

Q3 Trading Update and AMP7 Dividend Policy

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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:

