



# Capital Markets & ESG Day

21 March 2024

Sustainable  
Event



# V14

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Strategic Vision

**Ignacio S. Galán**

Executive Chairman



# Energy outlook

## Electrification is unstoppable...

**Self-sufficiency**

...increasing energy security

**Efficiency**

**Competitiveness**

**Decarbonisation**

...the only viable route

Consumer Preferences + Energy Policy



**Industry**

Electricity  
Green H2

**Transport**



Elec: Road  
Gr H2: Marine, Air



**Buildings**  
(Domestic & Ind)

Heating &  
Cooling

**Digitalization  
& Data**



Data,  
Cloud & AI

**Customer value &  
experience**

**New Industries**

**More  
Affordability**

...driving new sources of demand

## Networks investments need to double by 2030

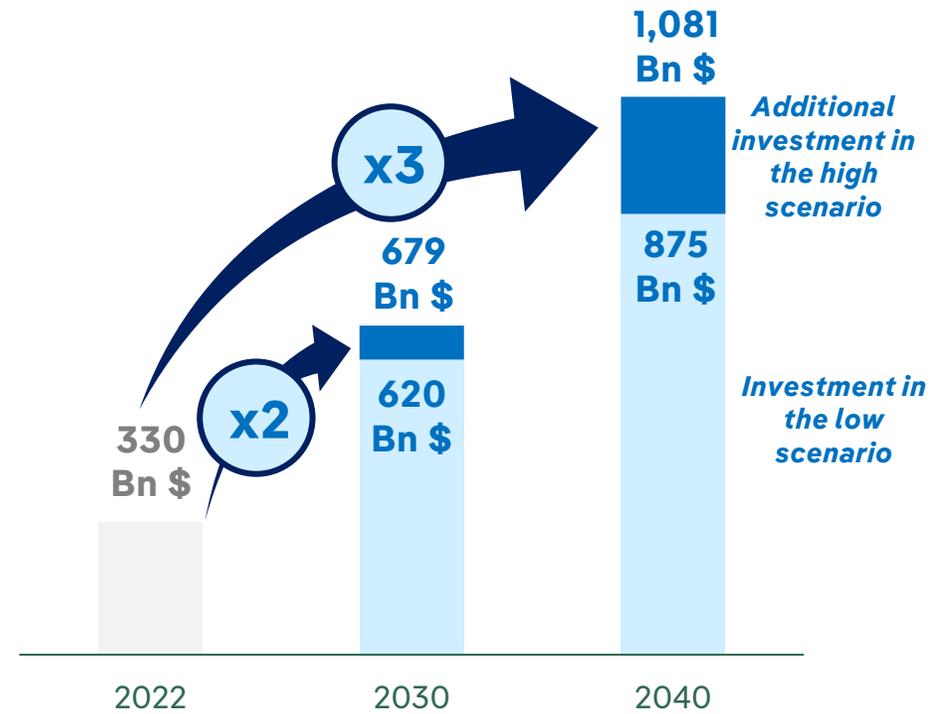
### SMARTER AND MORE RESILIENT NETWORKS...

- |                         |  |
|-------------------------|--|
| More security of supply | <ul style="list-style-type: none"> <li>• Safe</li> <li>• Reliable</li> <li>• Flexible</li> <li>• Digitalized</li> </ul>  |
| Renewable penetration   | <ul style="list-style-type: none"> <li>• Integration of new onshore renewables</li> <li>• Connection of new offshore wind projects</li> <li>• Self-consumption</li> <li>• Reduction of congestion costs</li> </ul> |

### ...WITH ADDITIONAL INVESTMENTS AS NEW USES TAKE PLACE

- |  |  |  |
|--|--|--|
|  Electric vehicle |  Heat pumps |  Data Centres |
|--|--|--|

### Annual networks investments<sup>1</sup>



## 1 Eur of Networks for 1 Eur invested in renewables (1.25 Eur in advanced economies)

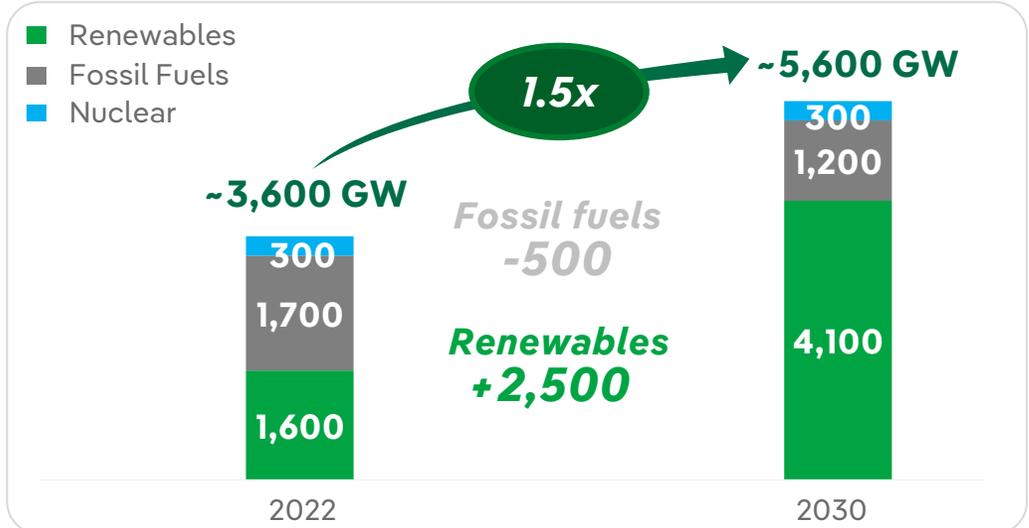
## Acceleration of renewable deployment to replace fossil fuels and cover new demand...

### ...in Advanced Economies...

Power Demand (TWh)

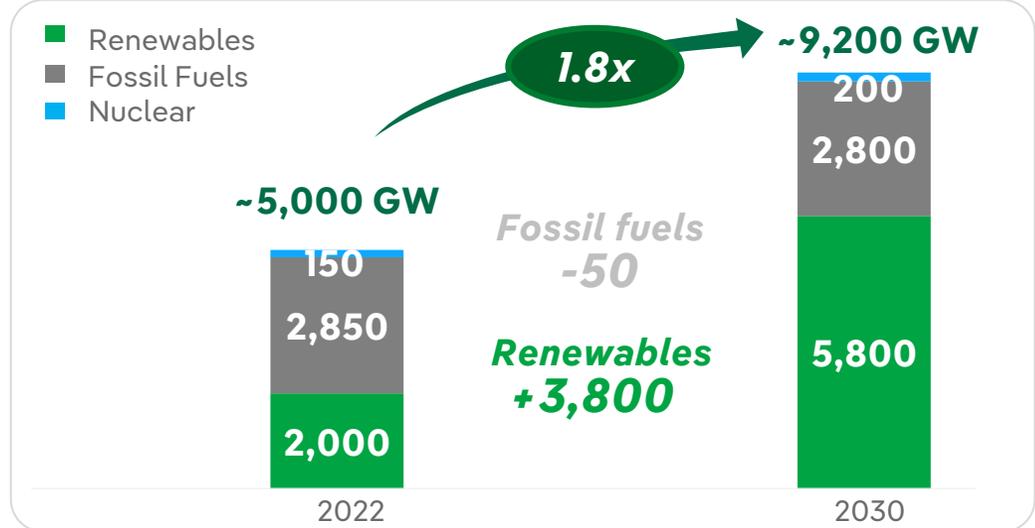


Installed Capacity (GW)



- Full coal/oil closure by 2030 (500 GW in US & Europe)
- Replacement of coal/ageing gas with renewables and new gas (mainly in the US)
- Start of replacement of first renewable projects (repowering opportunity)

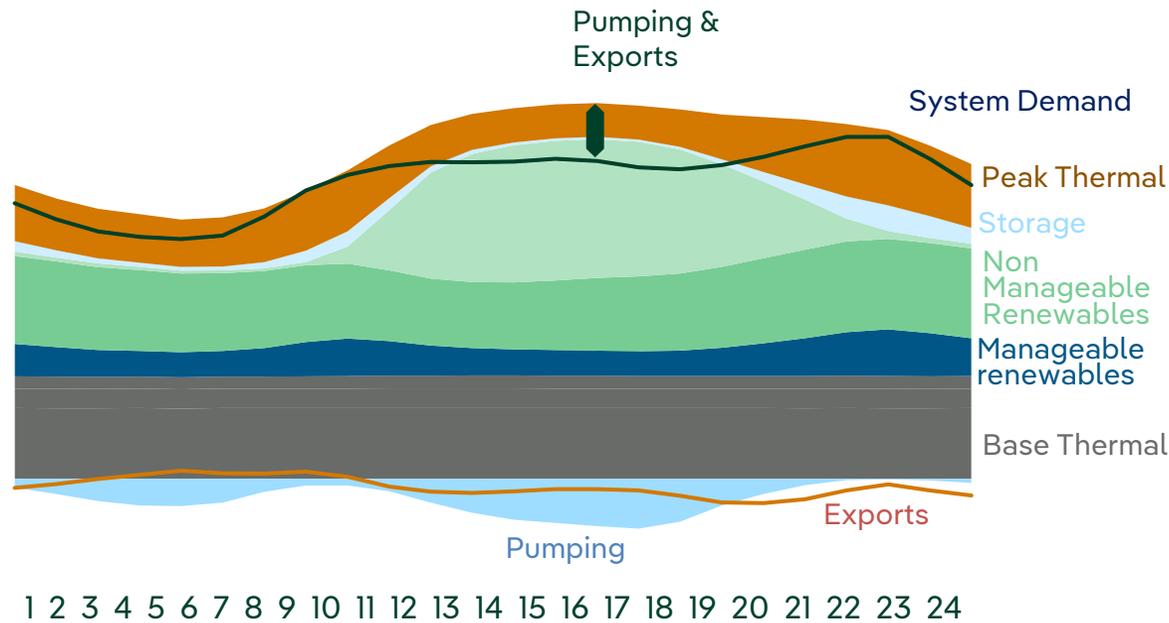
### ...and in Developing Countries



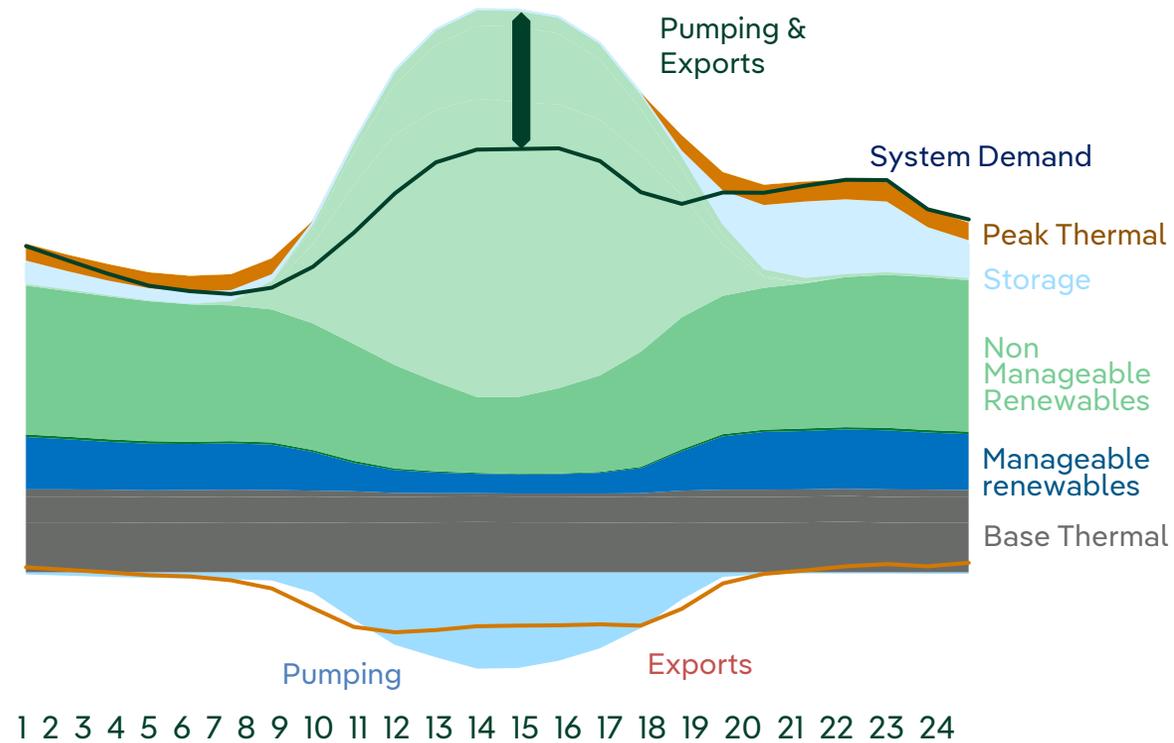
- Gradual substitution of coal/oil with new gas (average age of existing coal 10-15 years)
- Significant expansion of renewables

**...driving a deep change in wholesale markets: Non-manageable renewables will require other technologies to balance supply and demand at all times...**

**Spain 2023 – Average generation mix**



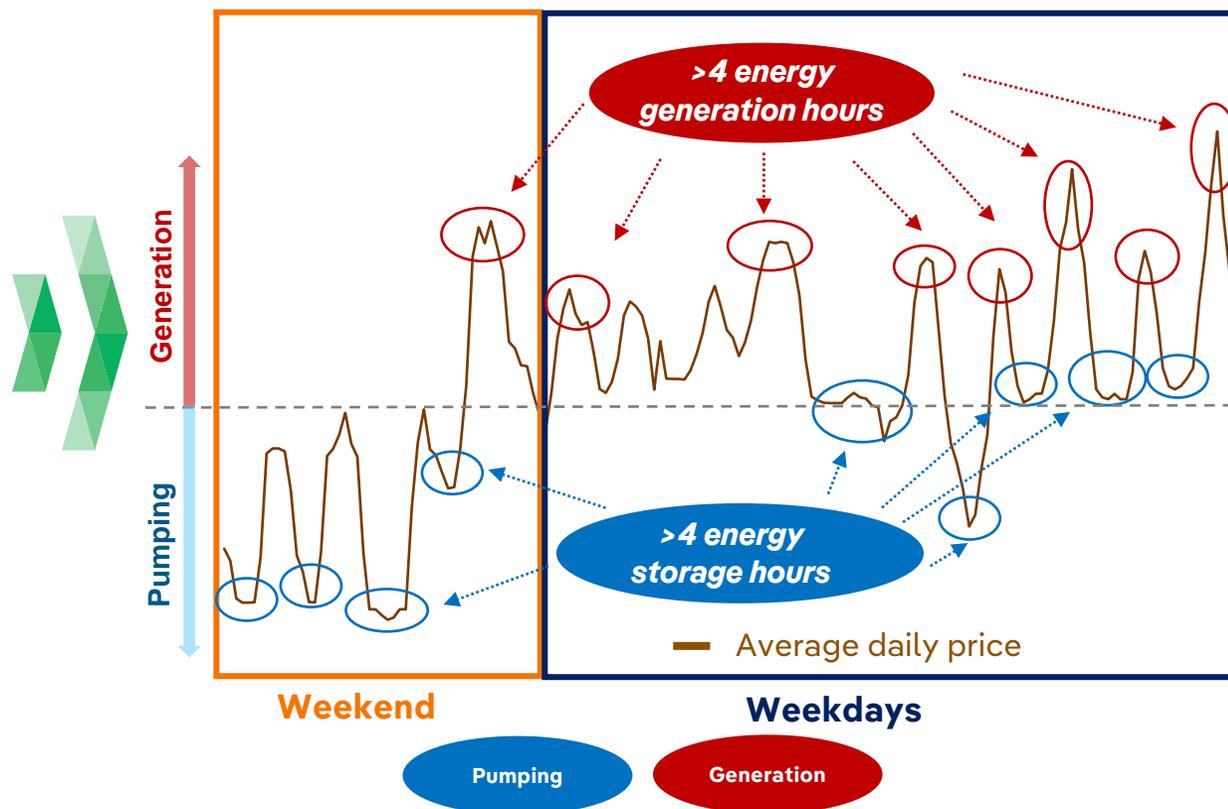
**Spain 2030 – Average generation mix**



...increasing the value of storage in daily, weekly and seasonal cycles...

## Storage Weekly Cycle<sup>1</sup>

- Energy mix leading to more intraday price volatility
- The number of prolonged periods (>4 hours) of lower prices is increasing



### Pumped Storage

- Ability to store energy for more than 18 consecutive hours
- Capacity to modulate daily, weekly and seasonal cycles
- Provide ancillary services

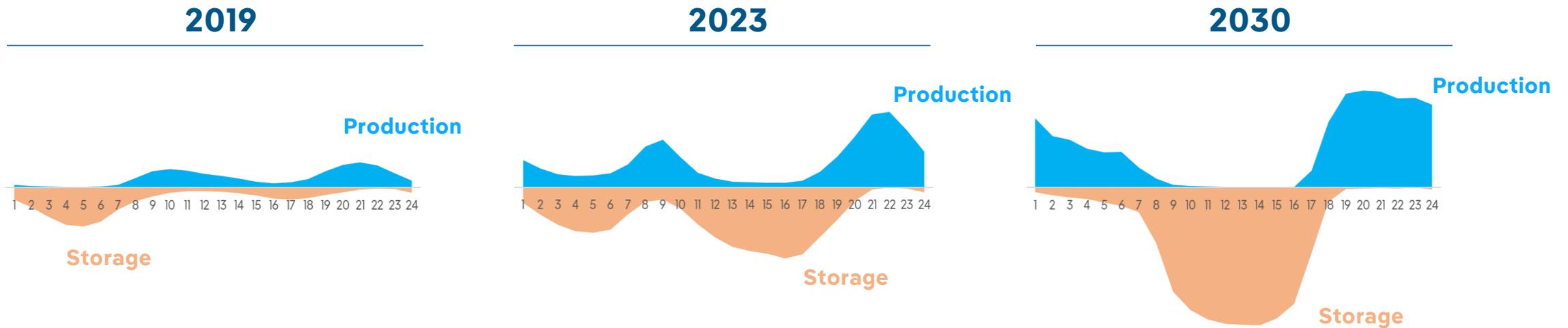
### Battery Storage

- Short-term arbitrage: 2 to 4h
- Provide ancillary services

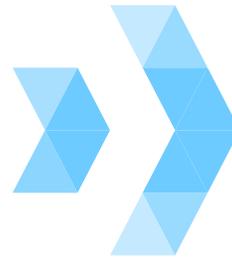
...and maximizing competitive advantages of manageable renewables and pump storage

## This will drive additional usage of existing storage and the need of new assets

Pumped Storage usage in Spain:  
*Example for illustrative purposes – Operational profile of La Muela power plant*



**2019  
Production**



**x3-4  
by 2030**

**In this scenario, hourly prices will become more volatile increasing arbitrage opportunities...**

## Price setting 2019

95% hours  
Based on  
Gas + CO<sub>2</sub>  
*(mainly fixed by gas)*



5% hours  
linked to Gas+CO<sub>2</sub>  
*(manageable renewables)*

**48 Eur/MWh**

## Price setting 2023

45% hours  
Gas + CO<sub>2</sub>  
*(mainly fixed by gas)*

40% hours  
linked to Gas+CO<sub>2</sub>  
*(Manageable renewables)*



15% hours  
Low prices  
*(non manageable renewables)*

**87 Eur/MWh**

## Price setting 2026

40% hours  
Gas + CO<sub>2</sub>  
*(mainly gas + manageable renewables)*

40% hours  
linked to Gas+CO<sub>2</sub>  
*(manageable renewables)*



20% hours  
Low prices  
*(non manageable renewables)*

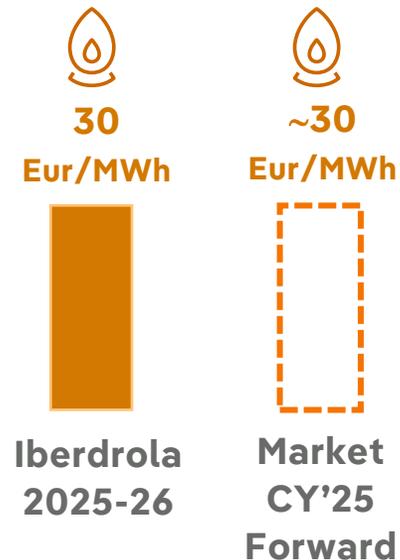
**~60 Eur/MWh**

Average  
price

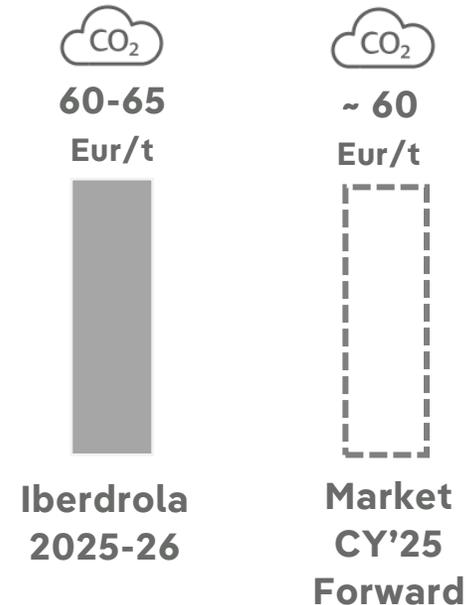
**...converging in average prices around 60 Eur/MWh...**

...fully coherent with current gas and CO<sub>2</sub> price expectations

## Gas Price Assumptions



## CO<sub>2</sub> Price Assumptions





# Iberdrola Strategic Pillars and Investments 2024-2026



**Growth based on Networks**



**Renewables: Selective** investment in **manageable** technologies and **storage...**



**Focus in high-rating countries**



**Full commitment to financial strength & dividend**



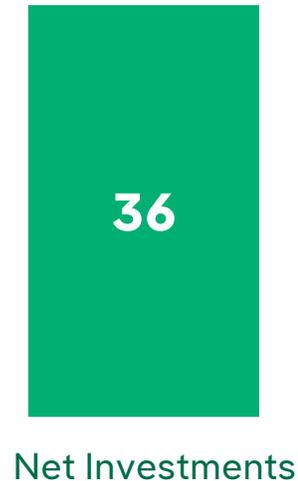
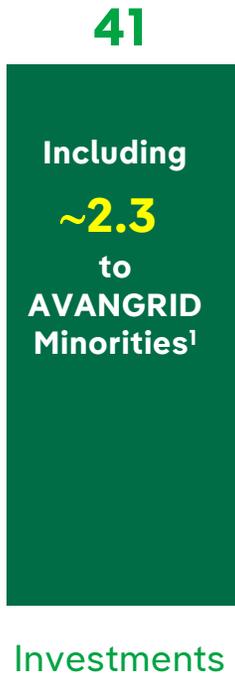
**Sustainability: Creating value for all**



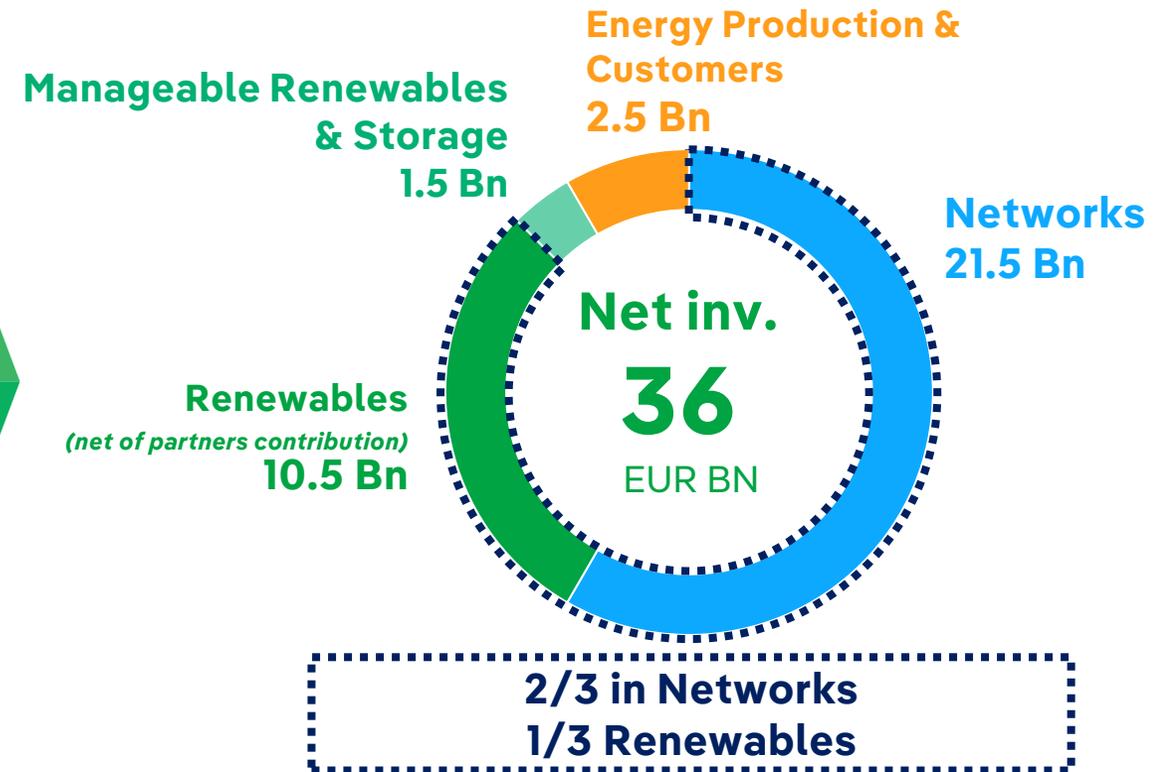
**Maintaining our proven business model**

## Investments of Eur 41 Bn, with Eur ~5 Bn contributed by partners...

### INVESTMENTS 2024-2026E<sup>1</sup>



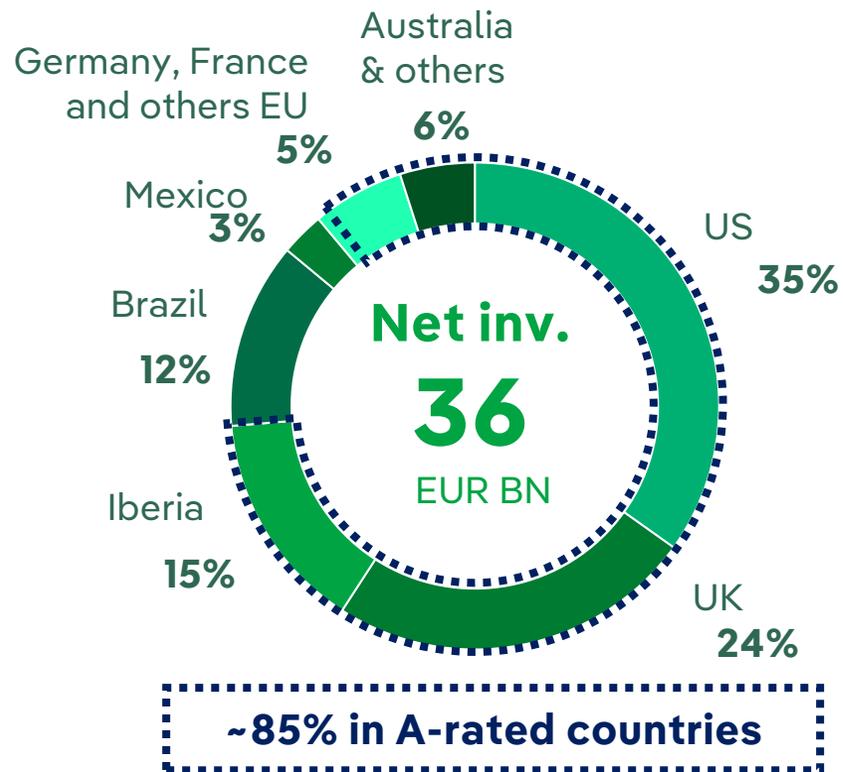
### NET INVESTMENTS 2024-2026E by business<sup>2</sup>



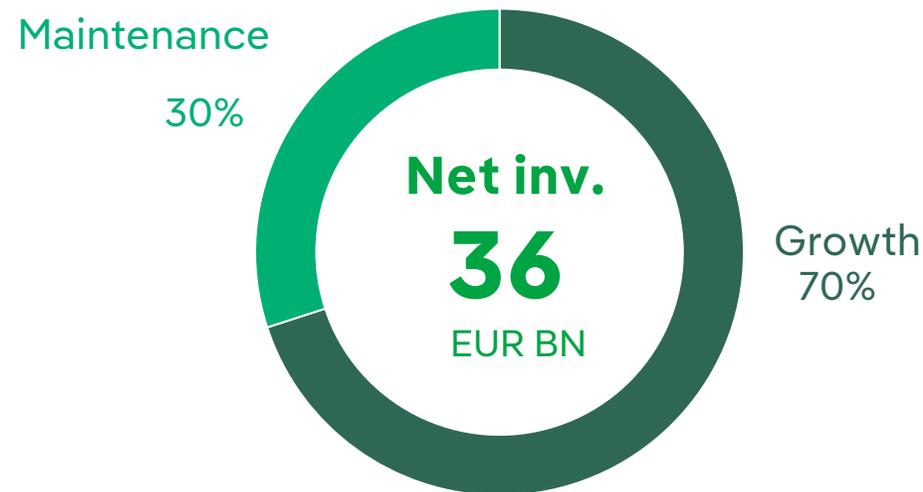
...with 60% of investments in Networks

**~70% investments allocated to growth...**

**INVESTMENTS<sup>1</sup> by Country**



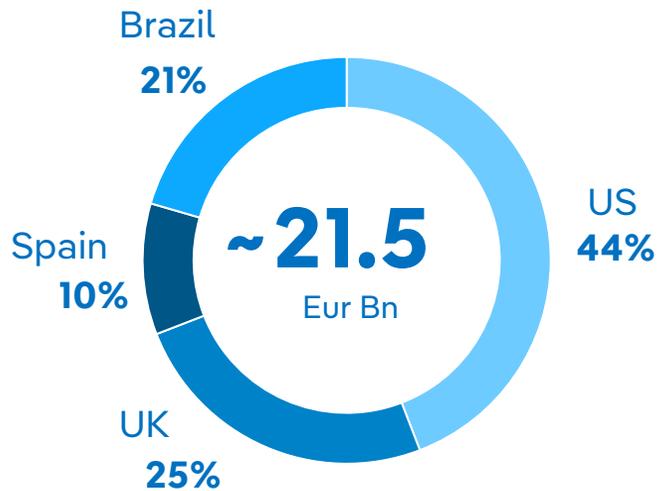
**INVESTMENTS<sup>1</sup> 2024-2026E by nature**



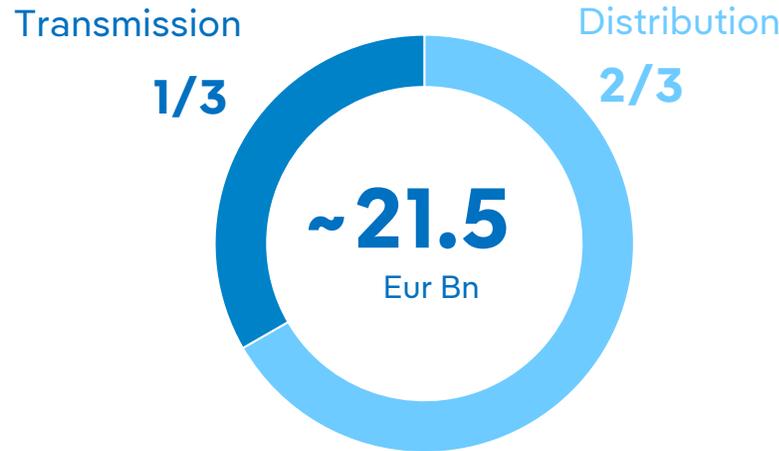
**...with 85% allocated to A-rated countries**

## Investing Eur 21.5 Bn to increase asset base by 38% and improve geographical diversification

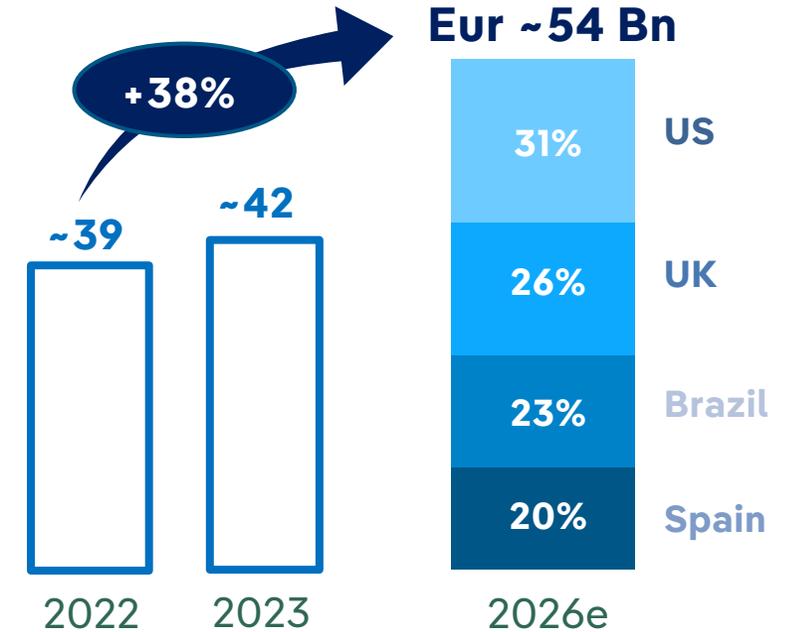
2024-2026E Network investments by geography



2024-2026E investments by business



Regulated assets by geography



Almost 80% of investments driven by rate cases closed or under advanced negotiation with key conditions known

## Eur ~6.5 Bn invested in Transmission increasing asset base to Eur 15 Bn

## ...reinforcing our competitive advantages...



**Focus on high-rated countries**



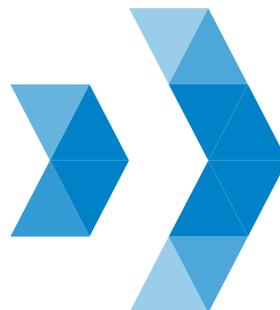
**Long-term visibility**



**Protection vs macro instability**  
(inflation and interest rates)



**Attractive Frameworks**



○ Frameworks closed for 85% of 2025 RAB...

○ ...with additional progress for 2026 and beyond  
(34% of RAB closed + RIIO-T3 started)



**BRA**

• Rate cases closed until 2027/28 for 20% of Group RAB



**UK**

• Distribution closed to 2028 (14% of Group RAB)...  
• ...with RIIO-T3 process started in Transmission

○ 90% strategic equipment are covered until 2026

○ 50% of EBITDA fully protected and+ 30% with significant protection

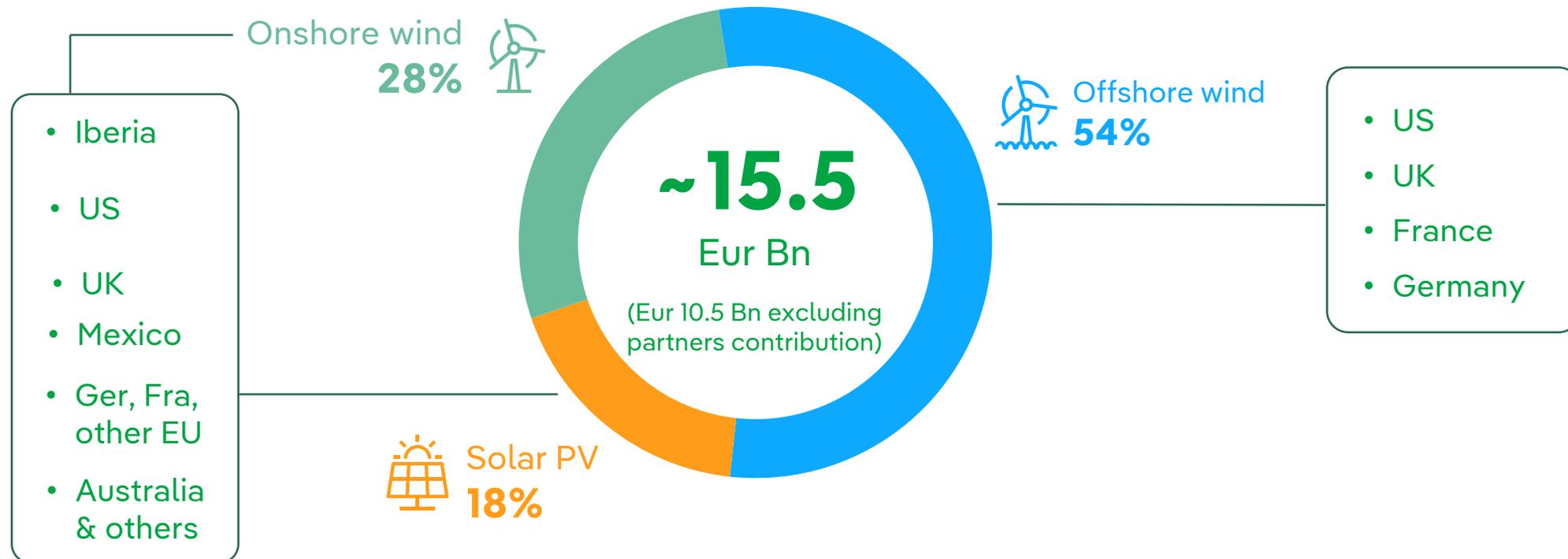
○ Average regulatory remuneration<sup>1</sup> coherent with a spread of 350-450 over bond

• >7% in Europe&US , 16% in Brazil

## ...and increasing the weight of Networks in our business mix

## Investments of Eur 15.5 Bn (or 10.5 Bn excluding partners contribution) ...

### 2024-2026E Renewable investments by technology (Eur Bn)



...with more than 50% allocated to offshore wind

## Maintaining selective investments in renewables...



### First mover's status give us key advantages for the current and future scenario:



**Supply chain management**

- 76% of 2026 critical supplies and prices secured



**Strategic partnerships and alliances**

- Norges Investment Bank, Masdar, Mapfre, ...



**Geographical diversification**

- New capacity: 20% UK, 19% US, 18% Iberia, 17% Other EU, 13% Latam & 13% Australia



**Technology mix fit for new market dynamics**

- >50% of investment in offshore wind & storage



**Diversified portfolio of routes to market**

- Focus on most attractive instruments in each geography

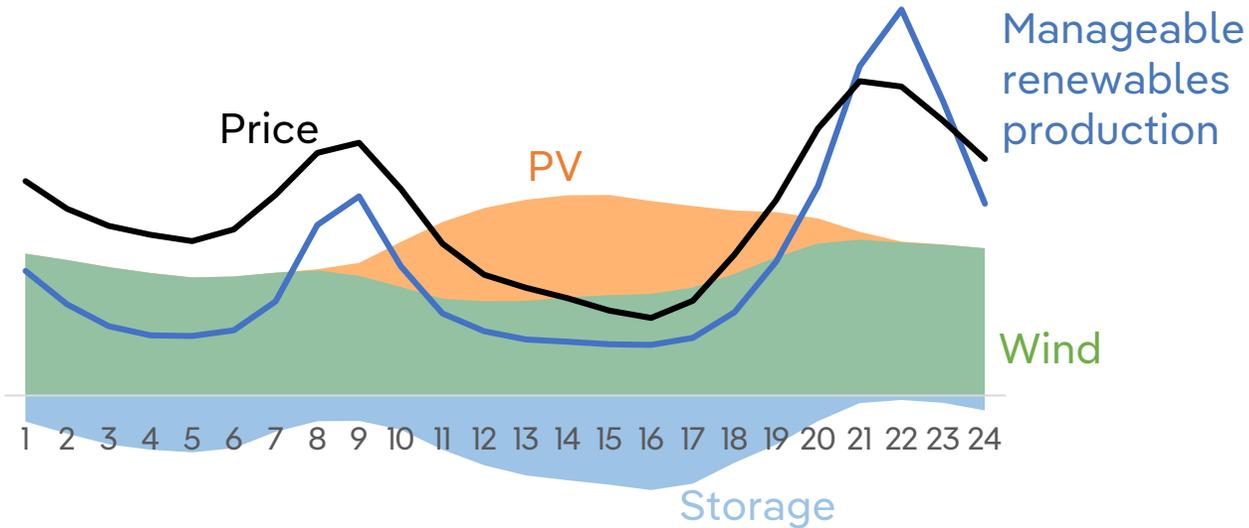


- **Selective growth in core countries...**
- **...to maximize risk/reward**
  - covering energy sales with own production
  - with a wide portfolio of Routes to Market
- **High added value renewable technologies**  
**Offshore wind**
- **Mature big projects for additional growth post 2026**
  -  New England Wind projects (~2,000 MW) to participate in multistate auction
  -  EA Hub (1,600 MW) to take part in AR6 auction
  - ...

**...with all 2024-2026 capacity additions already under construction or ready to build**

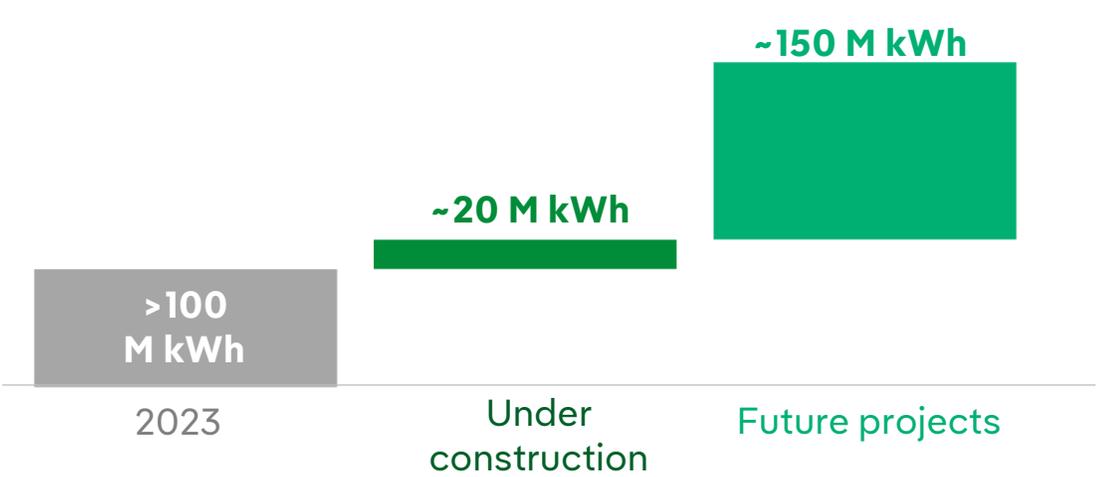
## Investing Eur 1.5 Bn in storage to provide additional growth and stable margins...

2023 Iberdrola daily avg renewable production (Iberia)



- 11 GW of manageable capacity with 4,5 GW of storage
- Achieved price= ~130% average price

Storage Capacity (M kWh)



- Operation: Long duration cycles and seasonal storage
- Revenues: Market arbitrage, ancillary services
- Reducing Economic Curtailments
- Additional growth with grid scale batteries

## ...capturing more value from renewables in a scenario of higher price volatility

# Customers & Traditional Generation: Investments 2024-2026 and Competitive Advantages

**Investing Eur 2.5 Bn: 2 Bn in Customers and 0.5 Bn in Traditional Generation maintenance...**

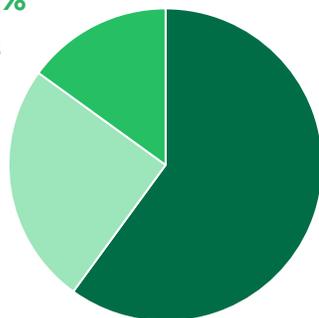
## Contracted Revenues 2023

**Regulated Contracts (CFDs, Other) ~15%**

Avg. term ~16 years

**Retail Customers ~25%**

Avg. term ~5 years  
(Churn of 18%)



**Industrial Customers (PPA & Other) ~60%**

Avg. term ~11 years

**Revenue diversification**

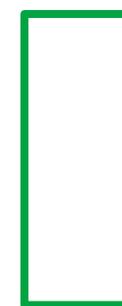
## Contracted revenues vs Production (% already secured)

100%



2024e

>80%



2025e

75%



2026e

**Available Production for sale in 2026:**

**140-150 TWh**

vs.

114 TWh in 2023

(+14 TWh sold in ancillary services and others)

**Securing margins and providing long-term visibility**



**Retail margins normalization** towards average levels of last years after an exceptional high situation in 2023 and exceptional low situation in 2022

**Maximizing opportunities through our high-quality customer portfolio**



Industrial uses



Smart



Heat Pumps



EVs



Data Centres

**...increasing energy balance with very limited exposure to wholesale market prices**

## A ROBUST GREEN FINANCING MODEL FOCUSED ON CASH GENERATION...

Cash recovery as a **key investment criteria**

**Fixed-rate** financing as preference

**Long-term profile** of maturities with **active liquidity management**

**Diversification of financing sources** maximizing use of green financing

**Partnerships** and **asset rotation** providing **optionality** for **further growth**

**No capital increases**

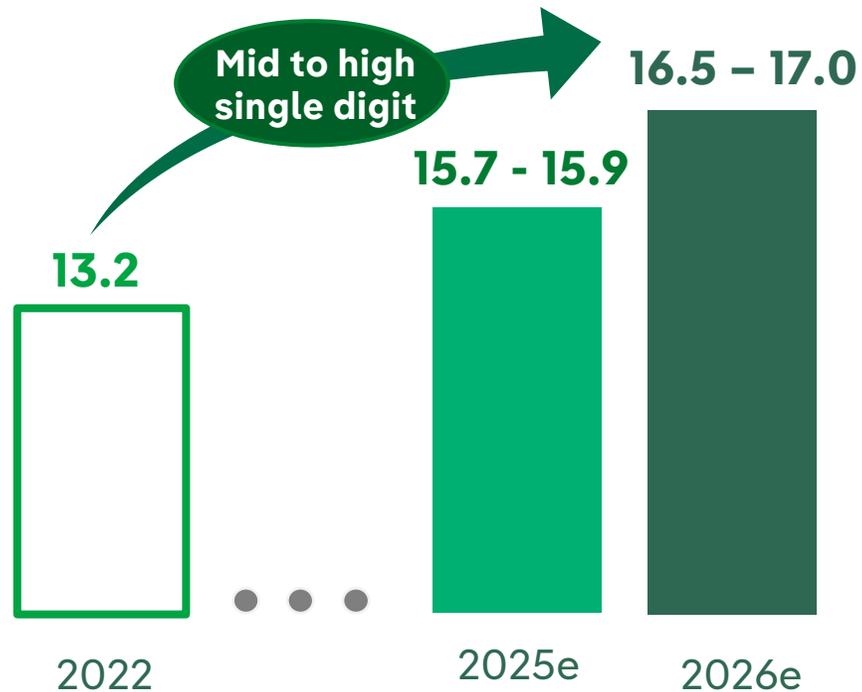
## ...maintaining dividend policy



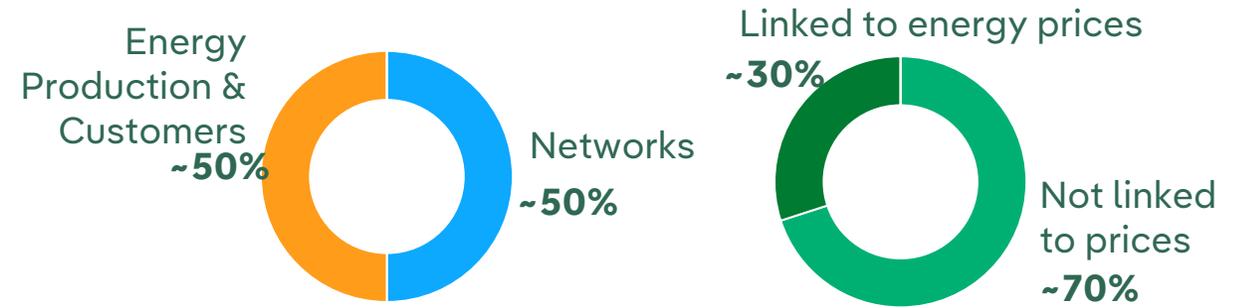
# Outlook 2026

## EBITDA between Eur 16.5-17 Bn by 2026, with “mid to high single digit” CAGR 2022-2026 driven by investments and efficiencies

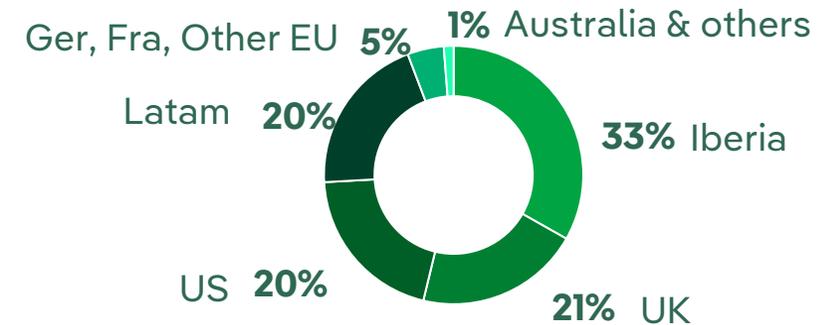
### EBITDA expected growth (Eur Bn)



### 2026E by business



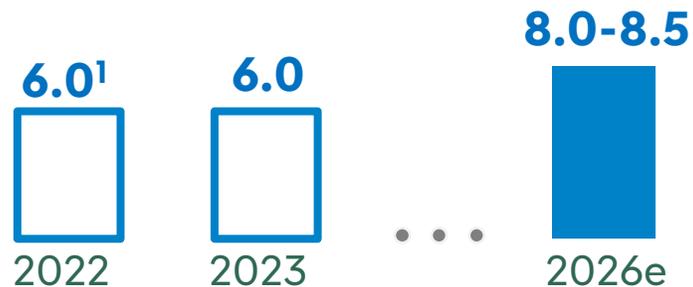
### 2026E by geography



**~70% of EBITDA not linked to power market prices**

## 2026 EBITDA equally split between Networks and Energy Production & Customers...

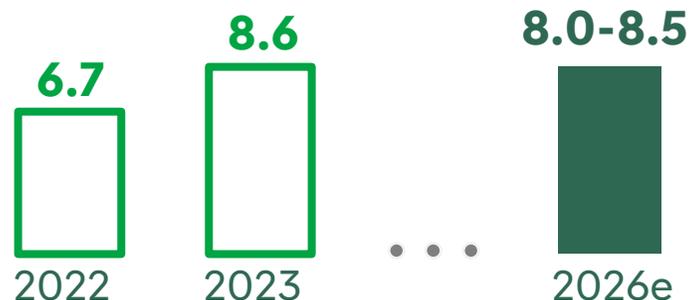
### Networks EBITDA (Eur Bn)



Networks 2026 EBITDA reaching **Eur ~8-8.5 Bn**

- ✓ Annual increase in line with RAB
- ✓ Transmission as growth driver: EBITDA of **Eur ~1.3-1.5 Bn** in 2026 (+650 M vs 2022)

### Energy Production & Customers EBITDA (Eur Bn)



Energy Production & customers 2026 EBITDA of **Eur ~8-8.5 Bn**

- ✓ New renewables to close generation/supply gap
- ✓ Offshore wind as growth driver: EBITDA reaching **EUR 1.8 Bn** (+1 Bn vs 2022/23)
- ✓ Additional Storage
- ✓ Normalization of Retail margins after exceptional situation of last 2 years (low in 2022 and high in 2023)

... with Transmission and Offshore wind as new growth drivers

## Progressing on our plan ahead of schedule (CMD Nov 2022): Net Profit of Eur 5.3-5.4 Bn in 2025...

PNM transaction cancellation

Impact of Mexico transaction

Higher interest rates

Lower prices

...VS...

Networks: Higher investment,  
better rate cases, growth in Transmission

Renewables: growth mainly in Offshore wind

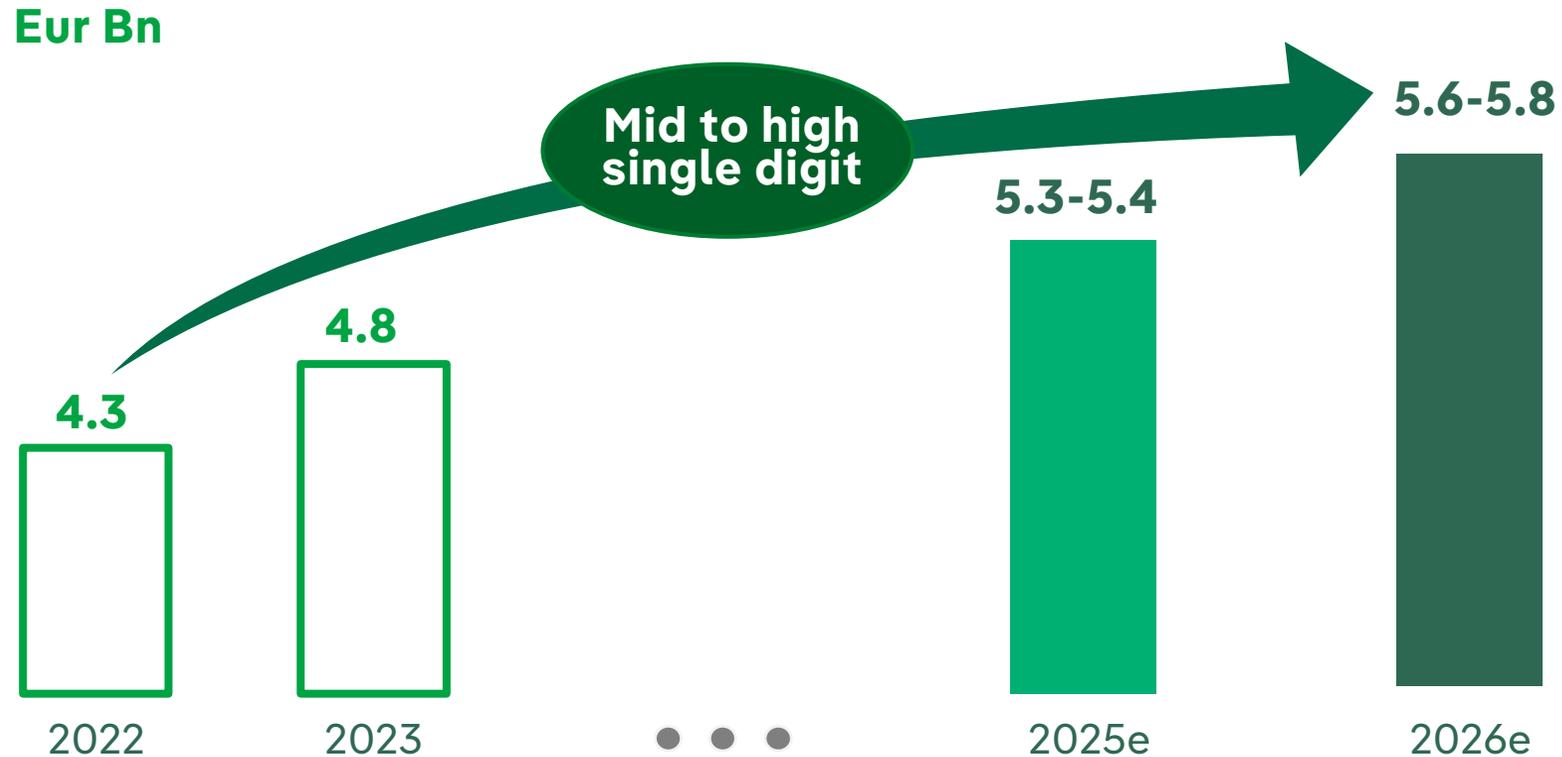
Optimization of Routes to Market

Lower debt expenses

Lower Depreciation & Amortization  
(PNM & Mexico)

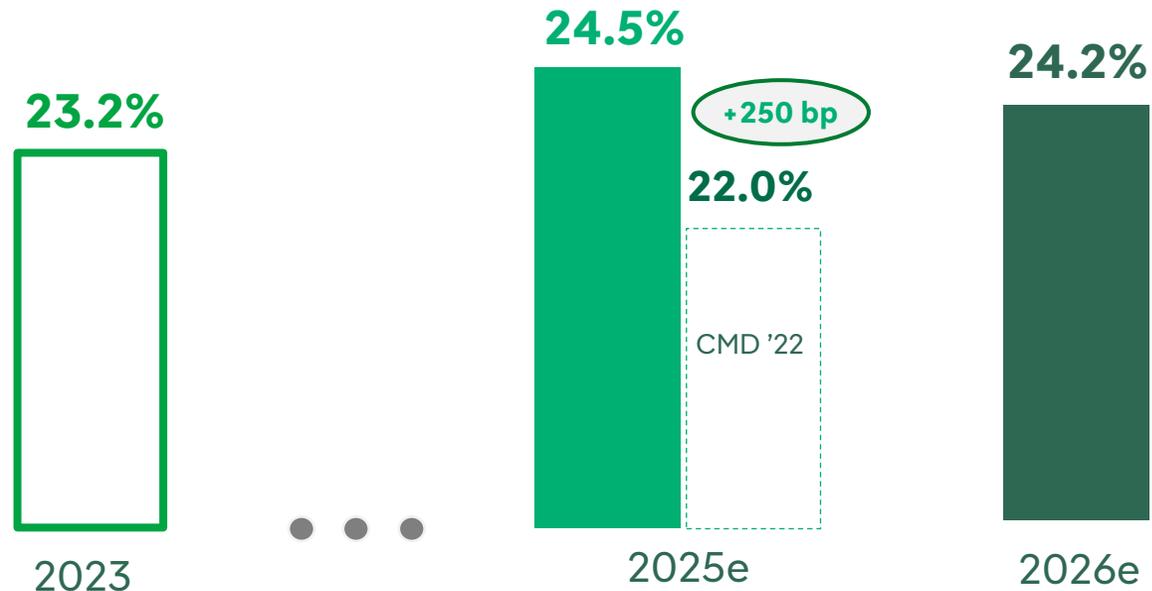
...with an expected shareholder remuneration of 0.55-0.58 Eur/share

**Net Profit reaches Eur 5.6-5.8 Bn in 2026 (“mid to high single digit” CAGR 2022-2026)...**



**Increasing financial solidity and ratios...**

**FFO/Net Debt**



**...exceeding previous targets driven by Cashflow and Asset Rotation**

**Shareholder remuneration growing in line with results...**

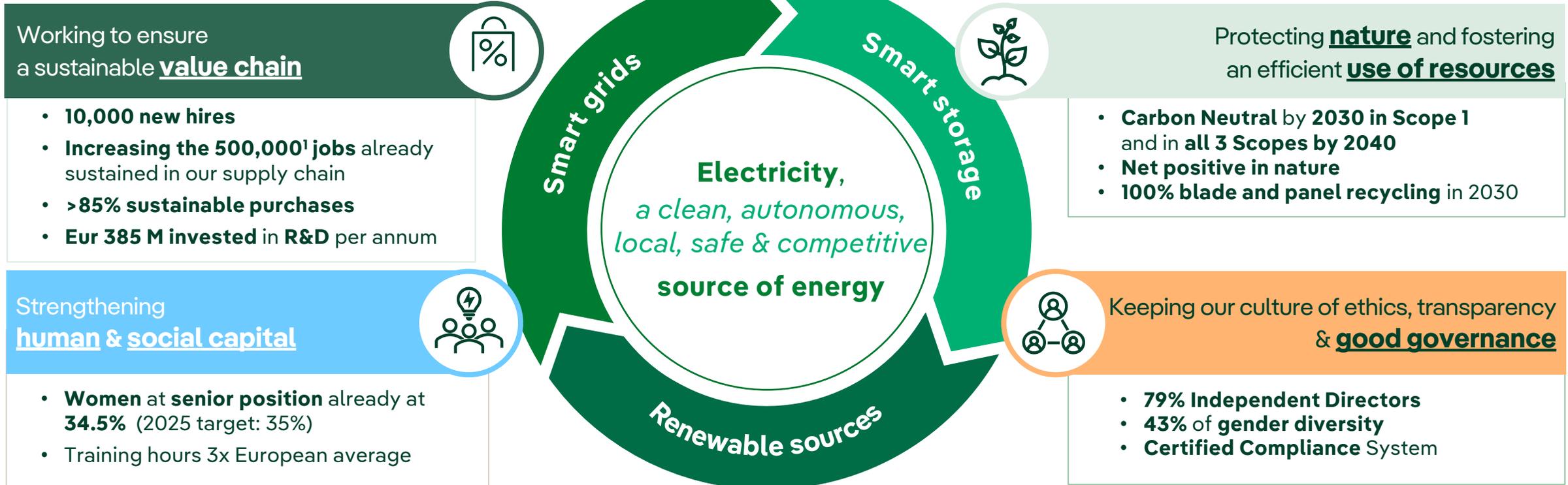
**PAY-OUT BETWEEN 65% AND 75% OF EPS**  
**(earning estimates lead to a DPS in the range of approx. 0.61 - 0.66 in 2026)**

**2024-26: DPS floor at Eur 0.55 /share**  
**(equivalent to 2023 DPS)**

**Maintaining the flexibility for shareholders with the**  
**“Iberdrola Retribución Flexible” program, including share buy-back**

**...for an estimated amount of Eur 11 Bn in 2024-2026 vs. Eur ~9.5 Bn 2021-2023**

**~90% CAPEX aligned with EU taxonomy, and mostly financed by sustainable/green instruments**



**“Green” rating obtained in the “Transition Assessment Outcome” by Sustainable Fitch**



# Outlook 2030

## Reaffirming our vision and maintaining growth...

### 2030 Outlook



**Boosting electrification:**  
More investments in Networks (T&D)



▶ RAB reaching **Eur 65-70 Bn** by 2030 in  
**Transmission and Distribution**

**Faster Growth in Renewables**  
due to fossil fuels and nuclear replacement



- ▶ New capacity contributing from **2027:**
  - **3,000** new offshore MW
  - **c. 6,000** new onshore MW
- ▶ **>100,000 MW** of renewable pipeline
- ▶ Higher value of **Storage:**  
**120 M kWh operating + pipeline of 150 M kWh**
- ▶ Access to additional investments with **Tier 1 partners**

New opportunities for **Manageable Renewables**

Optionality to capture **demand from new uses**

...preserving our commitment with financial strength and dividend