

Investor teach-in: Centrica Energy & Meter Asset Provider

10 December 2024



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Further when considering the information contained in, or referred to in this presentation, please note that profit and inventory from Rough operations are reported under Centrica Energy Storage Limited, also referred to as Centrica Energy Storage+, for presentational purposes only. Centrica Energy Storage Limited does not produce, supply or trade gas, except to the extent necessary for the efficient operation of the storage facility. In accordance with the Gas Act 1986, such production, supply and trading of gas is carried out wholly independently of Centrica Energy Storage Limited by other Centrica group companies. Certain figures shown in this presentation were rounded in accordance with standard business rounding principles and therefore there may be discrepancies.

All adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. A reconciliation of different operating profit measures is provided in the Group Financial Review in the Interim Results announcement.

Welcome

Chris O'Shea
Group Chief Executive



Agenda



01

Energising a greener,
fairer future



02

Centrica Energy



03

Meter Asset Provider (MAP)

Powered by purpose to create value

***Energising
a greener,
fairer future***



Good progress in 2024...

Operational excellence

Maximising the return from our businesses

- Over 6.5m BG Energy customers migrated to our new, more flexible, Ignition platform
- Near-record BG Energy NPS of 28 with targeted customer service improvements
- Unique British Gas Services same day boiler repair offering now live

Commercial focus

Innovating to deliver compelling customer propositions and building optimisation optionality

- BG Services protection contract sales +23%¹ alongside strong customer retention +4ppts¹
- Growth in BG Services focus areas, with On-Demand sales +39%¹
- New integrated propositions launched with Hive Solar and Hive Heat Pumps
- De-risking our LNG portfolio with Coterra Sales and Purchase Agreement

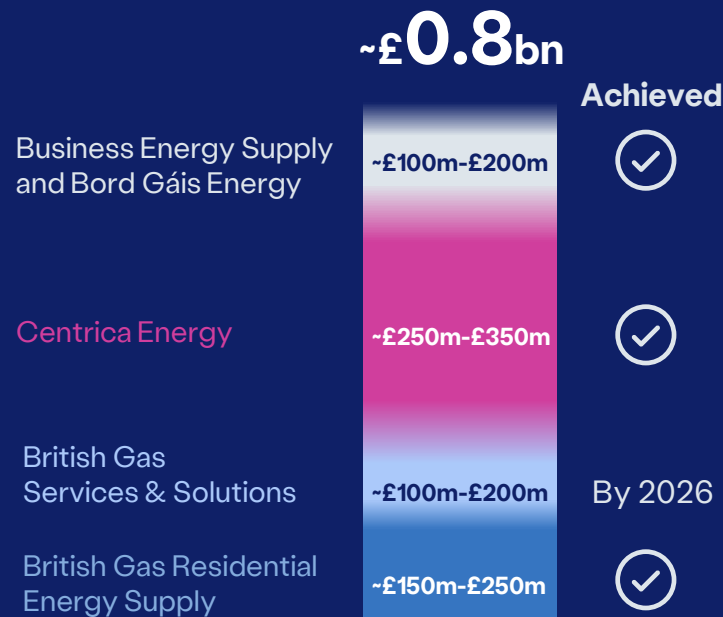
Investing for value

Targeted investment to deliver Group ROACE above 20% through the cycle

- Nearly 400k Centrica owned smart meters installed YTD
- Irish peakers on track for 2025 commissioning
- ENSEK acquisition unlocking optionality
- 2024 capex of ~£600m balanced with significant capital returns to shareholders

... *underpins our financial outlook*

Medium-term sustainable adjusted operating profit



Existing Infrastructure

Spirit Energy, Nuclear and Centrica Energy Storage+

~£0.5bn - £0.7bn

2025¹ EBITDA plus Nuclear dividends

Nuclear life extensions:

Heysham 1 and Hartlepool

+1 year

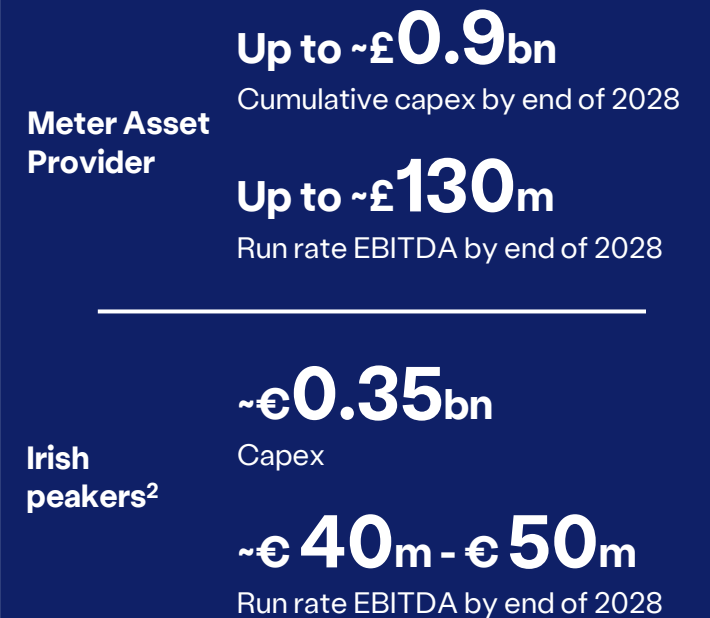
to March 2027

Heysham 2 and Torness

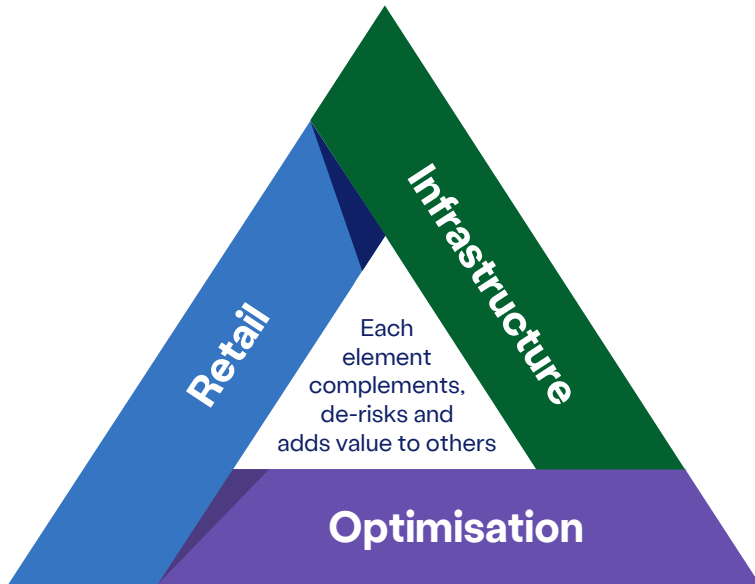
+2 years

to March 2030

Progress towards £600m-£800m p.a. investment programme



Centrica Energy and MAP deliver significant value and optionality



	Centrica Energy	MAP
Risk management and resilience	✓	
Route-to-market and energy procurement	✓	
Identifying capital deployment opportunities	✓	
Consumer behaviour data and insight	✓	✓
Home energy management and DSR enabler	✓	✓
Customer proposition innovation	✓	✓
Small asset financing adjacencies		✓

Centrica Energy

Cassim Mangerah
Managing Director, Centrica Energy

John Park
Chief Financial Officer, Centrica Energy



An increasingly complex energy system



There is a fundamental system requirement for energy trading and optimisation capabilities

- Opportunity to manage supply & demand imbalances, ensuring flows from areas with excess supply to those with high demand
- Providing risk management throughout the value chain
- Unique intelligence from link with physical assets

We have world-class capabilities...

Physical trading and logistics



Power



Gas



Liquefied
Natural Gas



Green
certificates

**Greater resilience and knowledge advantage
with activities across a range of energy products**

+

Leading capabilities to deliver on strategy



Deep expertise



Diversified
portfolio



Digitised
in-house platform



Leading risk
management
capabilities

... which we have expanded over time

From...

**UK gas-centric
internal risk
manager**

<10%

Earnings generated
outside the UK

<£30m

Annual adjusted
operating profit from
2013-15

To...

**Pan-European gas and power optimisation
business with a global LNG portfolio**

- Expanding into **new markets**
- Acquired **Neas Energy** in 2016 to elevate renewables capabilities
- Full **management of commodity risk for the Group**

~80%

Earnings generated
outside the UK

28

Trading
markets

850+

Employees across
7 countries



● Gas & Power
(G&P) trading

● G&P trading + managing
3rd party assets



Organised to capture market trends with a comprehensive portfolio

External opportunities

Gas & Power Trading (G&P)



Ensuring physical energy supply meets **real-time demand**, through leading analytics and technology

>11M

Trades in 2023

Renewable Energy Trading & Optimisation (RET&O)



Integrating renewable assets into grids using risk management capabilities not held by producers

~16GW

Renewable and flexible power assets under management

LNG Trading & Shipping



Connecting global energy markets through a flexible portfolio

260

LNG cargoes traded globally in 2023

Group value

Group risk management and optimisation



Managing risks and informing investment **decisions** for Centrica's Retail and Infrastructure businesses

Capturing value with G&P trading

Pan-European trading and optimisation across energy stack



Power



Gas



Green certificates

28 global markets

24/7 setup for trading and logistics

Physical and financial trading and hedging

Proprietary algorithmic platform

Leading market and weather analytics

Supporting stability in energy systems

Balancing a system under pressure



High temperatures leading to increased demand for cooling

+



Low rainfall reducing hydropower plant output

+



High solar generation pushing other sources offline

centrica
Energy



Predict events through physical presence and machine learning algorithms



Grid of interconnector capacity supporting power flows

Using our capabilities to capture value

Our strong edge in RET&O...

Large renewable roll-out creates a significant value opportunity



Power Producers

centrica
Energy

Market leading virtual
power plant and risk
management platform



Power Consumers

Supporting producers getting their power to the grid

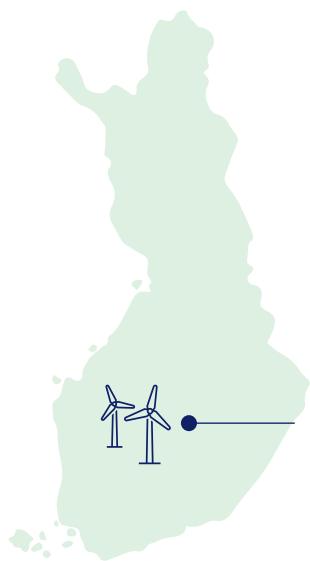
- Independent power producers with limited in-house capabilities
- We provide flexible offerings, from pay as produced to full risk management service
- Ambition to grow assets under management to 28GW by 2030
- Strong earnings quality
 - ~70% of renewables producer PPAs extending beyond 2026
 - Significant fee-based revenue streams
 - Portfolio largely hedged

Increasing demand for green corporate PPAs

- Businesses balancing decarbonisation of operations alongside budget management
- We can provide stable and reliable green power for consumers with long-term pricing
- Technology driven demand - 35% of our 2023 PPAs were with data centre related sectors

...allows us to create further value through innovative services

Growing a profitable portfolio in Finland



1.2GW

Operational renewables portfolio

Example deal:
Konttisuo wind farm

- 30MW
- 10-year fixed price PPA started October 2022



Challenges in Finnish grid

- Risk of high winter imbalance costs due to icing
- Renewable deployment contributing to increase in negative price events
- Limited flexible consumption to absorb renewable supply

Centrica Energy's approach...

- **First provider in the market** with innovative protection against extreme imbalance costs
- Enabled renewables to participate in ancillary markets
- Used dedicated traders to capture physical opportunities

... to compete and win in the market

- **Doubled operational renewables portfolio in two years**, from 0.6GW by end of 2021 to 1.2GW by the end of 2023
- Significant **increase in margin** capture
- **Continue to leverage scalable platform** to adapt products as market evolves

Growing our global LNG portfolio

Developing our capability in a key transition fuel

- Demand centres will evolve through the transition, **requiring a global capability**
- By 2050, LNG demand is expected to more than double from 2020 levels
- **LNG is a bilateral market** - building the right talent and credibility in the market takes time



A diversified portfolio with embedded flexibility

Sabine Pass (US)

- 1.75 mtpa FOB¹, take or pay
- 20-year duration² (+10-year option)
- US gas pricing

+

Delfin (US)

- 1 mtpa FOB¹, low cancellation fee
- 15-year duration²
- US and European gas pricing

Mozambique

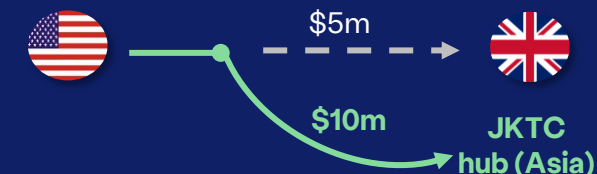
- 1.3mtpa DES¹ with destination control
- 16-year duration² (+4-year option)
- Brent and European gas pricing

Shenergy (China)

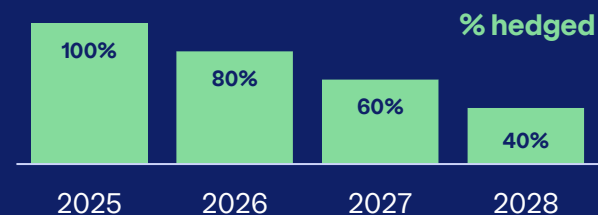
- Mozambique de-risk, 0.5mtpa sale
- 15-year duration²
- Brent pricing

Optimising our portfolio

Using FOB¹ flexibility, global relationships and optimisation capability to double our return



Hedging Sabine Pass, creating a base margin around which we can optimise



Driving value across the wider Group



Procurement for our energy supply businesses

- Collaboration to develop hedging and risk mitigation strategies
- Benefit from link to fundamental analysis and proprietary trading
- Active management of shape and weather risk
- Strategic sourcing of green certificates



Route-to-market and hedging for Infrastructure

- Spirit Energy and Nuclear hedging
- Management and optimisation of our flexible assets
- Optimisation of Rough



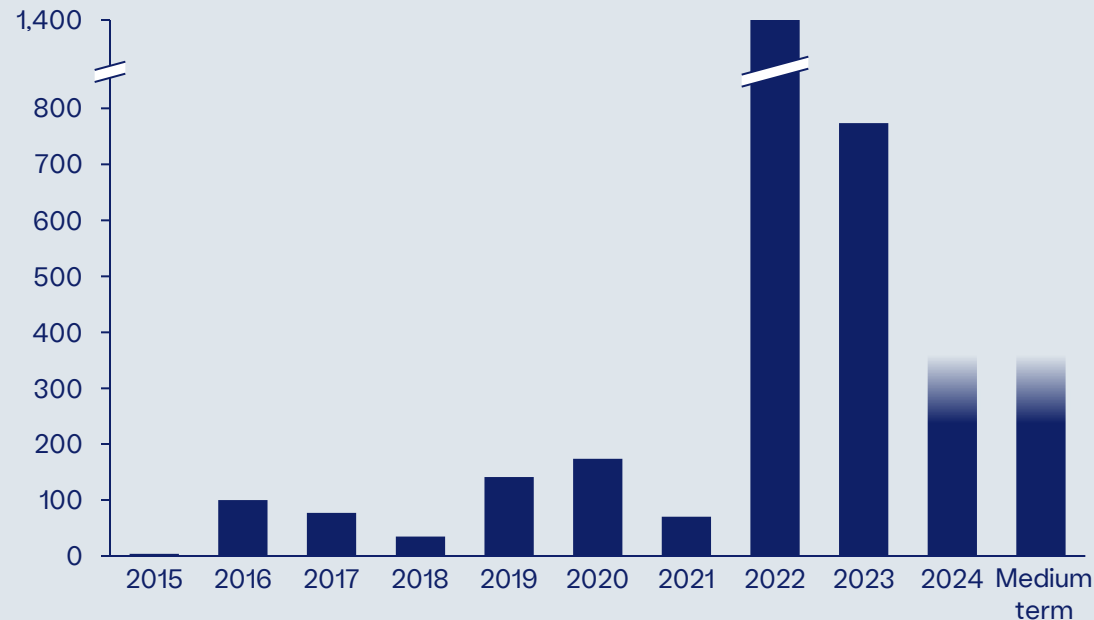
Capital deployment

- Insight and support for our wider asset investments and M&A opportunities
 - Swedish batteries investment
- Low-risk market entry to identify opportunities

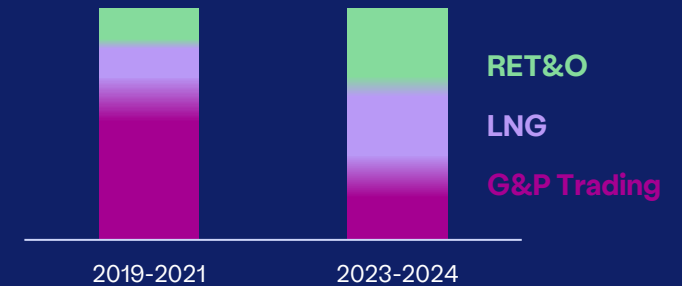
Leveraging expertise across the physical energy value chain to drive integrated value for Centrica

Sustainable operating profit well underpinned, with longer-term upside

Adjusted operating profit (£m)



Balanced delivery across pillars



Average proportion of gross margin by pillar

Underpinned by macro trends

Decarbonisation

Globalisation through gas

Future growth opportunities

Geographic expansion

LNG growth and risk management

Product adjacencies

Digitalisation and algo trading

Well positioned now and for the future

Leveraging world-class capabilities to create value

What we have built is hard to replicate, allowing us to be innovative in the market

Continue to develop our RET&O portfolio

Our leading physical positions and products leave us well placed for growing intermittency

Optimising our global LNG portfolio

Utilising our capabilities to add greater value, while de-risking our portfolio

Confidence in delivery

£250m-£350m sustainable operating profit, with ambitions to grow further

Centrica Energy is an integral part of the Group, complementing, managing risk and adding value to our businesses, while being a leading partner externally

Q&A



Attractive returns and predictable growth from our Meter Asset Provider

Dan Rosenfield
Managing Director, New Business & Net Zero

Gareth Openshaw
Vice President, Meter Asset Provider



Creating value from a new business

Previously...



- Energy customer relationship
- Meter installation capability

External MAPs

- Provided meter financing
- Monthly rental charge due
- Installation fee received
- Other mandated contractual commitments

Now...



Our MAP



Scalability: Clear pipeline of customers and natural hedge to churn in retail



Predictability: Stable, contracted, long term rental returns



Optionality: ~9%+ post-tax unlevered IRR, with strategic and financial optionality

Our right to win

Sustainable, long-term value

- UK MAP market dominated by a few large players such as Macquarie, Calisen and SMS
- With our large internal pipeline, we can build scale without entering the wider market
- Our portfolio is centred around SMETS2 meter assets, the newest generation smart meter
- Long-term B2B model

**Our asset portfolio
at the end of 2028**

Up to ~4.5m

**Average
installations p.a.**

Up to ~1m

Strong foundation, steady ramp-up

We have established a new business based on core MAP capabilities

Meter asset contracting

Financial control & processes

Industry data management

MAP billing

Supply chain & logistics

Churn management

Rapid execution with 7 months from investment decision to installing our first meter

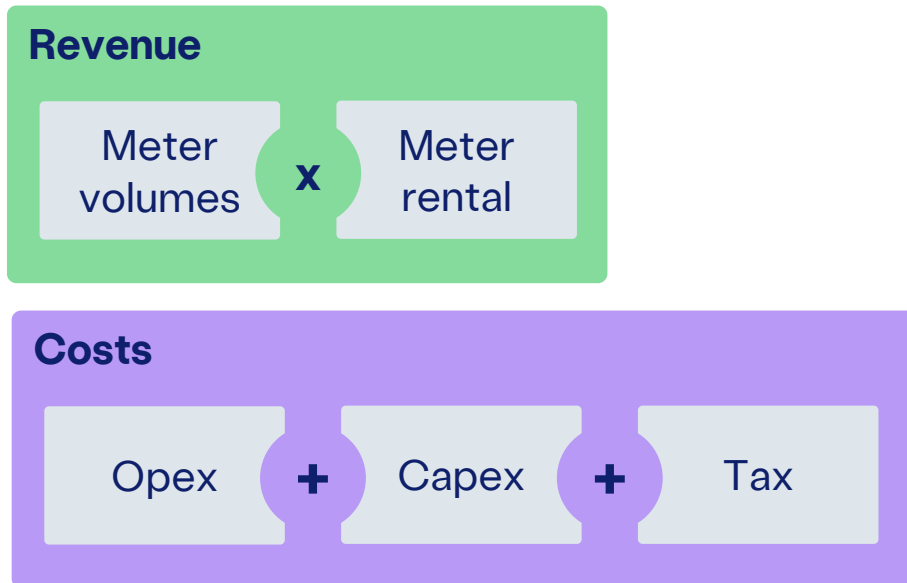
Now installed nearly 400k meters

Highly efficient back-office operations

Lean opex base, with a commercially focused, data driven team

MAP by numbers – the life of an asset

The MAP business model is simple, with long term contracted returns and low ongoing run costs



Key facts

15-year meter asset life

- Typical life although assets can remain on wall longer
- At end of life, meter is recycled and replaced with a new MAP funded meter

~£200 capex per meter

- Includes cost of the asset and installation

Contracted rentals

Industry standard for rates vary by contract type:

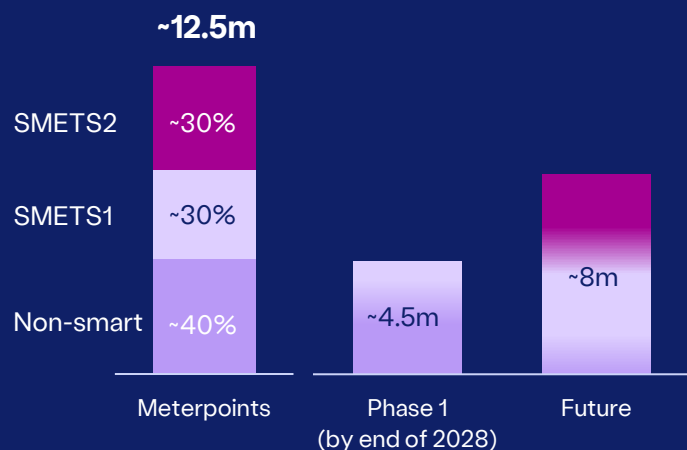
- **Deemed** - Occur at churn to uncontracted suppliers. Rate typically higher than formal agreements, enforced through T&Cs
- **Churn and originator** - While lower rates than deemed, contracts include a charge if the asset is removed before the end of life

Minimal cash opex costs

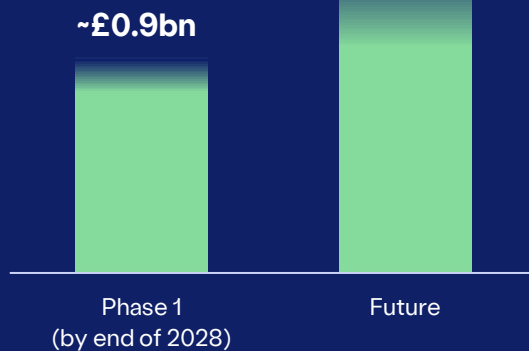
- Given small focused MAP team, ongoing cash opex cost is kept to a minimum

Low-risk capital deployment pathway

Clear pathway for up to one million installations per year...



...with initial phase to deploy up to £200m capex per year...



... contributing to low-risk profit and cash generation

Run-rate by end of 2028¹

Up to ~£130m EBITDA p.a.

Up to ~£70m Adjusted operating profit p.a.

~11% FCF yield²

~9%+ IRR³

An enduring portfolio with financial optionality...

Long-term value creation
aligned to our strategy...



Continuous cycle of meter replacements following
initial phase



Income stream providing natural hedge to retail churn

+

...with embedded optionality
to create further value



Ability to manage capital in line with Group's needs



Funding structure optionality

... *and strategic optionality*



Build

- Build core capability including people, systems and processes
- Continuously refine commercial assumptions to balance risk and improve shareholder returns



Expand

- Look to offer asset financing services to other Residential Energy suppliers
- Expand offer into the Business Energy market, potentially partnering with BG S&S to offer install capability



Adapt

- Wider benefit of having this capability within our portfolio
- Behind the meter asset financing opportunities to growth across Retail
- Green skills gateway for engineers

Smart meters are the first step for any household's Net Zero journey. We see this as a gateway to new commercial offerings and supports embedding customers in our ecosystem.

Stable long-term returns

New capabilities with strong foundations

Built from the ground up focused on operational excellence

Scalable capex opportunity

A low-risk deployment pathway to invest ~£0.9bn to 2028

Predictable, stable cash flows

Delivering up to ~£130m run-rate EBITDA by end of 2028

Enduring opportunity with future optionality

Utilising capabilities to explore adjacent markets

Leveraging our integrated portfolio to create resilience and future optionality

Summary

Chris O'Shea
Group Chief Executive



Delivering attractive and predictable returns while building future optionality

- We have hard to replicate capabilities, positioning us **to take advantage of the changing energy system**
- 2024 performance gives us **confidence in future delivery**
- In Centrica Energy, we continue to **develop and deploy our leading capabilities to create value**, with a growing core of the business underpinned each year
- In MAP, we have built new capabilities, delivering a **low-risk, stable cash flow** with an attractive ~9%+ IRR
- We are building portfolios with **flexibility and future optionality**, unlocking further value via our **integrated model**



**Energising a greener,
fairer future**

Q&A



Appendix



Infrastructure notes

	2025 hedging		
	Volume hedged	Average hedged price	Total estimated production / generation
Spirit Energy	513mmth	111p/th	~695 - 720mmth
Nuclear	5.1TWh	£89/MWh	~7.0 - 8.0TWh

	Infrastructure (Spirit Energy, Nuclear and Centrica Energy Storage+)	
	EBITDA plus Nuclear dividends	Adjusted operating profit
2025 ¹	~£525m - £675m	~£250m - £400m