

**REN** 

# CAPITAL MARKETS DAY 2021

**May 14**



## Agenda for today

### 09h30 Capital Markets' Presentation

Consistent success journey

REN's strategy: at the core of energy transition

- ESG highest standard
- Investment growth story
- Solid financials and shareholder return

Closing remarks

**Rodrigo Costa** (CEO)

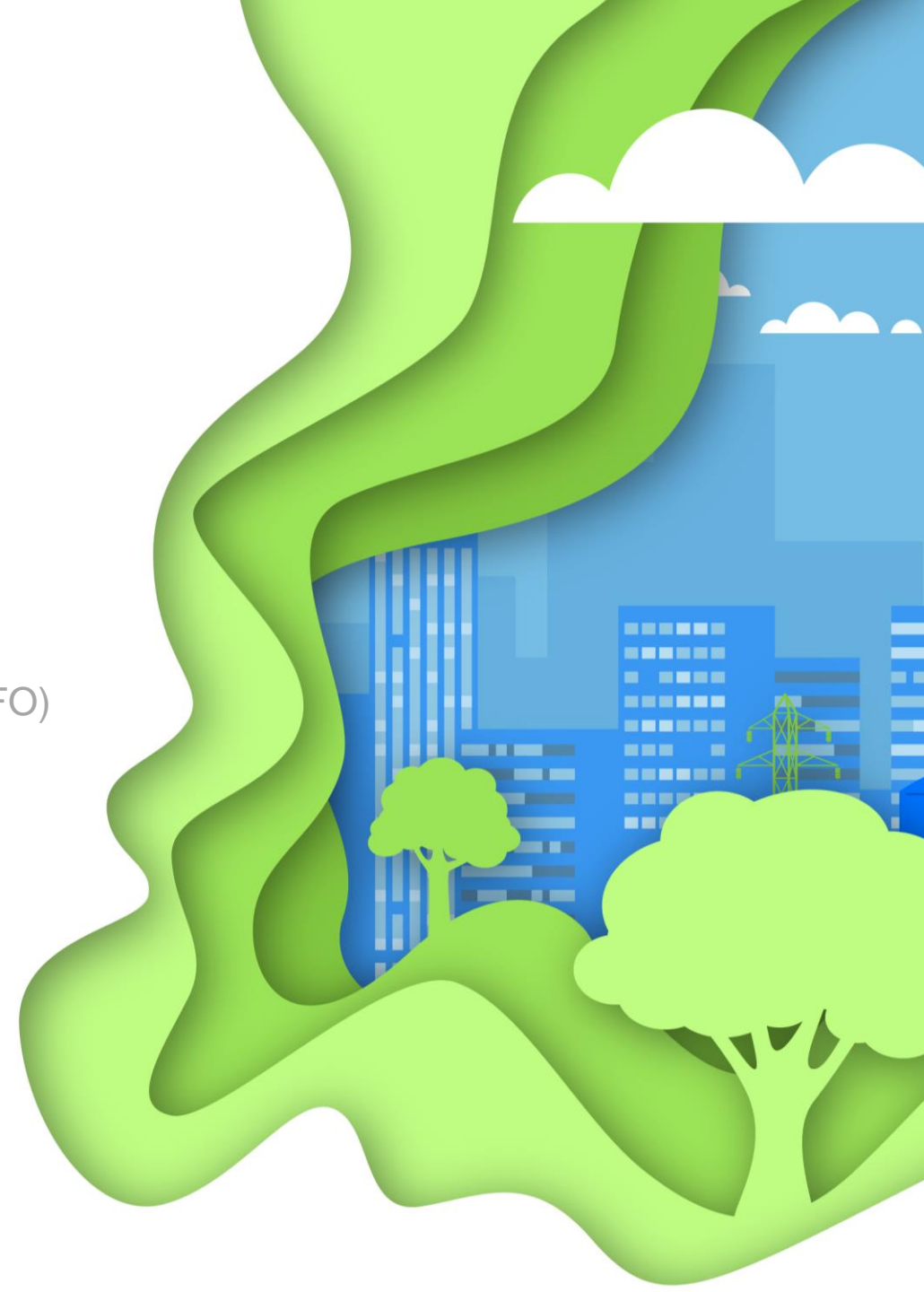
**João Conceição** (COO)

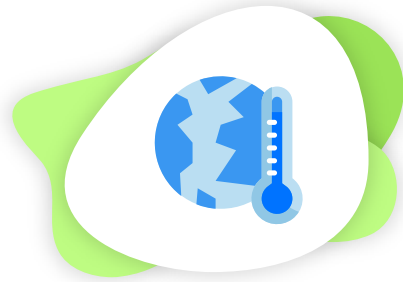
**Gonçalo Morais Soares** (CFO)

**Rodrigo Costa** (CEO)

### 10h30 Q&A

### 11h00 Closure





## World moving to tackle global warming

**1.5°C**

limit to achieve **climate neutrality**, as committed in the **Paris Agreement**

**+55%**

**CO<sub>2</sub> emissions** cut by **2030**, established by **European Green Deal** to facilitate the 2050 climate neutrality target

**x9**

increase in **green hydrogen demand** by **2050**, reaching 650 million tons



## Companies deploying strategies accordingly

**~2 Tn€**

investment in **power T&D** over 2019-40 to ensure energy transition in Europe

**x2**

increase of volume of **assets under management** in dedicated **ESG funds** in last 2 years (+1.5 Tn€ in 2020)

# TSOs are adapting priorities in line with recent trends



## Backbone

Dedicated **investment cycles** to sustain quality and security of supply in the context of **infrastructure aging**

Increasing **interconnections** across countries, while **debottlenecking** areas to accommodate renewables and distributed resources growth



## Resilience

Need for **improved reliability requirements** to face power interruptions and extreme climate events



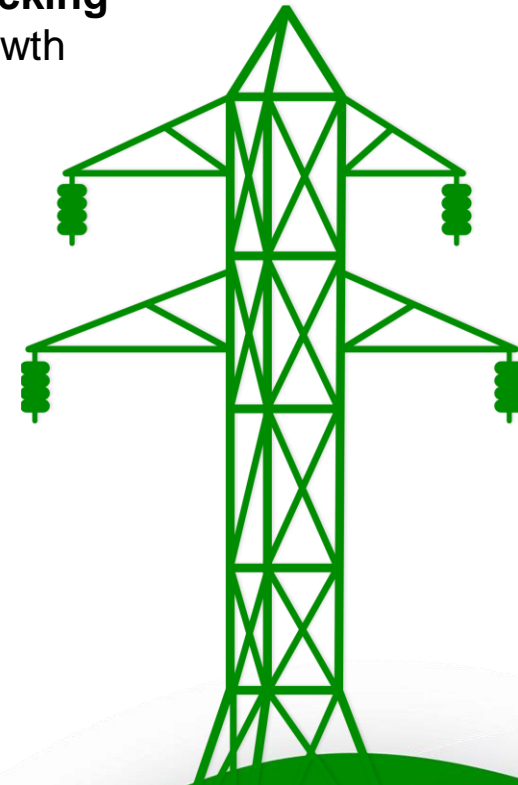
## Digitalization

New **wave of operational excellence** through advanced analytics and automation



## Evolving market design

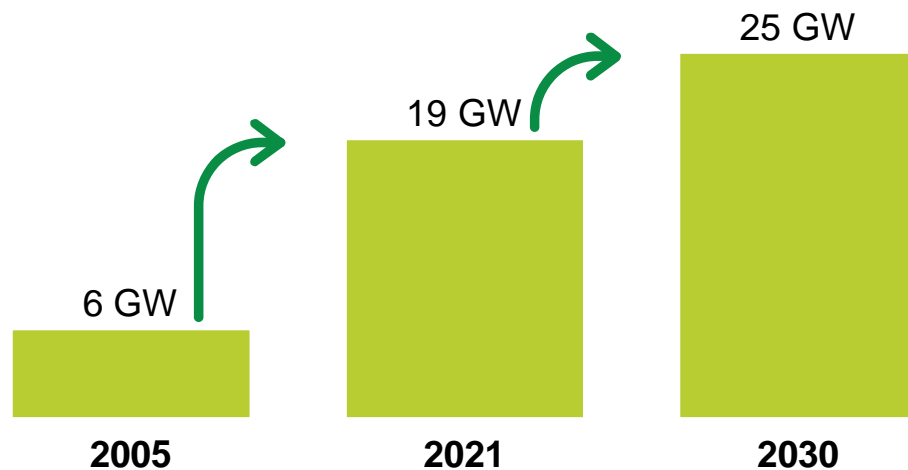
**Alternative remuneration schemes** benefiting output focus



# REN secured green transformation in Portugal

REN has enabled green sources to grow in Portugal...

Installed capacity of renewables



REN's investment of >3.1B€ to electricity grid maintenance and expansion allowed Portugal to be a clear leader in EU (~50% of electricity volume from green sources in 2020 YE for Portugal vs. ~35% for Europe)

... while keeping a stable and reliable service

**+460 M€**

Domestic capex in 2018-20



**24 days**

of 100% renewable energy in 2020



**0.00 min**

of gas supply interruption duration per offtake in 2020



**0.03 min**

of electricity average interruption time in 2020



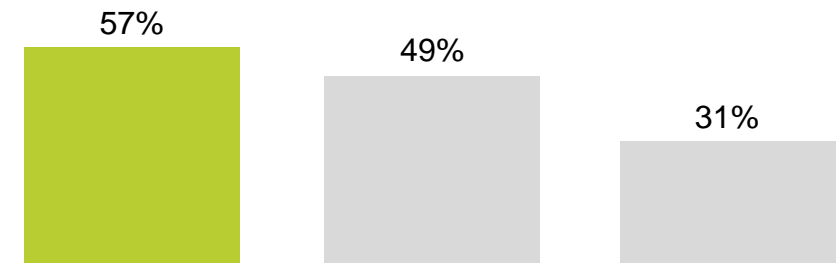
# REN successfully met 2018-21 Business Plan targets and provided solid returns to investors

## Average results met 2018-21 BP yearly targets

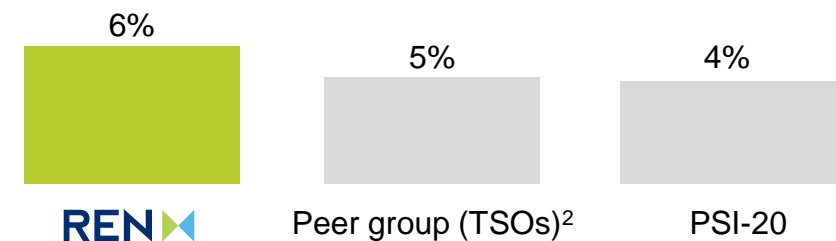
<b>EBITDA</b> M€	<b>475-500</b>	✓
<b>Net profit</b> M€	<b>110-115</b>	✓
<b>Net debt</b> B€	<b>2.7-2.9</b>	✓
<b>Domestic capex<sup>1</sup></b> M€	<b>120-145</b>	✓

**REN achieved key regulatory efficiency targets, with stability remaining a guiding principle of the regulation going forward**

## Total shareholder return (2015 to Apr. 21)



## Dividend yield (2015 to 2019)



1. Capex at total costs (including capitalized own works); excludes Transemel organic capex

2. Considering 5 reference European TSO peers

Source: Bloomberg

# REN displaying reliable and consistent performance for all stakeholders



## Economy

**~4 B€**

invested in Portuguese infrastructure since 2005

**~95%**

of payments directed to national suppliers / industry partners

**~40%**

average effective tax rate vs. 23% for top PSI-20 in 2018-19



## Society

**~11 M**

people connected to grid with no material interruption time

**+1 M**

trees of indigenous species planted since 2010

**>39,000 hectares**

of forest cleaning in the last 7 years



## People

**~700**

employees in stable team (>65% with bachelor degree)

**+1,300**

indirect collaborators (service providers and contractors)

**Commitment**

kept with industry partners, even during challenging times (Covid)

# REN will enhance its journey through 3 strategic pillars

ESG highest standard



At the core of energy transition

Investment growth story, delivering superior service quality

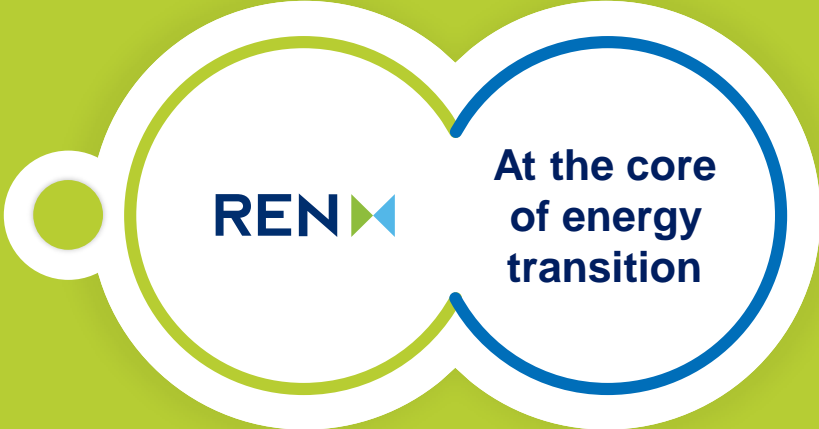


Solid financials and sustainable shareholder returns



# REN will enhance its journey through 3 strategic pillars

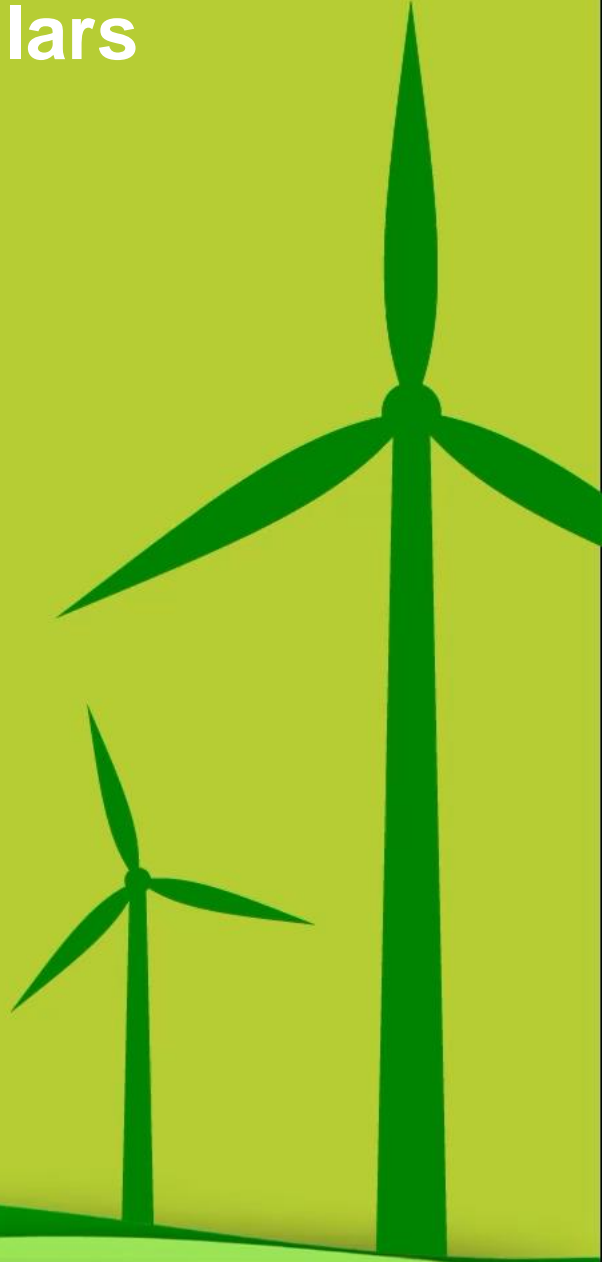
ESG highest standard



Strong and recognized track record



Clear and ambitious new targets



# REN remains committed to UN's Sustainable Development Goals, engaging in several initiatives



## Environmental



**Education** | Environmental and biodiversity educational initiatives  
**Reforestation** | Reforestation of right of way with native species  
**Climate** | Subscription to UN Business Ambition for 1.5°C, to limit global warming



## Social



**Gender Equality** | In 2020, REN had 27% of women in management positions  
**Training** | In 2020, REN ran courses for its employees for a total of ~25k hours  
**Social initiatives** | Close relationship with local communities through CSR programs design to address social issues



## Governance



**United Nations Global Compact** | Founding member, REN adopted 10 principles  
**CEO Guide to Human Rights BCSD Portugal** | Defense of human rights

## Efforts already recognized by ESG rating agencies

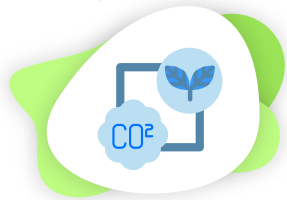


## Environmental



## Social & Governance

2019: >258,000 TON CO<sub>2</sub> emitted<sup>1</sup>



**-50% CO<sub>2</sub> emissions<sup>1</sup>**  
by 2030 vs. 2019

**Carbon neutral**  
**by 2040**



**>1/3 of women in 1st line**  
**management positions by 2030**



Increasing ESG weight in  
**managers' performance**  
**metrics** already by 2022



**100% of new bond emissions**  
to be **green**

1. Scope 1+2 (reduction not including Chile and Portugal)

# REN will enhance its journey through 3 strategic pillars

ESG highest standard



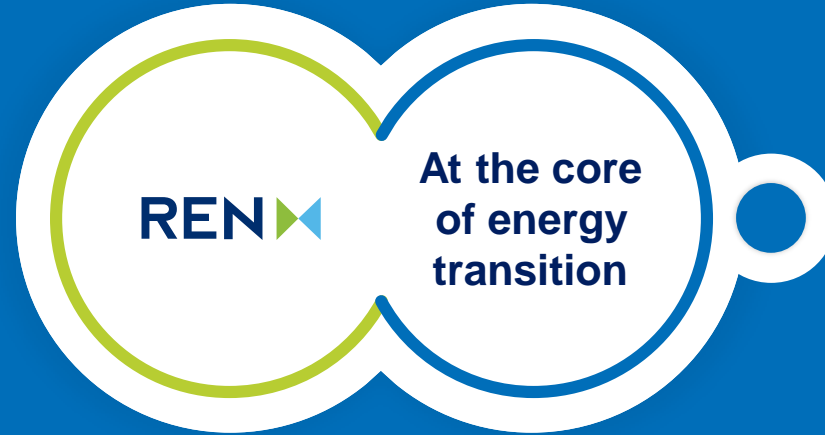
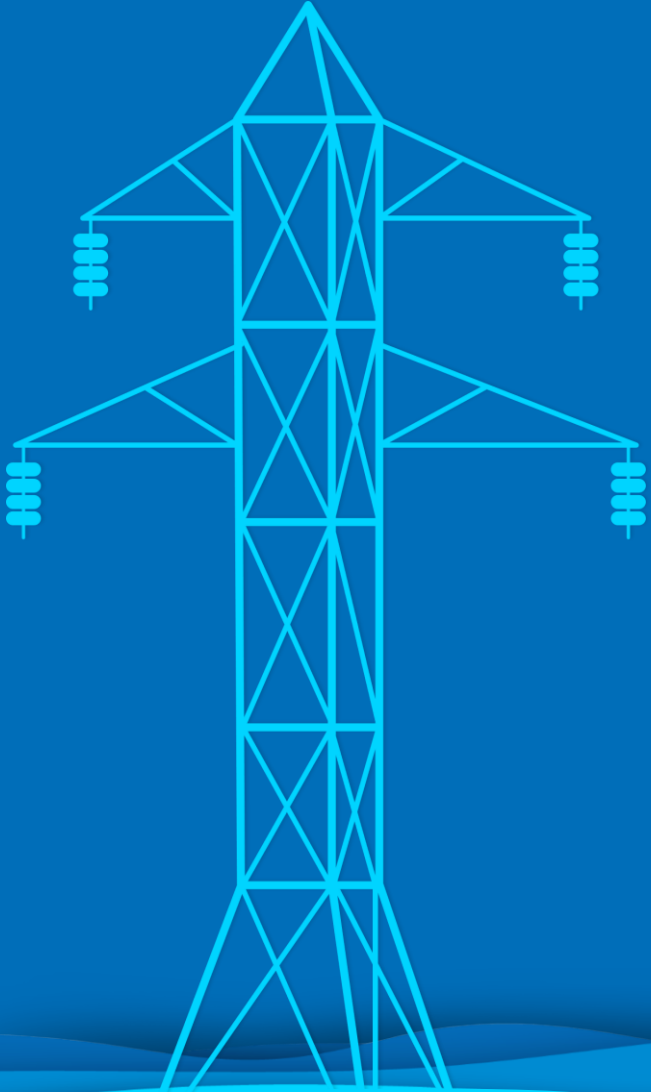
At the core of energy transition

Investment growth story, delivering superior service quality



Solid financials and sustainable shareholder returns

# REN will enhance its journey through 3 strategic pillars



**Investment  
growth story,  
delivering superior  
service quality**



**Strong growth  
driven by  
electrification**



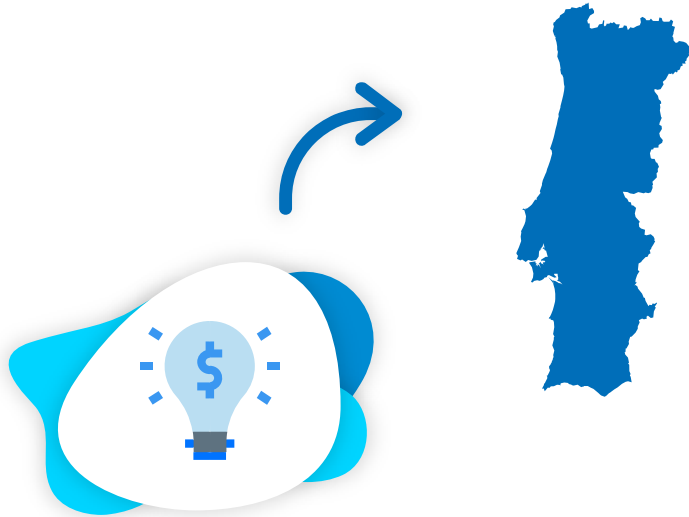
**Decarbonization  
of gas grids  
through H<sub>2</sub>**



**Resilience and  
innovation  
deployment**

# REN pushing for investment growth in Portugal and Chile

Average annual capex, M€

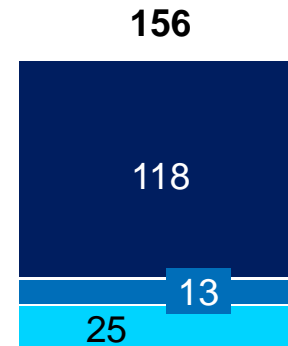


**Up to 40%**

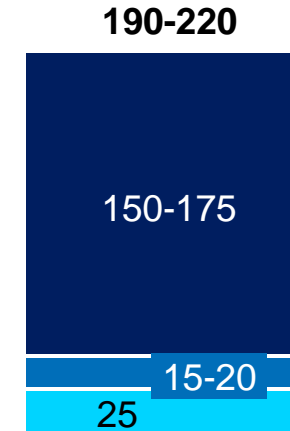
Increase in **domestic avg. annual capex** vs. last strategic cycle



2018-20



2021-24



- Electricity
- Gas transmission
- Gas distribution

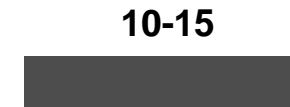
**+900M€**

to be invested in 2021-24

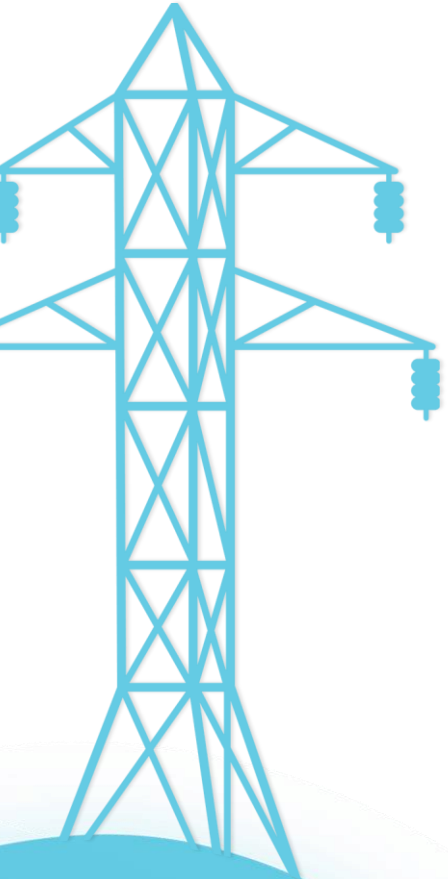


**+2x**

Growth in **international avg. annual capex** vs. last strategic cycle

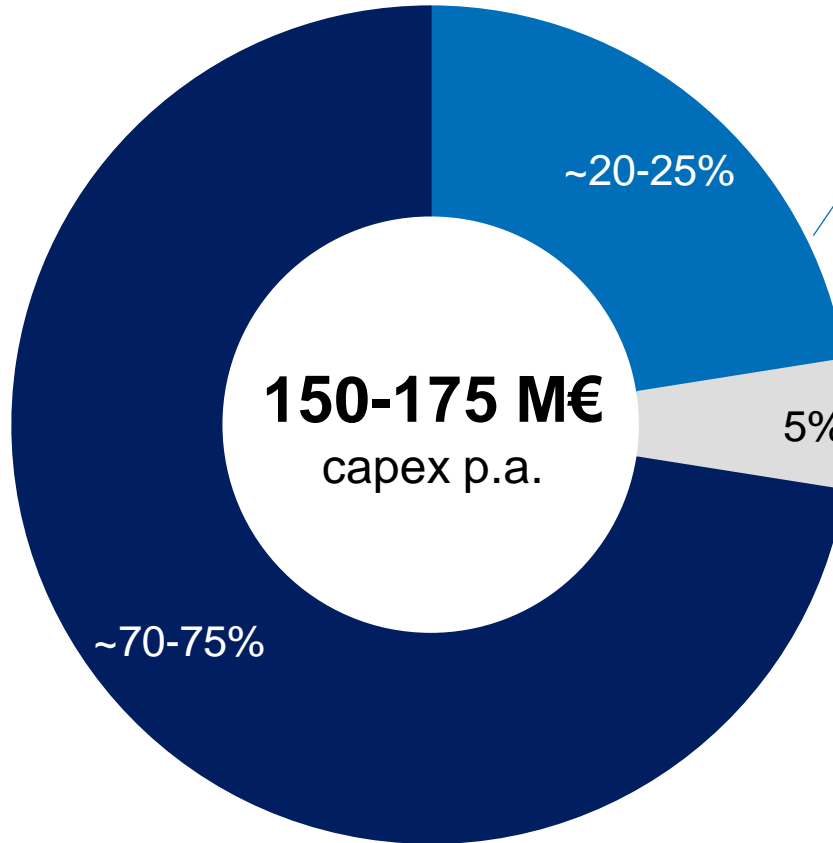


# REN allocating up to 75% of electricity capex to expansion



## Expansion

*To accommodate new renewable resources*



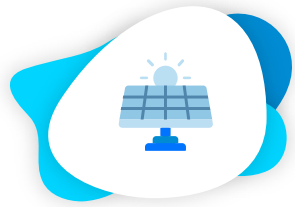
## Modernization, resilience and climate change adaptation

*To deliver a resilient service and keep efficiency and quality*

## Other

**10%** in digitalization transversal to topics above

# REN doubling-down on green energy enablement by connecting renewables



Solar

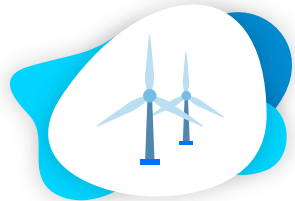
~3.5 GW

**direct agreements** – negotiated between REN and **solar PV promoters**

~1.6 GW

**solar projects** recently awarded in **regulated auctions**

+



Wind

~1.4 GW

**onshore** (~1.2 GW), including repowering, and **offshore projects** (up to 0.2 GW)

+



Hydro

~1.2 GW

connection of the **Tâmega hydro plant** in 2021-23



**REN will enable growth in renewable energy sources while maintaining security of supply as priority in a context of coal phase out**



# REN aims to ensure gas decarbonization in the next decade and lead H<sub>2</sub> adoption leveraging sector coupling experience



**Strong national decarbonization targets with an H<sub>2</sub> plan focused on establishing mechanisms for initial projects, while maintaining grids as a key piece to sustain security of supply**

**~60%** GHG gases reduction by 2050 vs. 1990 emission levels

**+10%** Blending of H<sub>2</sub> in gas grids by 2030

## REN will lead H<sub>2</sub> deployment in Portugal

**2026**

**Make H<sub>2</sub> a reality for tomorrow**

**5%**

Target H<sub>2</sub> blending into grid

**33%**

Of total gas capex transmission dedicated to investment in H<sub>2</sub> projects, representing ~40M€

**2030**

**Pave the next wave for gas**

**10-15%**

Potential H<sub>2</sub> blending into grid

Investment in additional opportunities  
*(H<sub>2</sub> dedicated pipes in industrial clusters, charging stations and debundling solutions)*



**Portgás preparing grid compatibility with green gases to deliver H<sub>2</sub> transformation to the final consumer and industries, while participating in related European forums**

# Internationally, REN is committed to Chile and intends to contribute for the country's decarbonization



## Chile is decarbonizing fast, with an ambitious green H<sub>2</sub> agenda and expected grid expansion



**~40 GW** of additional RES dedicated to H<sub>2</sub> production until 2030



**< 2 USD/kg H<sub>2</sub>** for levelized cost of green hydrogen, achieving the lowest value globally by 2030



**~3,000 km** of additional line length to support renewables growth until 2025

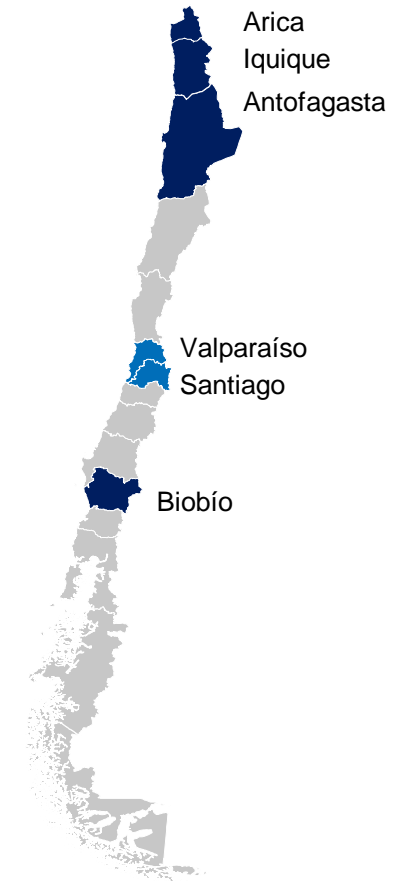
## REN's diversified and growing portfolio



Present in **regions favorable to solar PV and green H<sub>2</sub> development**, namely in the north  
Strong **organic growth** momentum



Gas to remain **key element** to enable **energy transition**  
Growing **natural gas consumption**, including residential sector

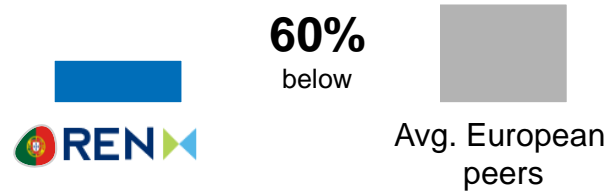


# Leading player in operational performance, while planning concrete investments in resilience to keep strong positioning

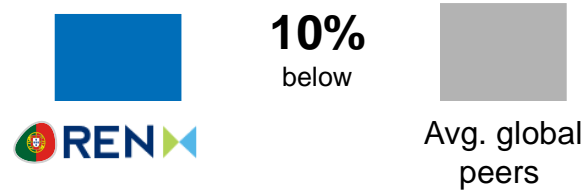
## Electricity

Service level in line with or outperforming peers

### Line cost



### Substation cost



## Natural gas transmission

### Opex on pipelines



## Resilience and quality

Reinforcement with new overhead lines

Refurbishment of overhead lines to increase resilience to "ice sleeves"

Vegetation management

## Innovative and digital enabled

Digital substations upgrade and deployment to boost extended automation

5G nano-sensors for asset monitoring and integrity

Transformers monitoring through analytical models

Enterprise solutions to facilitate new ways of working

EV charging patent to connect directly to transmission grid

AR<sup>1</sup>/VR<sup>2</sup> for field force training and safety

AR<sup>1</sup> for planning, design and vegetation mgmt.

Integrated forest and fire mgmt. using real time data

**Up to 10% of electricity capex related to digital initiatives, properly backed with strong cybersecurity**

1. Augmented reality | 2. Virtual reality

Source: ITOMS 2019 (maintenance and refurbishment activities); Gas transmission benchmarking initiative 2019; LNG receiving terminals benchmarking 2019

# REN will enhance its journey through 3 strategic pillars

ESG highest standard



At the core of energy transition

Investment growth story, delivering superior service quality



Solid financials and sustainable shareholder returns

# REN will enhance its journey through 3 strategic pillars



**Solid financials  
and sustainable  
shareholder returns**



**Capex growth  
and RAB stability**



**Solid P&L  
metrics**



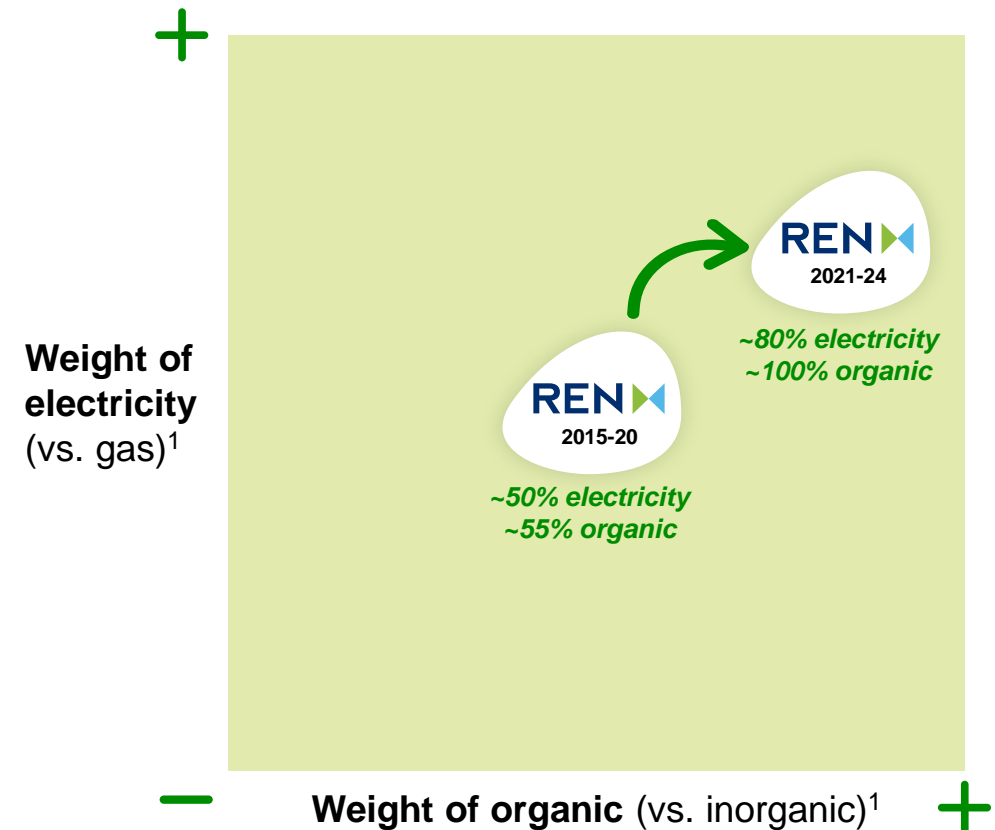
**Strong credit  
ratings**



**Attractive and  
sustainable returns**

**Portfolio re-alignment  
with shift towards  
electricity to respond to  
current market trends  
and demand changes  
from society**

## Capital allocation

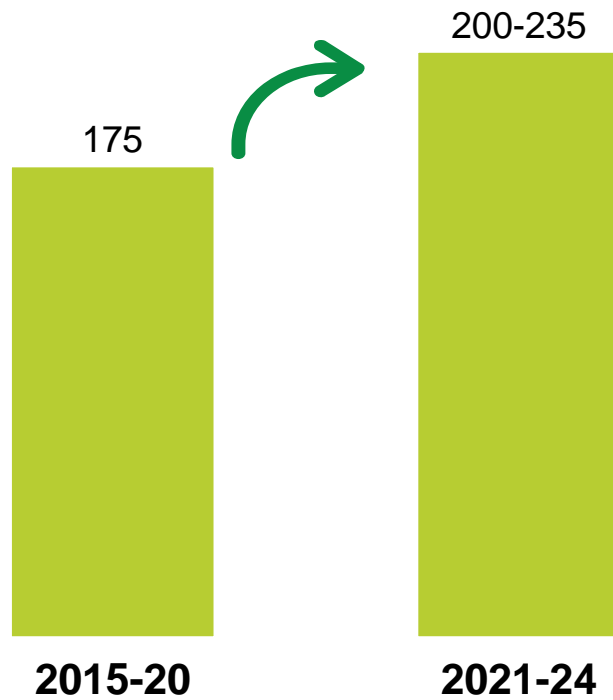


1. In total investment

# Strong capex level aligned with strategy, leading to stable RAB

Total capex, M€

Up to +35%



Total assets, B€

3.9

3.9-4.0



Domestic assets, B€

2.2

2.2-2.3

Electricity

0.9

0.8-0.9

Gas transmission

0.5

0.5

Gas distribution



Chilean assets<sup>1</sup>, B€

0.2

0.3



Other holdings<sup>2</sup>, B€

0.2

0.2

2020

2021-24

1. Transmel and Electrogas | 2. REE and Cahora Bassa share

# Steady regulatory framework with actions taken to mitigate effect of current macroeconomic context



**Stable regulation  
complemented with  
incentive mechanisms<sup>1</sup>**



**Adequate regulatory period** for electricity and natural gas, during which relevant **parameters'** calculation remain constant



**Suitable efficiency targets and incentives mechanism<sup>1</sup>** to promote operational performance and assets' life extension

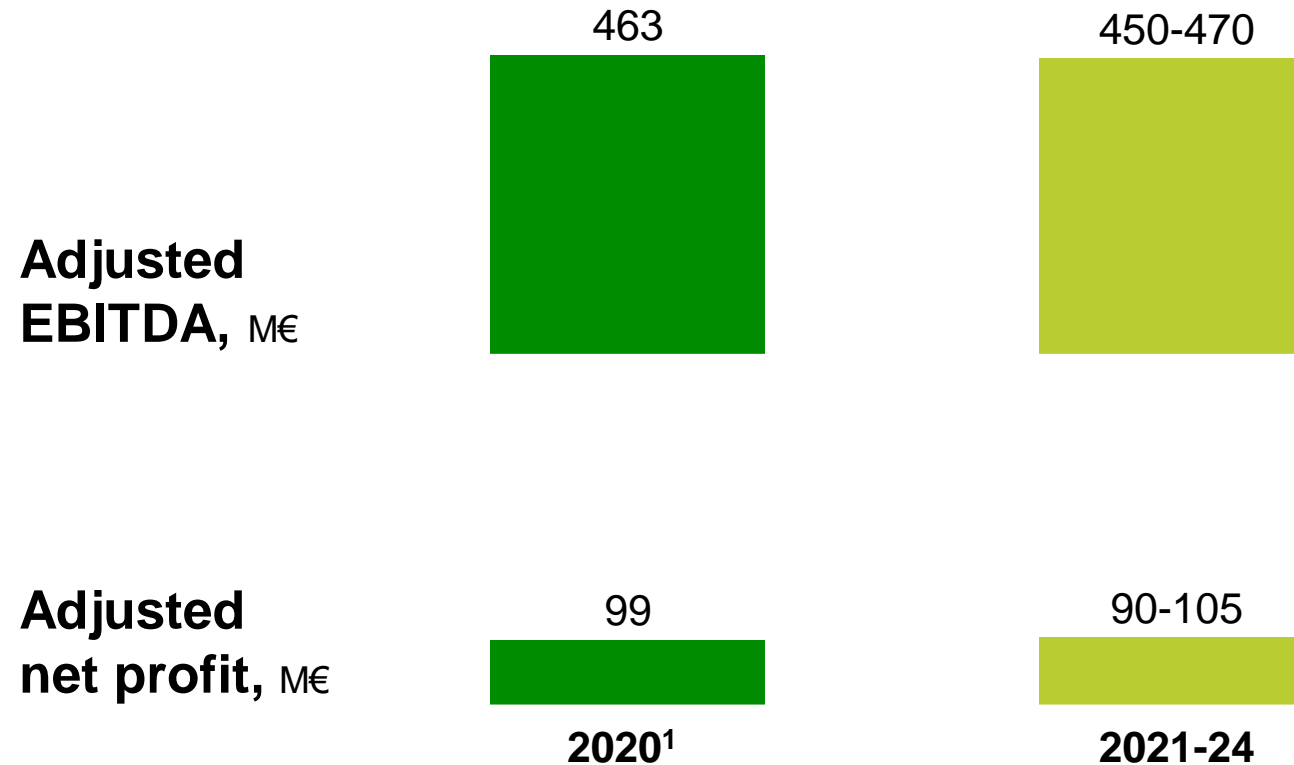
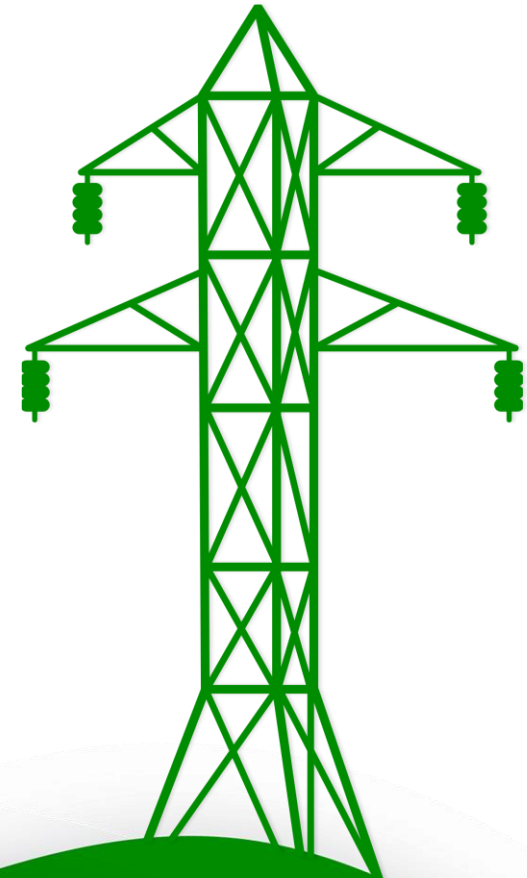
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Given current macroeconomic context of historically **low yields**, REN is **taking action** to manage the consequent **effect on financial results** through **capex expansion**, focus on **efficiency** and evolution of **portfolio mix**

1. In electricity business



# REN able to preserve solid performance in EBITDA and net profit



1. EBITDA and net profit adjusted for non-recurring impacts from incentives and taxation

# Our goals remain the same, translating into a prudent financial strategy...



**Optimize cost of debt**



**Protect net profit**



## **Credit rating**

Strictly committed to **investment grade**



## **Liquidity**

Funding needs fully covered for the next **>24 months**



## **Interest and exchange rate risk**

Use **fixed** and **floating mix** to align duration with regulatory periods  
Exchange rate risk from Chilean operation **covered**



## **Green funding**

**100%** new bond funding to be **green**

# ... and resulting in robust debt management

FFO/ Net debt, %

11-13%

12-14%

beyond 2022 (~11% in 2021)

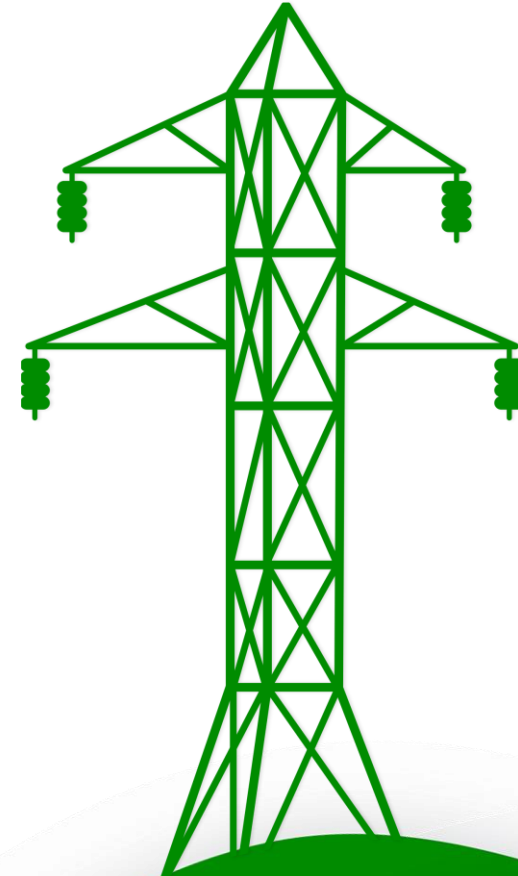
Net debt, B€

2.8-2.7

2.7-2.5

2018-20

2021-24



# REN has maintained a clear dividend policy



## Predictable

Dividend fixed  
at 0.171€ since 2013



## Attractive

Avg. dividend yield since 2015  
above reference peers' average  
and 10Y gov. bond yields



## Sustainable

Cash flow dividend payout of  
~30% since 2015 and below  
reference peers' average

**Net income payout increasingly pressured by CESE**

**In order to manage risk and remove uncertainty, REN has revised its dividend policy over 2021-24**

# Revised dividend policy for 2021-24 cycle



**Dividend floor at 0.154€/share**



Implementation of a **bi-annual dividend distribution policy** in 2022 (starting at the end of year)



Aim for a **payout below 100%**, while considering that **potential uplift** to DPS may occur if there are material **net income upsides**



**Predictable**



**Attractive**



**Sustainable**

# REN has a strong equity story, complemented with clear KPIs commitment for 2021-24

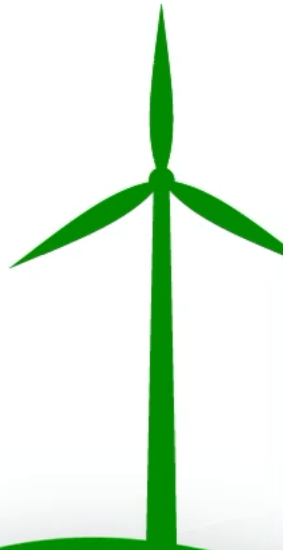
- ✓ Growth in **electricity** sector and in **organic** investment weight
- ✓ **Stable regulatory** framework
- ✓ Prudent funding strategy committed to **investment grade**
- ✓ **Attractive shareholder return**

<b>Capex</b>	<b>Assets</b>
<b>200-235 M€</b>	<b>3.9-4.0 B€</b>

<b>EBITDA</b>
<b>450-470 M€</b>

<b>Net debt</b>	<b>FFO / Net debt</b>
<b>2.7-2.5 M€</b>	<b>12-14%</b> beyond 2022

<b>Net profit</b>	<b>DPS floor</b>
<b>90-105 M€</b>	<b>0.154€</b>



# REN will enhance its journey through 3 strategic pillars

ESG highest standard



At the core of energy transition

Investment growth story, delivering superior service quality



Solid financials and sustainable shareholder returns



REN will commit to ambitious new targets – **carbon neutrality** by 2040 (and **-50% CO<sub>2</sub> emissions** by 2030), increased **diversity**, implementation of **ESG incentivization** and pledge to **100% green financing**



REN will double down on **electrification** and lead the **decarbonization** of the grids through **H<sub>2</sub> enablement**, while strengthening **resilience** and **digitalization**



REN will deliver solid **capex growth**, leading to a **steady RAB**, while maintaining commitment to **investment grade** and **sustainable investor returns**

**REN will remain at the core of energy transition reinforcing its ESG standards and delivering growth, superior operational performance and solid financials**



# Muito obrigado

Please visit our website at [www.ren.pt](http://www.ren.pt) or our investors' app:

