

# **Energia Group** **(formerly known as Viridian Group)**

## **Results Presentation** **Year Ended 31 March 2019**

4 June 2019

**energía group**

# 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.

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# Group strategic review

## Change in reportable business segments

- Resulting from a strategic review undertaken during the year, the Board has determined that it is more appropriate to manage the Group through reportable business units aligned to business drivers
- With effect from 31 March 2019 the Group's business units for management and reporting purposes will be: Renewables; Flexible Generation; and Customer Solutions

## Review of reporting currency

- The Group has changed the currency in which it presents its consolidated financial statements from sterling to Euros to reflect the increasing focus of the Group's business activities within the Republic of Ireland
- A change in presentational currency is a change in accounting policy which is accounted retrospectively, therefore the consolidated financial statements for the year ended 31 March 2019 together with the comparative year ended 31 March 2018 and the opening balance sheet at 1 April 2017 have been restated and audited

## Rebranding

- The Group has also completed a rebranding exercise to better align its corporate activities with the operational businesses
- Viridian Group is now known as the Energia Group
- On 16 May 2019, the parent company changed its name from Viridian Group Investments Limited to Energia Group Limited

# Strategic objectives

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## Strategic objectives

- The four strategic objectives which underpin the Group's strategy are:
  - build on and diversify the increasing platform of renewable assets to accelerate low carbon growth and increase earnings;
  - grow our profitable customer base and focus on customer retention through technological advances with enhanced and differentiated product offerings while looking for opportunities to increase, diversify and enhance the quality of our customer relationships. Ways in which the Group can assist our customers' aspiration to decarbonise will be a central aspect of our strategy;
  - profitably develop, operate and grow our portfolio of flexible generation assets in a manner that supports the Group's renewable asset portfolio, enhances our product offering to customers and provides the grid services needed as Ireland transitions to a carbon neutral economy; and
  - support the predictability of the Group's underlying earnings and stable cash flows through the diversity of contracted and regulated revenue streams. Earnings will be further underpinned by exploiting the complementarity of our operations in each of our business units through trading and balancing our portfolio of renewable and conventional generation with the demand from customers, employing industry leading technology and data management

# Financial highlights

## Strong performance for the Year Ended 31 March 2019

- Total Group EBITDA\* for the Year Ended 31 March 2019 was €167.1m (2018 - €148.4m)
- Pro-forma EBITDA for the Senior Secured Notes Restricted Group\*\* for the Year Ended 31 March 2019 was €133.8m (2018 - €117.6m)
- Pro-forma cash flow before interest and tax\*\*\* for the Year Ended 31 March 2019 was €155.0m (2018 - €123.9m)
- Senior net debt was €437.1m at 31 March 2019 (2018 - €481.1m)

*Prior year comparatives have been restated where applicable for the change in presentational currency and for new accounting standards as referred to in the Year Ended 31 March 2019 accounts*

*Unaudited reconciliations for revenue, 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, but includes distributions from renewable assets of €5.3m from wholly owned assets in the Year Ended 31 March 2019 (2018 - €0.2m) and €1.5m from minority owned assets (2018 - €0.3m);*

*\*\*\* 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*

# Renewables business developments

## The Renewables business:

- owns and operates 277MW of wind assets and a further 13MW of minority owned assets;
- purchases electricity from 1,281MW of renewable generation capacity throughout Ireland; and
- is in the advanced stages of constructing a 4.0MW bioenergy plant in Dublin and is developing a 4.1MW bioenergy plant in Belfast and the 21MW Coolberrin wind farm in Co Cavan

### Wind generation assets

- 277MW operational at 31 March 2019 (31 March 2018 – 223MW). The remaining 3 wind farm projects (54MW), previously under construction, were all commissioned in October 2018 and ROC accreditation has been achieved
- Renewable assets availability for the Year Ended 31 March 2019 was 97.2% (2018 – 96.3%) with a wind factor of 27.5% (2018 – 27.3%)
- In June 2018, non-recourse project finance facilities of up to €28.9m were put in place in respect of two wind farms with a combined capacity of 18MW in Northern Ireland. All operational wind farm projects now have project finance facilities in place with facilities fully drawn at 31 March 2019
- In February 2019, the Group completed the acquisition of a 21MW wind farm development project at Coolberrin in County Cavan
- Distributions of €5.3m were made in the Year Ended 31 March 2019 (2018 - €0.2m) from the wholly owned renewable assets together with €1.5m (2018 - €0.3m) from the minority assets. In the first quarter of 2019/20 further distributions of c.€9m have been made from the renewable assets portfolio

### Sale of minority share wind generation assets

- On 14 December 2018, the Group sold its 20% share in a portfolio of Northern Ireland wind farm projects (IIF also sold its majority share in assets) and recognised a profit of €5.2m and cash proceeds of €9.8m

# Renewables business developments

## Renewable PPA portfolio

- Average contracted renewable generation capacity for the Year Ended 31 March 2019 was 1,294MW (2018 – 1,198MW) with 1,281MW operational capacity at 31 March 2019 (2018 – 1,249MW).

## Bioenergy assets

### Huntstown

- Construction continues at the Group's 4.0MW bioenergy facility at Huntstown in Dublin
- On 18 April 2019, the Group put in place a debt finance package of €44.0m in respect of the plant
- Commercial operation is expected by December 2019 with the plant benefitting from REFIT support

### Giant's Park

- A planning application is expected to be lodged shortly for a 4.1MW bioenergy project at Giant's Park in Belfast
- Subject to planning and licensing the plant is expected to be operational by the end of 2021
- The plant is adjacent to ROC accredited CHP engines which the project will benefit from

## Outlook

- Continue with the development of the Coolberrin wind farm project in County Cavan
- Complete the construction of the Huntstown bioenergy plant and continue to develop plans for the Giant's Park bioenergy plant in Belfast
- Continue to assess a significant number of other opportunities to acquire and develop wind farm and other development projects



# 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 was 97.1% for Huntstown 1 for the year ended 31 March 2019 (2018 – 97.5%) reflecting a 10 day planned outage that took place during May 2018 in relation to a minor inspection on the gas turbine
- Availability was 96.5% for Huntstown 2 for the year ended 31 March 2019 (2018 – 92.9%) reflecting a 42 day planned maintenance outage which commenced in March 2019 and was successfully completed on 29 April 2019
- Huntstown 1 unconstrained utilisation for the Year Ended 31 March 2019 was 56.6% (2018 – 21.3%) and Huntstown 2 unconstrained utilisation for the Year Ended 31 March 2019 was 28.9% (2018 – 23.2%)
- Incremental impact of constrained utilisation was 5.6% constrained off for Huntstown 1 (2018 – 29.9% constrained on)
- The incremental impact of constrained utilisation for Huntstown 2 was 11.1% (2018 – 6.7%)
- Huntstown 1 is due to undertake a c.45 day planned outage in Q2/Q3 this year

# Flexible Generation business developments

## I-SEM market update

- The I-SEM market went live on 1 October 2018 and is still in its infancy
- On 21 December 2018 SEMO published provisional results which confirmed that both Huntstown plants had been awarded reliability options in the T-1 capacity auction for the 2019/20 capacity year.
- The auction clearing price was €40,646/MW and the final results were confirmed on 1 February 2019
- On 2 April 2019 SEMO published provisional results which confirmed that Huntstown 2 had been awarded a reliability option contract but Huntstown 1 had not been awarded such a contract in the T-4 capacity auction for 2022/23 capacity year.
- The auction clearing price was €46,150/MW and the final results were confirmed on 4 April 2019.

## PPB price control

- On 14 January 2019 the Utility Regulator published its decision paper and proposed licence modifications to implement a revised price control for PPB.
- The revised price control is scheduled to run until September 2023 to coincide with the expiry of the Ballylumford Generating Unit Agreements

## Outlook

- Given the importance of the Huntstown plants to security of supply in the Dublin area, as a matter of priority the Group is considering its options regarding the longer-term sustainability of the Huntstown plants
- Continue to assess a number of flexible generation, energy storage and behind the meter projects in line with the strategy to support the renewable assets portfolio and product offerings to customers

# Customer Solutions business developments

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## The Customer Solutions business:

- supplies electricity and gas to customer sites in the RoI and in Northern Ireland through its two retail brands, Energia and Power NI

### Energy sales

- RoI residential customer sites supplied at 31 March 2019 were 210,500 (2018 – 192,100)
- Non-residential electricity customer sites in the RoI were 42,000 (2018 - 48,200)
- Non-residential gas customer sites in the RoI were 3,800 (2018 – 4,300)
- Residential customer numbers in Northern Ireland at 31 March 2019 were 457,300 (2018 – 466,000)
- Non-residential customer numbers in Northern Ireland at 31 March 2019 were 42,500 (2018 – 41,600)
- Total electricity sales volumes in the RoI for the Year Ended 31 March 2019 were 4.6TWh (2018 – 4.4TWh) and in Northern Ireland were 3.5TWh (2018 - 3.4TWh)
- RoI gas sales volumes for the Year Ended 31 March 2019 were 78.2m therms (2018 – 78.3m therms)

# Customer Solutions business developments

## Power NI price control

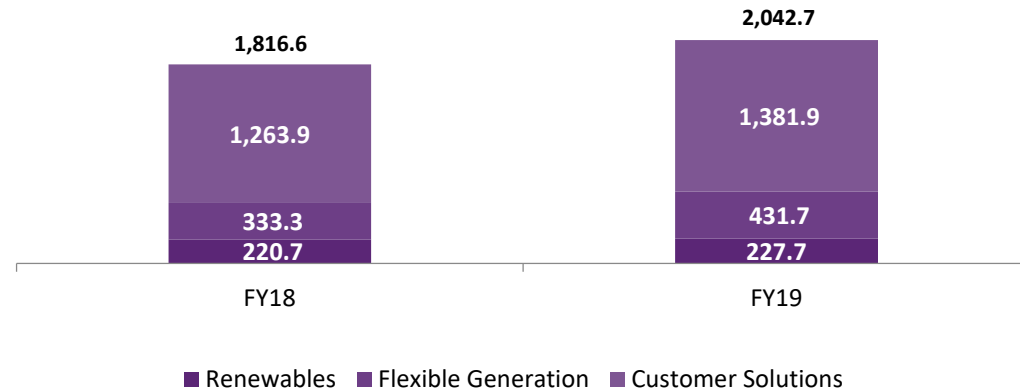
- On the 25 May 2018, the Utility Regulator confirmed its intention to extend Power NI's current price control a further 2 years, from 1 April 2019 to 31 March 2021, based on Power NI agreeing to share with customers the benefits of annual efficiency gains made during the current price control period

## Outlook

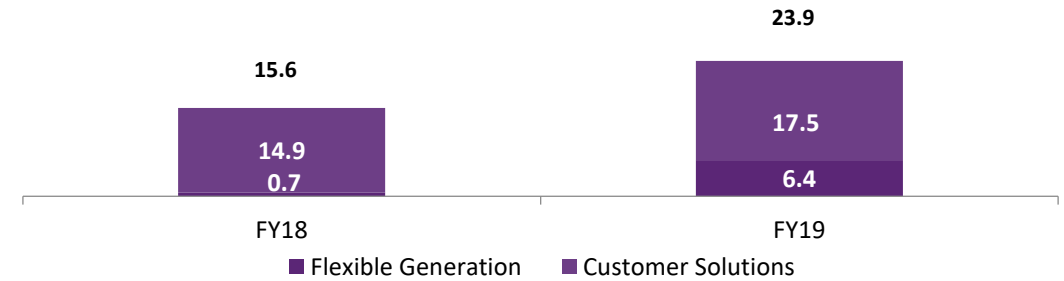
- Continue to invest in the Group's digital platform to enable the continued delivery of innovative, enhanced and differentiated product offerings to customers
- It is our intention that Energia should cease to compete against Power NI in the deregulated business electricity market in Northern Ireland

# Senior Secured Notes Restricted Group financial summary – Year Ended 31 March 2019

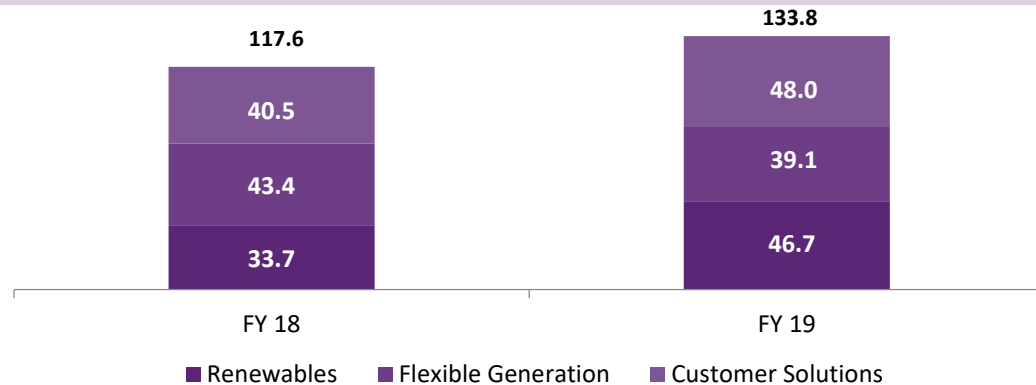
Revenue (€m)<sup>(a)</sup>



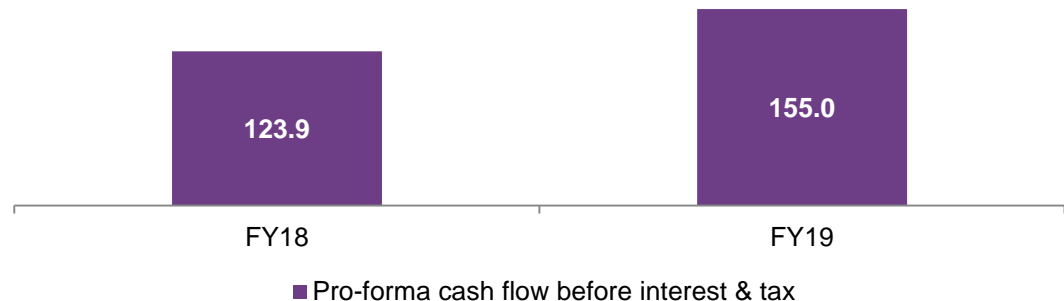
Capital expenditure for continuing operations (€m)<sup>(c)</sup>



Pro-forma EBITDA (€m)<sup>(b)</sup>



Pro-forma cash flow before interest & tax (€m)<sup>(d)</sup>



- (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 but includes distributions from renewable assets of €5.3m from wholly owned assets in the Year Ended 31 March 2019 (2018 - €0.2m) and €1.5m from minority owned assets (2018 - €0.3m);
- (c) Excludes capital expenditure on renewable assets of €65.7m in Year Ended 31 March 2019 and €69.5m in Year Ended 31 March 2018.
- (d) Pro-forma cash flow before interest and tax defined as Pro-forma EBITDA, 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

# Senior Secured Notes Restricted Group pro-forma EBITDA

Pro-forma EBITDA (€m) <sup>(a)</sup>	FY18	FY19
Renewables	33.7	46.7
Flexible Generation	43.4	39.1
Customer Solutions	40.5	48.0
	<b>117.6</b>	<b>133.8</b>

## Renewables

- Pro-forma EBITDA increased from €33.7m to €46.7m primarily reflecting:
  - Increased contribution from renewable PPAs; and
  - Increased distributions from wind generation assets

## Flexible Generation

- Pro-forma EBITDA decreased from €43.4m to €39.1m reflecting:
  - Higher operating costs (associated with the planned outage of Huntstown 2 in March 2019); partly offset by
  - Higher utilisation of the Huntstown plants

## Customer Solutions

- Pro-forma EBITDA increased from €40.5m to €48.0m reflecting:
  - Higher residential and non-residential margins in RoI (reflecting higher volumes and market prices); partly offset by
  - Higher operating costs in Power NI

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 €5.3m from wholly owned assets in the Year Ended 31 March 2019 (2018 - €0.2m) and €1.5m from minority owned assets (2018 - €0.3m)

# Senior Secured Notes Restricted group cash flow summary

(€m)	Restated FY 18	FY 19
Pro-forma EBITDA <sup>(a)</sup>	117.6	133.8
Defined benefit charge less contributions paid	(1.3)	(1.1)
Changes in working capital <sup>(b)</sup>	21.2	47.8
Effects of FX	2.0	(1.6)
<b>Pro-forma cash flow from operating activities</b>	<b>139.5</b>	<b>178.9</b>
Net capital expenditure <sup>(c)</sup>	(15.6)	(23.9)
<b>Pro-forma cash flow before interest and tax</b>	<b>123.9</b>	<b>155.0</b>
Net movement in security deposits	(1.8)	(7.0)
(Under)/over-recovery of regulated entitlement	(4.6)	(11.1)
Exceptional items <sup>(d)</sup>	(0.4)	0.3
Proceeds from sale of minority owned wind farms	-	9.8
Equity investment in in-development renewable assets	(14.5)	(34.9)
<b>Pro-forma cash flow before interest, tax and acquisitions and disposals</b>	<b>102.6</b>	<b>112.1</b>

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 €5.3m from wholly owned assets in the Year Ended 31 March 2019 (2018 - €0.2m) and €1.5m from minority owned assets (2018 - €0.3m)

(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 €4.0m increase in the Year Ended 31 March 2019 (2018 - €4.3m increase)

(c) Net capex excludes capex on renewable assets of €65.7m in the Year Ended 31 March 2019 (2018 - €69.5m)

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

# Net debt

Net debt (€m) As at	31 Mar 18	31 Mar 19
Cash and investments	(117.1)	(166.9)
Senior secured notes due 2025	344.0	344.7
Senior secured notes due 2024	252.2	257.3
Interest accruals	2.0	2.0
<b>Senior net debt</b>	<b>481.1</b>	<b>437.1</b>
Project finance cash	(28.4)	(31.2)
Project finance bank facilities	294.5	336.0
Interest accruals	0.4	0.1
<b>Total net debt</b>	<b>747.6</b>	<b>742.0</b>

- FX rate at 31 March 2019: €/£1.1605 (2018: €/£1.1406)
- Senior net leverage at 31 March 2019 was 3.3x
- Project finance facilities for operational wind assets fully drawn at 31 March 2019
- €44m debt finance package for the Huntstown bioenergy plant was put in place in April 2019
- Dividend of €33.4m paid in January 2019



# Conclusion

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## Strong performance for the Year Ended 31 March 2019

### Outlook

- I-SEM market is in its infancy and requires further bedding down in the months ahead
- Continuing to develop the Coolberrin wind farm development in County Cavan and assessing other opportunities to acquire and develop further wind farm and other development projects
- Construction of the Huntstown bioenergy plant expected to complete by the end of 2019
- Developing plans for a proposed bioenergy plant at Giant's Park in Belfast
- Assessing a number of flexible generation, energy storage and behind the meter projects in line with strategy
- Investing in a digital platform to enable the continued delivery of innovative, enhanced and differentiated product offerings to customers