



Full Year 2021 results

19 May 2021



WONDERFUL ON TAP



DISCLAIMERS

Cautionary statement regarding forward-looking statements

This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

Nothing in this document should be regarded as a profits forecast.

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States, absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

LIV GARFIELD

Chief Executive



2020/21 HIGHLIGHTS

Building momentum for a successful AMP

Sector-leading
net ODI performance,
resulting in £79m
reward across all
areas

Fast start to the
AMP with £90m
acceleration of
capital
investment

Year one
outperformance
delivering 5.8%
RoRE

Resilient
financial
performance
supporting long-
term growth

Green Recovery
investment of
£565m
awarded

GREEN RECOVERY

Creating value for our shareholders through RCV growth and enhanced resilience

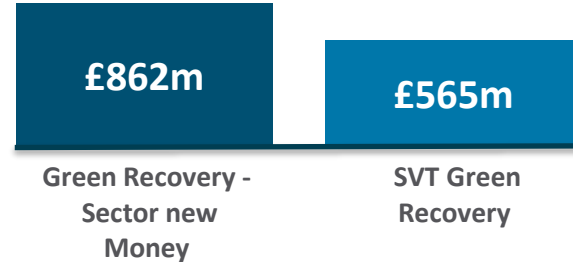
£565 million awarded,
£624 million in nominal prices

6.6% additional real RCV growth at
attractive returns

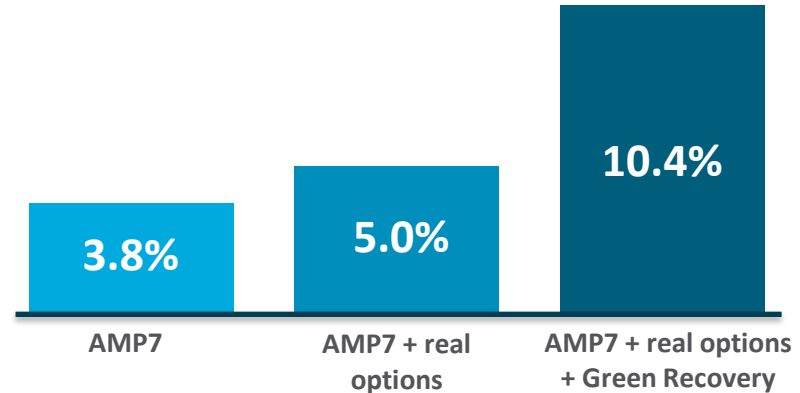
£250m equity placement to fund
additional investment

Creating 2,500 new jobs

Significant share of new sector investment



Revised AMP7 real RCV Growth



£565m

GREEN RECOVERY

Leading the sector in supporting the UK's green economic recovery and environmental sustainability

Trialling innovative nature-based flood solutions for Mansfield

Increasing water supplies by enough to supply a city the size of Derby

Creating bathing quality stretches of the River Leam and Teme

Removing old, lead pipes in up to 26,000 customers' homes

Accelerating improvements to 500km of our rivers, five years early

Installing over 150,000 smart meters to help customers save water



JAMES BOWLING

Chief Financial Officer



2020/21 FINANCIAL HIGHLIGHTS

Resilient financials help drive strong performance

**Adjusted Group
PBIT of £473
million** in line
with
expectations

Strong liquidity
new £1bn
sustainable RCF
agreed

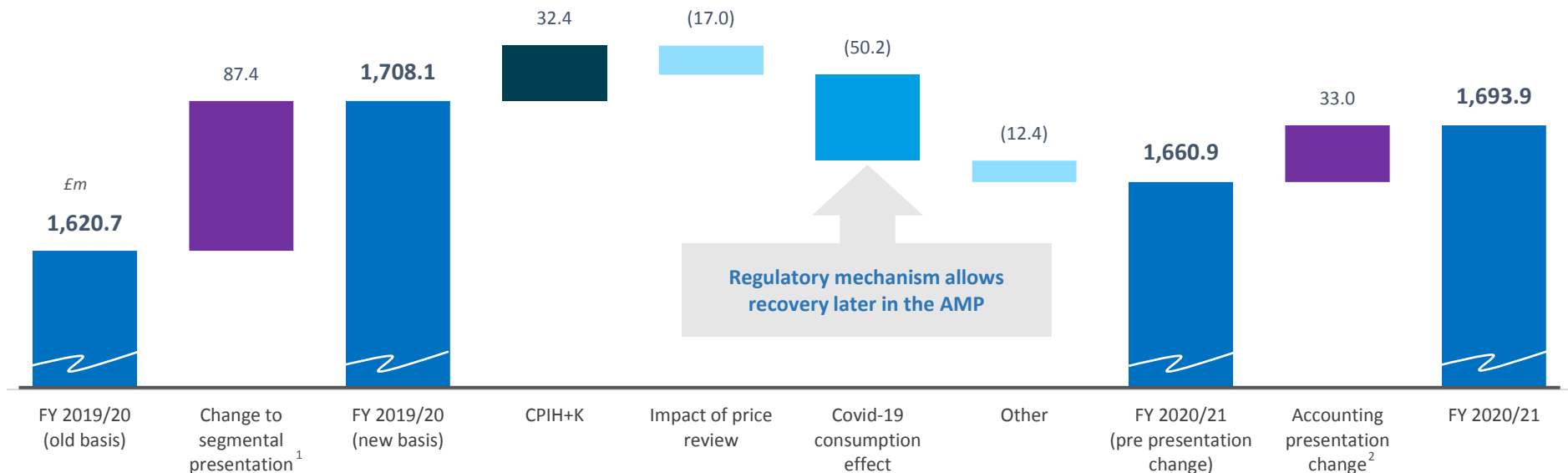
**Effective
interest cost**
down 30 bps
to **3.4%**

**Fast start to
AMP7 with over
£590 million of
capital investment**

5.8% RoRE
outperformance of
1.9%

REGULATED WATER AND WASTE WATER REVENUE

Turnover remaining strong despite COVID effect on non-household volumes

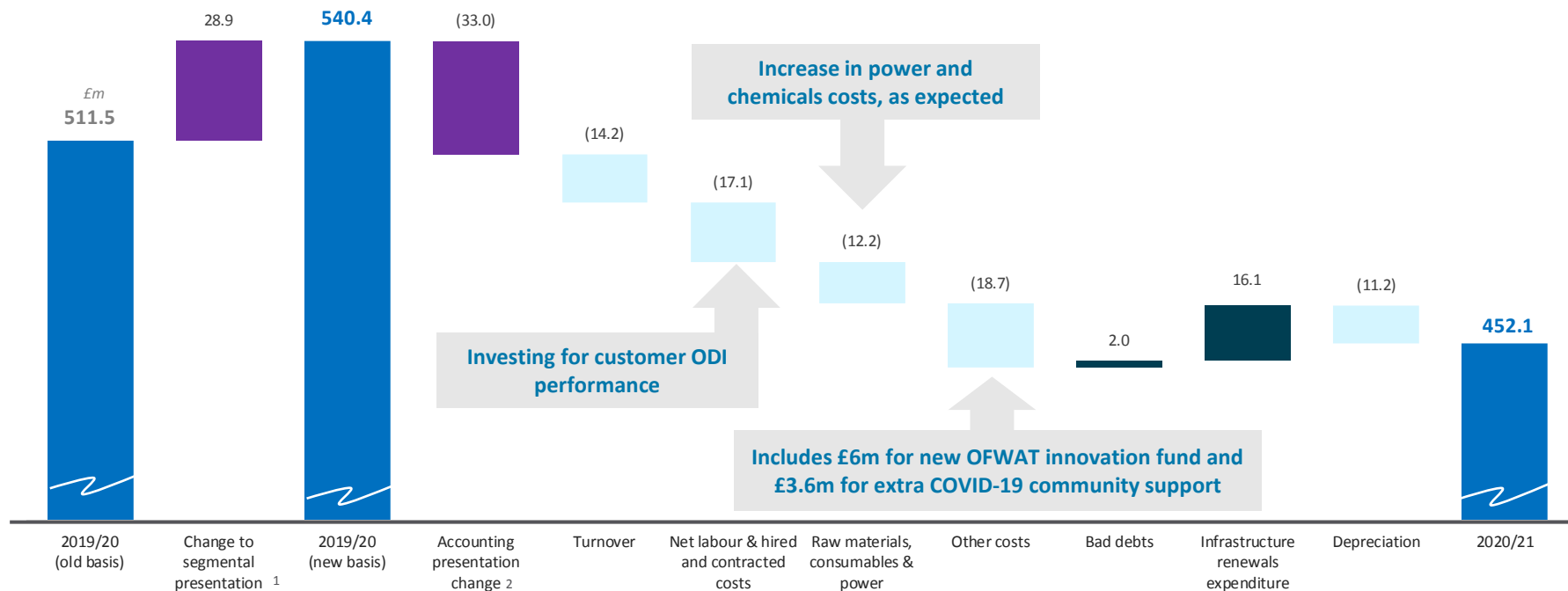


1. In the prior year the Bioresources and Developer Services businesses were managed by, and included in, Business Services. Both of these businesses form part of the appointed businesses of Severn Trent Water and Hafren Dyfrdwy, and are included in the regulatory settlement determined by Ofwat and are now managed by Regulated Water and Waste Water. We have therefore amended our segmental presentation to include Bioresources and Developer Services as part of our Regulated Water and Waste Water business. We have restated the prior year segmental analysis to present both years on a consistent basis.

2. Following a change in presentation, which has resulted in a reclassification of deferred income and diversions income released to the income statement, previously credited to operating costs.

REGULATED WATER AND WASTE WATER PBIT

COVID impacts but adjusted PBIT remains in line with expectations



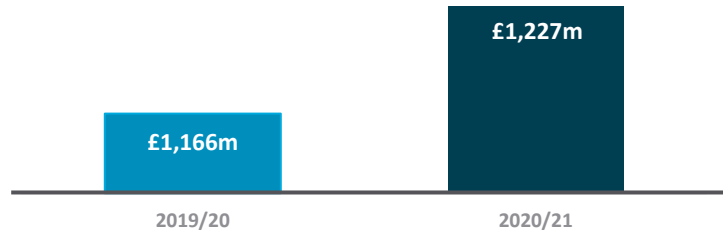
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CUSTOMER COLLECTIONS

Customer support doubled while improving collection performance

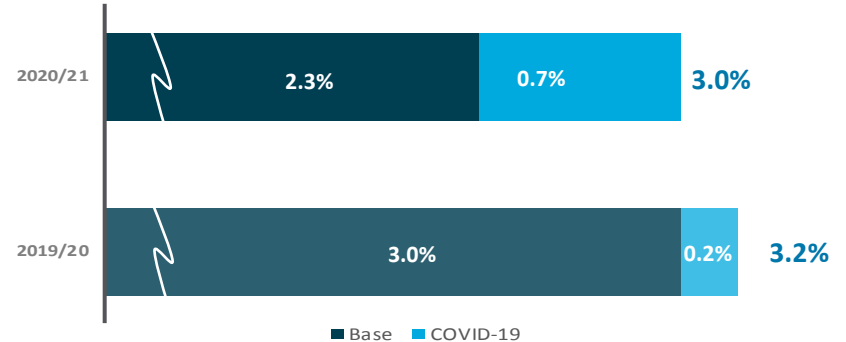
Data-driven approach to targeting delivers 5% increase in collections



Multiple payment channels available and 68% direct debit penetration

Doubled the number of customers supported year-on-year to over 150,000 through our support schemes

Higher collections leading to lower bad debt



Bad debt charge decreased from 3.2% to 3.0% on Ofwat industry measure; c.70bps improvement excl. COVID top-up

COVID-19 provision top up of £9.6 million (2019/20: £2.2 million) for expected impact of future unemployment

BUSINESS SERVICES

Short-term COVID impact in 20/21, recovery already underway

Financial results

Turnover: £134.7m

-2.3%

EBITDA: £39.3m

-17.6%

Operating Services

Robust performance from stable long-term contracts, providing resilience through the pandemic

Green Power

COVID-19 impact of commercial food waste shortages and low H1 energy prices; **positive growth prospects as economy emerges from lockdown**; expanded kerbside collection and operational efficiencies

Property Development

EBITDA lower year-on-year due to timing of disposals. Increased sales from FY22. On track to achieve **£100m property profits by 2027**

FINANCING PERFORMANCE

Effective interest cost continues to fall

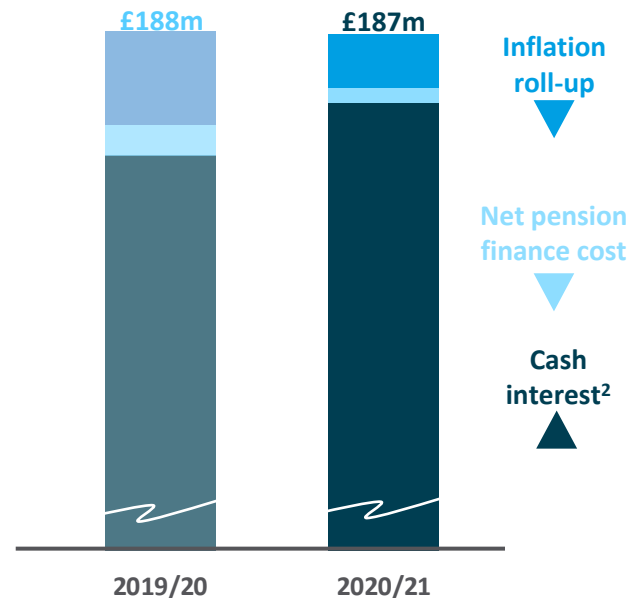
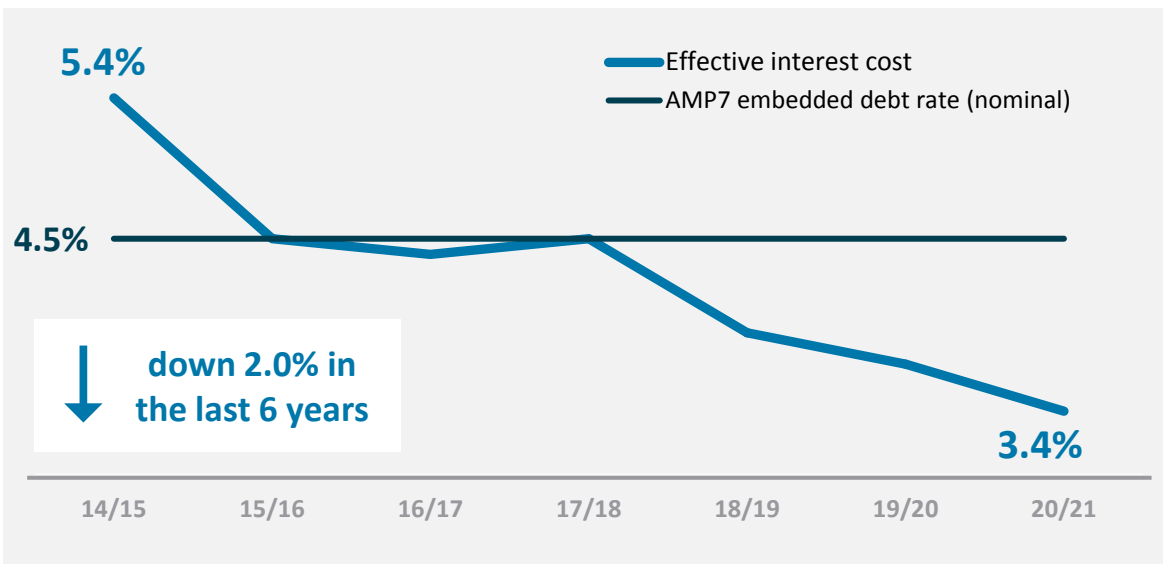
Effective interest cost¹

3.4%
down 30bps

Effective cash cost of
interest

3.1%
flat

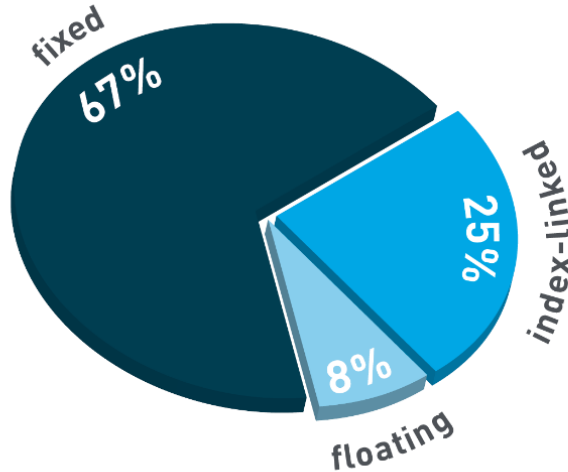
New debt outperforming
iBoxx rate³



1. Before net pension finance costs but including capitalised interest.
2. Net of capitalised interest of £30.4 million (2019/20: £44.2 million). Gross cash cost of interest was £192.9 million (2019/20: £187.5 million).
3. A/BBB non-financial corporates iBoxx Index

FINANCING STRATEGY

Strong liquidity and flexibility to support long-term growth



Balanced debt portfolio in good shape for future outperformance

Net debt¹

£6,443.8m

Regulated gearing²

64.5%

Sustainable RCF agreed through to at least 2026

£1 billion

1. Includes cross currency swaps, before transaction costs.

2. Regulated gearing based on Severn Trent Water Group regulated net debt of £6,150m (31 March 2020: £6,187m).

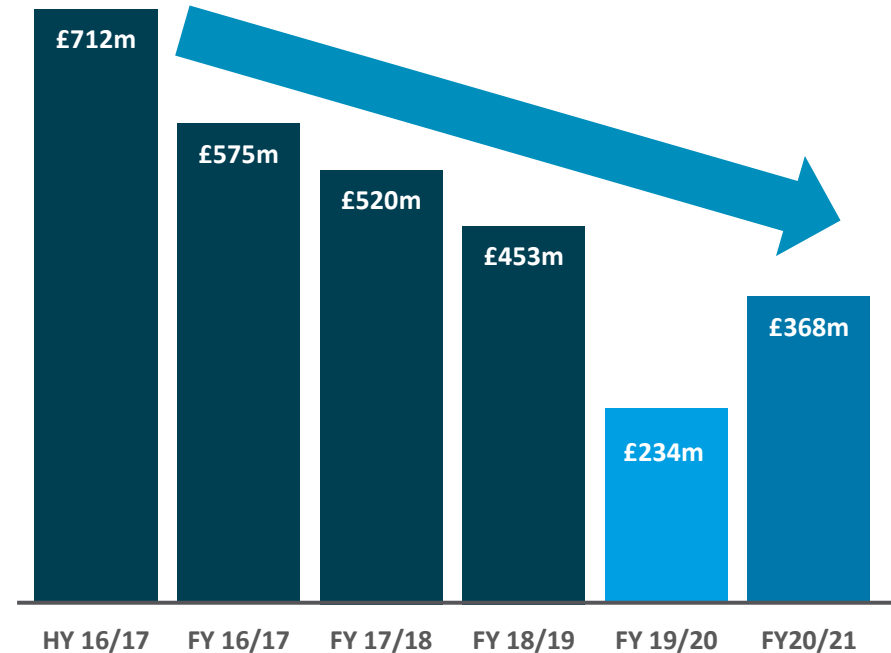
PENSIONS

Deficit reduction plan on track despite volatile market conditions

Effective hedging strategy – protection against lower gilt yields and higher inflation

Asset performance – increased asset values in volatile equity conditions

Sustainable cash contributions – average annual contributions of £60 million agreed throughout AMP7 – on track with journey plan



FY22 TECHNICAL GUIDANCE

Regulated Water and Waste Water		FY21	Year-on-Year
Turnover¹	£1.78 billion to £1.81 billion. Includes c.£50 million of diversions income related to HS2.	£1.69bn	▲
Operating costs (incl. IRE)	Higher year-on-year, driven by a planned step-up in our IRE programme and continued upward sector-wide pressure on energy and chemicals costs.	£878m	▲
ODIs²	Continued outperformance across Water, Waste, Environmental and Customer measures, delivering a net reward of at least £40 million.	£79m	▼
Business Services			
Adjusted PBIT	Double digit percentage growth, driven by increased property sales.	£26m	▲
Group			
Interest charge	Increasing year-on-year from higher forecast inflation and greater total net debt.	£187m	▲
Tax rate³	We expect the impact of the acceleration of capital allowances and the "super deduction" on our increased capital programme to be greater than our taxable profit before these items.	11.4%	▼
Group capex	£550 million to £650 million including Green Recovery.	£593m	↔
Dividend⁴	Annual dividend growth of CPIH. 2021/22 dividend 102.14 pence.	101.58p	▲

1. Includes new presentation of deferred income and diversions income released to turnover in the income statement..

2. Customer Outcome Delivery Incentives are quoted pre-tax in 2017/18 prices.

3. Total effective tax rate is expected to be c.19%.

4. 2021/22 dividend growth rate is based on November 2020 CPIH of 0.55%.

TRANSACTION SUMMARY

Raising capital to support our Green Recovery ambitions



Equity placing

- **Equity placing of c.4%** of existing market capital, raising c.£250m
- Including retail offering through PrimaryBid
- **Supporting investment and RCV growth: +6.6%**
- **Strong investment proposition**

Use of proceeds

- **Delivering sustainable benefits** for current and future generations in our region;
- **Improving the environment;** and
- **Creating jobs**

Timeline

- **Expected launch 19 May**
- Deployment of capital over AMP7

FINANCIAL SUMMARY

Resilient financials providing strong foundation for future growth



**Sector-leading customer ODIs
£79m**

**Adjusted PBIT¹ in line with expectations
£473m**

**Effective interest cost² down 30bps
3.4%**

6.6% additional RCV growth, revised AMP RCV real growth 10.4%

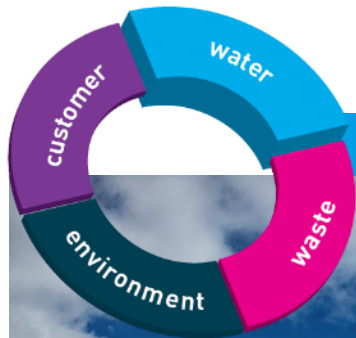
**Dividend in line with policy
101.58 pence**

1. Adjusted profit before interest and tax (PBIT) excludes amortisation of acquired intangible assets. Reported PBIT of £470.7m (2019/20: £568.2m) includes amortisation of acquired intangible assets of £2.1m (2019/20: £2.1m).
2. Before net pension finance costs but including capitalised interest.

LIV GARFIELD

Chief Executive





RECORD YEAR IN WATER

Major advances in Water performance

Ensuring our water is of the highest quality

Step change in CRI scores and improving water quality complaints by more than **60%** and **10%** respectively

Focusing on customer key measures

Targeting those measures customers care about most with **reductions in persistent low pressure** and **leadership in lead pipe replacement by HD**

Using technology to improve efficiency

Installing **over 80,000 water meters** through the year, leading to improvements in leakage performance and water efficiency

Educating the next generation of customers

More than 750 classes provided to schools in our region teaching on responsible water usage and sewer savviness

LEADERS IN WASTE

Integrated approach delivers targeted benefits



Focus on hotspot areas has **decreased blockages by 30%**

Targeted approach

Installing **up to 40,000 sensors by 2025** in our network giving us better data and insight

Investing in technology

Beating our pollutions target by **20% through targeted improvements on key assets**

Focus on key assets

Reduction of **31%** year-on-year in sewer flooding following successful strategies

Protecting customers' homes





ENVIRONMENT-LED APPROACH

Outperformance underpinned by exciting future partnerships

Full AMP biodiversity delivered in year 1

Delivering AMP target with **ambitions to improve 5,000ha by 2027**, enhancing the environment

Catchment management

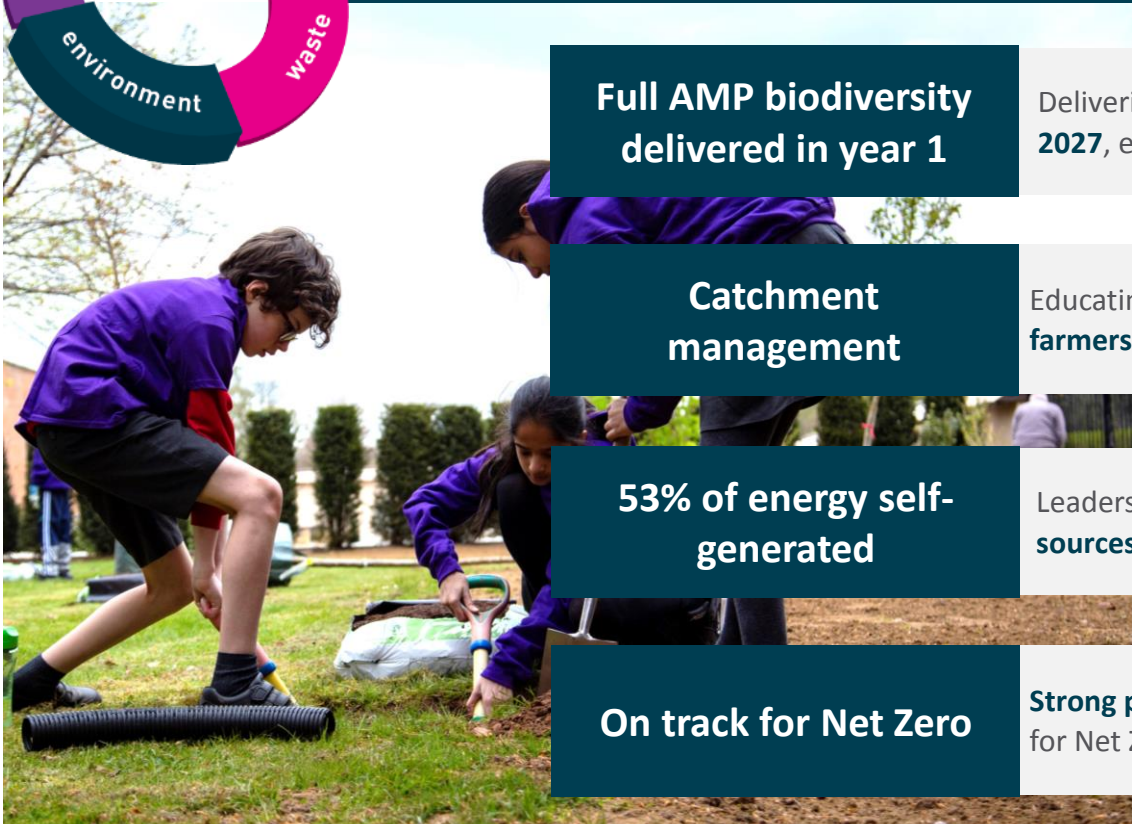
Educating and **creating partnerships with over 7,000 farmers**, improving the quality of our water resources

53% of energy self-generated

Leaders in **generating energy from our own renewable sources**, helping reduce our emissions further

On track for Net Zero

Strong progress on Triple Carbon Pledge, aligned with plans for Net Zero by 2030, Scope 2 emissions target met



CUSTOMERS FIRST

Supporting our customers through a difficult year



Supported **more than 150,000 customers** and launched COVID-specific **Back on Track scheme**

Doubled number of customers supported

Creating an **intelligent customer system** so we're available whenever our customers need us

Using digital initiatives

Net reward across C-MeX and D-Mex, and **continued progress on UKCSI** with upper quartile position among utilities

Upper quartile in UKCSI

Creating partnerships with local authorities and councils to ensure we help those who need it most

Building partnerships



OUR PEOPLE, OUR COMMUNITIES

Developing our people and caring for our communities



Leaders in diversity: highest performing utility in Hampton Alexander Review, Tortoise Responsibility100, and Social Mobility Index

More than 7,000 training days completed; purpose-built Academy opened to help support colleagues' learning and development; **100,000 hours of free employability training** for our communities


Following launch of Community Fund this year **we awarded over £3 million** to more than 400 charities and not-for-profits in our region

Welcoming **500 Kickstarters** to our business during the year and supporting **#10000BlackInterns** campaign



SUMMARY

Creating foundations for a successful future, with Green Recovery driving increased growth

A person wearing a grey sweater and a green apron is watering several small potted plants with a green watering can. The plants are in terracotta pots and are sitting on a blue wooden surface. The background is a blurred garden with yellow flowers.

Resilient financials delivering performance in line with expectations

Strong operational performance and best-ever customer ODIs of £79m

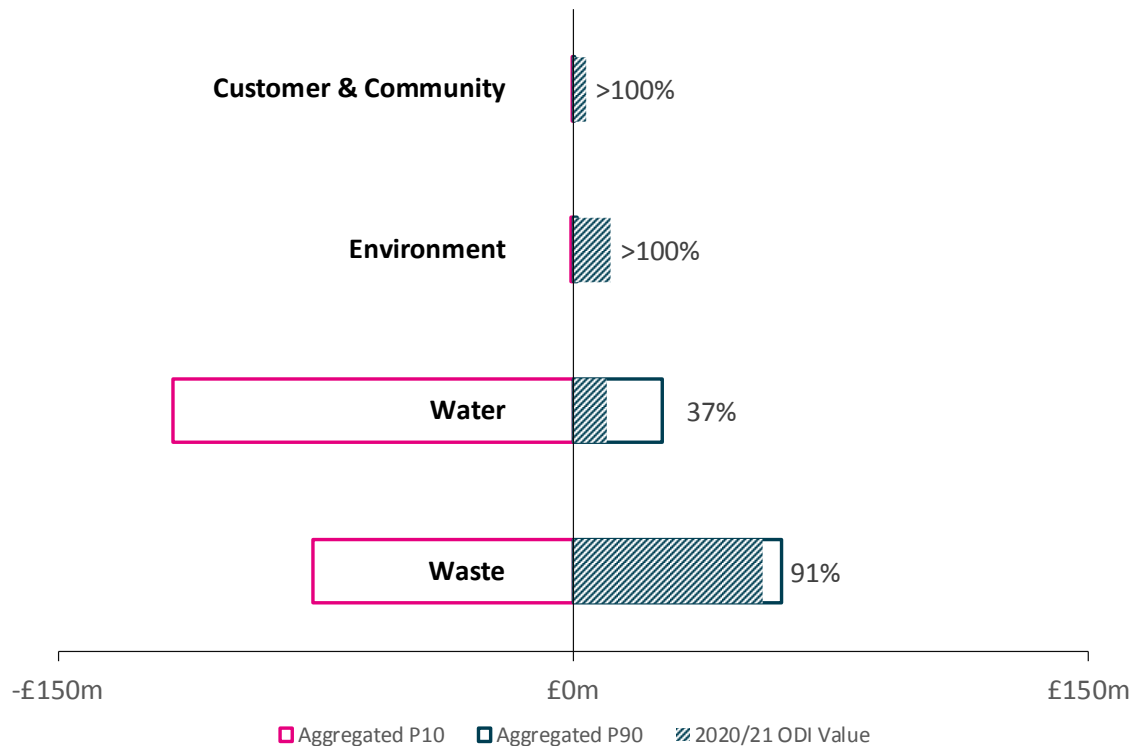
Helping our region bounce back and creating 2,500 jobs through Green Recovery award of £565m

Supporting our environment, communities and colleagues – on track for Net Zero by 2030; improving 5,000ha by 2027

APPENDIX

OUTCOME DELIVERY INCENTIVES

Aggregated P10 – P90 outlook



ADJUSTED EBITDA¹

2020 (restated) ²		2021	Variance	Variance
£m		£m	£m	%
893.7	Regulated Water and Waste Water	816.1	(77.1)	(8.6)
47.7	Business Services	39.3	(8.9)	(18.5)
(5.5)	Corporate and other	(4.9)	0.6	10.9
(0.8)	Eliminations	–	0.8	100
935.1	Severn Trent Group	850.5	(84.6)	(9.0)

1. Earnings before interest, tax, depreciation, amortisation and amortisation of acquired intangible assets.

2. Restated in line with the change in the basis of segmentation, with Bioresources and Developer Services now included within Regulated Water and Waste Water rather than in Business Services.

BUSINESS SERVICES ADJUSTED EBITDA¹

	Regulated £m	Non Regulated £m	Total £m
Operating Services and Other	4.0	18.9	22.9
Green Power	(0.8)	14.9	14.1
Property Development	3.2	(0.9)	2.3
Adjusted EBITDA	6.4	32.9	39.3
Depreciation	(0.2)	(12.7)	(12.9)
Amortisation ²	—	(0.6)	(0.6)
Adjusted PBIT	6.2	19.6	25.8

1. Earnings before interest, tax, depreciation, amortisation and amortisation of acquired intangible assets.

2. Excluding amortisation of acquired intangible assets.

SEGMENTAL ADJUSTED PBIT¹

2020 (old basis) £m	Bioresources £m	Developer Services £m	2020 (new basis) ² £m		2021 £m	Variance £m	Variance %
511.5	29.3	(0.4)	540.4	Regulated Water and Waste Water	452.1	(88.3)	(16.3)
64.9	(29.3)	0.4	36.0	Business Services	25.8	(10.2)	(28.3)
(5.6)	–	–	(5.6)	Corporate and other	(5.1)	0.5	(8.9)
(0.5)	–	–	(0.5)	Consolidation adjustments	–	0.5	(100.0)
570.3	–	–	570.3	Severn Trent Group	472.8	(97.5)	(17.1)

1. Profit before interest, tax and amortisation of acquired intangible assets.

2. Under the new basis of segmentation, Bioresources and Developer Services are included within Regulated Water and Waste Water rather than in Business Services.

DEPRECIATION¹

2020 (restated) ² £m		2021 £m	Variance £m	Variance %
352.8	Regulated Water and Waste Water	364.0	11.2	3.2
12.2	Business Services	13.5	1.3	10.6
0.1	Corporate and other	0.2	0.1	100.0
(0.3)	Eliminations	–	0.3	100.0
364.8	Severn Trent Group	377.7	12.9	3.5

1. Including amortisation of intangible assets and depreciation of right-of-use assets, before amortisation of acquired intangible assets.

2. Restated in line with the change in the basis of segmentation, with Bioresources and Developer Services now included within Regulated Water and Waste Water rather than in Business Services.

NET FINANCE COSTS

2020				2021		
Income statement charge £m	Capitalised interest £m	Gross interest incurred £m		Income statement charge £m	Capitalised interest £m	Gross interest incurred £m
143.3	44.2	187.5	Cash interest (including accruals)	162.5	30.4	192.9
11.1	–	11.1	Net pension finance cost	5.4	–	5.4
34.0	–	34.0	Inflation uplift on index-linked debt	19.2	–	19.2
188.4	44.2	232.6		187.1	30.4	217.5

ADJUSTED EARNINGS PER SHARE

2020 £m	2021 £m	Variance £m	Variance %
570.3 Adjusted profit before interest and tax	472.8	(97.5)	(17.1)
(188.4) Net finance costs	(187.1)	1.3	0.7
– Gain on impairment of loan receivable	3.6	3.6	(100.0)
381.9 Adjusted profit before tax	289.3	(92.6)	(24.2)
(39.7) Tax at the adjusted effective rate of 11.4% (2020: 10.4%)	(33.0)	6.7	16.9
5.2 Current tax in respect of prior years	3.6	(1.6)	(30.8)
– Share of current year loss of joint venture	(8.9)	(8.9)	(100.0)
347.4 Earnings for the purpose of adjusted basic and diluted earnings per share	251.0	(96.4)	(27.7)
238.0 Weighted average number of ordinary shares for basic earnings per share	238.1	0.1	–
146.0 Adjusted basic EPS	105.4	(40.6)	(27.8)

GROUP BALANCE SHEET

31 March 2020 £m		31 March 2021 £m	Variance £m	Variance %
9,954.8	Property, plant and equipment, right-of-use assets, intangible assets and goodwill	10,261.4	306.6	3.1
43.2	Working capital	15.2	(28.0)	(64.8)
(1,188.3)	Deferred income	(1,259.1)	(70.8)	(6.0)
(234.0)	Net retirement benefit obligations	(367.7)	(133.7)	(57.1)
(44.0)	Provisions	(43.2)	0.8	1.8
3.1	Current tax	(0.2)	(3.3)	(106.5)
(901.1)	Deferred tax	(906.0)	(4.9)	(0.5)
(158.5)	Other derivative financial instruments	(117.9)	40.6	25.6
7,475.2	Capital employed	7,582.5	107.3	1.4
1,243.7	Equity	1,138.7	(105.0)	(8.4)
6,231.5	Net debt	6,443.8	212.3	3.4
7,475.2		7,582.5	107.3	1.4

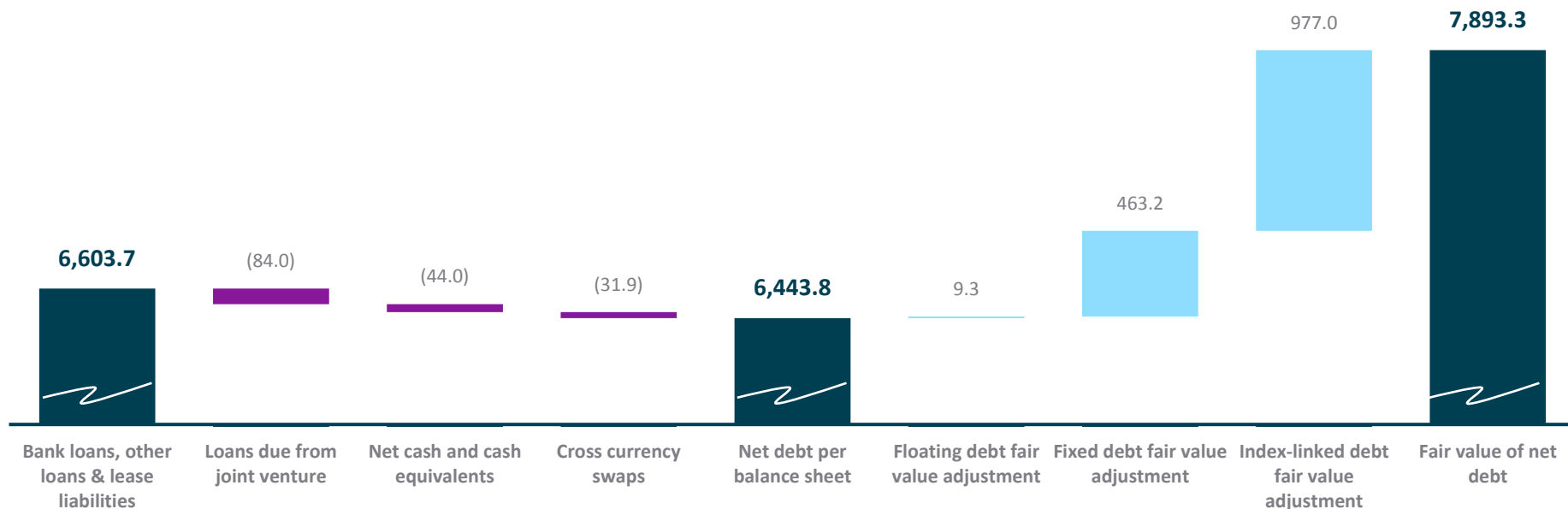
NET DEBT

31 March 2020 £m		31 March 2021 £m	Variance £m	Variance %
(1,251.9)	Bank loans	(1,011.1)	240.8	19.2
(5,058.5)	Other loans	(5,471.3)	(412.8)	(8.2)
(122.7)	Lease liabilities	(121.3)	1.4	1.1
48.6	Net cash and cash equivalents	44.0	(4.6)	(9.5)
60.4	Cross currency swaps	31.9	(28.5)	(47.2)
92.6	Loans due from joint venture	84.0	(8.6)	(9.3)
(6,231.5)	Net debt	(6,443.8)	(212.3)	(3.4)

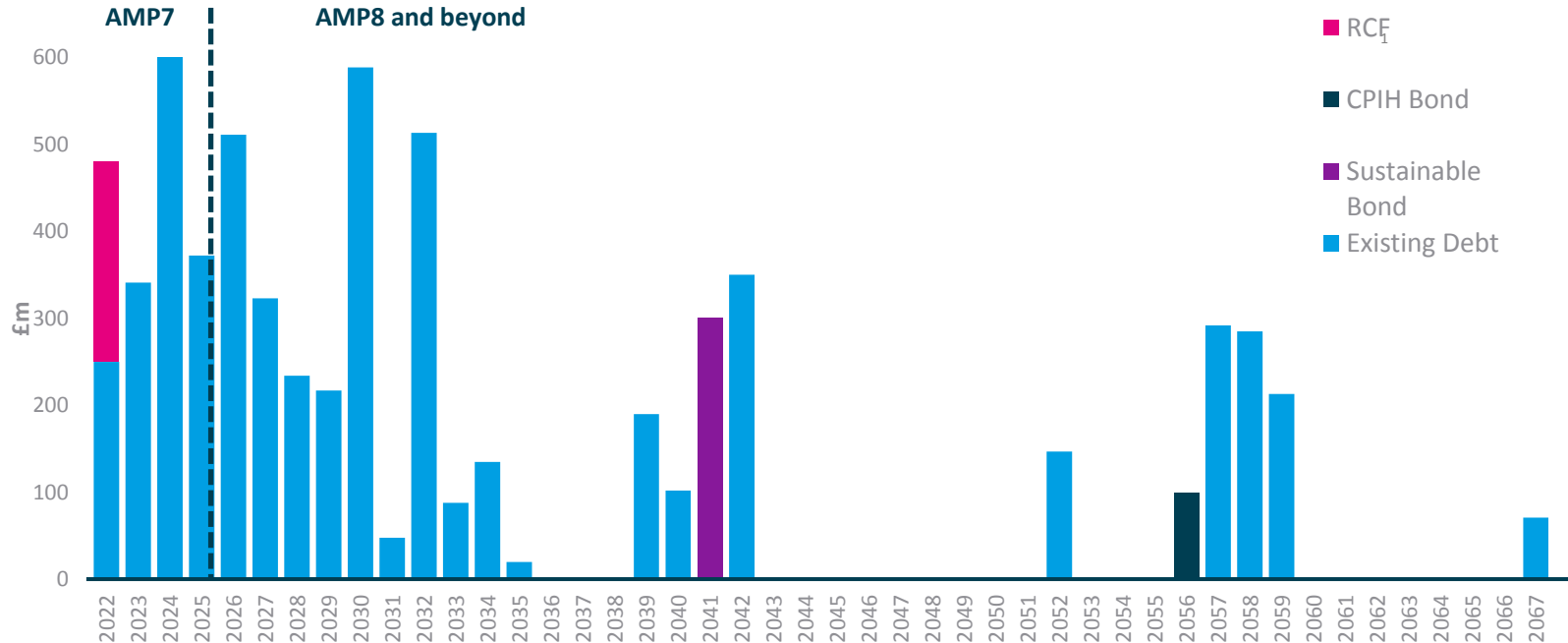
FAIR VALUE OF DEBT

31 March 2020 £m		31 March 2021 £m	Variance £m	Variance %
(1,128.0)	Floating rate debt	(1,050.8)	77.2	6.8
(4,214.7)	Fixed rate debt	(4,366.1)	(151.4)	(3.6)
(2,042.2)	Index-linked debt	(2,636.3)	(594.1)	(29.1)
(7,384.9)		(8,053.2)	(668.3)	(9.0)
48.6	Net cash and cash equivalents	44.0	(4.6)	(9.5)
92.6	Loans due from joint venture	84.0	(8.6)	(9.3)
60.4	Cross currency swaps	31.9	(28.5)	(47.2)
(7,183.3)	Fair value of net debt	(7,893.3)	(710.0)	(9.9)
(6,231.5)	Net debt (previous slide)	(6,443.8)	(212.3)	(3.4)
(951.8)	Difference	(1,449.5)	(497.7)	(52.3)

ANALYSIS OF BORROWINGS & NET DEBT



DEBT MATURITY



1. A new £1 billion Revolving Credit Facility ('RCF') was agreed by the Group in April 2021 which has a tenor of 5 years plus two one year extension options. Amounts borrowed under the Group's RCF are drawn with 1 month's maturity, and subsequently replaced each month with new drawings based on liquidity requirements.

CAPITAL EXPENDITURE (NET CASH)¹

2020 (restated) ² £m	2021 £m	Variance £m	Variance %
790.1 Regulated Water and Waste Water	584.1	(206.0)	(26.1)
9.3 Business Services	9.1	(0.2)	(2.2)
0.1 Corporate and other	–	(0.1)	(100.0)
799.5 Severn Trent Group	593.2	(206.3)	(25.8)

1. Including purchases of property, plant and equipment, intangible assets, proceeds on disposal of property, plant and equipment and contributions and grants received.

2. Restated in line with the change in the basis of segmentation, with Bioresources and Developer Services now included within Regulated Water and Waste Water rather than in Business Services.

GEARING AND CREDIT RATINGS

31 March 2020	30 September 2020	Net debt/RCV ¹	31 March 2021
64.9%	66.1%	Severn Trent Group ²	67.5%
64.4%	63.9%	Severn Trent Water Group ³ ("Regulated Gearing")	64.5%

31 March 2020		31 March 2021		
Severn Trent Water	Severn Trent Plc	Severn Trent Water	Severn Trent Plc	Outlook
Baa1	Baa2 Moody's	Baa1	Baa2	Stable
BBB+	BBB Standard and Poor's	BBB+	BBB	Stable

1. Estimated RCV at 31 March 2021.

2. Based on Severn Trent Plc Group net debt of £6,444m (31 March 2020: £6,232m).

3. Based on Severn Trent Water Group regulated net debt of £6,150m (31 March 2020: £6,187m) .