

Energia Group

Results Presentation Second Quarter 2022

2 December 2021

enērgia group

Financial highlights

High I-SEM market prices and Huntstown 2 outage continued to impact results for Second Quarter 2022

- Total Group EBITDA* for the Second Quarter 2022 was €33.9m (2021 - €47.7m)
- Pro-forma EBITDA for the Senior Secured Notes Restricted Group** for the Second Quarter 2022 was €27.3m (2021 - €40.6m)
- Pro-forma cash flow before interest and tax*** for the Second Quarter 2022 was €31.6m (2021 - €34.7m)
- Senior net debt was €395.8m at 30 September 2021 (31 March 2021 - €429.3m)

Unaudited reconciliations for pro-forma EBITDA and net debt of the Senior Secured Notes Restricted Group are provided in the Appendix to the Group's consolidated financial statements

** EBITDA based on regulated entitlement, before exceptional items and certain remeasurements;*

*** EBITDA based on regulated entitlement, before exceptional items and certain remeasurements and excluding earnings from renewable assets;*

**** Pro-forma EBITDA for the Senior Secured Notes Restricted Group, less pension charges, plus movements in provisions and working capital (inc purchase of and proceeds from sale of other intangibles), less gross capex (excluding capex of renewable assets) and exceptional items and including the effects of FX*

Wholesale prices and I-SEM market

Impact on financial performance for First Half 2022

- First Half 2022 I-SEM market prices (€125/MWh, prior year €32/MWh) have been significantly influenced by high wholesale commodity prices combined (gas 83p/therm, prior year 17p/therm and carbon €54/TCO₂, prior year €24/TCO₂) with the impact of long-term outages of thermal plants, including Huntstown 2, BGE's Whitegate together with a number of other thermal generators and low wind generation.
- The higher I-SEM market prices throughout the First Half 2022 have notably impacted the EBITDA of the Group's Customer Solutions business however, as there is no Contract for Difference (CfD) between the Group's generation and customer retail businesses, this was partially offset by higher EBITDA for the Huntstown 1 plant and the Group's Renewables business which have benefitted from the higher I-SEM market prices.
- A significant contributor to the higher I-SEM market prices and the adverse impact on the Group financial performance for the First Half 2022 was the forced outage at the Huntstown 2 plant. Had the Huntstown 2 plant been available, its contribution would have substantially offset the overall reduction in Group EBITDA in First Half 2022.
- High commodity prices and low thermal plant availability have continued to be experienced through October and November 2021. We expect the impact of higher I-SEM market prices on the Group's Customer Solutions business in the Third Quarter 2022 to be mitigated by the return to service of the Huntstown 2 plant (from 23 October 2021), the benefit of higher prices to the Group's Renewables business and higher tariffs.

Renewables business developments

The Renewables business:

- Owns and operates 309MW of wind assets;
- Purchases electricity from 1,282MW of renewable generation capacity throughout Ireland; and
- Is developing a further pipeline of wind and solar projects across Ireland.

Onshore wind operational generation assets

- 309MW of onshore wind generation assets operational at 30 September 2021 (31 March 2021 – 309MW).
- Renewable assets availability for the Second Quarter 2021 was 95.9% (2021 – 97.0%) with a wind factor of 11.4% (2021 – 20.2%).

Renewable PPA portfolio

- Average contracted renewable generation capacity for the Second Quarter 2022 was 1,282MW (2021 – 1,285MW) with 1,281MW operational capacity at 30 September 2021 (31 March 2021 – 1,284MW)

Renewables business developments

Solar

- The Group has two consented solar projects, Glenamoy and Darthogue, totalling 67MW in the RoI for which it has submitted planning applications to increase the scale of these.
- In July 2021, planning consent was received for a first phase extension to the Darthogue site for an additional 70MW of capacity.
 - In August 2021, Meath County Council's decision to grant planning permission was appealed and the case will now be considered by An Bord Pleanala.
 - The Group submitted its response to the appeal in September 2021.
- The Group is also exploring a number of further greenfield solar development opportunities and in August 2021, planning consent was received for 75MW of capacity at the Group's Fieldstown solar project in the RoI.

Offshore wind

- In July 2021 the Group received draft foreshore licences to carry out preliminary surveys in order to investigate the feasibility of offshore wind generation at sites in the North Celtic Sea and the South Irish Sea.
- Final signed licences were issued in September 2021 and the Group has commenced public consultations for both projects and the procurement process for geophysical and geotechnical surveys.

Outlook

- The Group continues to develop its pipeline of wind and solar projects across Ireland.

Flexible Generation business developments

The Flexible Generation business:

- owns and operates 747MW of conventional generation assets at the Huntstown site in Dublin in the ROI; and
- procures power under contract with Ballylumford power station in Northern Ireland for the output from 600MW of conventional generation assets

Huntstown plant availability and utilisation

- Availability for Second Quarter 2022 was 99.2% for Huntstown 1 (2021 – 94.9%) and nil for Huntstown 2 (2021 – 100.0%) reflecting the plant being on outage since 29 January 2021.
- Unconstrained utilisation for Huntstown 1 for Second Quarter 2022 was 90.7% (2021 – 90.6%) and the incremental impact of constrained utilisation was 13.4% constrained off (2021 – 15.0%).
- As reported previously, on 29 January 2021 a fault identified on the Huntstown 2 main generator transformer resulted in the plant not being available to the market.
- A new replacement transformer was procured and arrived onsite in September 2021.
- Following successful installation and commissioning, including some final commissioning procedures associated with the March 2021 planned outage, the Huntstown 2 plant returned to service on 23 October 2021.
- The Group has insurance in place intended to cover both property damage and business interruption to the Group (including the Group's retail operations) in respect of the Huntstown plant. Insurers have confirmed that the transformer failure was an insurable event, however have not yet confirmed that business interruption cover will be provided in respect of the impact to the Group's retail operations.
- The business interruption element for the Huntstown plant in respect of the period up to 30 September 2021 is approximately €24m (fully accrued in the Second Quarter 2022 results).
- An initial interim payment on account in respect of the property damage and business interruption impact for the period to 30 June 2021 was paid to Huntstown in October.

Flexible Generation business developments

Capacity auctions

- The T-1 auction for the 2022/23 capacity year was held in October 2021.
 - On 3 November 2021 SEMO published provisional results which confirmed that Huntstown 1 had been awarded a reliability option for the 2022/23 capacity year. The auction clearing price was €46,150/MW.
 - The Group's 50MW battery storage project in Belfast was also successful in the auction and was awarded a reliability option for the 2022/23 capacity year at €46,150/MW.
- Final auction results are expected to be confirmed by 10 December 2021.

Storage

- Construction works for the Group's 50MW battery storage project in Belfast continued during Second Quarter 2022.
- It is targeted to complete construction and commissioning of the battery storage project by the Third Quarter 2023.

Outlook

- The Group continues to assess a number of flexible generation, energy storage and behind the meter projects in line with its strategy to grow the business in a manner which supports its renewable asset portfolio and product offerings to customers.

Customer Solutions business developments

The Customer Solutions business:

- The Group's Customer Solutions business operates under the Energia and Power NI brands:
 - Energia supplies electricity and natural gas to business and residential customers in the RoI; and
 - Power NI is the regulated electricity supplier in Northern Ireland and supplies electricity to business and residential customers in NI.

Energy sales

- RoI residential customer sites supplied at 30 September 2021 were 286,900 (31 March 2021 – 276,800)
- Non-residential electricity customer sites in the RoI were 47,200 (31 March 2021 – 49,400)
- Non-residential gas customer sites in the RoI were 3,700 (31 March 2021 – 3,800)
- Residential customer numbers in Northern Ireland were 453,300 (31 March 2021 – 452,700)
- Non-residential customer numbers in Northern Ireland were 40,900 (31 March 2021 – 41,200)
- Total electricity sales volumes in the RoI for the Second Quarter 2022 were 1.2TWh (2021 – 1.0TWh) and in Northern Ireland were 0.7TWh (2021 – 0.7TWh)
- RoI gas sales volumes for the Second Quarter 2022 were 14.8m therms (2021 – 15.5m therms)

Customer Solutions business developments

Tariffs

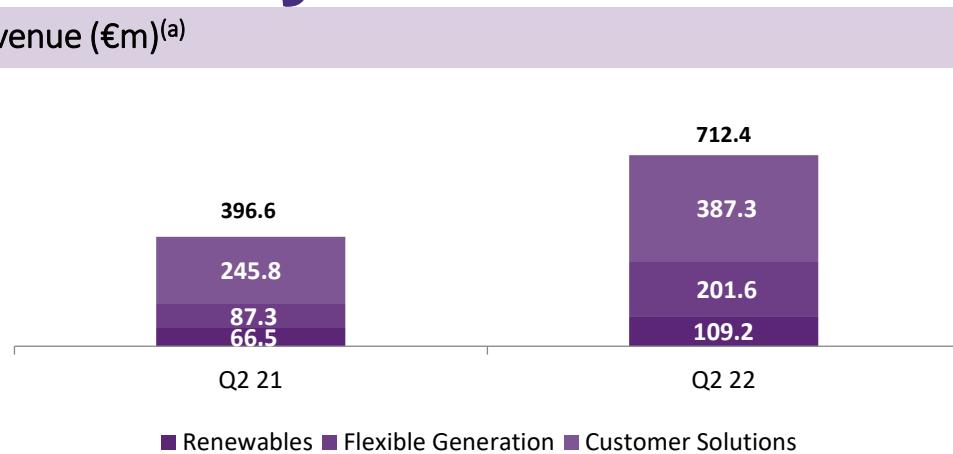
- As noted earlier, the impact of higher I-SEM market prices has resulted in reduced financial performance for First Half 2022 relative to the prior year. This has primarily impacted the Group's Customer Solutions business.
- As a result both Energia and Power NI have increased tariffs in response to higher wholesale costs. Details of the tariff increases, including Energia and Power NI's most recent announcements in September and November respectively, are disclosed in the interim report.
- Both Energia and Power NI continue to monitor wholesale prices and their implications for tariffs going forward.

Outlook

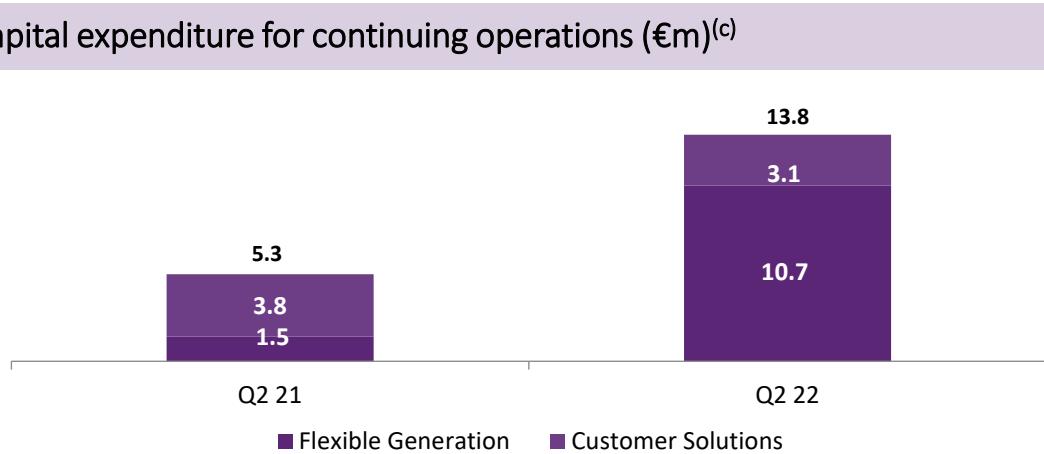
- The Group continues to invest in its development of innovative, enhanced and differentiated product offerings to customers in line with its strategy. Digitalisation will remain a strong focus, and work will continue on a range of initiatives in the 'new energy' space

Senior Secured Notes Restricted Group financial summary – Second Quarter 2022

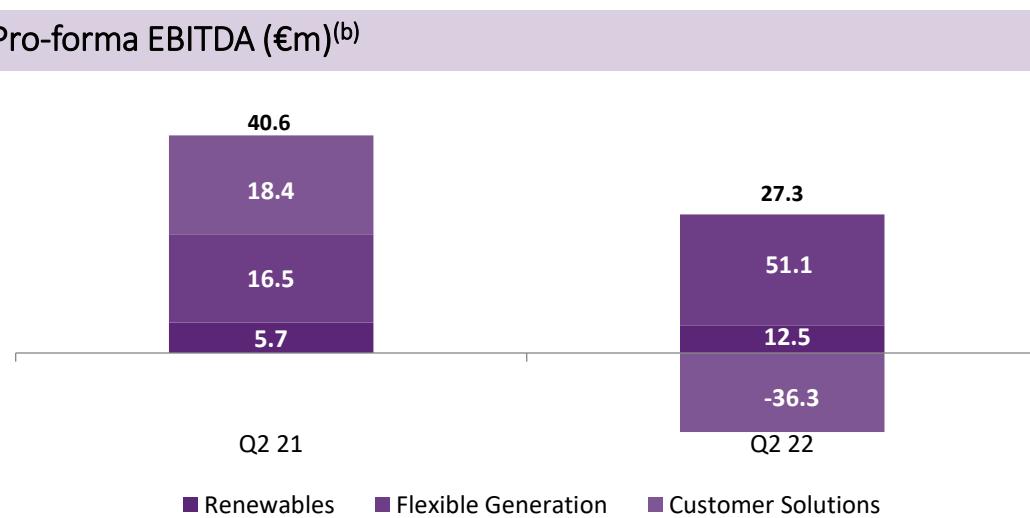
Revenue (€m)^(a)



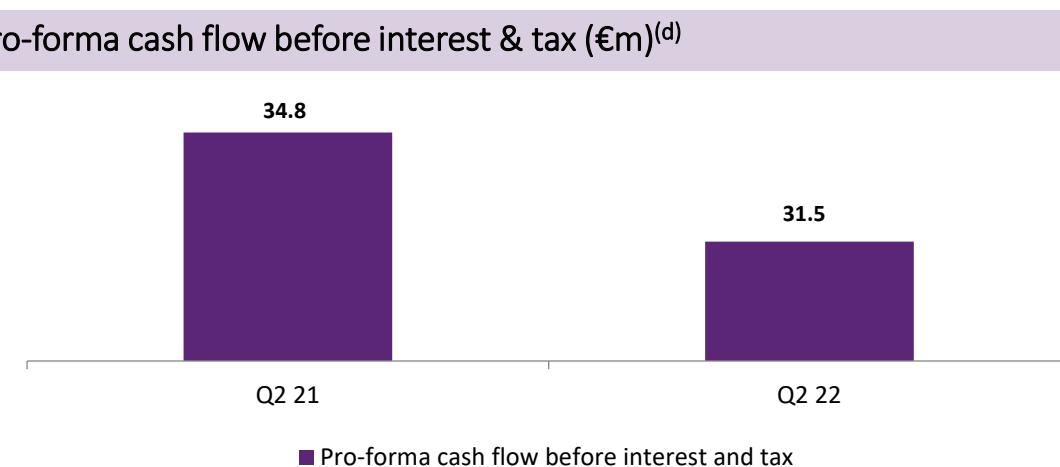
Capital expenditure for continuing operations (€m)^(c)



Pro-forma EBITDA (€m)^(b)



Pro-forma cash flow before interest & tax (€m)^(d)



(a) Revenue is based on regulated entitlement and excludes revenue of renewable wind farm assets

(b) Pro-forma EBITDA is EBITDA based on regulated entitlement, before exceptional items and certain remeasurements and excluding earnings from renewable wind farm assets

(c) Excludes capital expenditure on renewable assets of €3.8m in Second Quarter 2022 and €7.2m in Second Quarter 2021

(d) Pro-forma cash flow before interest and tax defined as Pro-forma EBITDA, less pension charges, plus movements in provisions and working capital (including purchase of and proceeds from sale of other intangibles), less gross capex (excluding capex of renewable assets) and exceptional items and including the effects of FX

Senior Secured Notes Restricted Group pro-forma EBITDA

Pro-forma EBITDA (€m) ^(a)	Q2 21	Q2 22	H1 21	H1 22
Renewables	5.7	12.5	11.8	29.4
Flexible Generation	16.5	51.1	29.9	69.4
Customer Solutions	18.4	(36.3)	35.8	(42.7)
	40.6	27.3	77.5	56.1

Renewables

- Pro-forma EBITDA increased from €5.7m to €12.5m primarily reflecting:
 - Higher contributions from renewable PPAs (due to higher prices and higher ROC sales volumes partly offset by lower wind volumes); partly offset
 - Increased costs of development projects

Flexible Generation

- Pro-forma EBITDA increased from €16.5m to €51.1m primarily reflecting:
 - Higher Huntstown 1 margins due to higher availability and higher prices;
 - The accrual of the business interruption insurance claim for the Huntstown 2 transformer outage for the First Half 2022; and
 - Higher PPB contribution; partly offset by
 - Zero availability of Huntstown 2 (due to the transformer outage).

Customer Solutions

- Pro-forma EBITDA decreased from €18.4m profit to €36.3m loss primarily reflecting:
 - Lower Energia electricity and gas margins (reflecting higher commodity and energy prices (from which Huntstown 1 and the Renewables businesses have benefitted));
 - Lower Power NI non-residential electricity margins; and
 - Higher operating costs.

Note:

(a) Pro-forma EBITDA is defined as EBITDA before exceptional items and certain remeasurements and adjusted for (under)/over -recovery of Energia Group's regulated business against their regulated entitlement and excludes earnings from renewable wind farm assets but includes distributions from renewable assets of €nil from wholly owned assets in Second Quarter 2022 (2021 - €nil); First Half 2022 €10.6m from wholly owned assets (2021 - €5.0m)

Senior Secured Notes Restricted group cash flow summary

(€m)	Q2 21	Q2 22	H1 21	H1 22
Pro-forma EBITDA ^(a)	40.6	27.3	77.5	56.1
Defined benefit charge less contributions paid	-	(0.8)	-	(0.8)
Changes in working capital ^(b)	(0.2)	18.9	(37.7)	25.7
Effects of FX	(0.4)	-	3.2	1.2
Pro-forma cash flow from operating activities	40.0	45.4	43.0	82.2
Net capital expenditure ^(c)	(5.3)	(13.8)	(9.0)	(21.1)
Pro-forma cash flow before interest and tax	34.7	31.6	34.0	61.1
Net movement in security deposits	(3.7)	(0.8)	(4.2)	(0.3)
Over-recovery of regulated entitlement	12.1	7.1	23.0	24.4
Exceptional items ^(d)	-	(0.1)	-	(0.7)
Equity (investment in)/refunds from in-development renewable assets	(8.8)	(3.0)	18.3	(32.0)
Pro-forma cash flow before interest, tax and acquisitions and disposals	34.3	34.8	71.1	52.5

Note:

(a) Pro-forma EBITDA is defined as EBITDA before exceptional items and certain remeasurements and adjusted for over recovery of Energia Group's regulated business against their regulated entitlement and excludes earnings from renewable wind farm assets but includes distributions from renewable assets of €nil from wholly owned assets in Second Quarter 2022 (Second Quarter 2021 - €nil); First Half 2022 €10.6m from wholly owned assets (2021 - €5.0m)

(b) Includes proceeds from sale and purchase of other intangibles which related to trading activities with respect to emissions allowances and ROCs and excludes changes in working capital from Energia Group's renewable assets of €2.9m decrease in the Second Quarter 2022 (2021 - €3.2m increase); First Half 2022 €3.9m decrease (2021 - €2.5m increase)

(c) Net capex excludes capex on renewable assets of €3.8m in the Second Quarter 2022 (2021 - €7.2m); First Half 2022 €4.0m (2021 - €8.1m)

(d) Includes exceptional costs associated with acquisitions whether successful or unsuccessful and share based payments

Net debt

Net debt (€m) As at	31 Mar 21	30 Sep 21
Cash and investments	(180.0)	(212.0)
Senior secured notes due 2025	346.0	346.4
Senior secured notes due 2024	261.5	259.4
Interest accruals	1.8	2.0
Senior net debt	429.3	395.8
Project finance cash	(37.9)	(31.2)
Project finance bank facilities	353.3	342.0
Interest accruals	0.1	-
Total net debt	744.8	706.6

- FX rate at 30 September 2021: €/£1.1634 (31 March 2021: €/£1.1745)
- Senior net leverage at 30 September 2021 was 2.9x
- The Group continues to have strong liquidity and on 5 November a dividend of €40.0m was paid to the parent undertaking

Conclusion

High I-SEM market prices and Huntstown 2 outage continued to impact results for Second Quarter 2022

Outlook

- High commodity prices and low thermal plant availability have continued to be experienced through October and November 2021.
- We expect the impact of higher I-SEM market prices on the Group's Customer Solutions business in the Third Quarter 2022 to be mitigated by the return to service of the Huntstown 2 plant (from 23 October 2021), the benefit of higher prices to the Group's Renewables business and higher tariffs.
- The Group remains focused on delivery of its strategic objectives and the development of its pipeline of renewable projects:
 - Public consultations for both offshore wind projects and the procurement of geophysical and geotechnical surveys have commenced; and
 - A decision is awaited on planning permission in respect of the proposed data centre.
- The Group had strong liquidity at 30 September 2021 and is therefore well positioned to manage the current trading environment of higher I-SEM prices and COVID-19.

Forward looking statements

This presentation may include forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward looking statements contained in this presentation. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods.