

# OUTLOOK 2018 / 2022

London / 21 February



IBERDROLA

Iberdrola, “utility of the future”:

**Building the foundations for growth in the next decade**

## Aitor Moso

Liberalised Business Managing Director

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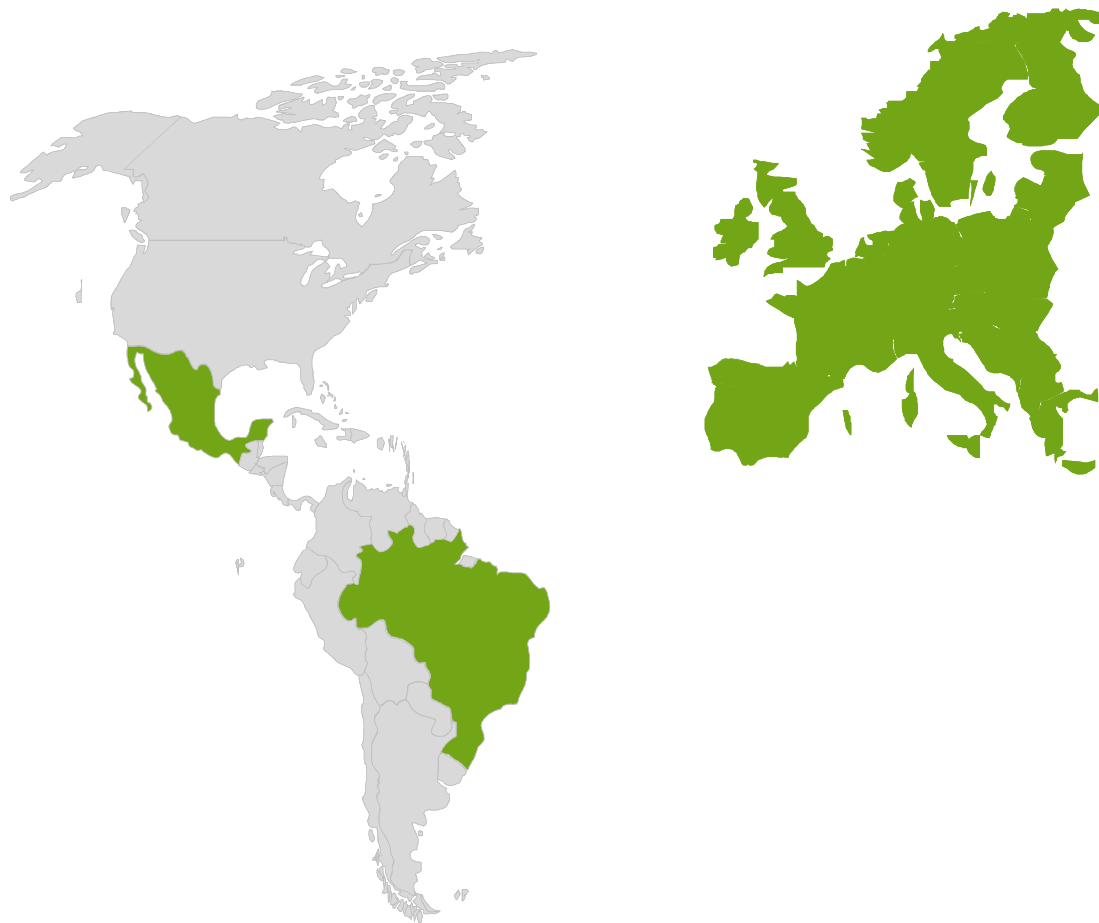
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### Competitive portfolio and consolidated customer base in our core countries



<b>Services to Customers (M)</b>	<b>23</b>
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Electricity	13
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Gas	3
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Smart Solutions	6
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<b>Energy supplied (TWh)</b>	<b>179</b>
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Electricity	139
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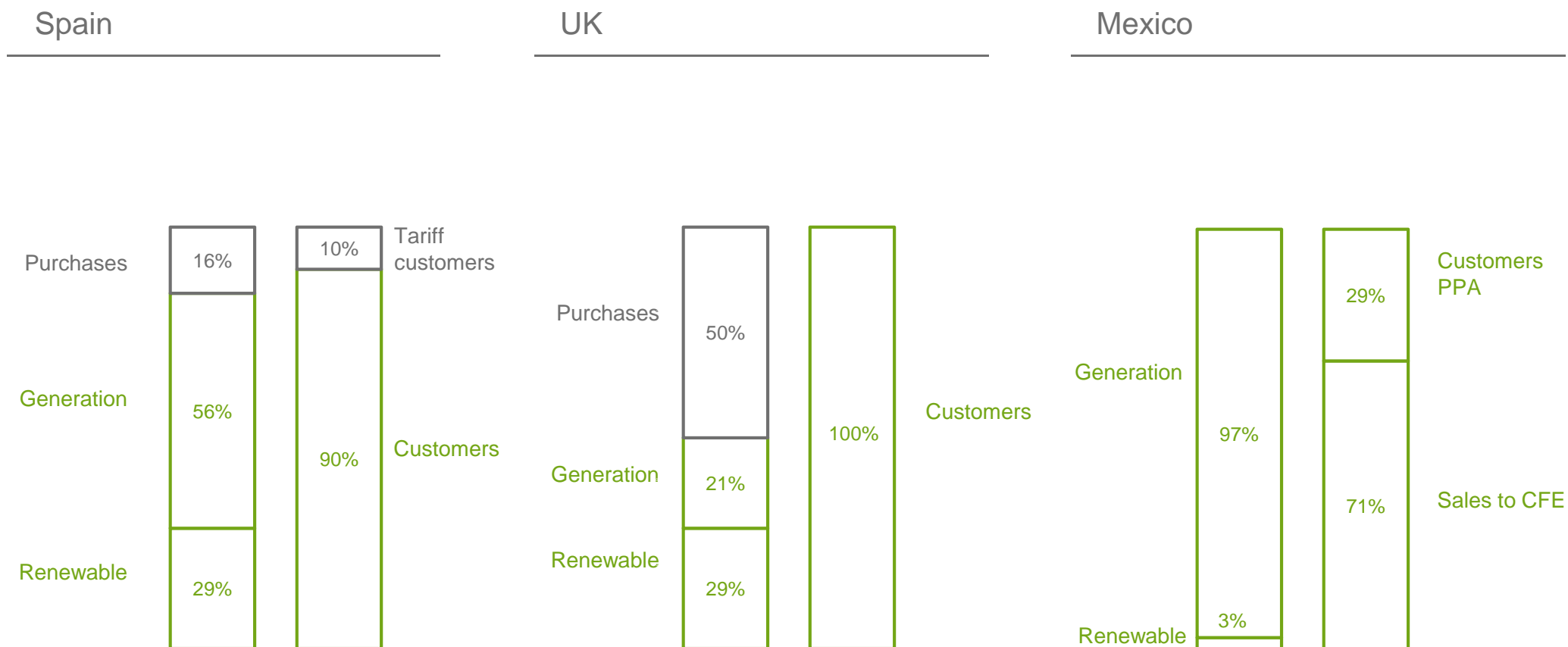
Gas	40
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<b>Capacity (GW)</b>	<b>18</b>
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<b>Production (TWh)</b>	<b>85</b>
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## Generation & Retail (average 2018 – 2022)

Strong retail position allows optimisation of the generation portfolio with energy procurement



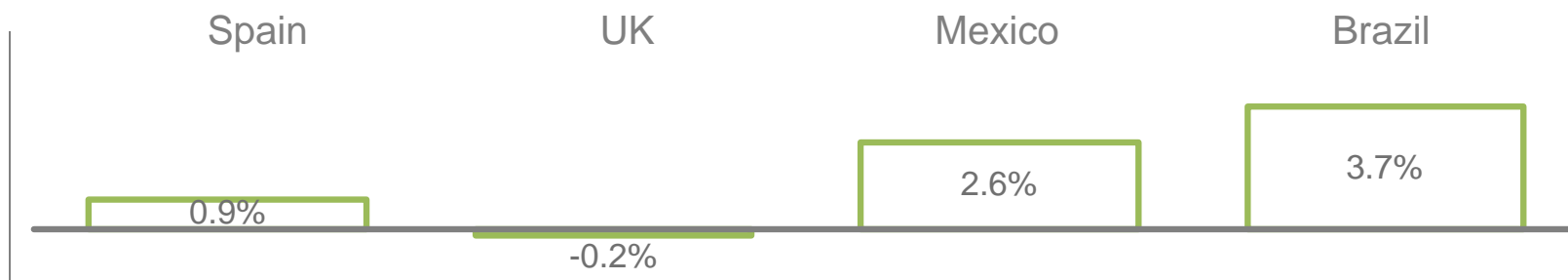
85% - 95% of the production closed before the start of each year

# Outlook

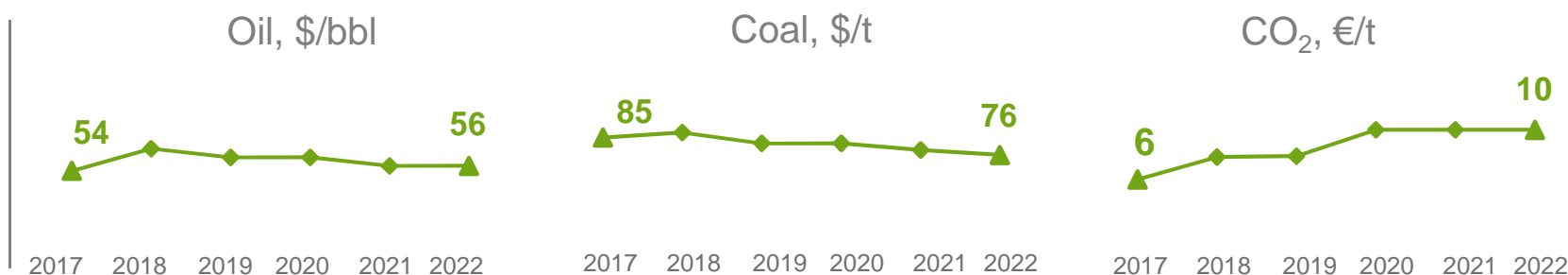
## 2018 / 2022

# Energy markets: Outlook 2022

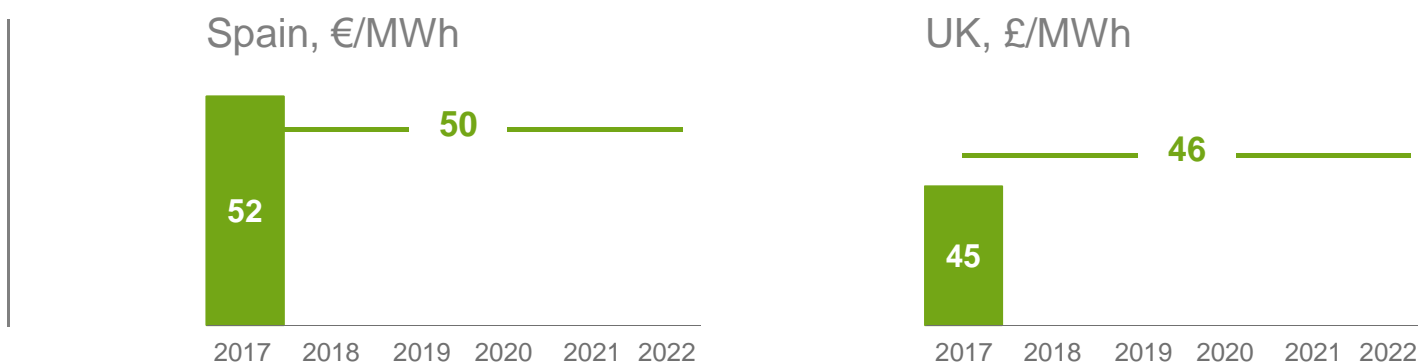
## Electricity demand growth, CAGR 2017-22



## Commodity prices



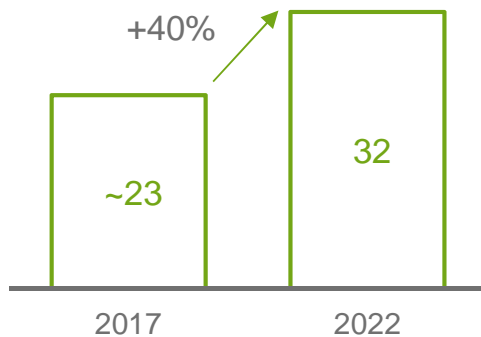
## Power prices (average)



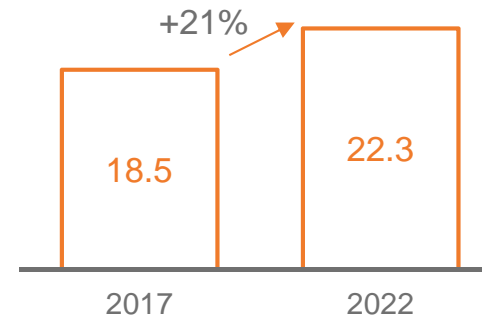
Prices derived from market quotations and estimates of commodities from analysts (PIRA, WoodMac, Aurora, CERA-IHS)

## Growing in contracted generation and services to customers...

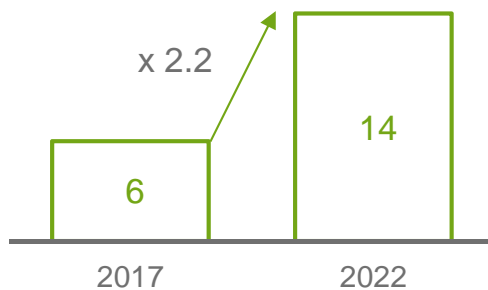
Services to Customers  
(M services)



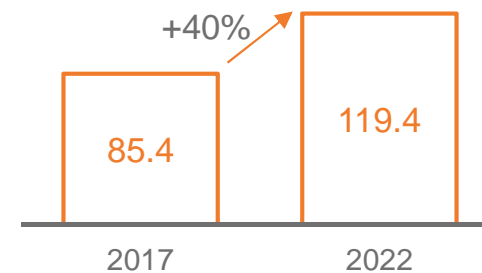
Installed capacity (GW)



Smart Solutions to  
Customers (M services)



Production (TWh)

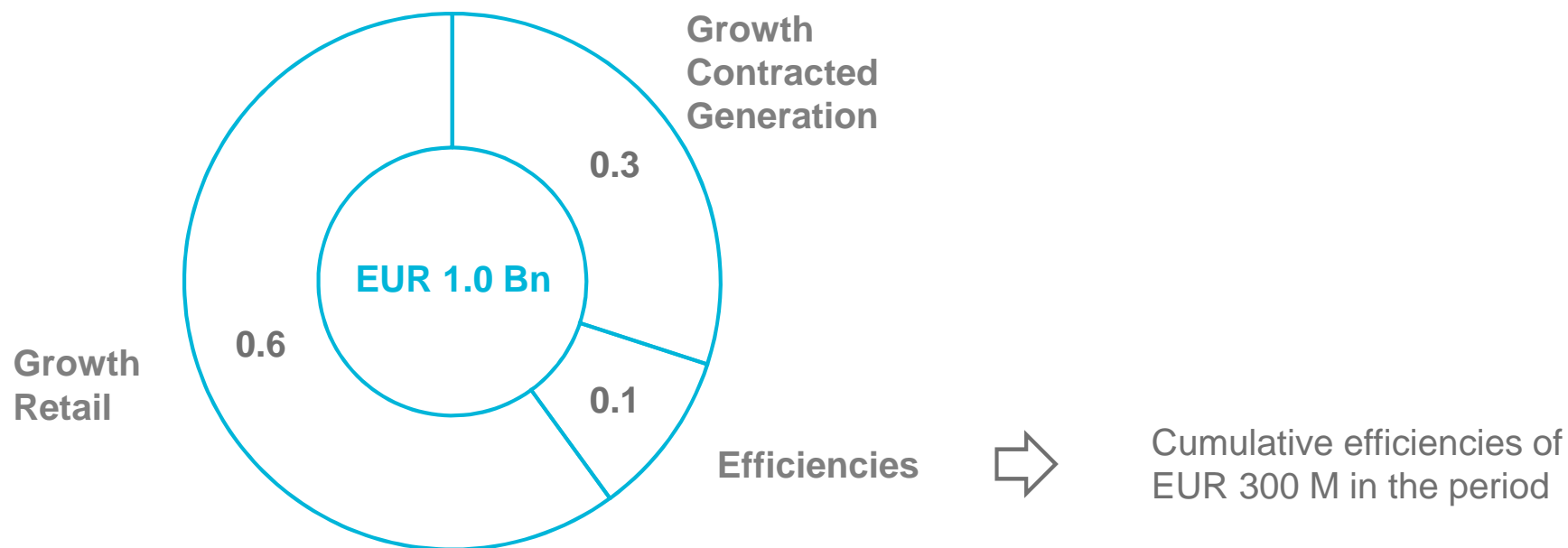




## Profitable growth: EBITDA

... to achieve a total EBITDA of EUR 2.6 - 2.7 Bn by 2022

Incremental EBITDA from growth  
investment and efficiencies by 2022 (EUR Bn)

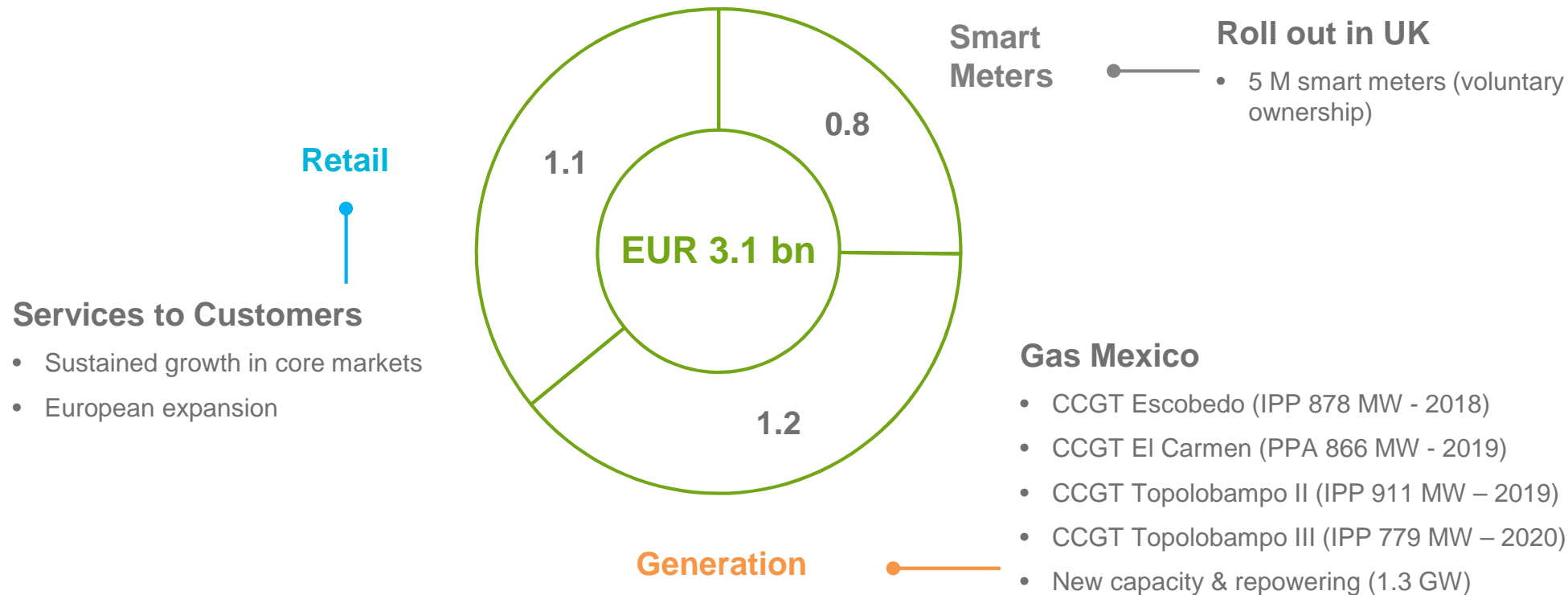


**EUR 1.0 Bn of incremental EBITDA from growth and efficiencies**

# Profitable growth: Net Business Growth Investment

**EUR 4.2 Bn Net Investment, 75% (EUR 3.1 Bn) in growth allocated to Mexico and Retail**

Net Growth Investment (2018 - 2022)



# 2018 – 2022 Plan: Generation

**18,487 MW of installed capacity**

### MEXICO

**5,840 MW Gas** - Mostly regulated with CFE.  
Significant growth with PPA

### BRAZIL

**533 MW Gas** - Regulated PPA with Distribution companies

### UK

**2,001 MW Gas** - Capacity payments secured up to 2022

### SPAIN

**874 MW Coal**  
**6,062 MW Gas** - Capacity payments required  
**3,177 MW Nuclear**

## Generation: Positioning



### Profitable Growth

**+4.8 GW in Mexico** (3.6 GW in construction)

- More capacity in projects with high growth, high return and long term contracts



### Cost Efficiency, Knowledge & Capabilities

- Spain & UK: improvement of Thermal flexibility and competitiveness
- Mexico: enhanced performance through technology upgrades



### Digital and Innovation

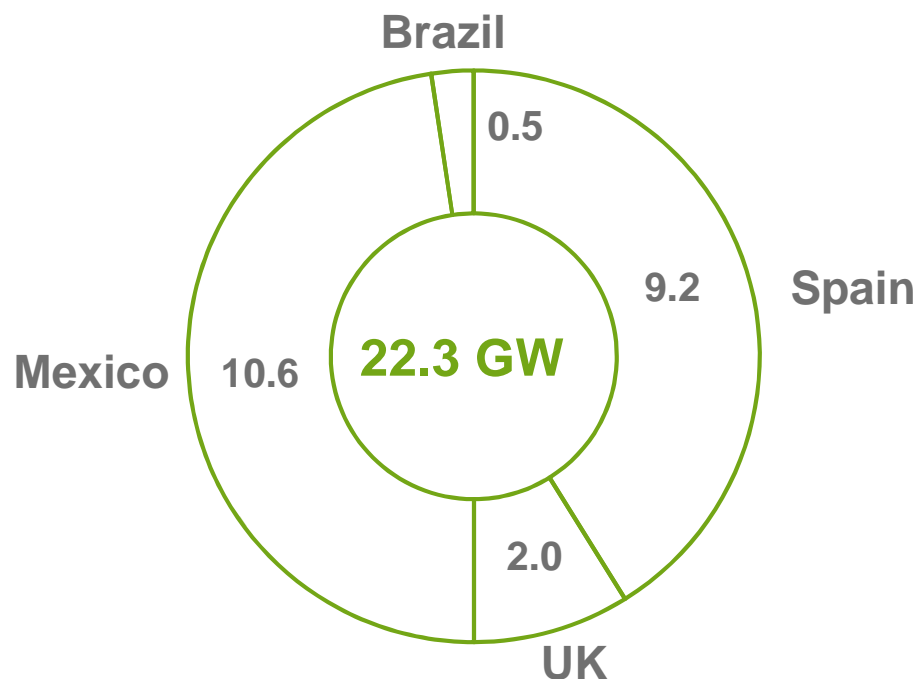
**100% digital & automated** fleet (Nuclear, CCGT and CHP)

- Digital automation and preventive maintenance based on AI and data analytics

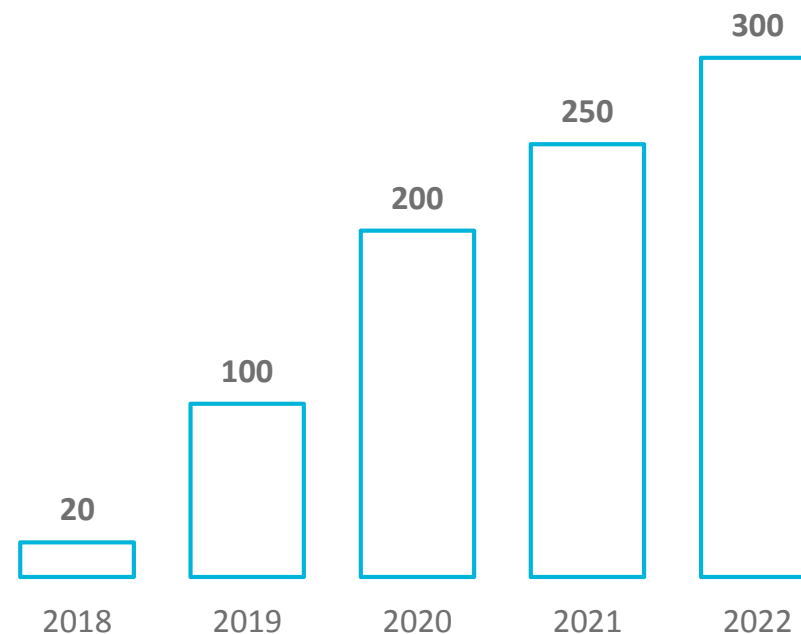
## Generation: Profitable Growth

**Net investment in growth of EUR 1.2 Bn in contracted generation to provide an incremental EBITDA of EUR 300 M by 2022**

Installed Capacity 2022

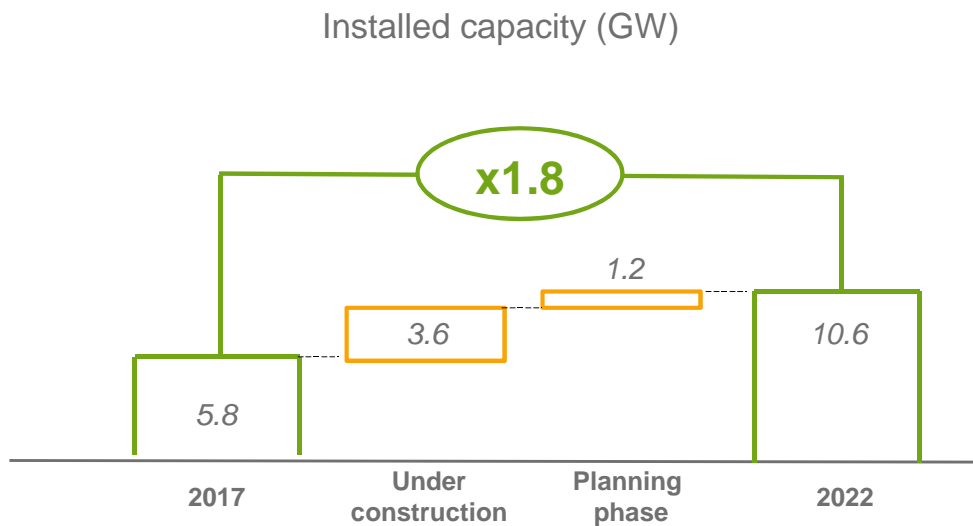


Incremental EBITDA from growth investment (EUR M)

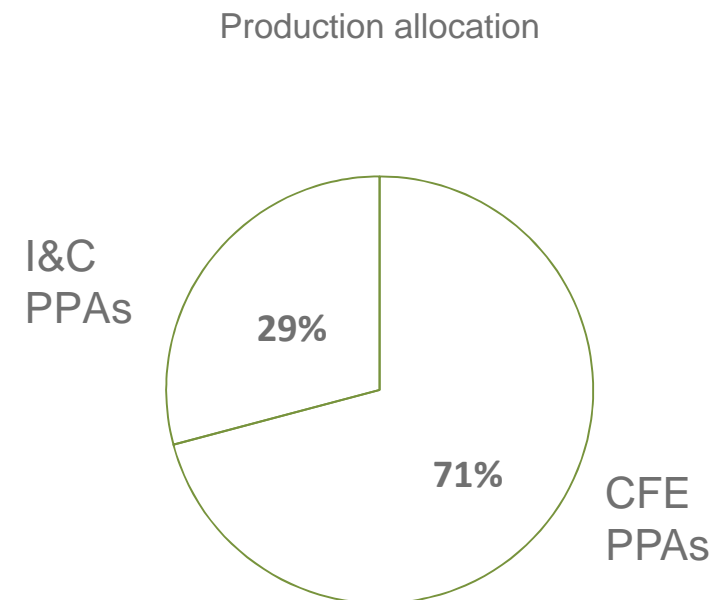


## 4.8 GW of new capacity during the period, reaching 10.6 GW by 2022

+845 MW vs. former plan by 2020



Long term contracts



## Portfolio of 4 GW under development

## Generation: Profitable Growth in Mexico

75% of the new capacity already under construction



CC Escobedo - 878 MW, 2018



CC Topolobampo II - 911 MW, 2019



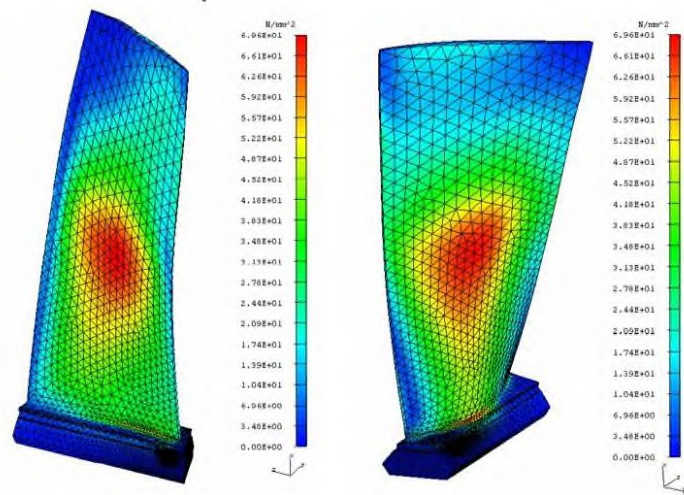
CC El Carmen - 866 MW, 2019



CC Topolobampo III - 779 MW, 2020



**EUR 50 M** cumulative efficiency gains 2018 – 2022 through further operational efficiencies and overall fleet performance enhancement



### CCGT optimisation

- ✓ 2% efficiency increase
- ✓ 35% turndown reduction
- ✓ 60% start up time reduction

### Asset life cycle management, predictive analysis and machine learning based on data analytics

- ✓ 14 GW of CCGT's and CHP in Spain, Mexico, UK and Brazil

**100% digital & automated fleet (Nuclear, CCGT and CHP)**

# 2018 – 2022 Plan: Retail & Smart Solutions

## 23 M services to customers

### MEXICO

**2k** I&C services to customers  
**42.3 TWh** energy sales

### BRAZIL

**1k** I&C services to customers  
**12.7 TWh** energy sales

### UK

**6 M** services to customers  
**53 TWh** energy sales

### SPAIN & CE

**16.6 M** services to customers  
**71.4 TWh** energy sales

### Profitable growth based on strong emphasis on smart solutions while expanding existing successful retail model



#### Profitable Growth

**+9 M services to customers by 2022:**

- Expansion based on successful retail model
- Sustained growth in core geographies



#### Cost Efficiency, Knowledge & Capabilities

**Cost to serve (-9%) and acquisition cost (-6%) reductions:**

- Digital channels
- Data analytics



#### Smart Solutions

**Customer centered product portfolio:**

- Smart Energy Services
- Smart Home
- Smart Mobility
- Smart Solar



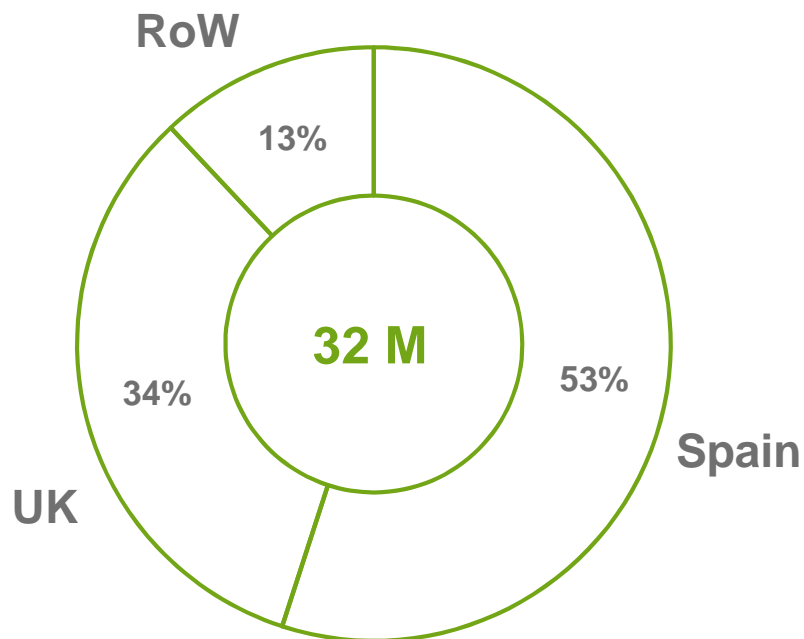
#### Digital and Innovation

**Integrated management of customer needs and lifestyle changes while maximising the value for Iberdrola**

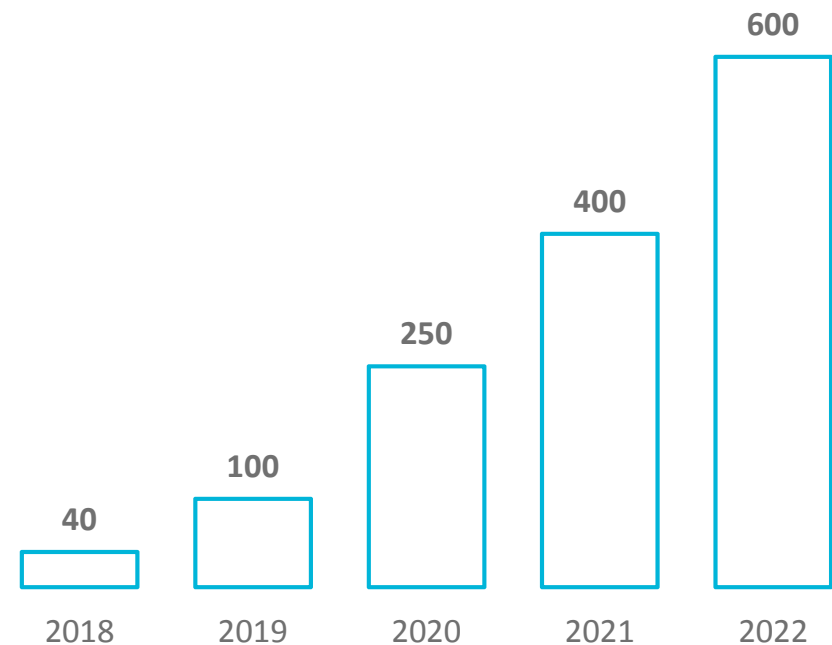
## Retail & Smart Solutions: Profitable Growth

**32 M services to customers by 2022,  
with incremental EBITDA of EUR 600 M**

2022 Services to Customers



Incremental EBITDA from growth (EUR M)



## Retail & Smart Solutions: Profitable Growth

### Additional 9 M services to customers in Europe leveraging Iberdrola's retail platform for growth

#### Effective and efficient retail platform

- **Unique and effective retail model:**

- Lowest cost to serve in Spain and the UK
- High penetration of smart solutions (~60% in Spain)

- **Replicable in new countries and markets**

- Italy market entry example:



<EUR 1 M Capex

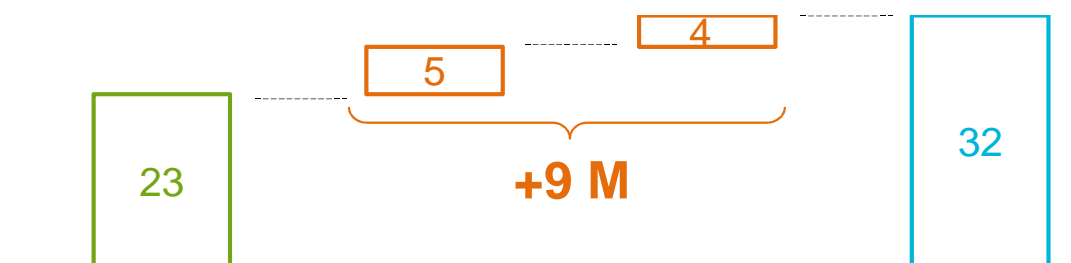


<6 months roll-out



#### Replicable to accelerate entry into new geographies

No. of services to customers (M)



Sustained growth  
in core markets



European  
expansion



Smart solutions in Mexico and Brazil

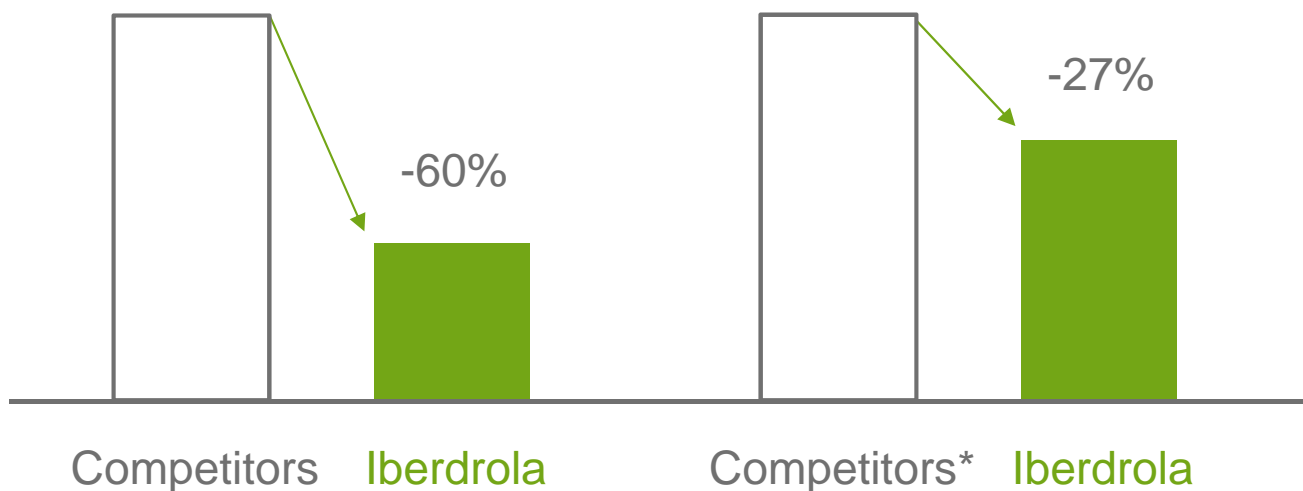


## Leadership in costs and efficiency in all countries

### Cost to Serve

#### Spain (€/Contract)

#### UK (£/Contract)



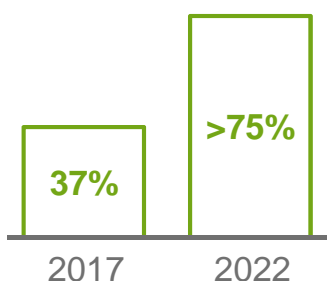
\* Estimation based on UK segmental accounts

### Initiatives to date

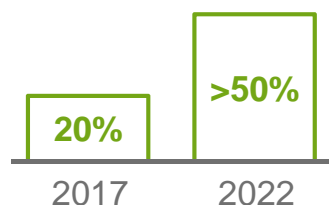
- **Development of digital channels and products** (e.g., Time of Use tariffs, Power-Up, Energy Wallet)
- **Digitalization of back office processes**
- **Widespread use of data analytics**

Going forward, digitalization of processes and sales will contribute with additional **EUR 250 M** of cumulative efficiencies 2018 – 2022

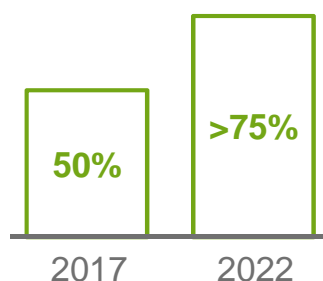
e-Billing



Digital Sales



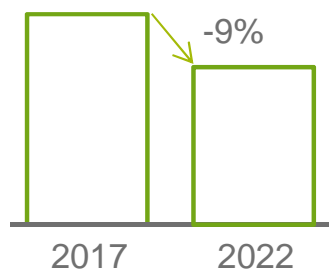
Digital customer service



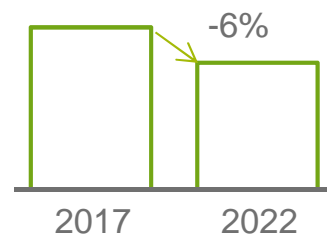
2018 - 2022 Plan

- Further development of digital initiatives:
  - e-Billing
  - New digital products
  - Digital customer service and optimization of customer journeys
- ... leveraging on smart meters and data analytics
- Roll-out of best practices across geographies

Cost to serve



Acquisition cost





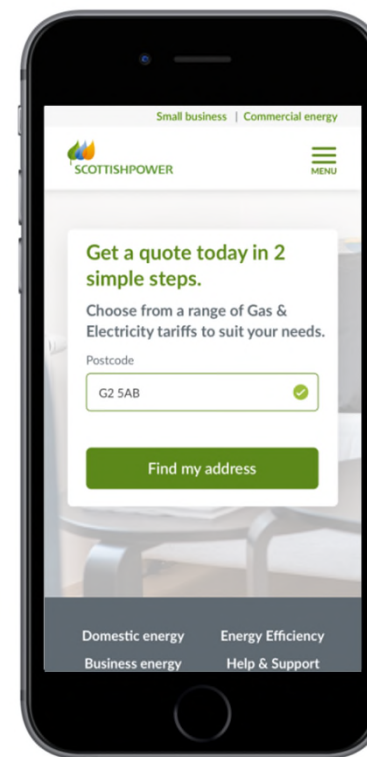
## SPAIN: Personalized plans



**~1 M customers  
already saving  
on their  
electricity bill**

- Giving customers control to personalize their energy plan
- Customer advice about consumption based on data analytics
- Focus on simplicity

## SPAIN & UK: Easy quote



**+40% online  
conversions**

- Industry first Machine Learning algorithm to predict consumption for every household
- Simplified checkout process

## Solving new needs of customers



### Smart Energy Services



### Smart Solar



### Smart Home



### Smart Mobility



# Smart Energy Services & Smart Home

## From 6 M to 14 M customer smart solutions



### Smart Energy Services

#### Smart Energy Services (Residential & SME)

Installation, maintenance and protect services

#### Energy Efficiency and Demand Response (Residential, SME & I&C)

Integrated portfolio of tailor-made solutions to improve energy efficiency and management



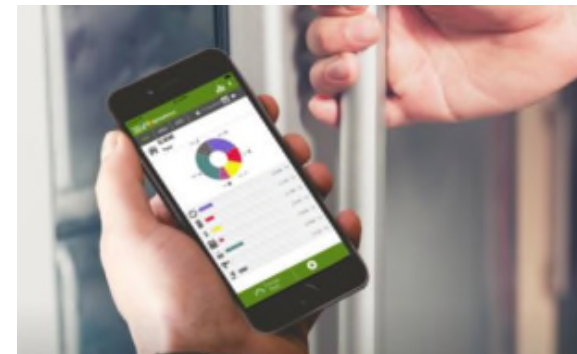
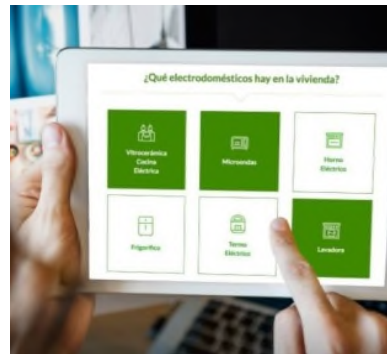
### Smart Home

#### Smart Devices and Services

Digitally controlling the use of energy and insights to customers to better manage their energy requirements

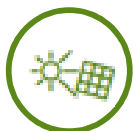
#### Voluntary ownership Smart Meters UK

Allows for differentiation and personalized energy plans



# Smart Solar & Smart Mobility

## More than 250,000 users by 2022



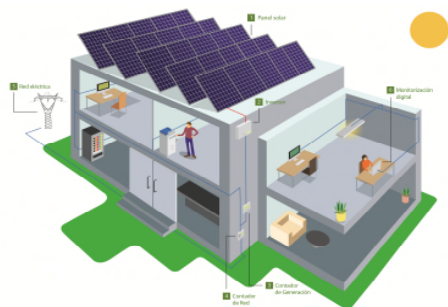
### Smart Solar

#### Residential and SME

Integrated solutions: personalized analysis, PV + storage, installation, maintenance, financing, insurance and digital management

#### I&C

PV on-site or utility scale solutions with PPA



### Smart Mobility

#### Private Charging Solutions

Integrated solutions: Smart Charging + Green tariff + Maintenance

#### Public Charging Solutions

Public facilities + digital solutions

#### Industry Charging Solutions


Smart charging for fleets, employees and customers + digital solutions



### Looking after our customers and committed to society

#### Excellence in Customer Service

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- **“Best call center in Spain”** by Spanish Call Centre Association.
  - Global resolution (FCR): 82%
- **“Supplier of the Year”** in the UK.
  - Global resolution (FCR):  7 p.p. up to 73%



#### Committed to society

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- Supporting women's sport in Spain and sponsorship of **Cancer Research UK** and **Spanish Cancer Association**
- **Vulnerable customers:** 100% covered in Spain, contribution to financial and non-financial schemes in the UK



# Closing remarks



### Total EBITDA of EUR 2.6 - 2.7 Bn by 2022

#### EUR 4.2 Bn Net Investments to achieve incremental EBITDA of EUR 1.0 Bn by 2022

- **+EUR 0.3 Bn in contracted generation:** high return with long term contracts
- **+EUR 0.6 Bn in Retail & Smart Solutions:** core geographies, expansion into Europe and Smart Solutions
- **+EUR 0.1 Bn in efficiencies**

#### Customer at the centre, achieving 32 M services by 2022

- **14 M customer smart solutions**
- **Connectivity and focus on simplicity:** digitalization, data analytics, omnichannels and customer empowerment through personalized products and services
- **Integrated management of customer needs and committed to society**