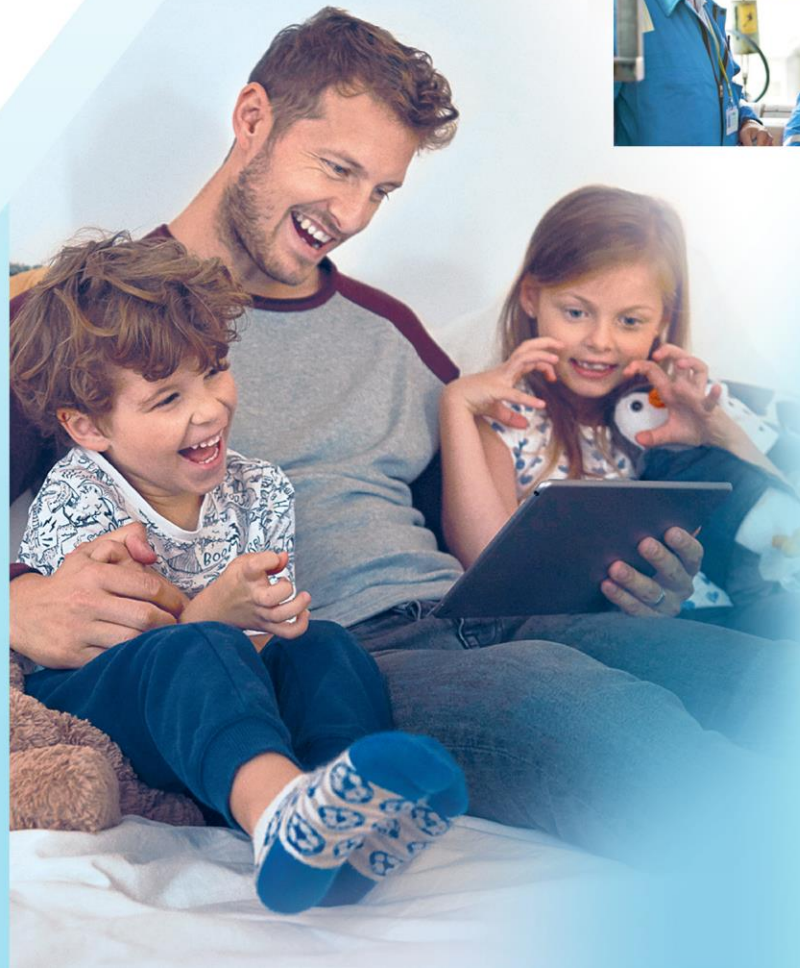


**centrica**

# Centrica plc Annual General Meeting

May 2018





**Rick Haythornthwaite**  
Chairman



**Live Camera on Individual Directors as they are  
Introduced by The Chairman**



**Live Camera**  
**– Rick Haythornthwaite Starts**



**Iain Conn**

Group Chief Executive



**Live Camera**  
**– Iain Conn Starts**

# Introduction

- 2017 a challenging year; weak second half performance
- Delivered on 2017 published targets
- Phase 1 of strategic repositioning complete
- Phase 2 focus on performance delivery and financial discipline
- Good financial performance so far in 2018
- On track to achieve full year targets

# 2017 financial performance

- Adjusted operating profit down 17% to £1.25bn; adjusted earnings down 22% to £698m
- Adjusted earnings per share (EPS) down 25% to 12.6p
- Adjusted operating cash flow of £2.07bn; EBITDA down 9% to £2.14bn
- Centrica Consumer adjusted operating profit down 1%, demonstrating resilience
- Centrica Business adjusted operating profit down 67%; very poor H2 performance in energy supply
- Delivered targeted £750m p.a. of efficiencies three years early
- Net Debt of £2.6bn, towards the bottom of the targeted range
- Full year dividend of 12.0p per share



# Important questions

- **Strategy:** Are the components of the strategy right and how do they reinforce each other?
- **Cost efficiency:** Potential to offset gross margin pressure and underpin financial confidence?
- **Resilience:** In the face of competition and potential price cap in UK?
- **Customer accounts:** What are the dynamics and how concerned should we be?
- **North America Business:** Have we resolved the issues and why is it a good business?
- **E&P & Nuclear:** What are the future intentions?
- **Capability:** How can we be sure we have the capabilities to deliver on the strategy?
- **M&A:** Attitude to acquisitions and disposals?
- **Financial framework and priorities for 2018-20:** Outlook for cash flow and the dividend?

# Centrica's purpose and strategy

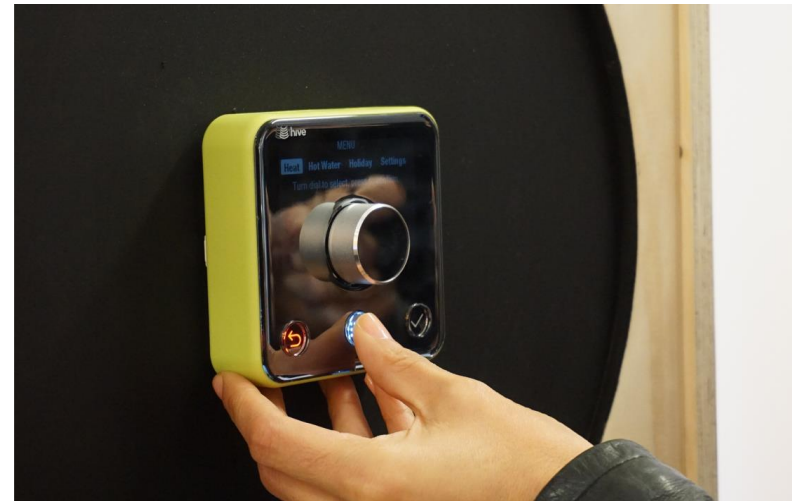
“To provide energy and services to satisfy the changing needs of our customers”



- Energy and services company
- Deliver for the changing needs of our customers
- Delivering long-term shareholder value through returns and growth
- Trusted corporate citizen
- Employer of choice
- “21st Century energy and services company”

# Fundamental trends in energy and services **centrica**

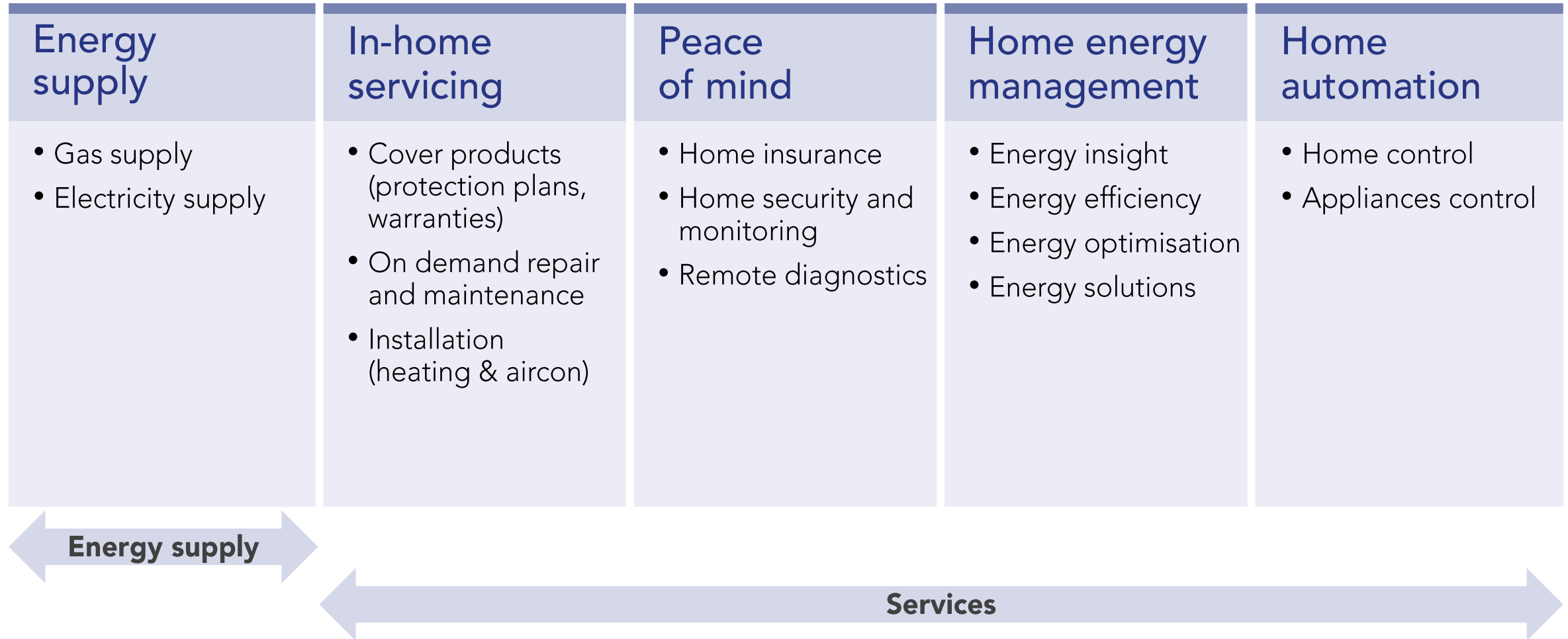
- Decentralisation of the energy system
- Increased choice and power shifting to the customer
- Advancements in digital and technology



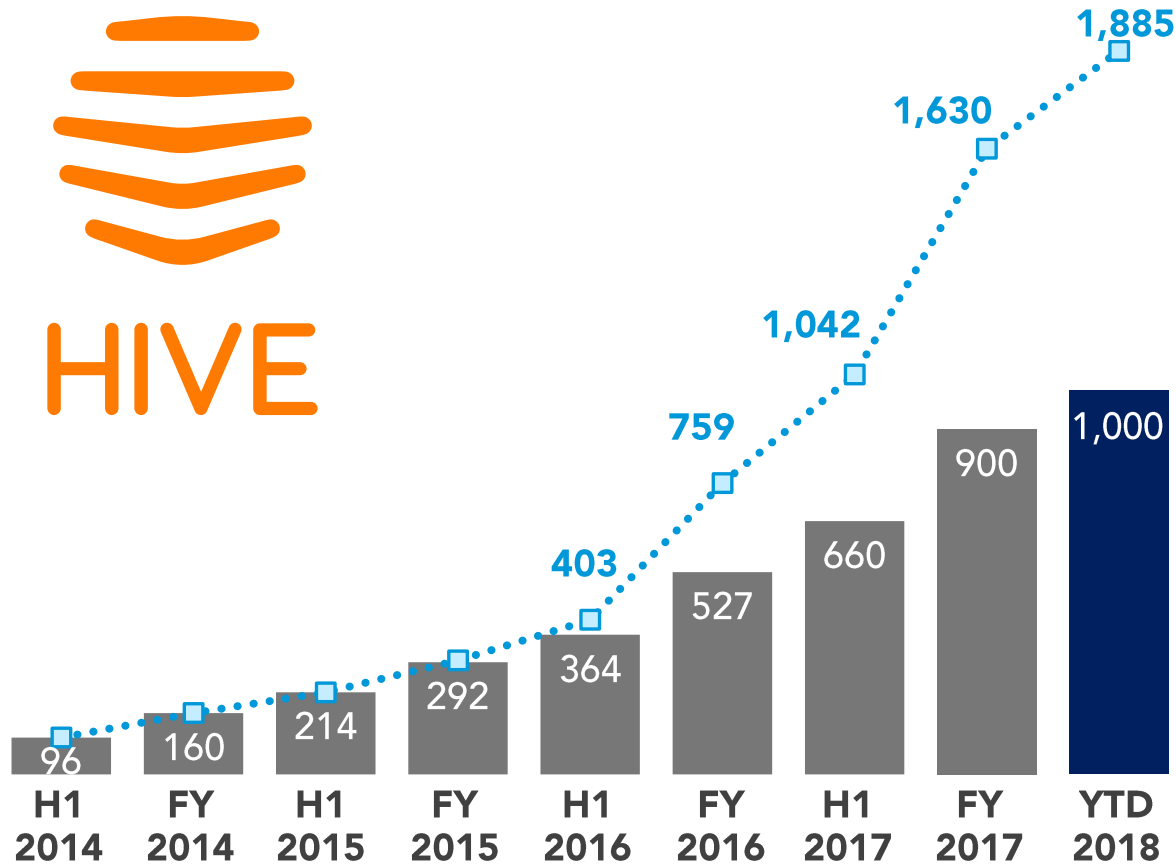
# Centrica's simplified portfolio

	Consumer	Business	E&P
	<ul style="list-style-type: none"> <li>• UK Home</li> <li>• Ireland</li> <li>• North America Home</li> <li>• Connected Home</li> </ul>	<ul style="list-style-type: none"> <li>• UK Business</li> <li>• North America Business</li> <li>• Distributed Energy &amp; Power</li> <li>• Energy Marketing &amp; Trading</li> <li>• Central Power Generation</li> </ul>	<ul style="list-style-type: none"> <li>• Spirit Energy</li> <li>• Centrica Storage (CSL)</li> </ul>
<b>2017</b> gross revenue	<b>£12.1bn</b>	<b>£15.5bn</b>	<b>£1.7bn</b>
<b>2017</b> gross margin	<b>£2,781m</b>	<b>£904m</b>	<b>£357m</b>

# Consumer strategic framework



# Connected Home



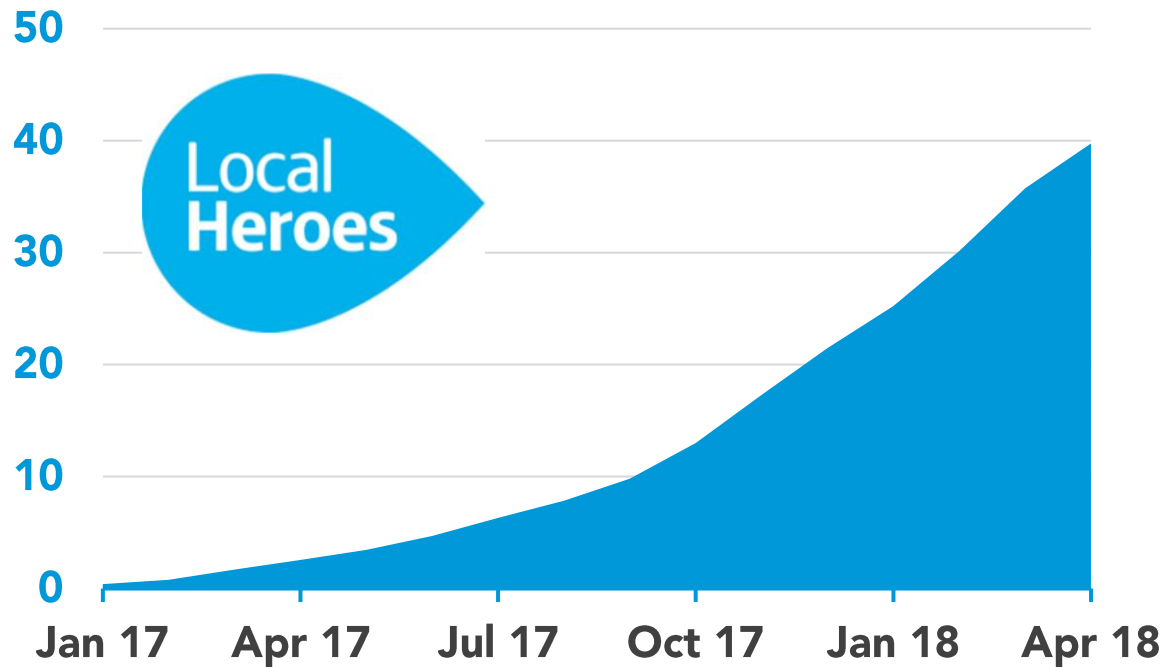
● Cumulative hubs ('000)    ●●●● Cumulative products ('000)





# Local Heroes

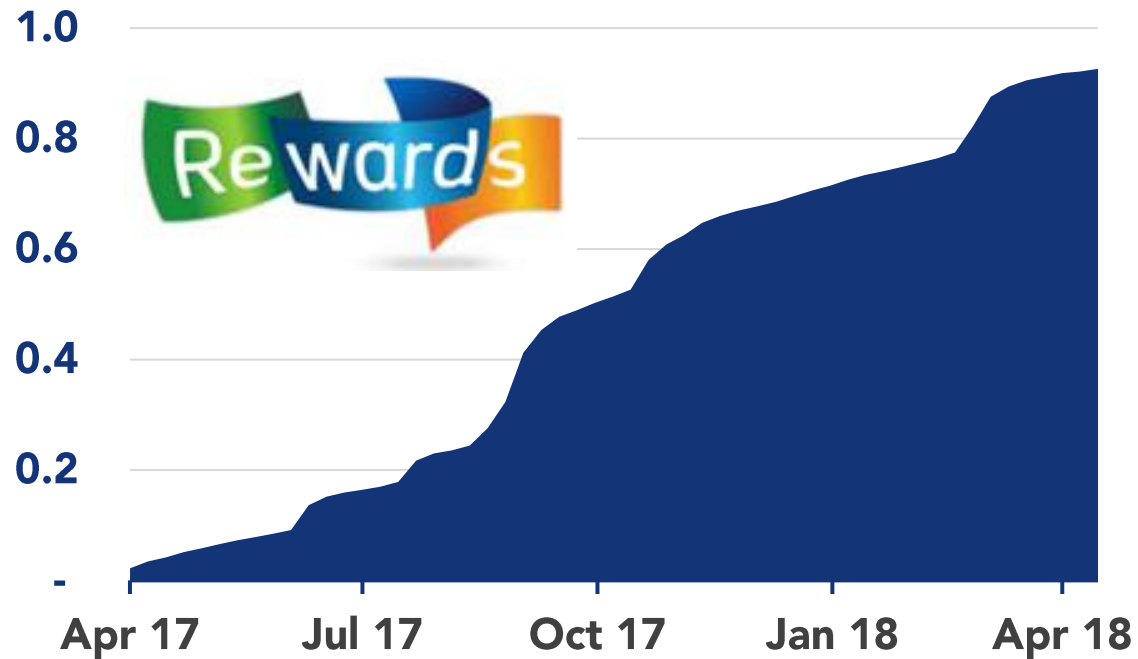
**Local Heroes cumulative jobs completed**  
(‘000)



# British Gas Rewards

## Total British Gas Rewards sign ups

(m)

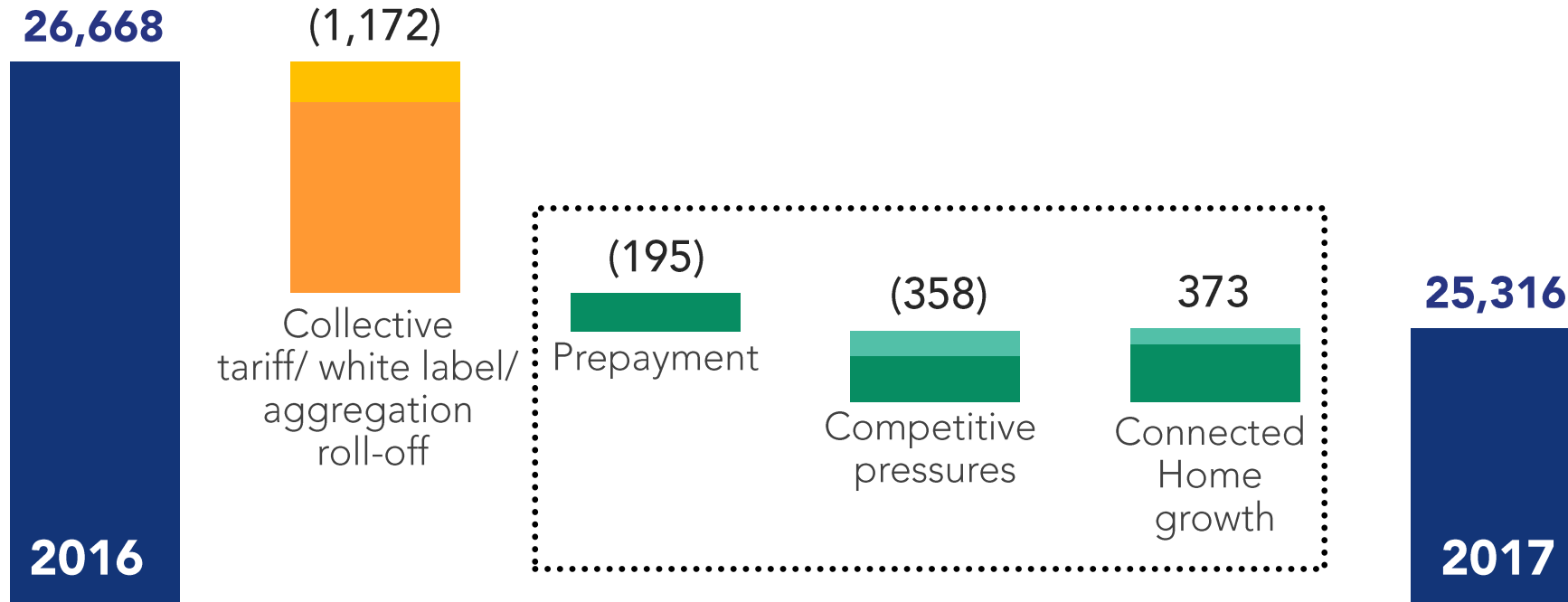




# 2017 Consumer accounts

## Customer account holdings

('000)



Choices made: ● UK&I ● NA

Underlying holdings movement: ● UK&I ● NA

# 2018 Consumer accounts

## Customer account holdings

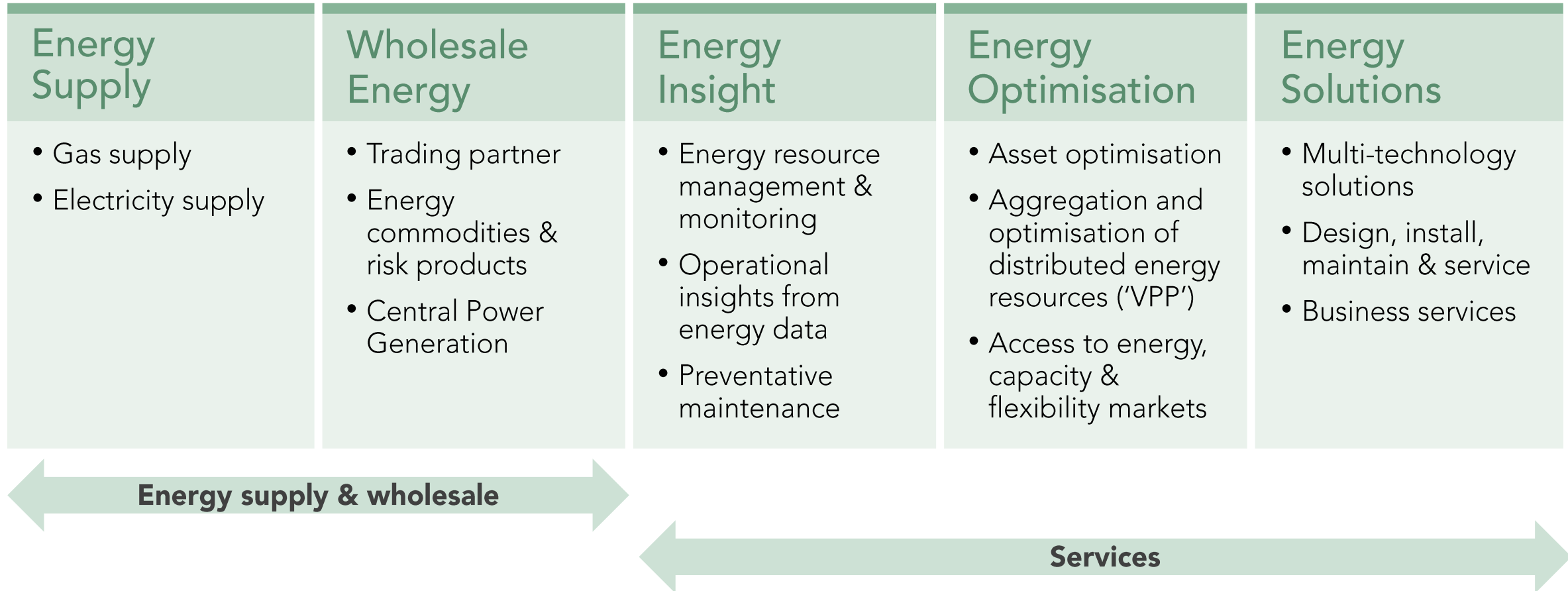
('000)



Choices made: ● UK&I ● NA

Underlying holdings movement: ● UK&I ● NA

# Business strategic framework



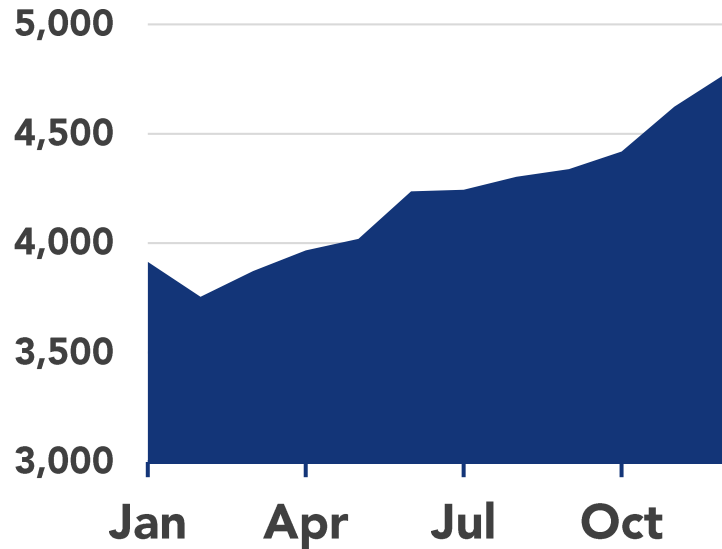
# Business energy solutions

**centrica**

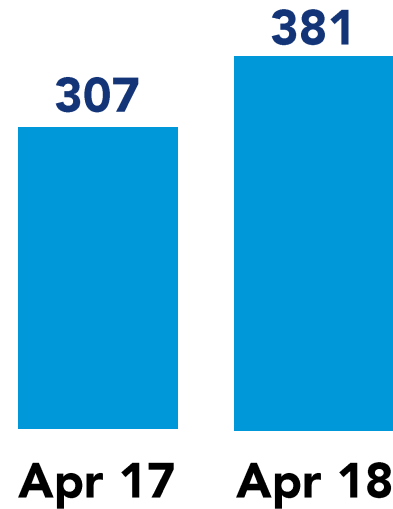


# Distributed Energy & Power

**2017 active customer sites**



**Order book  
(£m)**





# Centrica Consumer and Centrica Business **centrica**



# Phase 1 of strategic repositioning complete **centrica**

- Reduced scale in E&P and Central Power Generation
- Divestments totalling £930m
- Capital reinvestment shifted towards customer-facing activities
- Enhanced capabilities, technology, propositions
- £750m p.a. cost efficiency programme delivered three years early
- Balance sheet strengthened

# Phase 2 focus

- Performance delivery and financial discipline
- Intention to divest of nuclear investment by 2020
- 2018-20 financial guidance
  - Adjusted operating cash flow of £2.1-£2.3bn p.a.
  - Net debt in the £2.25-£3.25bn range
  - Capital reinvestment of no more than £1.2bn p.a.
- Expect to maintain current level of dividend subject to delivering targeted adjusted operating cash flow and net debt



# Phase 2 priorities for performance delivery **centrica**

- Demonstrating customer-led gross margin growth
- Driving cost efficiency towards being 'most efficient price-setter'
- Improving organisational effectiveness
- Securing the capabilities we need for 2020 and beyond

. . . while ensuring continued focus on safety, compliance, conduct and operational excellence

# 2018 Group targets

- Adjusted operating cash flow of £2.1bn-£2.3bn
- Capital reinvestment <£1.1bn; Spirit Energy capex ~£500m
- Expect flat 2018 full year dividend per share of 12.0p
- £200m of efficiency savings in 2018
- Like-for-like headcount reduction of around 1,000 in 2018
- Net debt in a £2.5bn-£3.0bn range at end 2018

# Trading Update

- On track to achieve 2018 targets
- Good financial performance to date
- Rate of Consumer account losses reduced significantly
- Lower full year E&P and nuclear volumes
- Good progress on cost efficiency
- New innovative products and propositions introduced

# UK energy supply - default tariff cap

- UK Government draft bill published October 2017
- Bill likely to be passed in summer 2018 and be implemented by end of the year
- Unintended consequences - cap likely to impact competition, choice and average prices
- Centrica '14 point plan' to improve UK energy supply market
- Centrica's seven unilateral actions implemented by 31 March 2018
- Continue to engage with Government and Regulator on wider market reform
- Managing risk through reducing number of customers on the SVT, competitive default pricing, cost efficiency

# Summary

- 2017 a challenging year
- Phase 1 of Centrica's strategic repositioning complete
- Phase 2 focus on performance delivery and financial discipline
- Expect to maintain current dividend subject to delivering targeted AOCF and net debt
- Committed to restoring shareholder value and delivering attractive shareholder returns





**Video: Life at Centrica**



**Live Camera**

**- Rick Haythornthwaite Starts**



**Live Camera**  
**- Rick Haythornthwaite**



# Annual General Meeting

Please put your completed Poll Card in one of the boxes on your way out of the meeting room