

Q3 Trading Update and AMP7 Dividend Policy

Released : 28/01/2020

RNS Number : 0681B
Severn Trent PLC
28 January 2020

28 January 2020

Severn Trent Plc Q3 Trading Update and AMP7 Dividend Policy

Severn Trent Plc today announces its Q3 trading update and a new dividend policy for the next five years:

- There have been no material changes to performance or outlook for the year 2019/20.
- Severn Trent Water accepts its Final Determination for the period 2020-2025.
- An AMP7 dividend policy with a growth rate of at least CPIH.

Trading update for the period 1 October 2019 to 28 January 2020

We continue to benefit from the efficiencies we have delivered in AMP6, putting us on the right cost run rates for AMP7. Our capital programme is now in its final stages with the Birmingham Resilience Programme due to complete construction in March.

Overall, we remain on track to deliver at least £25 million in customer ODI net outperformance payments for the year. This will take the total amount deferred to AMP7 revenue to at least £177 million in nominal prices.

We continue to deliver improvements in our operational water measures and the work we are doing to enhance our local environment through the Water Framework Directive is progressing well. As anticipated, the significantly more stretching targets we agreed with Ofwat for our flooding measures have been challenging and we expect penalties on some of these to partially offset outperformance in other areas.

PR19 Final Determination

Following a detailed review, the Board of Severn Trent Water Limited has decided to accept the Final Determination for the period 2020-2025, published by Ofwat on 16 December 2019.

This decision has been made taking into consideration:

- The 'in the round' approach taken by Ofwat;
- A totex allowance for the next five years of £6.8 billion - in line with our PR19 business plan;
- Our stretching but achievable suite of customer ODIs, such as a 15% reduction in leakage, 5% reduction in blockages, and helping 200,000 customers a year to pay their bill by 2025; and
- An expected RCV real growth rate of 3.8%, creating long-term value for our shareholders.

AMP7 dividend policy

The Severn Trent Plc Board has reviewed the Final Determination alongside current performance and, taken together with other market considerations, is pleased to announce that the dividend policy for AMP7 will be growth of at least CPIH. Based on the FY19/20 dividend of 100.08p, the dividend for FY20/21 is therefore expected to be 101.58p, using CPIH of 1.50%¹.

Webcast

We will be holding a short presentation and Q&A at 13:00 GMT today, with Liv Garfield, Chief Executive, James Bowling, Chief Financial Officer, and Shane Anderson, Head of Economic Regulation.

To access the webcast online, please follow the link: <https://edge.media-server.com/mmc/p/mvujwi5f>

If you are unable to access the webcast, you will find the presentation on our website (severntrent.com) and conference call details are as follows:

- UK Dial-In: 08003767425
- International Dial-In: +44 (0) 203 0095710
- Conference ID: 5483307

¹ Based on November 2019 CPIH as reported by the Office of National Statistics.

Financial calendar

Q3 Trading Update - This announcement is in place of the Q3 trading update scheduled on 5 February 2020. There will no longer be a scheduled announcement on this day.

Capital Markets Day - Centred on delivering a sustainable future, this Capital Markets Day will be held at Severn Trent Centre, Coventry, on 4 March 2020. Please RSVP to investorrelations@severntrent.co.uk.

Full year results - The Severn Trent annual results presentation will take place on 20 May 2020 at the earlier time of 8.30am. Full details will be circulated in due course.

Enquiries

Investors & Analysts

Rich Eadie Severn Trent Plc +44 (0) 7889 806578
Head of Investor Relations

Rachel Martin Severn Trent Plc +44 (0) 7824 624011
Investor Relations Manager

Media

Jonathan Sibun Tulchan Communications +44 (0) 207 353 4200
Press Office Severn Trent Plc +44 (0) 247 771 5640

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. No assurances can be given that the forward-looking statements in this document will be realised. 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).

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.rns.com.

END

TSTPPUAPGUPUGMM