



INTERIM RESULTS 22/23

22 November
2022



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.

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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.

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

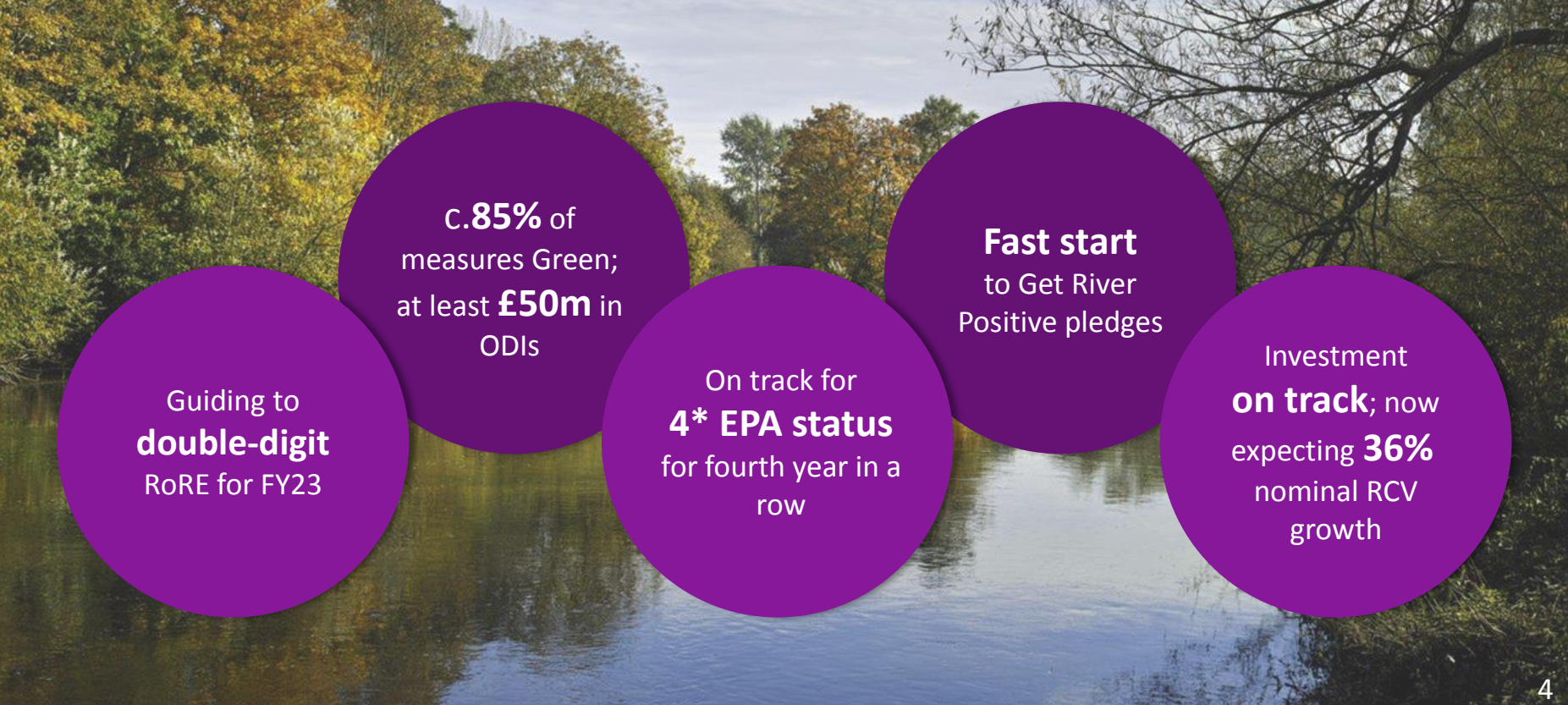
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LIV GARFIELD

Chief Executive



HALF YEAR HIGHLIGHTS



Guiding to
double-digit
RoRE for FY23

C.**85%** of
measures Green;
at least **£50m** in
ODIs

On track for
4* EPA status
for fourth year in a
row

Fast start
to Get River
Positive pledges

Investment
on track; now
expecting **36%**
nominal RCV
growth

JAMES BOWLING

Chief Financial Officer



HALF YEAR FINANCIAL HIGHLIGHTS

Robust
cost control
contributing to
Group PBIT
up 2%

**Financing
outperformance**
supporting double
digit RoRE guidance

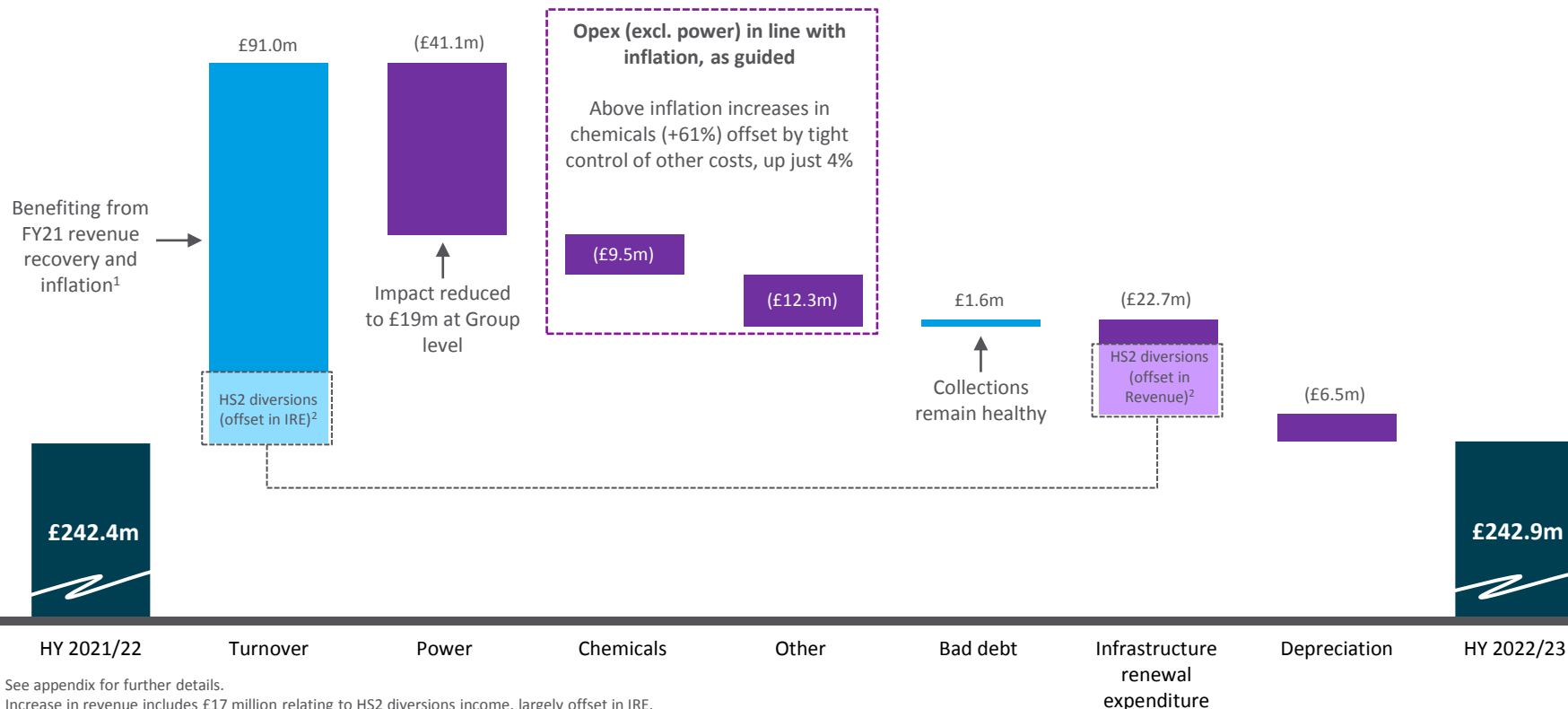
Strong balance
sheet:
58%
regulatory
gearing

2022 pension
valuation agreed
- **unchanged**
contributions

**£50 million
upgrade**
to property
profit guidance

REGULATED WATER AND WASTE WATER

Strong cost control and revenue recovery supporting PBIT



BUSINESS SERVICES

Providing energy protection and additional Group dividend capacity through growth

Business
Services
Turnover

£81.4m
+ 23.1%

Business
Services
EBITDA

£30.7m
+ 28.5%

Green Power

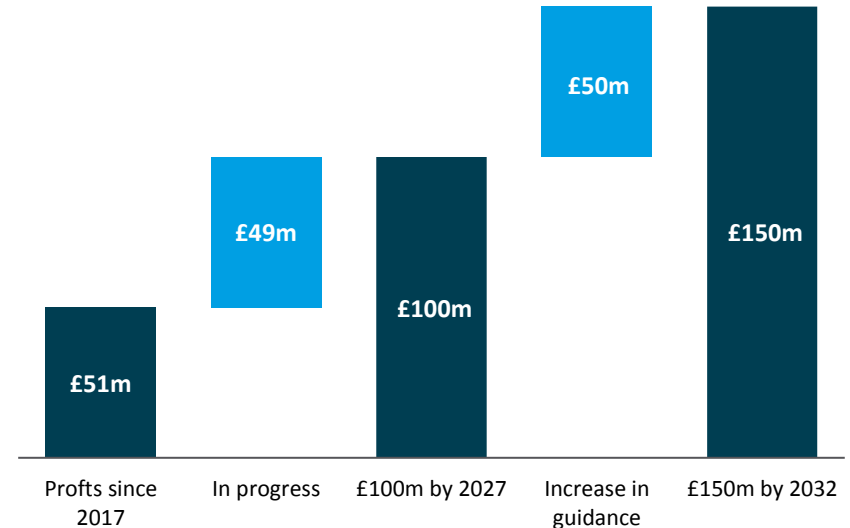
Assets operating at **96%** efficiency; **207,000 tonnes** of food waste processed

Operating
Services

Delivering **strong performance** on long-term contracts, and **winning new contracts**

Property

£50 million upgrade to property profits by 2032; averaging £10m PBIT each year

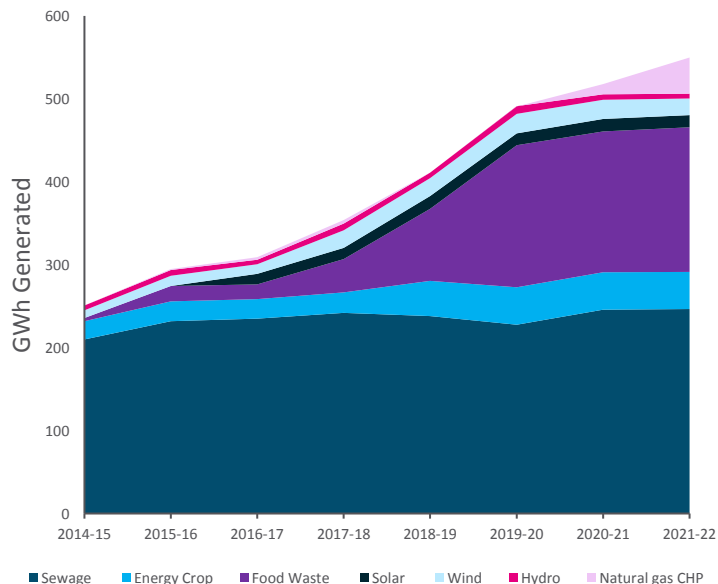


IMPACT OF POWER COSTS

Group equity returns protected from market volatility through our hedging strategy

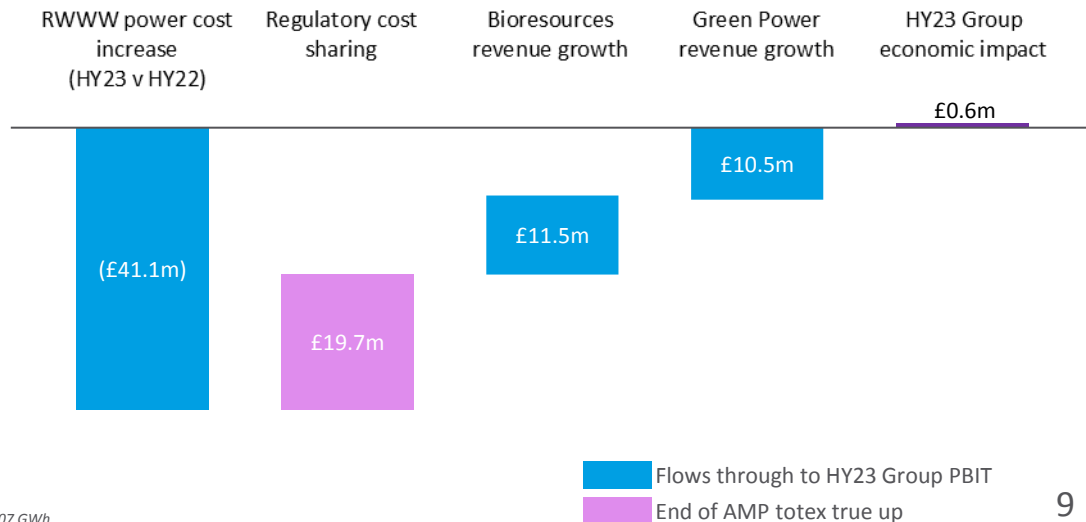
Energy self-generation

We have invested £370m in increasing our energy generation capacity over the past decade. We generated 550¹ GWh in FY22 – equivalent to over half our energy needs.



Natural economic hedge protecting the Group

Net Group power costs have increased by £19m, in line with guidance. After regulatory cost sharing Group Return on Equity impact is broadly neutral.

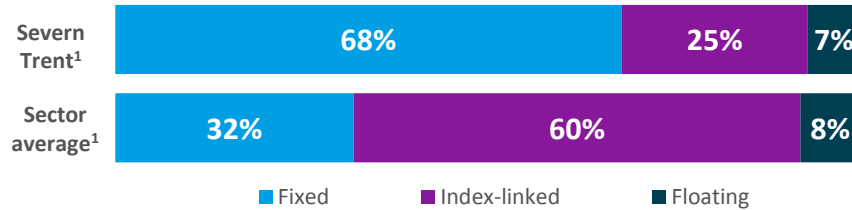


1. Total generation including natural gas CHP engines was 550 GWh, total generation from renewable sources was 507 GWh.

FINANCING STRATEGY

Active treasury management driving financing outperformance and financial resilience

Well-positioned for continued AMP7 outperformance



FY22 cost of debt over 1.5% lower than sector average²

1. Severn Trent Plc Group debt mix shown as at 30 Sept 2022; Sector average debt mix per published company Annual Performance Reports for FY22, excluding Severn Trent Water and Hafren Dyfrdwy.

2. Per the published company Annual Performance Reports for FY22. Sector average excludes Severn Trent and Hafren Dyfrdwy.

Increase in finance costs largely non-cash inflation accretion

Effective cash interest cost HY23⁴ 3.1%
No change

Effective interest cost HY23⁵ 6.4%
Up 220bps

4. Excludes inflation accretion on index-linked debt and net pension finance costs.

5. Includes inflation accretion on index-linked debt, but excludes net pension finance costs.

New debt allowance linked to iBoxx, providing regulatory protection in a rising rate environment

£400m New debt raised this half year

£1.3bn Total new debt raised in AMP7

24 bps Average iBoxx outperformance³

3. Weighted average outperformance on all debt raised in AMP7 to date – 1 April 2020 to 30 September 2022.

Financially resilient in an uncertain debt market

Credit ratings⁶ on stable outlook: Baa1/BBB+

£1.2bn committed facilities

Access to a wide range of debt markets

6. Relates to Severn Trent Water credit ratings. Refer to appendix for Severn Trent Plc credit ratings.

STRONG RETURNS

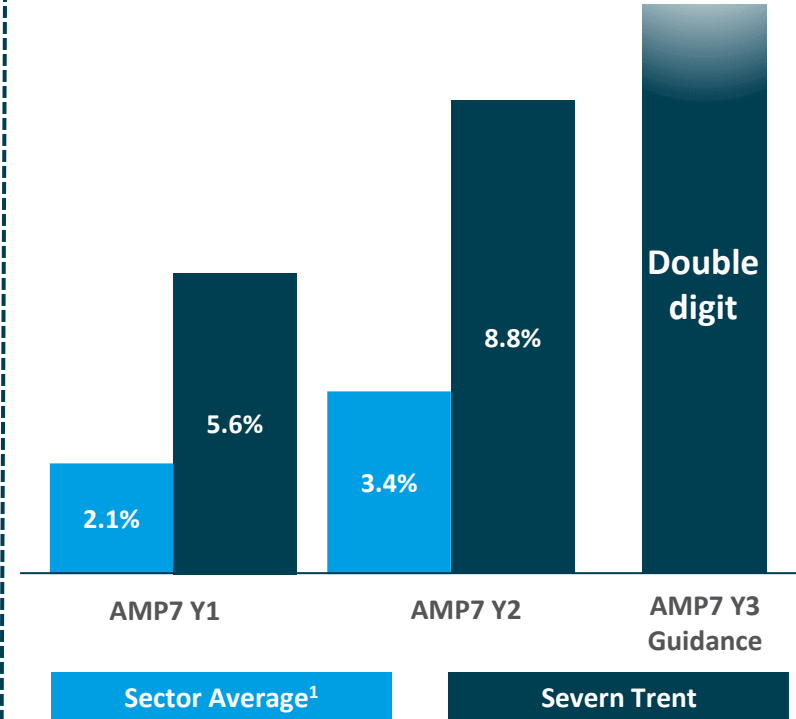
Guiding to double-digit RoRE for FY23, consistently outperforming sector

Delivering across all three levers of outperformance

ODIs: Continued operational excellence delivering an expected year 3 **Customer ODI reward of at least £50 million**

Financing: Active treasury management across AMP6 and AMP7 driving upper quartile cost of debt; higher inflation flowing through to strong financing outperformance

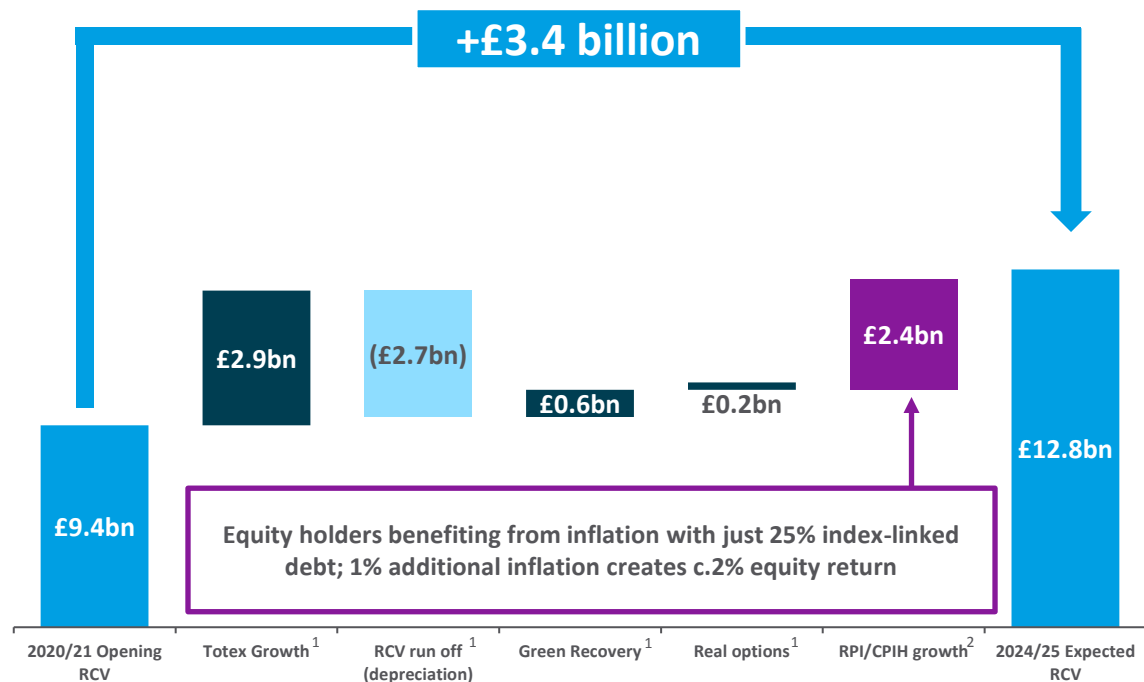
Totex: Effectively mitigating inflationary cost pressures to manage totex within our allowance



1. Sector average excludes Severn Trent Water and Hafren Dyfrdwy; AMP7 Y1 data per Ofwat's Monitoring Financial Resilience 2020-21 report; AMP7 Y2 data per published company Annual Performance Reports for FY22.

SUBSTANTIAL RCV GROWTH

Large investment programme and higher inflation increasing RCV by £3.4bn over AMP7



AMP7 set to be highest nominal growth period to date

| | |
|---------------------------------|-----|
| Real RCV growth ³ | 11% |
| Nominal RCV growth ³ | 36% |
| Mid-AMP gearing ⁴ | 58% |

Well-positioned for multiple AMP investment plans, proven ability to deliver large programmes, supported by balance sheet capacity

1. Quoted in nominal prices.

2. Indexation on opening RCV. Assumes forecast CPIH of 8.2% for 2022/23, 2.4% for 2023/24, and 1.9% for 2024/25 and forecast RPI of 12.5% for 2022/23, 3.4% for 2023/24 and 3.0% for 2024/25 as per Oxford Economics October 2022 forecast.

3. Includes PR19 Final Determination, Green Recovery and real options. See footnote 2 for inflation assumptions.

4. Based on Severn Trent Water Group regulated net debt of £6,248.9m (31 March 2022: £6,044m) and HD regulated net debt of £34m (31 March 2022: £36m).

FY23 TECHNICAL GUIDANCE

Changes to guidance presented in May 2022 shown in bold

| Regulated Water and Waste Water | | FY22 | Year-on-year |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------|
| Turnover ¹ | £1.97 billion to £2.02 billion. Includes c. £45 million ² for diversions income related to HS2, which is broadly offset in IRE. | £1.80bn | ▲ |
| Other operating costs | Higher year-on-year, including £20 million increase in Green Recovery related opex, higher chemicals costs and other increases in line with inflation. | £631m | ▲ |
| Infrastructure renewals expenditure ('IRE') | c.15% higher year-on-year , mostly due to HS2 ² activity (which is broadly offset in turnover), together with an increase in base spend in line with AMP7 plan. | £198m | ▲ |
| ODIs ³ | Continued outperformance on increasingly stretching targets, delivering a net reward of at least £50 million. End of AMP ODIs expected to contribute £40-50 million in 2024/25. | £77m | ▼ |
| STW RoRE ⁴ | Higher year-on-year, expecting a double-digit outturn. | 8.8% ⁵ | ▲ |
| Business Services | | | |
| EBITDA (excl. property) | Higher year-on-year driven by increased revenue in Severn Trent Green Power. | £40m | ▲ |
| Property profit | On track to deliver £100 million profit over ten years to 2027, then a further £50 million to be delivered by 2032. 2022/23 profits around 50% lower year-on-year due to timing of sales. | £13m | ▼ |
| Group | | | |
| Group net power costs | Group net power costs expected to be c.£50 million higher year-on-year, with RWWW power costs up c.£100m; offset by higher revenue of c.£25m in each of Bioresources and Green Power. | - | ▲ |
| Interest charge | c.40%-45% higher year-on-year based on latest inflation⁴ and interest rate forecasts. | £269m | ▲ |
| Adjusted effective current tax rate ⁶ | Adjusted effective current tax rate of nil due to "super deduction" and other accelerated capital allowances on our substantial capital investment programme. | 0.6% | ↔ |
| Capital investment ⁷ | £575 million to £675 million including Green Recovery, with the majority of spend in the second half of the year. | £604m | ▲ |
| Dividend ⁸ | 2022/23 dividend of 106.82 pence, in line with our policy of annual growth by CPIH. | 102.14p | ▲ |

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

2. For 2021/22, diversions income and costs related to HS2 were £27 million.

3. Customer Outcome Delivery Incentives are quoted pre-tax in 2017/18 prices. We assume a 25% rate of corporation tax to be in place when ODIs are taken into revenue.

4. Based on Oxford Economics October inflation forecast. Index-linked debt comprising c.25% of our total debt.

5. 2021/22 reported performance in line with Severn Trent Water Annual Performance Report 2022.

6. Total effective tax rate is expected to be c.25%. This includes both current and deferred tax charges.

7. Guidance now set on an accruals basis; previously we have used a cash figure. 2021/22 cash capex was £594m. A full reconciliation on both the old and new basis can be found in our alternative performance measures in note 18 of our results announcement.

8. 2022/23 dividend growth rate based on November 2021 CPIH of 4.6%.

SUMMARY

Increasing visibility providing confidence in future delivery

Expecting **double-digit RoRE** in FY23, consistently outperforming sector

Strong **cost control** and effective energy hedge supporting **robust financial performance** and protecting customer bills

Strategically positioned to continue **outperforming on financing**, with regulatory protection in a rising rate environment

Balance sheet capacity for substantial investment programme in AMP7 and beyond



LIV GARFIELD

Chief Executive



CAPITAL PROGRAMME ON TRACK

Managing our programme effectively and efficiently to deliver the best outcomes

On track to deliver large **capital programme**, including Green Recovery, delivering **10.8%** real RCV growth

Creating 2 new
bathing rivers

Installing
500,000 meters

Improving
2,100km
of rivers

Catchment-
scale flooding
resilience

Nature based
solutions

Increasing
water resources



Over **70%** of £2.9bn core AMP7 capital programme either **delivered** or **prices locked in**

Fast start to the AMP

Fast track status gave **early certainty** on investment
Bolstered capacity during pandemic

Key skills in-house

Insourced **capital design**, with 200 dedicated experts
End to end ownership from concept to operation

Deeper supply chain

50 **new suppliers** and co-locating to collaborate
Direct contracting with smaller tier 2 and 3 suppliers

Agile procurement

Delivery secured through **advance procurement**
More control through smart contract management

Underpinned by **delivery-driven culture**

**TO FIND OUT MORE ABOUT
WATER RESILIENCE**

[CLICK HERE](#)

WONDERFUL ON TAP



DELIVERING FOR OUR CUSTOMERS

At least £50m net ODI reward this year; on track to meet or exceed c.85% of targets

c.85%
on track

Consistently delivering **operational excellence**, earning **over £200m¹** in AMP7 ODIs by the end of year 3

Persistent low pressure

Set to reduce by 50% by the end of year three

Water quality complaints

Reduced by almost 50% over the last six years

Biodiversity

Improved biodiversity of 4,700 hectares of land

Speed of response

Improved by 44% so far this AMP

Pollutions

On track to deliver best ever pollutions performance

Blockages

Reduced by a third so far this AMP

Main areas of continued focus

Supply
interruptions

External sewer
flooding

Mains repairs

Water Resilience

Minimal disruption for our customers in one of the driest summers since 1836

Investment in water assets
increasing resilience of supplies

Insourcing skills and smarter management
reducing loss of water

Working with customers to **reduce demand** and protect resources



Behind the scenes of our latest TV ad, encouraging customers to save water

1. Includes £76m earned in FY21, £77m earned in FY22 and guidance of at least £50m for FY23.

TAKING CARE OF THE ENVIRONMENT

Making great progress on our environmental commitments

RIVER PLEDGES

Reducing our share of regional
RNAGS¹ to Zero by 2030

Baseline¹ 24%

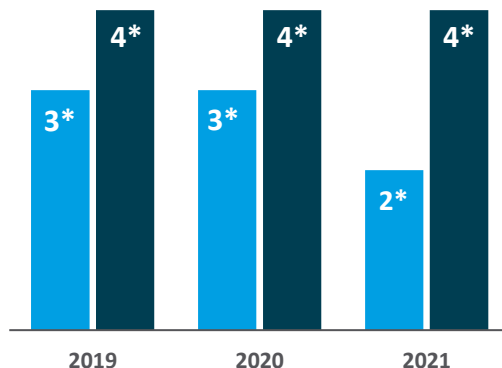
TODAY 17%

2030 0%

Transparent reporting on our five
pledges through new
Get River Positive Advisory Panel

EPA 4 STAR

On track to achieve the EA's highest
environmental rating for the 4th
consecutive year



Severn Trent Water

Sector Average²

TRIPLE CARBON PLEDGE

1 100% of energy from renewable
resources by 2030

2 100% electric fleet by 2030³

3 Net Zero by 2030

Driving forward our net zero plans
through our new innovative
collaboration



aarhusvand

1. Based on data published by the Environment Agency for Reasons for Not Achieving Good Status ('RNAGS') for 2021.

2. Sector average excludes Severn Trent Water and Hafren Dyfrdwy. Data per Environment Agency published ratings.

3. Where available.

SUPPORTING OUR COMMUNITIES

Here to support people in our region now and for the long term

Supporting customers with their bills



Bills among lowest in the sector

An average of around **£1 a day** and flat in real terms over the last decade¹

Supporting more customers

Financially **supporting up to 315,000 customers**, including 90% bill discounts

Making a lasting difference in our communities

Helping support
100,000 people
out of poverty
by 2032



300 work experience placements in 2023

10,000 hours of free skills and employability training

Pop-up Academies, in the heart of our communities

1. FY13 average bill of £326 compared to FY23 average bill of £323 in 2012/23 prices (£389 in nominal prices)

TO LEARN MORE ABOUT OUR NEW 10-YEAR SOCIETAL STRATEGY

[CLICK HERE](#)

WONDERFUL ON TAP



SUMMARY

Expecting **36% nominal RCV** growth this AMP, well-positioned to deliver long-term investment requirements

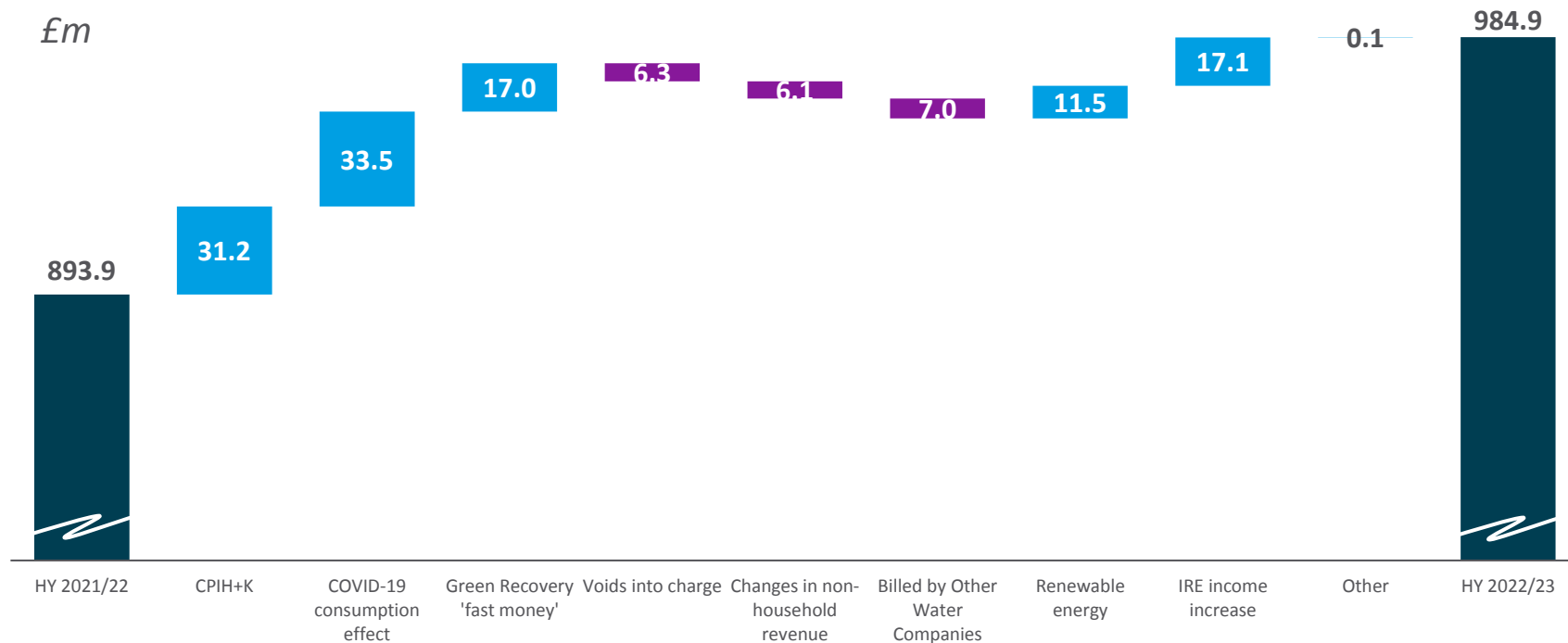
Continuing to deliver for customers, **hitting c.85% of measures**, supporting double-digit RoRE guidance for FY23

Great progress on **environmental commitments**, with fast start on **Get River Positive** pledges and **4* EPA** status on track

Helping our customers with bills today, and **supporting our communities** over the long-term with new 10-year societal strategy

APPENDIX

REGULATED WATER AND WASTE WATER REVENUE



EBITDA¹

| H1 2021/22 £m | | H1 2022/23 £m | Variance £m | Variance % |
|------------------|---------------------------------|------------------|----------------|---------------|
| 435.3 | Regulated Water and Waste Water | 442.3 | 7.0 | 1.6 |
| 23.9 | Business Services | 30.7 | 6.8 | 28.5 |
| (3.0) | Corporate and other | (3.3) | (0.3) | (10.0) |
| 456.2 | Severn Trent Group | 469.7 | 13.5 | 3.0 |

1. Earnings before interest, tax, depreciation and amortisation.

BUSINESS SERVICES EBITDA¹ AND PBIT²

| | Regulated £m | Non Regulated £m | Total £m |
|-------------------------------|-----------------|------------------------|-------------|
| Operating Services and Other | 1.9 | 10.3 | 12.2 |
| Green Power | 0.3 | 16.9 | 17.2 |
| Property Development | 1.4 | (0.1) | 1.3 |
| EBITDA | 3.6 | 27.1 | 30.7 |
| Depreciation and amortisation | – | (8.0) | (8.0) |
| PBIT | 3.6 | 19.1 | 22.7 |

1. Earnings before interest, tax, depreciation and amortisation.

2. Profit before interest and tax.

SEGMENTAL PBIT¹

| H1 2021/22 | | H1 2022/23 | Variance | Variance |
|------------|---------------------------------|------------|----------|----------|
| £m | | £m | £m | % |
| 242.4 | Regulated Water and Waste Water | 242.9 | 0.5 | 0.2 |
| 16.4 | Business Services | 22.7 | 6.3 | 38.4 |
| (3.2) | Corporate and other | (3.9) | (0.7) | (21.9) |
| 255.6 | Severn Trent Group | 261.7 | 6.1 | 2.4 |

1. Profit before interest and tax.

DEPRECIATION¹

| H1 2021/22 £m | | H1 2022/23 £m | Variance £m | Variance % |
|------------------|---------------------------------|------------------|----------------|---------------|
| 192.9 | Regulated Water and Waste Water | 199.4 | 6.5 | 3.4 |
| 7.5 | Business Services | 8.0 | 0.5 | 6.7 |
| 0.2 | Corporate and other | 0.6 | 0.4 | 200.0 |
| 200.6 | Severn Trent Group | 208.0 | 7.4 | 3.7 |

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

NET FINANCE COSTS

| H1 2021/22 | | | | H1 2022/23 | | |
|-------------------------------|----------------------------|-------------------------------|------------------------------------------|-------------------------------|----------------------------|-------------------------------|
| Income statement charge £m | Capitalised interest £m | Gross interest incurred £m | | Income statement charge £m | Capitalised interest £m | Gross interest incurred £m |
| 81.0 | 15.2 | 96.2 | Cash interest (including accruals) | 77.9 | 23.5 | 101.4 |
| 3.4 | – | 3.4 | Net pension finance cost | 1.6 | – | 1.6 |
| 36.4 | – | 36.4 | Inflation accretion on index-linked debt | 107.4 | – | 107.4 |
| 120.8 | 15.2 | 136.0 | | 186.9 | 23.5 | 210.4 |

ADJUSTED EARNINGS PER SHARE

| H1 2021/22 £m | | H1 2022/23 £m | Variance £m | Variance % |
|------------------|---------------------------------------------------------------------------|------------------|----------------|---------------|
| 255.6 | Profit before interest and tax | 261.7 | 6.1 | 2.4 |
| (120.8) | Net finance costs | (186.9) | (66.1) | (54.7) |
| (1.8) | Share of current year profit/(loss) of joint venture | 0.2 | 2.0 | 111.1 |
| 133.0 | Adjusted profit before tax | 75.0 | (58.0) | (43.6) |
| – | Tax at the adjusted effective rate of 0.0% (2021: 0.0%) | – | – | – |
| 133.0 | Earnings for the purpose of adjusted basic and diluted earnings per share | 75.0 | (58.0) | (43.6) |
| 246.5 | Weighted average number of ordinary shares for basic earnings per share | 250.6 | 4.1 | 1.7 |
| 54.0 | Adjusted basic EPS (pence) | 29.9 | | |

GROUP BALANCE SHEET

| 31 March 2022 £m | | 30 September 2022 £m | Variance £m | Variance % |
|---------------------|------------------------------------------------------------------------------------|-------------------------|----------------|---------------|
| 10,609.3 | Property, plant and equipment, right-of-use assets, intangible assets and goodwill | 10,766.5 | 157.2 | 1.5 |
| 16.5 | Investment in joint venture | 16.7 | 0.2 | 1.2 |
| 14.8 | Working capital | (61.4) | (76.2) | (514.9) |
| (1,353.4) | Deferred income | (1,417.3) | (63.9) | (4.7) |
| (128.0) | Net retirement benefit obligations | (142.6) | (14.6) | (11.4) |
| (60.3) | Provisions | (62.4) | (2.1) | (3.5) |
| 6.2 | Current tax | 9.6 | 3.4 | 54.8 |
| (1,320.6) | Deferred tax | (1,355.4) | (34.8) | (2.6) |
| (12.8) | Other derivative financial instruments | 83.0 | 95.8 | 748.4 |
| 7,771.7 | Capital employed | 7,836.7 | 65.0 | 0.8 |
| 1,263.9 | Equity | 1,209.1 | (54.8) | (4.3) |
| 6,507.8 | Net debt | 6,627.6 | (119.8) | (1.8) |
| 7,771.7 | | 7,836.7 | | |

CAPITAL EXPENDITURE (NET CASH)¹

| H1 2021/22 £m | H1 2022/23 £m | Variance £m | Variance % |
|---------------------------------------|------------------|----------------|---------------|
| 233.6 Regulated Water and Waste Water | 274.2 | 40.6 | 17.4 |
| 4.4 Business Services | 6.1 | 1.7 | 38.6 |
| 238.0 Severn Trent Group | 280.3 | 42.3 | 17.8 |

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

NET DEBT

| 31 March 2022 £m | | 30 September 2022 £m | Variance £m | Variance % |
|---------------------|--------------------------------------|-------------------------|----------------|---------------|
| (782.5) | Bank loans | (989.6) | (207.1) | (26.5) |
| (5,823.5) | Other loans | (6,006.4) | (182.9) | (3.1) |
| (117.4) | Lease liabilities | (119.2) | (1.8) | (1.5) |
| 107.7 | Net cash and cash equivalents | 366.0 | 258.3 | 239.8 |
| 28.3 | Cross currency swaps | 49.1 | 20.8 | 73.5 |
| 79.6 | Loans receivable from joint ventures | 72.5 | (7.1) | (8.9) |
| (6,507.8) | Net debt | (6,627.6) | | |

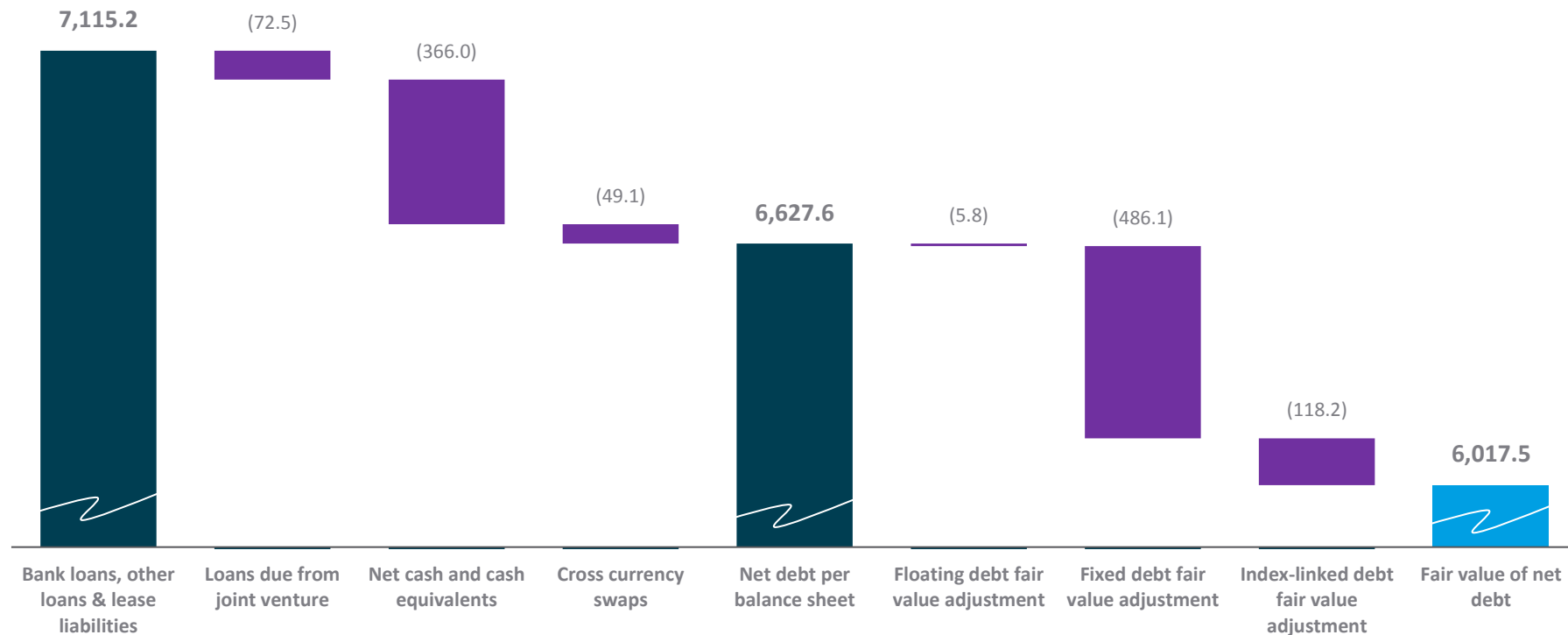
1. Average monthly debt was £6,559.4 million (31 March 2022: £6,278.2 million).

FAIR VALUE OF DEBT ¹

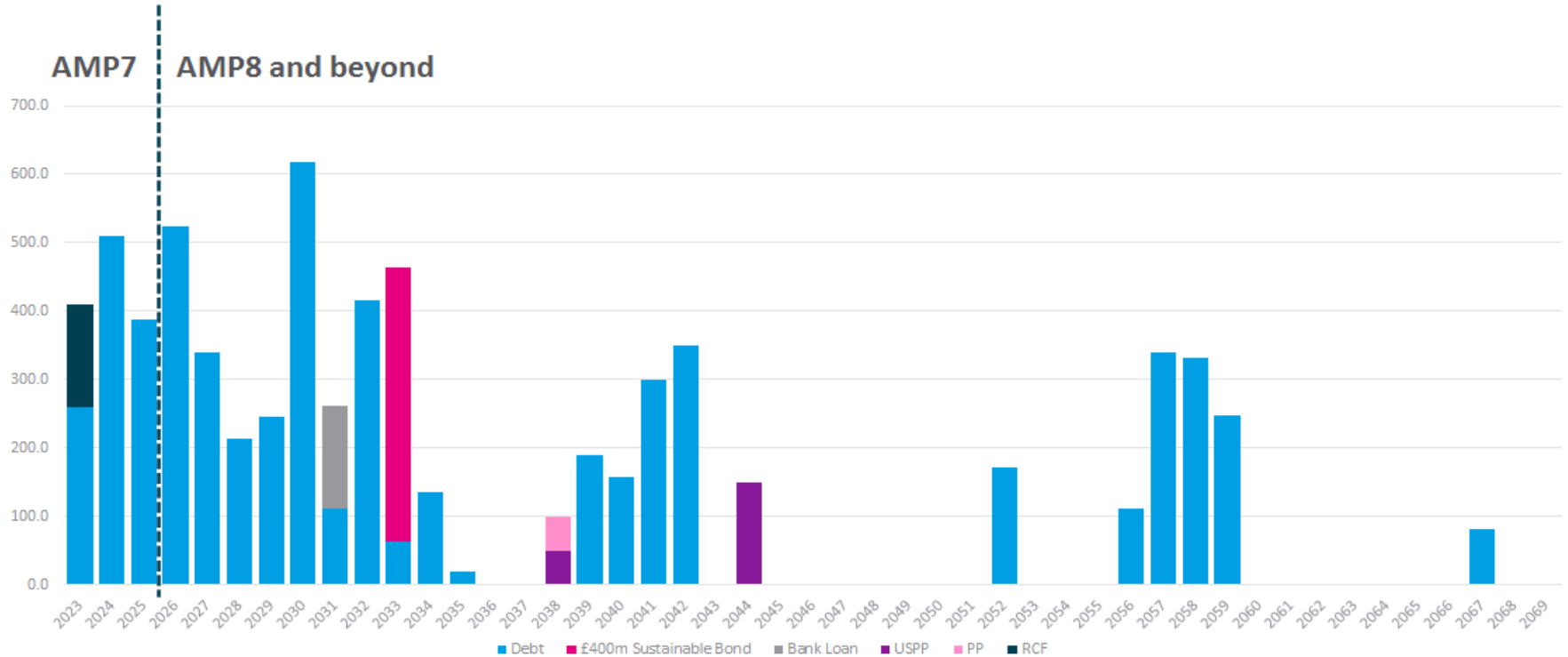
| 31 March 2022 £m | | 30 September 2022 £m | Variance £m | Variance % |
|---------------------|-----------------------------------------|-------------------------|----------------|---------------|
| (814.0) | Floating rate debt | (992.5) | (178.5) | (21.9) |
| (4,379.6) | Fixed rate debt | (3,802.2) | 577.4 | 13.2 |
| (2,605.6) | Index-linked debt | (1,710.4) | 895.2 | 34.4 |
| (7,799.2) | | (6,505.1) | 1,294.1 | 16.6 |
| 107.7 | Net cash and cash equivalents | 366.0 | 258.3 | 239.8 |
| 79.6 | Loans due from joint venture | 72.5 | (7.1) | (8.9) |
| 28.3 | Cross currency swaps | 49.1 | 20.8 | 73.5 |
| (7,583.6) | Fair value of net debt | (6,017.5) | | |
| (6,507.8) | Book value of net debt (previous slide) | (6,627.6) | | |
| (1,075.8) | Difference | 610.1 | | |

1. The floating, fixed and index-linked debt classification above is shown before the impact of interest rate swaps or cross currency swaps

ANALYSIS OF BORROWINGS & NET DEBT



DEBT MATURITY



GEARING AND CREDIT RATINGS

| 30 September 2021 | 31 March 2022 | Net debt/RCV ¹ | 30 September 2022 |
|-------------------|---------------|-------------------------------------|-------------------|
| 63.8% | 63.7% | Severn Trent Plc Group ² | 61.2% |
| 60.8% | 59.5% | Regulatory Gearing ³ | 58.1% |

| 31 March 2022 | | | 30 September 2022 | | |
|--------------------|------------------|---------------------|--------------------|------------------|---------|
| 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 30 September 2022.

2. Based on statutory net debt of £6,627.6m (31 March 2022: £6,507.8m).

3. Based on Severn Trent Water Group regulated net debt of £6,248.9m (31 March 2022: £6,044m) and HD regulated net debt of £34m (31 March 2022: £36m).