# Capital Markets Day

Strategic Plan 2019-21

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CFO

# Agenda

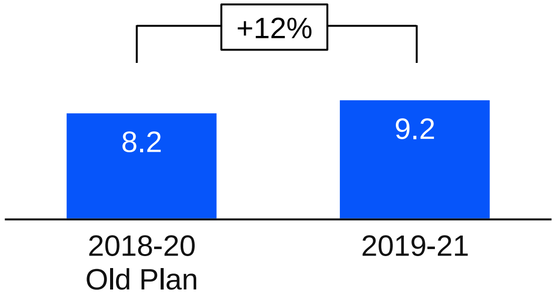
| Alberto De Paoli (CFO) | |
|---|---|
| 2019-21 Our Plan | Capital allocation |
| | Business line highlights |
| | Financial management |
| | Risk management |
| | Earnings & targets |

# 2019-2021

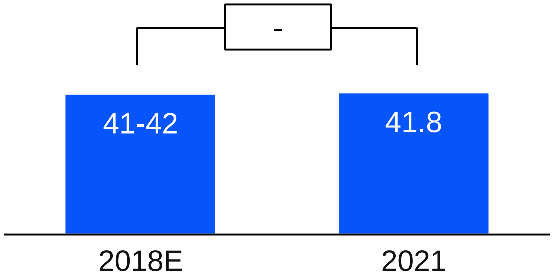
# Our Plan

# New investment cycle drives growth while debt remains stable

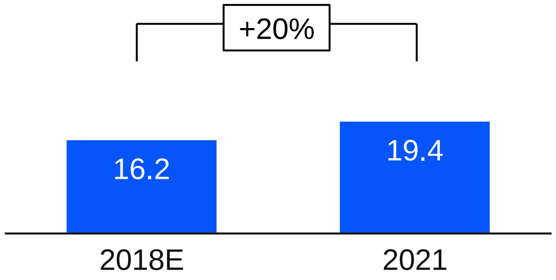
Average capex (€bn)



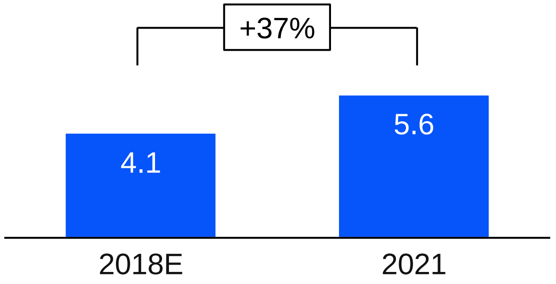

Net Debt (€bn)




EBITDA (€bn)

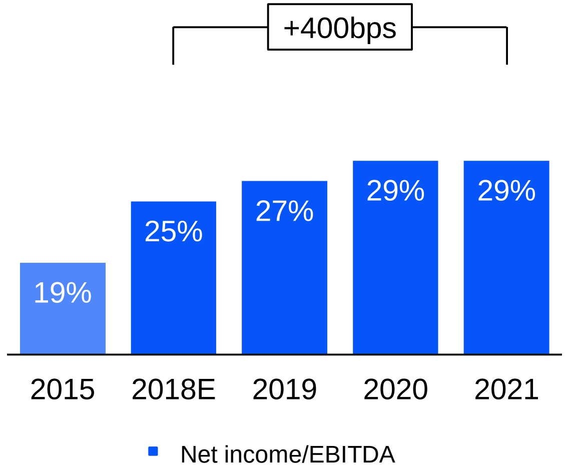



Net income (€bn)

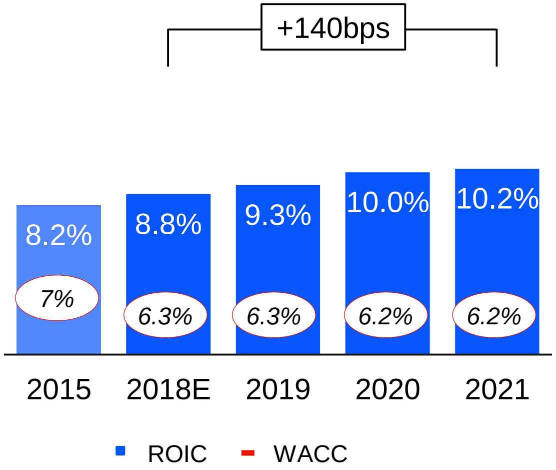


# Solid improvement in profitability, returns, and credit metrics

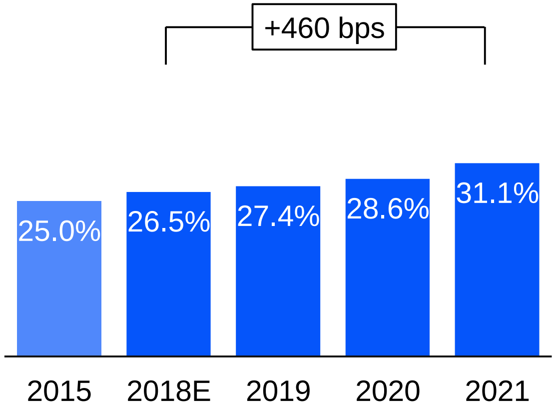
## Profitability




## Return on invested capital




## FFO/Net debt

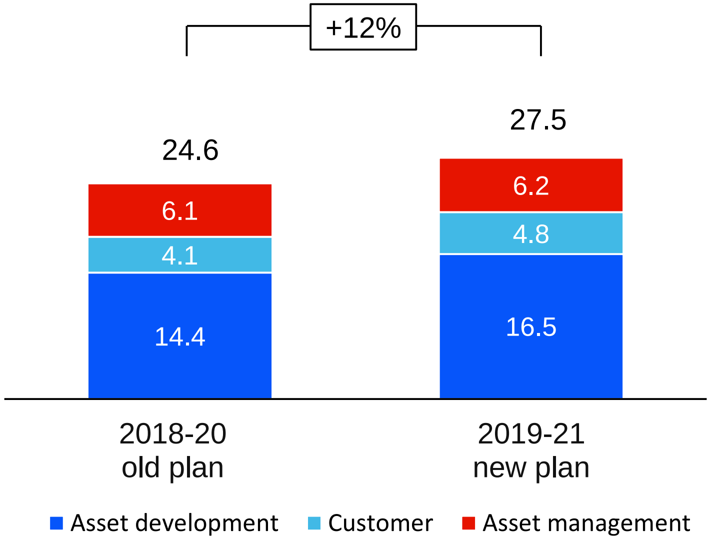


# 2019-2021

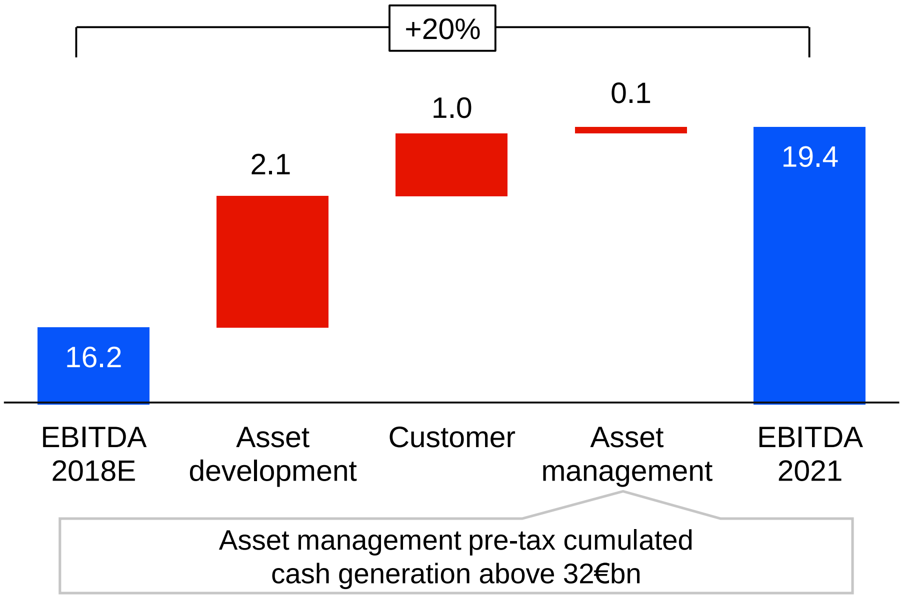
# Capital Allocation

# Increased capex plan focused on asset development and customers

Capex plan[1] (€bn)



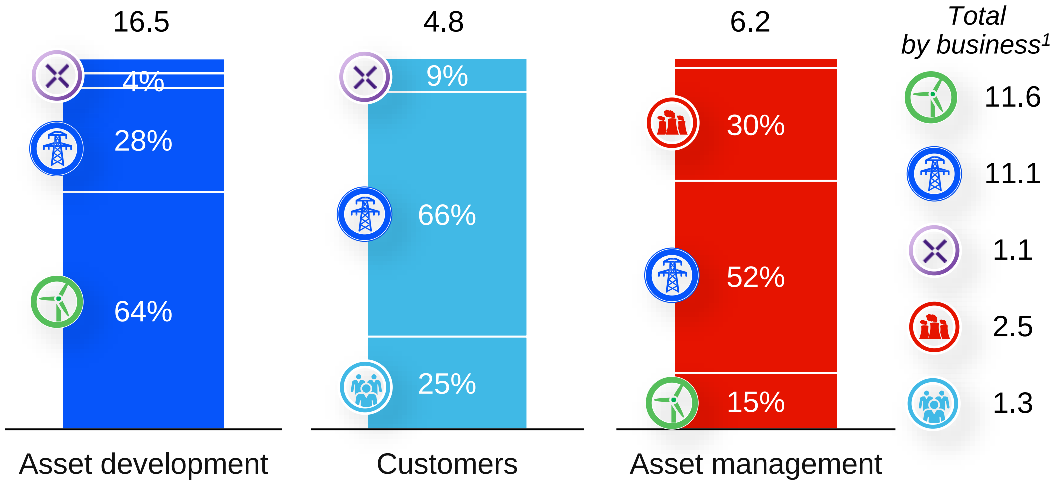

EBITDA evolution by investment (€bn)



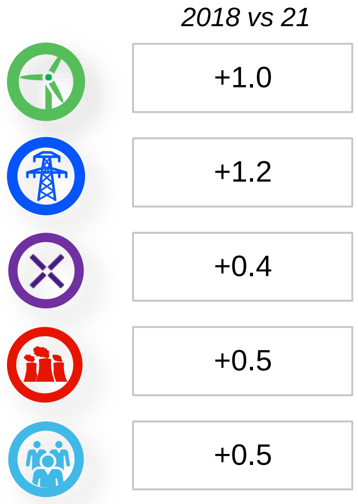

1. It includes 1.6€bn BSO capex

# Growth driven by networks and renewables

## Capital allocation 2019-21 (€bn)



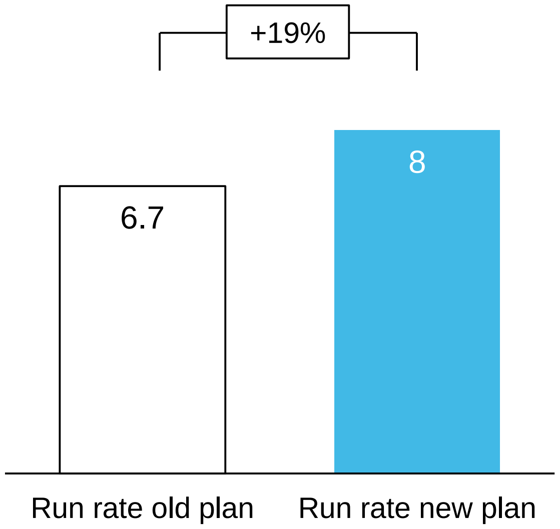

## Incremental EBITDA[2] (€bn)




1. It excludes other equal to -0.1 €mn. Thermal generation includes nuclear
2. Excluding the impact of our asset rotation programme

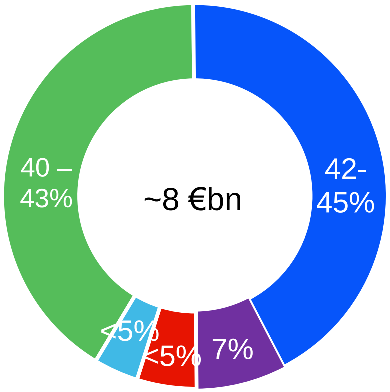
# Beyond plan period, run rate capex grows from 6.7€bn to 8€bn

## Capex run-rate (€bn)




## Drivers of run rate by business line

- Development of 3.5/4 GW per year
- Resiliency, digitalization and service quality
- Infrastructure investments to cope with customers' needs
- Increased flexibility and restructuring in thermal generation fleet
- Retail

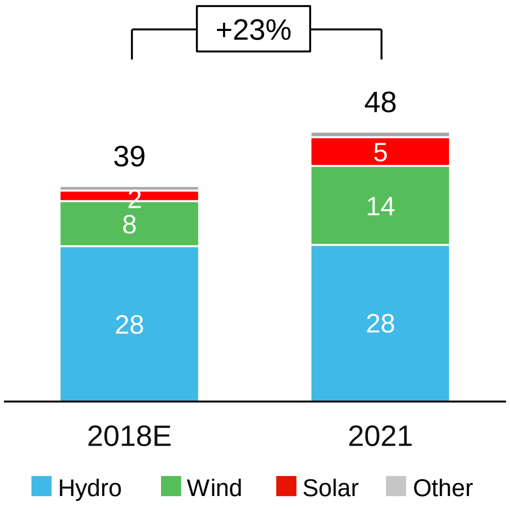


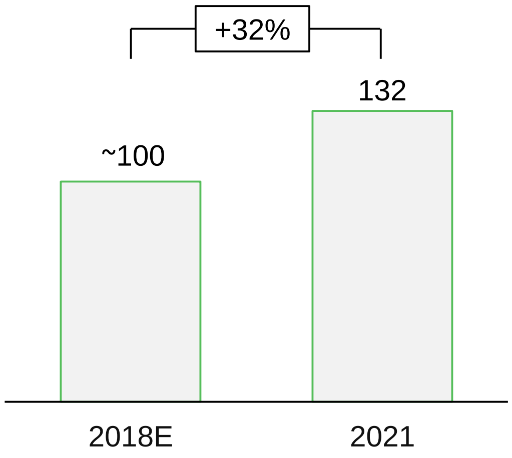
# 2019-2021

# Business Line Highlights

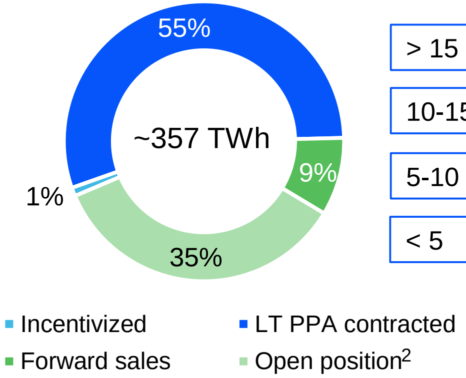
# Renewables: diversifying mix, improved visibility

## Installed capacity and Production by technology[1]




## 2019-21 Sales portfolio composition




*PPA duration (yrs)*

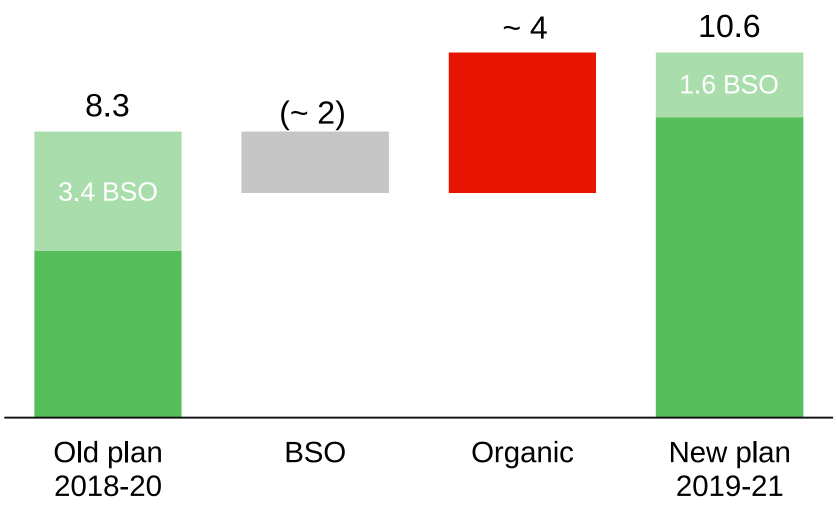
| | |
|---|---|
| > 15 | 38% |
| 10-15 | 14% |
| 5-10 | 17% |
| < 5 | 31% |

~ 65% of cumulated production sold forward

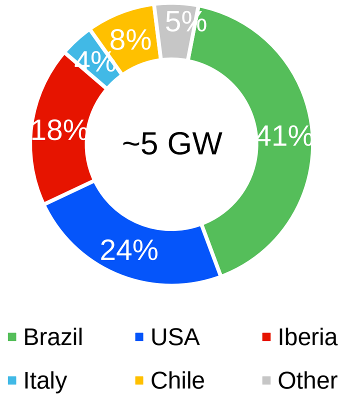
1. Consolidated capacity only
2. Volumes to be sold forward in year n-1

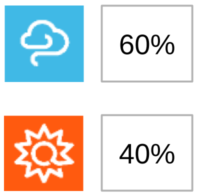
# Incremental asset development capex fully allocated to renewables

## Asset development capex evolution (€bn)




## Incremental renewable capacity by geography and technology



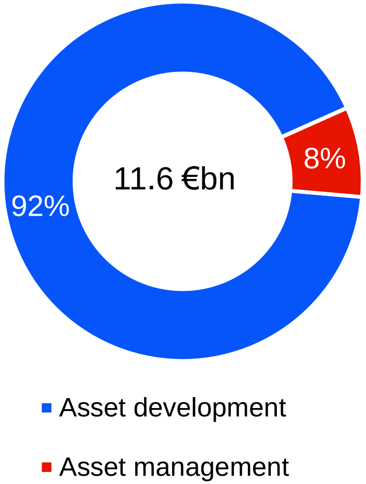




| | | | |
|---|---|---|---|
| EBITDA/CAPEX[1] | **13%** | IRR spread over WACC | **~200 bps** |

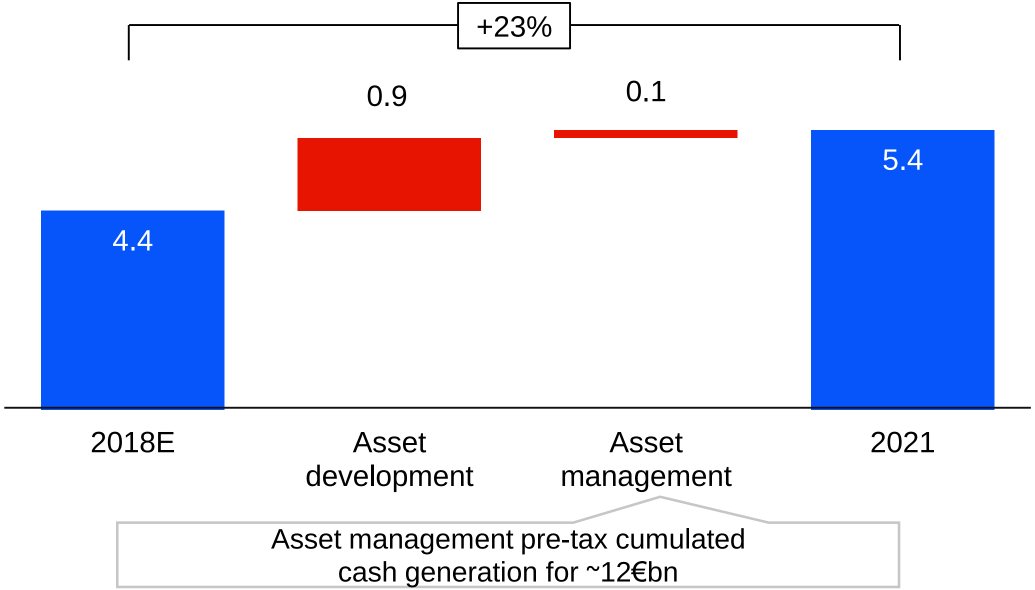
1. Calculated as asset develpoment Ebitda at regime/Capex (net of BSO)

# Renewables: accelerating growth

Gross Capex 2019-21

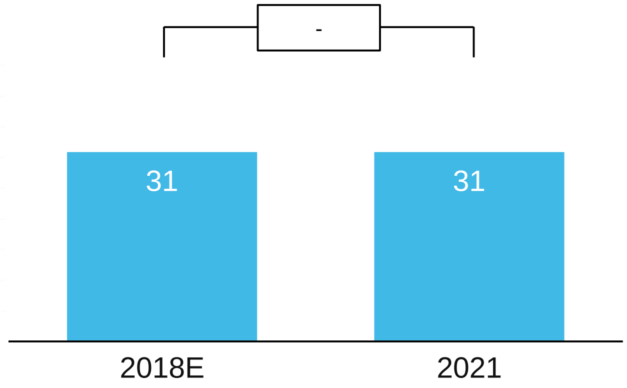



2018-21 EBITDA evolution (€bn)

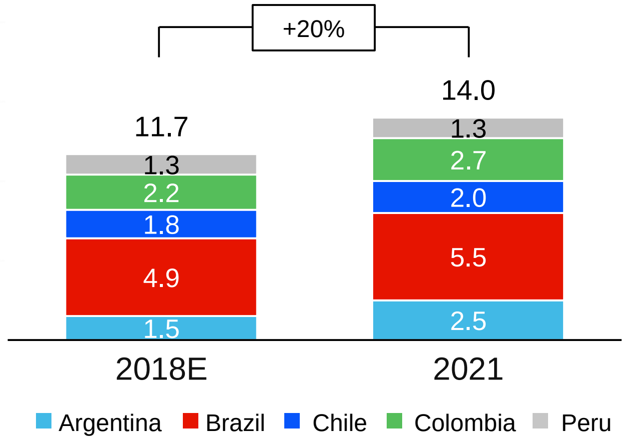


# Networks: 4% total RAB growth

## Europe: RAB evolution (€bn)




## South America: RAB evolution (€bn)

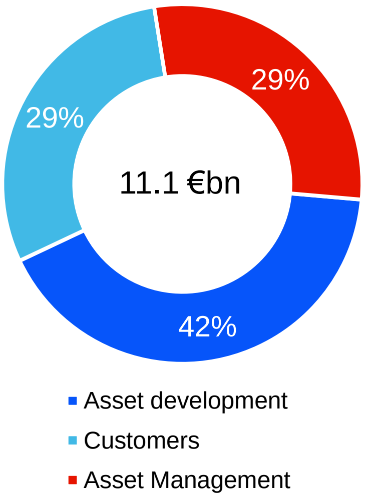



| | Europe 2018E | Europe 2021 | South America 2018E | South America 2021 |
|---|---|---|---|---|
| Energy distributed (TWh) | 356 | 368 | 116 | 149 |

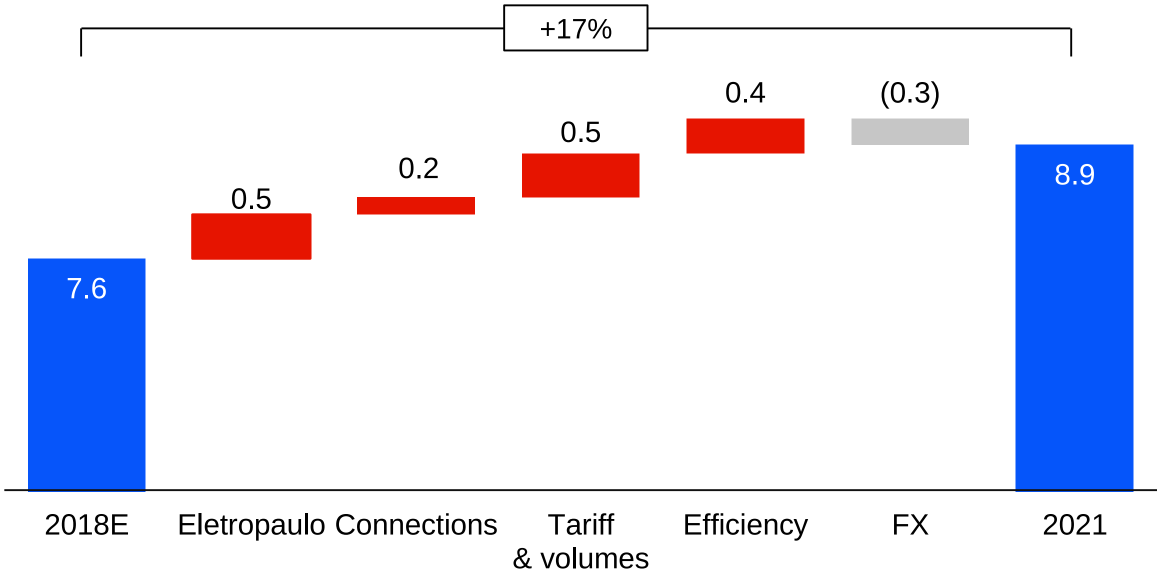
1. WACC nominal pre-tax
2. Blend of Rio, Cearà, Goias and Eletropaulo

# Networks: profitability supported by asset turnaround and efficiencies

Gross Capex 2019-21



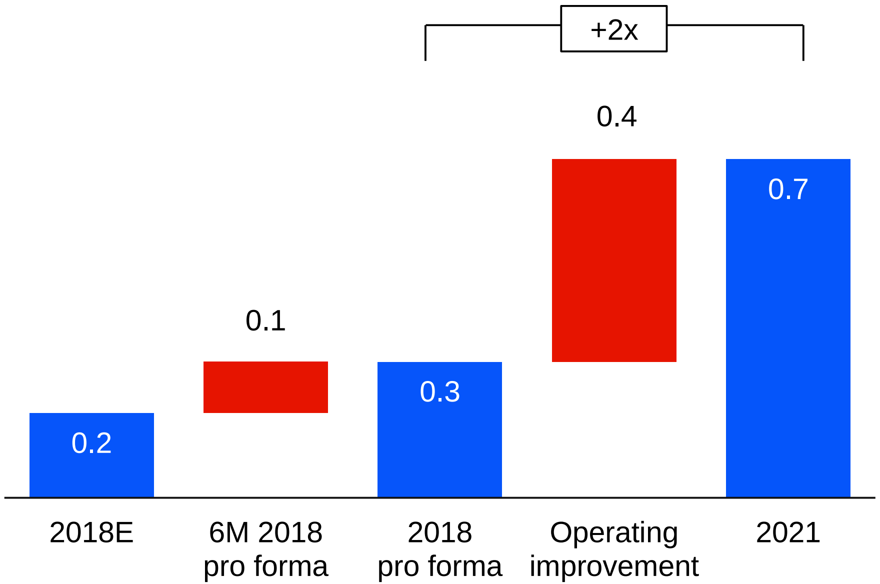

2018-21 EBITDA evolution (€bn)



Business line highlights

# Networks: Eletropaulo turnaround doubling EBITDA

## Eletropaulo asset turnaround (EBITDA €mn)




## Eletropaulo operational KPIs

| | 2018E | 2021 |
|---|---|---|
| Electricity distributed (TWh) | 43 | *+9%* |
| Quality index[1] (%) | -2.8 | *+170bps* |
| Opex/end user (€/cust) | 62 | *-30%* |

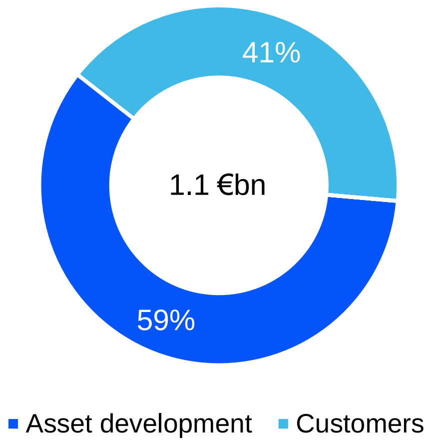
## 2021 Networks benchmark

| | Eletropaulo 2021 | Cearà 2021 |
|---|---|---|
| RAB/end user (k€/cust) | ~255 | ~275 |
| Opex/end user (€/cust) | ~44 | ~ 36 |

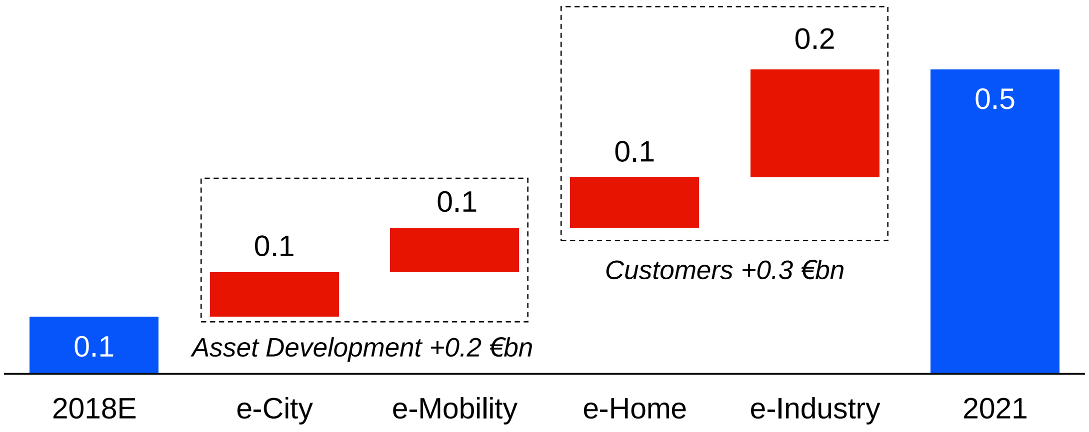
1. Quality on service rewards/penalties and losses reduction economic impact on gross margin

# Enel X: capturing new opportunities with customers

## Gross Capex 2019-21




## 2018-21 EBITDA evolution[1] (€bn)

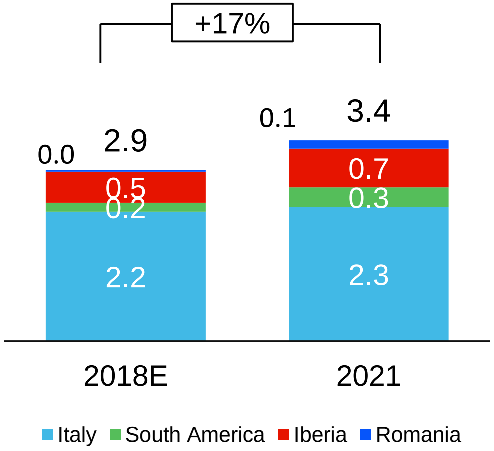



1. Rounded figures

*Business lines highlights*

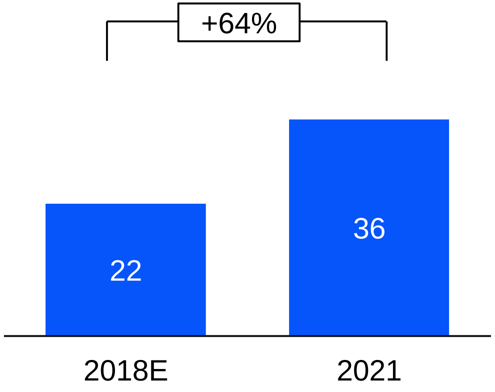
# Retail: further growth on increase in customer base and efficiency

2018-21 EBITDA evolution (€bn)



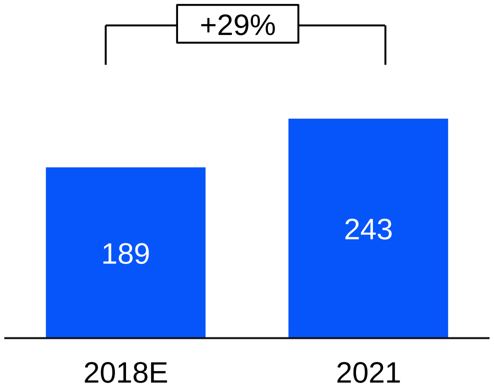

5% *EBIT margin*[1] 6%

2018-21 Free market customers (mn)




64 mn *Total customers* [2] 69 mn

2018-21 volumes sold[3] (TWh)



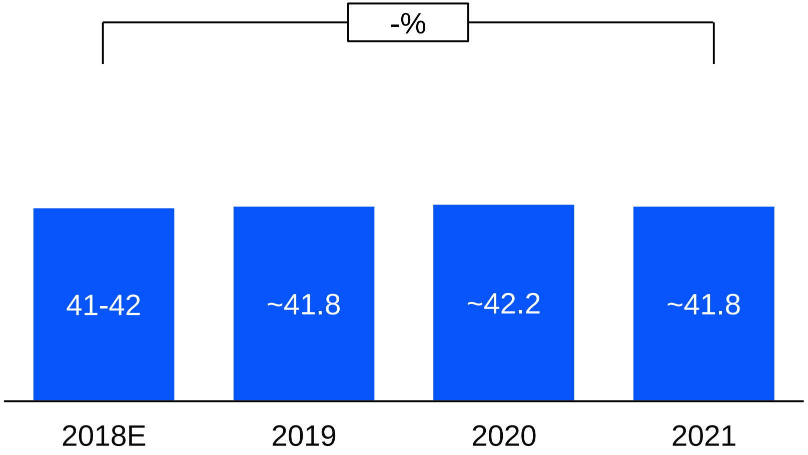

1. Includes Italy, Spain and Romania
2. Resulated and free market power and gas customers
3. Free market + PPAs

# 2019-2021

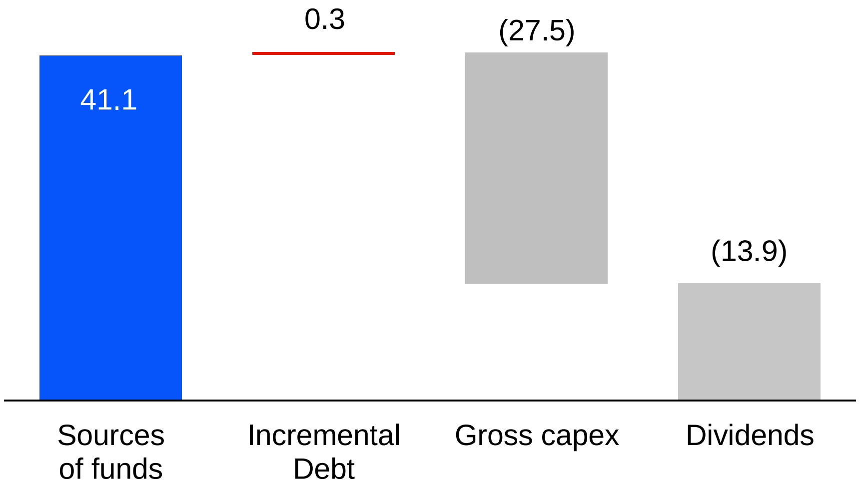
# Financial Management

# Stable debt throughout the plan

Net debt evolution (€bn)

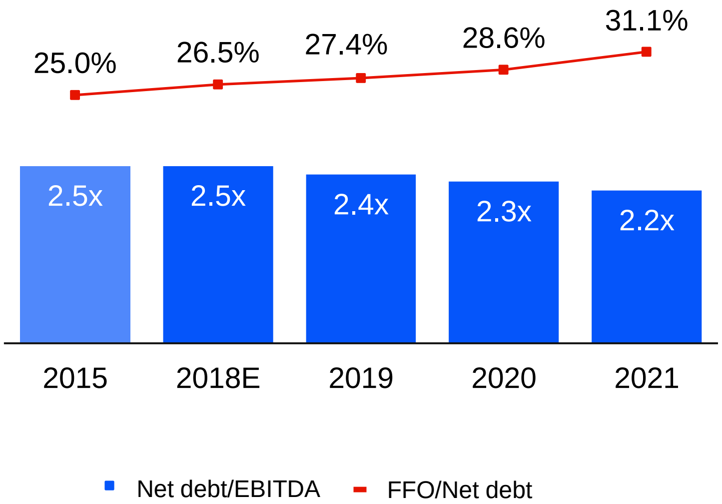



Source of funds allocation 2019-21 (€bn)



# Improving credit metrics

## Credit metrics




## Long term credit rating

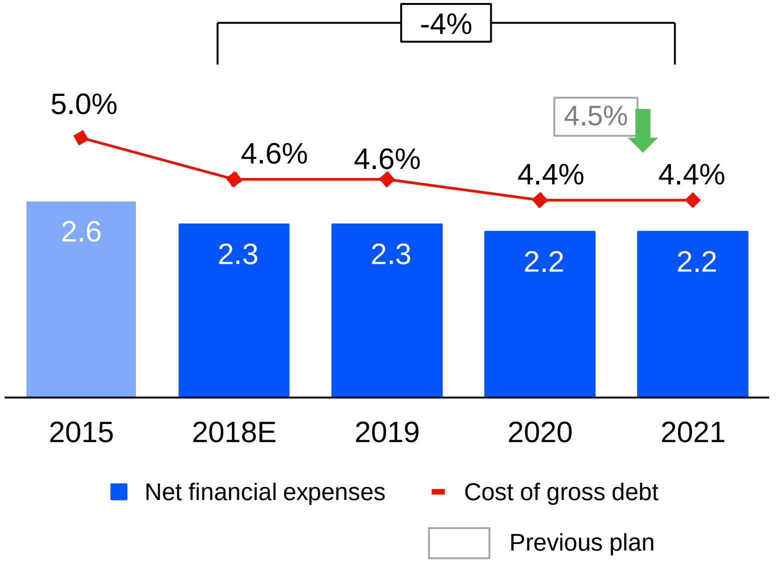
| | Rating | Outlook |
|---|---|---|
| Standard & Poors | BBB+ | Stable |
| Moody's | Baa2 | Stable |
| Fitch | BBB+ | Stable |

# Continued reduction in cost of debt

## Financial strategy for 2019-21 (€bn)

| | *Amount* | *Expected cost*[1] | *Current total cost* |
|---|---|---|---|
| Bond refinancing including green bonds | 6.2 | 3% | 4.2% |
| Bank loans and other financing | 2.8 | 2.5% | 2.3% |
| Hybrid refinancing | 1.8 | 4.9% | 6.4% |
| Emerging markets | 2.8 | 7.4% | 7.6% |
| **Total** | **13.6** | **4.1%** | **4.8%** |

## Net financial expenses on debt (€bn)



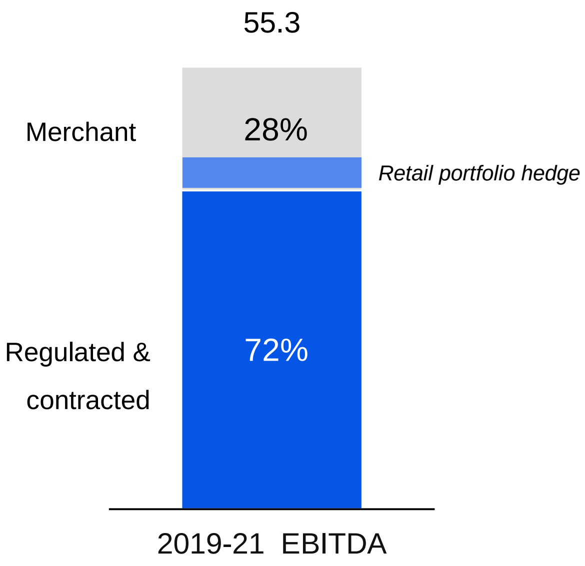

1. Enel estimates on current cost associated with financial instruments

# 2019-2021

# Risk Management

# Operating risk: low EBITDA exposure to merchant risk

EBITDA 2019-21 (€bn)

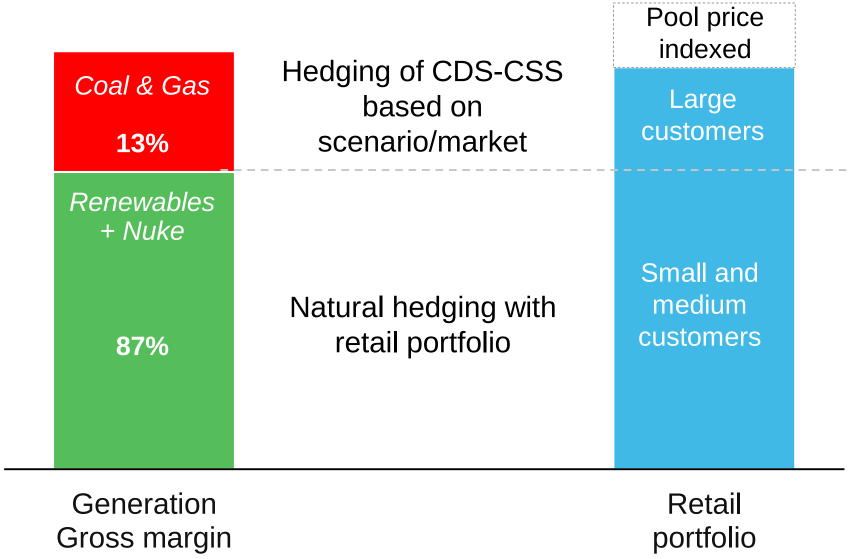



Regulated EBITDA by business 2019-21

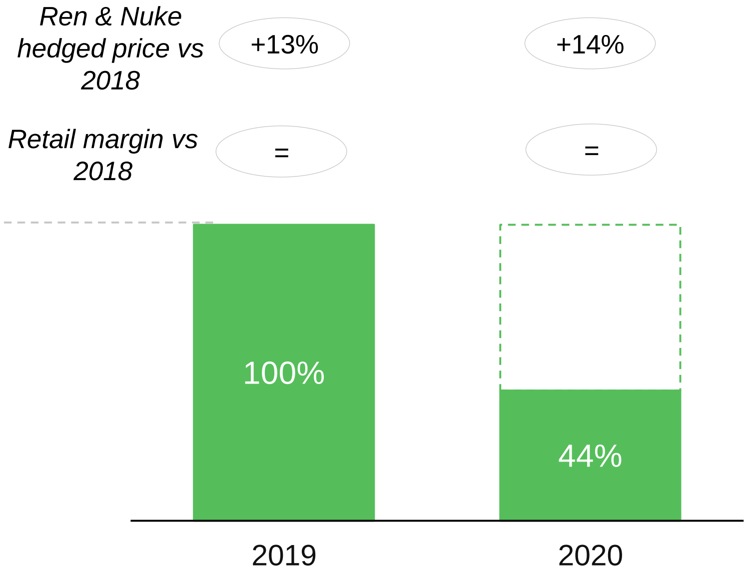
| | |
|---|---|
| Regulated | ~ 100% |
| Regulated, contracted under long term PPA, incentivized | ~ 64% |
| Regulated | ~ 46% |
| Regulated | ~ 23% |
| Regulated | ~ 20% |

# Operating risk: natural margin hedge from retail portfolio

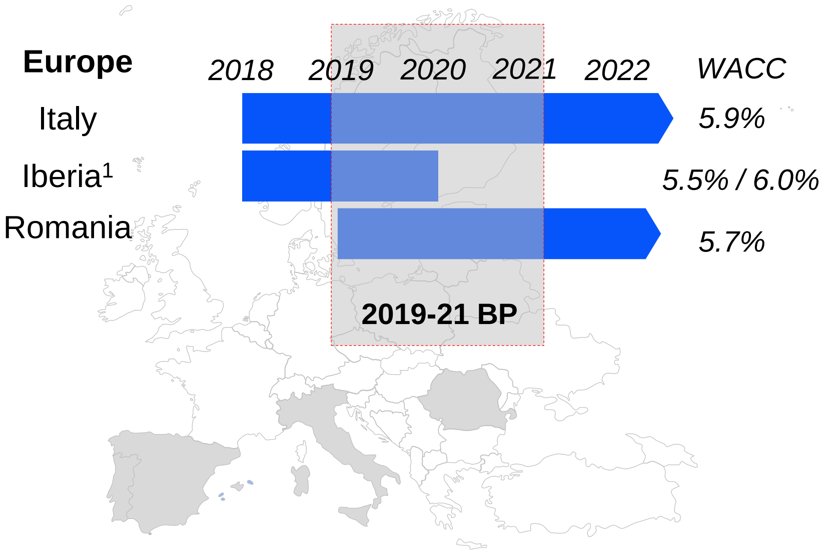
## Integrated margin – Generation GM vs retail GM

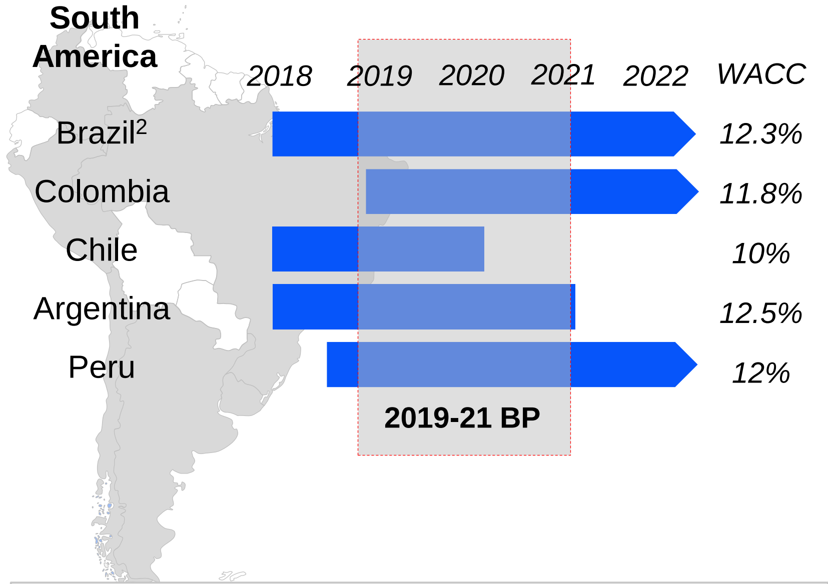



## Hedging position on price driven production



# Operating risk: low regulatory risk over the plan period



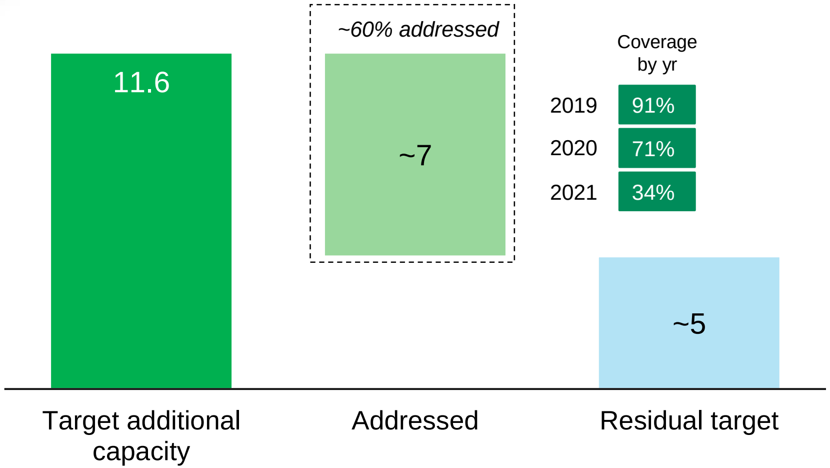

Stable and mature regulations

Highly visible frameworks

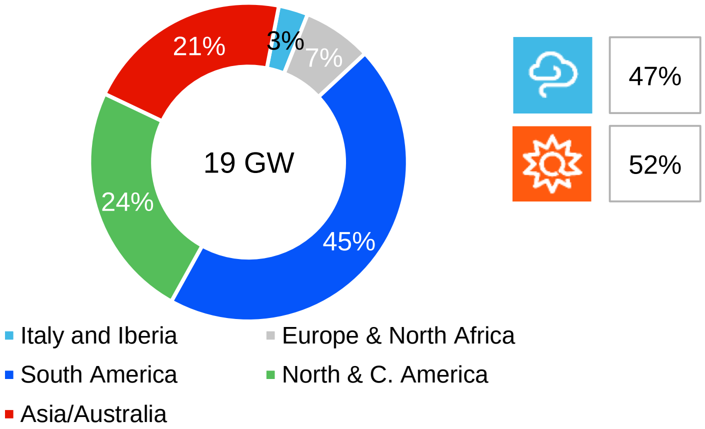
1. WACC nominal pre-tax
2. Blend of Rio, Cearà, Goias and Eletropaulo

# Operating risk: renewables growth already significantly addressed

## 2019-21 Additional capacity addressed[1] (GW)




## Pipeline by geography and technology[2] (GW)

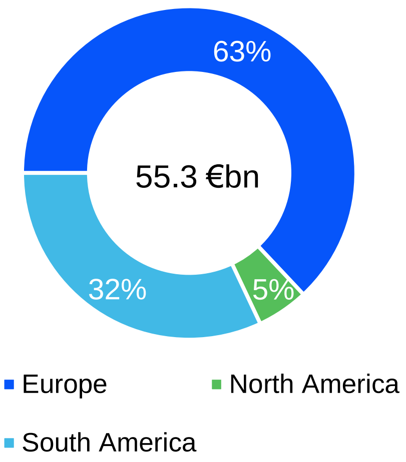



| | |
|---|---|
| Total pipeline / residual target | ~ 4x |
| Short term pipeline[3] / residual target | ~ 3x |

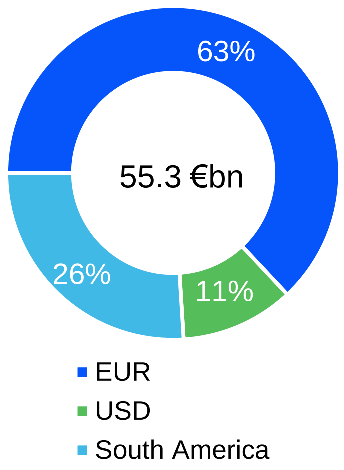
1. It includes managed capacity
2. As of September 2018
3. Includes 2019-2021 CODs only

# Currency risk: low exposure to volatile currencies

## 2019-21 EBITDA by geography




## 2019-21 EBITDA by currency



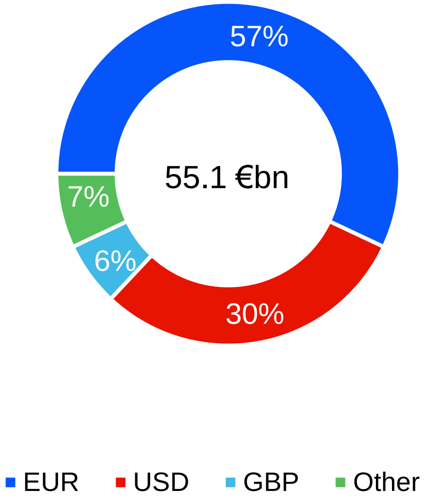

## FX sensitivity[1] – Avg. yearly impact 2019-21 (€mn)

| | EBITDA | | Group NI | |
|---|---|---|---|---|
| *BRL* | (180) | 225 | (30) | 35 |
| *ARS* | (35) | 40 | (6) | 8 |
| *CLP* | (6) | 6 | - | - |
| *COP* | (100) | 125 | (12) | 15 |
| *PEN* | (20) | 25 | (2) | ~3 |
| ***TOTAL*** | **(340)** | **420** | **(50)** | **60** |
| ***% on yearly value*** | **(1.8%)** | **2.3%** | **(<1.0%)** | **1.1%** |

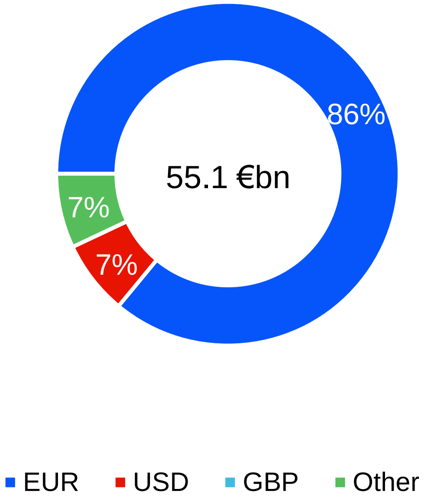
1. Sensitivity based on +/-10% USD/LOC (EUR/USD @Plan). Rounded figures

# Financial risk: gross debt hedges softening FX swings and rates movements

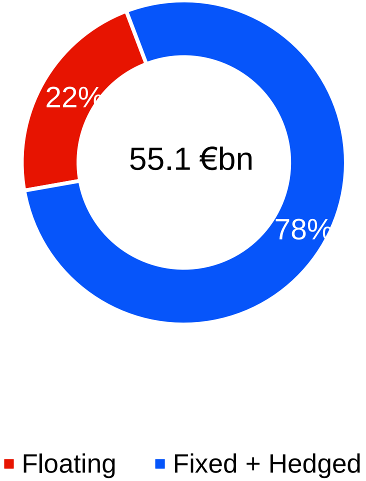
Gross debt by currency at 2021




After swap

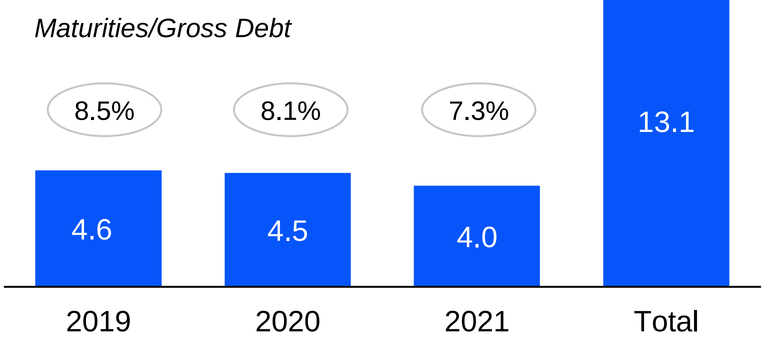



Interest rate composition



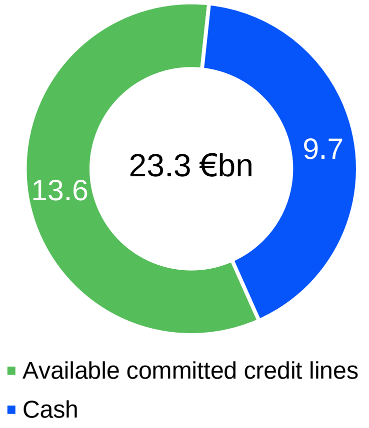
# Financial risk: limited re-financing needs; strong available liquidity

## Debt maturity by year[1] (€bn)




| | New plan | Last 3 yrs |
|---|---|---|
| **Refinancing on average gross debt** | **8.2%** | **16.1%** |

## 2019-21 Liquidity available[1]




| | |
|---|---|
| Total liquidity / Maturities | 112% |

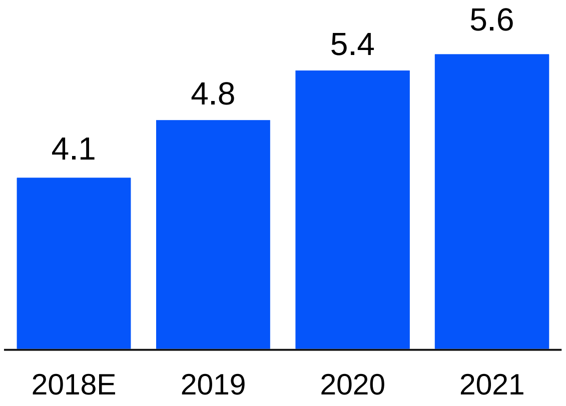
1. As of September 2018

# 2019-2021

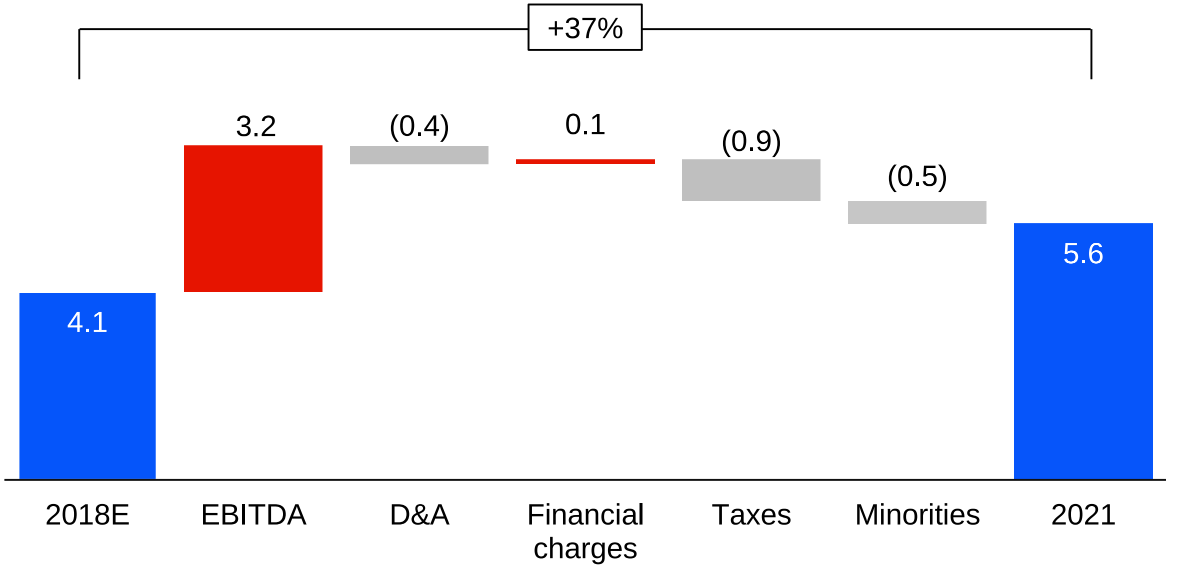
# Earnings & Targets

# Strategy driving 37% increase in earnings vs 20% increase in EBITDA

Group net ordinary income (€bn)




2018E-21 Group net ordinary income evolution (€bn)



# Visible value creation for our shareholders

| Earnings growth | 2018 | 2019 | 2020 | 2021 | *CAGR (%) 2018-21* |
|---|---|---|---|---|---|
| Ordinary EBITDA (€bn) | ~16.2 | ~17.4 | ~18.5 | ~19.4 | ~+6% |
| Net ordinary income (€bn) | ~4.1 | ~4.8 | ~5.4 | ~5.6 | ~+11% |
| **Value creation** | | | | | |
| Pay-out ratio | 70% | 70% | 70% | 70% | - |
| Implicit DPS (€/sh) | 0.28 | 0.33 | 0.37 | 0.39 | ~+12% |
| Minimum dividend per share (€) | 0.28 | 0.32 | 0.34 | 0.36 | ~+9% |

Three years minimum dividend per share