

centrica

Creating Value Through the Energy Transition

27th July 2023



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**Creating Value
Through the
Energy Transition**



An Integrated
Energy Strategy



Leading Businesses
Focused on Delivery
and Growth



Relentless Focus on
Value Creation



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SECTION 01

Creating Value Through the Energy Transition



Chris O'Shea
Group Chief Executive





**Creating Value
Through the
Energy Transition**



**An Integrated
Energy Strategy**



**Leading Businesses
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Centrica's Leadership Team



Dave Kirwan

MD, Bord Gáis Energy



Catherine O'Kelly

MD, British Gas Energy



Cassim Mangerah

MD, Energy Marketing & Trading



Jana Siber

MD, British Gas Services & Solutions



Greg McKenna

MD, Centrica Business Solutions



Raj Roy

Group General Counsel
& Company Secretary



Russell O'Brien

Group Chief Financial Officer



Chris O'Shea

Group Chief Executive



Jill Shedden

Group Chief People Officer



Dan Rosenfield

Group Head of Strategy



Creating Value Through the Energy Transition



01

**An Integrated
Energy Strategy**



02

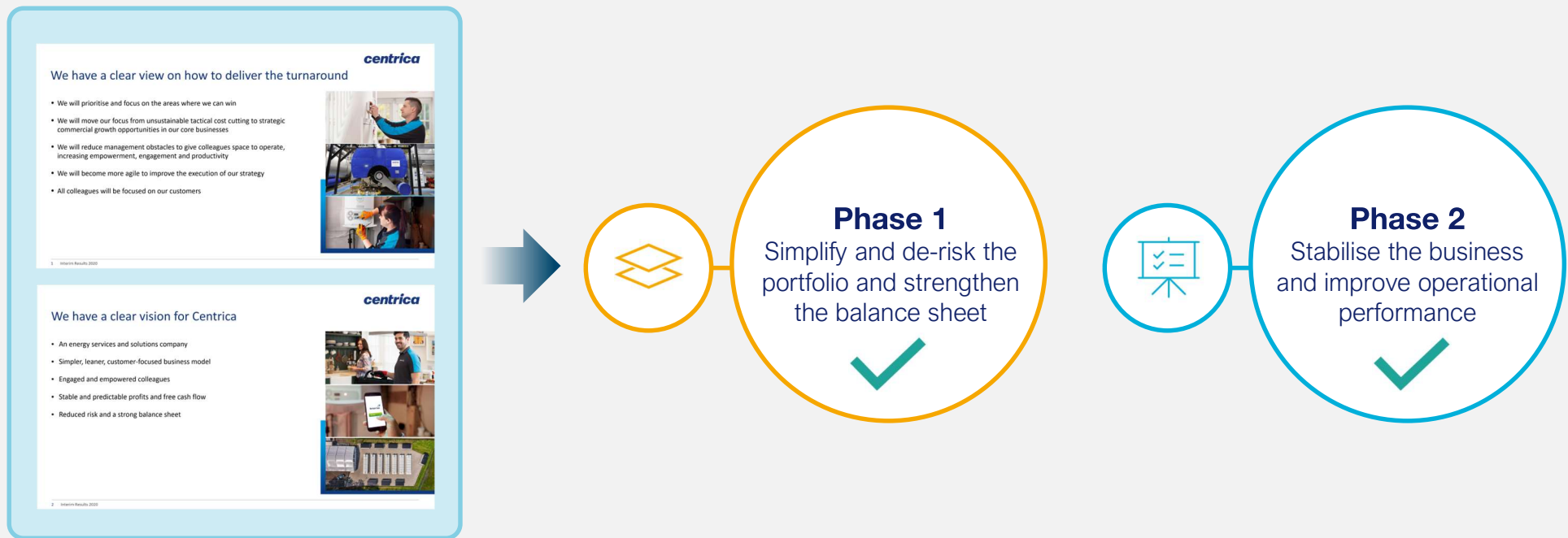
**Leading Businesses
Focused on Delivery
and Growth**



03

**Relentless Focus on
Value Creation**

We have materially progressed the turnaround of Centrica...



From 2020 Interim Results presentation

...and delivered strong H1 performance...

- Good operational performance across the Group
 - Improved customer delivery in **Retail**
 - Strong **Optimisation** performance
 - Good volumes and availability across **Infrastructure**
- Strong adjusted earnings and free cash flow
 - Price cap cost recovery in British Gas Energy
 - Effective energy procurement and risk management
 - Robust EM&T result
 - Rough re-opened as a gas storage facility
- Delivering returns for shareholders
 - 33% increase in the interim dividend
 - Extension of share buyback programme to £1bn





**Creating Value
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An Integrated
Energy Strategy



Leading Businesses
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and Growth



Relentless Focus on
Value Creation



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...with our focus now on phase 3



Creating value through the Energy Transition


A uniquely integrated energy company




Growing electricity demand & system complexity




A green-focused growth & investment strategy



 **Highly attractive investment proposition**

- 01** Sustainable earnings
- 02** Strong balance sheet
- 03** Progressive dividend
- 04** Investing for value
- 05** Returning surplus capital



Creating Value Through the Energy Transition



An Integrated Energy Strategy



Leading Businesses Focused on Delivery and Growth



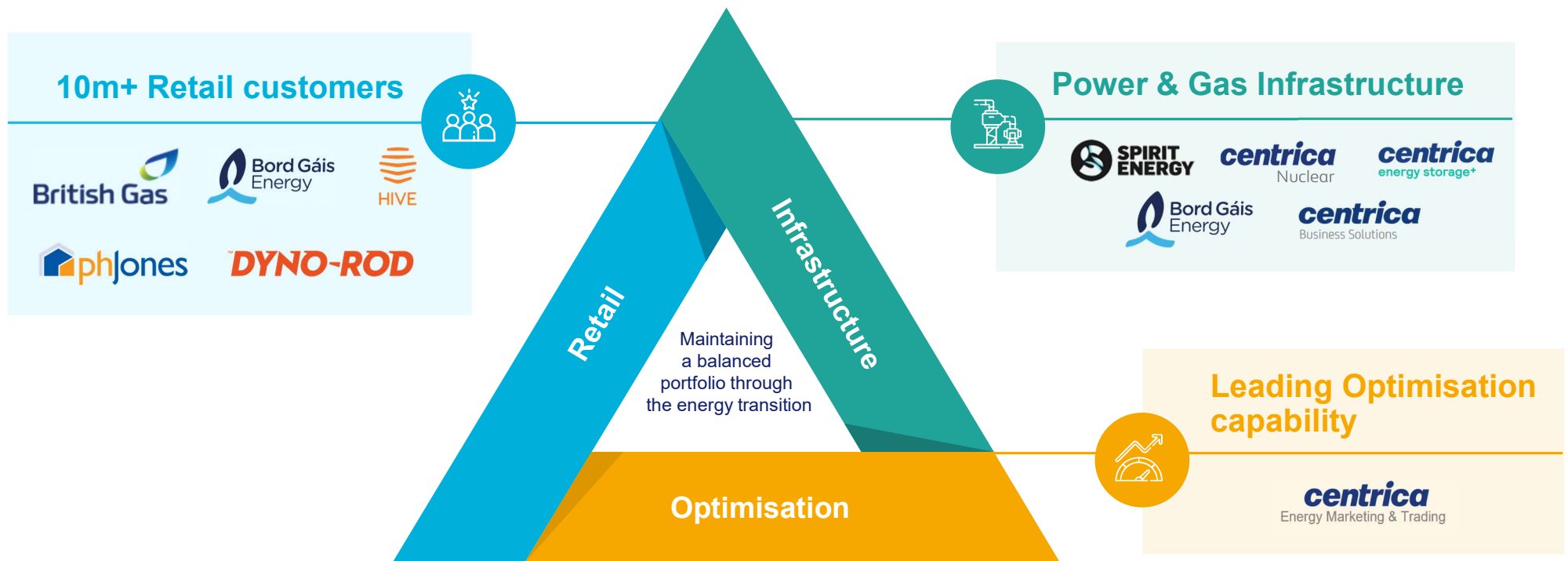
Relentless Focus on Value Creation



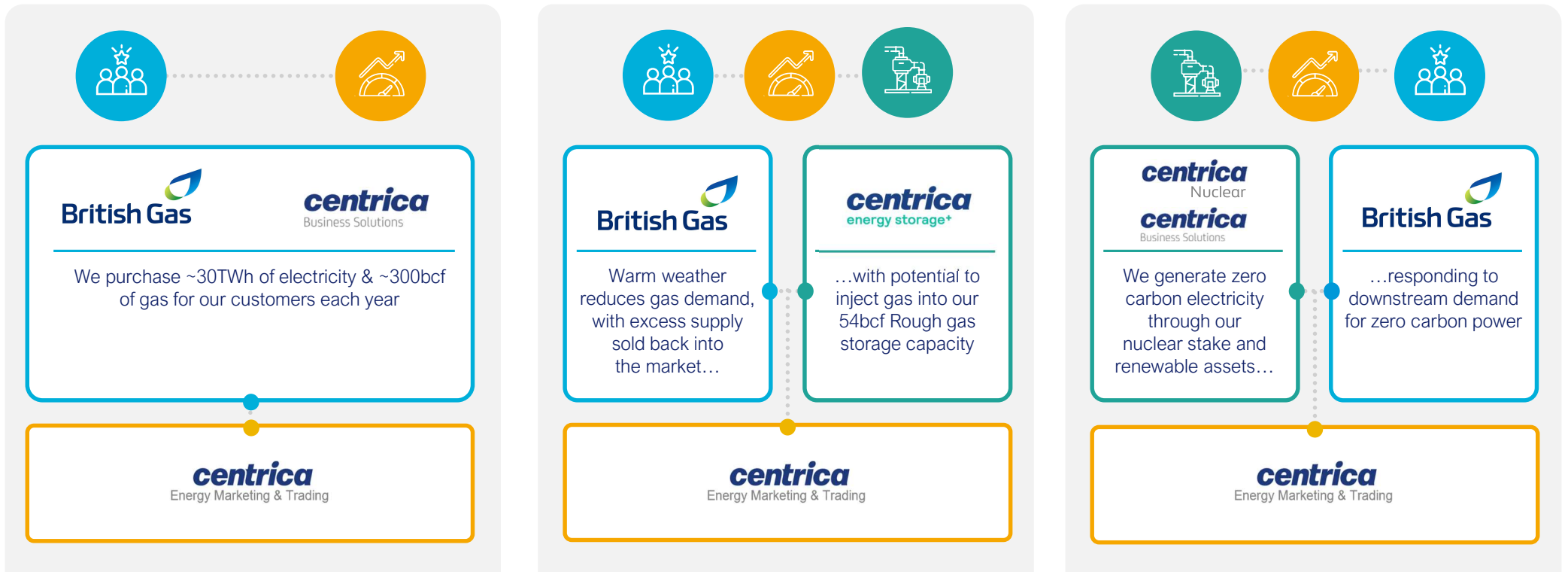
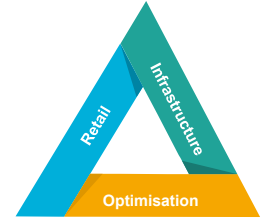
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Centrica is a uniquely integrated energy company...



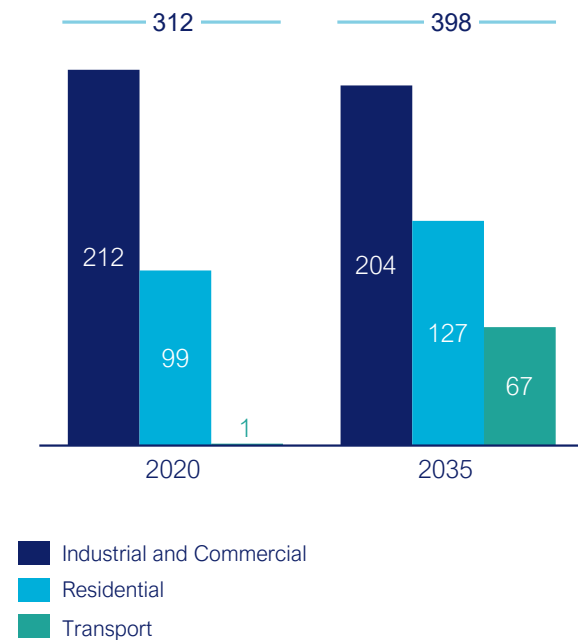
...where each element of our balanced portfolio complements, de-risks and adds value to others



Strong tailwinds from supportive market dynamics...

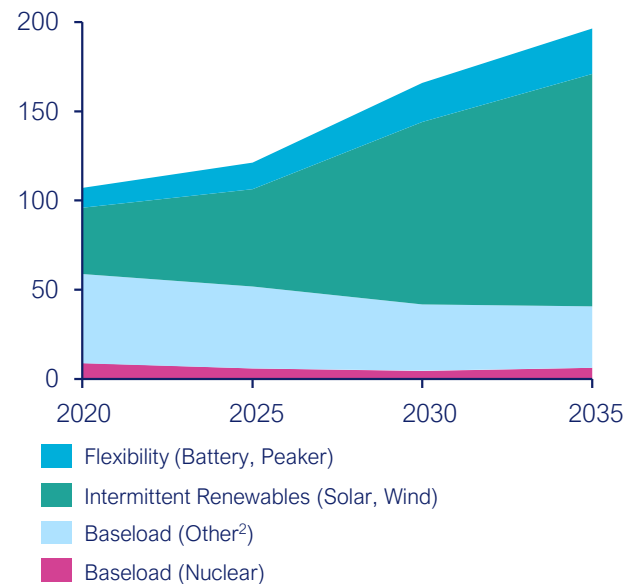
Electricity demand in the UK is set to grow materially

UK Electricity Demand¹ (TWh)



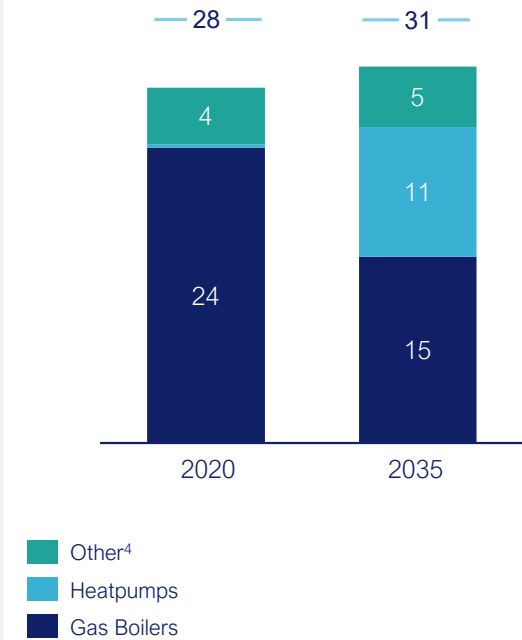
The UK Grid will become more intermittent and complex

UK Electricity Capacity Mix¹ (GW)



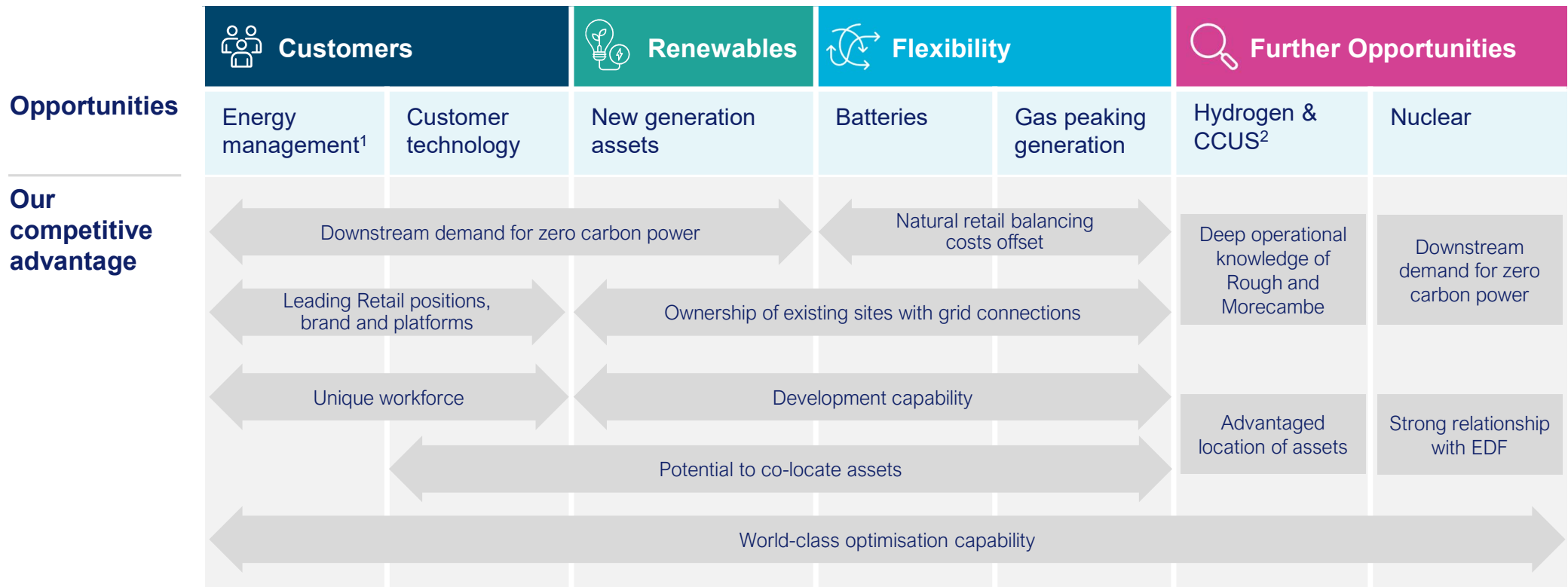
The residential technology mix will transition from gas boilers

UK households³ (m)



1. Centrica estimates, Bloomberg New Energy Finance 2. Includes Combined Cycle Gas Turbine, Bioenergy and other 3. National Grid Future Energy Scenarios 4. Other includes biomass, waste heat and oil boilers

...offering a broad range of opportunities to add value



1. Energy Management includes Demand Side Response (DSR) and Home Energy Management (HEM)
 2. Carbon Capture Utilisation and Storage (CCUS)

Enabling a net zero future for our customers, our company and our core markets

Net zero solutions for customers

- UK's leading heat pump installer
- Installed over **28,000** EV chargers
- Provided energy efficiency measures to over **150,000** homes



Green-focused growth & investment strategy

- Delivering on our 5% to 50%+ green taxonomy eligible capex ambition:



- Batteries, Solar and Nuclear
- Smart meter assets
- Preparing for hydrogen and carbon storage
- Natural gas hydrogen-ready peaking plants

Driving a sustainable Centrica

- Early adopter of enterprise-wide net zero targets:

Be a net zero business by 2045

40%
carbon reduction by 2034

Help our customers be net zero by 2050

28%
reduction in carbon intensity by 2030

- Publication of Climate Transition Plan and Just Transition





Creating Value Through the Energy Transition



An Integrated Energy Strategy



Leading Businesses Focused on Delivery and Growth



Relentless Focus on Value Creation



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A compelling investment case creating value through the energy transition



A uniquely integrated energy company

A balanced portfolio with leading market positions, where each component complements, de-risks and adds value to others



Sustainable profitability

~£800m of sustainable operating profit from Retail and Optimisation, with additional strong medium-term cash flow from existing Infrastructure



A green-focused growth & investment strategy

Creating value for shareholders and delivering net zero for Centrica and our customers



Balance sheet strength

Strong liquidity and a robust balance sheet, with Net Debt/EBITDA <1x over the medium term



Material self-funded investment to add value and strengthen

Capex building to £600m-£800m p.a. to 2028 with average returns of 7-10%+ and further Group portfolio benefit, including from optimisation



Capital discipline

Protect the balance sheet, invest for value and return surplus capital



Compelling shareholder returns

Progressive dividend policy, trending towards 2x earnings cover over time

SECTION 03

Retail



The world of energy retail is changing

We are **well positioned** to **help our customers** on their **journey to net zero**



PeakSave

Rewarding customers for flexing their energy use



Energy insights

Helping customers understand and control their energy use

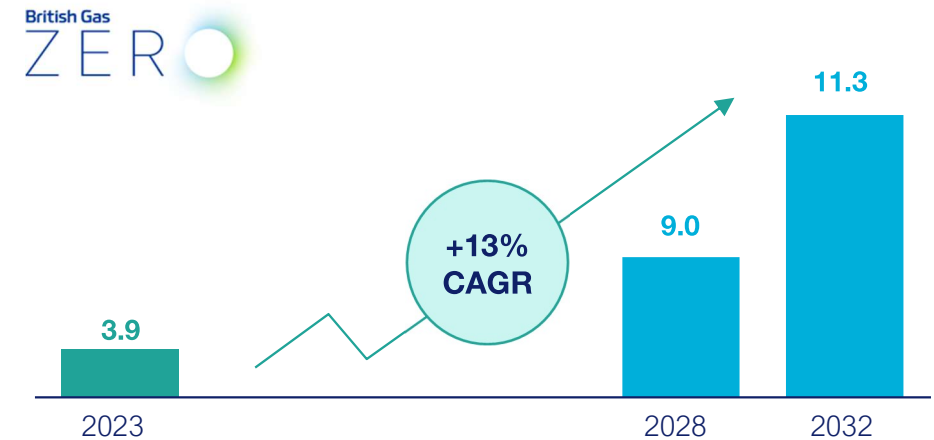


Smart Charge

Optimising customers' energy consumption

Significant market opportunity in residential decarbonisation

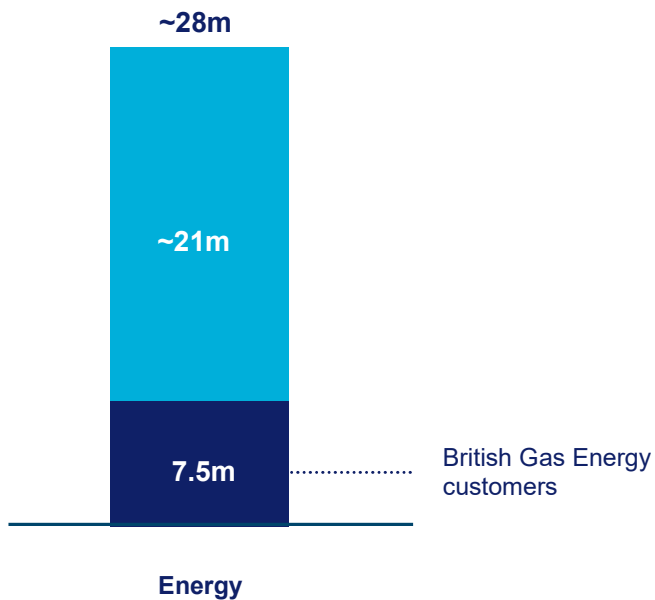
Net zero annualised total projected market revenues¹ (£bn)



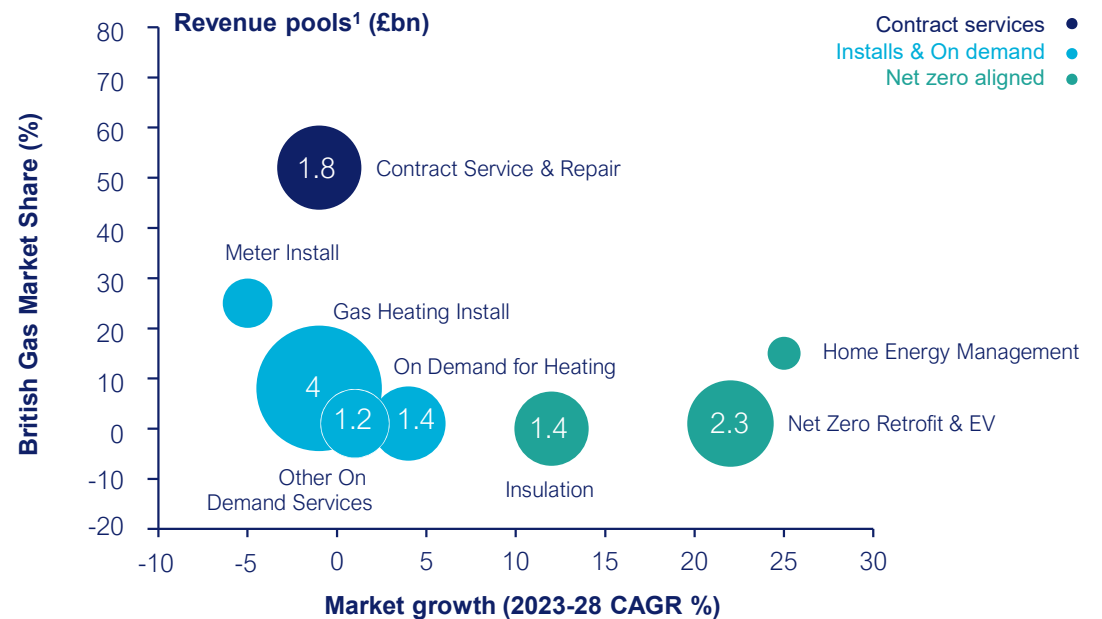
1. Source: Internal modelling. Includes EV chargers, heat pump, battery, solar, home energy management and home insulation

We have leading market positions and growth potential in Retail

We are the largest UK residential energy supplier, supplying ~25% of the UK households



We have a significant opportunity to grow in the ~£13bn energy services market



1. Market shares based on revenue. Centrica estimates

We have enviable capabilities and improved operations in British Gas Services & Solutions...




Unique workforce of ~7,000 engineers




Servicing and installing a wide range of products



Award winning in-house training academies



+70
Engineer NPS
+8pts since H1 2022



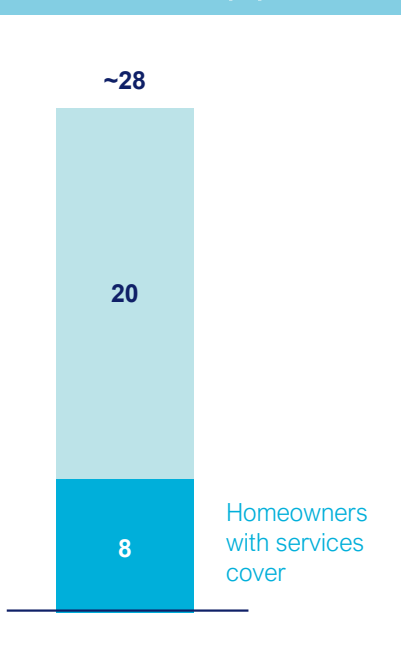
3%
Reschedule rate
-4ppt since H1 2022



+36
Contact NPS
+27pts since H1 2022

...providing us with the platform to return to growth

UK households (m)



Stabilise core in Contract Service & Repair



Simplifying protection and providing value for our 3m customers

- Continued focus on customer experience and promise delivery
- Deliver transformation projects to improve planning and supply chain efficiency
- Grow sales through improved digital channels and compelling propositions

Growth opportunities in On-Demand and Heating Installs



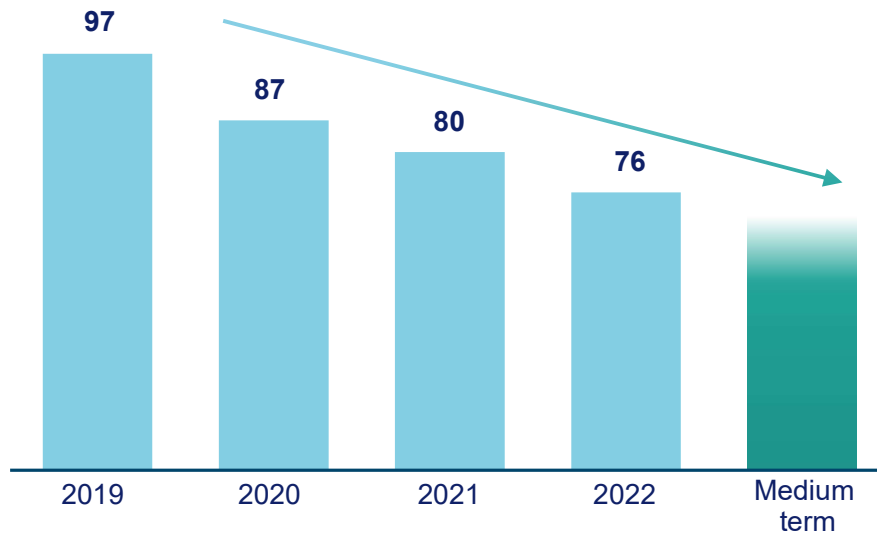
With ~28 million UK homes we have a significant opportunity to grow

- Leverage our brand, scale & supply chain, to launch new propositions accessing the material **on-demand** market
- Focus on improving digital channels and customer journeys to grow share in the **heating installation** market

Driving British Gas Services & Solutions profit back towards historic levels of ~£100m-£200m each year

Our superior capabilities have enabled consistent financial performance in British Gas Energy...

Cost per residential customer¹ (£)



Consistency

Only major retail supplier to consistently make a profit over the period



1.1%

Average British Gas Energy residential margin 2019-2022



Capability

Including superior energy procurement and risk management



Stability

A market now more focused on sustainable operating models

1. Excluding bad debt. 2021 and 2022 excludes £4 and £7 of dual run IT costs respectively

...and we are strengthening our foundations further

Building a better customer experience...



Migrating from legacy systems to a modern, SaaS-based platform



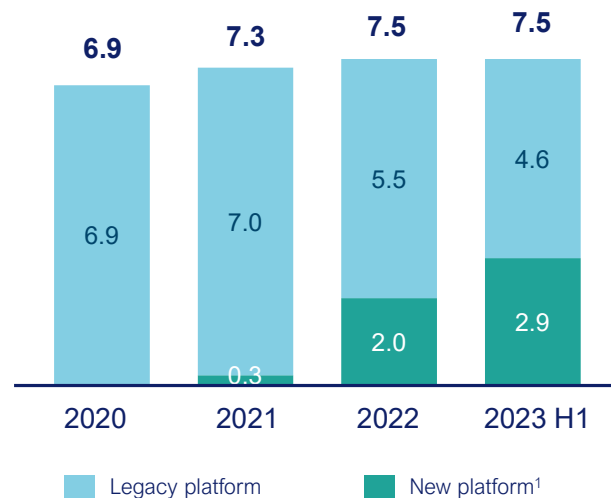
Building a simplified, modern, digital-first customer experience



New customer service delivery model with multi-disciplinary pods

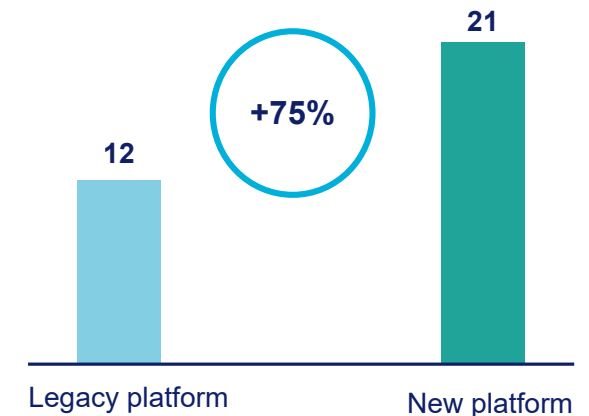
...enabled by our new platform...

British Gas Energy residential customers (m)



...driving better customer outcomes

Touchpoint NPS by platform (Q2 2023)



Sustainable operating profit of ~£150m-£250m each year on average from British Gas Energy residential supply

1. Excludes SME customers migrated
SaaS: Software as a Service



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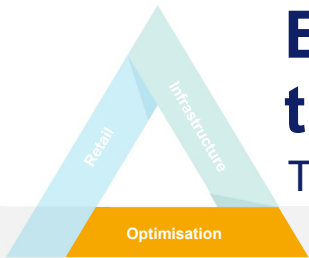
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SECTION 03

Optimisation



LNG carrier, GasLog Westminster



EM&T is a world-class asset-backed trading and logistics business

The glue that binds our Group together

Energy risk management and procurement for the Group

- Risk management and procurement for energy supply
- Route-to-market and optimisation for Infrastructure
- Supporting the Group through extraordinary market conditions

Gas & Power Trading

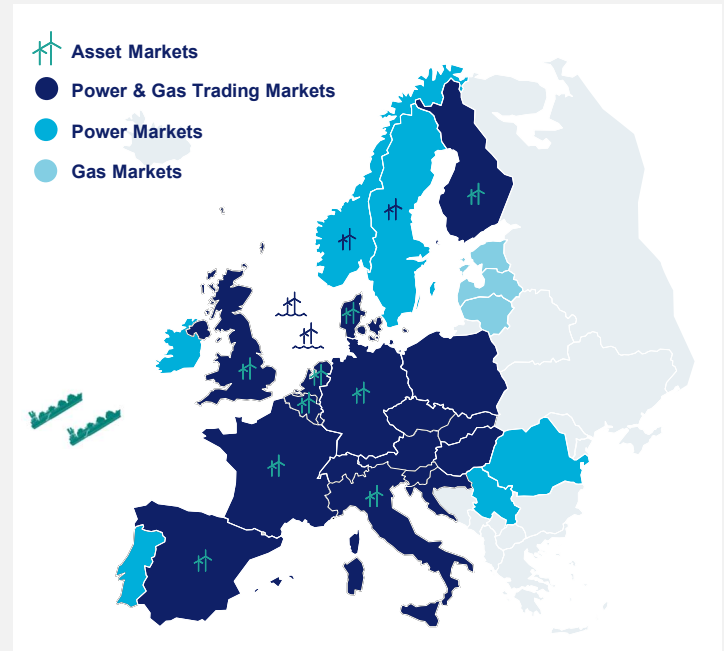
- Storing, transporting and balancing energy supply and demand
- Comprehensive physical and financial trading in 25+ countries across Europe

Renewable Energy Trading & Optimisation

- Optimising our own and third party power assets
- ~16GW of renewable and flexible assets under management


LNG Trading & Shipping

- Optimising flexible contracts to capture value
- 284 cargoes traded globally in 2022, active in 36 countries

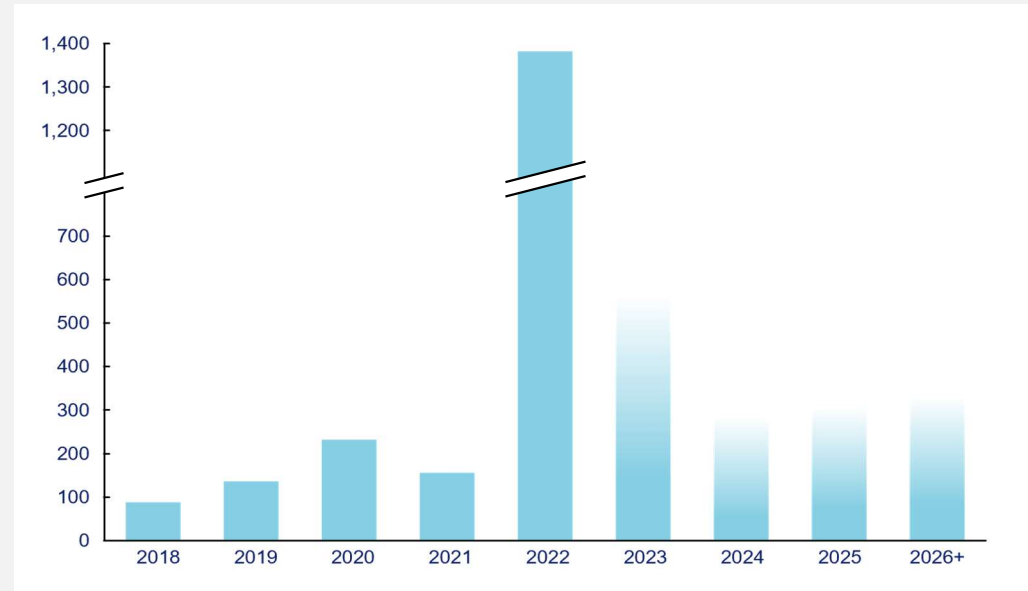


Sustainable EM&T profit with growth potential

Growth focus

	Gas & Power Trading	<ul style="list-style-type: none"> • Deep knowledge of European markets • Disciplined approach to new market entries
	Renewable Energy Trading & Optimisation	<ul style="list-style-type: none"> • Increasing system intermittency • Ambition to double assets under management over the next 5 years
	LNG Trading & Shipping	<ul style="list-style-type: none"> • Increasing global demand for gas • New flexible contracts to diversify and de-risk the portfolio
	Sustainable profit	<ul style="list-style-type: none"> • Portfolio anchored in physical assets • Balanced between gas and power • Well positioned to capture value from key global trends

EM&T adjusted operating profit¹ (£m)



Sustainable operating profit of ~£250m-£350m each year on average

1. Excluding Legacy Gas Contract



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EM&T is adding value across the integrated Group

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Since 1837
Gresham House
Specialist asset management

Gresham House Secure Income Renewable Energy & Storage LP (SIREs) Fund

- £65m investment in a leading UK specialist renewable asset manager fund
- Renewable assets with co-located battery storage
- Additional route-to-market opportunity
- Expected returns consistent with capital framework

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energy storage+

Leveraging Rough storage to optimise beyond conventional Summer-Winter spread

- Capture base case value from seasonal price differentials
- Incremental opportunities exist between spot and intra-year future gas prices
- Deploying working capital to capture enhanced value above the intrinsic seasonal spread


British Gas

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Business Solutions

Adding value through energy procurement and risk management capability

- Focus shifted to commodity risk optimisation from risk mitigation through order execution
- Underpins sector leading margins in UK energy supply



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SECTION 03

Infrastructure



Rough 47/3 Bravo platform

Infrastructure will continue to deliver significant cash flows...

Last year...

Now...

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energy storage⁺

...we were preparing for decommissioning of Rough as it neared end of life

...Rough provides half the UK's gas storage capacity and we have exclusive use until at least 2030

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Nuclear

...Heysham 1 & Hartlepool were due to close in 2024

...their lives have been extended until 2026

 **SPIRIT ENERGY**

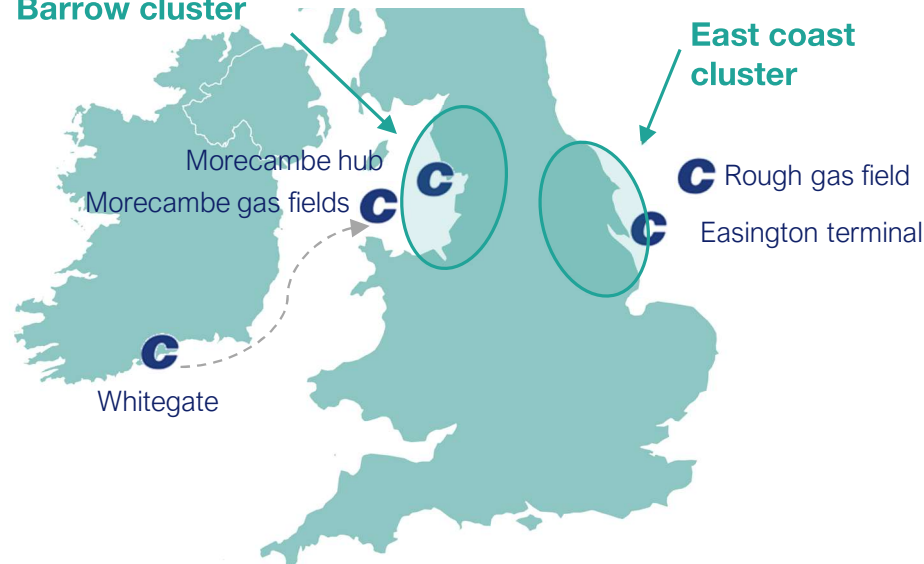
...Morecambe expected to stop producing in the middle of this decade

...production will continue into the 2030s and we've been awarded a carbon storage licence

...while retaining net zero optionality with unique positioning across clusters

Strategic energy transition opportunities with advantageous asset locations

HyNet North West
Barrow cluster



- West coast clusters located around major demand centres could produce material carbon storage requirements
- Carbon capture licence awarded for Morecambe in May 2023



- Hydrogen storage and wider production opportunity in east coast cluster
- Ultimate 200bcf Hydrogen storage capacity in Rough asset
- Pathway for up to £2bn investment over the long term

We're deploying capital into a diverse range of opportunities



18MW Codford solar farm
Wiltshire, UK

- Tied to downstream green power demand
- Demonstrable development capability
- Leverage optimisation capability
- Consistent returns profile
- ~£15m capex
- Expected IRR¹ of ~9%



50MW 2 hour duration battery
Brigg, UK

- Natural hedge to balancing costs in Retail
- Significant financial underpin from capacity market
- Utilises asset optimisation capability
- Access to grid connections on existing site with co-located assets
- ~£45m capex
- Expected IRR¹ of ~10%



2x 100MW flexible gas-fired power generation
Dublin & Athlone, Ireland

- Constrained power market
- Significant financial underpin from capacity market
- Capable of 100% hydrogen conversion
- Access to grid connections
- ~€300m capex
- Expected IRR¹ of ~9%



Meter asset provider
UK

- Predictable, contractually protected revenue stream
- Natural hedge to customer churn
- Aligned to our broader net zero strategy
- Supports roll-out of innovative tariffs
- Up to ~£100m p.a capex
- Expected IRR¹ of ~8%+

Merchant

Contracted

1. Nominal post-tax unlevered IRR

SECTION 04

Relentless Focus on Value Creation



Russell O'Brien

Group Chief Financial Officer



Roosecote Battery



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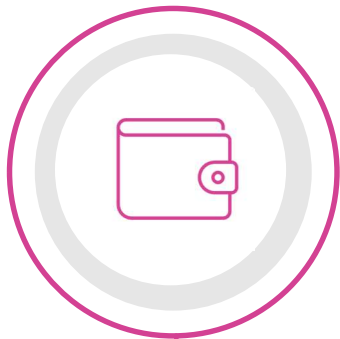
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01

Sustainable earnings



02

Maintain a strong balance sheet



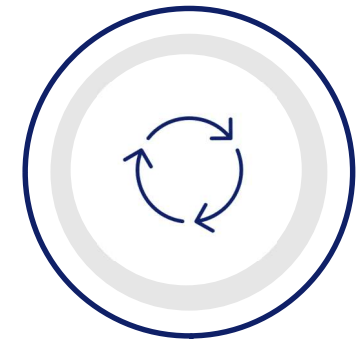
03

Progressive dividend



04

Investing for value

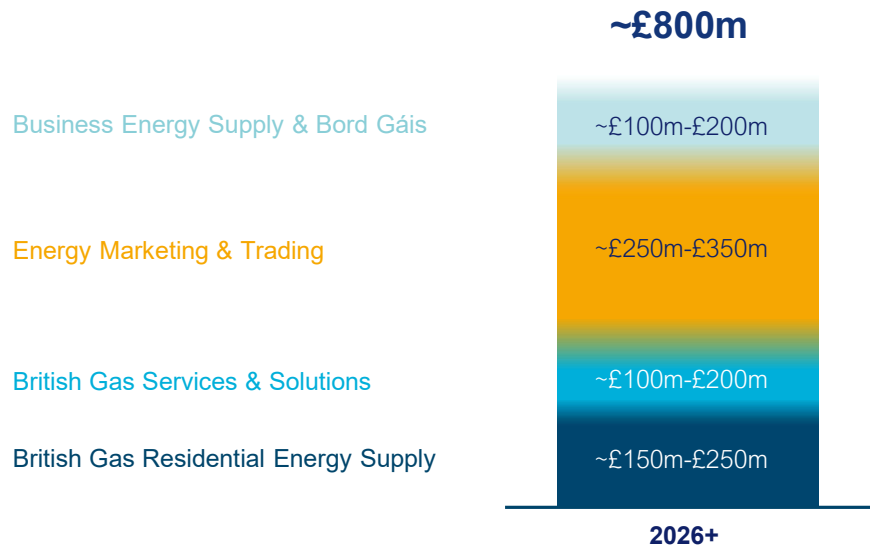


05

Returning surplus capital

01 Delivering sustainable operating profit & cash flow

Sustainable operating profit from Retail and Optimisation growing to a ~£800m base, with annual mix dependent on market conditions



Material medium-term Infrastructure cash flows



Infrastructure

- 1.2GW Nuclear capacity
- 380bcf gas reserves¹
- 54bcf gas storage capacity



1. 2P reserves as at 31st December 2022



02 A strong balance sheet is essential

The importance of a strong balance sheet

- Responsible commodity risk management
- Financing and liquidity
- Underpins long term commitments

We have a robust approach to balance sheet management...

Disciplined use of balance sheet

- De-risked liabilities; net debt improved by ~£6bn since 2020
- Strong investment grade credit rating with significant debt headroom
- Capacity to invest for value under robust investment framework
- Return of surplus capital

Liquidity and increasing resilience

- Diversified sources of liquidity
- Enables value capture in volatile markets



<1x
Net Debt/EBITDA

03 05 Delivering sustainable cash returns to shareholders

Progressive dividend policy, underpinned by sustainable earnings...

3p full year dividend

Reinstated dividend in Jul-22



33% increase

in 2023 interim dividend

Progressive dividend, trending to ~2x earnings cover over time

£550m

Share buyback programme since Nov-22



£1bn

£450m extension announced in Jul-23

Focus moving to investment, with buybacks remaining an option when we have surplus capital

...with a track record of returning surplus capital

04 Investments are assessed on a broad set of criteria...

In addition to investing to improve our existing businesses, we will further **invest for value** on a highly disciplined basis



We have a clear framework that we will assess opportunities against



Group impact



Strategic alignment



Net zero



Financial profile



Risk profile

04 ...including a robust risk assessment...

In addition to investing to improve our existing businesses, we will further **invest for value** on a highly disciplined basis



We have a clear framework that we will assess opportunities against

Assessment framework

Macroeconomic risk

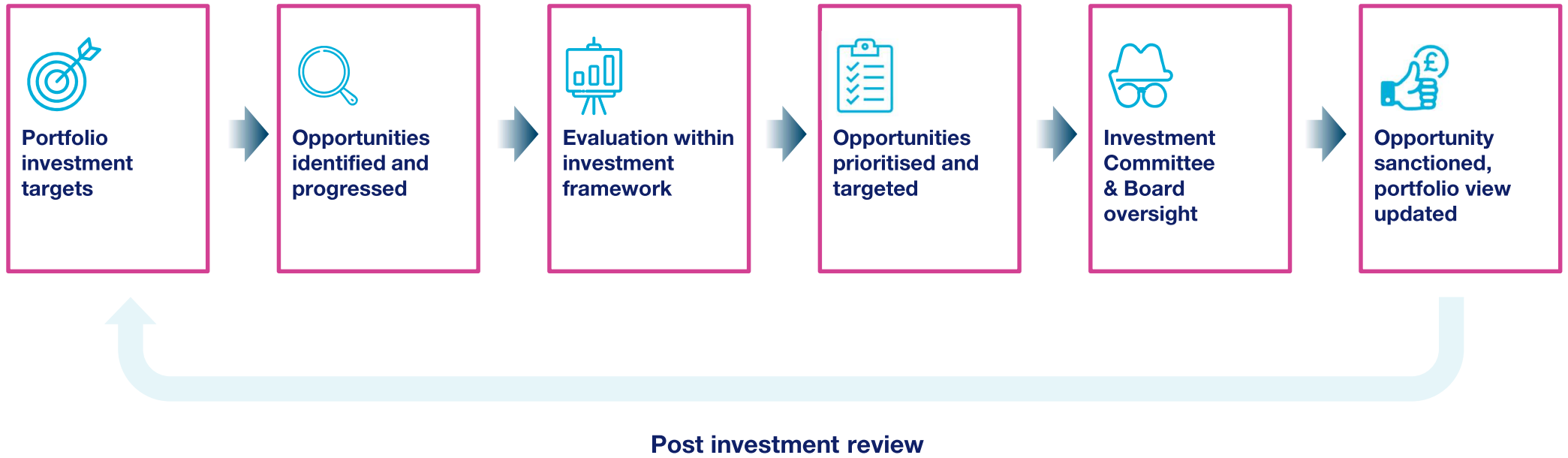
Industry / asset class risk

Project risk






Risk profile

04 ...and a stringent investment management process...



04 ...which ensures we maintain capital discipline with attractive returns reflecting the risk profile of investments

	 Customers	 Renewables	 Flexibility		Regulated infrastructure
Opportunities	Customer technology	New generation assets	Batteries	Gas peaking generation	
Pre-productive time period	<1 month	~1-2 years	~2 years		Dependent on model
Capital deployment	Balanced across a range of technologies to de-risk the portfolio and optimise returns Partnering and financing structure dependent on opportunity				
Hurdle rate (IRR¹)	8%+	6-9%+	7-10%+		Dependent on model
Group portfolio benefit	Targeting up to ~2% additional Group portfolio benefit, including from optimisation activities				

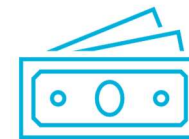
1. Nominal post-tax unlevered IRR

04 Investing for growth and creating value from our strong capabilities

04 ...which ensures we maintain capital discipline with attractive returns reflecting the risk profile of investments

	Customers	Renewables	Flexibility	Regulated infrastructure
Opportunities	Customer technology	New generation assets	Batteries	Gas peaking generation
Pre-productive time period	<1 month	-1-2 years	-2 years	Dependent on model
Capital deployment	Balanced across a range of technologies to de-risk the portfolio and optimise returns Partnering and financing structure dependent on opportunity			
Hurdle rate (IRR¹)	8%+	6.8%+	7-10%+	Dependent on model
Group portfolio benefit	Targeting up to -2% additional Group portfolio benefit, including from optimisation activities			

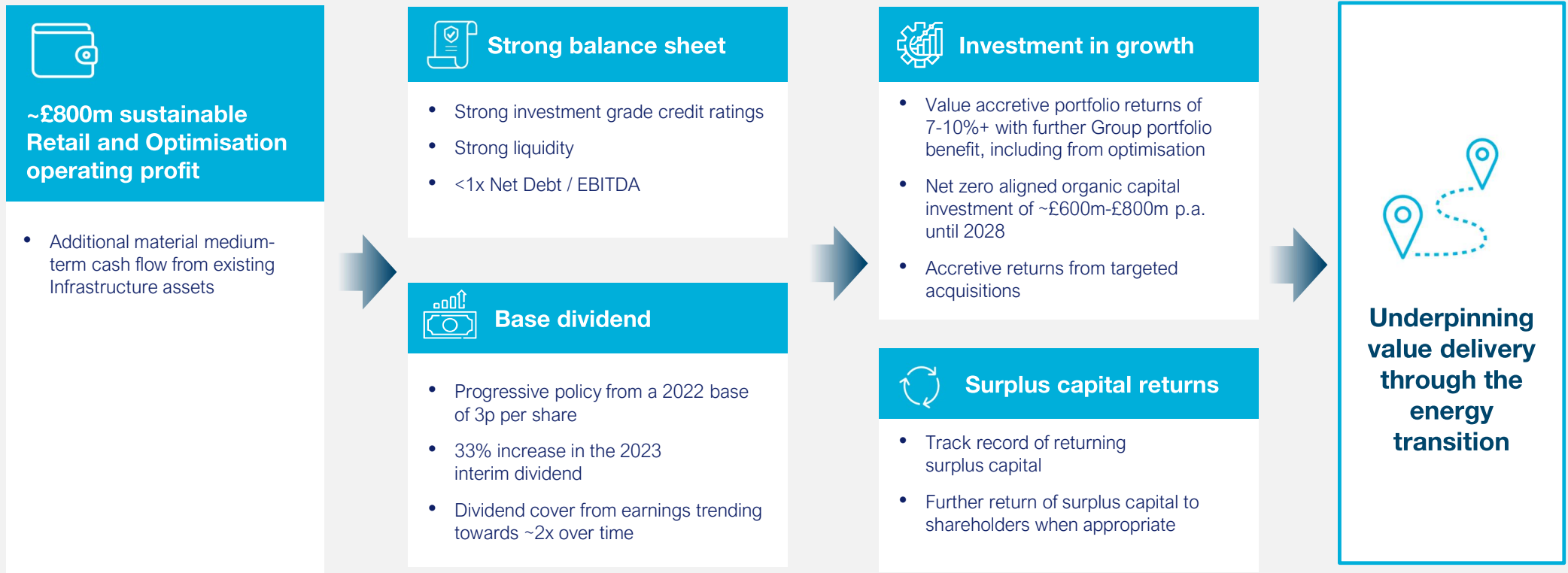
1. Not subject to customer IRR



Capital expenditure

- Capex building to £600m-£800m p.a. to 2028
- Includes £100m-£200m of investment in existing businesses
- Investing for a balanced portfolio of high-quality earnings
- Targeting average portfolio returns of 7-10%+
- Further Group portfolio benefit, including from optimisation

A disciplined capital allocation approach





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SECTION 05

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Chris O'Shea
Group Chief Executive



Brigg Energy Park



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A compelling investment case creating value through the energy transition



A uniquely integrated energy company

A balanced portfolio with leading market positions, where each component complements, de-risks and adds value to others



Sustainable profitability

~£800m of sustainable operating profit from Retail and Optimisation, with additional strong medium-term cash flow from existing Infrastructure



A green-focused growth & investment strategy

Creating value for shareholders and delivering net zero for Centrica and our customers



Balance sheet strength

Strong liquidity and a robust balance sheet, with Net Debt/EBITDA <1x over the medium-term



Material self-funded investment to add value and strengthen

Capex building to £600m-£800m p.a. to 2028 with average returns of 7-10%+ and further Group portfolio benefit, including from optimisation



Capital discipline

Protect the balance sheet, invest for value and return surplus capital



Compelling shareholder returns

Progressive dividend policy, trending towards 2x earnings cover over time