

London Stock Exchange **NG.**

New York Stock Exchange **NGG**

Bloomberg Debt Ticker **NGGLN**

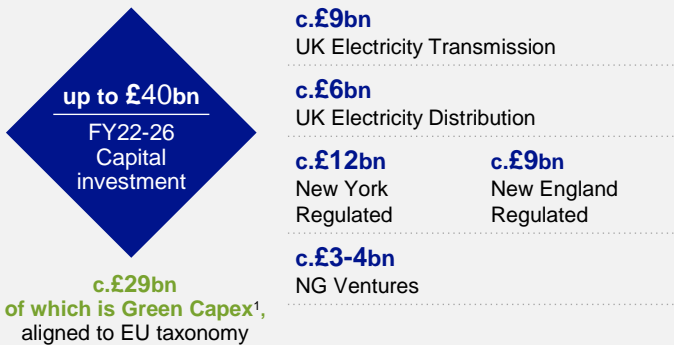
# National Grid's Debt Investor Update

As one of the world's largest public utilities focused on the transmission and distribution of electricity and gas, we play a vital role in connecting people to energy they use, and are positioned to be at the heart of the energy transition.

June 2023

## Upgraded 5-year outlook FY22-26

### Capital investment



**Group asset growth** 8-10% CAGR<sup>2</sup>

**Underlying EPS** 6-8% CAGR<sup>2</sup>

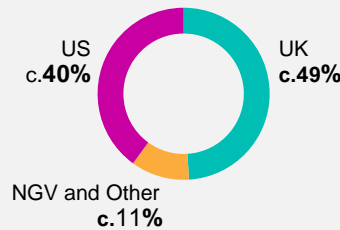
**Credit metrics** Credit metrics maintained within current rating thresholds  
**Net debt to RAV in low 70% range**

**Dividend** Aim to grow dividend per share in line with CPIH

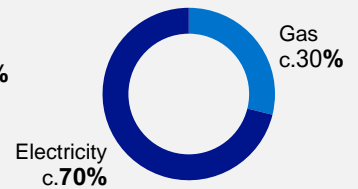
## Geographic and regulatory diversity

Asset base post strategic repositioning<sup>3</sup>

### Geographical split



### Energy split



1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26 from FY21 baseline. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions and scrip uptake of 25%. Reflects sale of Rhode Island and 60% stake in UK Gas Transmission & Metering (UK GT&M).
3. Calculated as proportion of actual FY23 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and majority stake in UK Gas Transmission and Metering.

## Highlights

### Group financial summary full year ended 31 March 2023

Underlying results

**Operating profit<sup>1</sup>**  
**£4,582m ↑10%**  
FY22: £4,171m

**Capital investment<sup>2</sup>**  
**£7,740m ↑8%**  
FY22: £7,188m

**Total RAV & Rate Base<sup>3</sup>**  
**£51.2bn ↑12%**  
FY22: £45.7bn

**Net Debt<sup>4</sup>**  
**£41.0bn ↓(7)%**  
FY22: £44.1bn

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK Gas Transmission and Metering

1. Operating profit and capital investment calculated at constant currency.
2. Capital investment includes investment in NECO, JVs and NG Partners Investments (excluding equity contributions to St William property JV).
3. Regulated assets only. Excludes £9,465m in FY 2022 for the Disposal of NECO and UK Gas Transmission. Unadjusted Group RAV and rate base of £55.2bn in FY 2022
4. Net debt includes borrowings, associated derivatives and cash and current financial investments. FY 2022 reported figure of £42.8bn post currency adjustments

- **Record capital investment** with £7.7bn invested in clean, smart energy infrastructure and maintaining world class reliability across our networks. Green capex of £5.6bn, 75% of total capital expenditure, aligned to EU Taxonomy.
- **Good financial results** reflecting a full year of earnings from UK Electricity Distribution; good operational performance across our US regulated businesses; and higher contribution from National Grid Ventures.
- **Successful completion of strategic pivot.** WPD, acquired in June 2021, rebranded as National Grid UK Electricity Distribution. Rhode Island business sale completed in May 2022. Sale of 60% stake in UK Gas Transmission and Metering completed in January 2023.
- **Supporting our Customers and Communities** with £65m Energy Support Fund, and early return of £100m of interconnector revenues, in addition to £200m previously announced.

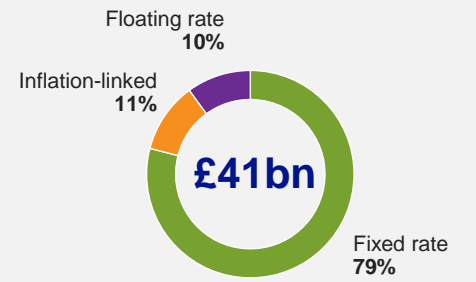
# Baa1/BBB+

Strong overall investment grade rating for the Group is supported by expected cash flow metrics consistent with rating agency targets.

<b>Moody's RCF / Adjusted Debt</b> <sup>1</sup> <b>9.3%</b>	<b>Moody's FFO Interest Cover</b> <b>3.8x</b>	<b>Gearing (RAV / rate base)</b> <sup>2</sup> <b>71%</b>
Current credit rating thresholds <ul style="list-style-type: none"> <li>Moody's RCF / Adjusted Net Debt &gt; 7%</li> <li>S&amp;P FFO / Adjusted Net Debt &gt; 10%</li> </ul>	FY 21/22 metrics <sup>4</sup> were <ul style="list-style-type: none"> <li>FFO Interest Cover 4.7x</li> <li>RCF/Adjusted Debt 8.9%</li> </ul>	
<b>Committed Facilities</b> <sup>3</sup> <b>£8.0bn</b>	<b>Average debt maturity</b> <b>~11 years</b>	

1. NG calculation, applying Moody's methodology. RCF includes discontinued cash flow contribution from UK Gas Transmission & Metering  
 2. 69% excluding 50% of hybrid debt 3. Available for liquidity purposes 4. As per NG's reported results in May 2022

## Net Debt profile as at 31 March 2023:



**Currency split:**  
 50% £ sterling  
 50% US dollar

Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

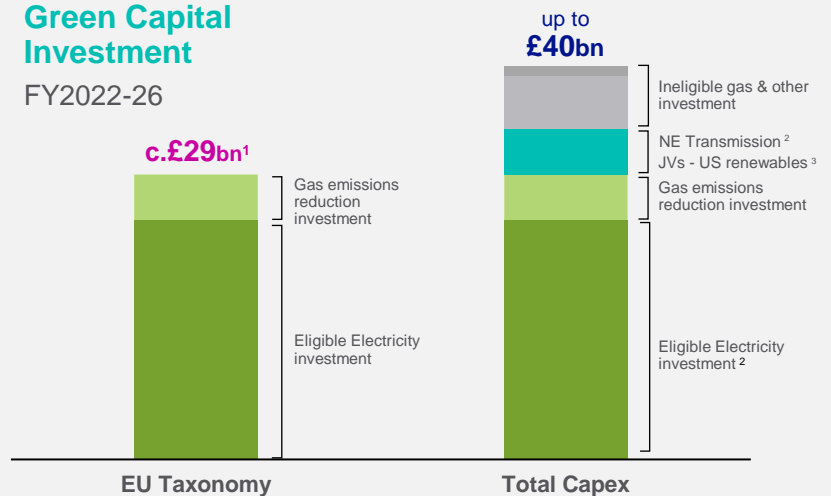
## High-quality growth

Record £7.7bn capital investment for FY23. In particular:

- World's first T-Pylons energized
- Rewiring London at London Power Tunnels: >90% tunnel boring complete
- Twice as many EV connections in the past two years than all other years combined, in UK Electricity Distribution
- Broke ground on \$600m NY Smart Path Connect project
- Over 4,200 miles of gas pipeline replaced to date in the US, avoiding 134,000mt CO2e
- 1.4 GW Viking Link interconnector 75% cable laid

## Green Capital Investment

FY2022-26



1. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.  
 2. Estimated investment in New England transmission excluded as it does not meet the EU Taxonomy criterion of over 67% of newly enabled generation capacity being below the 100 gCO<sub>2</sub>e/kWh threshold over a rolling five year period, on the basis that there have been no new connections to the New England transmission network within the past five years.  
 3. Estimated investment in US onshore and offshore renewables joint ventures. EU Taxonomy excludes investment in joint ventures.

**Awards and recognition:** to be held accountable against our environmental, societal and governance business commitments, National Grid is proud to report data and have its sustainability efforts analysed.

### S&P Global Ratings

83/100 S&P ESG evaluation score



Became a constituent of the 2023 Bloomberg Gender-Equality Index



Achieved an 'A' grading (the highest) for our response to the Climate Disclosure Project for the sixth consecutive year.



Awarded score of 22/100 (lower the score, the better) in relation to experiencing material impacts from ESG and a strong score for management of these



Maintained 'AAA' ESG rating for the sixth consecutive year.



Remained a constituent of the FTSE4Good Index



Was assessed by ISS oekom as a leader in our industry group.



Equileap Ranked 1st in the UK and 3rd globally for gender equality by Equileap

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# FY23 financial performance and operational priorities

Note: Underlying results from continuing operations excluding exceptional items, major storms (when greater than \$100m), remeasurements and timing. Operating profit presented at constant currency.

## UK Electricity Transmission

Operating profit

**£1,107m** ↓4%

FY22: £1,152m

Second year of RIIO-T2

- Achieved RoE 7.5%
  - 120bps outperformance
- **£1.3bn capital expenditure**

### Regulatory and policy progress

- 17 major transmission projects awarded by Ofgem
- UK Government's 'Powering up Britain' package
  - Networks as key enabler of the energy transition
  - Planning processes to be streamlined
  - Community benefits consultation

## New York

Operating profit

**£874m** ↑12%

FY22: £783m

- Achieved RoE 8.6%
  - 96% of allowed return
- **\$3.0bn capital expenditure**
  - Rate base growth of 9.9%

### Policy and regulatory progress

- \$2.8bn approved for Transmission investment to enable >2GW renewable generation
- Climate Action Council scoping plan
  - Importance of decarbonised gas networks
  - Continued leak prone pipe replacement investment

## UK Electricity Distribution

Operating profit

**£1,230m<sup>1</sup>** ↑39%

FY22: £887m

Strong final year of RIIO-ED1

- Achieved RoE: 13.2%
  - 360bps above allowed level
  - 8.99/10 Customer Satisfaction Score
- **£1.2bn capital expenditure**

### RIIO-ED2 price control

- Average allowed return of 5.23% real
- c.£5.9bn totex allowance

1. FY23 includes a full twelve months contribution

## New England

Operating profit

**£819m<sup>1</sup>** ↓17%

FY22: £982m

*Excluding the impact of Rhode Island, operating profit increased by £104m*

- Achieved RoE 8.3%
  - 30bps improvement<sup>2</sup>
- **\$2.0bn capital expenditure**
  - Rate base growth<sup>3</sup> of 6.3%

### Regulatory progress

Funding approved for:

- \$336m Grid Modernisation
- \$487m Advanced Metering Infrastructure
- \$206m approved for >30,000 EV charge points

1. Includes 2 months contribution from Rhode Island business
2. Excluding Rhode Island (NECO) business
3. Rate base growth excludes the impact of the Rhode Island (NECO) disposal

## NGV and Other

Operating profit

**£521m** ↑66%

FY22: £313m

## Interconnectors

- Viking Link: 75% cable laid, commissioning December 2023
- North Sea Link first full year of operations
- IFA returned to full service

### Operational progress

- Record year of utilisation at Isle of Grain LNG
- Community Offshore Wind JV submitted offtake proposals

Capital investment  
**£906m**

## JVs post tax share

**£190m** ↑25%

FY22: £152m

## UK Gas Transmission

Operating profit

**£702m** ↓4%

FY22: £734m

60% stake  
sale completed January 2023  
40% stake  
now reported as Held for Sale

# Regulatory Overview

## UK: Electricity Transmission

Targeting 100 basis points of operational outperformance per year on average across RIIO-T2

RIIO-T2 (2021-26)

Allowed return on equity	5.01% <sup>1</sup>
Gearing	55%
Capex	c.£9bn
Sharing Factor (Totex)	33%

## UK: Electricity Distribution

Final determination: Published December 2022, for April 2023 – March 2028

Approved Business Plan: RIIO-ED2 (2023-28)

Allowed return on equity	5.23% <sup>1</sup>
Gearing	60%
Core baseline Totex (20/21 prices)	£5.9bn
Sharing Factor (Totex)	50%

1. Allowed ROE FY24 which is updated each year with changes to the risk-free rate

## US: New York

Rate agreements for KEDNY-KEDLI and NIMO approved in 2021 and 2022 respectively

KEDNY- KEDLI (2020-23<sup>1</sup>)

Allowed return on equity	8.8%
Equity to Debt	48:52
Capex	c.\$3.3bn

NIMO Gas & Electric Joint Proposal (2021-24)

Allowed return on equity	9.0%
Equity to Debt	48:52
Capex	c.\$3.3bn

1. backdated to 2020

## US: New England

Rate agreements for Massachusetts Gas and Electric include a Performance Based Rate Mechanism

Mass Gas (2021-26)

Allowed return on equity	9.7%
Equity to Debt	53:47
Capex	c.\$1.3bn

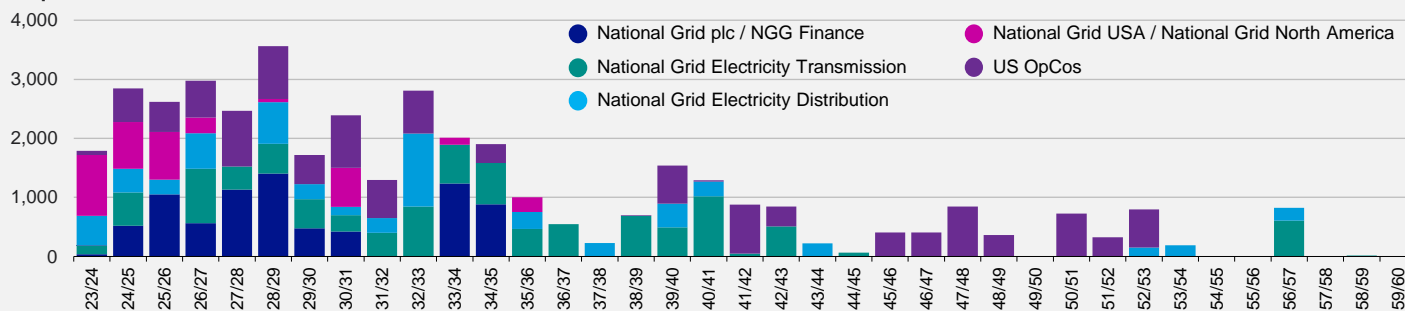
Mass Electric (2019-24)

Allowed return on equity	9.6%
Equity to Debt	53:47
Capex	c.\$1.5bn

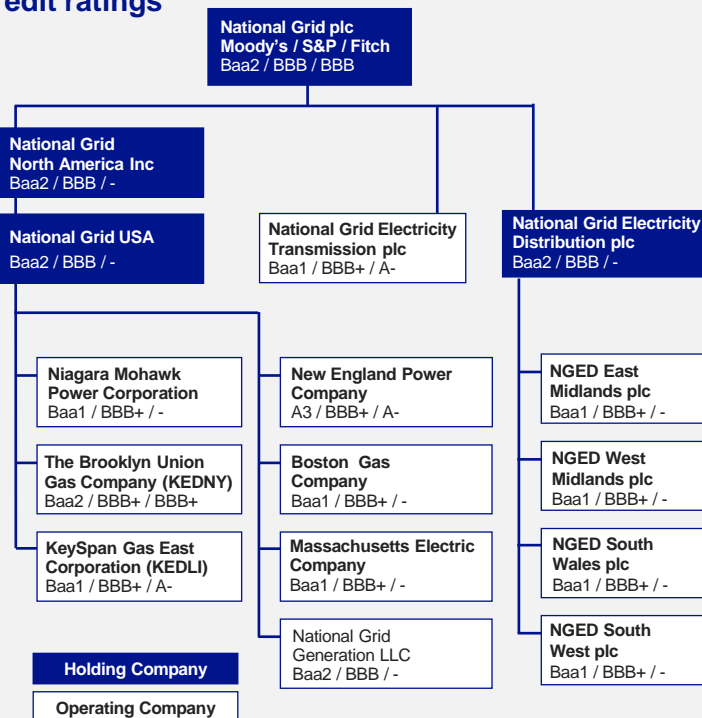
## National Grid long term debt maturity profile

Data as at 31<sup>st</sup> March 2023, GBP/USD closing exchange rate 1.2388, Hybrid bond maturities to first call date.

£m equivalent



## Group debt issuing companies senior unsecured credit ratings



- Several entities have access to the debt markets via various programmes:

Entity	Programme Size		
	EMTN	ECP	USCP
National Grid plc	€20bn <sup>1</sup>	\$4bn	\$4bn
National Grid North America Inc	€8bn	€4bn	\$4bn
National Grid Electricity Transmission plc	€20bn <sup>1</sup>	\$2.5bn	\$2.5bn
Jointly across all four NGED operating companies	£6bn	-	-

1. Joint NG plc / NGET EMTN programme.

- NG plc also has a SEC registered shelf: **\$1.5bn issued in June 23**
- The majority of US operating companies issue in 144A/RegS format

More information about the group debt programmes can be found on our dedicated website: [www.nationalgrid.com/investors/debt-investors/debt-information](http://www.nationalgrid.com/investors/debt-investors/debt-information)

## Green Financing

- NG published its latest group-wide green financing framework (July 2021) that is aligned with the ICMA Green Bond Principles (2021) and Green Loan Principles (2021)
- ISS-ESG provided a Second Party Opinion
- In addition, in September 2022 S&P Global Ratings assigned National Grid plc an ESG evaluation score of 83/100
- Most recently in January 2023, NG plc issued a €750m 3.875% 2029 Green Bond off the framework
- Our latest green financing report was published in June 2023
- £2.9bn Green Bonds** issued to date across NG plc, NGET and NIMO



## Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Internal control and risk factors' section on pages 225 to 228 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2023. Copies of the most recent Annual Report and Accounts are available online at [www.nationalgrid.com](http://www.nationalgrid.com) or from Equiniti Limited. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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