

# Investor presentation



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8 December 2022



# 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 strategic ambition

Our 25-year strategic ambitions are shaped to deliver on our purpose driving us to achieve more, for everyone.



By 2030, **be a net zero carbon** business and reduce the carbon in building and maintaining our assets by 70%.



Work with others to **achieve significant improvement in ecological quality** across our catchments.



Make the **East of England resilient** to the risks of drought and flooding.

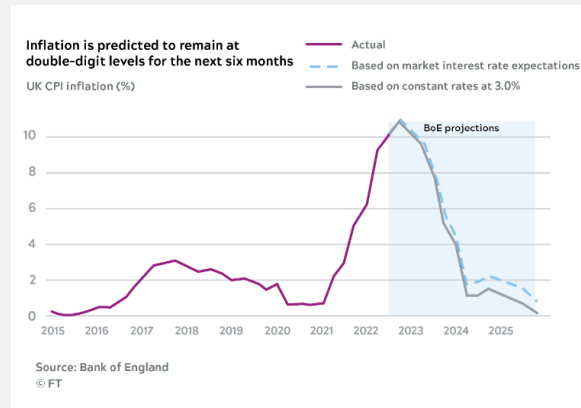


**Enable sustainable economic and housing growth** in the UK's fastest growing region.



# The wider context

We remain focussed on delivering against our Purpose and AMP7 plan in a volatile and complex environment



Inflationary pressures,  
high interest rates and  
energy costs



Extreme hot, dry weather  
in summer



UK political uncertainty;  
geopolitical tensions





# A fast-paced, purpose-driven company on the front foot of challenge

Largest-ever single year programme of capital investment, with **£289 million invested** so far.



## In addition we:

Committed to **£135 million of support** for those in financial difficulty as the cost of living crisis deepens.

**Forecasting 10% decrease in pollutions in 2022**

**Did not implement a hosepipe ban this summer** despite official drought being called across the UK

**Made significant headway with Get River Positive** including commitment to create 26 new wetlands

Continued our pathway to **delivering net-zero**

**Lead on leakage**

Progressed with the **creation of our strategic pipeline** to move water around the region and **announced two new reservoirs** to secure future water

**Proactively hedged energy supply**, reducing impact of energy crisis, with one third of energy consumed year to date from renewable sources



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# 2022 key financial metrics

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# Key financials summary

Delivering robust financials despite the challenging environment

<p><b>Revenue</b></p> <p>Up £57 million (8 per cent)</p>	<p><b>Operating profit</b></p> <p>Up £12 million (5 per cent)</p>	<p><b>Adjusted loss before tax<sup>1</sup></b></p> <p>2022: £105m 2021: profit of £21m</p>
<p><b>Operating cash flow</b></p> <p>Down £2 million (0.5 per cent)</p>	<p><b>Net debt<sup>2</sup></b></p> <p>2022: £5,966m 2021: £5,548m</p>	<p><b>Dividends paid</b></p> <p>2022: £169m 2021: £96m</p>
<p><b>RCV</b></p> <p>Sept 2022: £9,331m Sept 2021: £8,210m</p>	<p><b>Gearing</b></p> <p>Sept 2022: 66% Senior AWS Sept 2021: 67% Senior AWS</p>	<p><b>Strong credit ratings</b></p> <p>A-/A3/A-<sup>3</sup></p>

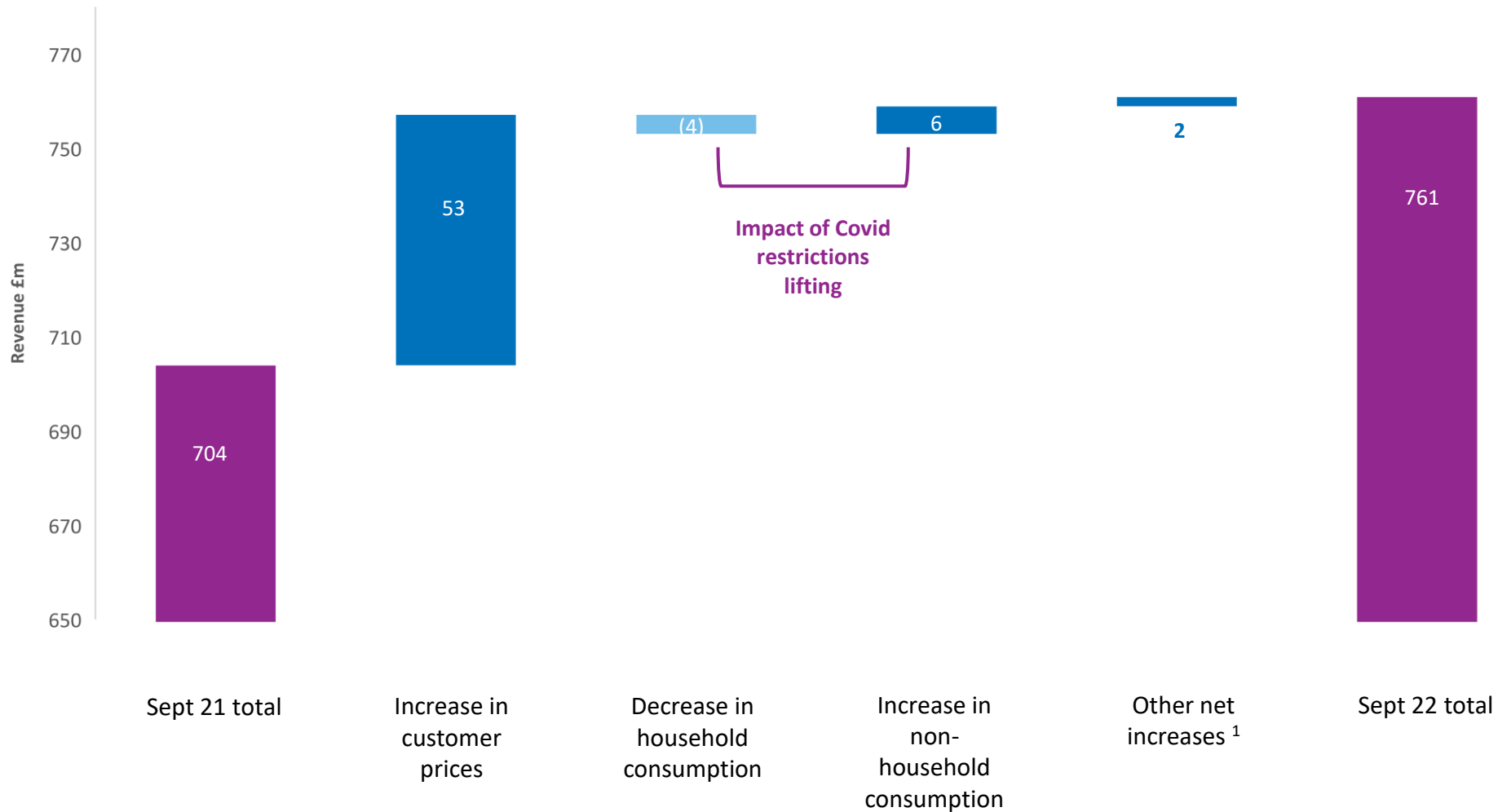
<sup>1</sup> Shown before profit on derivatives of £669.3m (2021: loss of £91.6m)

<sup>2</sup> Shown on a statutory basis, excluding derivatives. Net debt on a CTA basis is £6,167.3m (2021: £5,523.5m)

<sup>3</sup> S&P placed AWS on negative outlook in October 2022 due to the expected short-term impact of inflation on rating credit metrics



# Financials - revenue breakdown



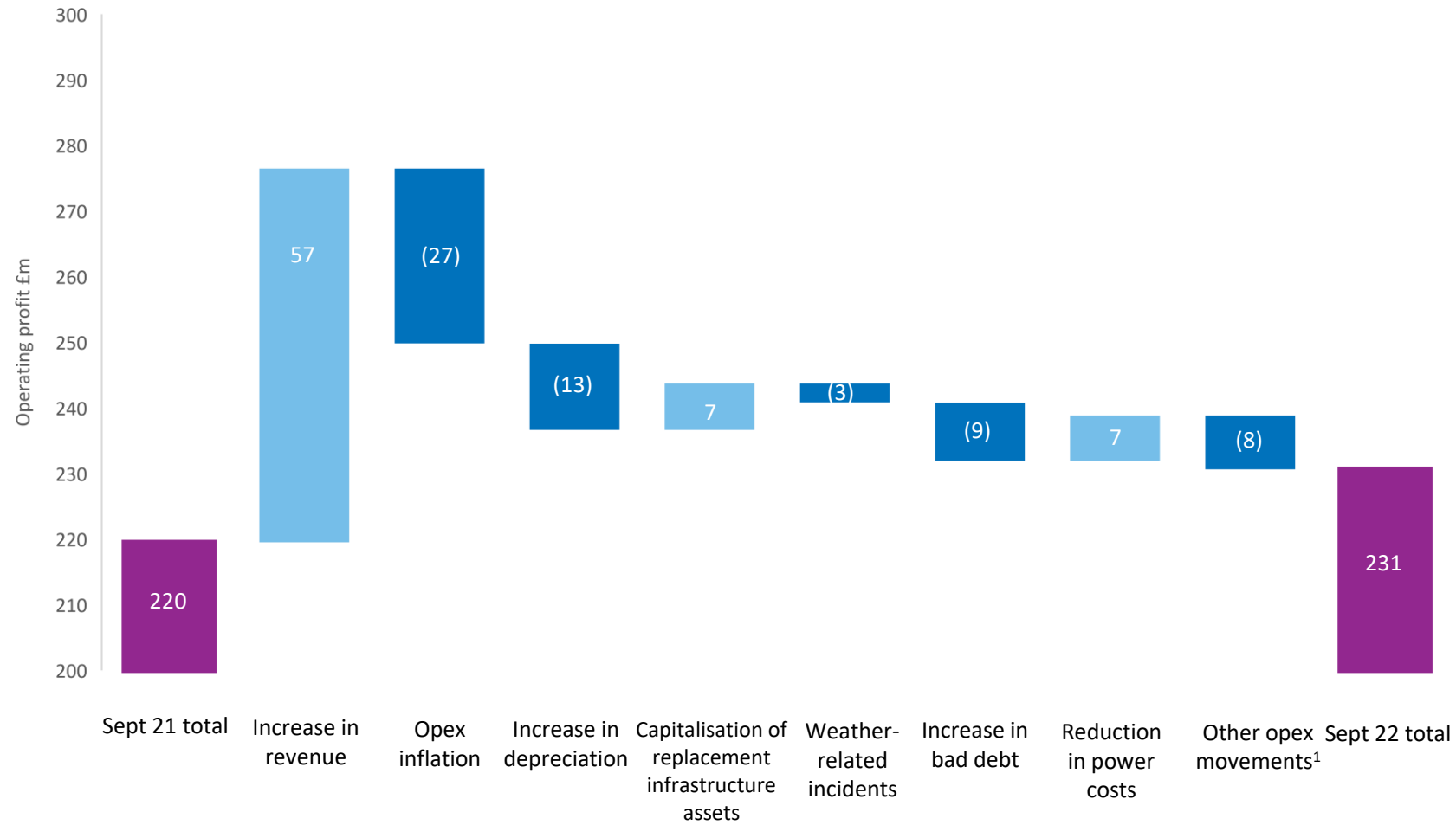
Period ended  
**30 September 2022**

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





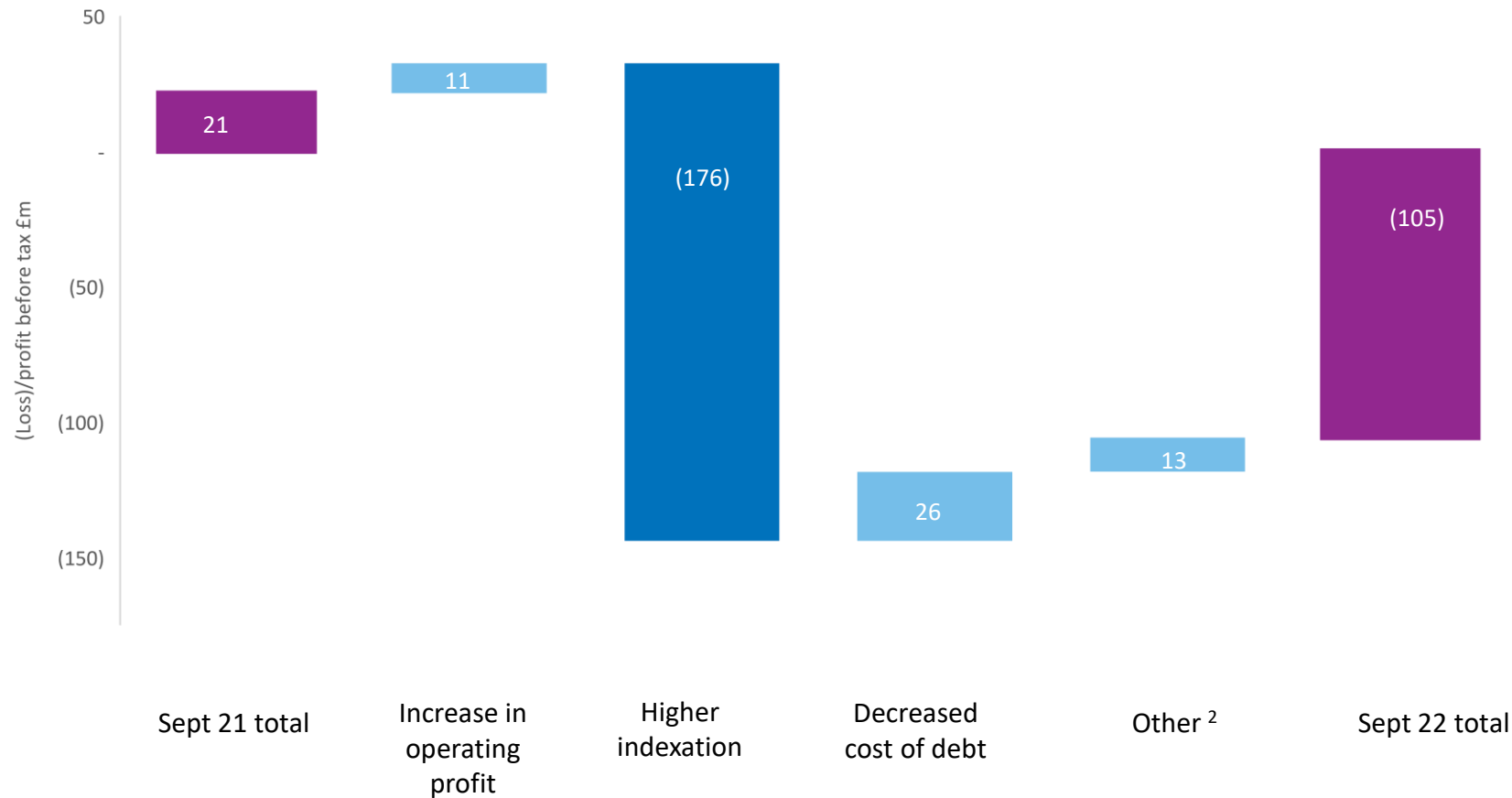
# Financials - operating profit breakdown



Period ended  
**30 September 2022**

<sup>1</sup> Includes £6 million increase in fuel and chemical costs in excess of inflation, £1 million additional tanker driver costs and other immaterial movements

# Financials - adjusted (loss)/profit before tax<sup>1</sup>



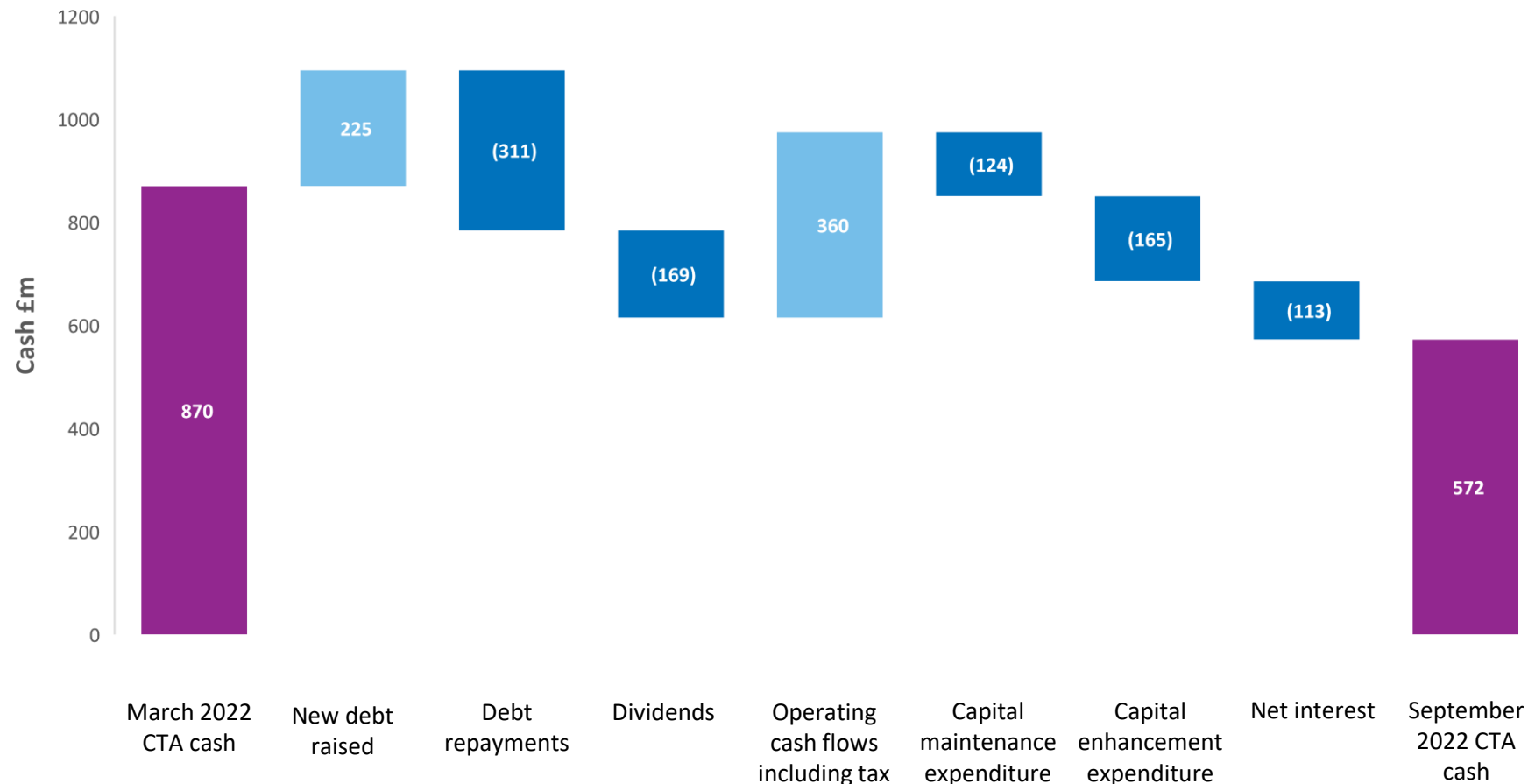
Period ended  
**30 September 2022**

<sup>1</sup> Shown before loss on derivatives of £663.9 million (2021: £91.6 million).

<sup>2</sup> Includes movement in capitalised interest, pensions interest and other immaterial amounts.

# Financials - sources and uses of cash

Strong cash generation despite challenging environment



Period ended  
**30 September 2022**

# Debt composition

Balanced debt composition ensures natural hedge to RCV and revenues

Period ended  
30 September 2022

**Net debt<sup>1</sup>**  
**£6,167m**

£225m of additional debt raised

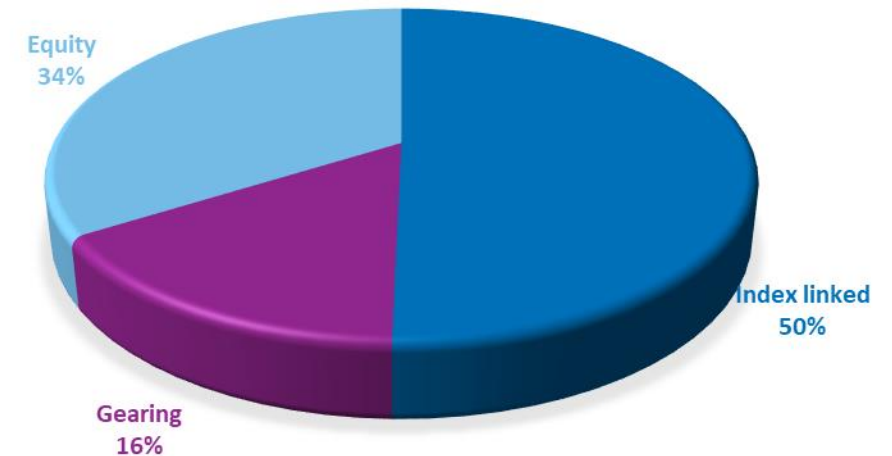
**RCV**  
**£9,331m**

RCV reflects AMP7 capital investment and is adjusted each year in line with inflation

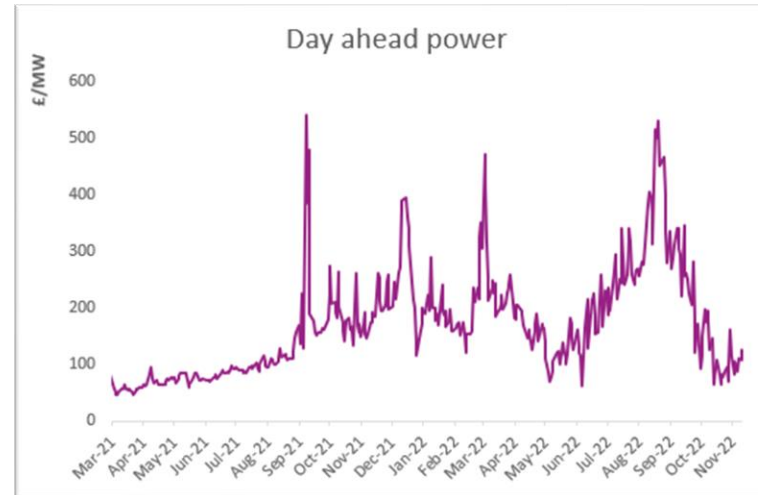
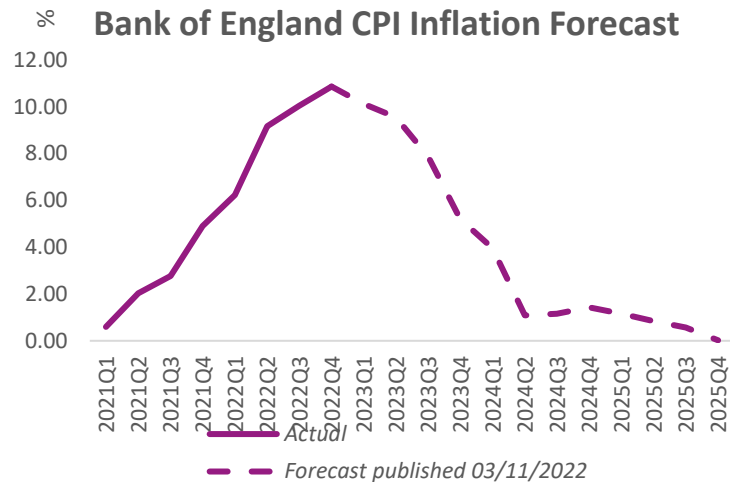
**Gearing**  
**66%**

AWS Gearing – 66%  
Osprey Gearing – 76%  
Aigrette Gearing – 83%

AWS funding mix (% of RCV)



# Managing the impacts of market volatility



## Inflation challenges

- Inflation volatile, with recent increases expected to reduce sharply over remaining AMP period.
- Inflation-linked debt helps maintain steady gearing

## Energy

- AWG hedges energy as one of our significant cost components
- FY2022/23 energy exposure is 100% hedged
- FY2023/24 energy exposure is majority hedged, with the balance to be covered shortly
- Energy risk management strategy closely linked to net zero 2030 journey

## Interest rates

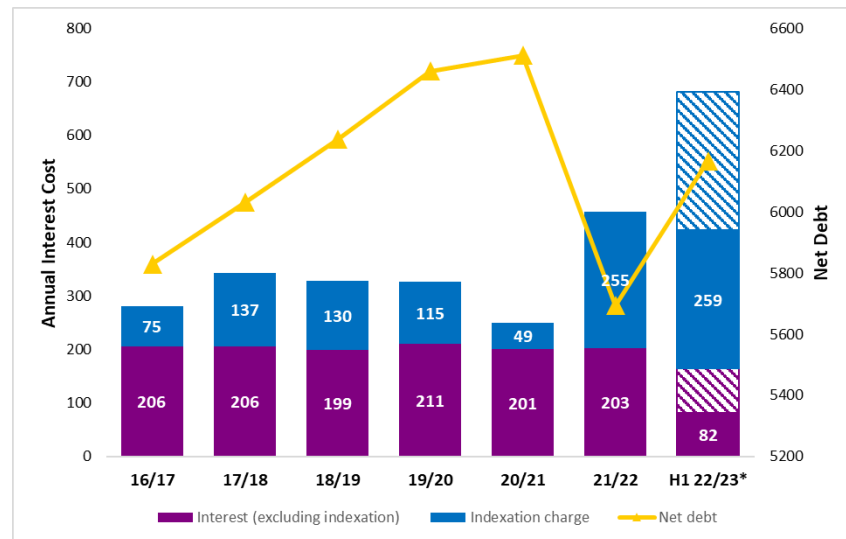
- Significant protection against rising interest rates
- 95% hedged at AWS and 91% hedged at Group level



# Financials - interest performance

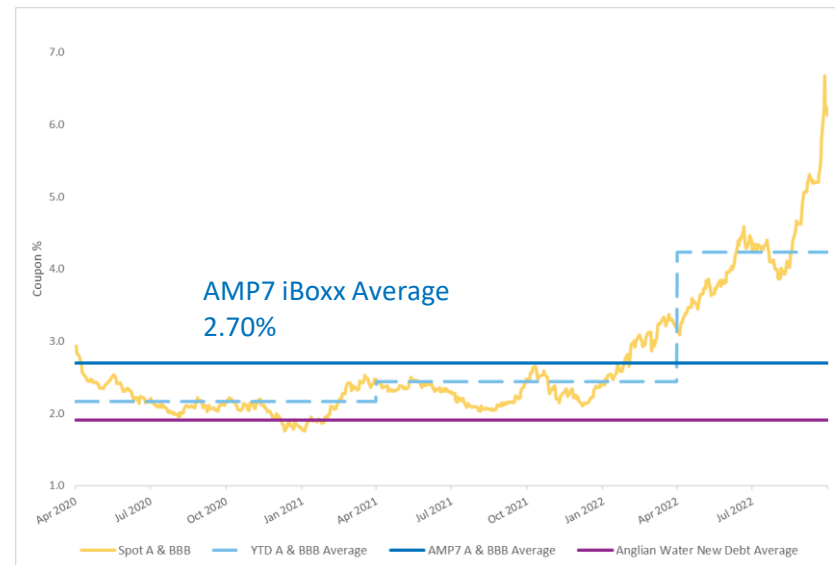
Net finance costs up as impact of high inflation

## Interest and net debt



\*Annualised based on interest as at 30 September 2022

## Anglian Water new fixed debt performance



Against a backdrop of increasing interest rates:

- AWS debt incurred during AMP period will receive true up compensation to iBoxx average
- AWS continues to outperform iBoxx average



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# Operational and strategic progress

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# A hot, dry summer: climate change in action

This year the UK saw only

**62%** 

of its average summer rainfall

Drought status was declared by the Environment Agency across most of England

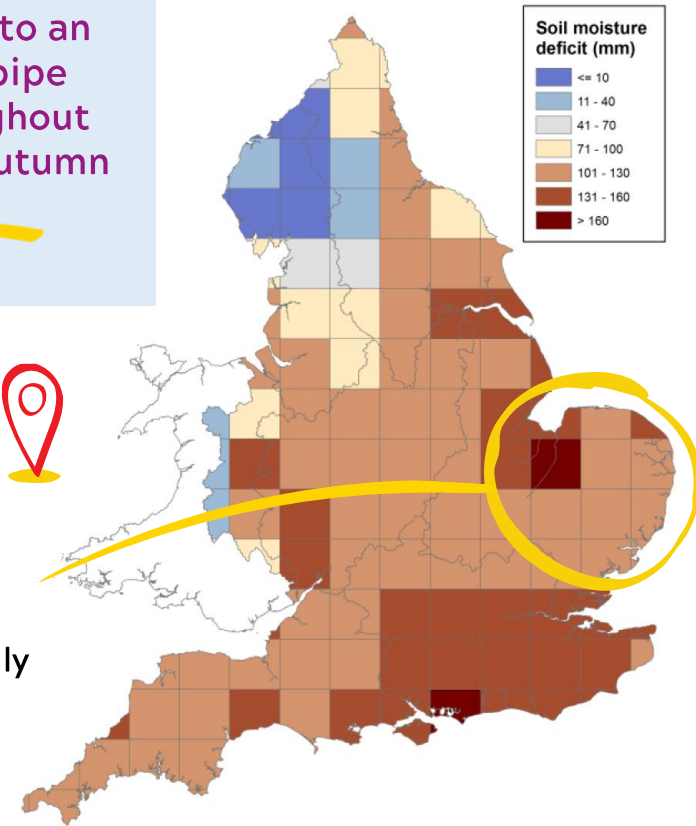
Drier soil led to an increase in pipe bursts throughout summer and autumn

**No hosepipe ban in our region**



We put broadly the same amount of water put into supply this summer as we would in a normal year

The UK's new record-high temperature of 40.3°C was recorded at Coningsby, Lincolnshire in July



Dry soil conditions are setting the stage for the next chapter of leakage and demand management



# Continue to be industry-leading on leakage



**18,500**

leaks found and fixed in the first half of 2022/23

**+ 46%**

Increase in leaks found and fixed during July and August

Our leakage level per kilometre of pipe is the lowest in the industry at half the national average, and we've surpassed our leakage targets every year for the past 12 years.



**457,000**

smart meters installed so far this AMP

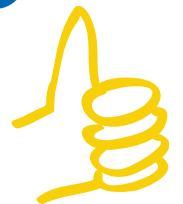
helping us identify more than

**120,000** leaks

saving approximately

**8.5 MLD**

across our region to date.



**6.1% drop**

in leakage in 2021/22 – the equivalent of five years' worth of leakage in a single year





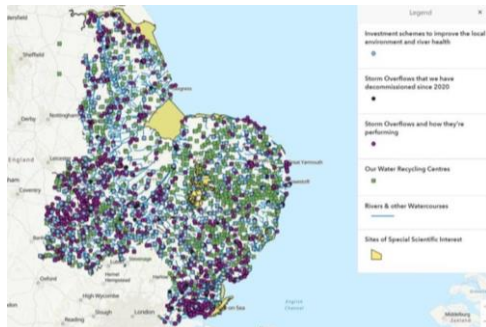
# Get River Positive continues apace

£7 million invested this year and next to improve river water quality

## Inland bathing water hotspots announced



## Live environment investment map



## New Deal for Farmers launched



## Expansion of beaver habitats in Essex



## 26 new treatment wetlands across the region





# Pollutions performance on a positive downward trajectory

## We're reducing the number of pollutions in our region

...with the latest data forecasting a 10% decrease in the number of pollutions incidents in 2022

### Investing in technology:



**Ahead of 2030 storm overflow targets (SOs)**

**Two years ahead of our target for event duration monitor (EDM) installation, with 80% already monitored**

**Further £10m invested in monitoring our network, and a £30m bid in with Ofwat's Accelerated Investment Fund for an industry-leading digital approach**

**50% reduction in failing works (Treatment Works Compliance ODI)**



# Largest-ever single programme of capital investment

On track to meet our ambitious investment goals

**£289 million** invested in the East of England in the period, totalling **£1.3 billion for the AMP to date**

**Smart meters**

**1,000 smart meters** being installed each day

**1.1 million** by the end of the AMP

## Strategic Pipeline

- **35 kilometres** of pipeline installed as of November 2022
- This month the **12.5km section** from Norwich to Wymondham was completed



## WINEP: Accelerated environmental programme delivery ahead of schedule



**1,184 WINEP schemes** delivered since 2020, with a further 200 obligations forecasted for delivery this year.

Schemes include investment in **storm tanks, event duration monitors** and **bathing water quality**.



# Our pathway to net zero

Progressing our plan to reach our ambitious 2030 goals



**63%** reduction in capital carbon last year, against a 2010 baseline

**Gross Operational Carbon ODI on track to meet target**

Approximately 30% of our energy consumed year-to-date has come from **renewable sources**

**Process emissions to 2030 remain our biggest challenge**

**33,365**  tonnes of CO2e saved so far this AMP

tonnes of CO2e saved so far this AMP

Next steps

- Progressing biomethane strategy with gas to grid strategy
- Collaboration with supply chain partners on HVOs
- Positive progress on private wire renewable connection on large operational sites

Energy consumption for YTD **1.39%** below budget



CHP programme **on track** to meet yearly target



Fleet transition: **508 electric/hybrid** vehicles in fleet with a further 189 on order



# Accelerated investment

Our long-term plans over successive AMPs give us the ability to bring forward investment at pace



## Our £306 million Accelerated Infrastructure Delivery plan proposes to:

**Improve drought resilience** for 150,000 people

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**Unlock development** for 15,000 homes in Norfolk

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**Bolster energy resilience** - enough for 30,000 homes in major cities - through our grid decarbonisation plans

See nearly one-third of our **CSO network fast-tracked** with enhanced monitoring and improved overflows

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Move us closer to 1 in 500-year **drought resilience**

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Achieve **significant reductions in abstraction** from ecologically sensitive locations





# £135 million support package announced for customers

Largest-ever support package, builds on **£65 million** package announced for 2022/23

Across AMP7 we will provide **£323 million** in direct support

On track to outperform this year's ODI target, having already provided support to **287,000 unique** customers in the period.



## In the first half of the year we:

- are on track to deliver circa **£42 million** in Concessionary Tariffs for 2022/23
- paid circa **£1 million** through our Anglian Water Assistance Fund

## Alongside this we:

- performed over **27,000** extra care assessments, resulting in **3,100** customers being signposted to receive **£1.2 million** potential benefits
- distributed over **£2 million** Household Support Funds on behalf of six local authorities

U&T  
AWARDS Headline sponsor Just.

  
Policy in Practice





# Planning and investing for the future

## Two new state-of-the-art reservoirs

One in Lincolnshire, and another in the Cambridgeshire Fens in partnership with Cambridge Water



## Unwavering support for customers

Focus on helping customers, working across partnerships and with charities to make sure we target and help those most affected



## Price Review 2024 and beyond

### Long term direction strategy

Alignment of our strategic ambitions to a Long-Term Delivery Strategy, delivering adaptively planned investment over multiple AMPs

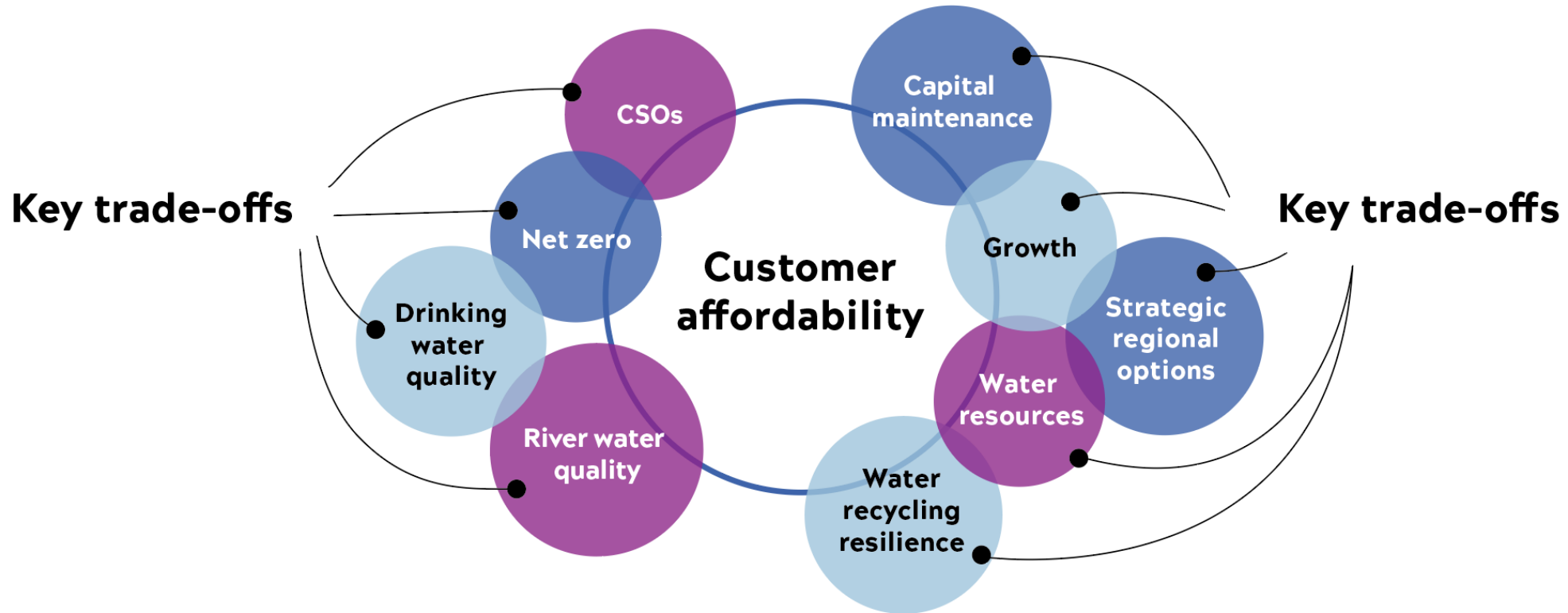
### Strategic direction statement



Adaptively planned investment decisions over multiple AMPs

# Strategic priorities

Adaptively planning to achieve our vision: taking the long-term view



# In summary

A purpose-driven business with customers and the environment at the heart of everything we do



A purpose-driven approach to supporting customers when they need it most



Safeguarding future water resources and delivering long-term environmental initiatives



Powering forward with our bold Get River Positive commitments, including significantly reducing pollutions and CSO spills.



# Questions



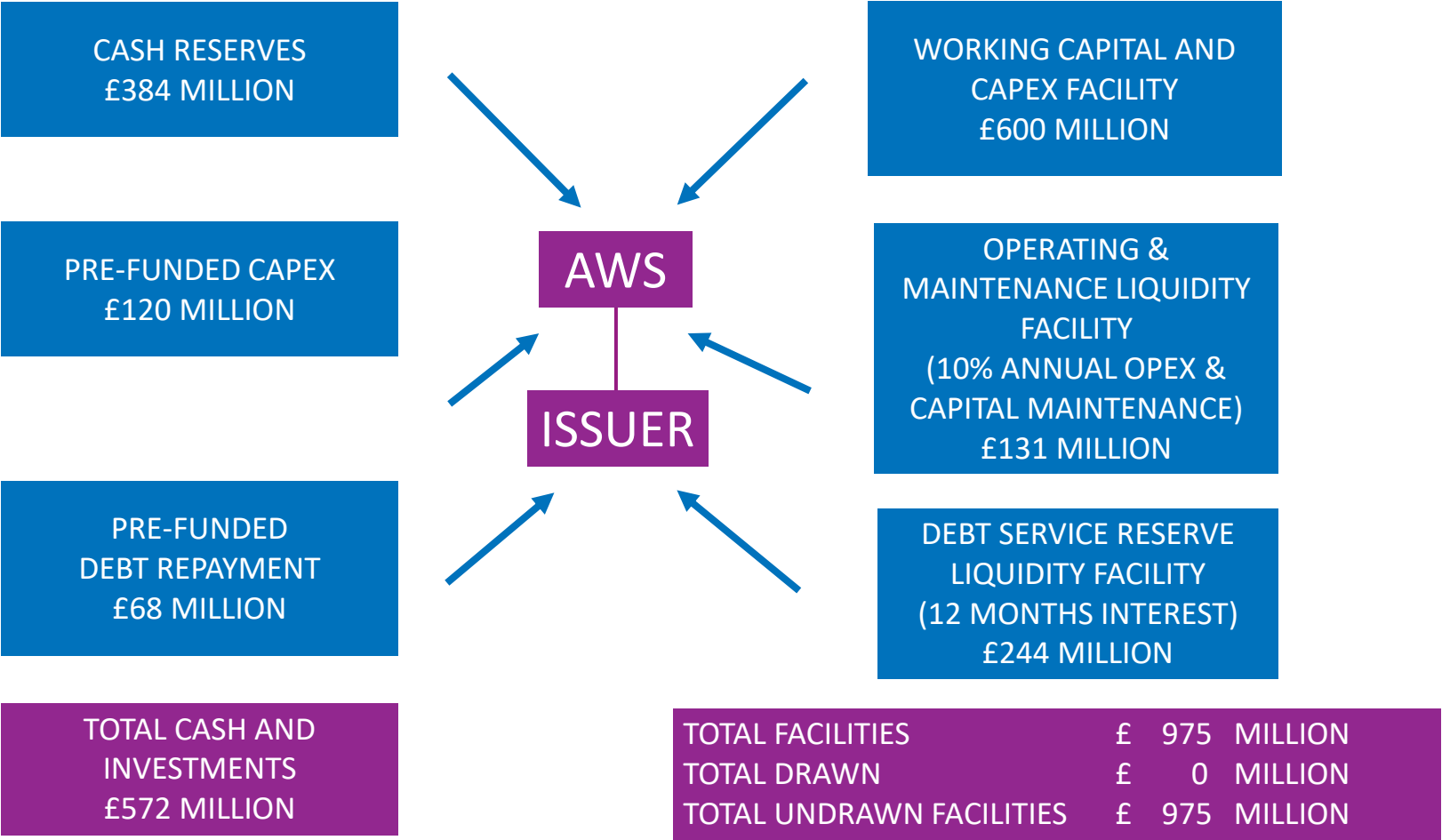
# **Appendices**



Period ended  
**30 September 2022**

# Anglian Water liquidity

Substantial £1.5bn of total liquidity to manage unexpected events

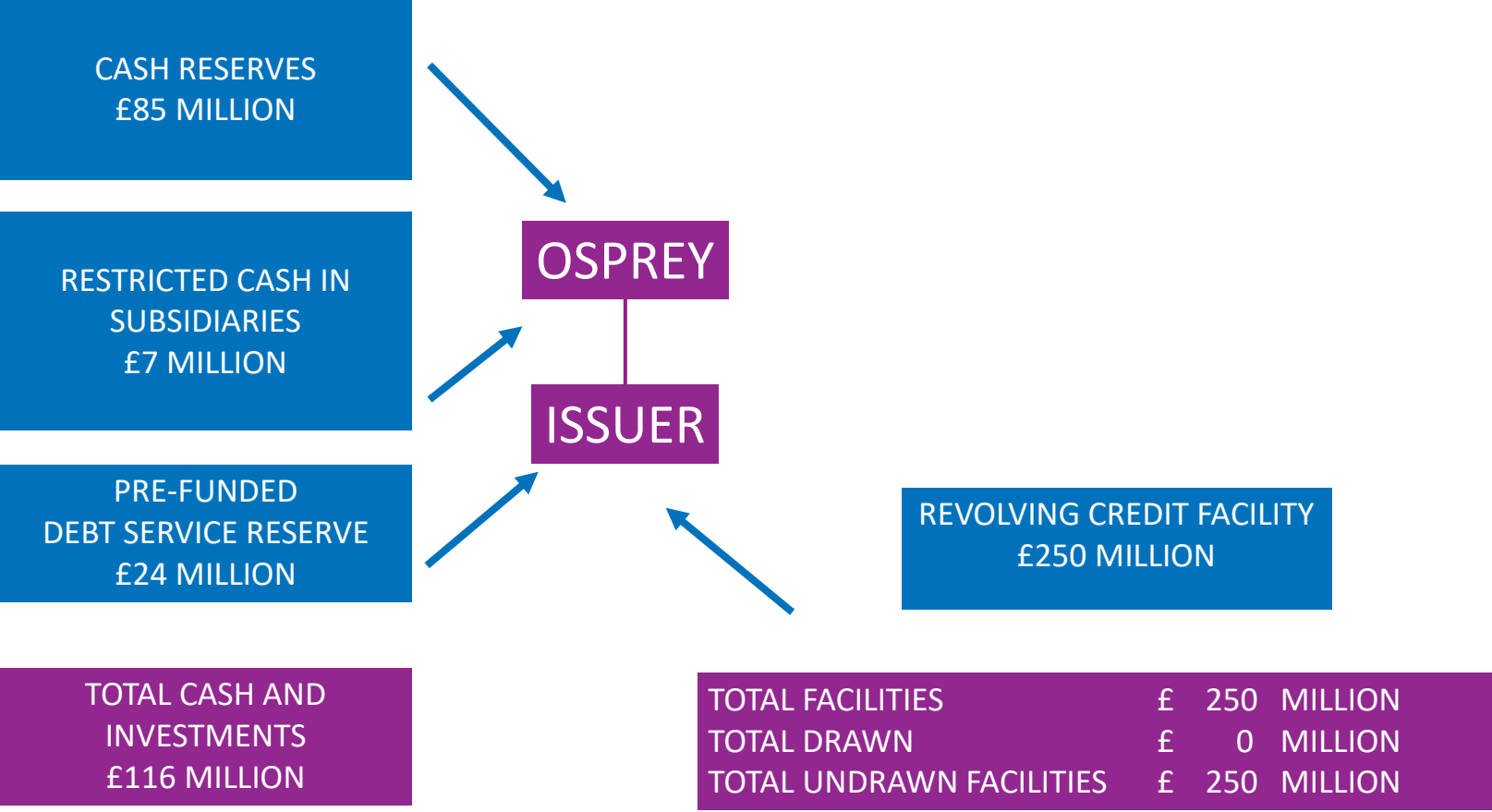




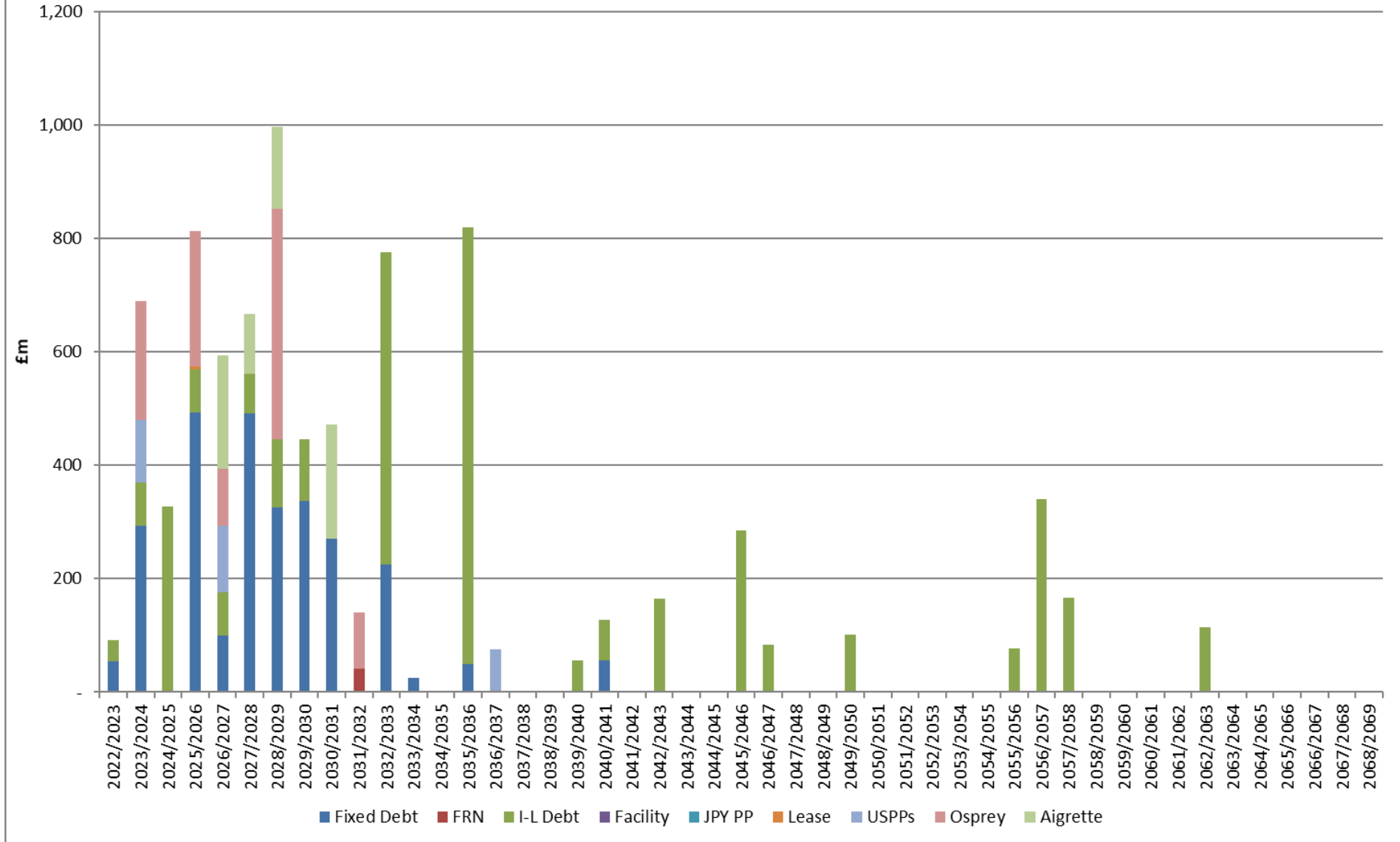
Period ended  
30 September 2022

# Osprey liquidity

£0.4bn of total liquidity to manage unexpected events



## AWGL Debt Maturity Profile as at 30/09/22



# Anglian Water derivatives



## Derivative Mark to Market Valuation as at 30 September 2022

Swap Type	Notional £m	MTM £m
Interest Rate Swap	1,935.8	(146.7)
Cross Currency Interest Rate Swap	606.4	98.3
RPI Swap	565.9	(303.1)
CPI Swap	816.2	(164.1)
	<hr/>	<hr/>
	3,924.4	(515.6)
<b>Energy Derivatives</b>	<b>Notional £m<sup>1</sup></b>	<b>MTM £m</b>
LEBA <sup>2</sup> Power Swaps	106.3	136.4

### Notes

<sup>1</sup>Notional value for Energy Derivatives represents locked in purchase price for power.

<sup>2</sup>LEBA = London Energy Brokers Association.

# Profit after tax reconciliation

## Anglian Water

	Sep 2022	Sep 2021
	£m	£m
Underlying performance	154.1	104.1
Indexation on debt	(259.0)	(82.7)
Underlying (loss) profit before tax	(104.9)	21.4
Fair value gain/(loss) on derivatives	663.9	(91.6)
Tax (charge)/credit	(139.5)	(324.6)
Reported profit/(loss) after tax	419.5	(394.8)

# AW reconciliation of CTA net debt



Year ended  
**30 September 2022**

	Sep 2022 £m	Mar 2022 £m	Sep 2021 £m
<b>Net debt - statutory accounting basis <sup>1</sup></b>	<b>5,966.1</b>	<b>5,621.3</b>	<b>5,548.0</b>
Capitalised issue costs	19.2	19.7	20.7
IFRS 16 Leases <sup>2</sup>	(28.6)	(30.6)	(32.0)
IFRS 9 adjustments	210.6	84.0	(13.2)
<b>Net debt - CTA basis <sup>1</sup></b>	<b>6,167.3</b>	<b>5,694.4</b>	<b>5,523.5</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



# Summary of AWS new loans and repayments



Period ended  
30 September 2022

	September 2022 £m		September 2021 £m
<b>New debt raised</b>		<b>New debt raised</b>	
C\$350 million 4.525% fixed rate 2032	224.8	£35 million 2.140% fixed rate bond 2036	35.0
		£40 million 2.140% fixed rate bond 2036	40.0
		US\$35 million 1.160% 2026	25.5
	<b>224.8</b>		<b>100.5</b>
<b>Non cash debt raised</b>		<b>Non cash debt raised</b>	
New IFRS 16 lease agreements in period	0.8	New IFRS 16 lease agreements in period	4.6
<b>Total debt raised</b>	<b>225.6</b>	<b>Total debt raised</b>	<b>105.1</b>
<b>Debt repaid</b>		<b>Debt repaid</b>	
EIB £75 million 0.53% index-linked term facility 2027	(5.3)	EIB £75 million 0.53% index-linked term facility 2027	(4.7)
EIB £75 million 0.79% index-linked term facility 2027	(5.3)	EIB £75 million 0.79% index-linked term facility 2027	(4.7)
EIB £65 million 0.41% index-linked term facility 2029	(4.4)	EIB £150 million 0% index-linked term facility 2028	(9.2)
EIB £125 million 0.1% index-linked term facility 2029	(8.3)	EIB £65 million 0.41% index-linked term facility 2029	(3.9)
EIB £60 million 0.01% index-linked term facility 2030	(3.9)	EIB £125 million 0.1% index-linked term facility 2029	(7.4)
EIB £150 million 0.0% index-linked term facility 2028	(10.3)	EIB £60 million 0.01% index-linked term facility 2030	(3.5)
£15 million 1.37% index-linked private placements 2022	(20.8)	US\$160 million 4.52% private placements 2021	(114.9)
£250 million 5.837% fixed rate 2022	(250.0)	US\$410 million 5.18% private placements 2021	(297.8)
		US\$47 million 5% private placements 2022	(34.2)
		US\$160 million 4.99% private placements 2023	(116.2)
		RCF £550 million	(25.0)
	<b>(308.3)</b>		<b>(621.5)</b>
Settlement of IFRS 16 leases	(3.0)	Settlement of IFRS 16 leases	(2.1)
<b>Total debt repaid</b>	<b>(311.3)</b>	<b>Total debt repaid</b>	<b>(623.6)</b>