



endesa

# Capital Markets Day

NOVEMBER 23<sup>rd</sup> 2023

# Agenda



## José Bogas, CEO

2024-26  
Strategic Plan

- Endesa in the energy context
- 2024-26 Strategic Plan



## Marco Palermo, CFO

2024-26  
Strategic Plan

- 2024-26 Financial targets



## José Bogas, CEO

Closing remarks



# Endesa in the energy context

José Bogas  
CEO

The Endesa logo is displayed in a blue, lowercase, sans-serif font. The letters 'e', 'n', 'd', 'e', and 's' are solid blue, while the letters 'a' and 'a' are rendered in a lighter, semi-transparent blue, creating a layered effect.

# Clean electrification: the solution to tackle three major challenges



**Affordability**



**Reduction of energy costs for customers**



**Security**



**Reduction of energy dependency**



**Sustainability**



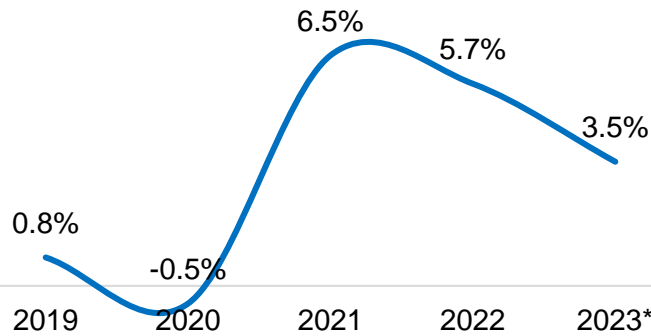
**Reduction of GHG emissions**

**Clean electrification to create affordable, secure, sustainable energy systems**

# Potential delayed electrification in the current context of high inflation and financial costs...

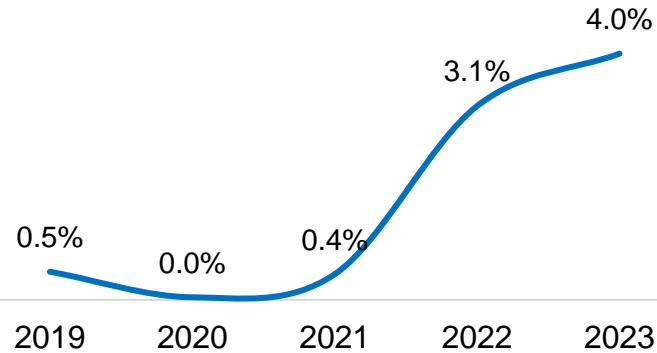


Annual CPI Spain



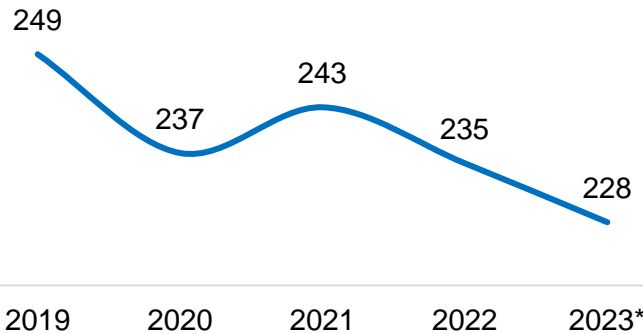
\*Preliminary figure Oct 23

10Y Spanish bond\*



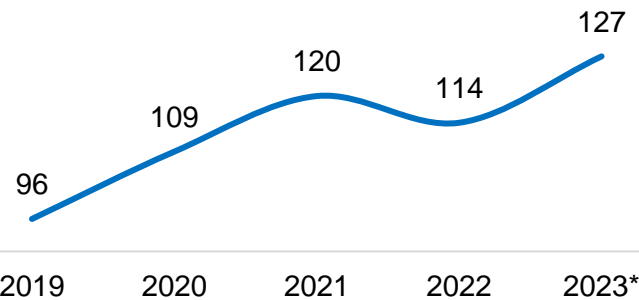
\*December average for each year; 2023 October average

Mainland Demand Spain (TWh)



\*Source: REE. Yearly moving average as of 31-oct-23

Mainland Renewables Spain (TWh)



\*Source: REE. Yearly moving average as of 31-oct-23

- High inflation
- Increasing financial cost
- Delay in electrification / weak industrial demand
- Increased renewable generation

# ...and a regulatory context yet to be defined



## Europe

- ◆ **Market design reform** proposal in Trilogue phase (Parliament, Commission and Council)
- ◆ **Voluntary CfD**
- ◆ **Cap to infra-marginals extended until June 2024**
- ◆ Tighter **criteria** for declaring a **crisis situation**
- ◆ **Levy** on non-electric energy companies in **2022 and 2023**



## Spain

- ◆ **Uncertainty** over the extension of crisis measures
- ◆ **Pending remuneration parameters** for regulated activities 3<sup>rd</sup> regulatory period 2026-31
- ◆ **Pending tender** for new generation in non-mainland systems
- ◆ **Capacity payment** mechanism

# ... leading to a reassessment of our growth drivers

## Regulated business

- ▶ Regulation should provide **fair and predictable return** on investment against a background of inflation and higher interest rates
- ▶ Investments in networks in order to **improve quality**, losses, resilience and to **allow new connection** requests.
- ▶ Non mainland flexible capacity: **awaiting** for better and predictable remuneration

## Emission-free generation

- ▶ Investment selection on the basis of a more balanced **risk-return profile** based on **technology diversification**
- ▶ Focus on investments with stable and attractive **IRR-WACC** spread devoted to serve our customers
- ▶ Leverage on **Partnership to increase return providing optionality**

## Customers

- ▶ **Maximize value** of our customers' portfolio
- ▶ Increase the efficiency and effectiveness of **customer acquisition** and **retention**
- ▶ Helping customers' journey into a **more electrified** future

**Flexible integrated model to take advantage from make or buy strategy**

**A value-based approach tailored to our integrated business, where efficiency and effectiveness drives competitiveness and improves results and execution**

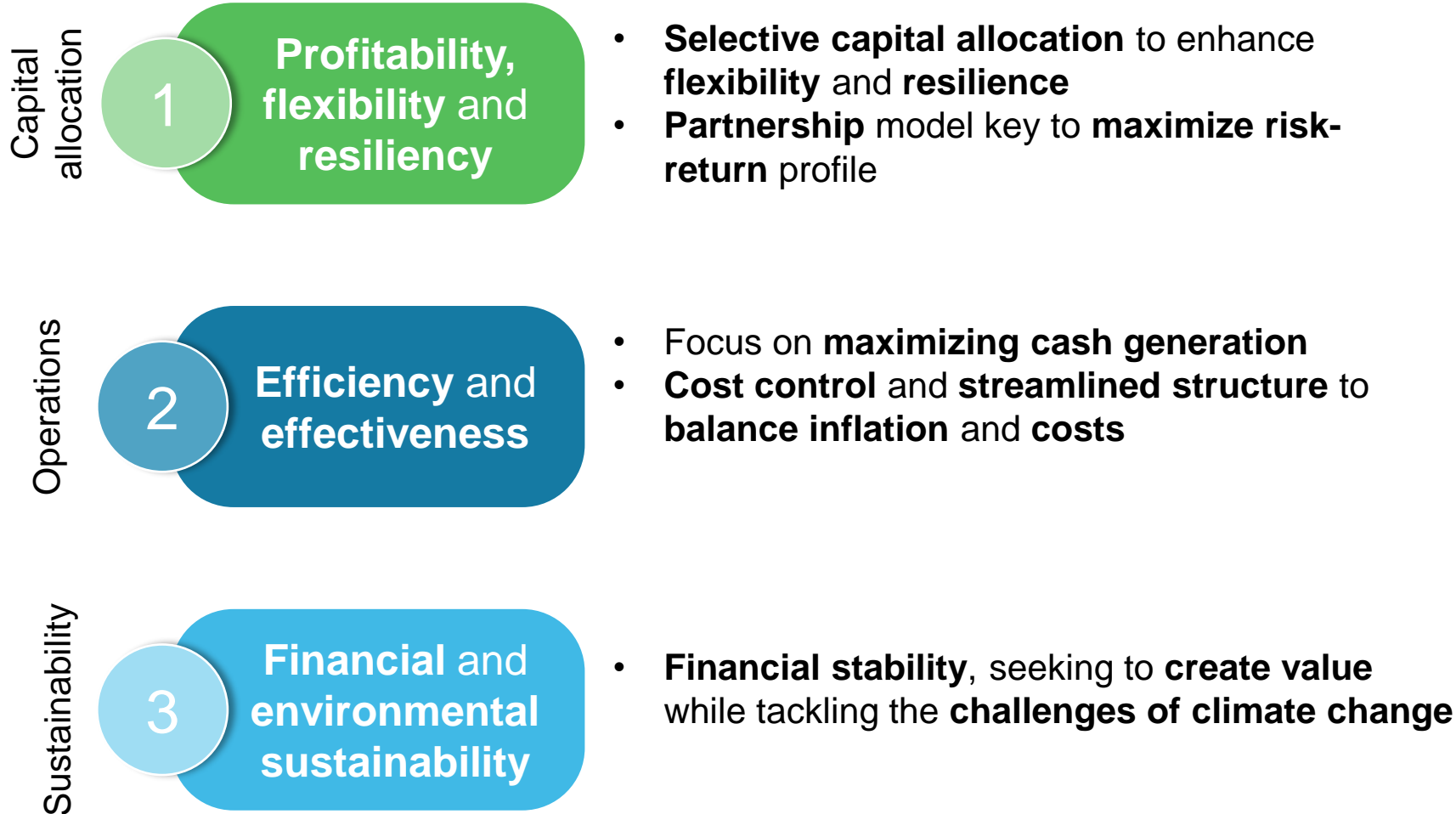


# 2024-26 Strategic Plan

endesa



# The strategic pillars

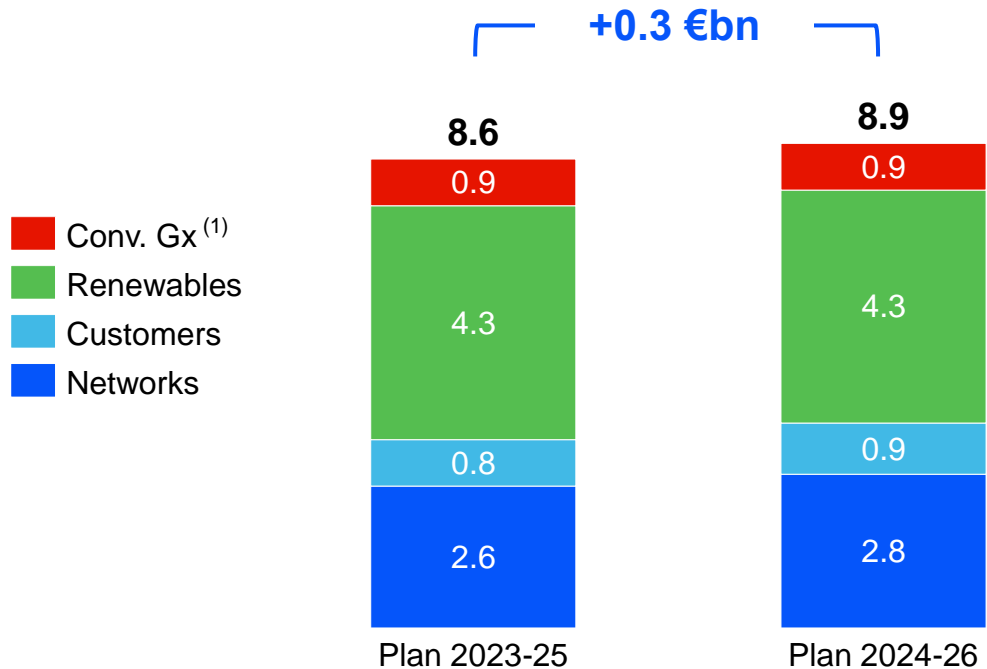


**Value driven  
business model  
designed to  
capitalize on future  
opportunities**

# An investment plan tailored to the new energy context: capital allocation strategy



Gross capex by business (€bn)



Key Drivers

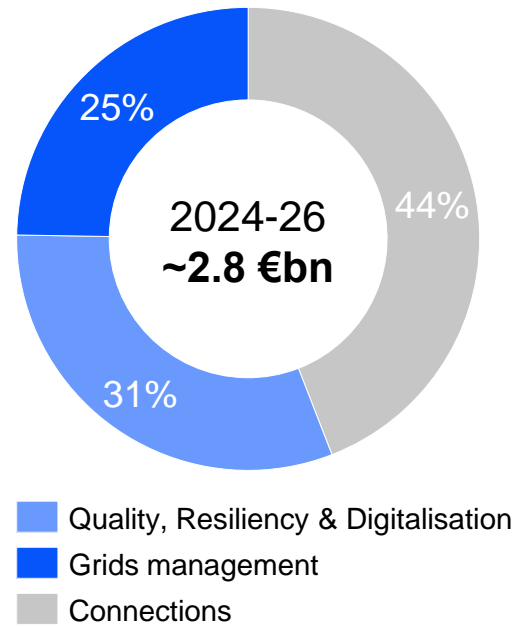
- Steady investment path **awaiting greater visibility** on the regulatory framework required to address energy transition
- Renewables growth **hedged by customer base**
- Development plan under a **new Partnership scheme**
- Aim to **new customer attraction** and **service improvement**
- **Non-mainland** flexible capacity: development investment ahead of for **better and predictable remuneration scheme**

(1) Conventional Gx figure includes CCGT's , nuclear generation, non-mainland businesses, Corporate Structure, Services and Adjustments.



# Investments in networks to be supported by an adequate remuneration

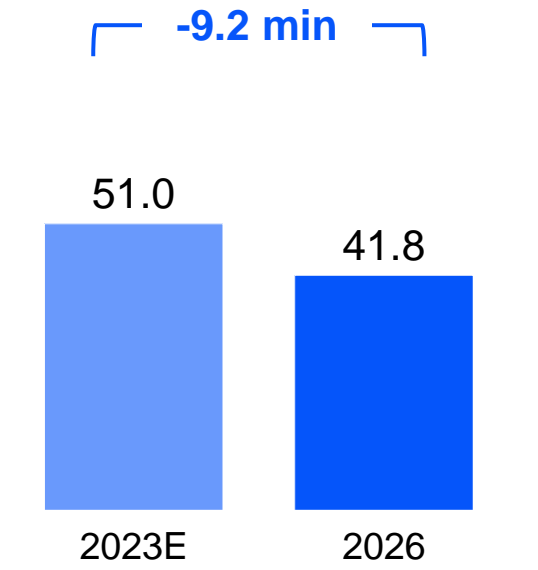
Gross capex (€bn)



Capex net of grants  
~2.0 €bn

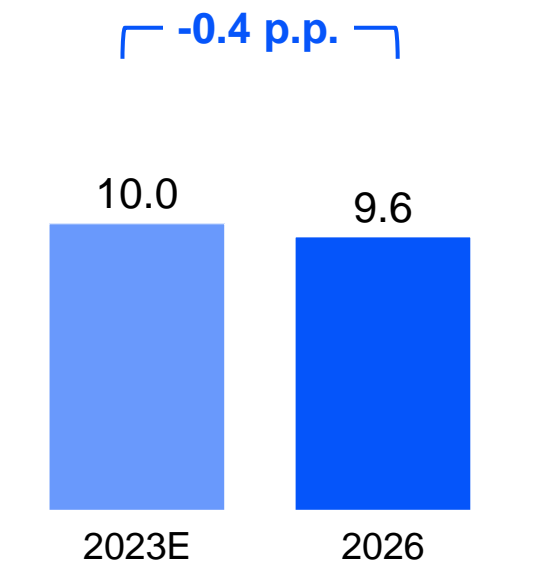
RAB 2023-26 (€bn) ~11.3

TIEPI<sup>(1)</sup> (min)



0.9 NIEPI<sup>(2)</sup> (#) 0.8 -11%

Losses<sup>(3)</sup> (%)



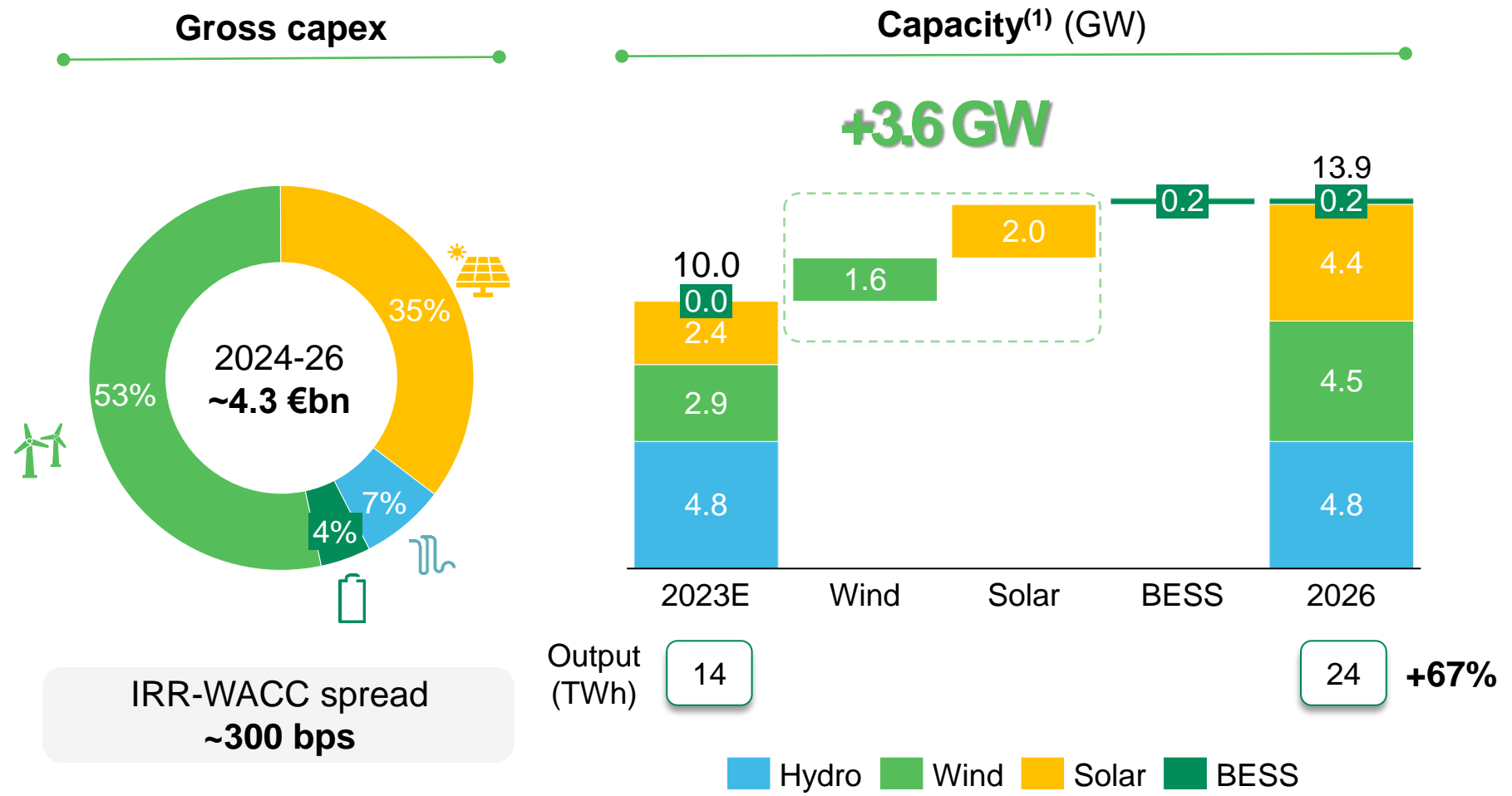
107 Electricity distributed (TWh)<sup>(3)</sup> 111 +4%

## Key Drivers

- Energy Transition:** Network investment as a **key enabler** of energy transition targets
- Regulatory Advocacy:** Regulatory frameworks must guarantee a **reasonable return** on investment
- Service standards:** Ensure **higher quality standards** whilst incurring in lower energy losses

(1) Tiempo de Interrupción Equivalente a la Potencia Instalada (Installed Capacity Equivalent Interruption Time). According to Spanish Regulator. Own + Programmed and Transport minutes of interruption  
 (2) Número de Interrupciones Equivalente a la Potencia Instalada (Installed Capacity Equivalent Number of Interruptions)  
 (3) At busbars (REE criteria). Country level. Not adjusted.

# Strict investment allocation criteria in Renewables under a new value-creation approach



**Key Drivers**

- Partnerships: Optimizing capex allocation
- Risk/return investment profile should consider optionality of value creation between make or buy
- Flagship strategic projects
- Repowering in wind and hydro

(1) Rounded figures

# Flagship strategic projects



## Andorra (Teruel)

~ 2,000 MW of new solar PV, wind, BESS and H2 capacity  
COD 2026-27  
Capex: ~1.7 €bn



## Wind (Galicia)

~ 800 MW on new wind capacity  
COD 2025  
Capex: ~1.0 €bn



## Pego (Portugal)

>800 MW of new solar PV, wind, BESS and H2 capacity  
COD 2026  
Capex: ~0.7 €bn

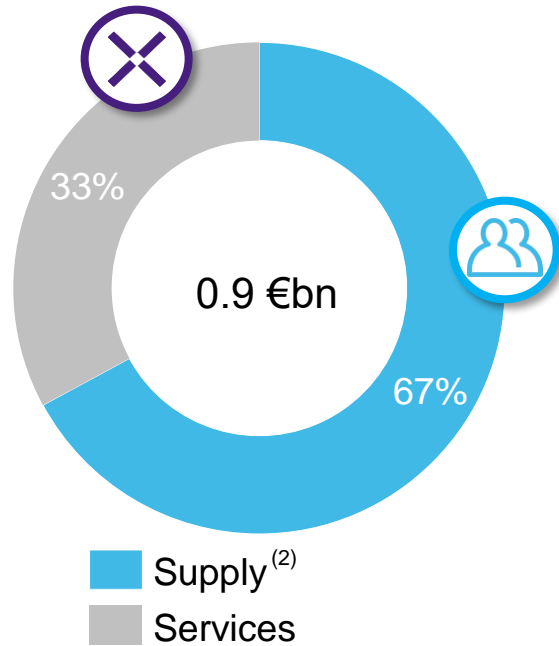
### Lines of action

- ◆ Financially sustainable
- ◆ Proactive job search for employees directly affected
- ◆ Promotion of economic activity and employment in the area
- ◆ Training and qualification to improve employability
- ◆ Sustainability in the region

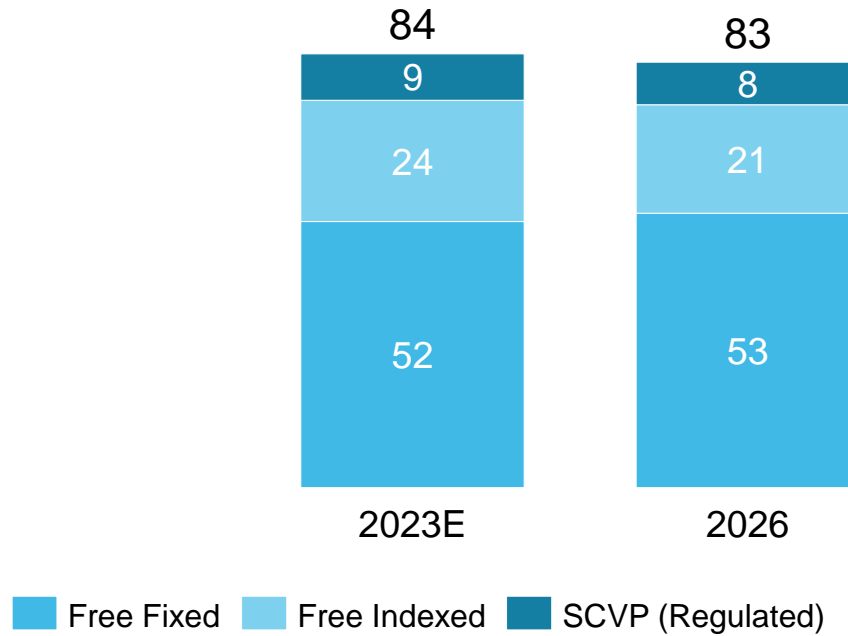
# Focus on customer loyalty leveraging on valued-added offers



Gross capex (€bn)



Total power sales<sup>(1)</sup> (TWh)



Free Power customers (mn)

7.1

7.5

+6%

## Key Drivers

- Customer centricity:** Improving **customer experience** and providing **high service standards** to promote **loyalty**
- Bundled offering:** leveraging on knowledge of customer's needs
- Portfolio optimization:** Target high margin, high value-added services/products
- Demand electrification:** foster customer's base electrification

(1) Rounded figures. International sales not included  
 (2) Power & Gas

# Flexible growth strategy ensures financial equilibrium

Financial equilibrium

$$FCF = FFO - Capex - Dividends$$

2024-26 plan: **FCF > 0**

2023-25 plan: **FCF < 0**

Partnership model and asset rotation

**Partnership**

Incorporate partners to improve the risk-return profile.

**Asset rotation**

FFO optimization

- ↑ Financial targets improvement
- ↑ Cash cost contention
- ↑ FFO/EBITDA ratio increase

- ↓ Higher interest rate
- ↓ Inflationary context

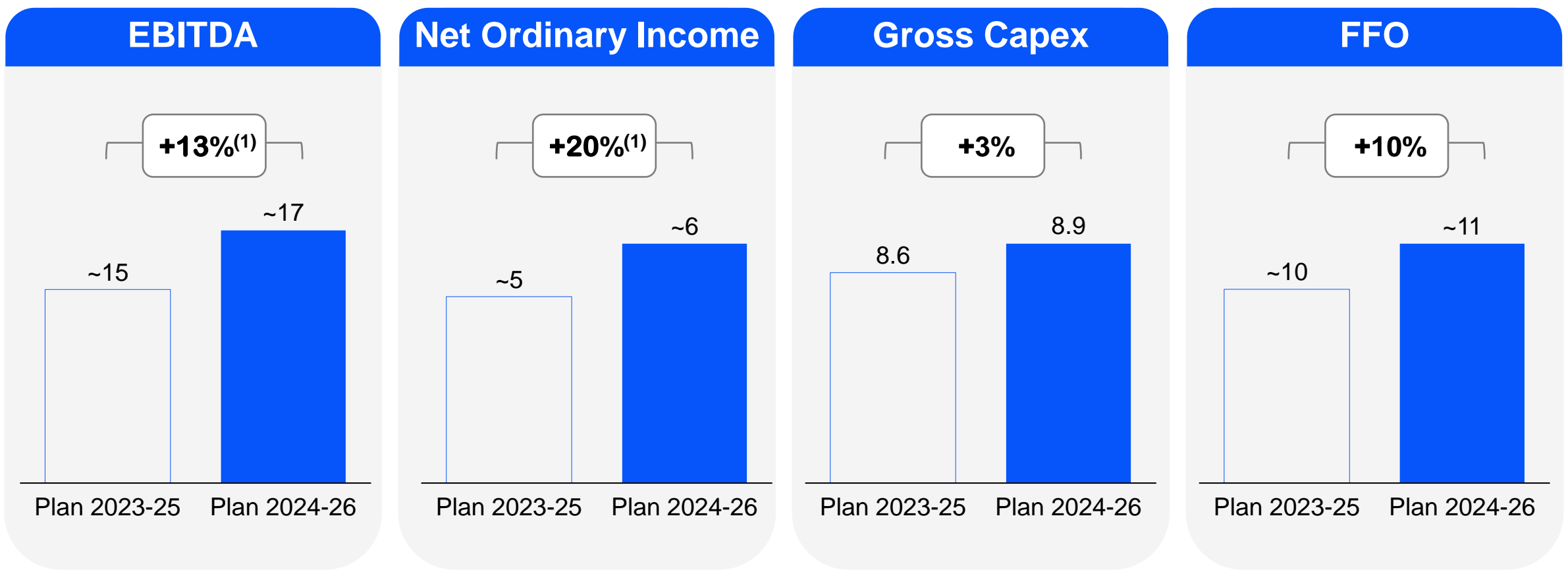
Dividend policy

Keeping **attractive** and **sustainable** dividend policy

# Financial sustainability



€bn



(1) Calculated on 2023E and 2026 upper range

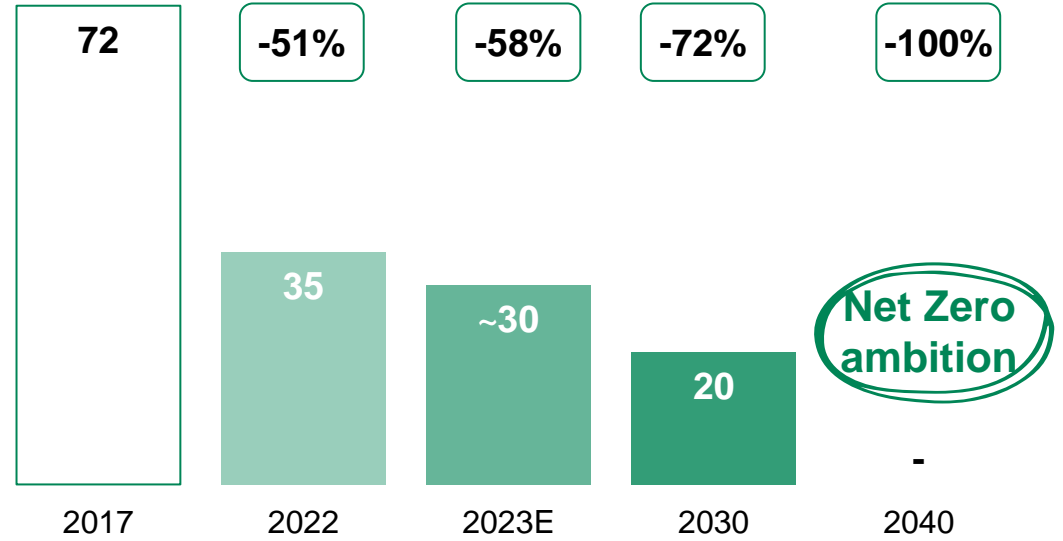


# Environmental sustainability



Total absolute emissions (MtCO2eq)

- Reduction vs 2017



Net Zero ambition

**Net Zero - A roadmap aligned to the Paris Agreement (1.5°C pathway)**  
 covering direct and indirect emissions through specific targets

**2027**  
 Exit from **coal** power generation

**2040**  
 100% **renewable** power generation and sales and **exit from gas retail**

A **Just Transition plan** based on upskilling/reskilling programs








# Strong operational performance by 2026



Improving network **quality and resilience**, while **awaiting a more supportive regulatory framework**

**Expansion** of renewable energy mix with a **focus** on **flexibility and profitability**

Customer **consolidation** and promoting **higher electrification**

	2023E	2026
 RAB (€bn)	~11.3	~11.3
 TIEPI (min)	51	42
 Network losses (%)	10.0	9.6
 RES Capacity (GW)	10.0	13.9
 GHG free production on total <sup>(1)</sup>	79%	93%
 Fixed price power sales <sup>(2)</sup> (TWh)	52	53
 Free power customers (mn)	7.1	7.5

Note: Rounded figures

(1) In mainland

(2) Free fixed power sales



# 2024-26 Financial Targets

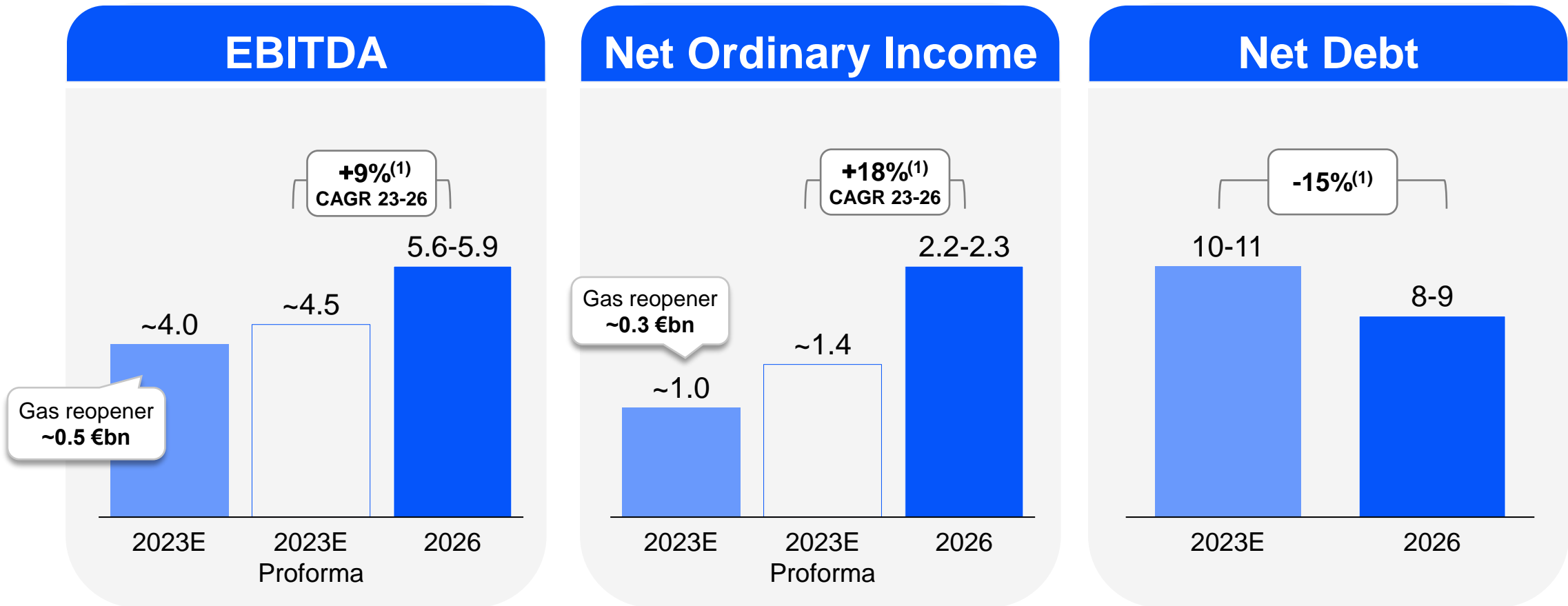
Marco Palermo  
CFO



# Main financial targets



€bn

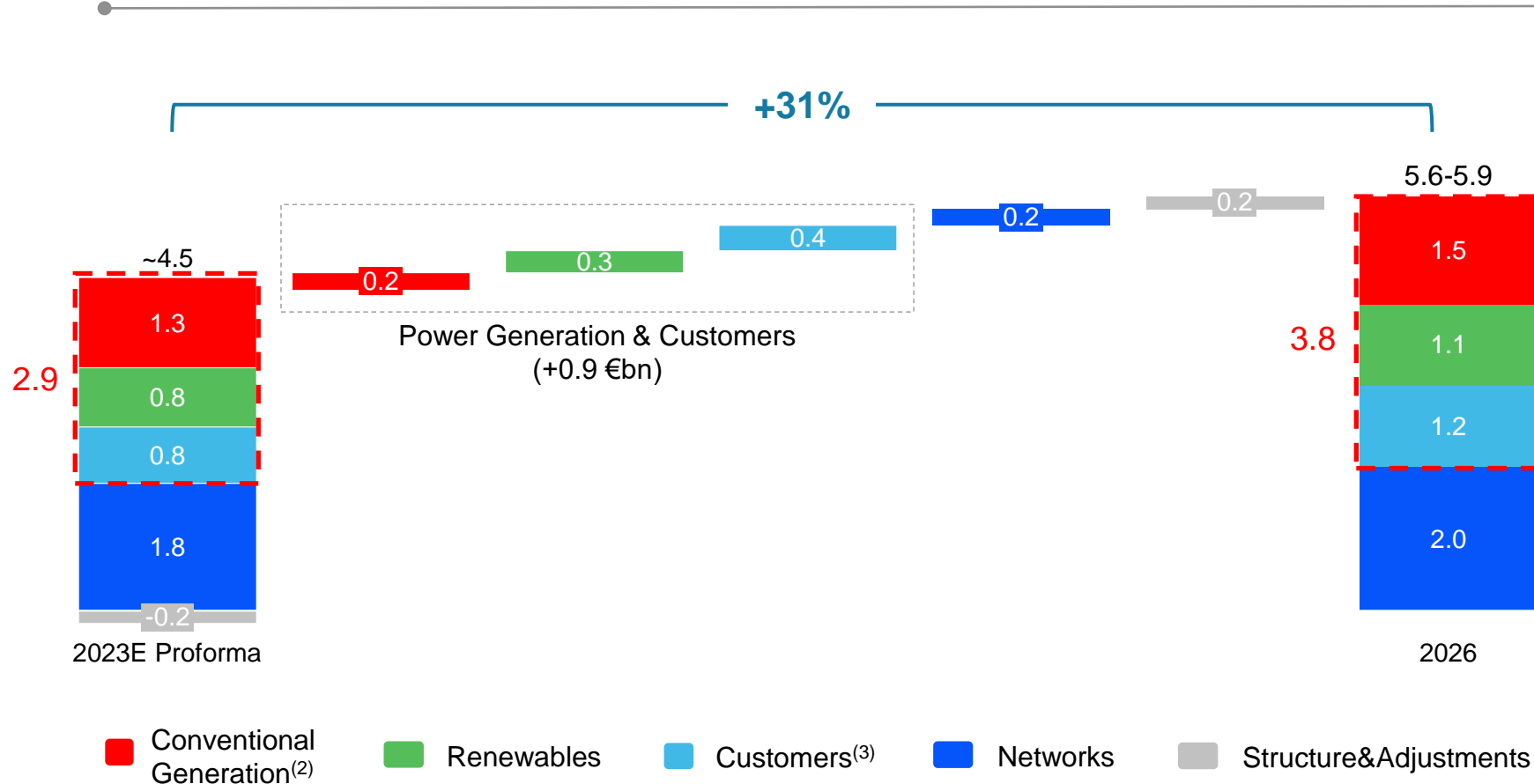


(1) Calculated on 2023E Proforma and 2026 upper range

# EBITDA growth driven by normalized market and regulatory improvement



EBITDA by business<sup>(1)</sup> (€bn)



## Key Drivers

- Conventional Gx **normalization** and **higher renewables contribution**
- Lower cost of sourcing** expand Customers margin
- Distribution business increase thanks to regulated **margin improvement**
- Extraordinary 1.2% tax **not expected beyond 2024**

(1) Rounded figures. Variation according to 2026 upper range

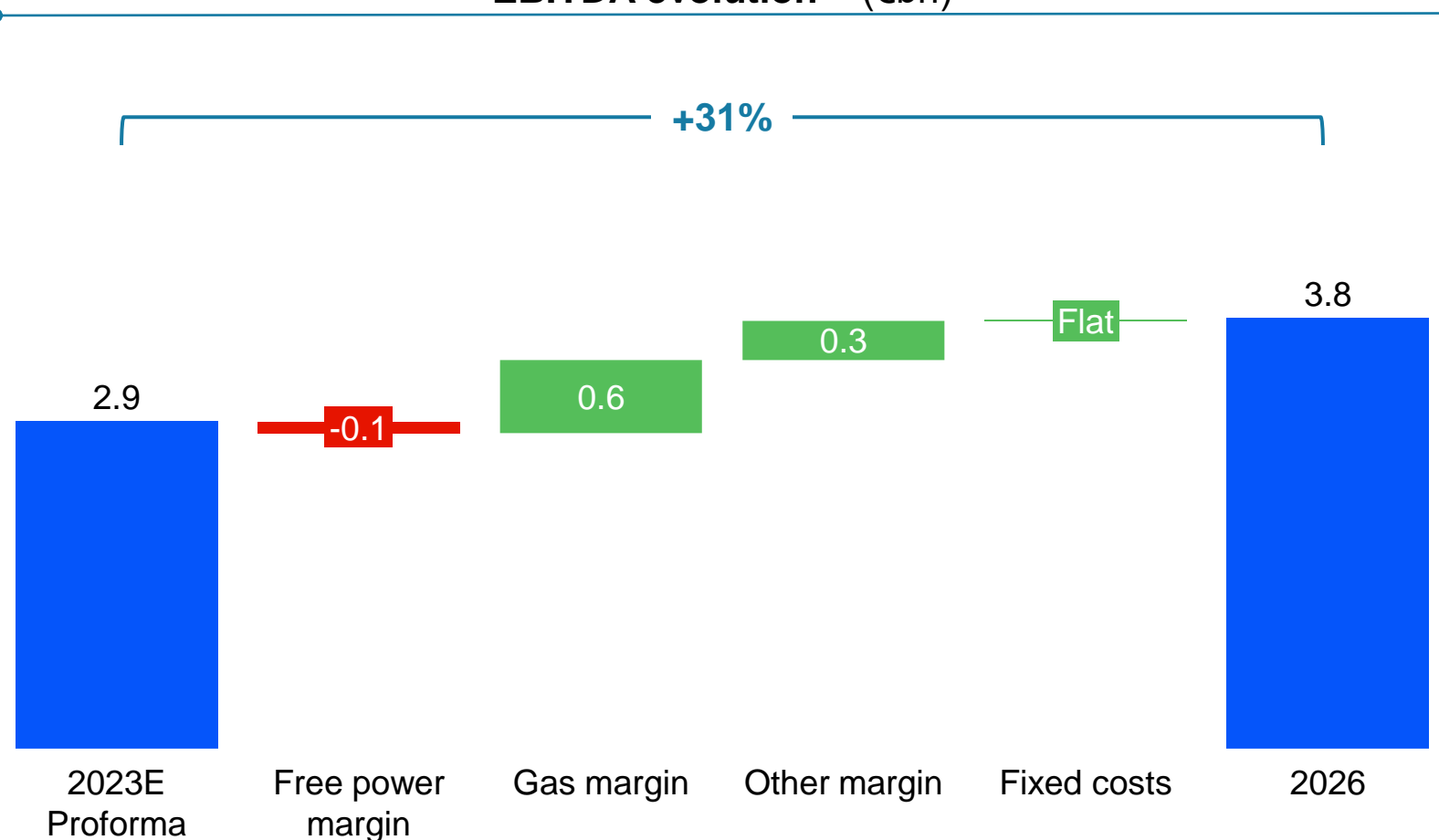
(2) Includes Thermal Gx, Nuclear, Non mainland, Gas procurement activities and Others

(3) Retail + Endesa X + Endesa X Way

# Power Generation & Customers



EBITDA evolution<sup>(1)</sup> (€bn)

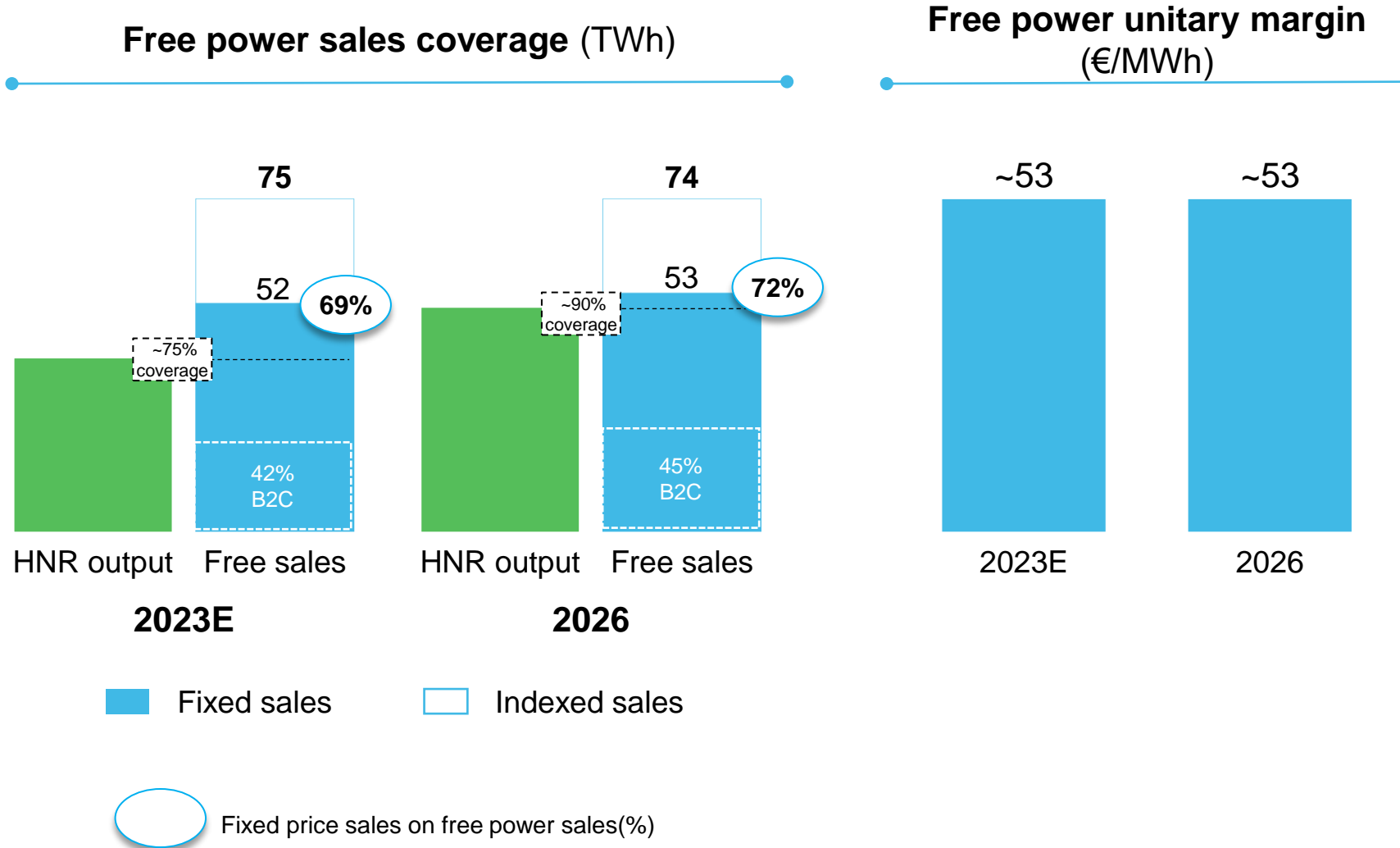


## Key Drivers

- Free power margin **remains stable** along the plan
- Gas margin **rebound** after the exceptional negative in 2023
- Other margin **improvement** thanks to MtM and Endesa X
- Fixed cost **contention**

(1) Rounded figures

# Power margin resiliency thanks to integrated strategy and favorable market context



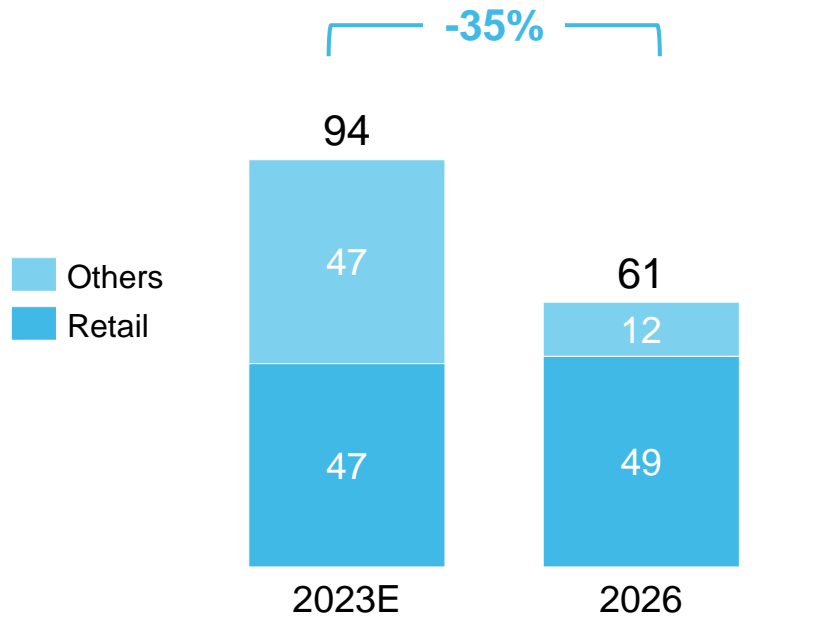
## Key Drivers

- ▶ **Increase** renewables production and **optimize** customer portfolio to **shorten** long customer position and **improve** marginality
- ▶ Free power unitary margin **normalization**:
  - + Sx margin **expansion** through lower sourcing cost and better sales mix
  - + **Higher contribution** of inframarginal technologies
  - **Lower** thermal margin
  - Short position margin **normalization**

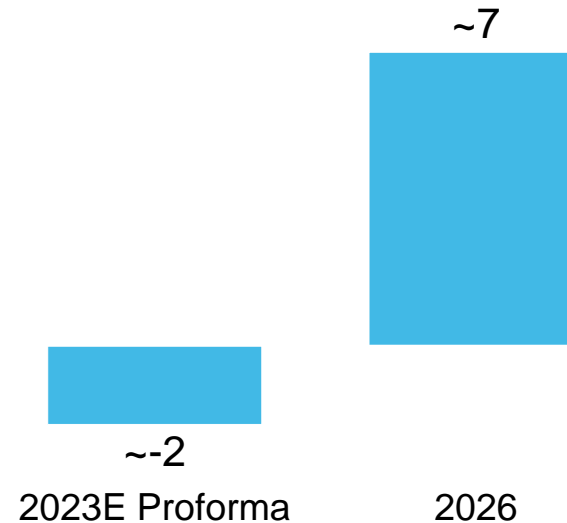
# Gas business rebound after extraordinary 2023



Gas sales<sup>(1)</sup> (TWh)



Gas unitary margin<sup>(2)</sup> (€/MWh)



Customers (mn)	1.8	1.8	-%
Liberalized (mn)	1.4	1.4	-%

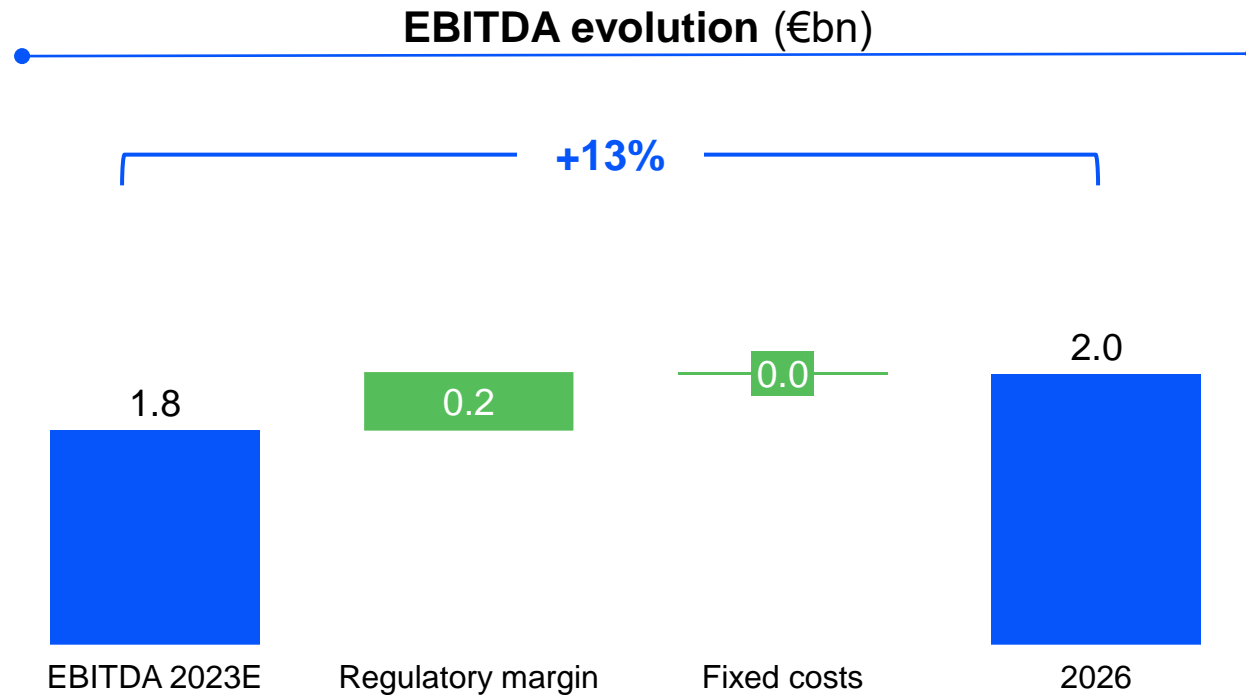
## Key Drivers

- Normalization of retail sales
- Margin recovery from 2023 exceptional volatility and the competitiveness of our procurement portfolio

(1) Rounded figures  
 (2) Total unitary margin excluding MtM



# Grids EBITDA evolution



## Key Drivers

- ▶ **Improvement** in the remuneration framework to provide the **necessary incentive** to support the Energy Transition
- ▶ Efficiencies and digitalization investments keep **fixed costs flat**

RAB (€bn) **~11.3**

EBITDA/Grids Customer (€/cl) **142**

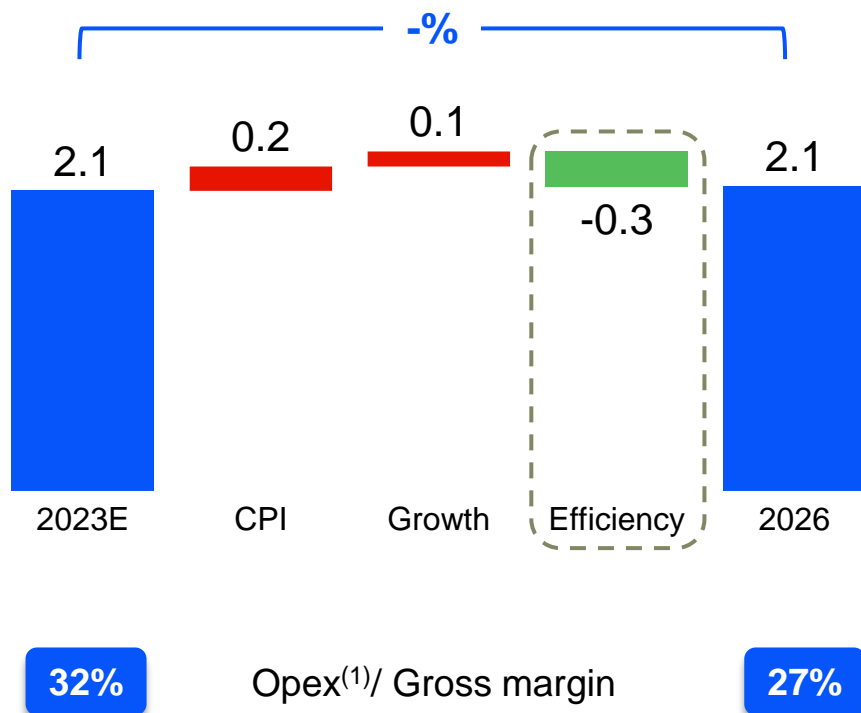
**~11.3**

**157**

# Fixed costs stability despite inflationary context and growth effect



Opex<sup>(1)</sup> evolution (€bn)



Unitary costs<sup>(2)</sup>

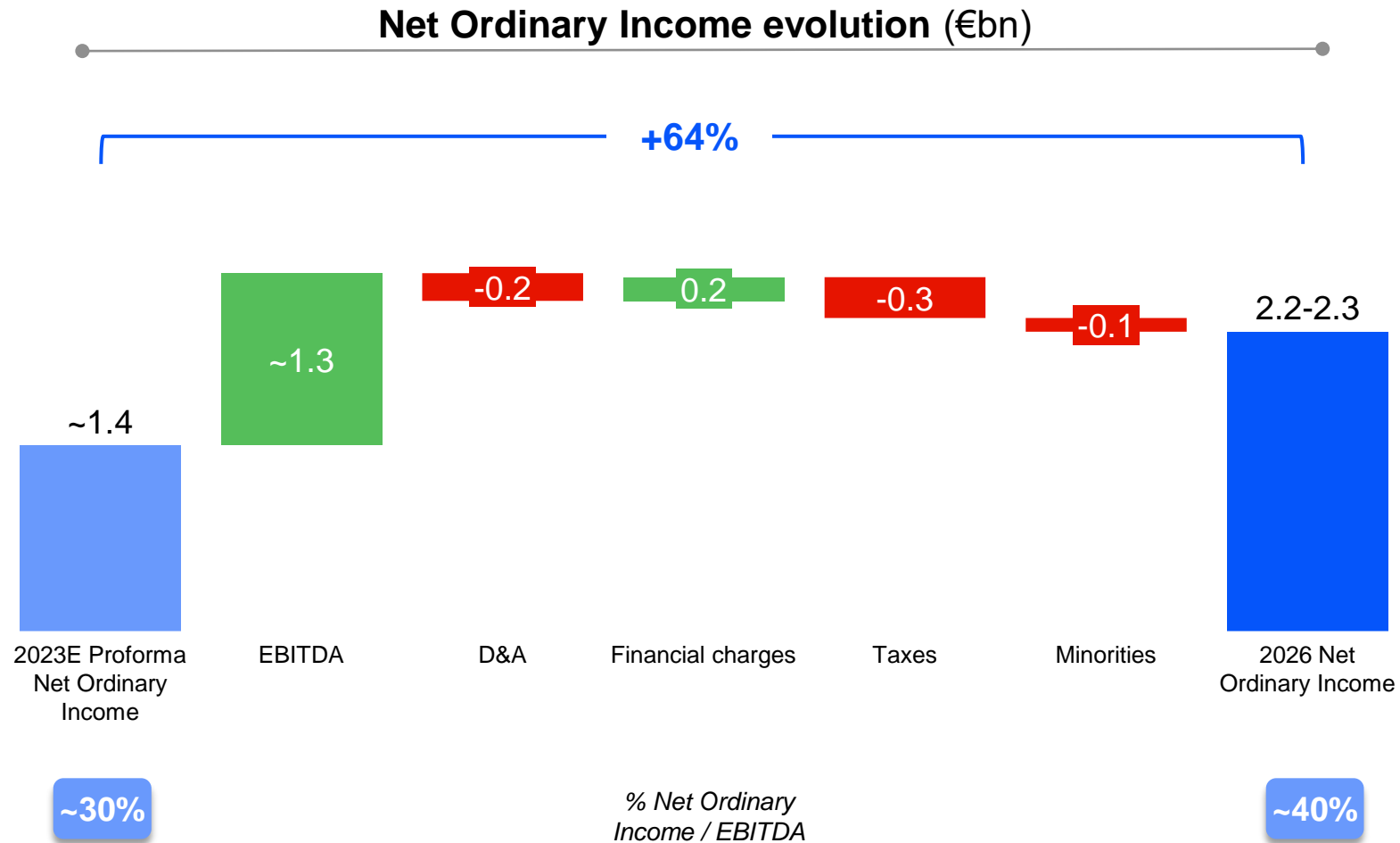
	2023E	2026	% Change
<b>Grids</b> <i>Unitary cost</i> €/grid cust.	45	45	-%
<b>Generation</b> <i>Unitary cost</i> €/MWh	18	12	-33%
<b>Customers</b> <i>Cost to Serve</i> €/customer	9.8	9.6	-2%

Process optimization, digitalization and cost contention drives efficiencies

(1) Opex: Total fixed costs in nominal terms (net of capitalizations). Rounded figures  
 (2) Excluding non recurrent

# Net Ordinary Income evolution<sup>(1)</sup>

€bn



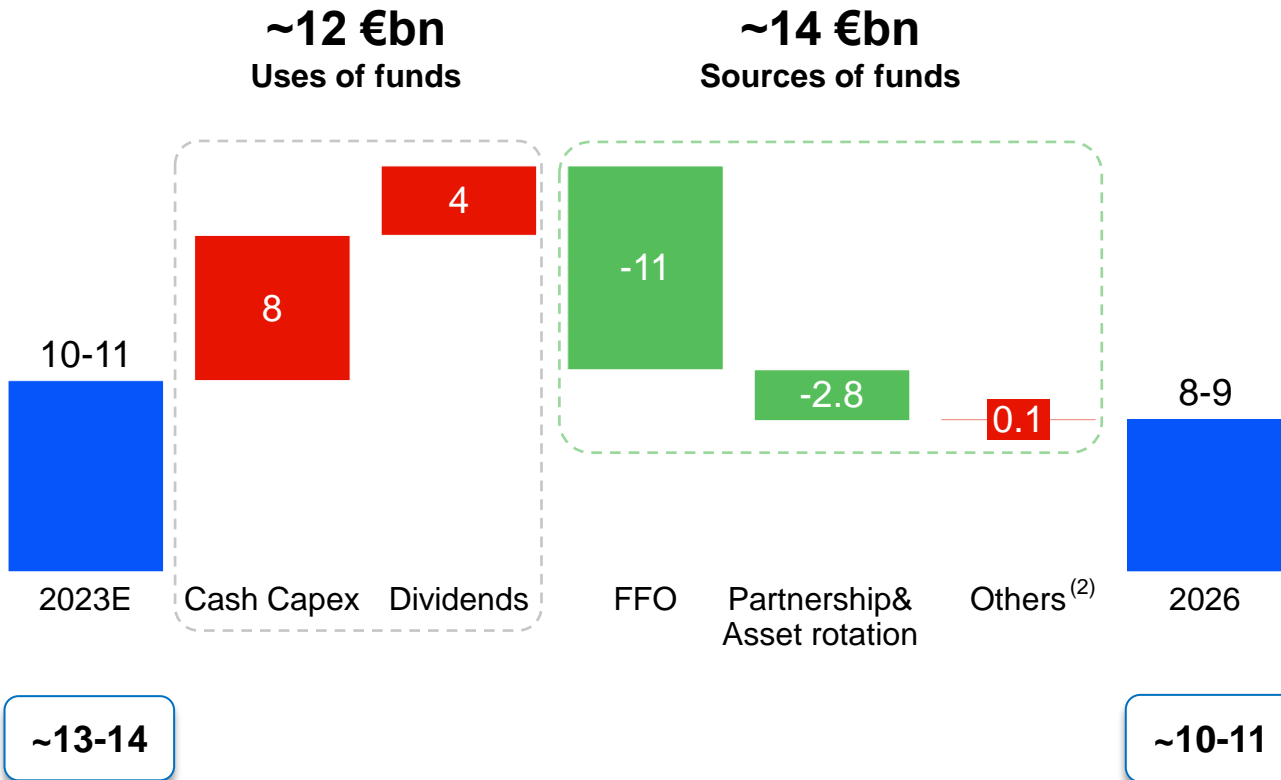
- D&A**  
 Higher Amortization due to investment efforts.  
 Bad debt improvement
- Financial results**  
 Interest expenses decrease due to lower gross debt with similar cost of debt
- Tax normalization** without 1.2% extraordinary levy effect
- Minorities**  
 Increasing owing to Partnership model adoption

(1) Rounded figures. Charts based on 2023E Proforma and 2026 upper range

# Sound cash flow generation drives net debt reduction



Net debt evolution<sup>(1)</sup> (€bn)



## Key Drivers

- Managerial actions to improve **working capital** and reduce **financial expenses**
- Leveraging on **Partnership model** and **asset rotation** to **soften capex impact** on debt

Gross Debt (€bn)

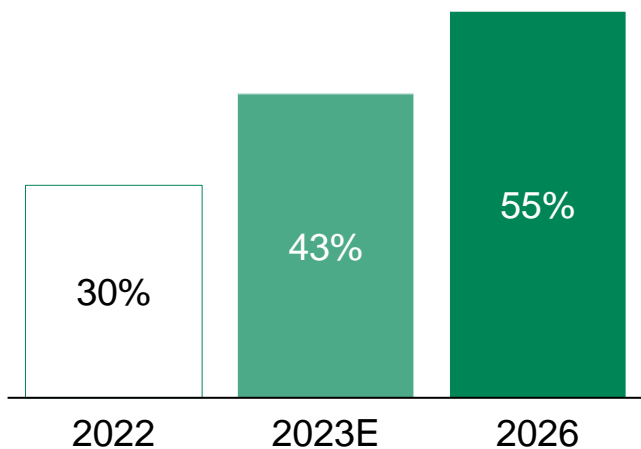
(1) Rounded figures  
 (2) Include IFRS 16 effect and Others

# Financial sustainability



FFO/Net Debt

+25 p.p.

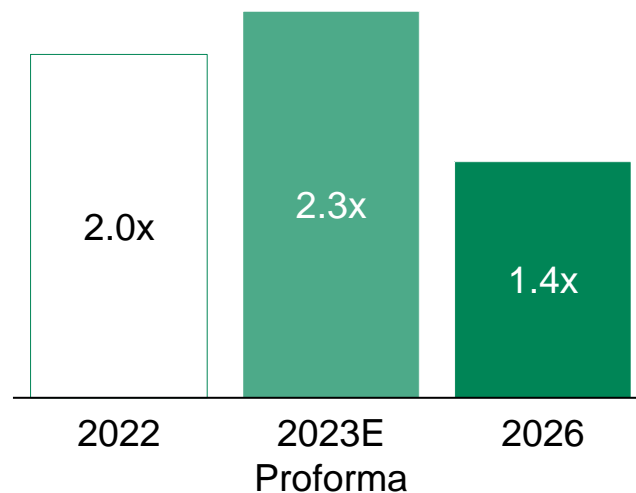


2025 Old Plan

31%

Net debt/EBITDA

-0.6x



2025 Old Plan

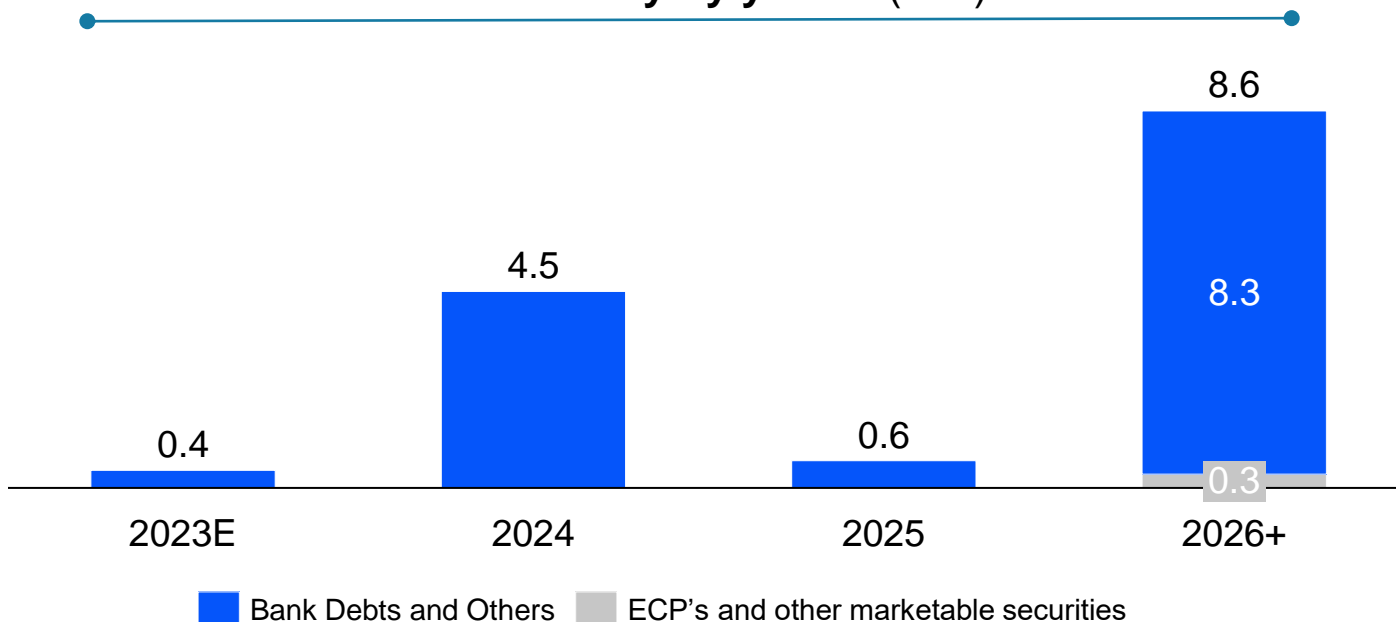
2.1x

- Financial discipline and cash generation results **enhance solid credit ratios** along the plan
- Balance sheet strengthening** supporting future investment opportunities

# Strong liquidity position enables comfortable maturity schedule



Debt maturity by year <sup>(1)</sup> (€bn)



Debt KPIs

	2023E	2026
Financial expenses (€bn)	0.5	0.3
Cost of debt	3.3%	3.4%
Gross Debt at fixed rate <sup>(2)</sup>	79%	55%
Sustainable debt (%)	64%	>80%

Average life of debt (years) **3.6**

Liquidity position (€bn) **7.9**

(1) Rounded figures. ECP maturities are shown in 2025/26 as corresponding back up credit lines. As of September 2023

(2) Fixed debt ratio calculated net of energy markets cash collaterals

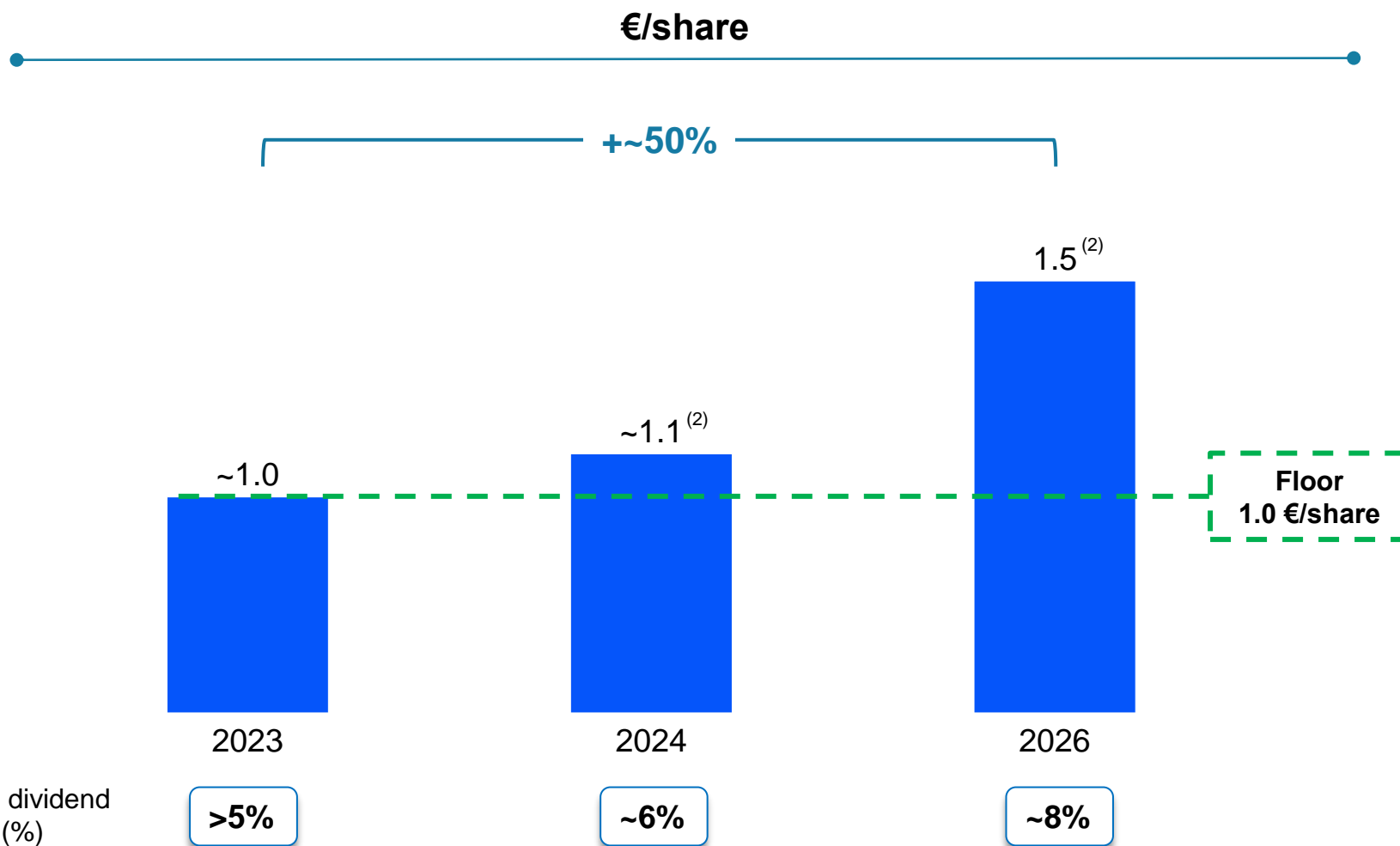


# Closing remarks

José Bogas  
CEO



# Financial solidity allows to maintain an attractive and sustainable dividend policy



- 70% payout and a guaranteed minimum dividend of 1.0 €/share along the period
- Shareholder remuneration full in cash through 2 annual instalments.
  - 0.5 €/share 2023 interim dividend

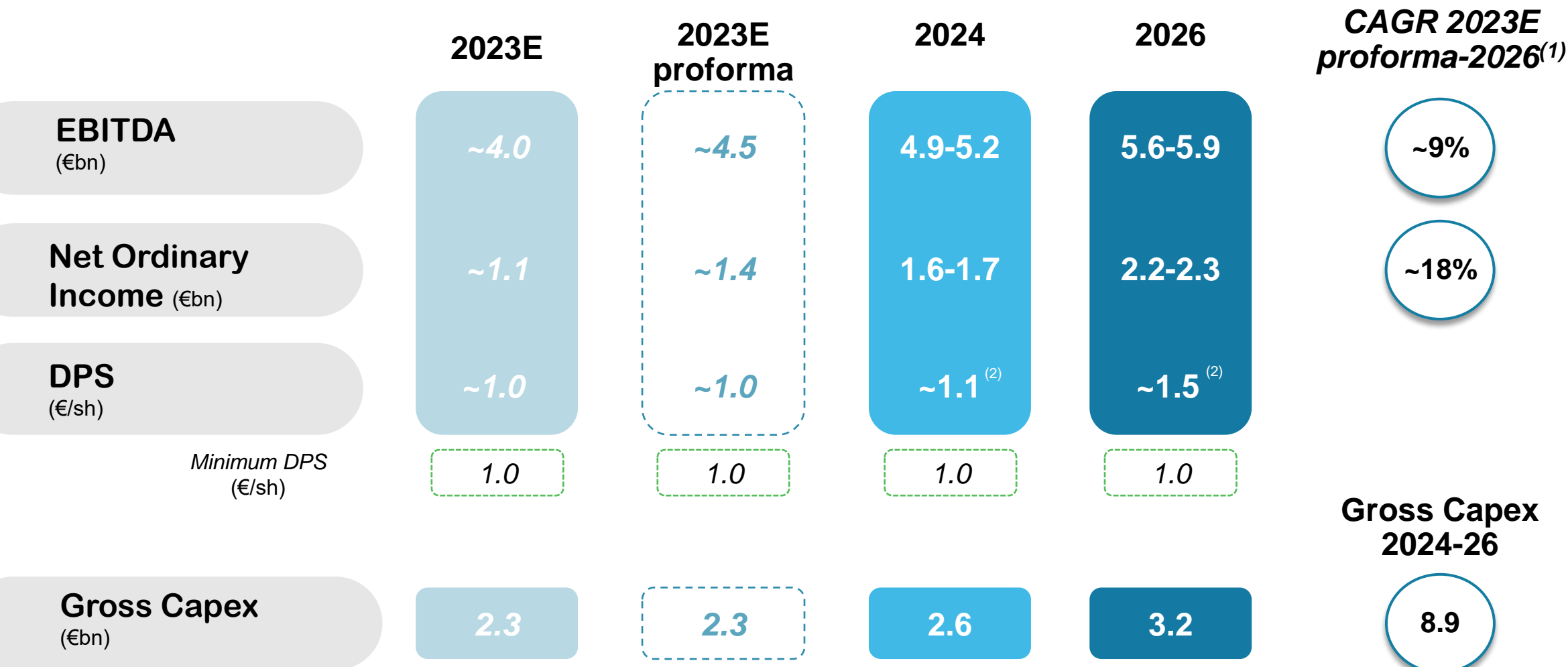
Implicit dividend yield<sup>(1)</sup> (%)

(1) Share price as of 14<sup>th</sup> November 2023: 18.95 €

(2) Figures assuming 70% payout



# 2023E-26 financial indicators evolution



(1) Calculated on 2023E Proforma and 2026 upper range

(2) Figures assuming 70% payout

## Closing remarks



New selective capital allocation **optimizes the value of our integrated business model**, while retaining **flexibility** to capture **potential opportunities ahead**

**Solid cash generation** allowing to meet the requirements of the energy transition while ensuring **financial soundness**

Ensuring an **attractive and sustainable dividend policy**

**Value creation  
for our  
stakeholders**



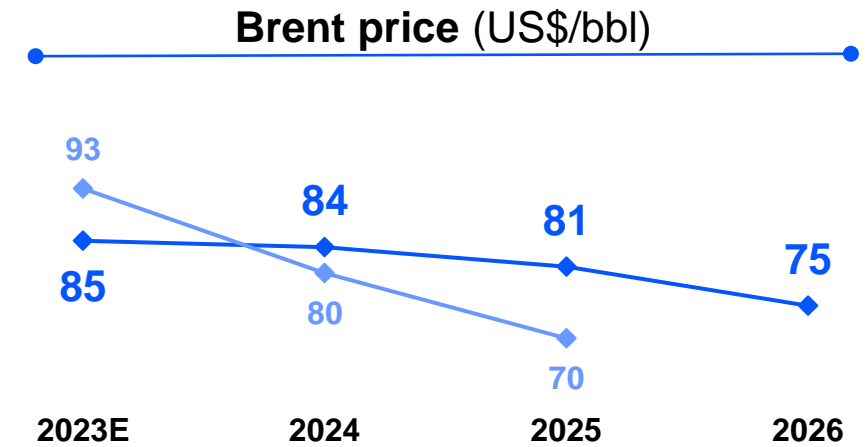
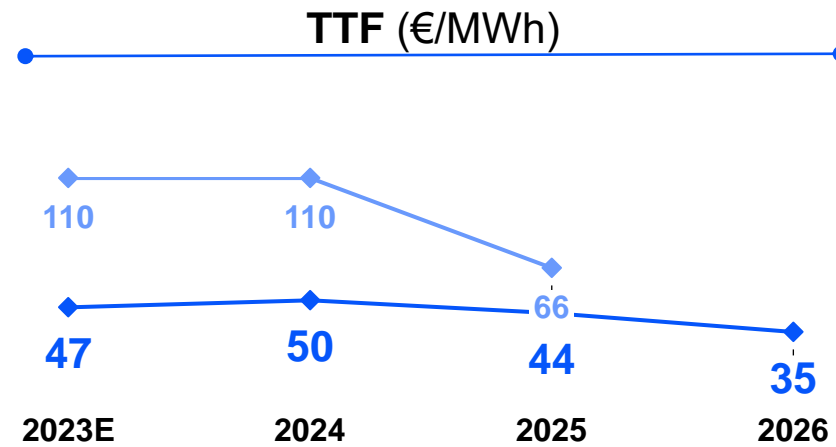
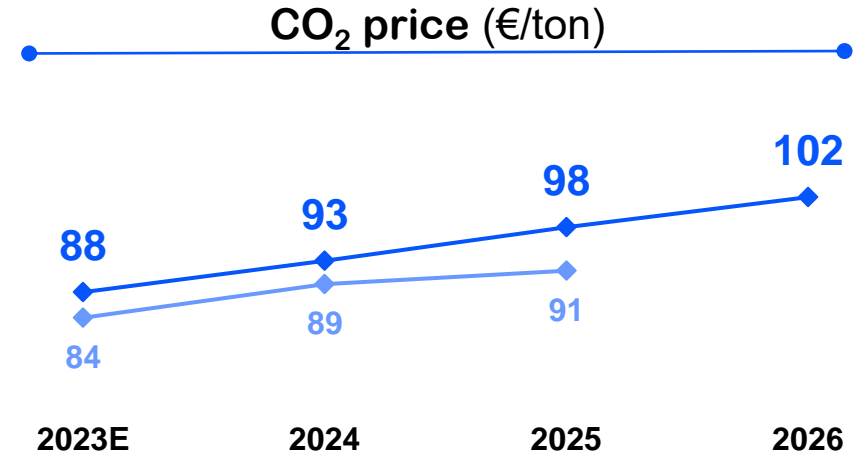
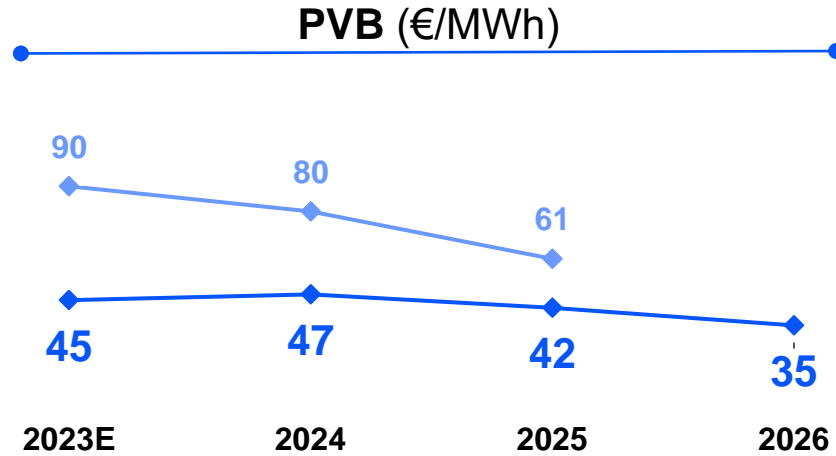
# Appendix

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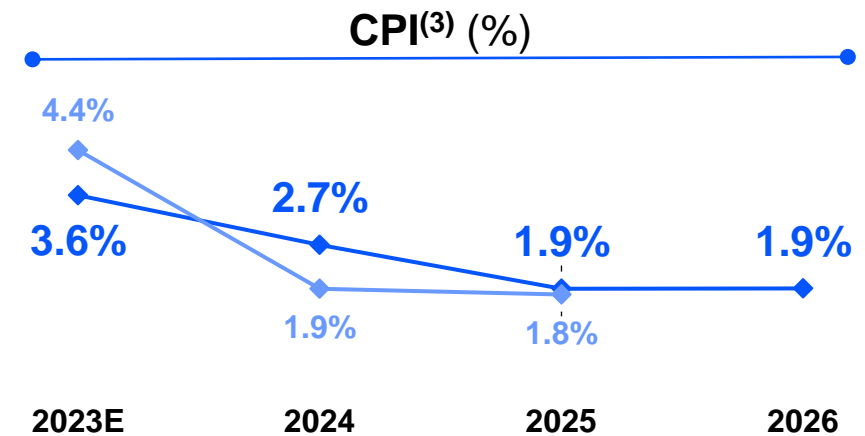
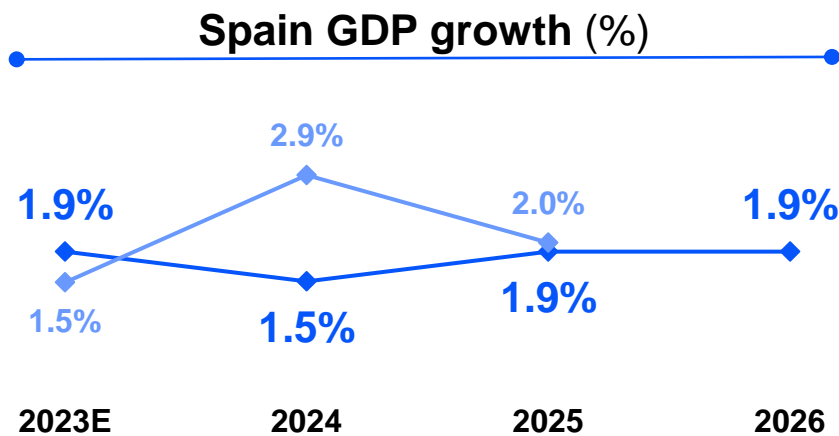
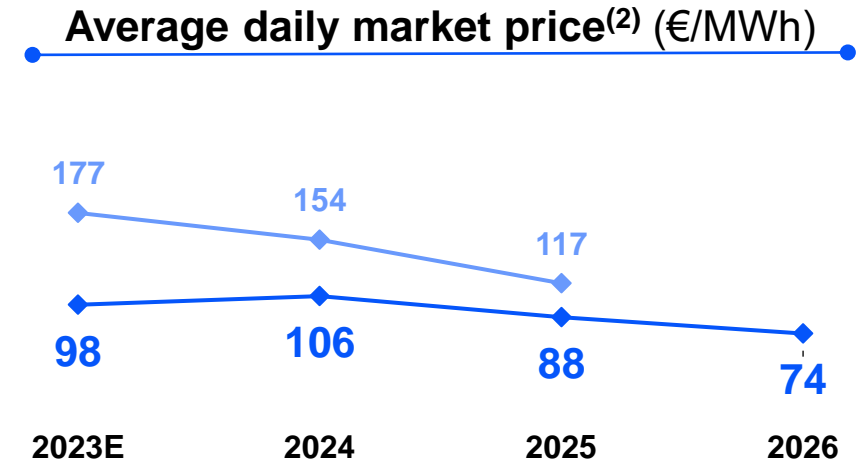
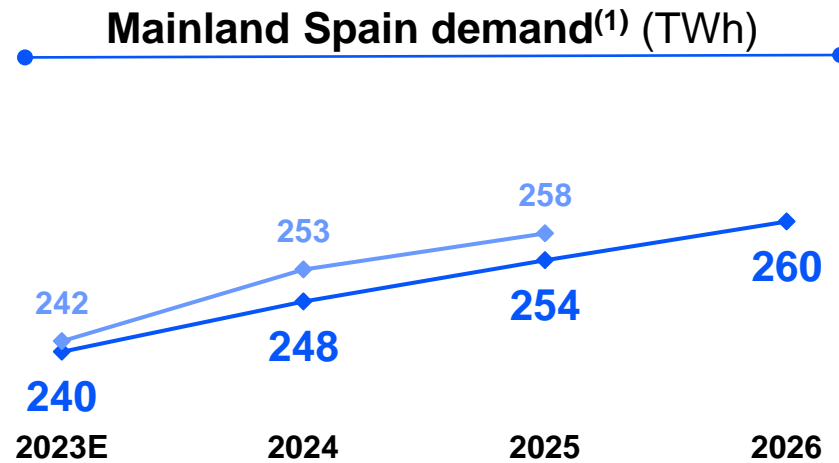
# Macro context



◆ 2024-26 plan  
◆ 2023-25 plan



# Macro context



(1) In bus bars. Includes self consumption  
 (2) Arithmetic power prices  
 (3) Average CPI

# 2024-26 Gross Capex by business

€bn

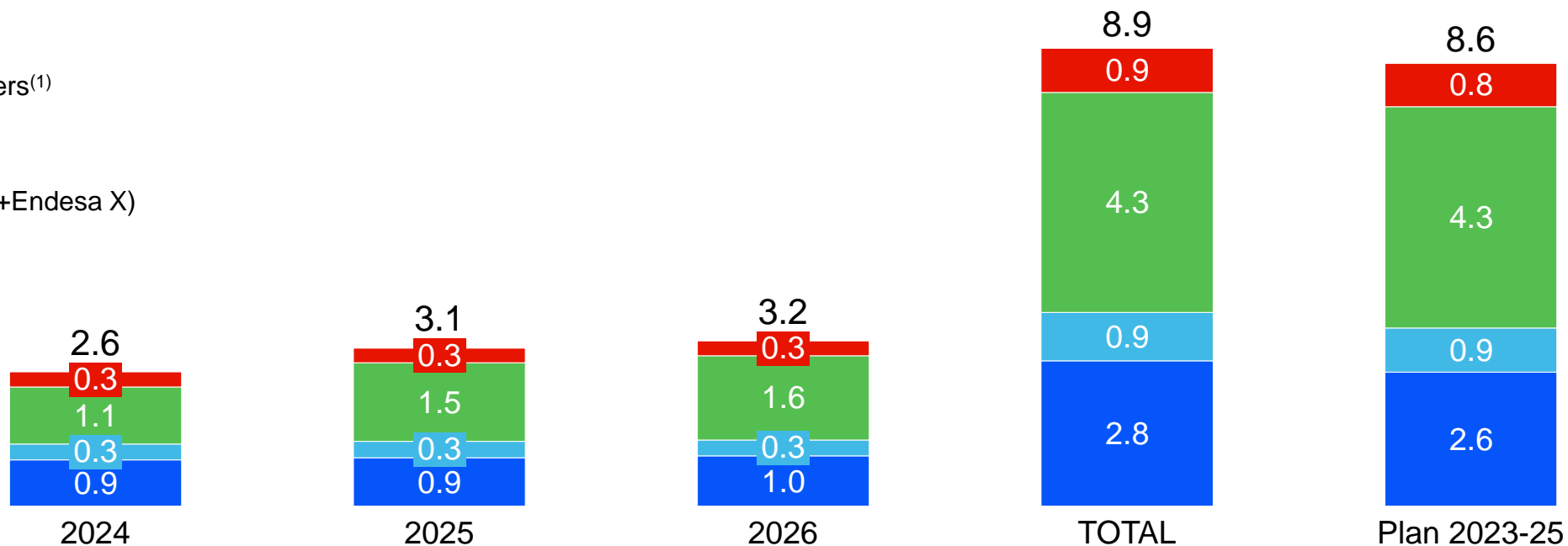


Conventional Generation & Others<sup>(1)</sup>

Renewables<sup>(2)</sup>

Customers (Retail+Endesa X)

Networks<sup>(3)</sup>



Note: Rounded figures

(1) Includes Capex in CCGTs, nuclear generation, non-mainland businesses, Corporate Structure, Services and Adjustments.

(2) Renewable capex includes maintenance

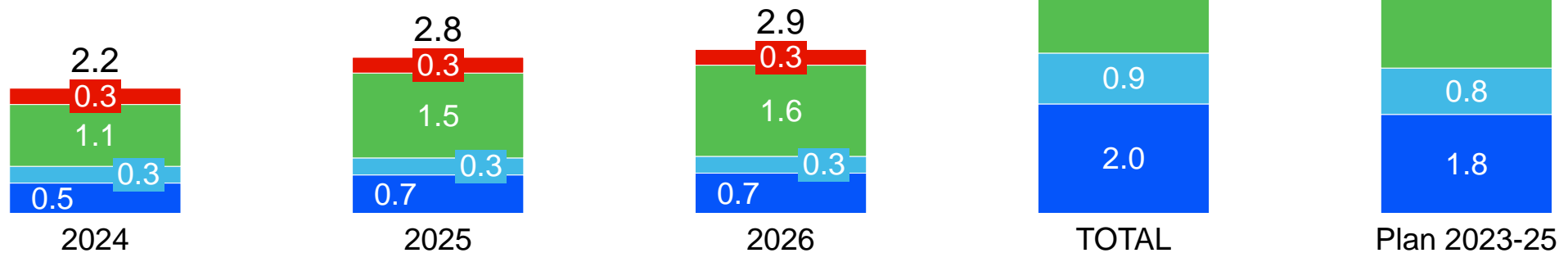
(3) Includes client contributions

# 2024-26 Net Capex by business

€bn



- Conventional Generation & Others<sup>(1)</sup>
- Renewables<sup>(2)</sup>
- Customers (Retail+Endesa X)
- Networks<sup>(3)</sup>



Note: Rounded figures

(1) Includes Capex in CCGTs, nuclear generation, non-mainland businesses, Corporate Structure, Services and Adjustments.

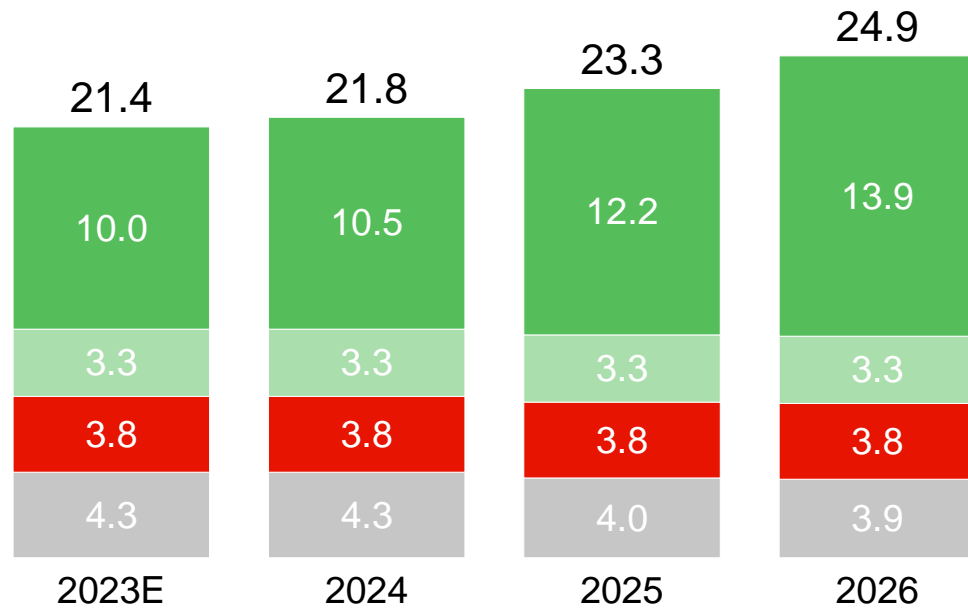
(2) Renewable capex includes maintenance

(3) Not including client contributions

# Net capacity and output evolution

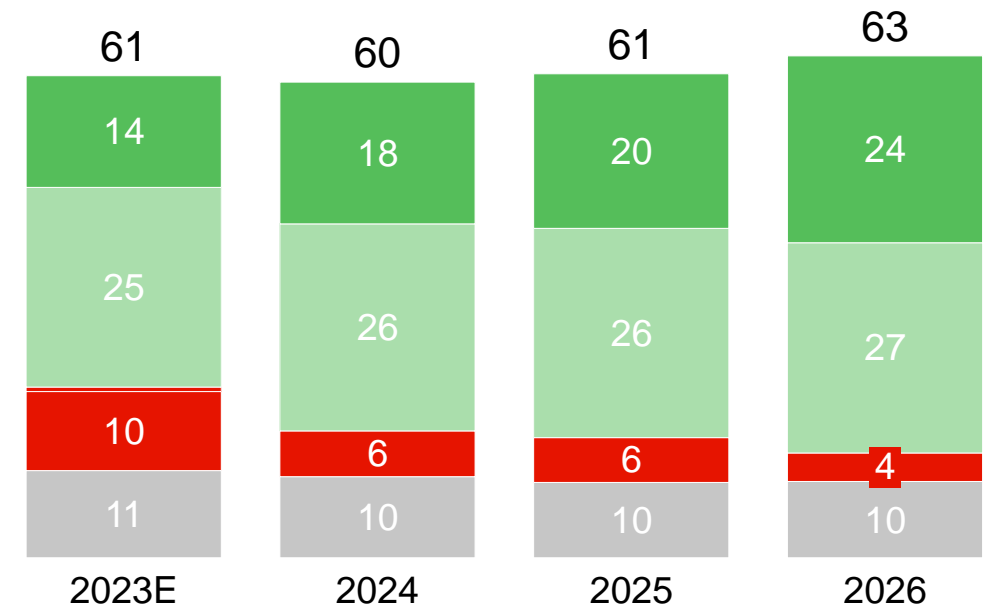


**Total capacity<sup>(1)</sup> (GW)**



- Renewables
- Nuclear
- Conv. Gx
- Non mainland

**Total output<sup>(1)</sup> (TWh)**



Volumes hedged<sup>(2,3)</sup>

100%

91%

50%

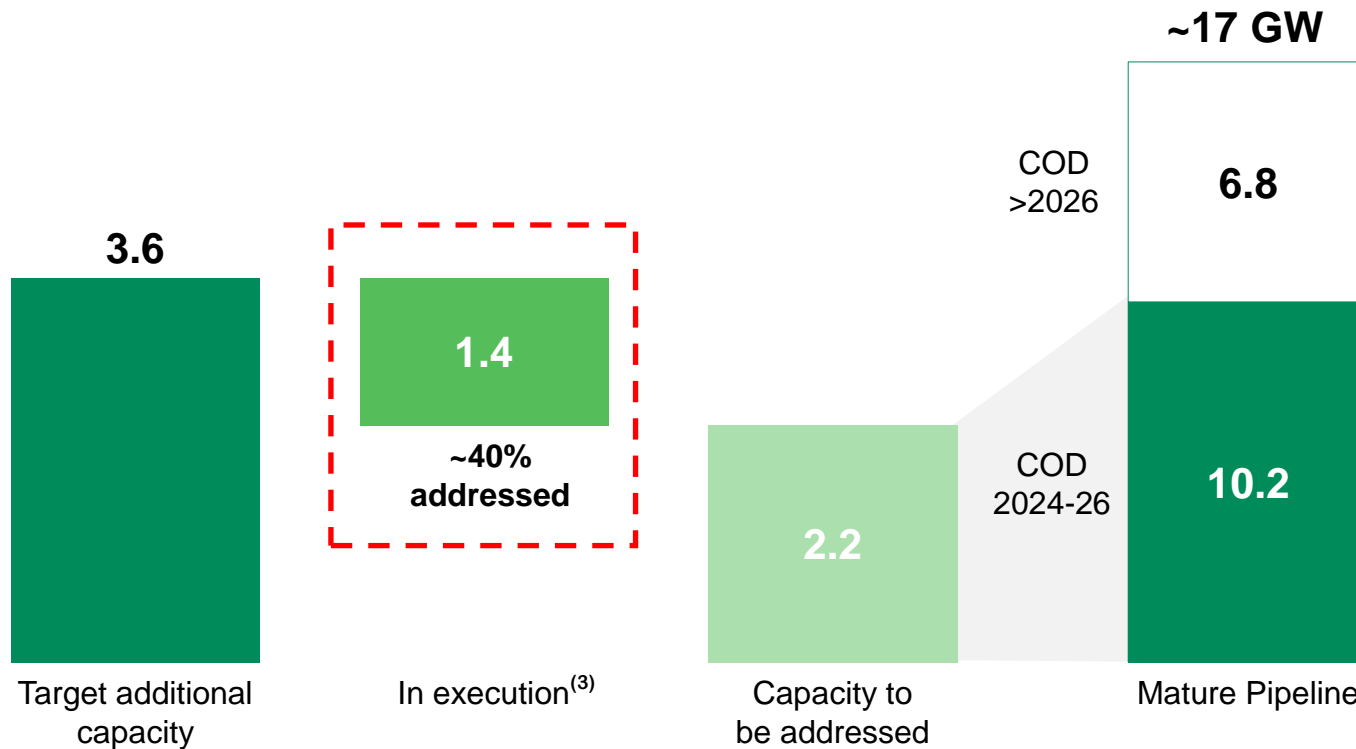
(1) Rounded figures  
 (2) As of September 2023  
 (3) Selling price according to bilateral contract at 65€/MWh for 2023 and 2024



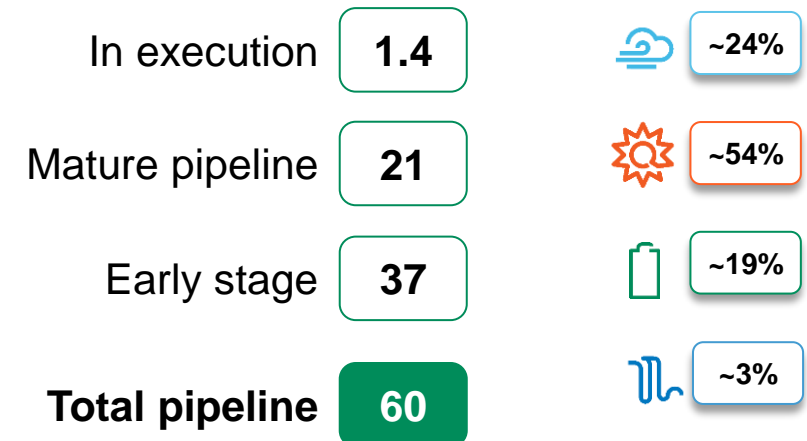
# Pipeline supporting renewable growth



## 2024-26 renewables growth: addressed share vs pipeline<sup>(1)</sup> (GW)



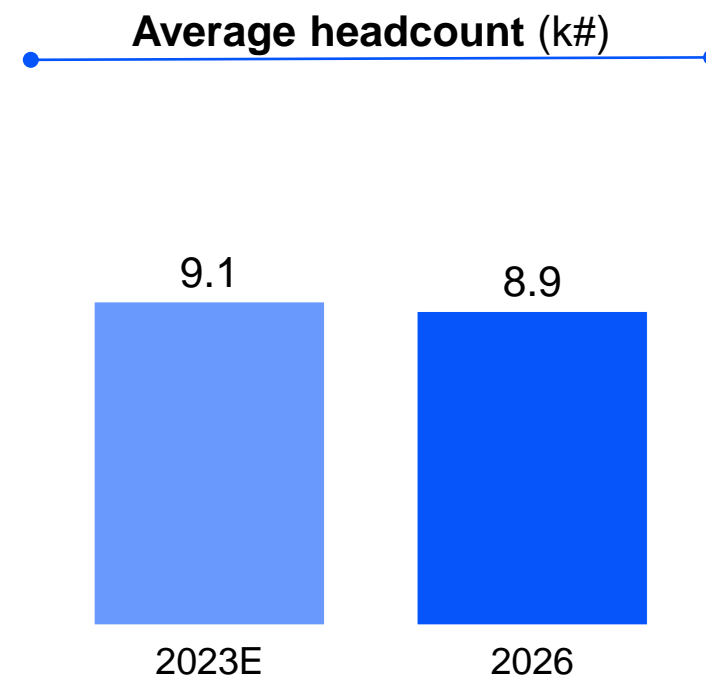
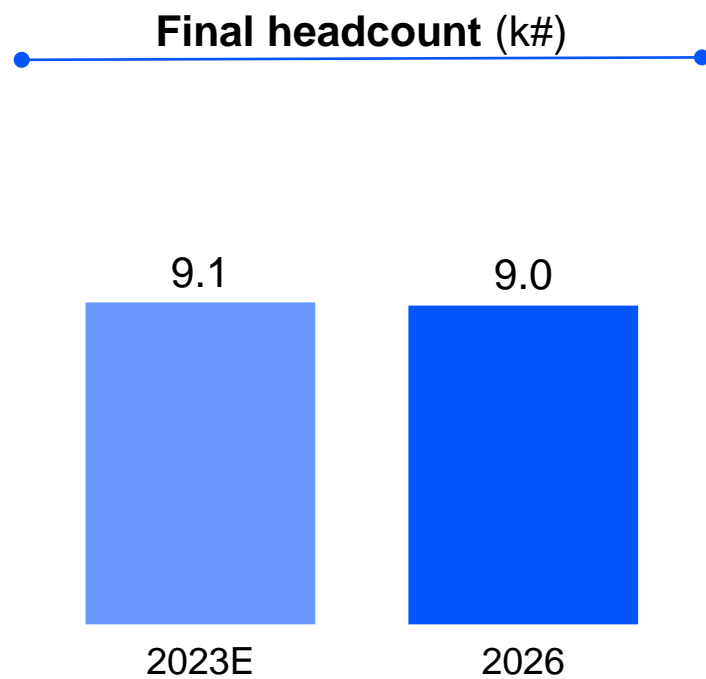
## Total pipeline<sup>(2)</sup> (TWh)



~7.3 GW with TSO<sup>(4)</sup> awarded connection points

(1) As of 31<sup>st</sup> October 2023. Rounded figures. BESS projects not included  
 (2) BESS projects included in each stage  
 (3) Only considers projects with commissioning date 2024-26  
 (4) Transmission System Operator

# 2024-2026 headcount evolution



# Glossary of terms (I/II)



Item	Definition
Average cost of debt (%)	Cost of gross financial debt / gross average financial debt
Average life of debt (number of years)	(Principal x number of days of term) / (Principal in force at the end of the period x number of days of the period)
Cash flow from operations (€mn)	Net cash provided by operating activities
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available
EBITDA (€mn)	Revenues – Purchases and Services + Work performed by the entity and capitalized – Personnel expenses – Other fixed operating expenses
EBIT (€mn)	EBITDA - Depreciation and amortization
Fixed costs (Opex) (€mn)	Personnel expenses + Other fixed operating expenses - Work performed by the entity and capitalized
Gross margin (€mn)	Revenues – Purchases and Services
Leverage (times)	Net financial debt / EBITDA
Net Capex (€mn)	Gross tangible and intangible Capex - assets from clients' contributions and subsidies
Funds from Operations (FFO, €mn)	Profit before tax and non-controlling interests net of depreciation and amortization and other adjustments + Change in Net Working Capital + Payment of the Income Tax + Payment of Provisions + (Net) Payment of Interests + Dividends collection

# Glossary of terms (II/II)



Item	Definition
Net financial debt (€mn)	Long and short term financial debt - Cash and cash equivalents – Derivatives recognized as financial assets
Net financial results (€mn)	Financial Revenues - Financial Expenses - Foreign Exchanges
Revenues (€mn)	Sales + Other operating revenues
Free power margin (€mn)	Conventional Gx margin contribution + Renewables margin + Power retail margin - Non mainland margin - SCVP margin - Manageable gas margin exMtM - Others
Endesa X Gross Margin (€mn)	Gross margin generated by the added value products and services commercialized by the Endesa X unit

# Disclaimer



In accordance with the provisions of Article 226 of the Spanish Securities Market Act, this document includes Insider Information.

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated increases in generation and market share; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning of production amongst different technologies, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements we avail ourselves of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following important factors, in addition to those discussed elsewhere in this document, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

**Economic and industry conditions:** significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; the impact of energy commodities price fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our activity; potential liabilities relating to our nuclear facilities.

**Transaction or commercial factors:** any delays in or failure to obtain necessary regulatory, antitrust and other approvals for our proposed acquisitions or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Delays in or impossibility of obtaining regulatory authorisation, including that related to the environment, for the construction of new facilities, repowering or improvement of existing facilities or its closure or decommissioning; shortage of or changes in the price of equipment, material or labour; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events, defaults quantifiable of monetary obligations by the counterparties to which the Company has effectively granted net credit and the impossibility of obtaining financing at what we consider satisfactory interest rates.

**Regulatory, environmental and political/governmental factors:** political conditions in Spain and Europe generally; changes in Spanish, European and foreign laws, regulations and taxes.

**Operating factors:** technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation and diversification.

**Competitive factors:** the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in this document are given in the Risk Factors section of the current ENDESA regulated information filed with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the "CNMV" for its initials in Spanish).

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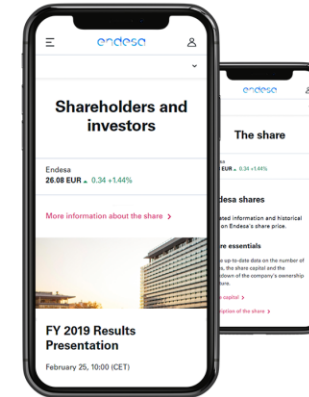


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