



Energy for
generations

ESB Investor Update

January 2020
www.esb.ie/ir



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PAT FENLON

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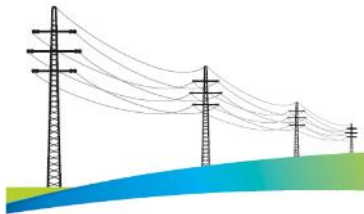
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Funding &
Liquidity

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Outlook &
Summary



- Established 1927 - leading Irish diversified and vertically integrated utility
- c. 95% Government-owned
- Operating in Ireland and Great Britain
- Brighter Future Strategy is to lead the transition to low carbon energy future

REGULATED NETWORKS



ESB NETWORKS

NIE NETWORKS

- Owner of the Regulated ROI & NI transmission & distribution networks contributing to 77%* of Group EBITDA and 74%* of Group Assets
- *Brighter Future* focus is to enable the connection of increased renewable and distribute generation

GENERATION



GENERATION & TRADING

- 20%* of EBITDA and 19%* of Group Assets
- *Brighter Future* focus is to transition the generation portfolio to low carbon technologies

CUSTOMER SOLUTIONS



ELECTRIC IRELAND

ESB ENERGY

- 5%* EBITDA and 3%* Group Assets
- *Brighter Future* focus is to provide smart energy services to customers including EV infrastructure roll out

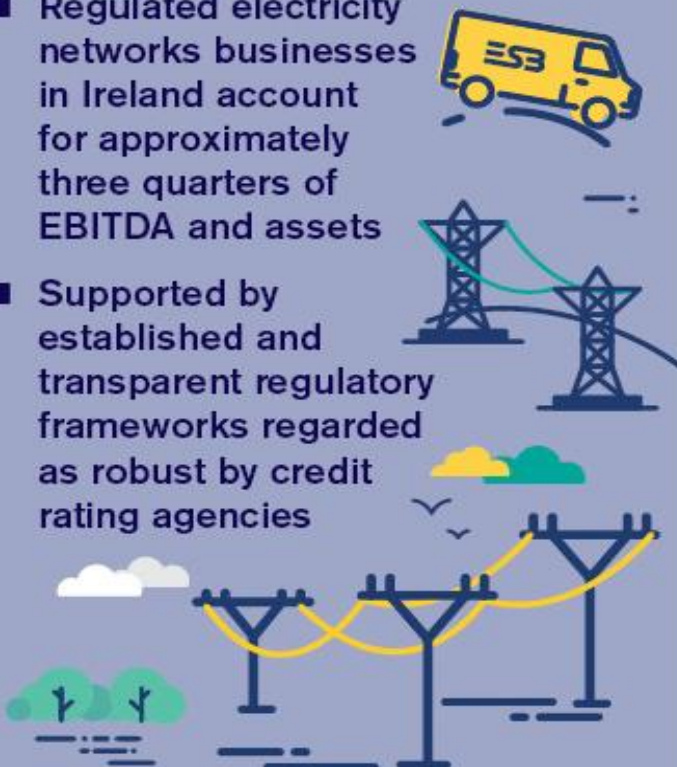
Leading Irish Energy Utility

- 95% Irish Government owned
- Markets - Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 38% share of generation and 33% share of supply in 2018



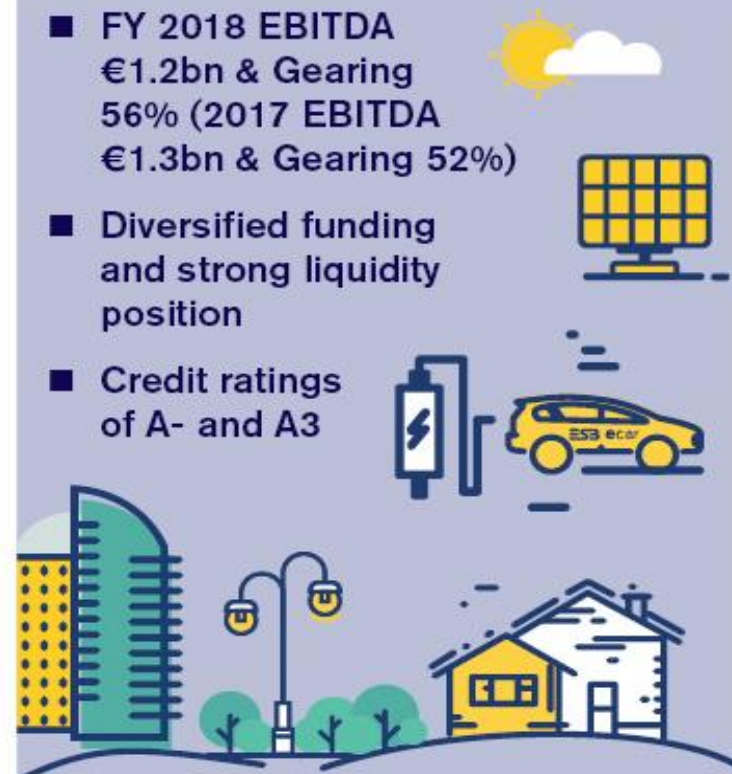
Stable Business Profile

- Regulated electricity networks businesses in Ireland account for approximately three quarters of EBITDA and assets
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies



Consistent Financial Performance

- FY 2018 EBITDA €1.2bn & Gearing 56% (2017 EBITDA €1.3bn & Gearing 52%)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3



Brighter Future Strategy – Leading the Transition to Reliable, Affordable, Low-Carbon Energy

Strategic Objectives

- 5 Strategic Objectives to deliver the Brighter Future Strategy

Investment Focus

- Core markets Ireland & UK
- Smart reliable networks
- Low carbon generation

Climate Action Plan (CAP)

- ESB Strategy is fully aligned with Government of Ireland CAP
 - Target of 70% of electricity from renewable sources by 2030
 - Targeting c. 1 million EV's by 2030
 - 600k heat pumps to be installed by 2030



How is ESB Leading the Transition?

Generation & Trading

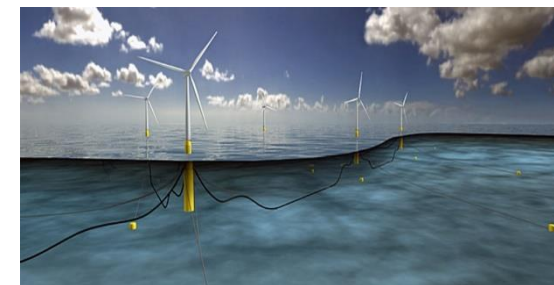
- Offshore Wind: Neart na Gaoithe (Scotland), Galloper (England) and Oriel (ROI)
- Onshore Wind: Grousemount & Oweninny (Ireland) & Coriolis (Scotland)
- Long term partnerships: Coillte & Equinor
- ESB's 2 peat stations will cease generating in December 2020
- Moneypoint (c. 900MW) will not burn coal after 2025

Networks

- National Smart Metering Programme (NSMP) rollout has commenced
- Approximately 6 GW of renewable generation already connected to the grid
- ESB Networks Electric “Yellow Vans”

Customer Solutions

- Electric Vehicle (EV) infrastructure upgrade commenced
- Smart Energy Services will deliver a world-first £120m greenhouse project (largest installed capacity of heat pumps in UK)





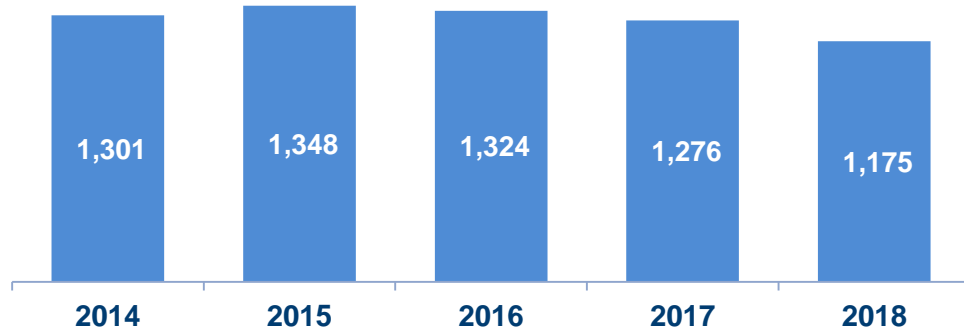
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FINANCIAL OVERVIEW

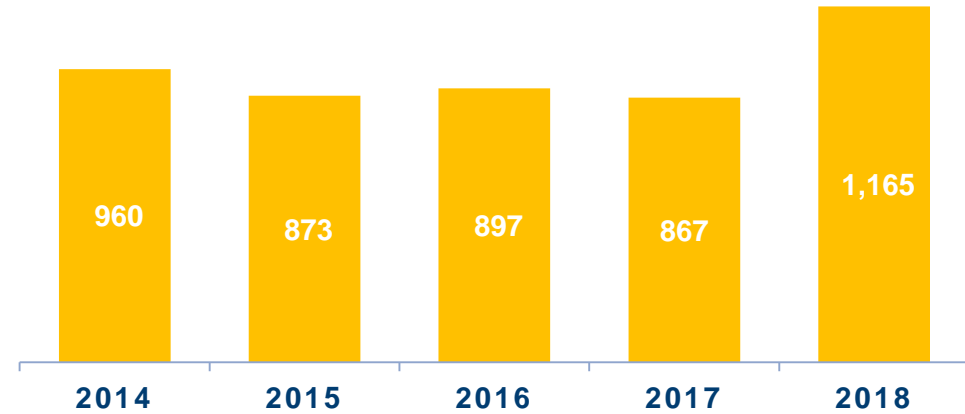


Consistent Financial Performance

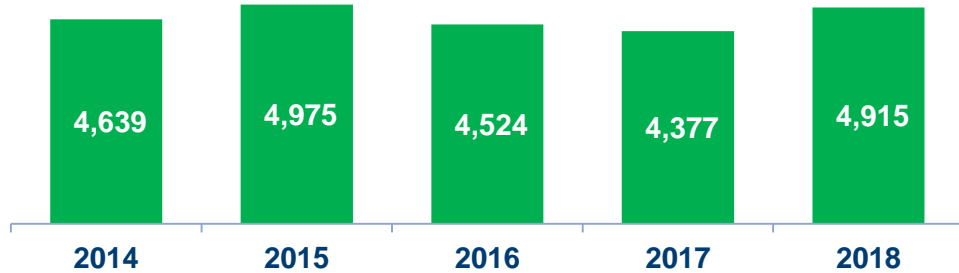
EBITDA (€m)



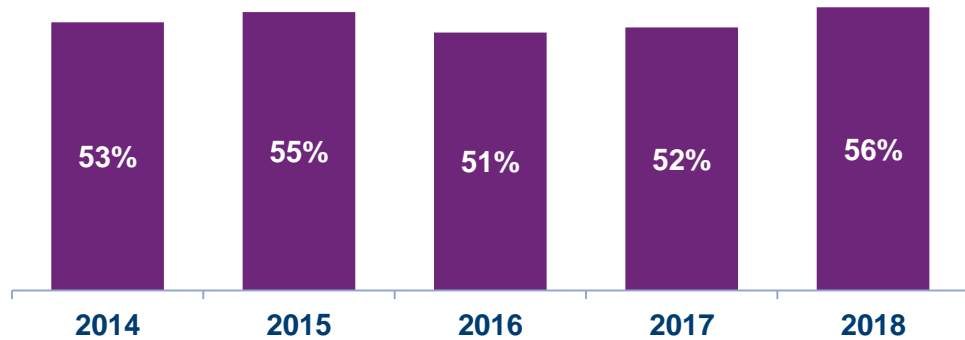
Capital Expenditure (€m)*



Net Debt (€m)

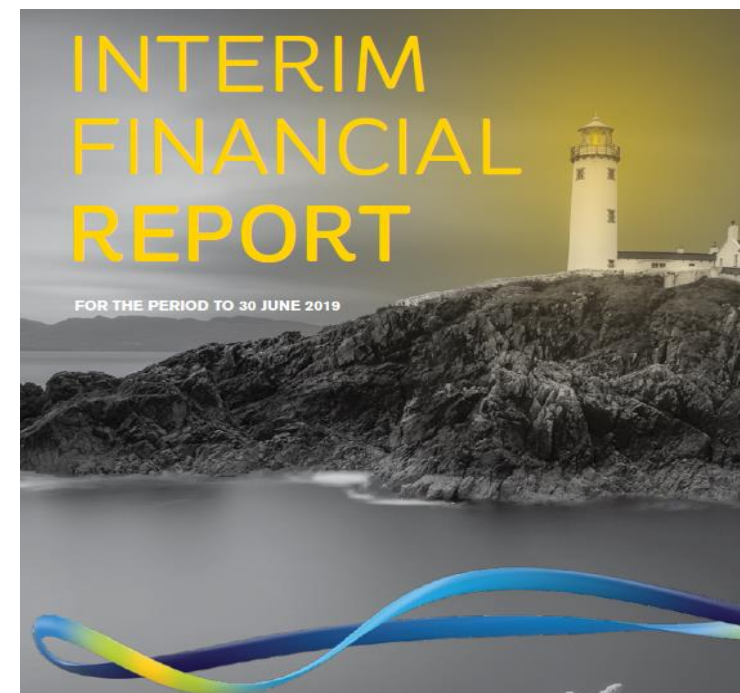


Gearing (%)



- 2015-2017 capex is net of capital contributions
- 2018 capex is gross of capital contributions

Highlights	H1 2019	Change vs H1 2018	Commentary
Operating Profit	€294m	+€50m	Lower operating costs off set by lower margins;
Capex	€396m	-€183m	12.5% Galloper acquisition in 2018 for €127m





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BUSINESS REVIEW



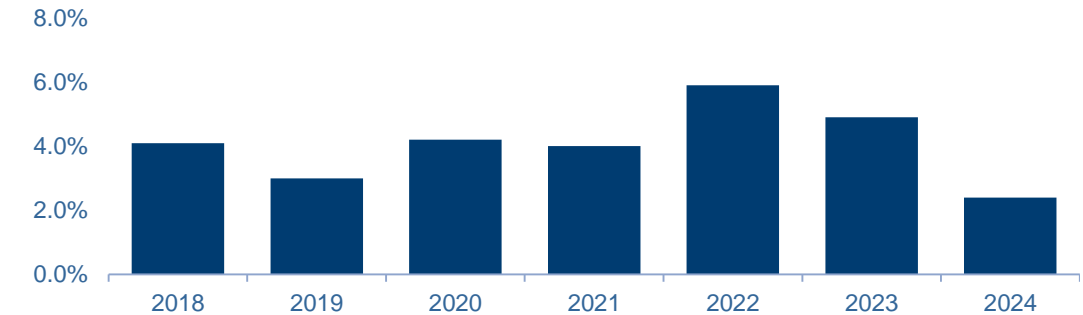
Ireland

- Irish economy performing strongly
- GDP +8.2% 2018, +5% 2019F, +4.3% 2020F
- Strong Irish sovereign rating : AA- (S&P) and A2 (Moody's)
- SEM electricity demand growth

Great Britain

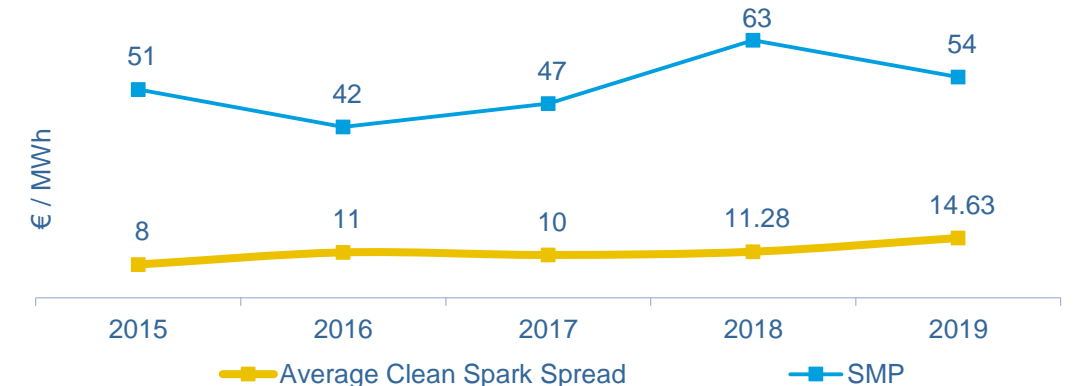
- UK GDP +1.4% 2018, +1.25% 2019F, +1.25% 2020F
- Brexit
 - Sterling assets matched with sterling funding;
 - SEM underpinned by pre-existing legislation in NI and ROI;
 - NIE Networks has no volume risk; visibility to end Q1 2024
- UK Capacity Market reinstated in Oct 2019

SEM System Demand Growth (%)



Single Electricity Market = Republic of Ireland and Northern Ireland *Source: Eirgrid*

SEM Market Price Trend



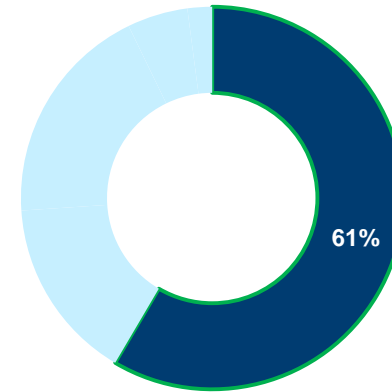
Forecast Irish GDP Source: Central Bank of Ireland Q4 2019 Bulletin
 Forecast UK GDP Source: Bank of England Monetary Policy Report (November 2019)

Business Strategy – Smart Reliable Networks to Support Decarbonisation

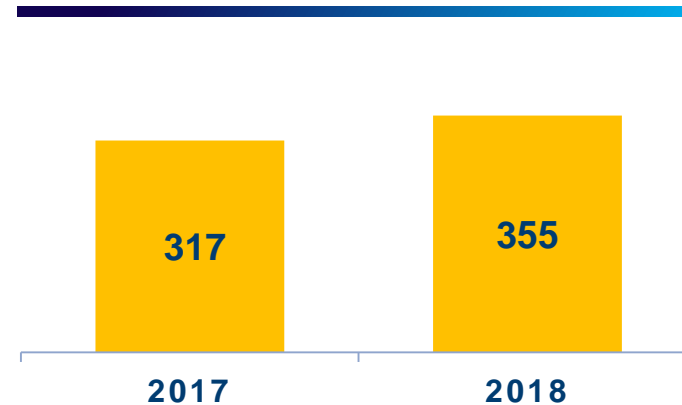
Business Highlights

- 61% of Group EBITDA and 55% Group Assets
- Operating profit increase due to higher price and additional volume
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base (RAB) 2018 €7.9bn
- PR4 Revenue Determination (2016-2020)
 - €3.1 billion capex programme
 - WACC 4.95% pre-tax real¹
- **Focus:**
 - PR4 delivery
 - PR5 (2021-2025) draft determination due Q2 2020

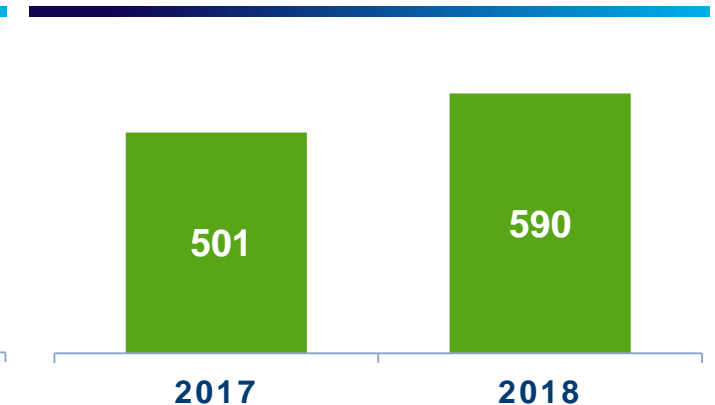
2018 EBITDA - €1.2bn



Operating Profit (€m)



Capital Expenditure (€m)

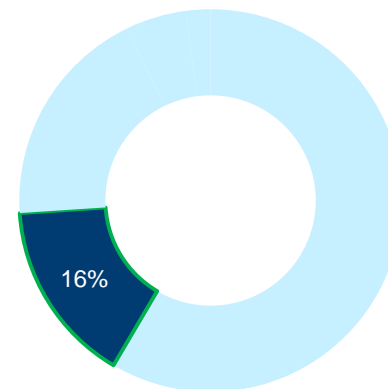


Business Strategy – Smart Reliable Networks to Support Decarbonisation

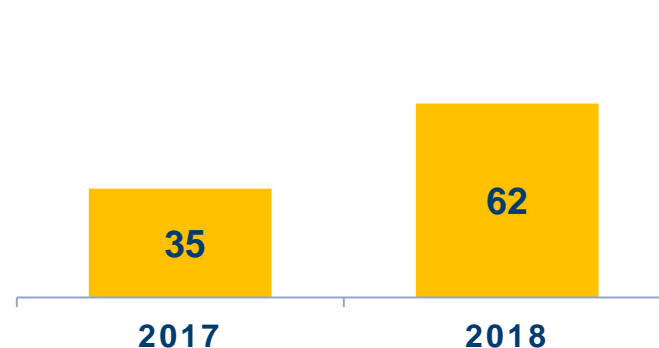
Business Highlights

- 16% of Group EBITDA and 19% Group Assets
- Operating profit increase due to higher price and PSO revenue
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base 2018 €1.7bn / £1.6bn
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.2% vanilla real¹ (3.8% pre-tax real)
- **Focus:**
 - RP6 Implementation

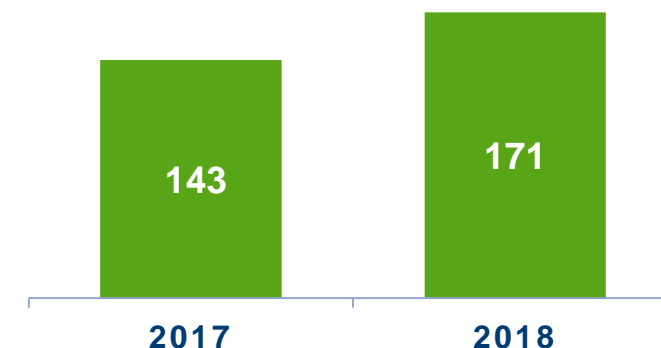
2018 EBITDA - €1.2bn



Operating Profit (€m)



Capital Expenditure (€m)

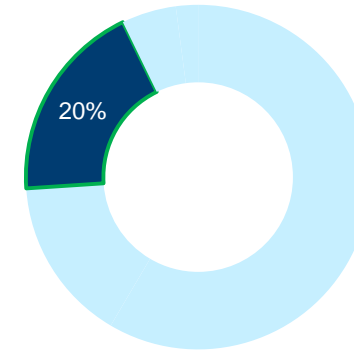


Business Strategy – Transition to Low Carbon Generation Portfolio

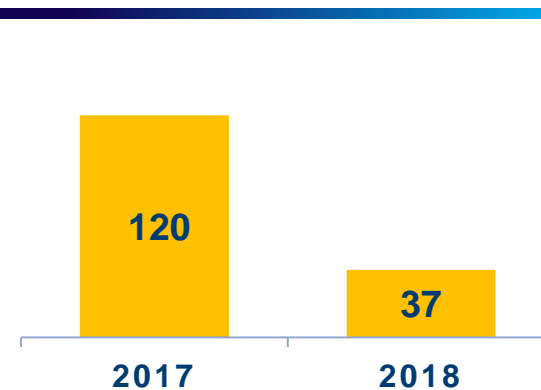
Business Highlights

- 20% of Group EBITDA and 19% Group Assets
- All-Island SEM market share 38% by volume
- Reduction in operating profit reflects lower energy margins and extended Moneypoint outage
- Market prices were higher in 2018 but volumes were lower resulting in a reduction in energy margin
- Increase in capex reflects investment in renewable generation
- **Focus:**
 - Build pipeline of renewable projects
 - Prepare for newly announced RESS auctions

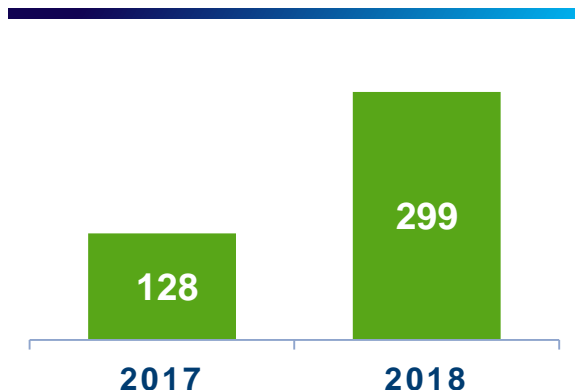
2018 EBITDA - €1.2bn



Operating Profit (€m)



Capital Expenditure (€m)



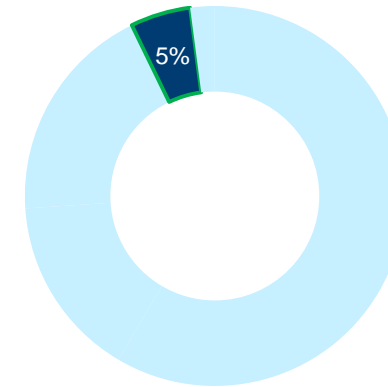
Customer Solutions (including Electric Ireland)

Business Strategy – Competitive Offerings & Excellent Customer Service to Meet Customer Needs

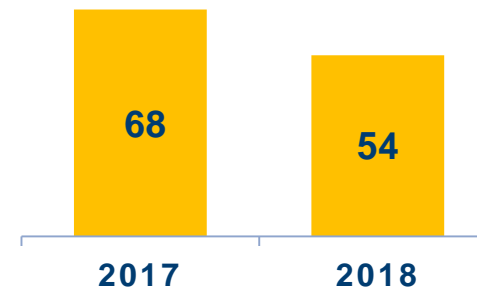
Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Electric Ireland contributed 5% of Group EBITDA
- Operating profit €54m; margin of 3%
- Irish market share 33% with 1.25m customer accounts
- **Focus:**
 - Meet customer energy needs through value driven solutions at appropriate margins

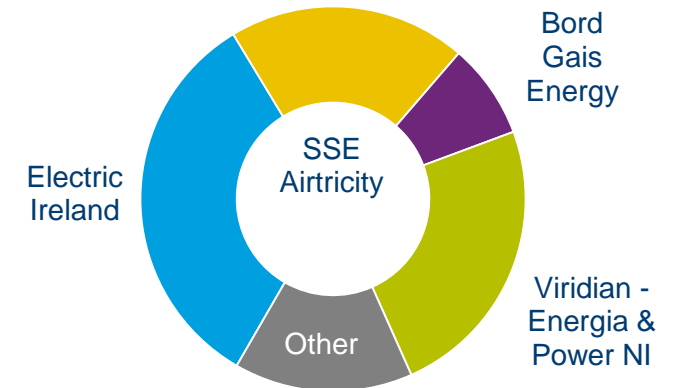
2018 EBITDA - €1.2bn



Operating Profit (€m)



SEM Retail Market Share (MWh)





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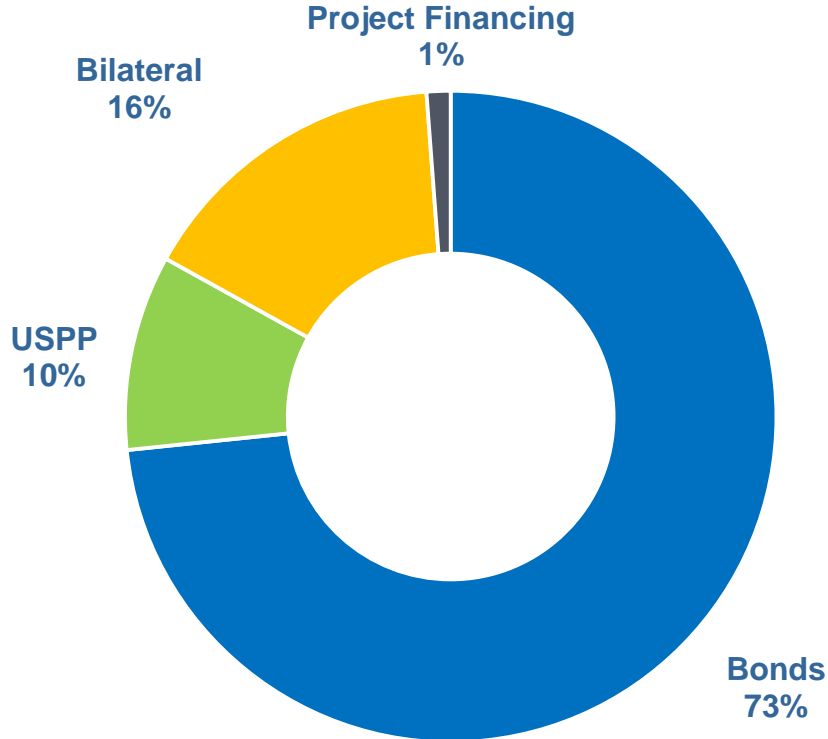
FUNDING & LIQUIDITY



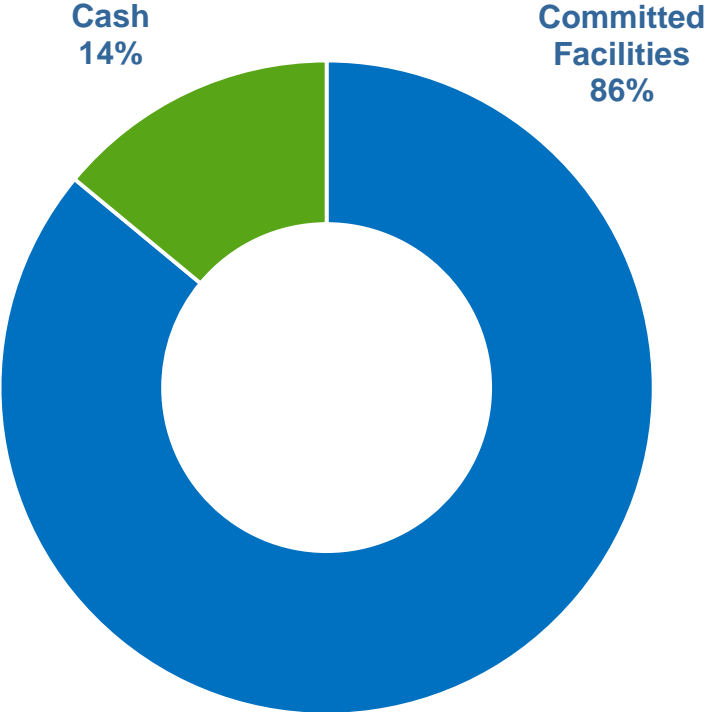
ESB Group Debt – Diversified Funding Liquidity



Group Debt 31 December 2018 €5.1bn

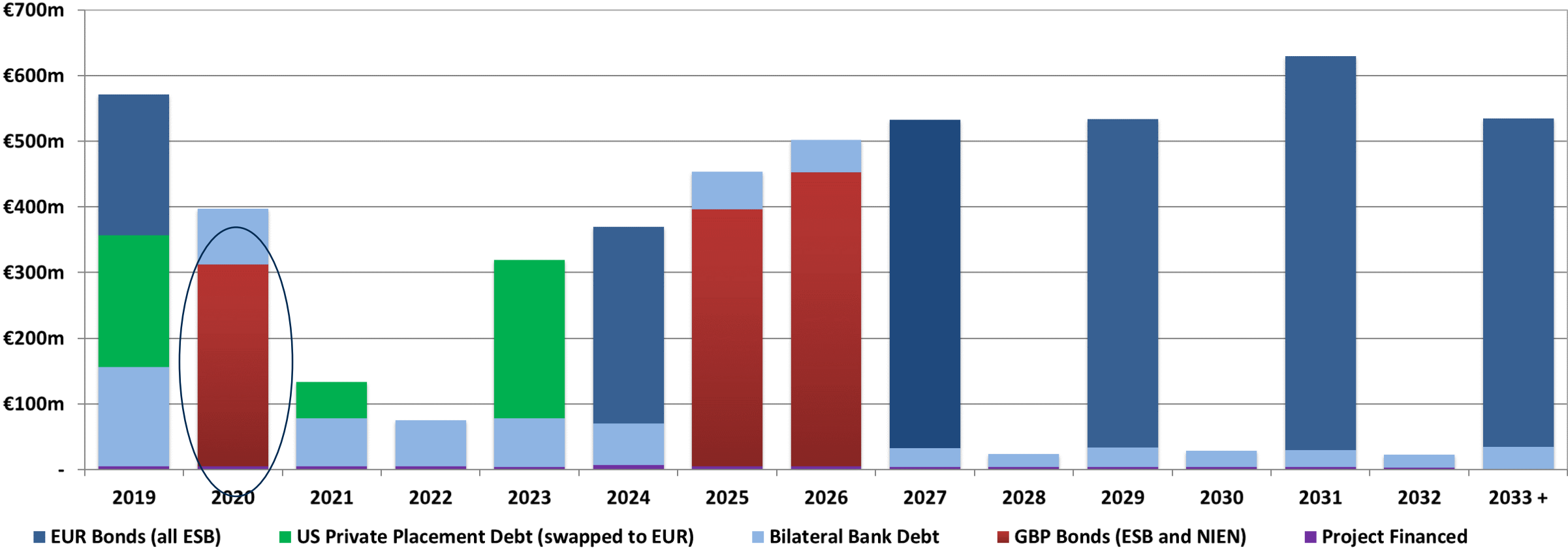


Available Liquidity 31 December €1.6bn



Included above is ESB's inaugural Green Bond issued in June 2019 – coupon 1.125% maturity June 2030

Debt Repayment Profile (as at 31 December 2018)



Public Bond Issuance

Issuer	ESB Finance DAC
Guarantor	Electricity Supply Board
Expected Issue Rating	Moody's: A3 (Stable), S&P: A- (Stable)
Status	Senior Unsecured Notes
Size	[GBP Benchmark]
Coupon	Fixed Rate, Annually in Arrear
Tenor	[12-15] years
Documentation	€5bn EMTN Programme Dated 21 May 2019 and Supplemented 20 December 2019
Denominations	£100k+£1k
Governing Law	English
Listing	Irish Stock Exchange plc trading as Euronext Dublin
Use of Proceeds	General Corporate Purposes
Joint Lead Managers	Barclays, BNP Paribas, HSBC, NatWest Markets, RBC Capital Markets

S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

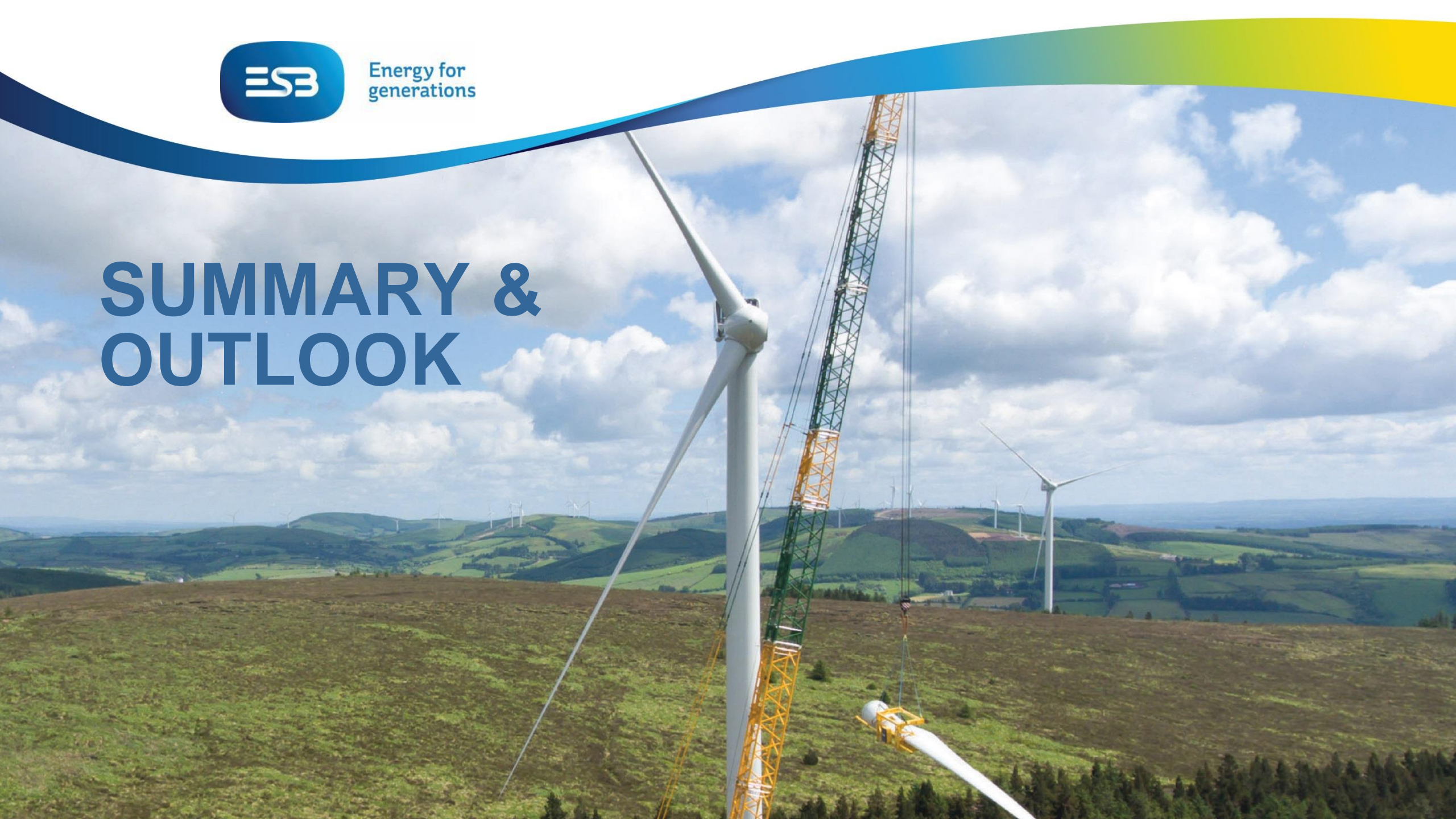
A3







(Stable Outlook)
Long Term Rating



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SUMMARY & OUTLOOK



-  ➤ ESB's strategy is to lead the transition to a low carbon energy future and aligns with the Irish Governments Climate Action Plan
-  ➤ Continued growth in Irish economy and SEM electricity demand expected
-  ➤ ESB Networks (ROI) PR4 delivery and preparation for PR5
➤ NIE Networks (NI) RP6 delivery
-  ➤ Low carbon and renewable investment
➤ Challenging period for thermal generation
-  ➤ Meet customer energy needs through value driven solutions at appropriate margins
-  ➤ Ongoing focus on strategy delivery while maintaining financial strength



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