

# OUTLOOK 2018 / 2022

London / 21 February



IBERDROLA

Iberdrola, “utility of the future”

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

**Ignacio Galán**

Chairman & CEO

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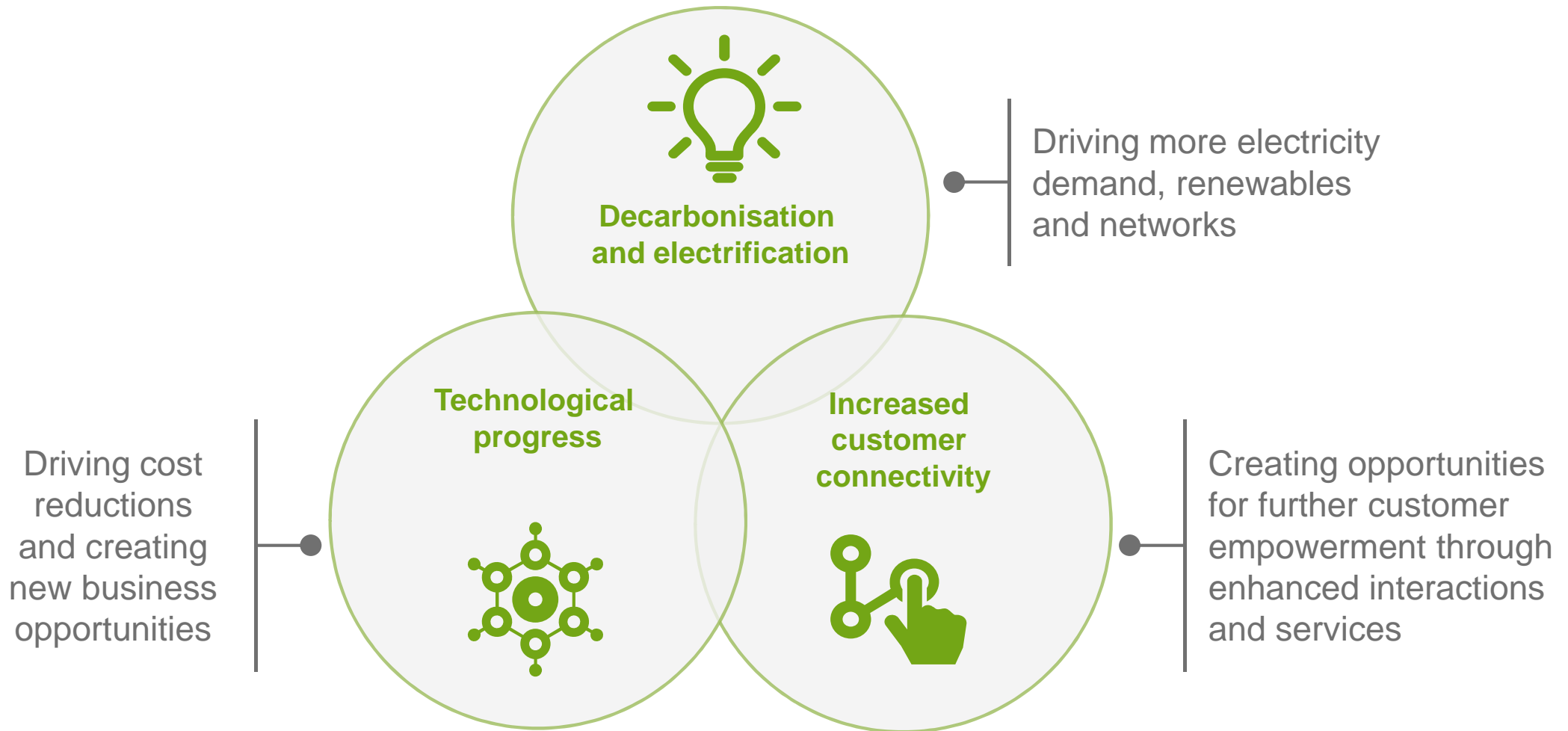
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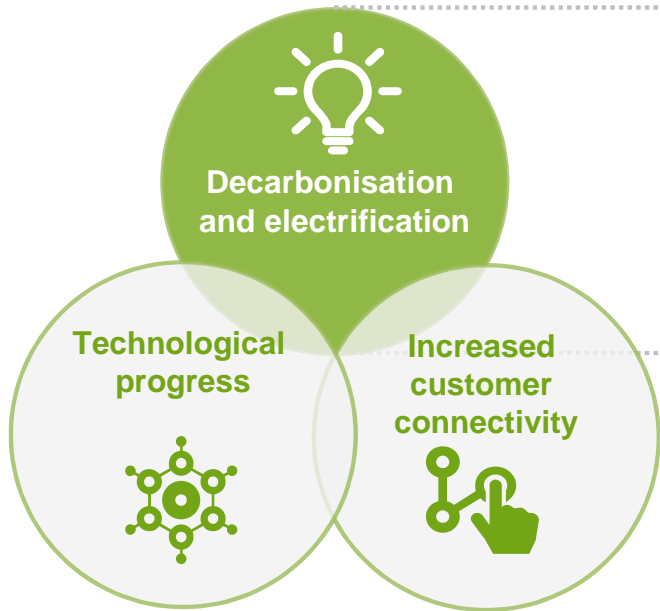
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# Vision

## The energy sector continues to transform

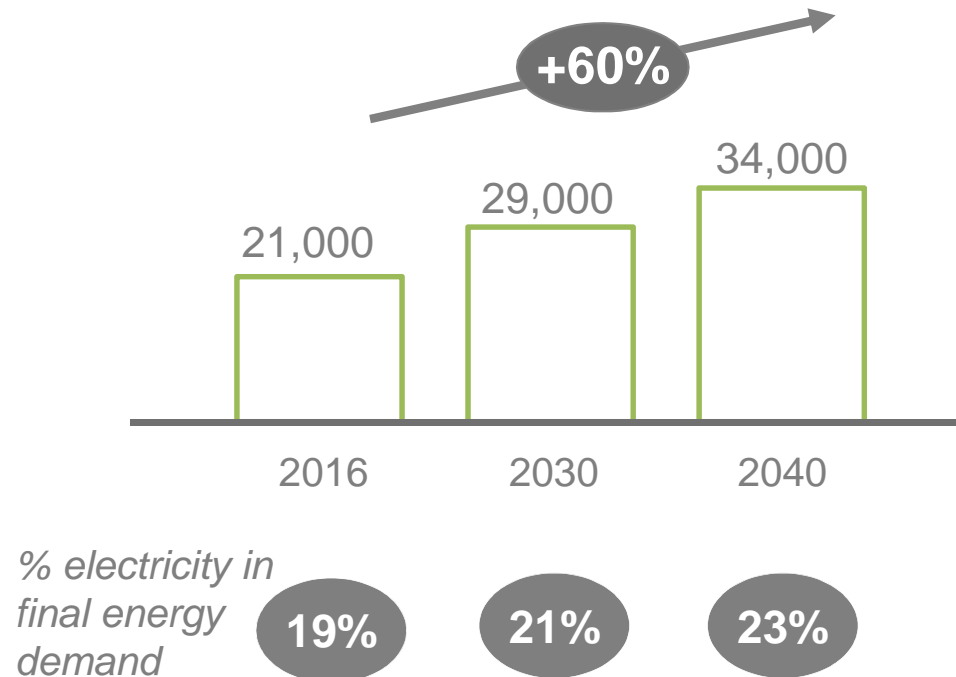


## Decarbonisation and electrification are driving substantial demand growth



### World electrification<sup>1</sup>

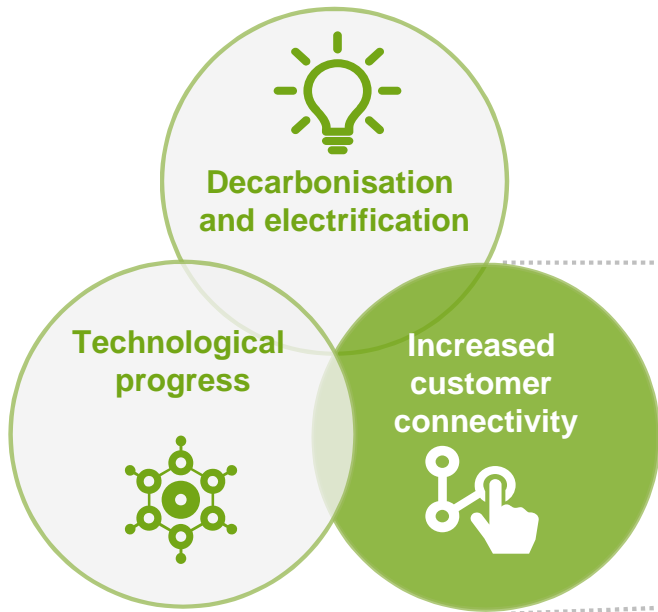
Electricity demand, TWh



**Paris Agreement reinforces emissions reduction targets**

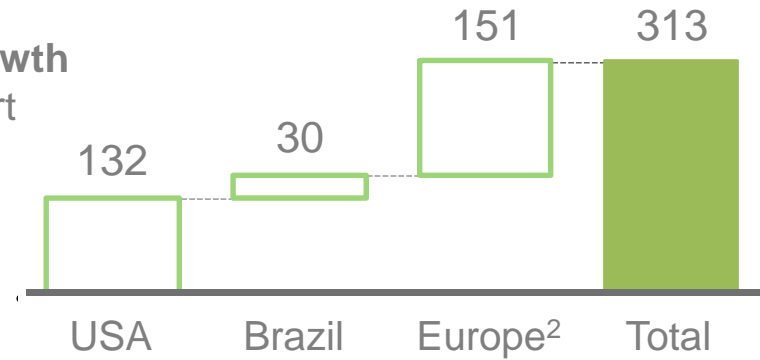
<sup>1</sup>World Energy Outlook 2017, International Energy Agency

## Creating opportunities for further customer empowerment



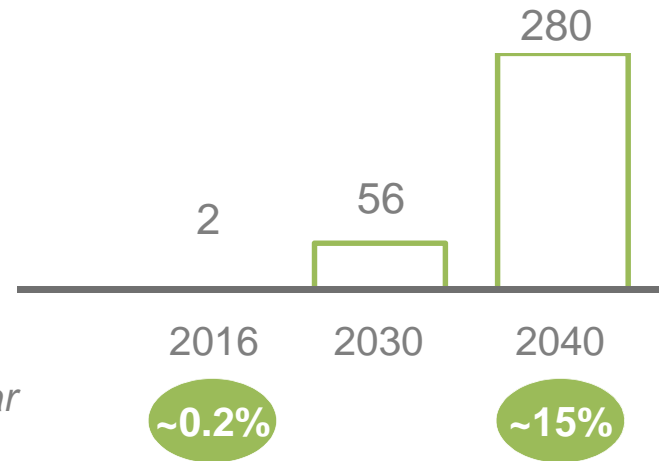
### Smart meter growth

Global 2020 smart meter stock, M<sup>1</sup>



### Electric Vehicle growth

Global stock, M<sup>3</sup>



Increased EV penetration leads to growth in peak and total demand, requiring investments in Networks and Renewables

<sup>1</sup>Navigant Research

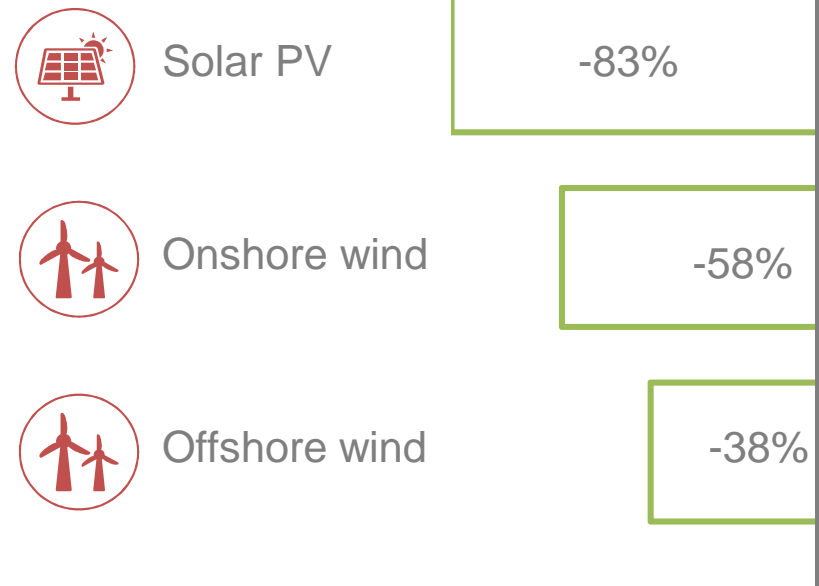
<sup>2</sup> Includes France, Italy, Germany, UK and Spain

<sup>3</sup>Global EV Outlook 2017 (Reference Technology Scenario), International Energy Agency

# Technological progress is enabling efficiency opportunities and fostering renewables and networks growth



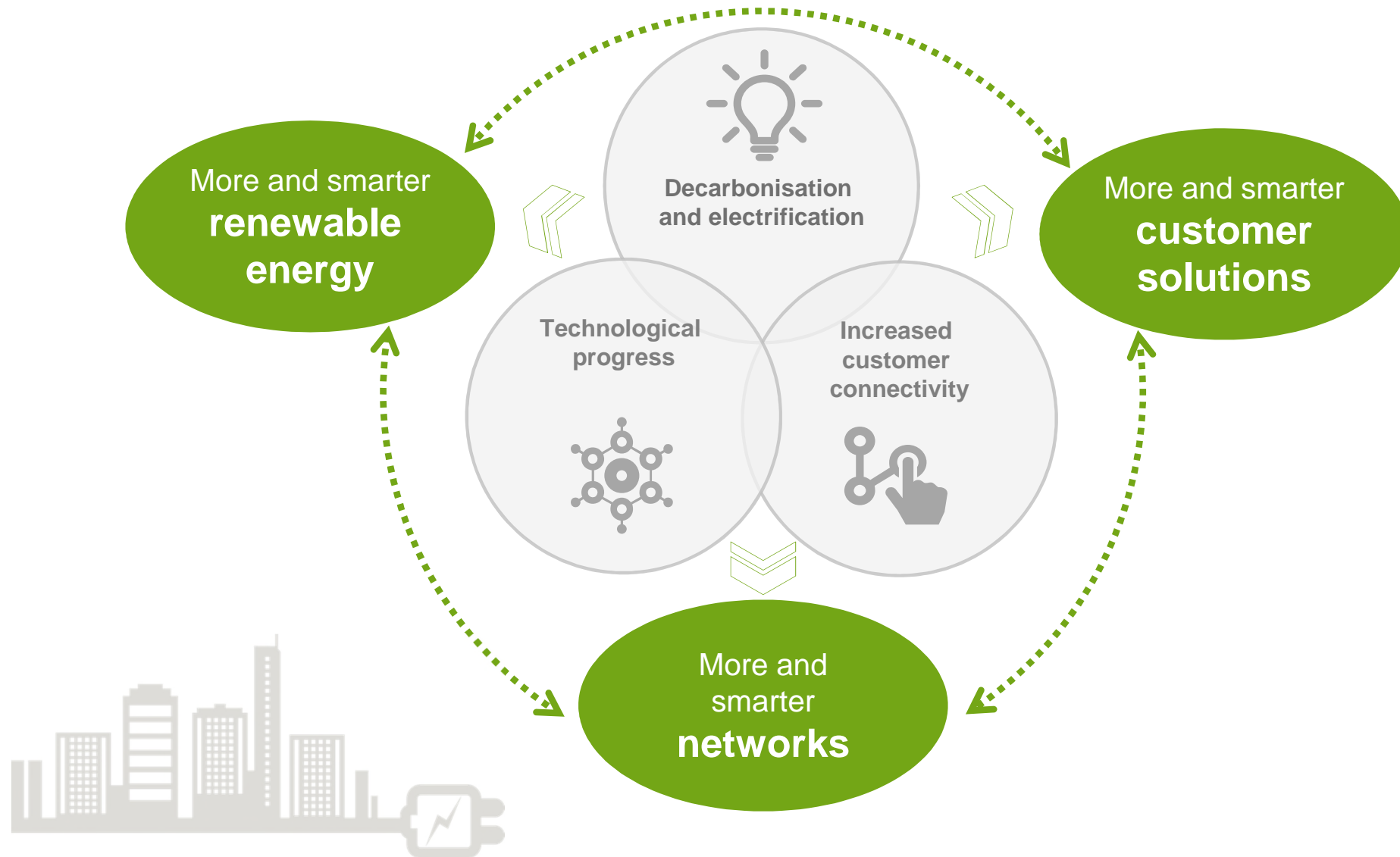
## Renewables cost reduction<sup>1</sup> LCOE evolution, Δ 2010-18



<sup>1</sup>IRENA



## These trends reinforce the focus of our three businesses



## We will accelerate value creation of our businesses through five strategic pillars

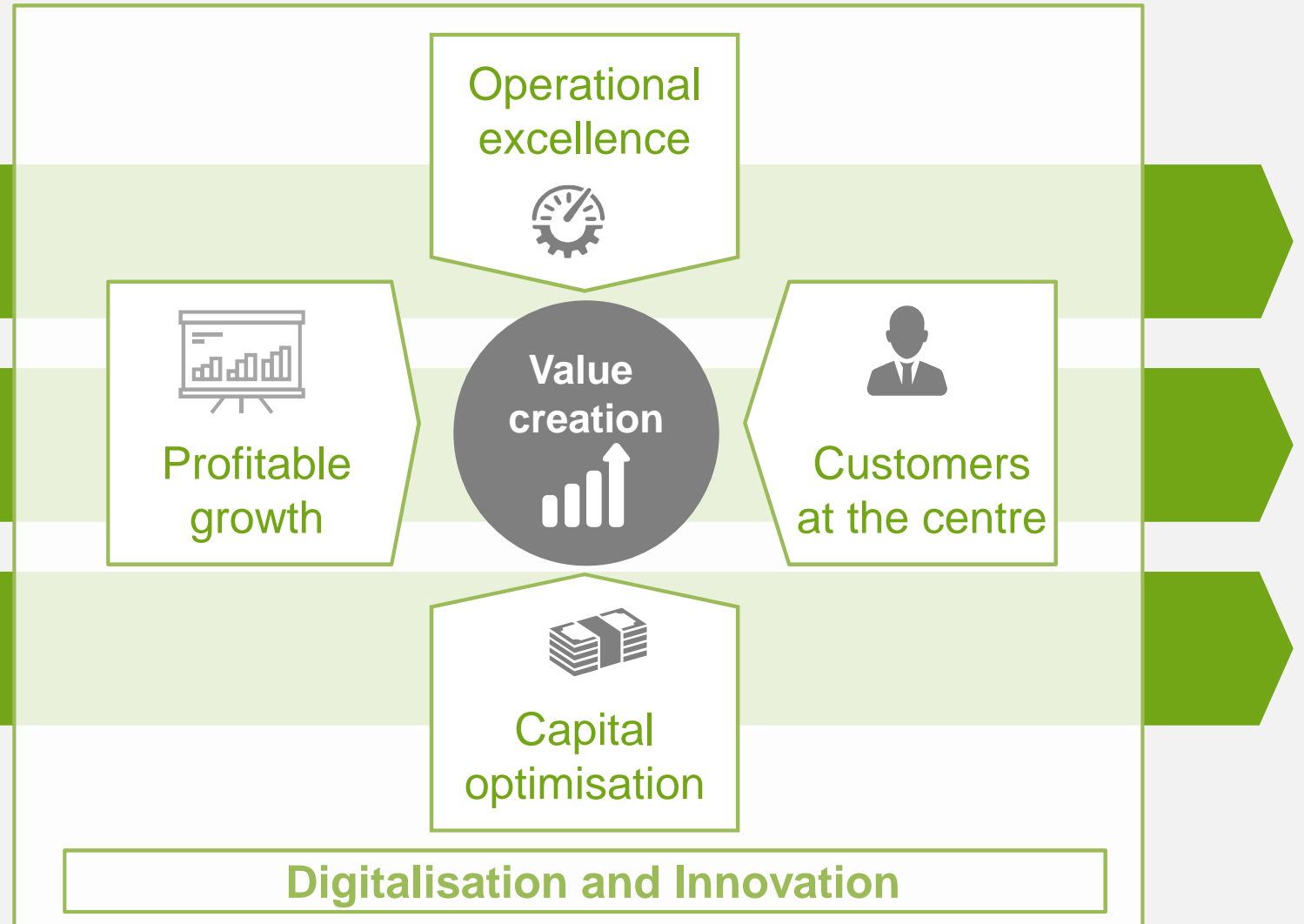
### Our strategic pillars

#### Our businesses

More and smarter  
**renewable energy**

More and smarter  
**networks**

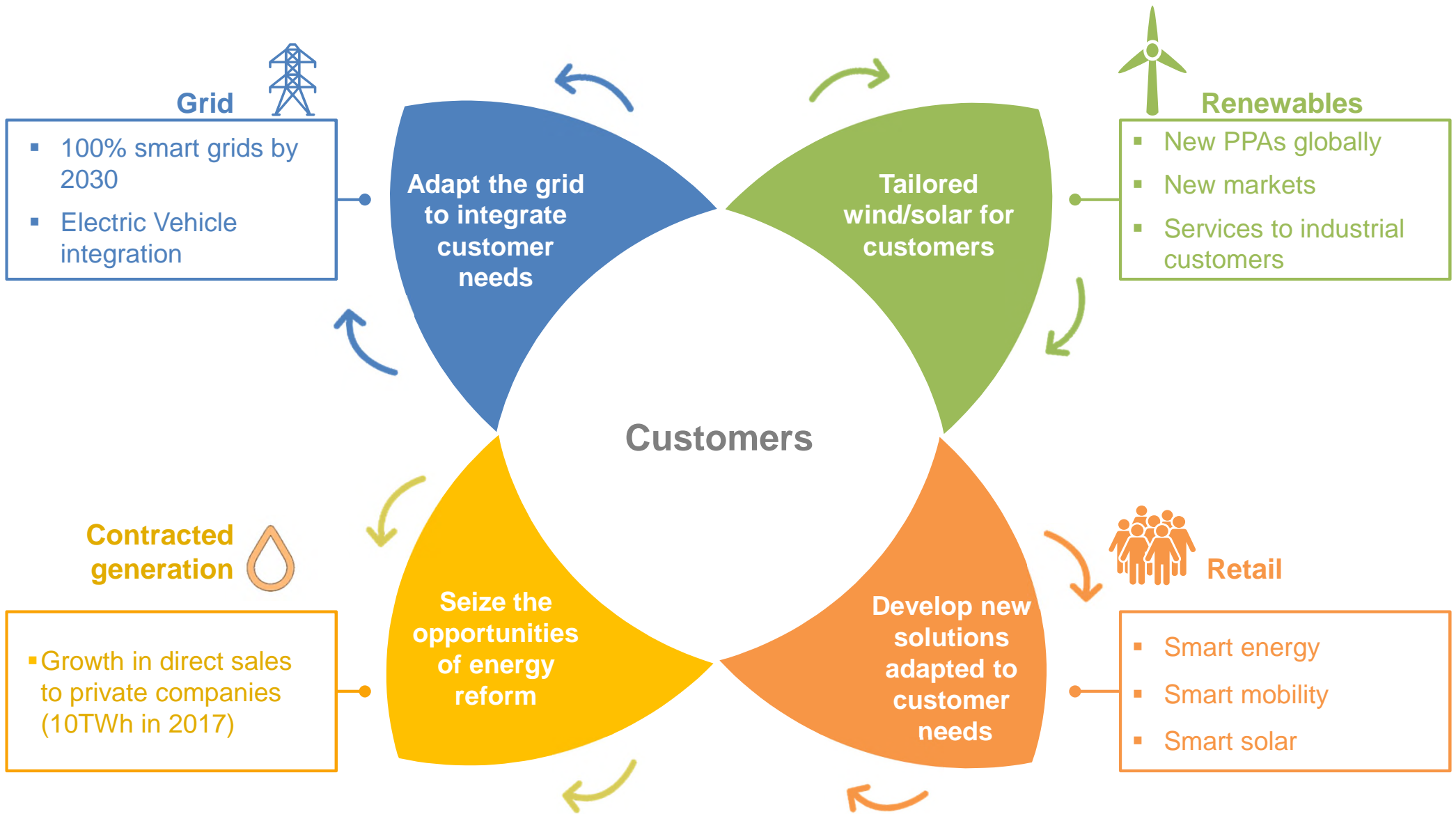
More and smarter  
**customer solutions**



# Outlook

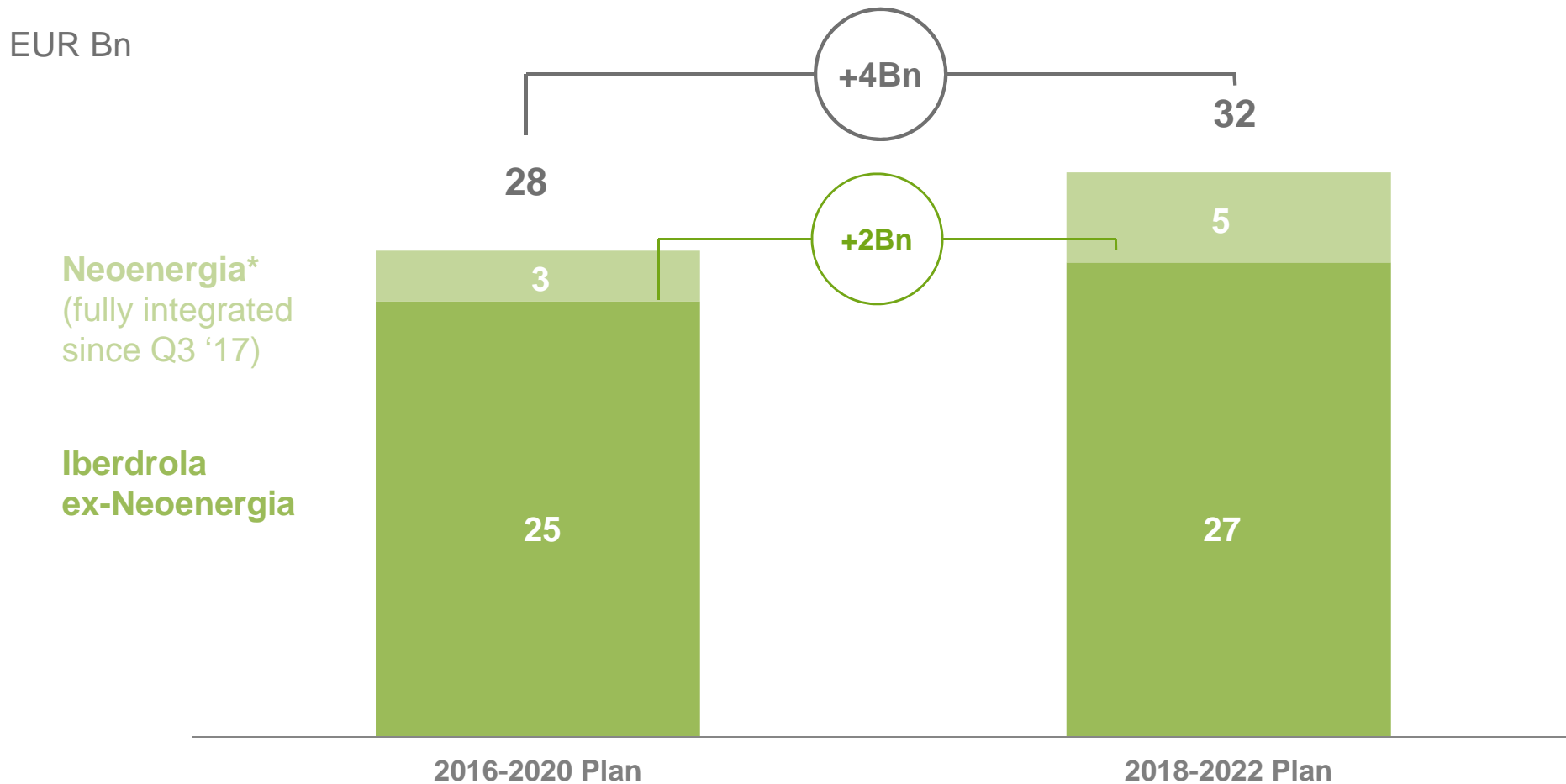
2018 –

2022



## Investments 2018 – 2022

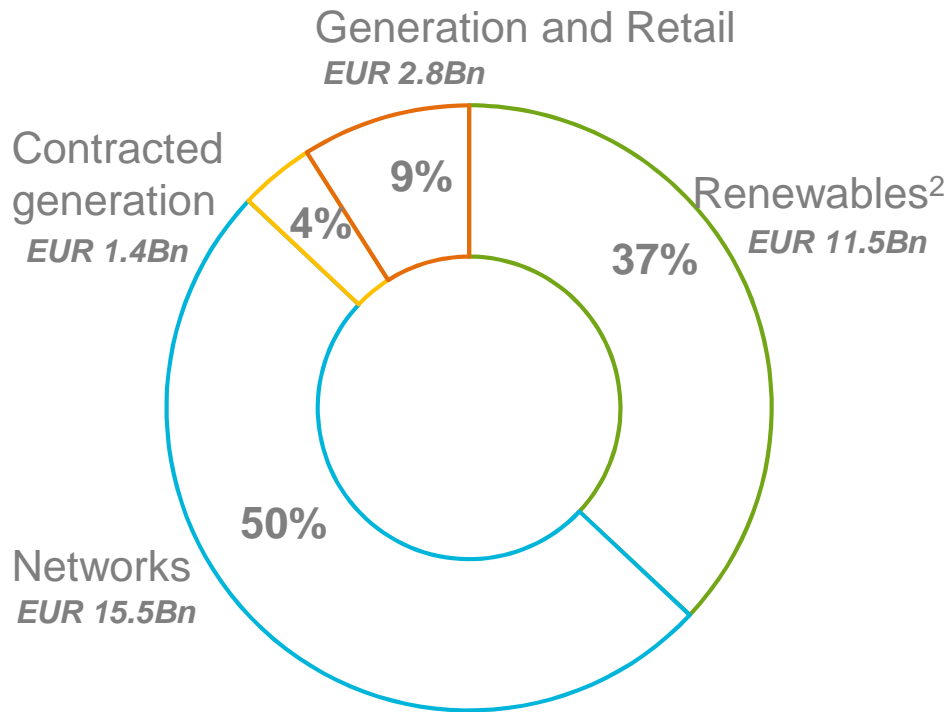
**Net investments of EUR 32 Bn:  
building the foundations for growth in the next decade**



\* Excluding Elektro

## Over 90% allocated to regulated or long-term contracted activities

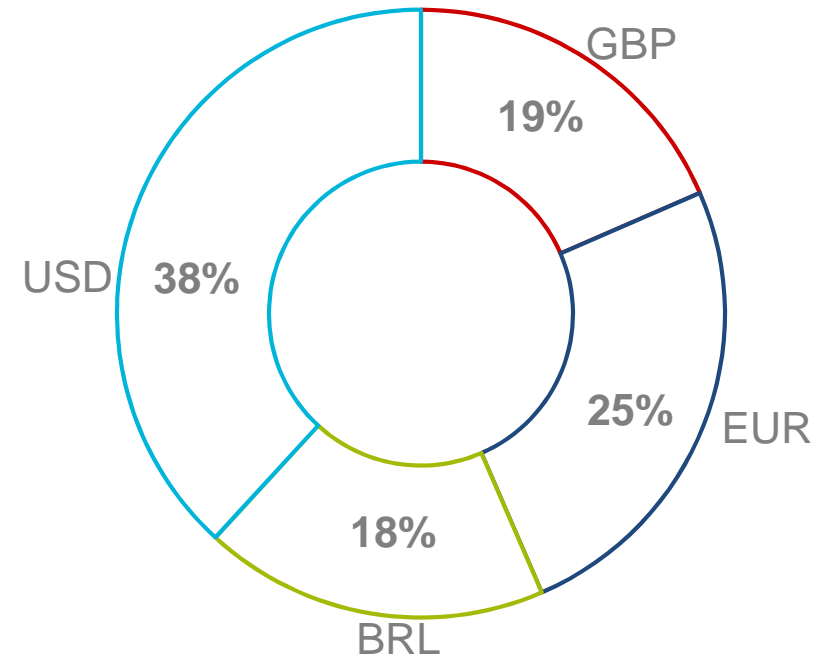
Business investments<sup>1</sup>



<sup>1</sup>Excluding Corporate investments

<sup>2</sup>Including hydro

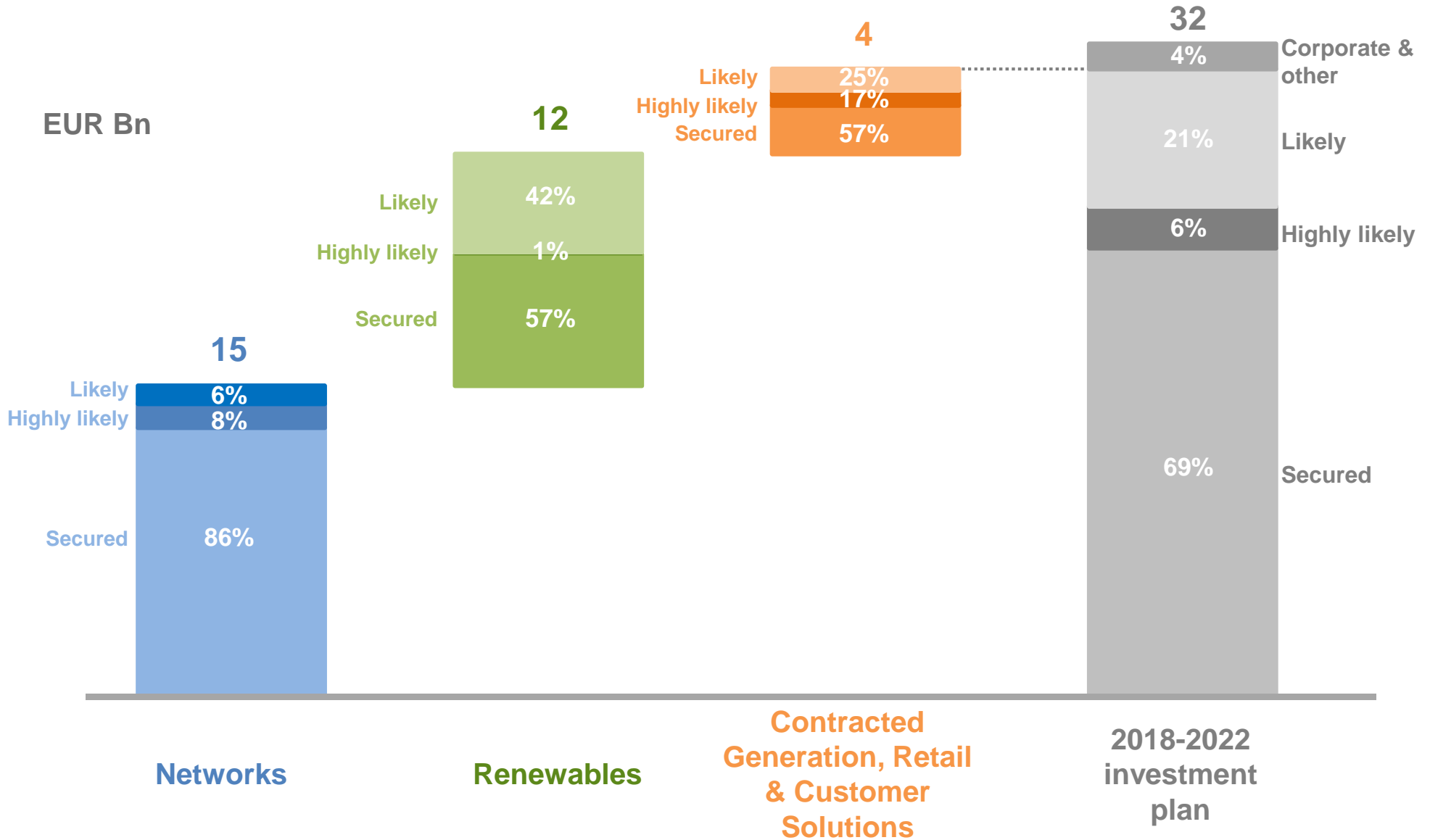
Investment by currency



### 38% of total investments in dollars

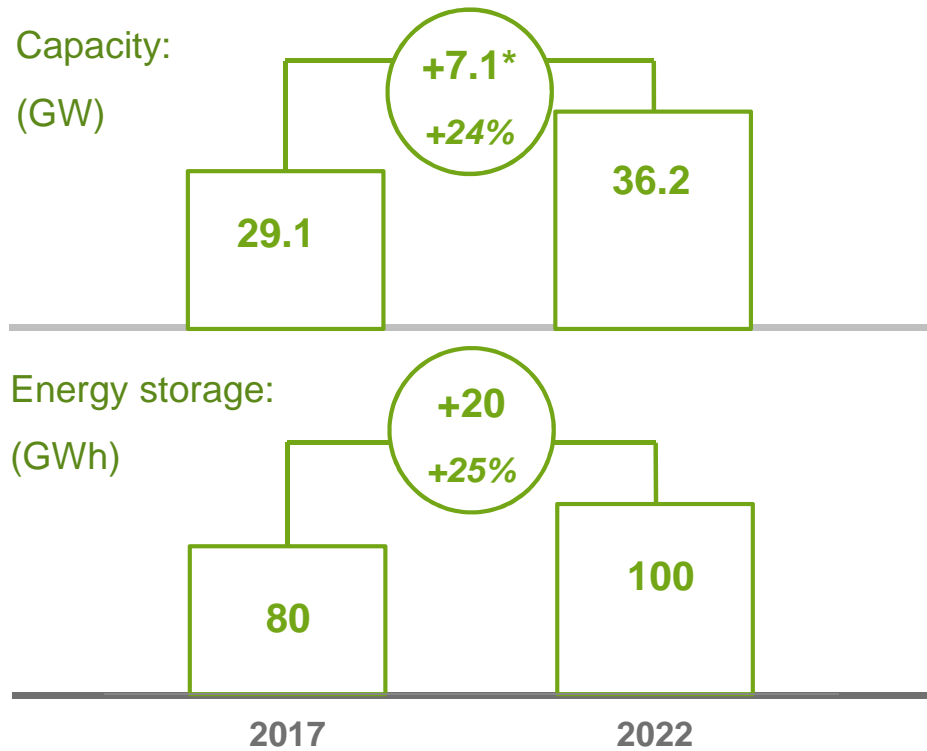
# Investments 2018 – 2022

## 75% of 2018-2022 Plan investments secured or highly likely

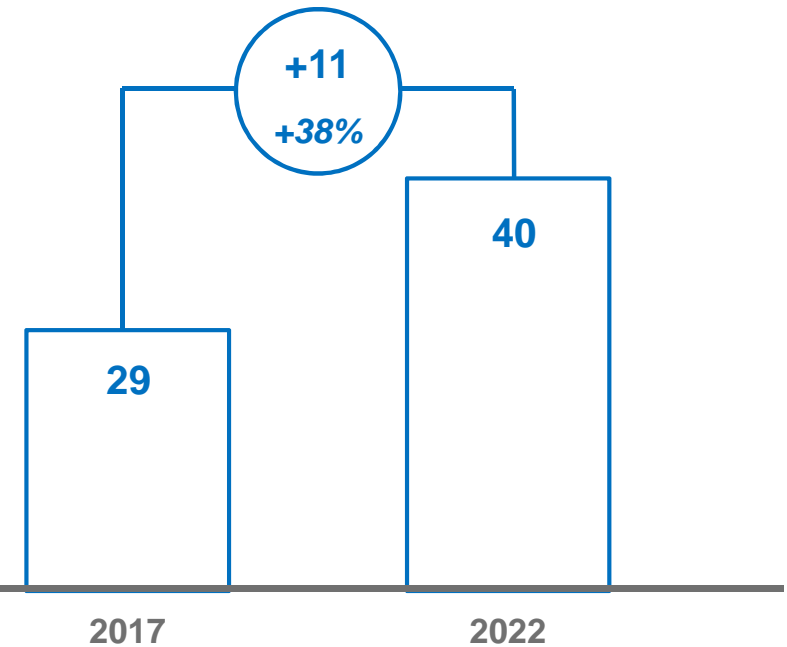


# Investments 2018 – 2022

## Renewable capacity and energy storage



## RAV (EUR Bn)



Capital 'in progress' (EUR Bn)

4.3

4.1

Storage, onshore and offshore

2.1

4.7

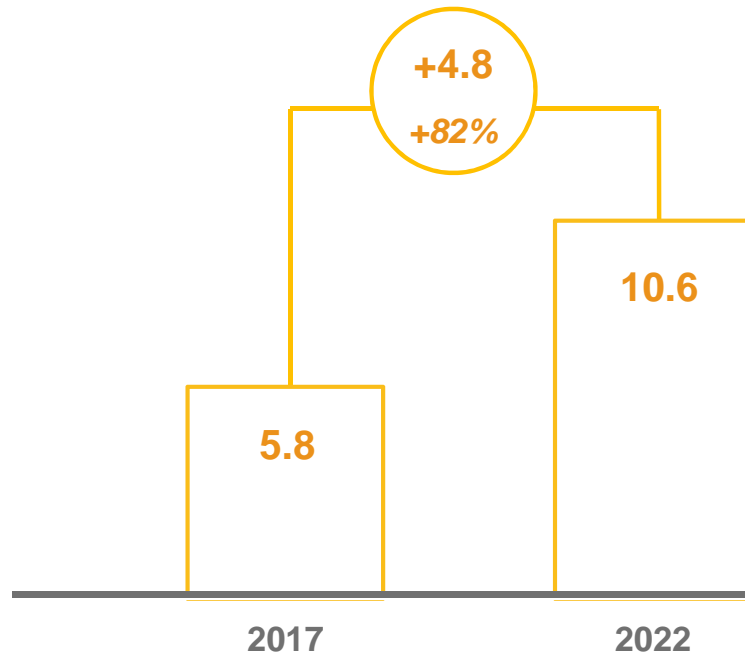
Mostly Brazil & US

\*Including 670 MW of Belo Monte which consolidate through Equity

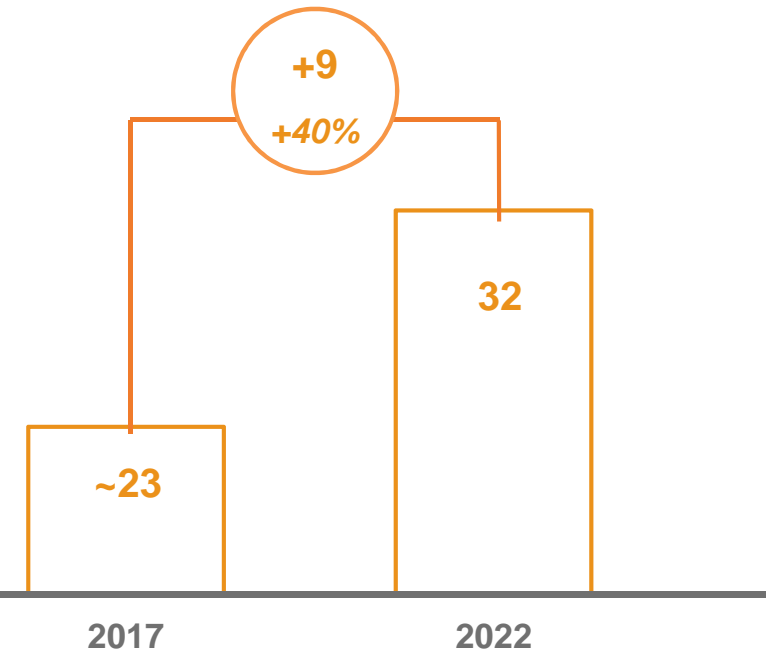


# Investments 2018 – 2022

Contracted generation capacity (GW)



Services to customers (M)



Capital 'in progress' (EUR Bn)

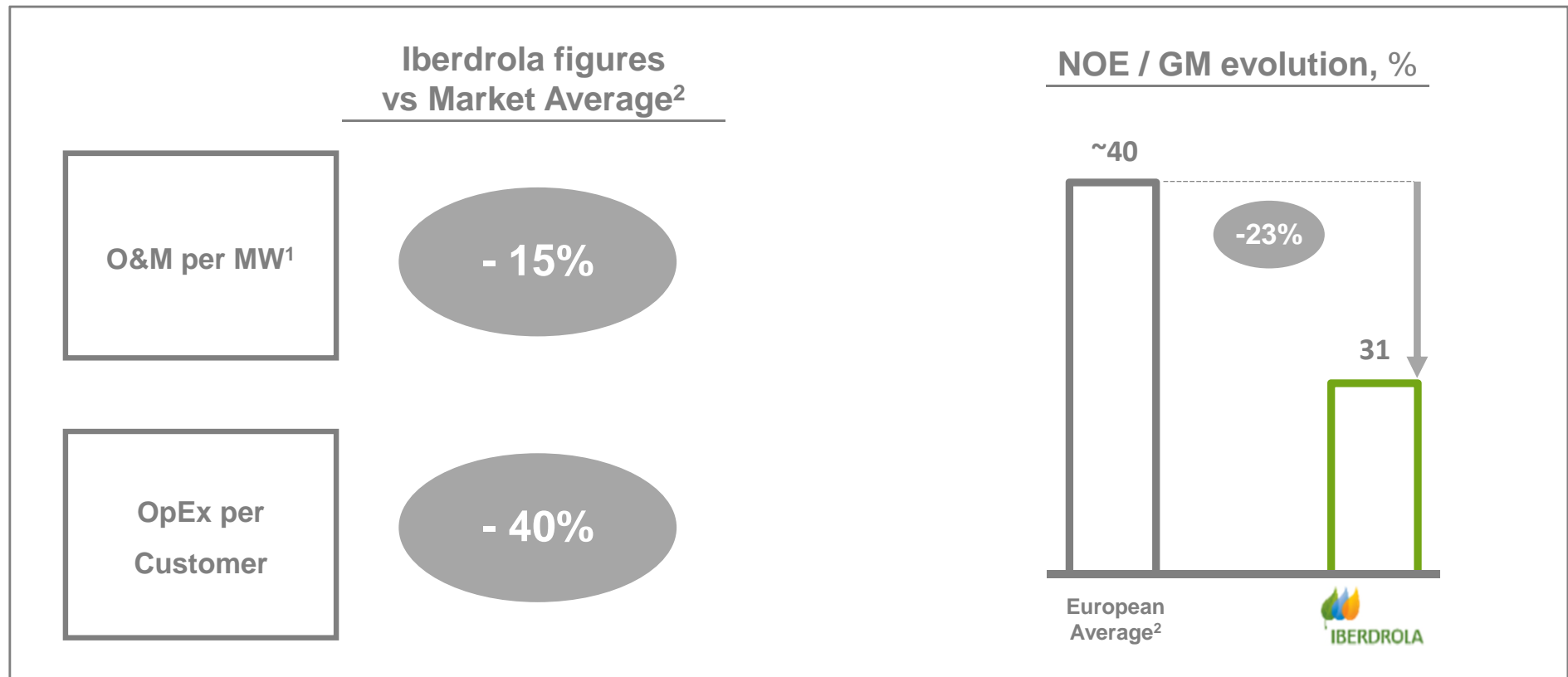
0.8

0

Offering more services to a larger number of customers

## Iberdrola, front-runner on efficiency

### 2017 Performance vs European peers

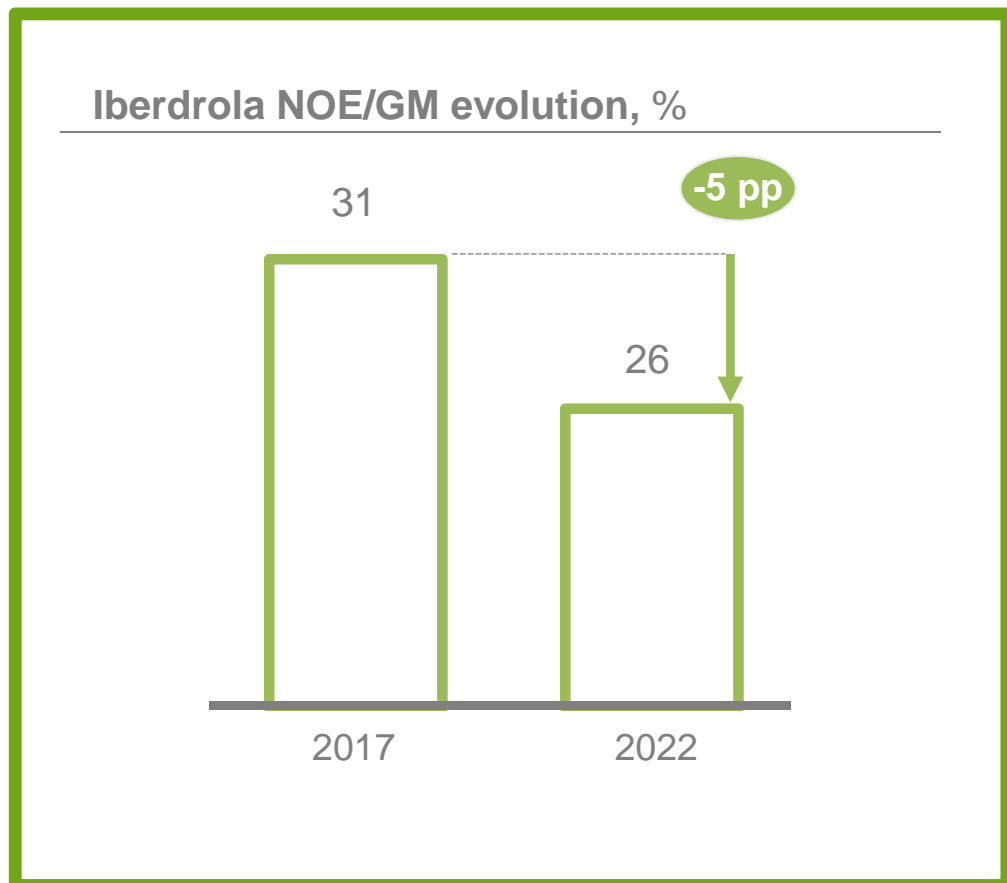


1 Only for Onshore business

2 Average of main peers, elaborated based on external reports

# We will continue to push the efficiency frontiers

### 2017-2022 plan savings

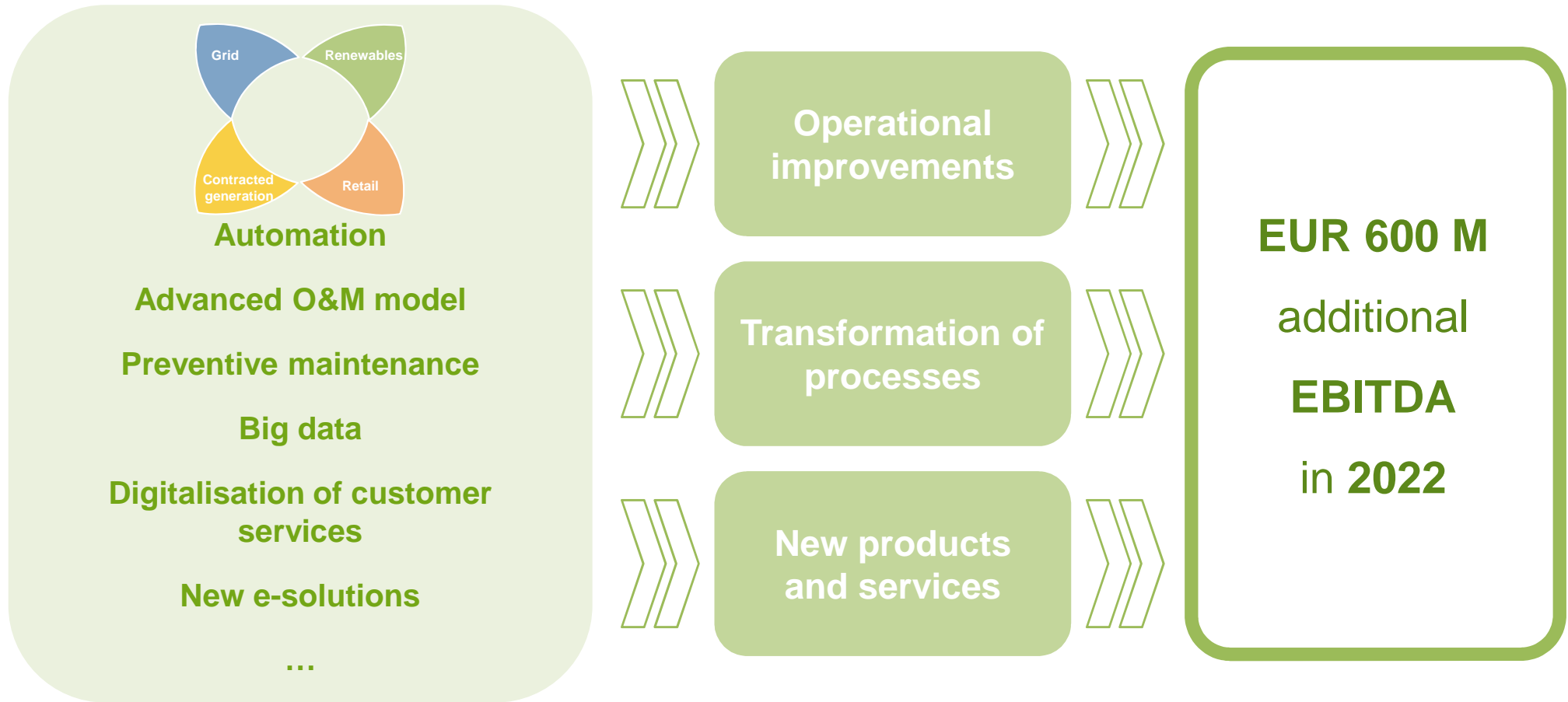


### Enhanced efficiency plan leveraging

- Synergies
- Digitalisation
- Implementation of **Group best practices**:
  - **Purchasing** model
  - Continuous **Operational improvement**
  - **Control and Administration** model
  - ...

>1,000 M EUR of savings in the period

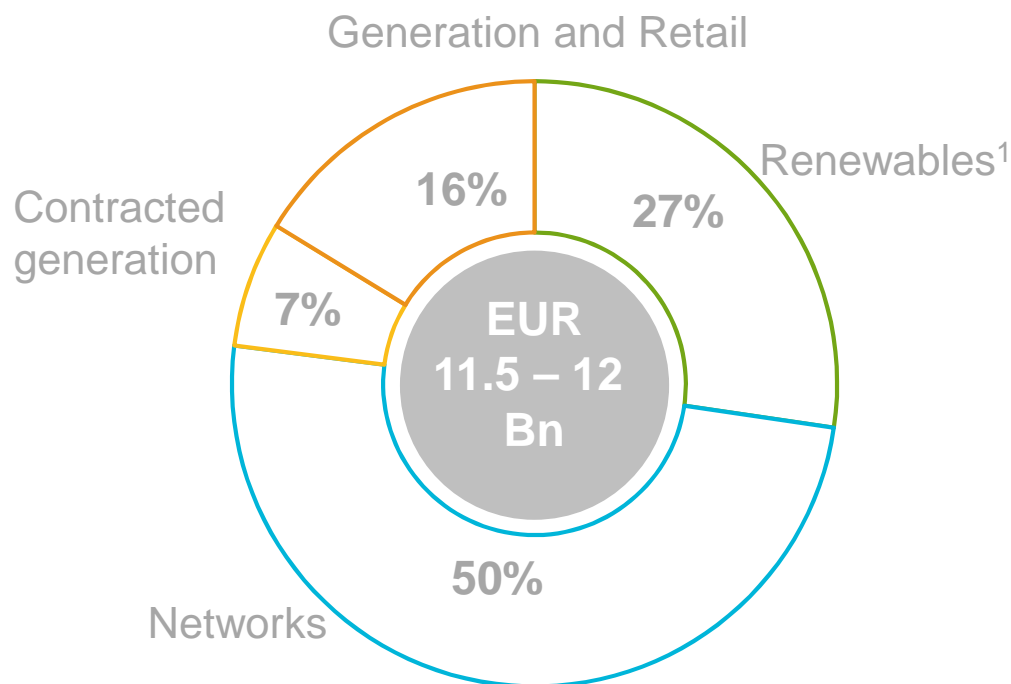
**Digital is transforming the way we operate and will generate EUR 600 M additional EBITDA by 2022**



# EBITDA between EUR 11.5 and 12 Bn by 2022

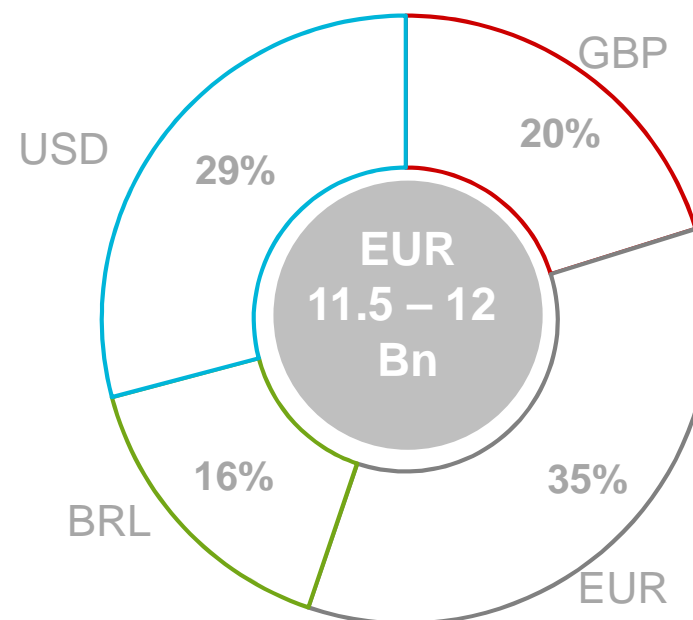
Over 80% coming from regulated or long-term contracted activities

EBITDA by business



<sup>1</sup>Including hydro

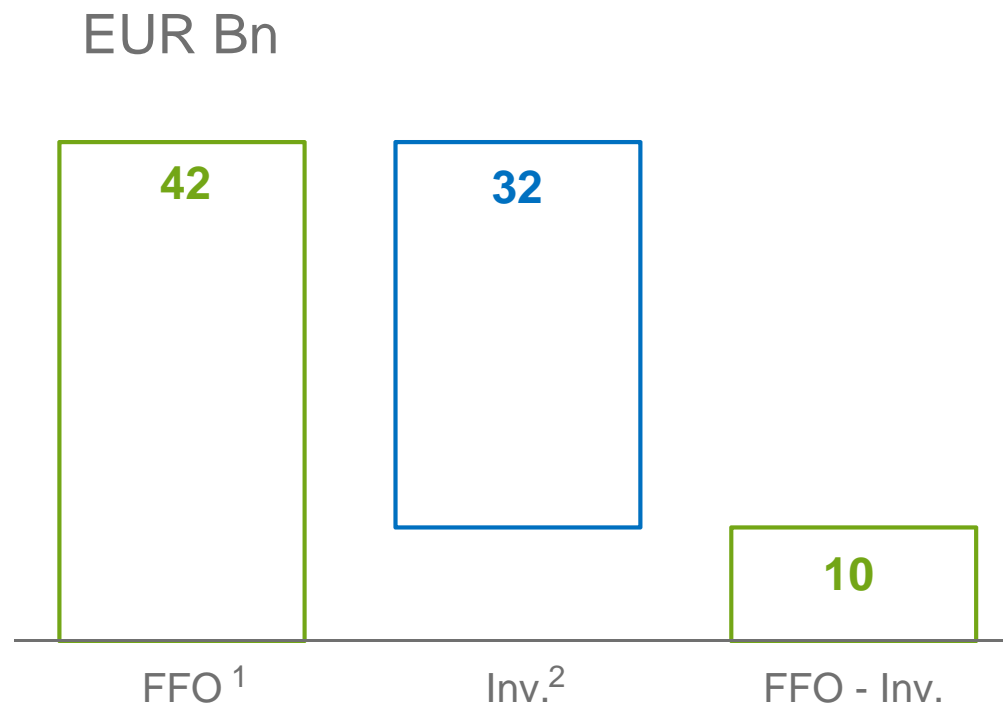
EBITDA by currency



**2022 Net Profit will reach between EUR 3.5 and 3.7 Bn under current Fx rate estimates**

## Operating Cash flow 2018-2022

### Operating Cash Flow (FFO) of EUR 42 Bn Exceeding investments in all businesses



**At the end of 2018-2022 Plan, Capital ‘in progress’ will total EUR 9 Bn  
(vs EUR 7 Bn at the beginning of the plan)**

<sup>1</sup> FFO = Net Profit + Minority Results + Amortiz. & Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision

<sup>2</sup> Investment net of grants and ex-capitalised costs

# Enhancing our capital optimisation programme to grow and maintain a solid credit rating



**Asset  
rotation  
plan**

**EUR ~3 Bn**  
asset rotation plan  
execution



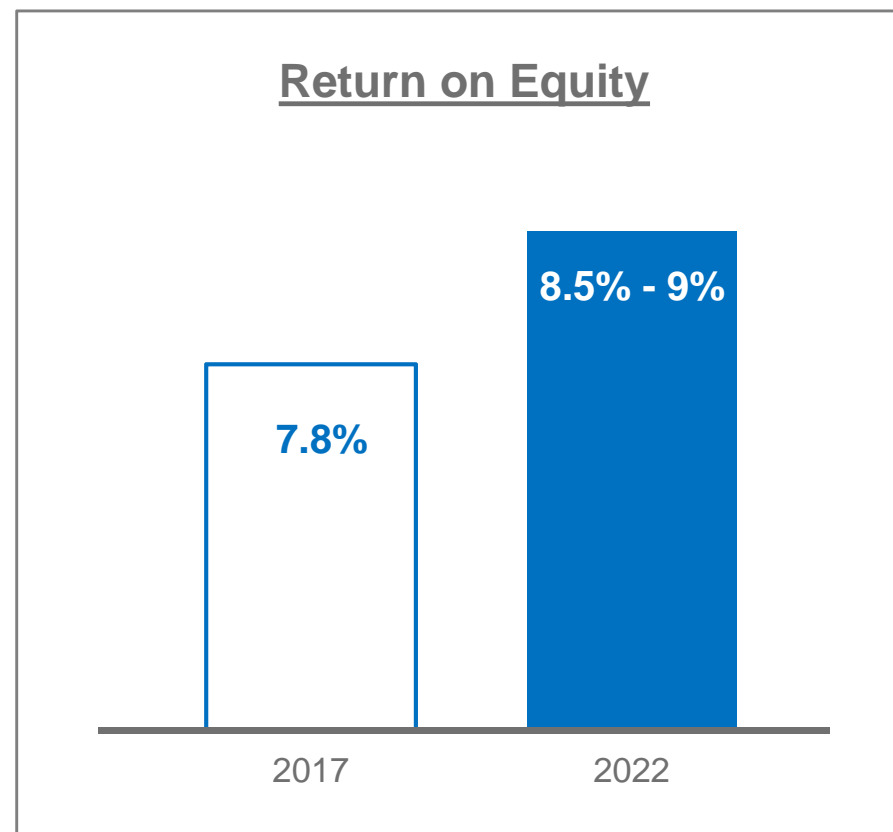
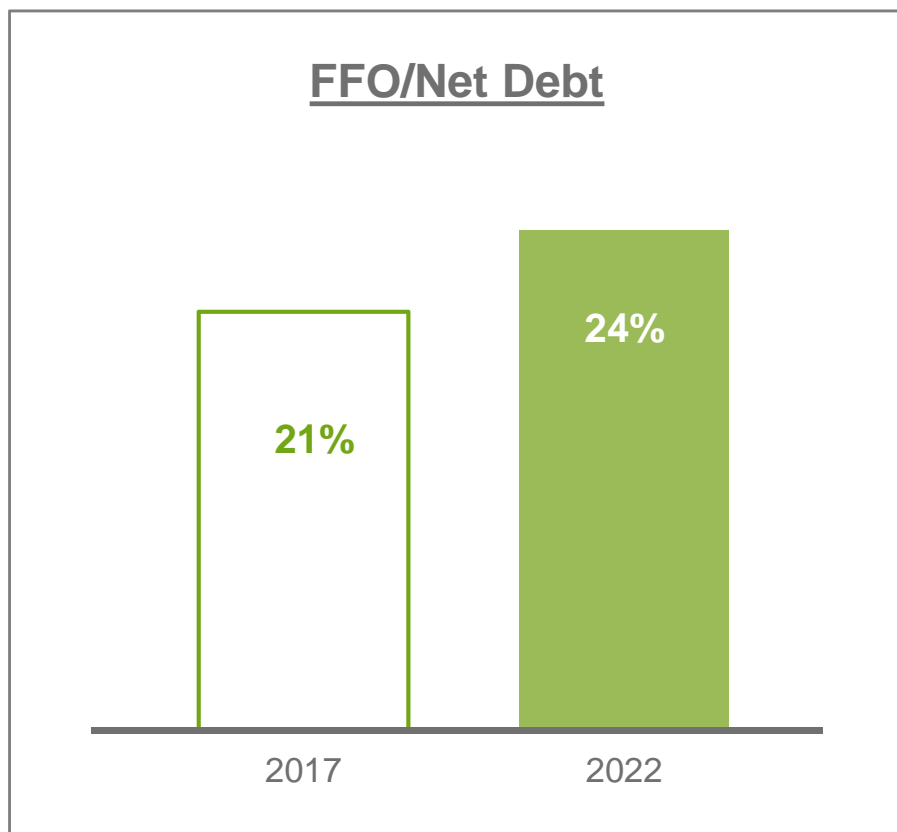
**Continue  
active debt  
management**



**Partnering  
Green**

**Partnering Green**  
as an option for future  
projects

# Maintaining financial strength and improving return on investments





### Maintaining shareholder remuneration policy

**Growing in line with results (pay-out between 65% and 75%)...**  
**...which would imply reaching EUR ~0.4/share in 2022**

**Maintaining the scrip dividend...**

**...and current number of shares at 6,240 million**

# Our purpose is to deliver an increasing, inclusive, and sustainable social dividend

### Employees

We help our team to develop talent within an inclusive and balanced work environment

**x4** European average **training hours** per employee

**Diversity**: sole continental European utility in **2018 Bloomberg Gender-Equality Index**

### Shareholders

We develop a **resilient business model** to assure long term **profitability** of invested capital

Total shareholder **return**

Promoting **engagement**

### Customers

We apply **innovation** to provide our customers with **sustainable, efficient and quality energy solutions**

Investment **R+D+i: EUR 246M** in 2017

**Smart grids** to boost service

Widening **products portfolio**

### Society and environment

We contribute to our communities through local procurements, engagement and a global decarbonisation plan

**Emissions reduction**: 2017 carbon intensity 32% below European average with an objective of 150 g CO<sub>2</sub>/kWh in 2030

**Local commitment**: purchases of **EUR 8,700 M<sup>2</sup>** in 2017

**Economic growth<sup>1</sup>**: ~400,000 jobs generated worldwide

**Tax contribution<sup>3</sup>**: **EUR 7,100 M** in 2017

<sup>1</sup> According to PwC report, based on Iberdrola's activity in 2016, jobs include direct, indirect and induced.

<sup>2</sup> Excluding fuel procurements

<sup>3</sup> Taxes include due and collected taxes

## Iberdrola has linked the Sustainable Development Goals to its business strategy

### Main Focus

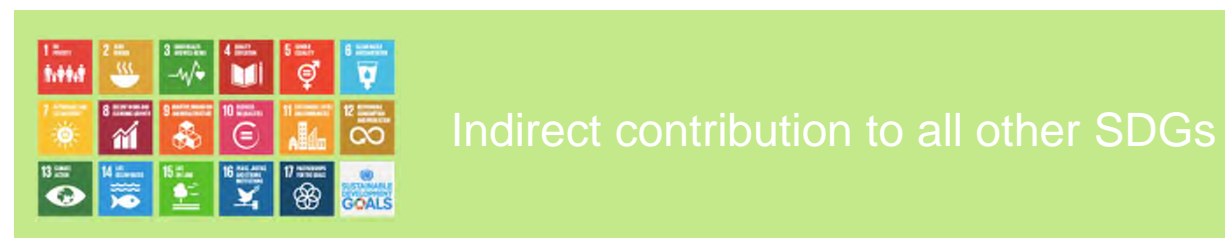


**Long-term incentive plan**  
linked to contribution to  
**SDGs 7 and 13**

### Direct contribution



**First credit line**  
launched with  
**sustainable indicators,**  
**aligned with SDGs**



## Reinforcing growth at current Fx rates...

**Investments**  
 EUR 32 Bn  
 2018 – 2022



**Efficiency**  
 EUR 1 Bn  
 2018 – 2022



**Digitalisation & New customer solutions**  
 EUR 0.6 Bn  
 2022



	(EUR Bn)
2022 EBITDA	11.5 – 12
2022 Net Profit	3.5 – 3.7
Equity remuneration in the period	12
FFO in the period	42
2022 FFO/Net Debt	24%

## ...and maintaining financial strength

\*Holding dividend: Eur 11 Bn, Dividend to minority stakeholders: Eur 1 Bn