



# Investor Presentation

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Managing Director,  
Finance And Non-Regulated Business

**7 June 2019**



# 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.

# Challenge and change throughout the year: the new normal?



## Impacts of a changing climate



## Political and regulatory scrutiny



Threat or opportunity?

## 2018/19 highlights:

delivering what matters for customers, colleagues, investors and the environment

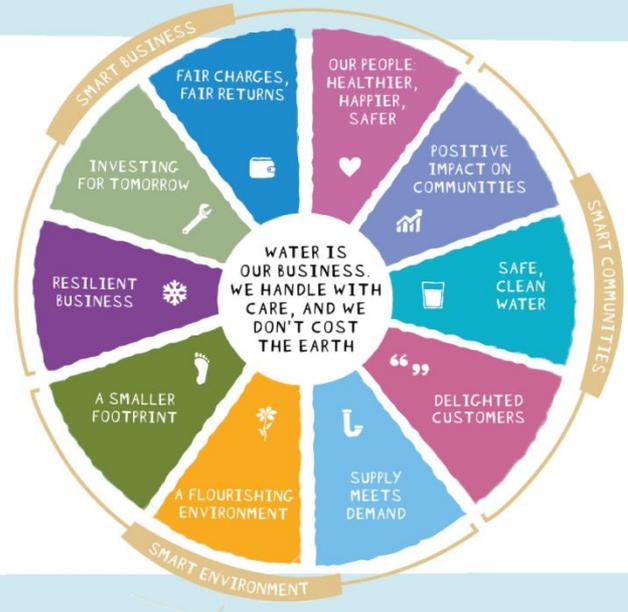


Meeting the challenges of growth, climate change and environmental protection

Anglian Water

# OUR LEADING PERFORMANCE

We have a history of strong performance over the last three AMPs which shows that we can deliver exceptional outcomes for our customers and creates a platform that allows our region and our customers to prosper.



## FRONTIER ODI PERFORMANCE

WE ARE FORECASTING A NET ODI REWARD OF £60M FOR AMP6

	15-16	16-17	17-18	18-19	TOTAL
TOTAL	11.1	5.3	13.3	12.1	41.8

## FRONTIER PERFORMANCE ON LEAKAGE

Our leakage is **half the national average** by water lost per kilometre of pipe



## NUMBER ONE IN SIM

for customer service in 2018/19 and consistently in the **upper quartile** for 15 years



## LEADING ON RESILIENCE

Handled Beast from the East and the hot summer, both managed **without impacting customers**. Stable position heading into Summer 2019



# Planning for the future: AMP7



## OUR STRATEGIC DIRECTION STATEMENT 25 YEAR AMBITIONS



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

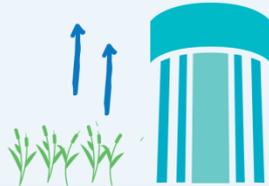


Enable sustainable economic and housing growth in the UK's fastest growing region

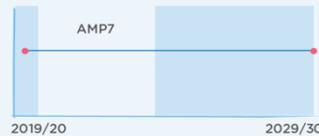


Be a carbon neutral business by 2050

**c.30% INCREASE**  
in our proposed investment compared to AMP6



**FLAT BILLS**  
to deliver enhanced resilience and environmental obligations



**OVER £1.5 BN**  
to be invested in resilient water supplies and a flourishing environment



**MORE THAN 85%**  
of our customers agreed our proposed bill changes were both affordable and acceptable



**OVER HALF A MILLION**  
customer interactions have co-created our plan - ten times more than our last plan



**ENSURING TRUST AND CONFIDENCE**  
reducing levels of debt and making independent non-executives the majority of our board



**WE WILL OFFER SUPPORT TO 475,000**  
customers, who have affordability issues in each year of AMP7



**22% REDUCTION**  
in leakage by 2025 and 50% by 2050 from an already frontier position



**SERVING OVER 200,000**  
new homes in AMP7

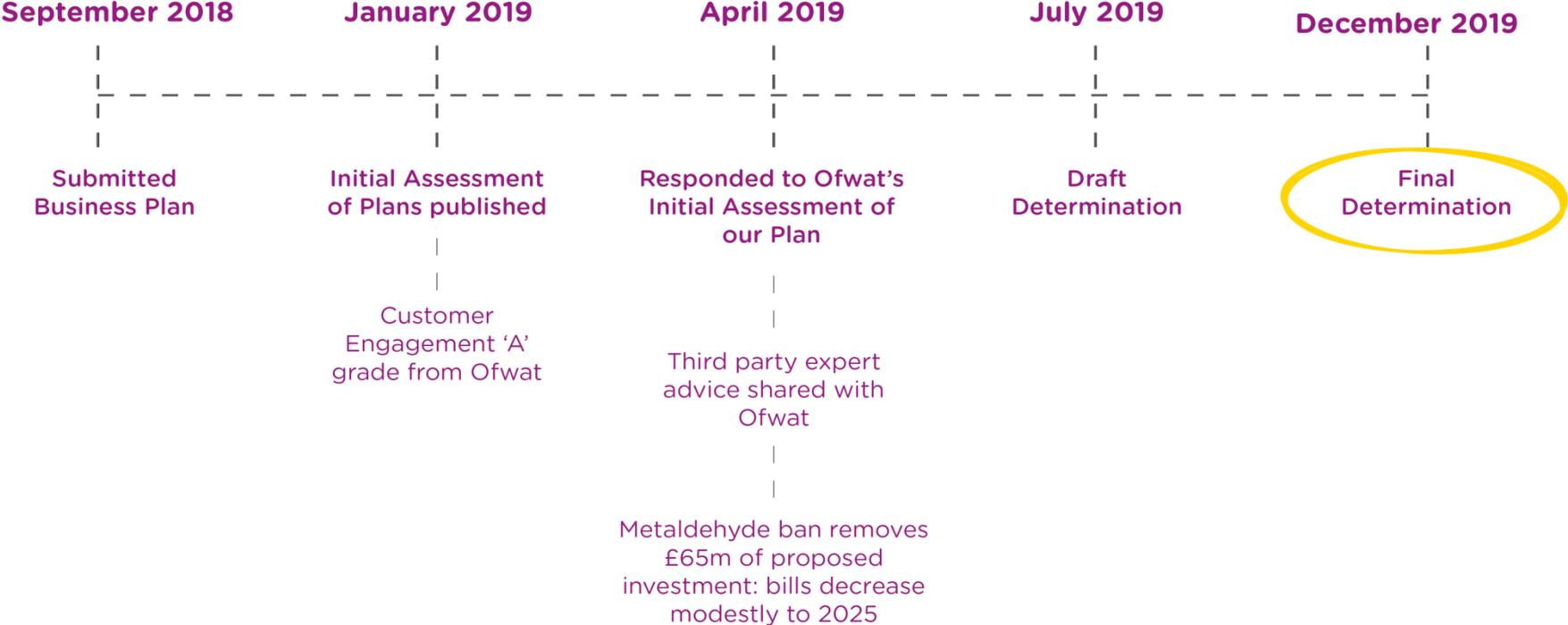


Video Placeholder





# Planning for the future: AMP7



# Getting Fit For AMP7



## Business Operating Model review

- Efficient delivery
- TOTEX thinking

## Culture of Open Innovation

- Shop Window delivering sustained results
- Digital thinking increasingly dominant

## New delivery vehicle

- Strategic Pipeline Alliance

## Investment in Customer Experience

- SIM to CMeX, DMeX and RMeX
- New service technology, 'being more customer' and enhancing the customer experience

## People changes

- Jean Spencer and Chris Newsome retired
- Steve Buck, new CFO joins from Centrica



# Shaping the future and reiterating our purpose



Water UK  
Public Interest Commitment  
25 April 2019  
www.water.org.uk

Showing Leadership

WRE

Resilience

Wisbech Lowestoft

Social Purpose

Protecting Our Region

Apprenticeships

Carbon Reduction

# Funding our future: Green Bond investments



Heigham



Cotton Valley

**Green Bond investments have saved 118,463 tonnes of carbon,  
a 56% reduction from 2010 baseline**



# Financial Performance

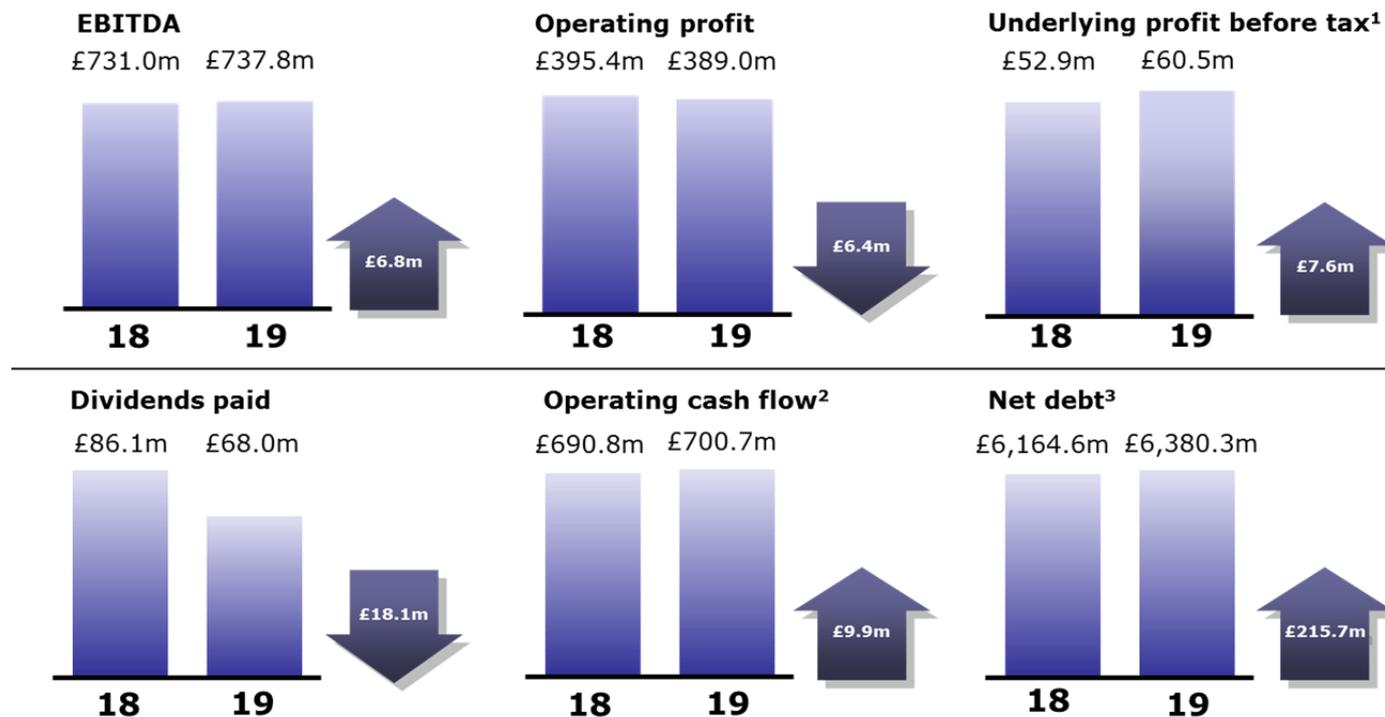
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**Scott Longhurst**  
Managing Director,  
Finance And Non-Regulated Business



# Anglian Water Financial Highlights

As at 31 March 2019



<sup>1</sup> The prior year excluded interest received of £191.8m (2019: £nil) from AWS Holdings Ltd and loss on derivatives of £98.4m (2018: gain of £117.6m).

<sup>2</sup> Shown on a statutory accounts basis. Net cash inflow from operating activities after tax on a CTA basis is £663.8m (2018: £661.2m).

<sup>3</sup> Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £6,237.0m (2018: £6,031.2m).

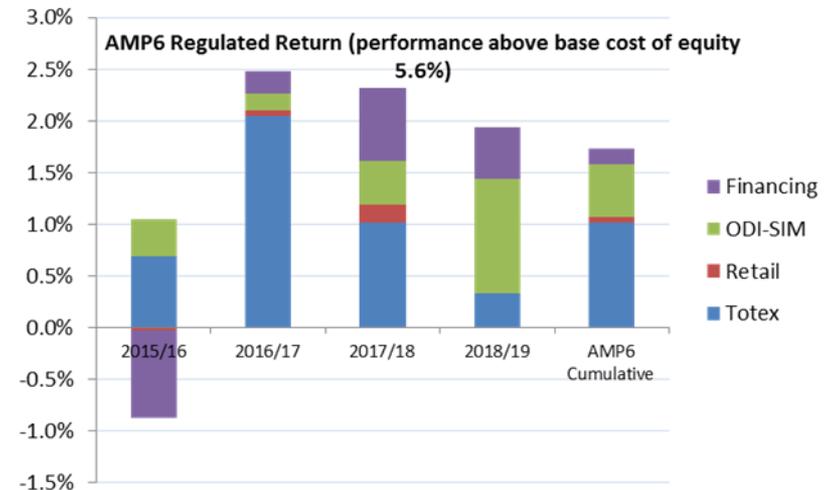
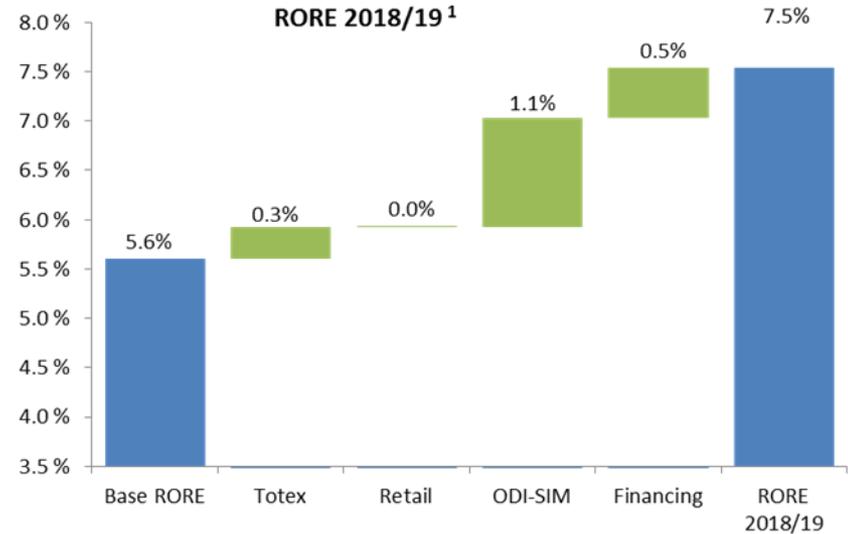
# Anglian Water



## Return on Regulatory Equity (RORE)

- All round positive performance.
- Strong underlying totex performance. Outperformance re-invested to enhance asset health.
- Our response to the IAP contemplates a reward of £26m on SIM<sup>2</sup>.
- Balanced positive performance on ODIs<sup>2</sup>:
  - Interruption to supply = £5.7m
  - Pollution incidents = £3.2m
  - Leakage = £3.1m
  - Other = £0.1m
- Consistent performance across the AMP.
- Sustained underlying totex outperformance.

<sup>1</sup> Subject to clarification with Ofwat  
<sup>2</sup> In 2012-13 prices



# Anglian Water Income Statement <sup>1</sup>

As at 31 March 2019



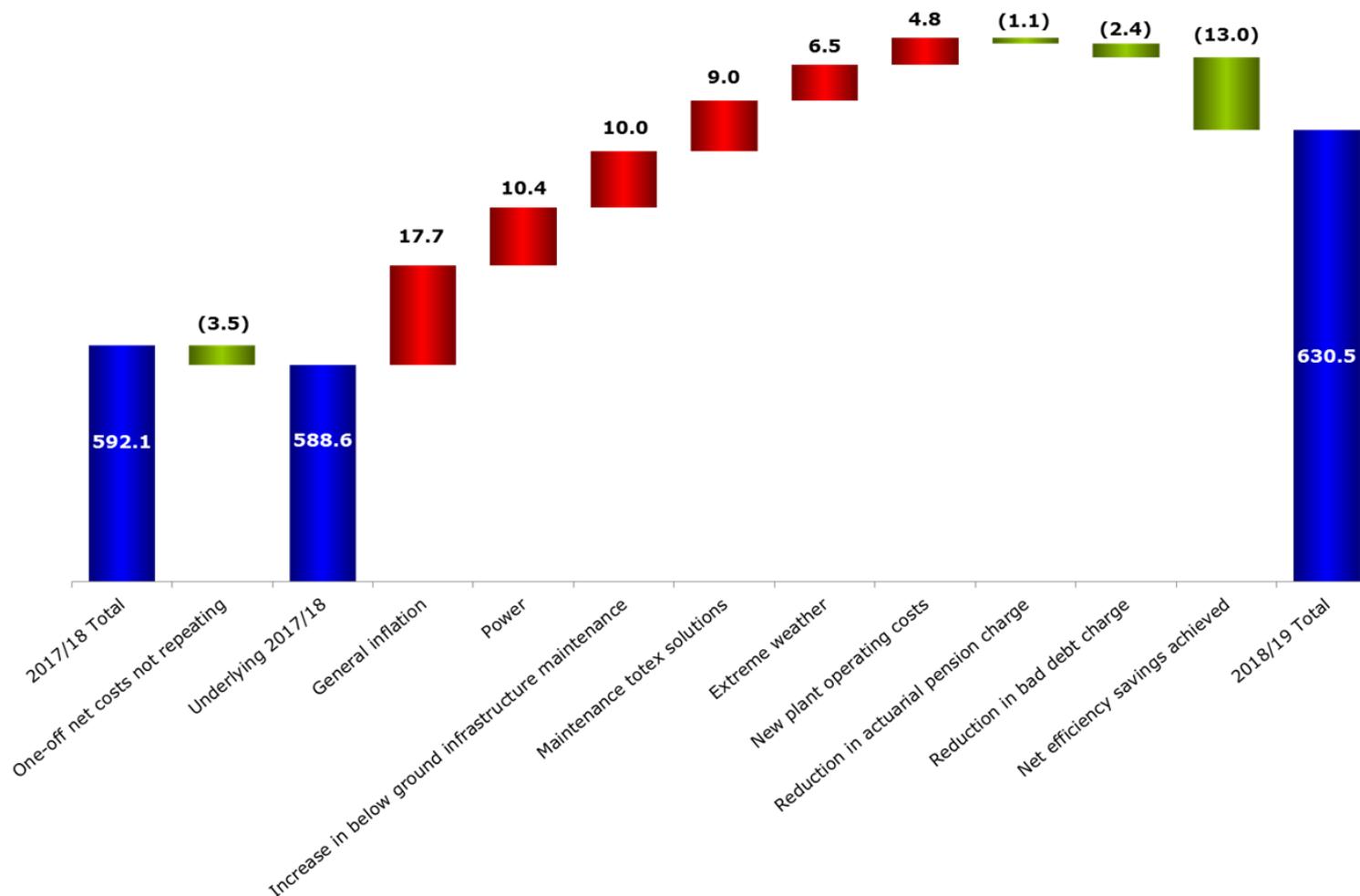
	<b>2019</b> <b>£m</b>	<b>2018</b> (Restated) <sup>2</sup> <b>£m</b>
Total revenue	1,354.7	1,312.0
Other operating income	13.6	11.1
Operating costs	(630.5)	(592.1)
<b>EBITDA</b>	<b>737.8</b>	<b>731.0</b>
Depreciation and amortisation	(348.8)	(335.6)
<b>Operating profit</b>	<b>389.0</b>	<b>395.4</b>
Interest (excluding indexation)	(201.8)	(207.6)
Indexation charge	(129.6)	(136.5)
Finance income	2.9	1.6
<i>Underlying net finance costs</i>	<i>(328.5)</i>	<i>(342.5)</i>
<b>Underlying profit before tax</b>	<b>60.5</b>	<b>52.9</b>

<sup>1</sup> Shown on an underlying basis (i.e. excluding: fair value losses on derivatives of £98.4m (2018: gains of £117.6m); inter-company interest receivable of £nil (2018: £191.8m); and profit on disposal of business of £nil (2018: £4.6m)).

<sup>2</sup> The results for the year ended 31 March 2018 have been restated to reflect the adoption of IFRS 15 'Revenue from Contracts with Customers'.

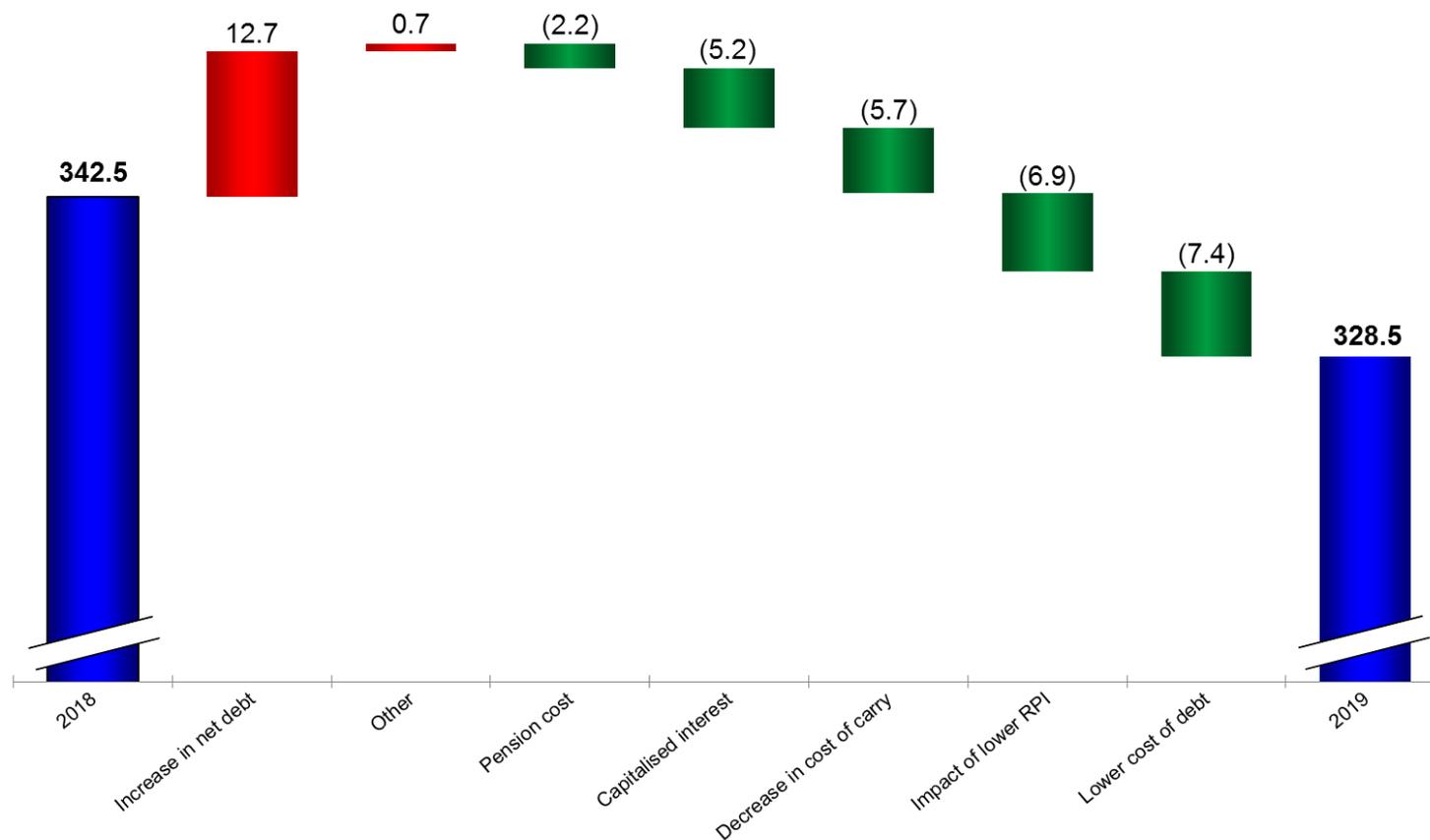
# Anglian Water Operating Costs

As at 31 March 2019



# Anglian Water Interest <sup>1</sup>

As at 31 March 2019



<sup>1</sup> Shown on an underlying basis (i.e. excluding fair value losses on derivatives of £98.4m (2018: gains of £117.6m))

# Anglian Water

## Cash Flow on a CTA Debt Basis <sup>1</sup>

As at 31 March 2019



	<b>2019</b> <b>£m</b>	<b>2018</b> (Restated) <b>£m</b>
Income	1,294.4	1,233.8
Opex and taxation	(630.6)	(572.6)
<b>Net cash inflow from operating activities</b>	<b>663.8</b>	<b>661.2</b>
Capital maintenance expenditure	(247.5)	(235.7)
Net interest	(210.3)	(211.8)
<b>Free cash flow</b>	<b>206.0</b>	<b>213.7</b>
Capital enhancement expenditure	(221.6)	(162.3)
Disposal proceeds NHH retail	-	78.9
Proceeds from equity injection <sup>2</sup>	22.0	
Dividends paid, available to ultimate shareholders	(68.0)	(86.1)
Dividends paid, not available to ultimate shareholders:		
Special dividend to fund the transfer of NHH retail	-	(62.2)
<b>Pre-financing cash flows per CTA definition</b>	<b>(61.6)</b>	<b>(18.0)</b>

<sup>1</sup> CTA cash flows are on a different basis to those presented in the financial statements (see appendix 1 for reconciliation)

<sup>2</sup> On 5 October 2018 £22.0m has been injected as permanent equity

# Anglian Water

## Movement in Debt on CTA Basis <sup>1</sup>

As at 31 March 2019

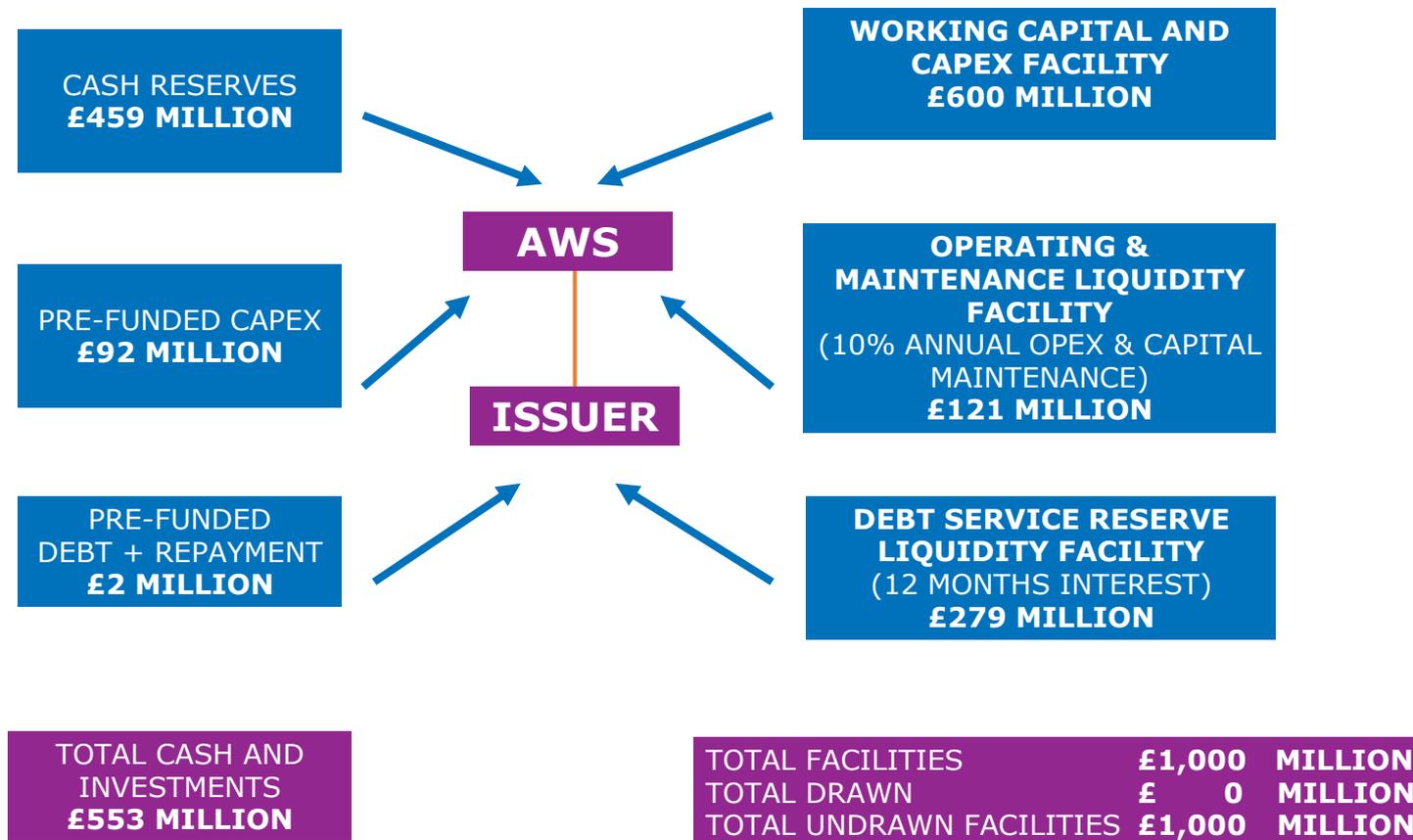


	<b>2019</b> <b>£m</b>
Gross debt at 31 March 2018	(6,317.9)
New debt raised	(450.1)
Debt repaid	140.0
Indexation	(97.7)
Exchange movements and other	(64.3)
<b>Gross debt at 31 March 2019</b>	<b>(6,790.0)</b>
Less	
- Debt service account	1.8
- Tax reserve	40.0
- Capex reserve	92.4
- Other cash	418.8
<b>Net debt per CTA definition</b>	<b>(6,237.0)</b>

<sup>1</sup> CTA net debt is on a different basis to that presented in the interim financial statements (see appendix 2 for reconciliation)

# Anglian Water Liquidity

As at 31 March 2019



# Anglian Water

## AWS Dividends in 2018-2019

As at 31 March 2019



	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
<b>Dividends available for distribution to investors in the ultimate parent company</b>		
Previous year final dividend - paid in June	68.0	61.1
Current year interim dividend - paid in December	-	25.0
Total dividend for the full year	<b>68.0</b>	<b>86.1</b>

### Notes

On 5 October 2018 £22.0m was injected as permanent equity

# Anglian Water

## Key Financial Ratios

As at 31 March 2019



### Anglian Water Financial Ratios – for the year ended 31 March 2019

	<b>March 2019</b>	<b>Trigger Event</b>	<b>Default</b>	<b>March 2018</b>
Class A RAR	68.2%	75.0%	-	67.9%
Senior RAR	78.1%	85.0%	95.0%	78.1%
Class A ICR	3.6	-	1.6	3.6
Class A PMICR	1.9	1.3	-	1.8
Senior PMICR	1.6	1.1	-	1.5
Class A actual maintenance ICR	2.3	-	1.0	2.2

### Osprey Acquisitions Limited Financial Ratios – for the year ended 31 March 2019

	<b>March 2019</b>	<b>Trigger Event</b>	<b>Default</b>	<b>March 2018</b>	<b>March 2017</b>
Senior RAR	83.1%	93.0%	95.0%	83.4%	84.7%
Senior ICR	3.0	-	2.0	2.6	2.6
Dividend Cover Ratio	3.0	-	2.0	4.0	3.5

RAR = Regulated Asset Ratio

ICR = Interest Cover Ratio

PMICR = Post Maintenance interest Cover Ratio

# Anglian Water & Osprey Sustainable Financing

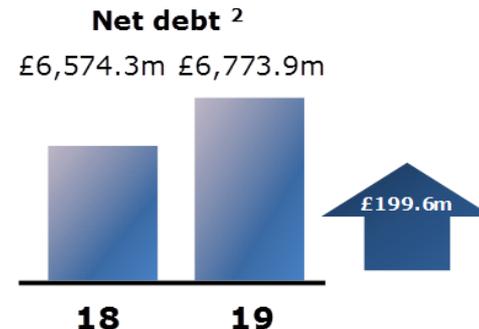
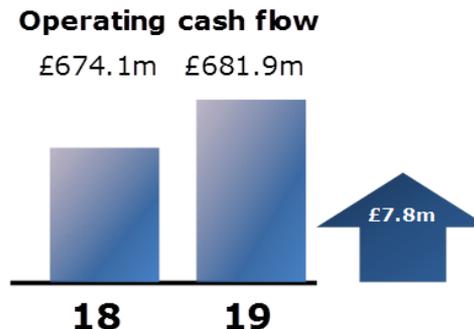
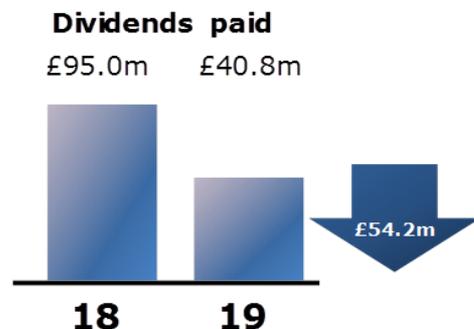
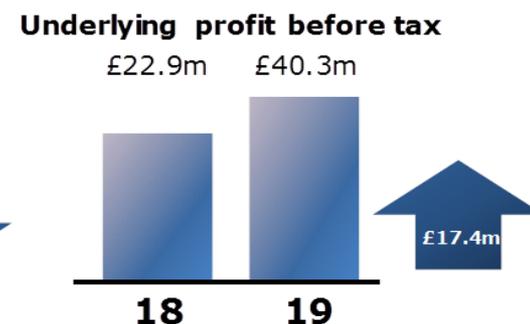
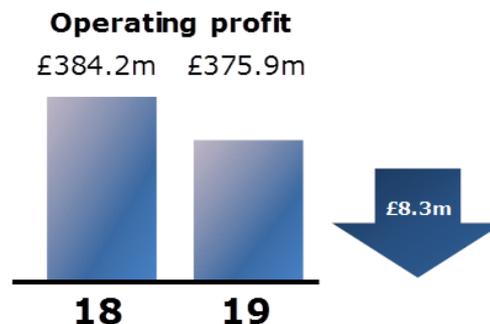
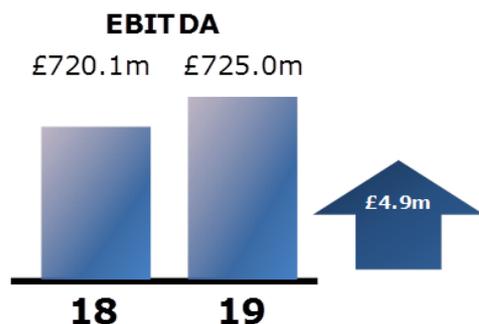
- £450m of new debt raised in the year from UK and US investors; all Green Bond Principles format.
- £130m of forward starting debt arranged.
- As a consequence of the debt issuance and connected derivative transactions, £680m of debt is now linked to CPI.
- £250m 5 year sustainable bank facility has been arranged following the year end at Osprey, maturing in 2024, with extensions to 2026 at lenders discretion.



# Osprey Acquisitions Ltd Financial Highlights <sup>1</sup>



As at 31 March 2019



<sup>1</sup> Results are for Osprey Acquisitions Limited consolidated accounts.

<sup>2</sup> Excludes loan from parent, fair value adjustment to debt arising on acquisition, and derivatives.

# Summary

- Anglian Water continues to deliver strong performance, with customers and the environment at the heart of everything we do. Consistent top quartile operational, totex and ODI performance throughout AMP6.
- In April we responded to Ofwat's Initial Assessment of our Plan, which we received in January. Ofwat will now consider this before issuing its Draft Determination of Plans in mid July.
- Anglian Water is committed to de-gearing the business over AMP7 and with AMP6 financing complete, the business is well placed going into AMP7.

love every drop  
anglianwater

# Questions



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# Appendix



# Index of Appendices



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# Anglian Water

## Reconciliation of CTA Operating Cash Flow

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Operating cash flow - statutory accounts basis</b>	<b>700.7</b>	<b>690.8</b>
Tax paid	(30.2)	(23.5)
Commissions on debt facilities not drawn	(3.0)	(2.5)
Other items <sup>1</sup>	(3.7)	(3.6)
<b>Net cash inflow from operating activities - CTA basis</b>	<b>663.8</b>	<b>661.2</b>

<sup>1</sup> Other items include issue costs of new debt, adjustments for unpresented cheques, the reallocation of interest on Wing strategic mains refunds and cash in transit.

# Anglian Water

## Reconciliation of CTA Net Debt

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Net debt - statutory accounting basis <sup>1</sup></b>	<b>6,380.3</b>	<b>6,164.6</b>
Unpresented cheques and lodgements	0.3	0.4
Capitalised issue costs	32.5	26.1
IFRS 9 adjustments	(176.1)	(159.9)
<b>Net debt - CTA basis <sup>1</sup></b>	<b>6,237.0</b>	<b>6,031.2</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

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Profit before tax on an underlying basis</b>	<b>60.5</b>	<b>52.9</b>
Finance costs - fair value (losses)/gains on financial derivatives	(98.4)	117.6
Finance income - inter-company interest receivable	-	191.8
Profit on disposal of the non-household retail business	-	4.6
<b>(Loss) / profit before tax as reported on a statutory basis</b>	<b>(37.9)</b>	<b>366.9</b>

# Anglian Water

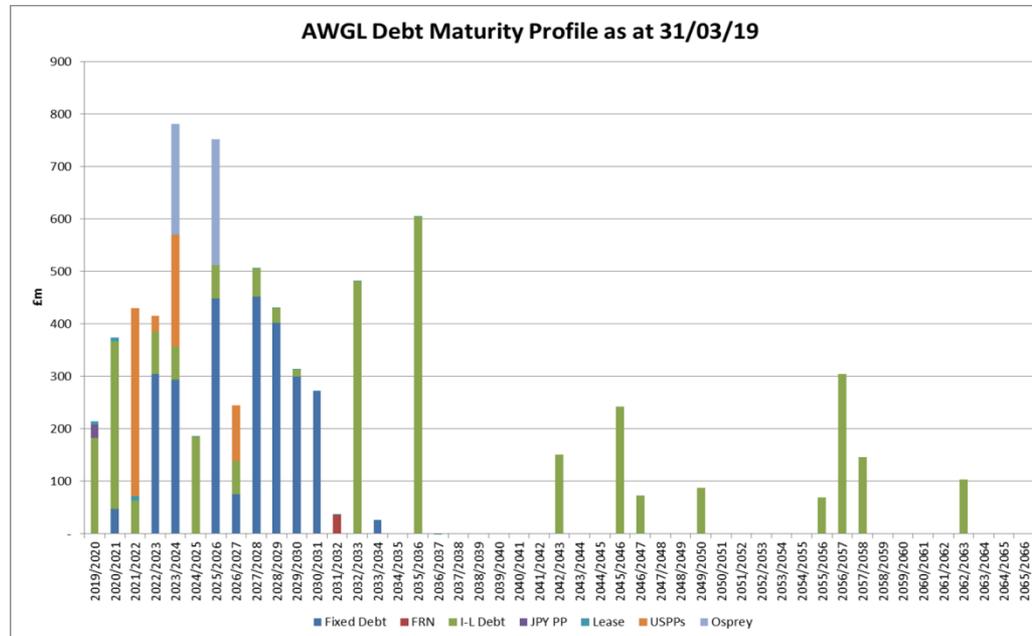
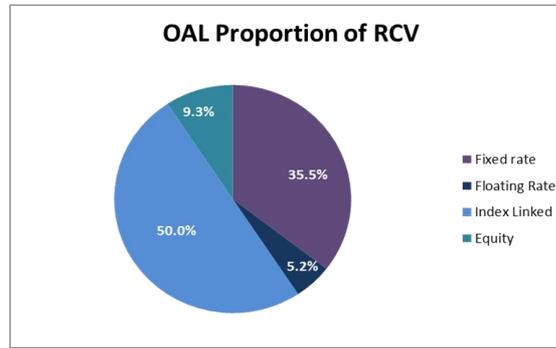
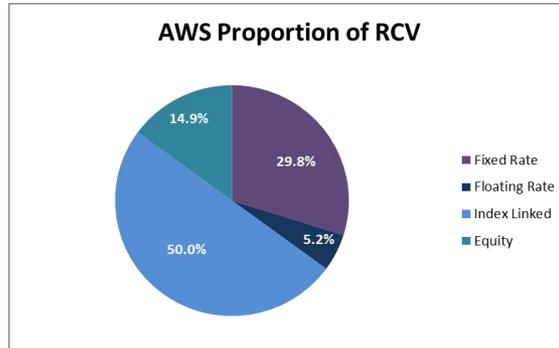
## Summary of New Loans and Repayments

As at 31 March 2019

	<b>2019</b>		<b>2018</b>
<b>New debt raised</b>	<b>£m</b>	<b>New debt raised</b>	<b>£m</b>
£300 million Green bond 2.75% 2029	297.8	£250m GRN 1.625% 2025	248.6
£25 million 3.0% fixed rate 2031	25.0		
US\$53 million 3.053% fixed rate 2029	40.0		
£85 million 2.88% fixed rate 2029	85.0		
<b>Total debt raised</b>	<b>447.8</b>	<b>Total debt raised</b>	<b>248.6</b>
<b>Debt repaid</b>	<b>2019</b>	<b>Debt repaid</b>	<b>2018</b>
	<b>£m</b>		<b>£m</b>
JPY 15 billion 2.925% fixed rate bond 2018/2037	(65.9)	£150m 5.5% 2017/2040	(150.0)
EIB Tranche 1 £75m 0.53% 2027	(8.9)	EIB Tranche 1 £75m 0.53% 2027	(8.6)
EIB Tranche 2 £75m 0.79% 2027	(8.9)	EIB Tranche 2 £75m 0.79% 2027	(8.6)
L03 A RPI 0.000 2028 GBP 150m	(17.2)	£25.5m 4.2% Private Placement 2017	(25.5)
Capital element of finance lease rental payments	(6.2)	£500m RCF 2020	(55.0)
Solar lease repayment	(0.4)	Repayment of accreted interest on derivatives	(73.9)
Repayment of accreted interest on derivatives	(11.7)	Capital element of finance lease rental payments	(5.7)
<b>Total debt repaid</b>	<b>(119.2)</b>	<b>Total debt repaid</b>	<b>(327.3)</b>

# Anglian Water Debt Maturity Profile

As at 31 March 2019



# Anglian Water

## Derivatives Mark to Market Valuation

As at 31 March 2019

<b>Swap Type</b>	<b>Notional £m</b>	<b>MTM £m<sup>1</sup></b>
Interest Rate Swap	2,496.6	(217.7)
Cross Currency Interest Rate Swap	770.0	148.4
RPI Swap	565.9	(598.9)
CPI Swap <sup>2</sup>	615.0	(110.4)
	4,447.6	(778.5)

<b>Energy Derivatives</b>	<b>Notional £m<sup>3</sup></b>	<b>MTM £m</b>
LEBA <sup>4</sup> Power Swaps	79.7	(1.0)

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

<sup>2</sup> Anglian entered into £615.0m of CPI swaps in the 12 months to March 2019.

<sup>3</sup> Notional value for Energy Derivatives represents locked in purchase price for power.

<sup>4</sup> LEBA = London Energy Brokers Association.

# Osprey Acquisitions Ltd

## Income Statement

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Revenue</b>	<b>1,358.4</b>	1,322.7
<b>Operating profit</b>	<b>375.9</b>	384.2
<b>Interest</b>		
Interest	(206.0)	(224.4)
Indexation charge	(129.6)	(136.9)
<b>Underlying profit before tax</b>	<b>40.3</b>	22.9
Fair value (losses)/gains on financial derivatives	(98.4)	119.1
(Loss)/profit on disposal of business	(0.2)	4.6
<b>(Loss)/profit before tax</b>	<b>(58.3)</b>	<b>146.6</b>

# Osprey Acquisitions Ltd

## Revenue Segmental Analysis

As at 31 March 2019

		<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Anglian Water</b>	3.3%	<b>1,354.7</b>	<b>1,312.0</b>
Head Office and other		4.1	11.1
less: intersegmental trading		(0.4)	(0.4)
<b>Total revenue</b>	2.7%	<b>1,358.4</b>	<b>1,322.7</b>

# Osprey Acquisitions Ltd

## Operating Profit Segmental Analysis

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>Anglian Water</b>	<b>389.0</b>	<b>395.4</b>
Head Office and other	(13.1)	(11.2)
<b>Operating profit</b>	<b>375.9</b>	<b>384.2</b>

# Osprey Acquisitions Ltd

## Group Cash Flow

As at 31 March 2019

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>Operating cash flow</b>	<b>681.9</b>	<b>674.1</b>
Taxation	0.3	(8.8)
Capital expenditure	(468.8)	(448.2)
Disposal of business net of cash disposed	(0.2)	79.0
Purchase of shares in subsidiary	(22.0)	-
Net interest paid	(198.7)	(251.7)
Repayment of principal and accrued interest on derivatives <sup>1</sup>	27.0	(73.9)
Dividends paid	(40.8)	(95.0)
Indexation <sup>2</sup>	(97.7)	(110.7)
Other non-cash movements in net debt <sup>3</sup>	(80.6)	126.4
<b>Movement in net debt</b>	<b>(199.6)</b>	<b>(108.8)</b>

<sup>1</sup> Derivative receipts in 2019 relate to the settlement of cross-currency interest rate swaps and pre-hedges. The receipt is driven by the weakening of sterling relative to JPY since the initial trade date. Derivative settlements in 2018 relate to the settlement of accrued indexation on RPI linked swaps.

<sup>2</sup> In addition to the above indexation on debt, there is a further £31.9m (2018: £26.2m) 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 exchange adjustments from revaluing debt denominated in foreign currencies at closing rate £(64.4)m (2018: £54.4m) and adjustments to the value of debt in a fair value hedge £(13.1)m (2018: £74.6m).

# Osprey Acquisitions Ltd

## Net Debt

As at 31 March 2019

	<b>March 2019 £m</b>	<b>March 2018 £m</b>
<b>Anglian Water<sup>1</sup></b>	<b>(6,380.3)</b>	<b>(6,164.6)</b>
<b>Head office and other</b>	<b>45.2</b>	<b>30.0</b>
	<b>(6,335.1)</b>	<b>(6,134.6)</b>
<b>Osprey Acquisitions Limited</b>		
£210m 5.0% bond 2023	(213.1)	(212.8)
£240m 4.0% bond 2026	(238.9)	(238.7)
Unamortised costs on undrawn bank facilities	-	0.5
Net cash	13.2	11.3
<b>Osprey Acquisitions Group<sup>2</sup></b>	<b>(6,773.9)</b>	<b>(6,574.3)</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 (£164.4m)

\* 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 31 March 2019 this quasi-equity subordinated loan stands at £728.8m

# Osprey Acquisitions Operating Cash Flow

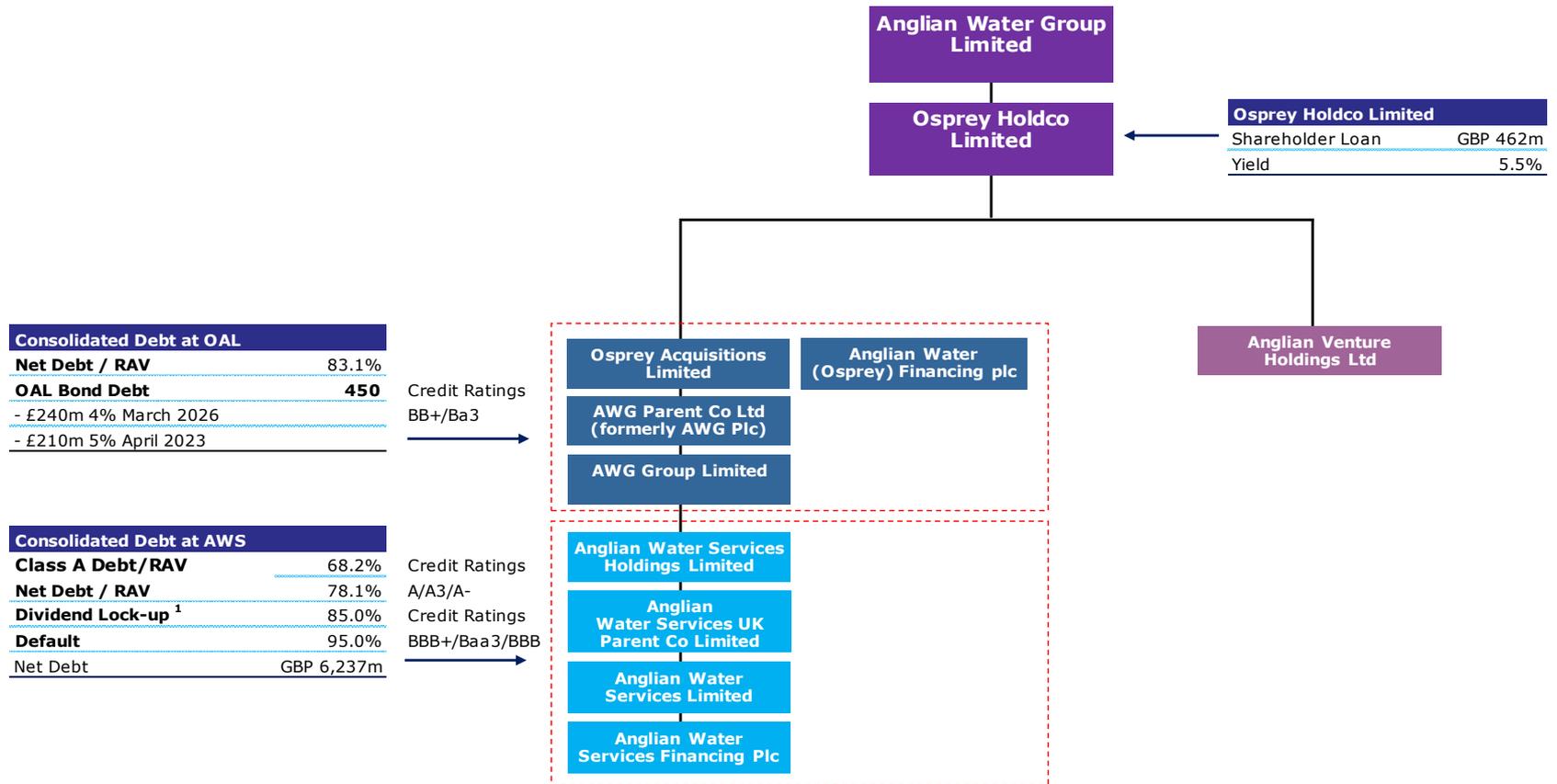
As at 31 March 2019

	<b>2019</b>	<b>2018</b>
<b>Anglian Water</b>	<b>700.7</b>	<b>690.8</b>
Head Office and other	(18.8)	(16.7)
<b>Total operating cash flow</b>	<b>681.9</b>	<b>674.1</b>

# Anglian Water Group Financing Structure

## Consolidated Capital Structure

As at 31 March 2019



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

# Osprey Acquisitions Ltd

## Taxation

As at 31 March 2019

	<b>2019</b> <b>£m</b>	<b>2018</b> <b>£m</b>
<b>(Loss)/profit before tax</b>	<b>(58.3)</b>	<b>146.6</b>
Tax at UK rate of 19% (2018: 19%)	(11.1)	27.9
Effects of recurring items:		
Items not deductible for tax purposes	2.2	0.3
Effects of non-recurring items:		
Items not taxable	-	(0.8)
Reduction in corporation tax rate	(4.2)	(0.5)
Effects of differences between rates of CT and DT	5.8	1.8
Adjustments in respect of prior periods	(0.4)	(0.3)
<b>Tax (credit)/charge for the period</b>	<b>(7.7)</b>	<b>28.4</b>

love every drop  
anglianwater

Thank you

