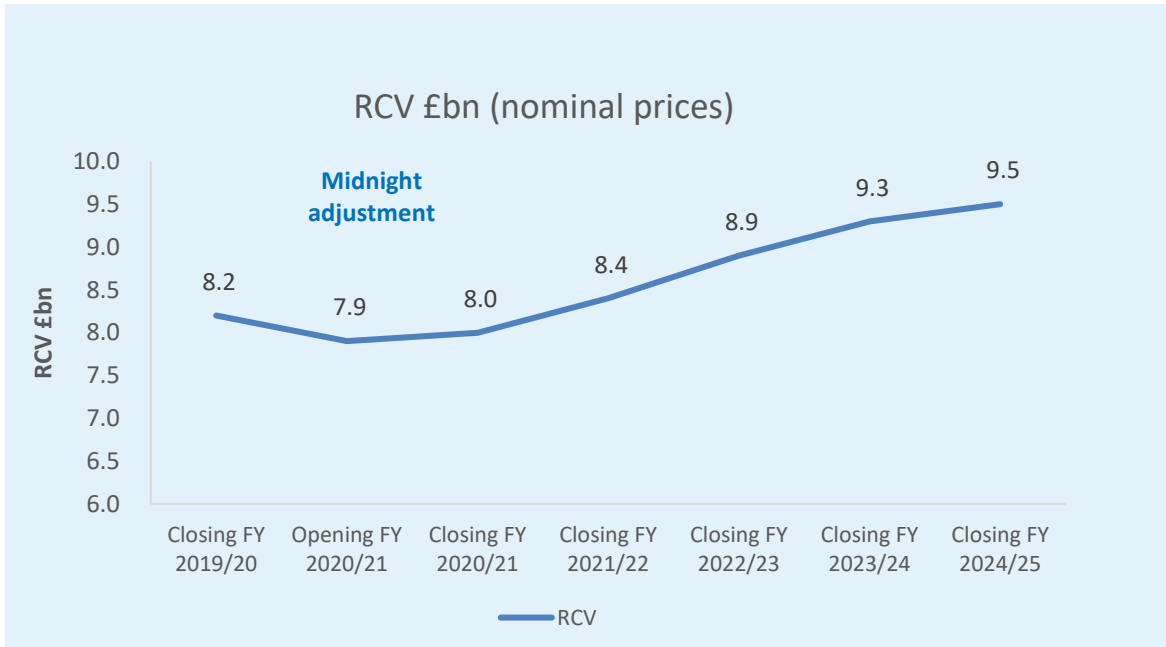
**PAYG** includes £156m of misallocation of opex by Ofwat that CMA has addressed

**Fast money:** CMA has reversed the £96m adjustment to PAYG that Ofwat had made to solve AICR ratios due to lower WACC.

**Improved cost sharing mechanism:** Improved from around 35/65 at the Ofwat FD, to 45/55 at the CMA FD.

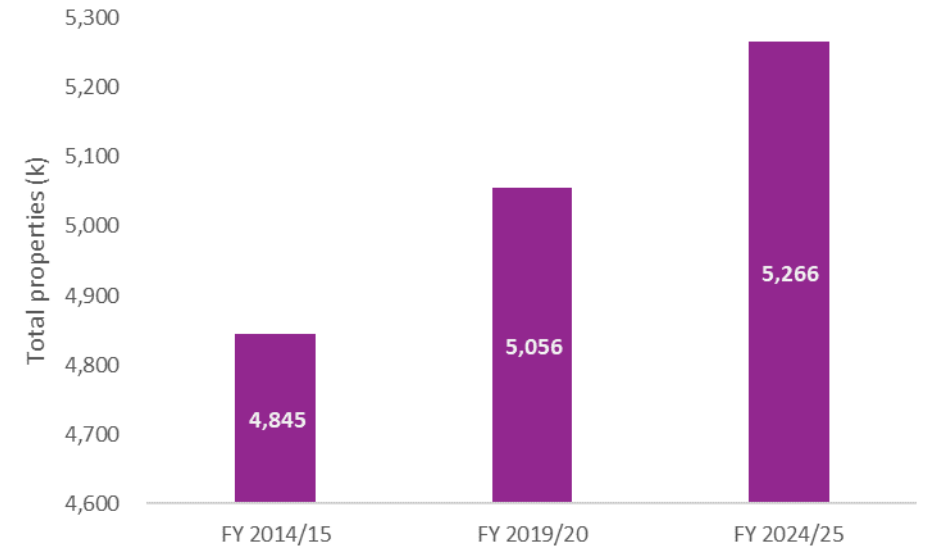
# As the region grows, our business grows with it

Housing growth in the region and significant infrastructure investment driving strong RCV growth



c.20% increase in RCV in nominal prices

c.4-8% increase in property numbers by the end of AMP7



Forecast figures based on CMA redetermination



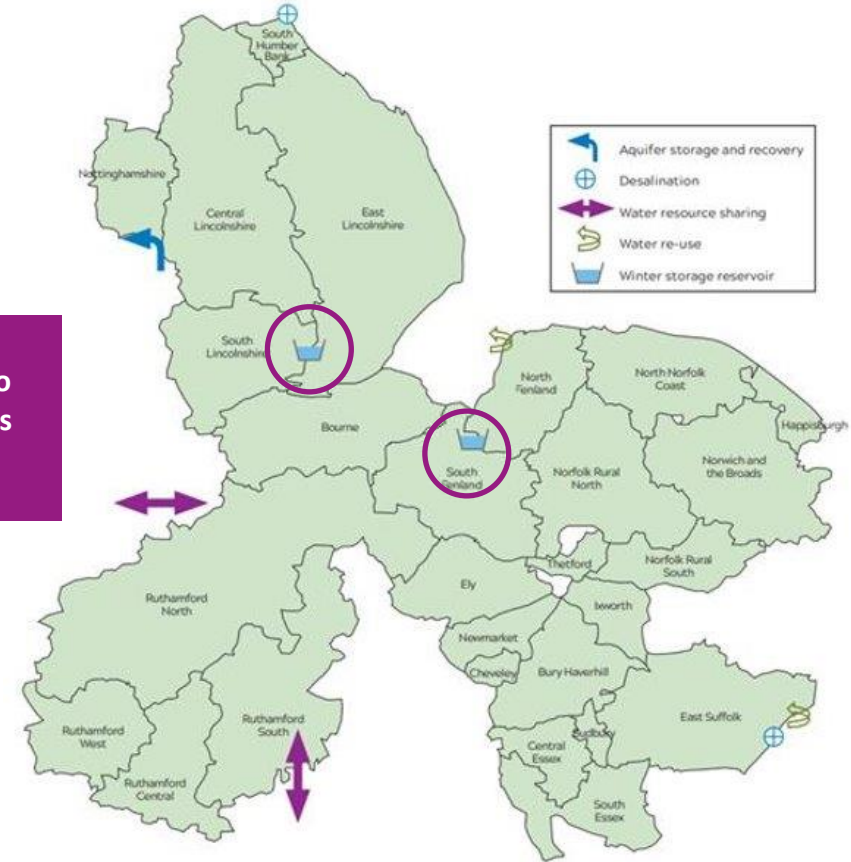
# Resource planning for the long term: making RAPID progress

Collaborating with Ofwat through the Regulators' Alliance for Progressing Infrastructure Development (RAPID) to secure supplies for the long term: taking the holistic view on the supply-demand balance

Demand management through smart metering, behavioural change and network optimisation



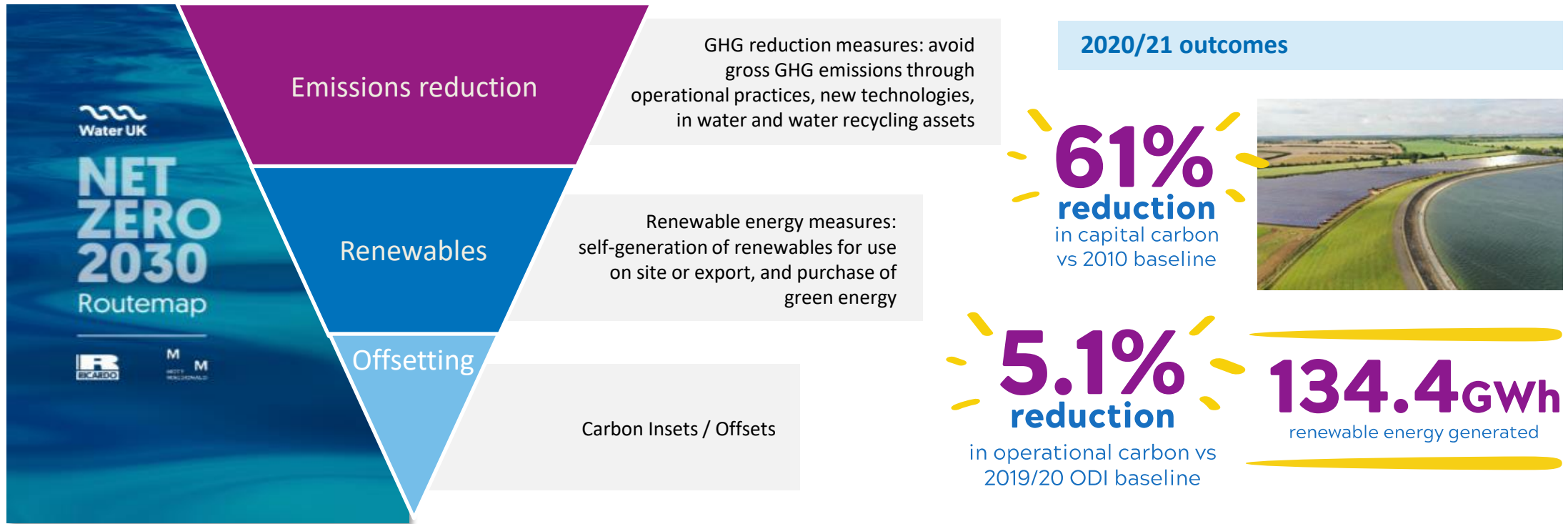
Accelerated delivery of two new multi-sector reservoirs through RAPID by 2040



# Looking ahead to net zero by 2030: always exploring



Multi-award-winning track record of carbon reduction, externally benchmarked for 10 years, sets us on strong path to tackle tough net zero challenge by continuing to push boundaries



# Driving reward through delivery: targeting £50m reward for AMP7



AMP7 delivery outperformance strategy to drive returns for investors and shareholders through positive outcomes for customers and environment

Targeting rewards from water supply network ODIs including leakage, per capita consumption and low pressure



Boosting customer and developer experience and maximising opportunities from smart meters

Place-based approach will deliver capital efficiencies through 'dig once' approach to investment



Deploying network optimisation and calming, driving digital advantage and advancing smart network initiatives

# A strong and resilient structure for a purpose-led company

Delivering on the promises we made in 2018: setting ourselves up for long-term strength and delivery for customers and environment

- Creation of new financing structure marks conclusion of period of work to embed public interest in Anglian Water which began in 2018
- Articles of Association change in 2019 set the agenda for others to follow
- New structure will reduce gearing in Anglian Water Services, enabling us to retain strong credit ratings and borrow at competitive rates to finance investments for the long-term benefit of our customers and our region

The Board of Anglian Water, in conjunction with its pension fund-backed shareholders (First State Investments, Canada Pension Plan Investment Board, IFM Investors, Dalmore Capital and GLIL Infrastructure), is announcing a series of financial and corporate initiatives to improve transparency, trust and customer confidence.

Anglian Water will:

#### Improve transparency and clarity of its financial structures

- ✓ It will significantly speed up the removal of its Cayman Islands subsidiary.
- ✓ It will repay an inter-company loan to simplify the presentation of its accounts (particularly around real dividends), aiming to complete this by the end of this Financial Year.

#### Place public interest at the heart of the business

- ✓ It will work with Ofwat on proposals to ensure it can be held to account for acting in the public interest.

#### Make an additional investment commitment to 2020

- ✓ It will invest an extra £65m in resilience schemes not included in the company's original plan, by 2020. This will improve the region's ability to deal with drought and flooding and will be paid for through a reduction in dividends to shareholders.

#### Reduce dividends and borrowings through to 2025

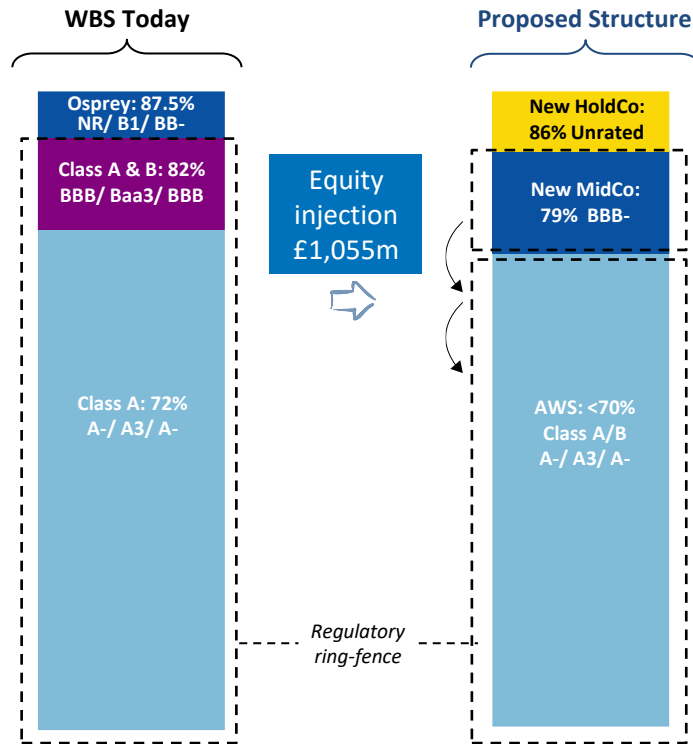
- ✓ It will reduce dividends through to 2025, resulting in a significant reduction in the company's level of debt and gearing.

Anglian Water announcement, March 2018

# New financing structure

Creates a sustainable and efficient capital structure

## Proposed MidCo Structure



1 **HOLDCO**  
£560m of new debt raised

2 **MIDCO**  
£600m new debt raised

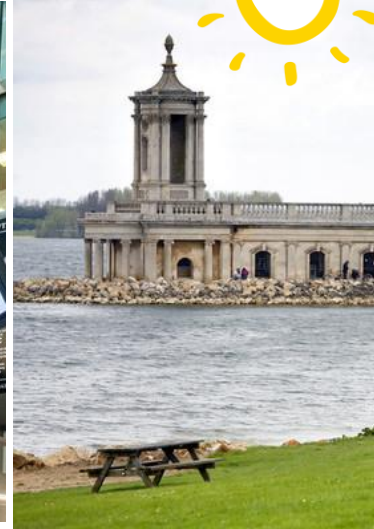
3 **AWS**  
£1,055m of equity injection reducing gearing

- The new financing structure is not reliant on any subsequent steps with any existing noteholders
- Committed new funds in place at MidCo and HoldCo
- Introduction of new HoldCo entities to raise debt at 'top level'
- Set up of a new ring fenced MidCo financing group
- MidCo able to raise financing across bank debt and investment grade capital markets instruments
- Equity injection to AWS to reduce leverage
- Commitment to no further Class B issuance at AWS and existing Class B bonds to be given option to convert to Class A.

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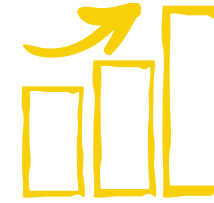
# 2021 key financial and sustainability metrics

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# Anglian Water key financials summary

Delivering strong financials despite challenging environment



|   |   |  |
|---|---|--|
| <p><b>Revenue</b></p> <p><b>£1,352m</b><br/>(2020: £1,420m)</p>                             | <p><b>Operating profit</b></p> <p><b>£392m</b><br/>(2020: £399m)</p>                | <p><b>Strong credit ratings</b></p> <p>A-/A3/A- stable at AWS<br/>(2020: A-/A3/A;<br/>BBB/Baa1/BBB negative)</p> |
| <p><b>Underlying profit before tax<sup>1</sup></b></p> <p><b>£142m</b><br/>(2020: £74m)</p> | <p><b>Operating cash flow<sup>2</sup></b></p> <p><b>£629m</b><br/>(2020: £644m)</p> | <p><b>Gearing</b></p> <p>82% Senior AWS Gearing<br/>(2020: 82% post RCV<br/>'midnight adjustment')</p>           |

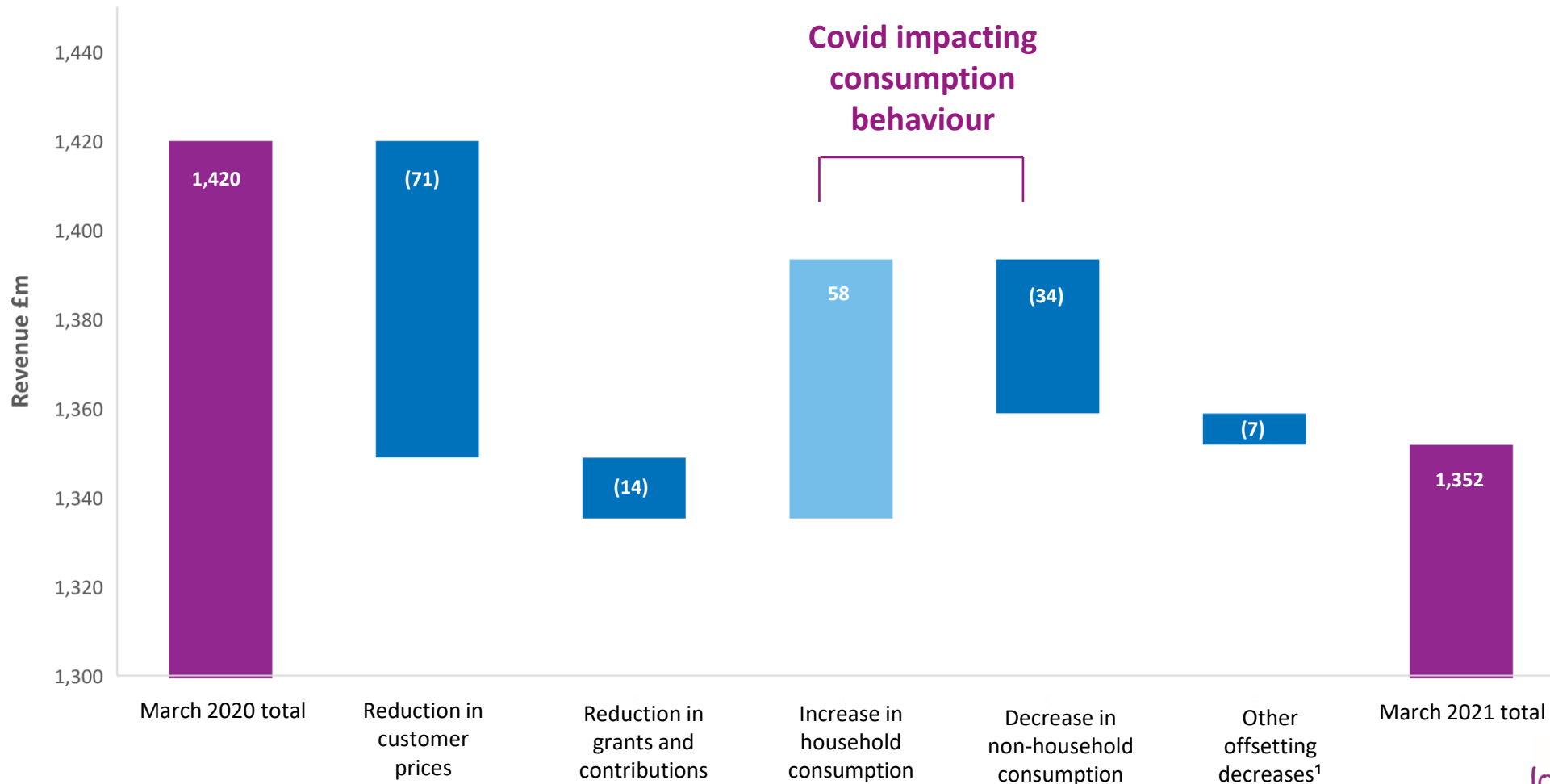
<sup>1</sup> Shown before loss on derivatives of £23.2m (2020: loss of £30.4m).

<sup>2</sup> Shown on a CTA basis. Net cash inflow from operating activities after tax on a statutory account basis is £633.9m (2020: £645.7m).

# Financials – revenue breakdown



Year ended 31 March 2021



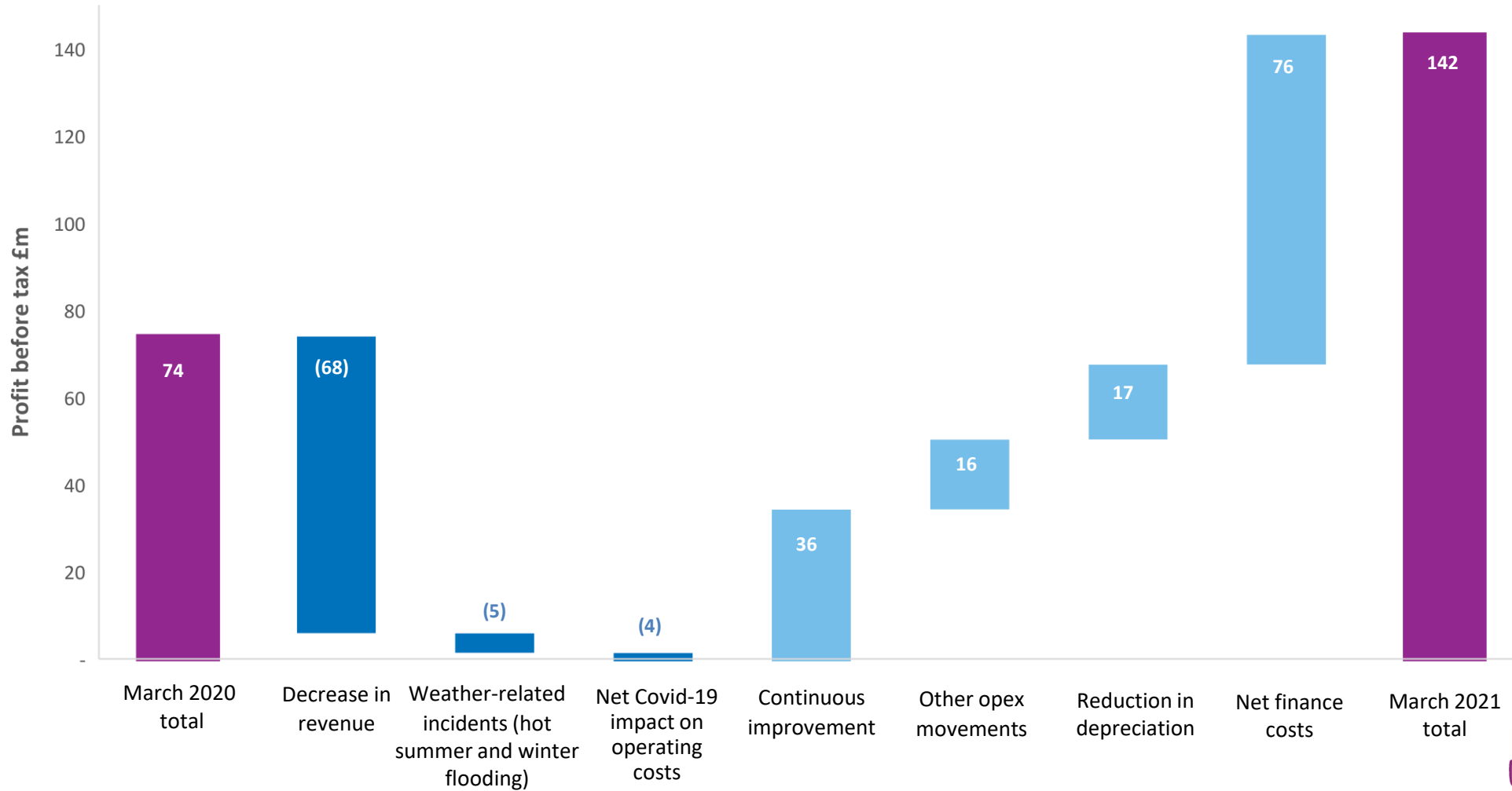
<sup>1</sup> Includes change in customer numbers and prior year accrual and billing adjustments.



# Financials – profit before tax



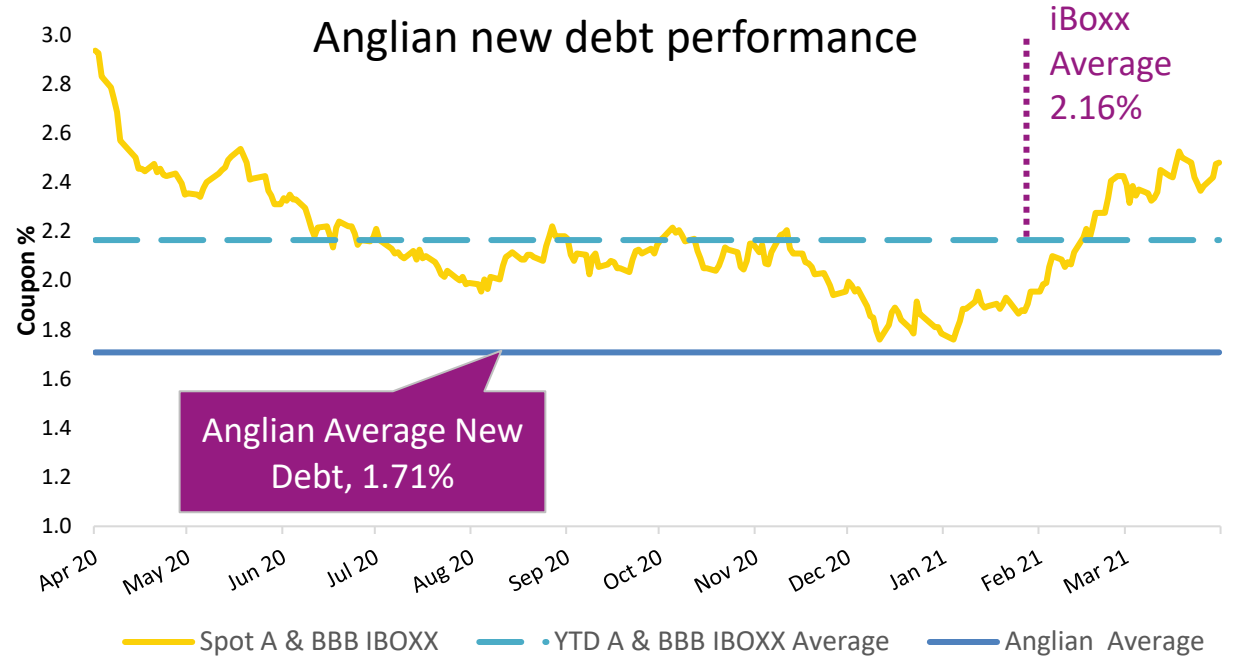
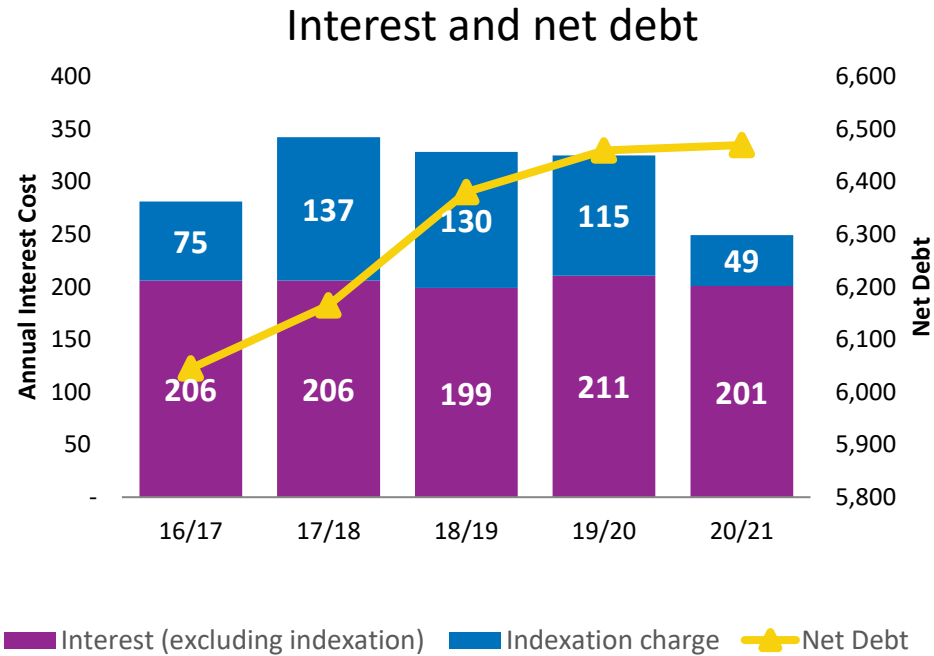
Year ended 31 March 2021



Year ended 31 March 2021

# Financials – interest performance

Net finance costs down as impact of low inflation and cost-effective new debt raised



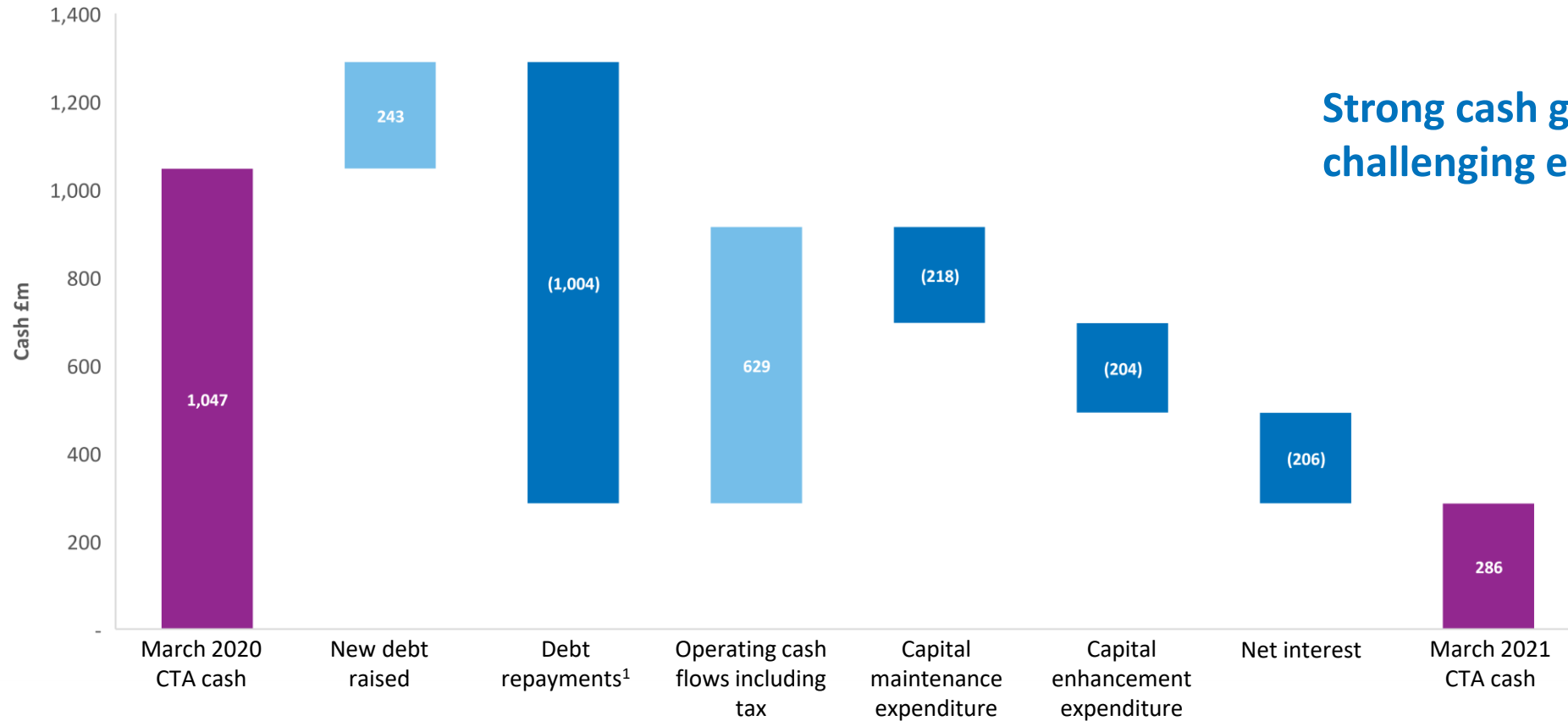
Debt accretion cost **£49m** ▼ **57%**  
Y-O-Y

Effective interest rate **4.1%** ▼ **125bps**  
Y-O-Y

Year ended 31 March 2021

# Financials - sources and uses of cash

**Strong cash generation despite challenging environment**

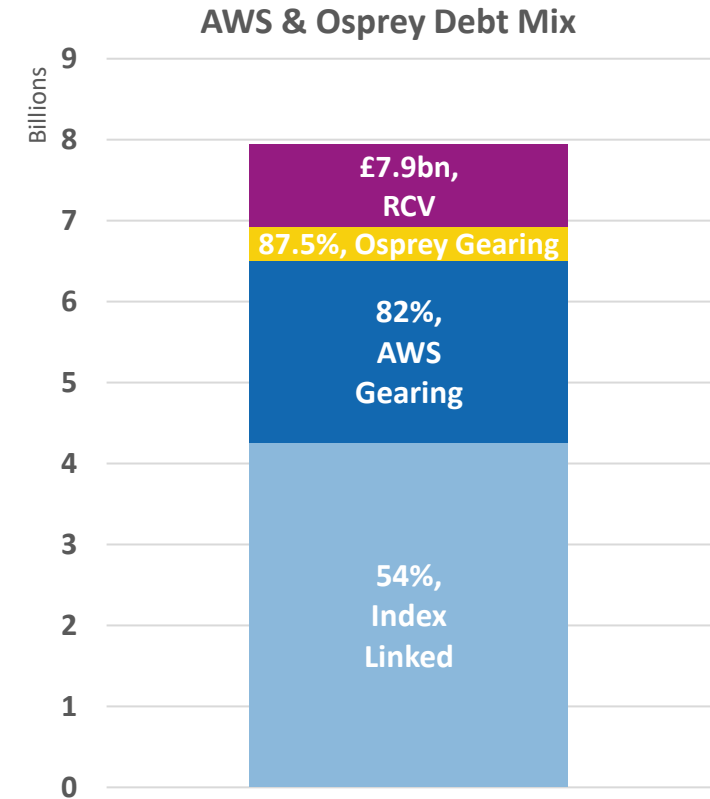


<sup>1</sup> Includes £2.7m of non-CTA debt repayments relating to property and other lease repayments.

# Debt composition

Balanced debt composition ensures natural hedge to RCV and revenues

|  |  |
|--|--|
| <p><b>Net debt<sup>1</sup></b></p> <hr/> <p><b>£6,512m</b></p> | <p>£218m of additional debt received<sup>2</sup> to fund £422m of additional CapEx</p>   |
| <p><b>RCV</b></p> <hr/> <p><b>£7,943m</b></p>                  | <p>RCV reflects AMP7 capital investment and is adjusted each year in line with inflation</p>                                   |
| <p><b>Gearing</b></p> <hr/> <p><b>82%</b></p>                  | <p>AWS Senior Gearing – 82.0%<br/>                 AWS Class A gearing – 72.0%<br/>                 Osprey Gearing – 87.5%</p> |



<sup>1</sup>Net debt as defined under the Anglian Water Common Terms Agreement (CTA)

<sup>2</sup>£218m debt amounts received in the period includes £65 of debt raised in 2018 and excludes £75m of debt raised but not received until April-21. Amount excludes £25m related to RCF draw downs.

# Delivering sustainable finance for AMP7



Sustainability embedded in financing strategy

- £1bn+ sustainable finance raised since 2017
- Vast majority of capital funding to be raised as “Use of Proceeds bonds” through sustainable finance transactions under our AMP7 framework
- Now set up to raise SLB’s to help finance our journey to Net Zero in 2030
- Sustainability KPI links within debt facilities at AWS, Osprey and Aigrette in new structure



| Target                                 | Measure                                      | March 2021        | March 2020 |
|--|--|-------------------|------------|
| <b>Capital carbon</b>                  | % reduction on 2010 baseline                 | 61%               | 61%        |
| <b>Water quality</b>                   | Water quality contacts per 1,000 customers   | 1.12 <sup>1</sup> | 1.09       |
| <b>Water consumption</b>               | Three-year average litres per capita per day | 138               | 134        |
| <b>Water leakage</b>                   | Three-year average megalitres per day        | 191               | 194        |
| <b>Pollution incidents</b>             | Incidents per 10,000km of sewer              | 28                | 35         |
| <b>Supporting vulnerable customers</b> | % of customers on priority register          | 8.5% <sup>2</sup> | 2.9%       |

<sup>1</sup> subject to DWI review  
<sup>2</sup> subject to change pending audit

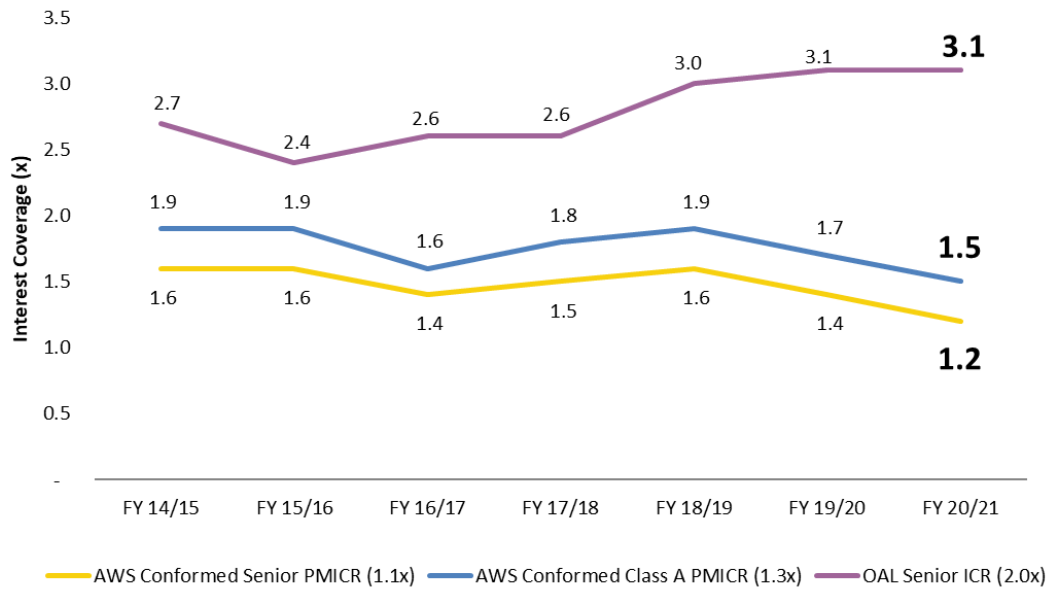


# Financial covenants

## Interest cover ratios

Interest cover ratios marginally reduced year on year as a result of working capital timings

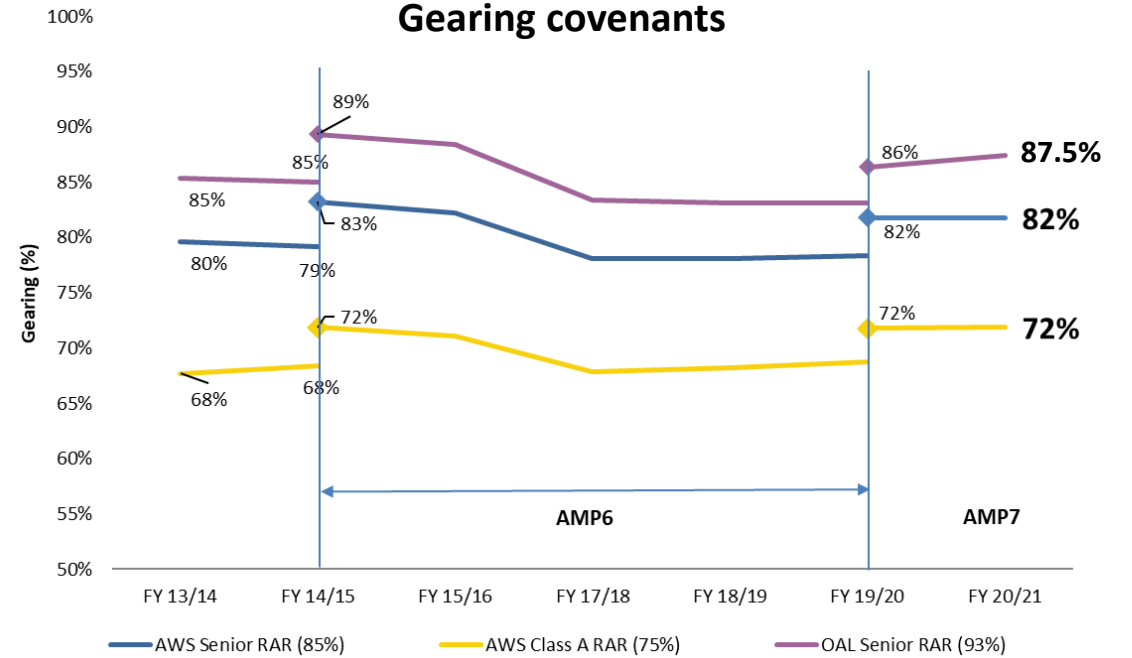
### Interest cover covenants



## Gearing

Gearing increase as a result of opening AMP midnight RCV adjustment (similar to prior AMP)

### Gearing covenants



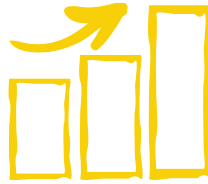
# Summary



A resilient business with customers and sustainability at the heart of what we do



Purpose at the heart of all our activity and planning



New financing structure to ensure a resilient and strong business for the years ahead



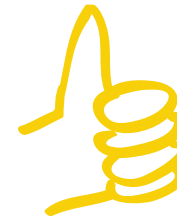
AVH businesses driving additional revenue streams



Final outcome of CMA process has resulted in positive revenue uplift in years 3-5 and set important long-term precedents.



Focus on sustainability, with key commitments to drive net zero carbon by 2030



Strong delivery in the face of a challenging environment from Covid-19 and financial constraints



**Any questions?**



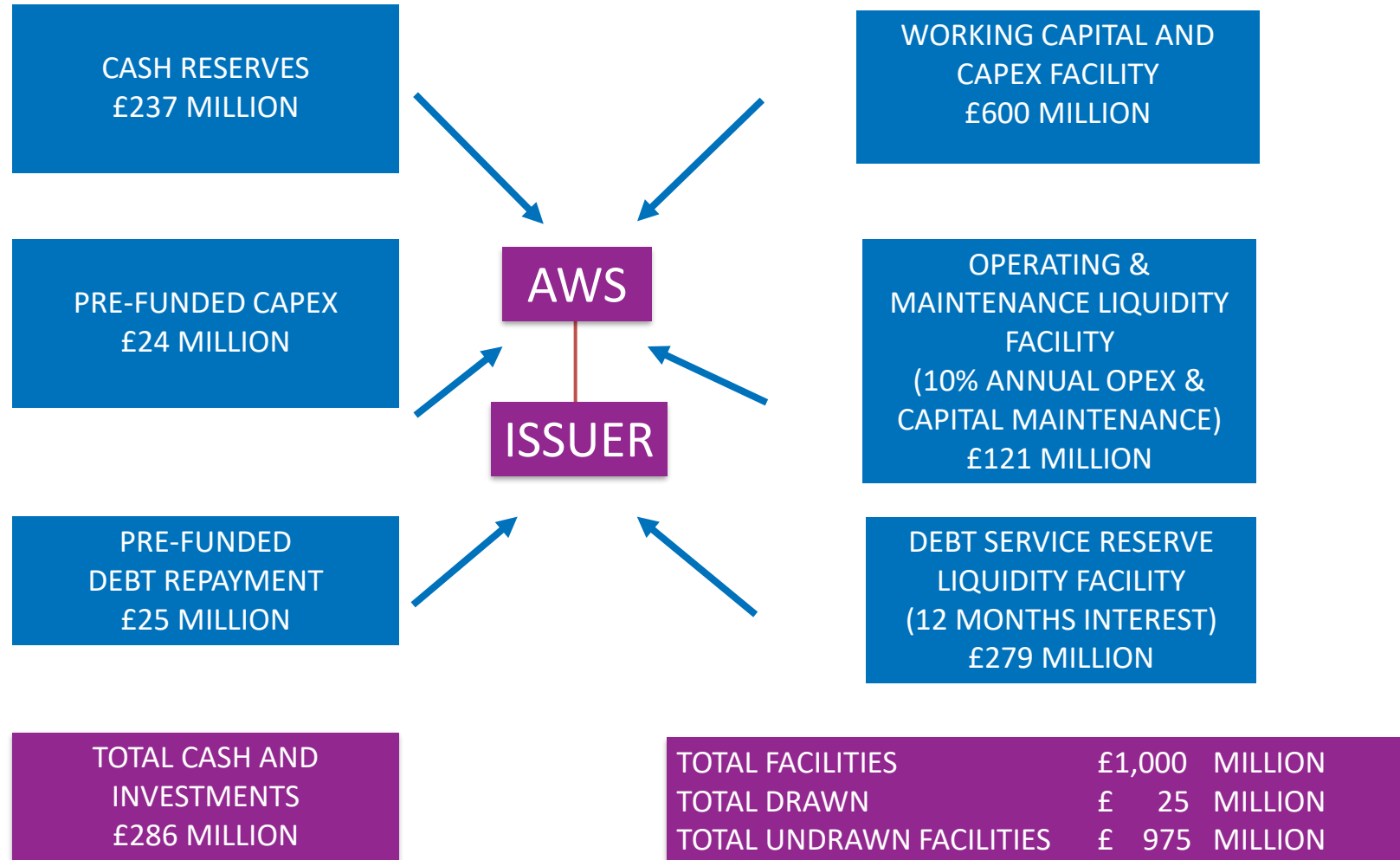


# Appendices

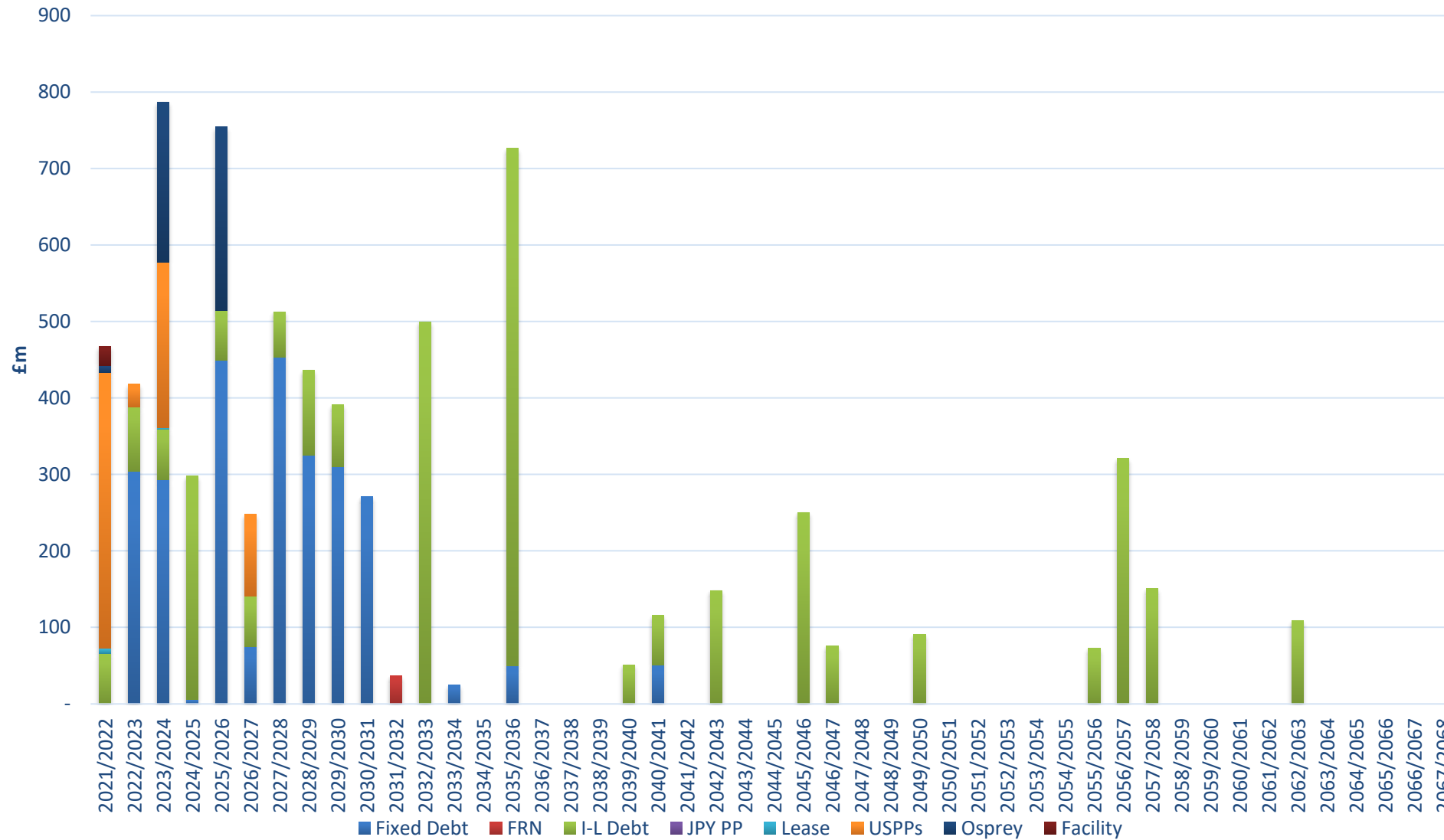
# Anglian Water liquidity

Year ended 31 March 2021

Substantial £1.3bn of total liquidity to manage unexpected events



# Debt maturity profile as at 31 March 2021



# Derivatives



Year ended 31 March 2021

## Derivatives mark to Market Valuation

| Swap Type                         | Notional £m | MTM £m <sup>1</sup> |
|-----------------------------------|-------------|---------------------|
| Interest Rate Swap                | 2,506.6     | (185.9)             |
| Cross Currency Interest Rate Swap | 846.2       | 101.2               |
| RPI Swap                          | 565.9       | (568.2)             |
| CPI Swap                          | 816.2       | (188.1)             |
|                                   | <hr/>       |                     |
|                                   | 4,734.9     | (841.0)             |

| Energy Derivatives            | Notional £m <sup>2</sup> | MTM £m |
|-------------------------------|--------------------------|--------|
| LEBA <sup>3</sup> Power Swaps | 33.5                     | 9.0    |

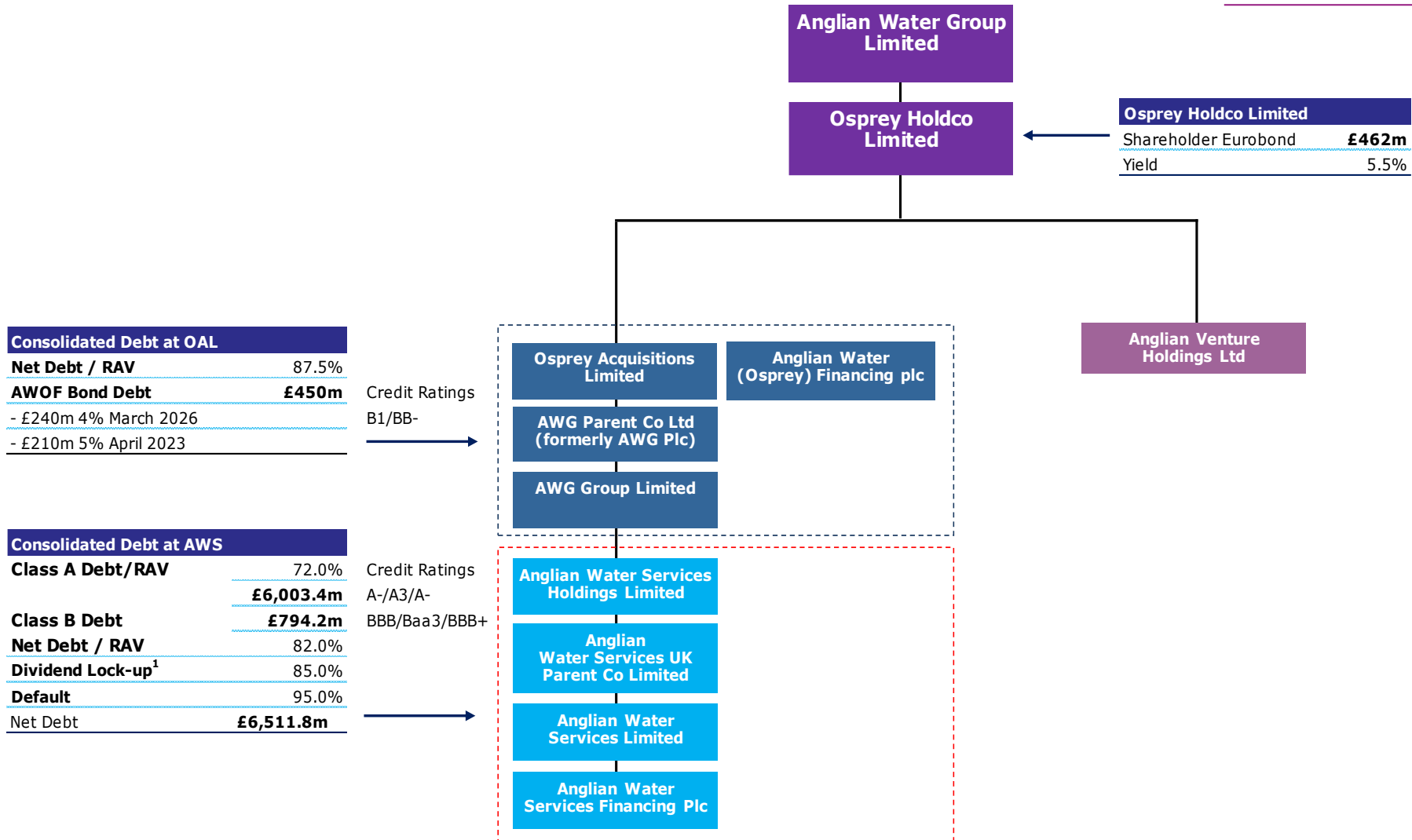
<sup>1</sup> Mark-to-Market valuations include accrued interest to valuation date.

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

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

# Existing consolidated capital structure

Year ended 31 March 2021



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

# AW reconciliation of CTA operating cash flow

Year ended 31 March 2021

|  | 2021<br>£m   | 2020<br>£m   |
|--|--------------|--------------|
| <b>Operating cash flow - statutory accounts basis</b>        | <b>659.3</b> | <b>686.0</b> |
| Tax paid   | (25.4)       | (40.3)       |
| Commissions on debt facilities not drawn                     | (2.2)        | (2.9)        |
| Return on developer deposits in year                         | -            | 4.4          |
| Other <sup>1</sup>   | (2.9)        | (2.8)        |
| <b>Net cash inflow from operating activities - CTA basis</b> | <b>628.8</b> | <b>644.4</b> |

# AW reconciliation of CTA net debt

Year ended 31 March 2021

|   | 2021<br>£m     | 2020<br>£m     |
|---|----------------|----------------|
| <b>Net debt - statutory accounting basis <sup>1</sup></b> | <b>6,649.8</b> | <b>6,677.2</b> |
| Unpresented cheques and lodgements                        | -              | 0.1            |
| Capitalised issue costs                                   | 22.3           | 31.7           |
| IFRS 16 Leases <sup>2</sup>                               | (29.0)         | (30.8)         |
| IFRS 9 adjustments  | (131.3)        | (218.5)        |
| <b>Net debt - CTA basis <sup>1</sup></b>                  | <b>6,511.8</b> | <b>6,459.7</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

<sup>2</sup>Property and other leases

# AW reconciliation of CTA underlying profit before tax

Year ended 31 March 2021

|  | 2021<br>£m   | 2020<br>£m  |
|--|--------------|-------------|
| <b>Profit before tax on an underlying basis</b>            | <b>142.2</b> | <b>74.0</b> |
| Finance costs - fair value losses on financial derivatives | (23.2)       | (30.4)      |
| <b>Profit before tax as reported on a statutory basis</b>  | <b>119.0</b> | <b>43.6</b> |



# Summary of new loans and repayments

Year ended 31 March 2021

|   | 2021<br>£m       |  | 2020<br>£m     |
|---|------------------|--|----------------|
| <b>New Debt raised</b>                                |                  | <b>New Debt raised</b>                                 |                |
| £65 million 0.835% index-linked bond 2040             | 65.0             | £65 million 2.87% fixed rate 2029                      | 65.0           |
| £50 million 1.760% fixed rate bond 2035               | 50.0             | JPY 7 billion 0.855% fixed rate 2039                   | 50.9           |
| JPY 7 billion 0.85% fixed rate bond 2040              | 50.4             | EDC £100 million 1.588% fixed rate 2028                | 100.0          |
| JP £26.1m 0.010% index-linked term facility 2035      | 26.1             | RCF £550 million                                       | 550.0          |
| BPPT £26.1m 0.010% index-linked term facility 2035    | 26.1             | RCF £100 million bilaterals                            | 50.0           |
| RCF £550 million                                      | 25.0             |  |                |
|   | <b>242.6</b>     |  | <b>815.9</b>   |
| <b>Non cash debt raised</b>                           |                  | <b>Non cash debt raised</b>                            |                |
| New IFRS 16 lease agreements in year                  | 1.2              | IFRS 16 lease agreements on transition                 | 33.4           |
|   |                  | New IFRS 16 lease agreements in year                   | 7.8            |
|   |                  |  |                |
| <b>Total debt raised</b>                              | <b>243.8</b>     | <b>Total debt raised</b>                               | <b>857.1</b>   |
| <b>Debt repaid</b>                                    |                  | <b>Debt repaid</b>                                     |                |
| £150 million 4.125% index-linked bond 2020            | (263.7)          | JPY 5 billion 3.22% fixed rate bond 2019/2038          | (25.1)         |
| EIB £75 million 0.53% index-linked term facility 2027 | (9.2)            | EIB £50 million 1.626% index-linked term facility 2019 | (67.9)         |
| EIB £75 million 0.79% index-linked term facility 2027 | (9.2)            | EIB £50 million 1.3% index-linked term facility 2020   | (67.2)         |
| EIB £150 million 0% index-linked term facility 2028   | (17.9)           | EIB £75 million 0.53% index-linked term facility 2027  | (9.1)          |
| EIB £65 million 0.41% index-linked term facility 2029 | (7.6)            | EIB £75 million 0.79% index-linked term facility 2027  | (9.1)          |
| EIB £125 million 0.1% index-linked term facility 2029 | (14.4)           | EIB £150 million 0% index-linked term facility 2028    | (17.7)         |
| EIB £60 million 0.01% index-linked term facility 2030 | (6.8)            | EIB £65 million 0.41% index-linked term facility 2029  | (7.5)          |
| RCF £550 million                                      | (550.0)          | EIB £125 million 0.1% index-linked term facility 2029  | (7.1)          |
| RCF £100 million bilaterals                           | (50.0)           | Capital element of finance lease rental payments       | (6.7)          |
| Repayment of accretion on derivatives                 | (63.5)           |  |                |
| Capital element of finance lease rental payments      | (7.0)            |  |                |
|   | <b>(999.3)</b>   |  | <b>(217.4)</b> |
| Settlement of IFRS 16 leases                          | (4.1)            | Settlement of IFRS 16 leases                           | (4.6)          |
|   |                  |  |                |
| <b>Total debt repaid</b>                              | <b>(1,003.4)</b> | <b>Total debt repaid</b>                               | <b>(222.0)</b> |