

# Centrica plc Preliminary Results

for the year ended 31 December 2022



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# Chris O'Shea

Group Chief Executive



# Our balanced portfolio is delivering strong performance

- Strong operational performance across the Group
  - Investing in customer service, support and pricing in **Retail**
  - Managing commodity markets very well in **Optimisation**
  - Strong **Infrastructure** availability, volumes and profits
- Strong financial performance overall
  - EPS of 34.9p, FCF of £2.5bn, net cash of £1.2bn
  - Small loss in British Gas Services & Solutions
- Delivering returns for shareholders
  - Dividend re-started
  - £250m share buyback commenced
  - Intention to extend existing buyback programme to purchase an additional £300m of shares



# Helping customers and communities through the energy crisis



## Customers

- Invested over £200m in customer service, support and pricing
  - Includes £50m for UK's biggest ever energy support package
- Saved >700k customers from failed suppliers since 2021
- Materially helped security of supply
  - Extra gas sourced from Norway
  - Re-opening of Rough



## Colleagues

- Pay deal and significant one-off cost of living support
- Engagement up to 73%
- Creating skilled jobs
  - ~1,000 new apprentice roles across 2021 and 2022
  - ~700 new UK-based British Gas Energy customer service roles



## Communities

- Provided £130m of vulnerable customer support through the WHD
- Repaid £27m furlough to UK Government
- Paid ~£1bn of tax relating to 2022
- Over 13,000 days volunteered cumulatively since 2019
- Increased charitable donations

# We are well into Phase 2 of the turnaround and increasingly engaging in Phase 3

## PHASE 1



**Simplify and de-risk the portfolio and strengthen the balance sheet**

- Portfolio simplification and de-risking materially complete
  - Direct Energy sale
  - Spirit Energy Norway sale
- Balance sheet strengthened
  - Net cash position
  - Reduced decommissioning and pension liabilities

## PHASE 2

**Stabilise the business and improve operational performance**

- Improved industrial relations
  - Higher colleague engagement
- Increased engineer capacity
  - Reduced reschedule rates
  - Building resilience
- Improved customer experience
- Focus moving to continuous improvement

## PHASE 3

**Deliver growth and position ourselves for net zero**

- Building on existing capabilities
- Offering customers net zero propositions
- Facilitating net zero through EM&T route-to-market capabilities
- Investing in flexible distributed power generation
- Investigating energy transition opportunities for existing assets

**Kate Ringrose**  
Group Chief Financial Officer






# Strong financial performance in 2022

Year ended 31 December (£m)	2021	2022
<b>From continuing operations:</b>		
Adjusted revenue	18,300	33,637
Adjusted gross margin	2,870	5,439
Adjusted operating costs	(1,819)	(2,223)
Adjusted operating profit <sup>1</sup>	948	3,308
Net finance cost	(187)	(143)
Group tax charge (incl. JV tax)	(433)	(1,077)
Group effective tax rate	59%	34%
Adjusted earnings	237	2,050
<b>Adjusted EPS</b>	<b>4.1p</b>	<b>34.9p</b>
<i>Adjusted EPS excluding disposed Spirit Energy assets</i>	<i>2.8p</i>	<i>34.2p</i>

1. Includes share of profits / (losses) from JVs and associates, net of interest and taxation, of £(103)m in 2021 and £92m in 2022.



# Adjusted operating profit growth

		Adjusted operating profit	
		2021	2022
Year ended 31 December (£m)			
	<b>Retail</b>	<b>267</b>	<b>94</b>
	British Gas Services & Solutions	121	(9)
	British Gas Energy	118	72
	Bord Gáis Energy	28	31
	<b>Optimisation</b>	<b>18</b>	<b>1,444</b>
	Centrica Business Solutions	(52)	44
	Energy Marketing & Trading	70	1,400
	<b>Infrastructure</b>	<b>107</b>	<b>1,308</b>
	Spirit Energy (retained)	68	245
	Centrica Storage	77	339
	Nuclear	(38)	724
	Profit Share	-	(23)
	<b>Adjusted operating profit excl. disposed Spirit Energy assets</b>	<b>392</b>	<b>2,823</b>
	Spirit Energy (disposed)	556	485
	<b>Adjusted operating profit</b>	<b>948</b>	<b>3,308</b>

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. A reconciliation of different operating profit measures is provided in the Group Financial Review in the Preliminary Results announcement.

## Further robust cash flow generation

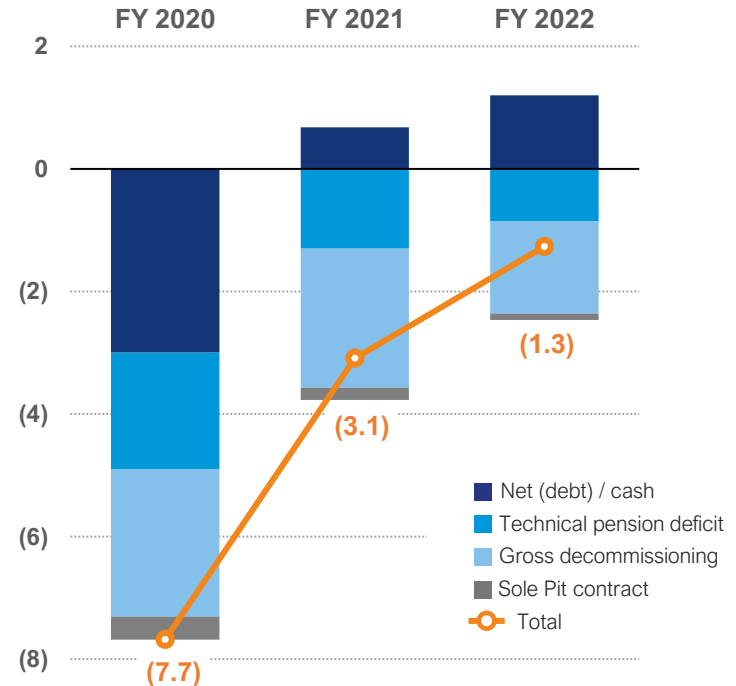
Year ended 31 December (£m)	2021	2022
<b>EBITDA from continuing operations</b>	<b>1,850</b>	<b>3,993</b>
Tax	(140)	(574)
Dividends received	2	60
Working capital / other	(81)	(596)
Decommissioning spend	(55)	(98)
Net investment	(326)	(274)
<i>Of which Capex (exc. Spirit Norway)</i>	<i>(232)</i>	<i>(258)</i>
<i>Of which Capex (Spirit Norway)</i>	<i>(202)</i>	<i>(119)</i>
<i>Of which Disposals</i>	<i>108</i>	<i>103</i>
Exceptional cash flows	(76)	(24)
<b>Free cash flow from continuing ops</b>	<b>1,174</b>	<b>2,487</b>
Free cash flow from discontinued ops	2,588	-
<b>Total free cash flow</b>	<b>3,762</b>	<b>2,487</b>

Year ended 31 December (£m)	2021	2022
<b>Free cash flow from continuing operations</b>	<b>1,174</b>	<b>2,487</b>
Interest	(231)	(126)
Pension deficit payment	(368)	(214)
Movements in margin cash	481	(1,173)
Share buyback programme	-	(43)
Dividends - Centrica shareholders	-	(59)
Dividends - Spirit Energy minority shareholder	-	(273)
Proceeds from / payments for own shares	1	(5)
<b>Adjusted cash flow affecting net debt – cont</b>	<b>1,057</b>	<b>594</b>
<b>Adjusted cash flow affecting net debt – discount</b>	<b>2,588</b>	<b>-</b>
<b>Adjusted cash flow affecting net debt – total</b>	<b>3,645</b>	<b>594</b>
<b>Opening net (debt) / cash (as at 1 January)</b>	<b>(2,998)</b>	<b>680</b>
Adjusted cash flow movements	3,645	594
Non cash movements	33	(75)
<b>Closing net cash</b>	<b>680</b>	<b>1,199</b>

# A strong balance sheet and significant liquidity

- 2022 closing net cash of £1.2bn
- Triennial agreement with pension trustees finalised
  - Roll-forward deficit of ~£850m as at 31 Dec 2022
- Material reduction in decommissioning liabilities
- Strong investment grade credit ratings
- £7.6bn of liquidity at 31 December 2022
  - ~£3.7bn cash and cash equivalents
  - ~£3.9bn undrawn credit facilities
- Flexibility to balance market, credit and cash liquidity risk

**Liabilities** (£bn)



# 2023 outlook

- Usual external factors out of our control
  - Weather, commodity prices, economy
- Balanced portfolio and improving foundations
  - Well placed to manage a range of environments
- Continued investment in operational improvements in **Retail**
  - Focus on improving commercial performance in BGS&S
- Continuing to add value through **Optimisation**
  - 2022 conditions not assumed to repeat
- Elevated commodity price backdrop for **Infrastructure**
  - Higher captured prices in Spirit and Nuclear, but significant impact from windfall taxes
  - Rough earnings dependent on seasonal spreads

## Spirit, Nuclear and Centrica Storage hedging positions

	2023		2024	
	Volume hedged	Average hedged price	Volume hedged	Average hedged price
<b>Spirit</b>	640mmth	106p/th	361mmth	184p/th
<b>Nuclear</b>	5.0TWh	£203/MWh	1.4TWh	£240/MWh
	Volume hedged	Average hedged spread	Volume hedged	Average hedged spread
<b>Centrica Storage</b>	165mmth	161p/th	-	-

# Chris O'Shea

Group Chief Executive



# Centrica is a uniquely integrated energy company

Unlocking synergies across **retail, optimisation** and **infrastructure**



We are focused and flexible due to the dynamic nature of the environment we operate in

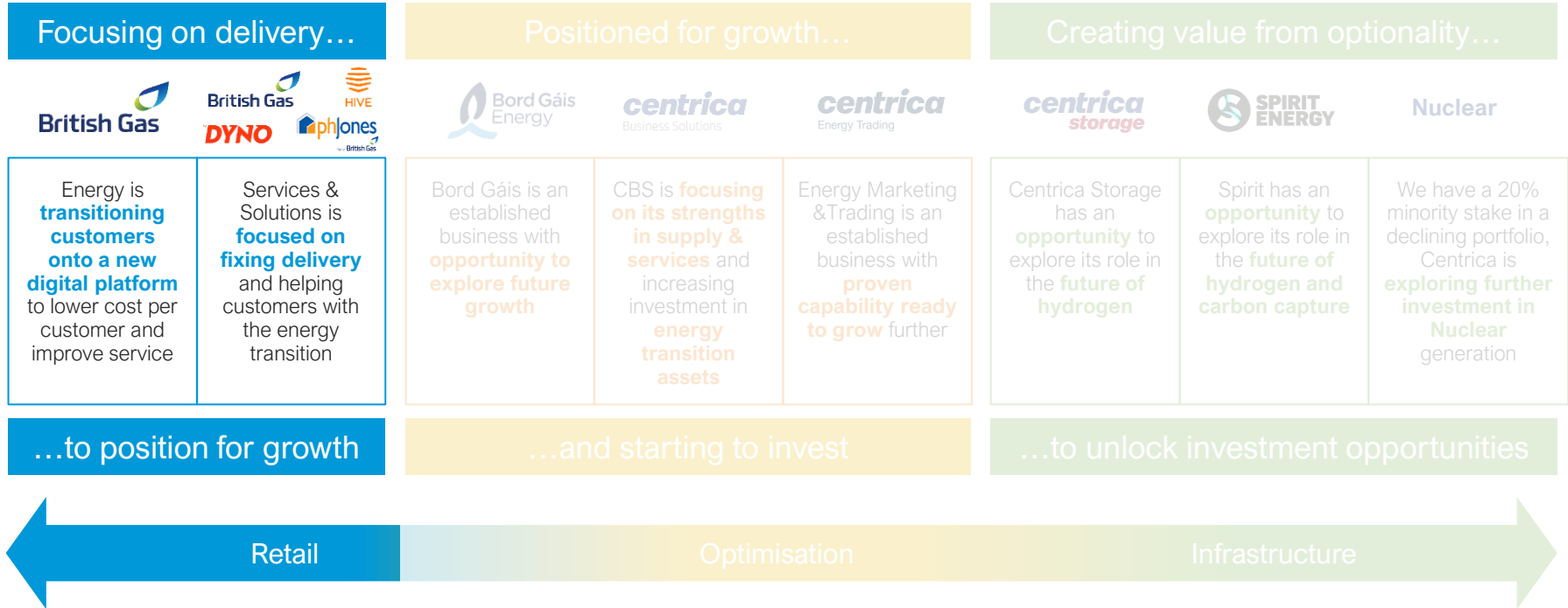


We will only invest where the risk is compensated by the available returns



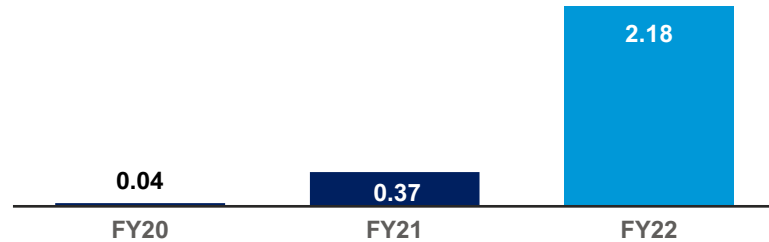
We are market led and will deploy new energy technology faster than our competitors rather than investing in primary research

# We have growth opportunities across the energy value chain

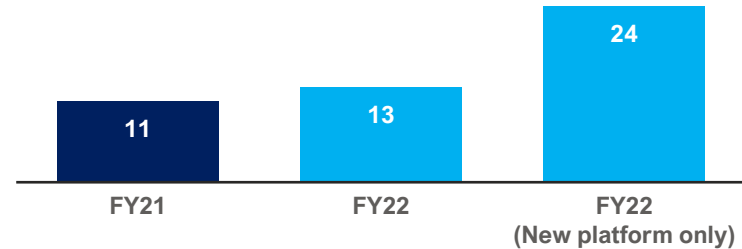


# We are investing in customer service and delivering customer growth in British Gas Energy

### Platform migration (m)

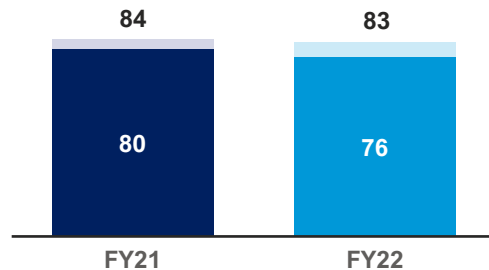


### Touchpoint NPS

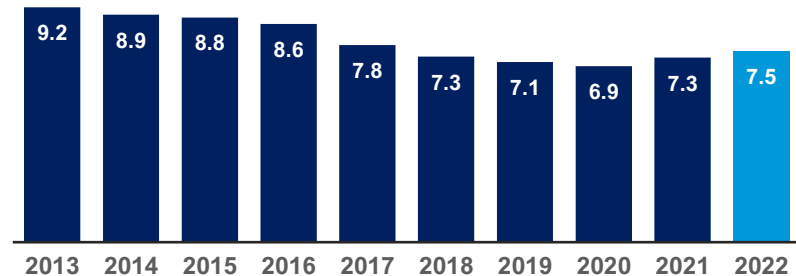


### Cost per residential energy customer

■ Dual-run IT costs



### Customers





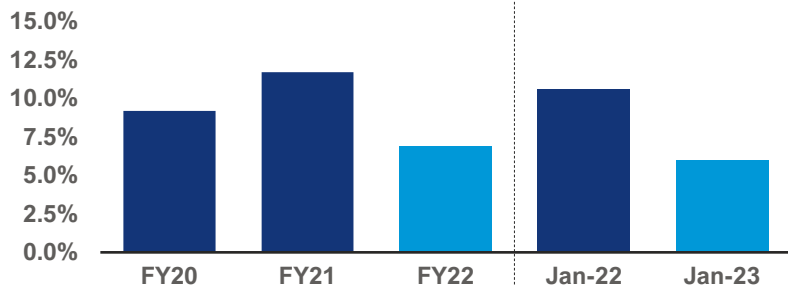
# We are engaging with the Regulator on the evolution of UK energy regulation

- Energy crisis shows importance of responsible business models and disciplined approach to hedging
- Some positive regulatory changes
  - Market Stabilisation Charge and ban on acquisition tariffs
  - Recovery of efficiently incurred costs
- Systemic market issues remain
  - Many competitors materially undercapitalised
  - Customer deposits not fully protected
- Fundamental root and branch review of regulation required

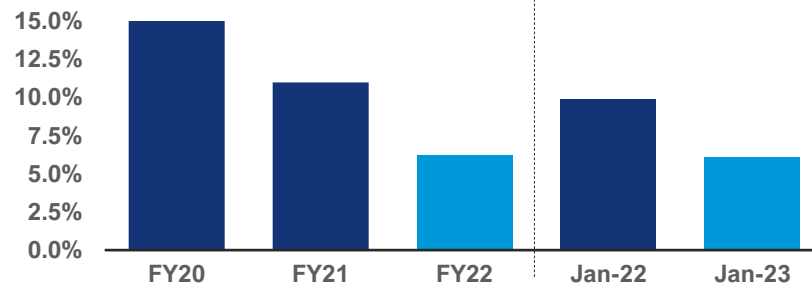


# Better operational metrics in British Gas Services & Solutions with the focus on improving commercial performance

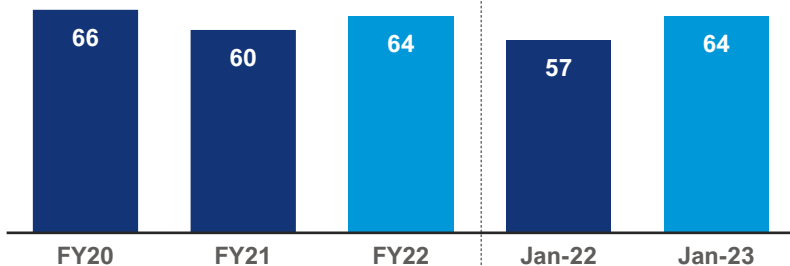
Absence rate



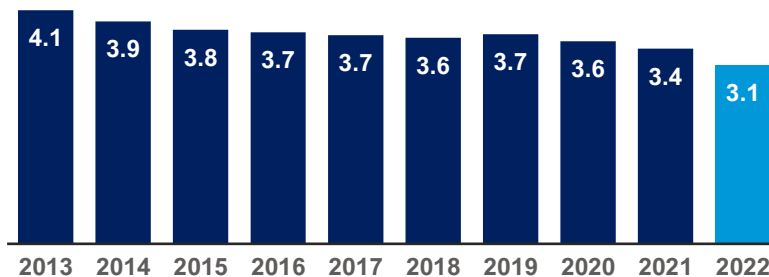
Reschedule rate



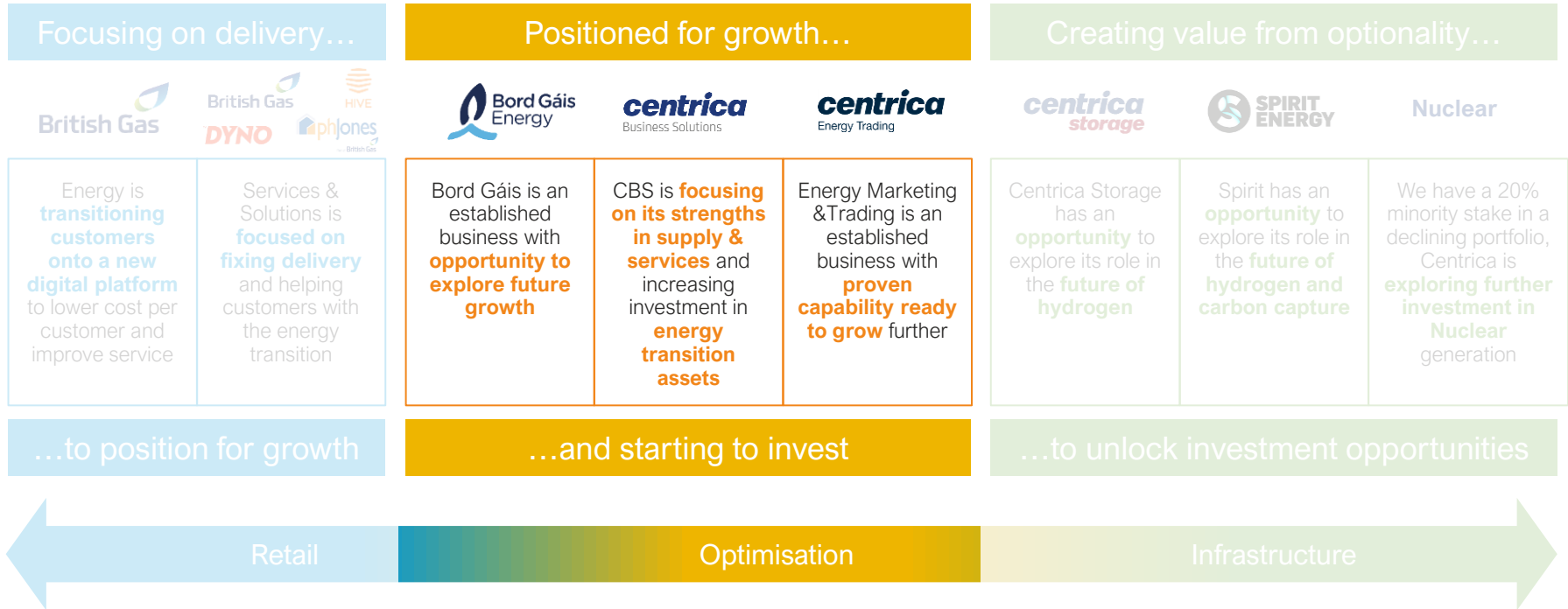
Engineer NPS



Customers (m)



# We have growth opportunities across the energy value chain

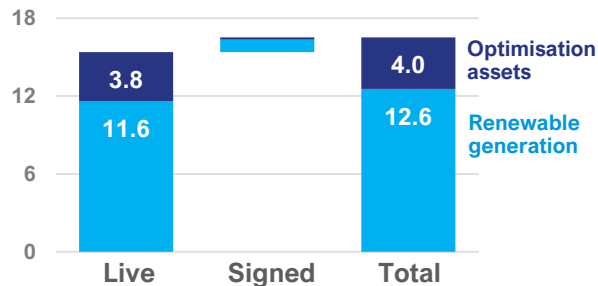


# We are adding value from our strong Energy Marketing & Trading capabilities and contractual positions

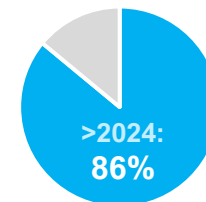
- Leading physical trading and risk management capability
- Scalable and digital proprietary platform used across markets
- Growth across three pillars - Power & Gas Trading, Route-to-Market, LNG Shipping & Trading
- Trade across 24 countries
- Interconnector, pipeline and 11TWh of gas storage capacity across Europe
- Manage ~16GW of third party assets
  - Generation equivalent to the power consumption of ~9m UK homes



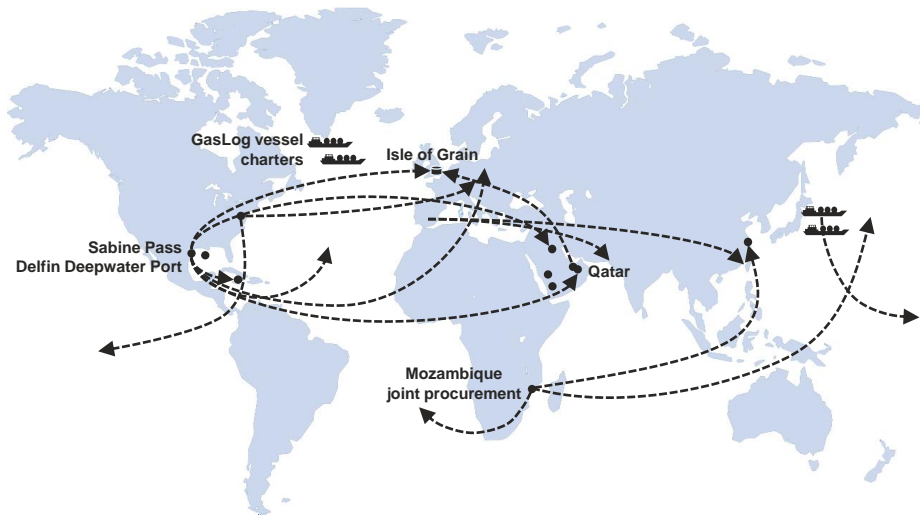
Route-to-market assets under management (GW)



Tenure of renewable generation

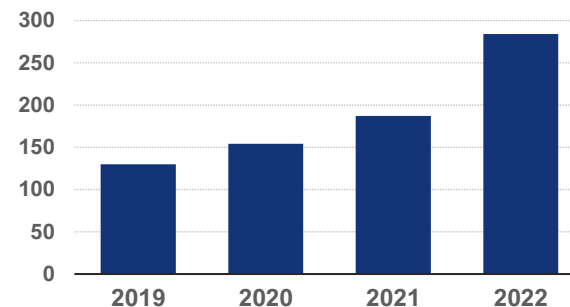


# We have attractive LNG positions and a deep understanding of the global gas market

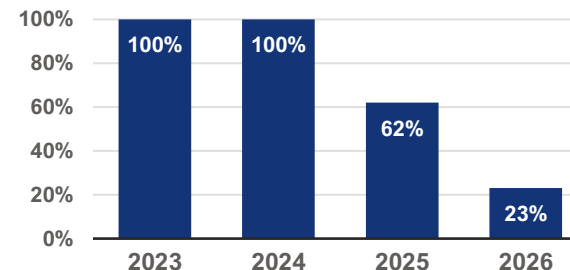


- Increasing importance of LNG in global energy markets
- All Sabine Pass cargoes sold forward to 2024 at a profit on average
- LNG investor teach-in planned for April 2023

### LNG physical cargoes moved each year



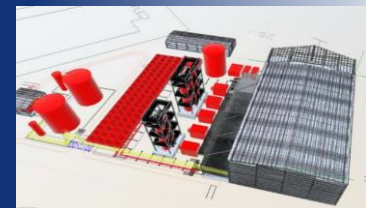
### % of Sabine Pass LNG cargoes sold forward



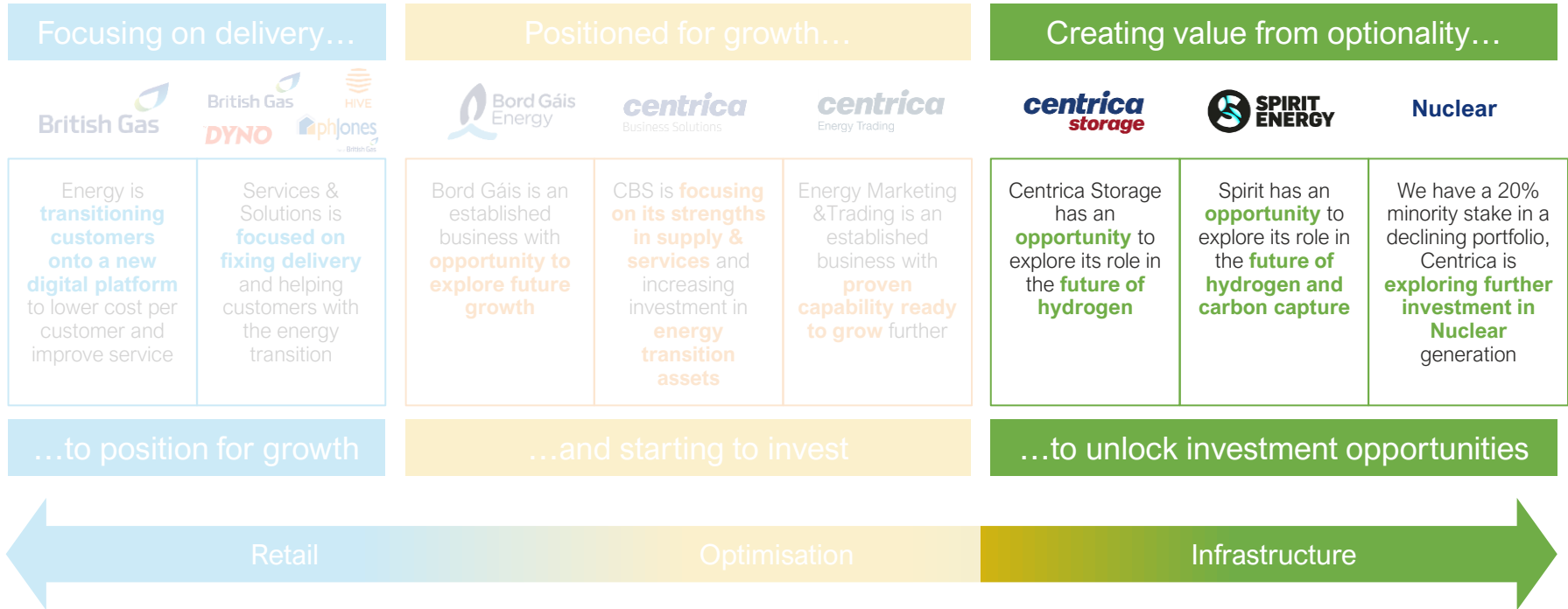
# We are investing in flexible and low carbon generation assets for value

## Existing assets and in-train projects as at February 2023

	Location	Capacity	Capex	Pre-FID	Post-FID	Operational
Flexible gas-fired power generation	Cork, Ireland (Whitegate)	445 MW	-			◆
	Brigg, UK	50 MW	-			◆
	Dublin, Ireland	100 MW	~€250m	—	◆	→
	Athlone, Ireland	100 MW		—	◆	→
	Brigg, UK	48 MW	~£55m	—	◆	→
	Redditch, UK	20 MW	~£15m	—	◆	→
Battery	Roosecote, UK	50 MW	-			◆
	Brigg, UK	50 MW	~£45m	—	◆	→
	Dyce, UK	30 MW	~£35m	—	◆	→
	Ostend, Belgium	24 MW	~£25m	—	◆	→
	Knapton, UK	28 MW	TBC	◆	—	→
Solar	Wiltshire, UK	18 MW	~£15m	—		◆



# We have growth opportunities across the energy value chain



# Existing Infrastructure positions are performing well and all have net zero investment opportunities



- Strong production in 2022
- No new exploration
- In-fill drilling opportunities
- Carbon storage licence application at Morecambe



- 10 year gas storage licence
- 30bcf capacity Winter 22/23
- Option to operate at same capacity Winter 23/24
- Potential long-term conversion to hydrogen



## Nuclear Investment

- High asset availability in 2022
- Closure dates
  - 2024: Heysham 1 & Hartlepool
  - 2028: Heysham 2 & Torness
  - 2055: Sizewell B
- Exploring options on new Nuclear



# We will invest to grow and strengthen Centrica

- £200bn industry-wide spend required in UK and Ireland 2021-30
- Strong balance sheet, flexible business model and detailed knowledge of markets key to success
- Investing in new retail platforms to position us for decarbonisation
- £400m of in-train flexible generation projects
- Potential to deploy capital into renewables with partners
  - Market access for route-to-market
- Building expertise and positions in Hydrogen and CCUS
  - Potential Rough conversion
  - HiiROC, Ryze MoU, Equinor co-operation agreement
  - Carbon capture storage licence application at Morecambe
- Intend to set out longer-term investment and returns plans alongside Interims in July



# A simpler, de-risked, more efficient company with attractive net zero opportunities

- A uniquely integrated energy company engaged in **Retail, Optimisation** and **Infrastructure**
- Driving improved operational performance for customers
  - **Investing in customer** service
- Capability and financial strength to invest in attractive **net zero** opportunities aligned to the **energy transition**
- Delivering attractive **returns for shareholders**



# Appendix



# Remeasurements, exceptional items and statutory profits

Year ended 31 December (£m)	H1 2022	H2 2022	2022
<b>Adjusted operating profit from cont. ops</b>	<b>1,342</b>	<b>1,966</b>	<b>3,308</b>
Onerous energy supply contract provision	(1,869)	3,635	1,766
Re-measurements - Upstream, EM&T and Bord Gáis	(3,398)	4,602	1,204
Re-measurements - UK Energy Supply	2,731	(9,095)	(6,364)
Power Generation asset write-backs	424	(217)	207
Loss on disposal of E&P Norway	(329)	(33)	(362)
Net losses arising on re-measurement of certain associates' contracts	-	1	1
<b>Statutory operating (loss) / profit</b>	<b>(1,099)</b>	<b>859</b>	<b>(240)</b>

# Revenue

Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	1,513	1,527
British Gas Energy	7,513	13,096
Bord Gáis Energy	1,111	1,771
Centrica Business Solutions	1,981	3,000
Energy Marketing & Trading	6,082	14,441
Upstream	2,282	3,351
<b>Group revenue included in business performance</b>	<b>20,482</b>	<b>37,186</b>
Inter-group revenue	(2,182)	(3,549)
<b>Total Centrica</b>	<b>18,300</b>	<b>33,637</b>

# Adjusted gross margin

Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	574	504
British Gas Energy	849	1,114
Bord Gáis Energy	136	160
Centrica Business Solutions	143	238
Energy Marketing & Trading	242	1,558
Upstream	926	1,874
Profit Share	—	(9)
<b>Group adjusted gross margin</b>	<b>2,870</b>	<b>5,439</b>

# Adjusted EBITDA

Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	164	38
British Gas Energy	214	154
Bord Gáis Energy	46	52
Centrica Business Solutions	(4)	89
Energy Marketing & Trading	119	1,446
Upstream	1,252	2,182
Other	59	32
<b>Total Group EBITDA</b>	<b>1,850</b>	<b>3,993</b>

# Adjusted operating profit

Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	121	(9)
British Gas Energy	118	72
<i>Residential energy supply</i>	115	23
<i>Business energy supply</i>	3	49
Bord Gáis Energy	28	31
Centrica Business Solutions	(52)	44
Energy Marketing & Trading	70	1,400
<i>Core EM&amp;T activities</i>	155	1,381
<i>Legacy gas contract</i>	(85)	19
Upstream	107	1,308
<i>Spirit Energy (retained)</i>	68	245
<i>Centrica Storage</i>	77	339
<i>Nuclear</i>	(38)	724
Profit Share	-	(23)
<b>Adjusted operating profit excl. disposed Spirit Energy assets</b>	<b>392</b>	<b>2,823</b>
<i>Spirit Energy disposed assets</i>	556	485
<b>Adjusted operating profit</b>	<b>948</b>	<b>3,308</b>

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.

A reconciliation of operating profit measures is provided in the Group Financial Review in the Preliminary Results announcement.



# Net investment

Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	(29)	(34)
British Gas Energy	(15)	(6)
Bord Gáis Energy	(36)	(38)
Centrica Business Solutions	(33)	(35)
Energy Marketing & Trading	(7)	(10)
Upstream	(88)	(123)
Other <sup>1</sup>	(24)	(12)
<b>Net capex (exc. Spirit Norway)</b>	<b>(232)</b>	<b>(258)</b>
Spirit Norway net capex	(202)	(119)
<b>Total net capex</b>	<b>(434)</b>	<b>(377)</b>
Net Disposals	108	103
<b>Continuing net investment</b>	<b>(326)</b>	<b>(274)</b>
Discontinued net investment	2,588	-
<b>Total Group net investment</b>	<b>2,262</b>	<b>(274)</b>

1. Other includes Corporate Functions.

See pages 88 to 92 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

# Free cash flow

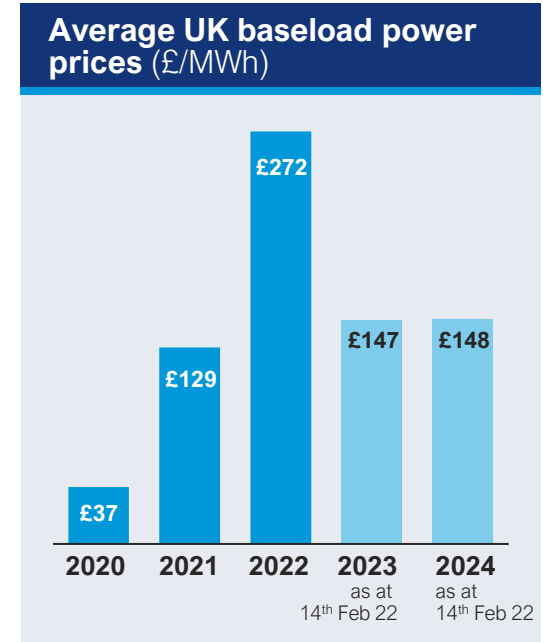
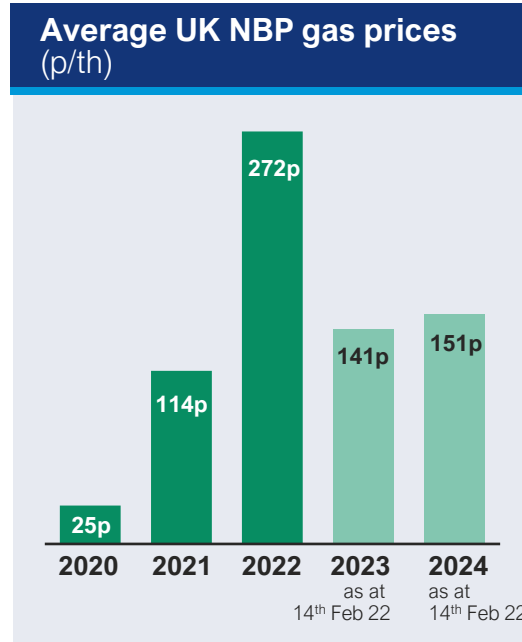
Year ended 31 December (£m)	2021	2022
<b>Continuing operations</b>		
British Gas Services & Solutions	170	(19)
British Gas Energy	16	1,283
Bord Gáis Energy	3	81
Centrica Business Solutions	22	(48)
Energy Marketing & Trading	206	199
Upstream	835	1,539
Other	62	26
<b>Segmental free cash flow</b>	<b>1,314</b>	<b>3,061</b>
<b>Discontinued operations</b>		
Direct Energy	2,597	-
<b>Group total free cash flow excluding tax</b>	<b>3,911</b>	<b>3,061</b>
Taxes paid from continuing operations	(140)	(574)
Taxes paid from discontinued operations	(9)	-
<b>Total Group adjusted free cash flow</b>	<b>3,762</b>	<b>2,487</b>
Less discontinued operations free cash flow (including tax)	(2,588)	-
<b>Free cash flow from continuing operations</b>	<b>1,174</b>	<b>2,487</b>

A reconciliation of free cash flow is provided in the Group Financial Review in the Preliminary Results announcement.

# Spirit Energy – P&L and KPIs

KPIs	2021 vs 2022		2022		
	2021	2022	Retained	Disposed	Total
Production Gas (mmboe)	23.7	<b>19.1</b>	16.3	2.8	<b>19.1</b>
Production Oil (mmboe)	13.1	<b>4.7</b>	1.2	3.5	<b>4.7</b>
Achieved gas price (p/th)	70	<b>109</b>	94	191	<b>109</b>
Achieved liquids price (£/boe)	44	<b>59</b>	43	64	<b>59</b>
Gas and liquids realisations (£m)	1,603	<b>1,537</b>	988	549	<b>1,537</b>
L&OPC (£/boe)	15.8	<b>19.5</b>	20.5	16.7	<b>19.5</b>
DDA (£/boe)	12.2	<b>18.2</b>	20.2	-	<b>18.2</b>
<b>Operating profit</b>	<b>624</b>	<b>730</b>	<b>245</b>	<b>485</b>	<b>730</b>
<b>Net operating profit after tax</b>	<b>174</b>	<b>198</b>	<b>126</b>	<b>72</b>	<b>198</b>
<b>NOPAT after minority interest</b>	<b>104</b>	<b>125</b>	<b>80</b>	<b>45</b>	<b>125</b>

# Market commodity prices



2020, 2021 and 2022 prices are month ahead outturn. 2023 prices are January and February month ahead outturn and forward prices on 14 February 2023 for the balance of year. 2024 prices are the average of forward prices.

## CDP and TCFD



- CDP is a global non-profit organisation that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. It was voted the number one climate research provider by investors.
- CDP's annual environmental disclosure and scoring process is widely recognised as the gold standard of corporate environmental transparency, working with over 680 institutional investors with assets of US\$130 trillion.
- Centrica is in the prestigious 'A list' leadership category with an A rating for Climate Change.
- This rating puts us in the top 2% of the over 18,700 companies (more than half of the global market cap) who disclosed in 2022.



- The 'Taskforce on Climate-related Financial Disclosures' (TCFD) is an organisation with the goal of developing a set of climate-related financial risk disclosures which can inform investors and other stakeholders about the risks and opportunities companies face related to climate change.
- We became signatories of the Task Force on Climate-related Financial Disclosures (TCFD) in Jan 2020. Last year, we voluntarily implemented the TCFD recommendations and complied with its disclosure requirements. The FRC's thematic report identified Centrica's disclosure as best practice.
- This year, in line with our commitment to continuously improve, we have further enhanced our analysis and disclosures. Full results will be published within our 2022 Annual Reports and Accounts.

# A responsible employer



- 94% leadership score based on transparency vs. 78% utility sector average and a 68% average for all responding companies. Received special mention for our disclosure in the categories of 'Being the most transparent', 'Workforce action' and 'Supply chain data'.
- Spanning a range of workforce matters from pay and diversity, to safety and human rights, it's the go-to equivalent of CDP for 'S' matters, and is backed by a coalition of 68 institutions with US\$10trn in assets under management.



- Score of 87% which secures us a leadership position alongside two other companies – this ranks us in Tier 1 out of 5, means we're 'leading the way on mental health management and disclosure'.
- Inaugural Corporate Mental Health Benchmark 100 (UK) – focused on the UK's 100 largest companies for market capitalisation and workforce size, and based on approach to workplace mental health (27 criteria across four themes: management commitment and policy governance and management, leadership and innovation; performance reporting and impact).



- Ranked in 'The Times Top 50 Employers for Women' in 2022 (achieved only once before in 2020).
- Published in partnership with Business in the Community, the 2022 list celebrates employers who are driving progress towards gender equality through forward-thinking strategy, policies and culture.
- Changing to The Times Top 50 Employers for Gender Equality in 2023.