FY 2024 RESULTS

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Delphine Deshayes

Good afternoon, everyone. It's a great pleasure to welcome you to ENGIE's 2024 full year results and Market Update presentation. So we have three speakers today. Catherine MacGregor, Pierre-François Riolacci and Paulo Almirante. A quick view of the agenda for this afternoon. In the first part, Catherine and Pierre-Francois will review our results and the main events of 2024, followed by a short Q&A session. In the second part, Catherine will lead us through the Market Update.

She will be joined by Paulo, Senior EVP in Charge of Renewables and Flex Power. Then we'll have a short break and Pierre-François will present the Capital Allocation Strategy and our 2025-2027 financial outlook before some concluding remarks from Catherine. Finally, there will be a longer Q&A session. We'll take questions from the floor and online.

With that, over to Catherine

Catherine MacGregor

Sure, Delphine, and welcome everyone to what I hope will be an informative event. We hope that in a couple of hours' time you will go out feeling better about ENGIE's strategy, why we are doing it, how we are going to be implementing it and how we will achieve our ambition to be the best energy transition utility.

But to start with, some brief reflection on what we have done in 2024. We extended our track record of delivery, a third consecutive year of net income above €5 billion, despite a normalising market environment. In fact in 2024 it was a year of record net income, and so at the upper end of our guidance range. Talking of records, the rollout of our growth strategy accelerated with record commissioning of renewables and battery capacity to add to wins in power transmission projects. And this was accompanied again by a stellar level of execution.

And we continued to become greener, in line with the commitment to net zero by 2045. And then last week the EU Commission has given us the final approval to the Belgian nuclear agreement, which as you know addresses a longstanding source of risk from our Group in the form of nuclear waste storage liabilities, among other things. So adding some color to these results, EBIT excluding nuclear at €8.9 billion was down 6% year-on-year. That is to be compared with a very high 2023 with Renewables, Networks, Retail all up, Flex Gen and Energy

Solutions virtually stable and GEMS significantly down on nominalizing market volatility. We had increased nuclear EBIT and it's stronger financial results. So our net recurring income group share grew by 3% to €5.5 billion. And the cash flow from operations matched 2023’s record figure at €13.1 billion. Which means that we will be proposing a €1.48 dividend, up from €1.43 the previous year, which will be paid at the end of April.

Moving to the next slide, greenhouse gas emissions from energy production in 2024 were 48 million tonnes, down from 52 million tonnes the prior year, down by more than a quarter in three years, which brings us ahead of our 2030 targets with tailwinds in Europe, for example, for very low CCGT load factors. And in particular, I think it's noteworthy, that we have addressed our two remaining position of significance in coal with only a residual stake in the SAFI plant in Morocco and a roadmap to a full exit in Chile by 2027.

The share of renewables in total power generation capacity rose to 43% at the end of 2024 from 41% a year earlier. And the percentage of women in Group management continued to steady rise at 32%. As I mentioned, 2024 was a record year for ENGIE with 4.2GW of newly commissioned renewables capacity. At the end of the year we had 46GW of which 27GW in wind and solar. But growth is only good if we execute well, which is what I really want to emphasise. The business, this business, your business, Paulo, has become a real machine of efficiency and constancy. It is the third time that we are opening about 4GW on average, it is being achieved with outstanding quality of execution, both virtually on time and slightly below budget on average. And at the end of the year we had 75 projects ongoing with over 6GW of capacity under construction. In terms of PPAs, where we rank among the global leaders, we signed 4.3GW in 2024. Again, that was a record, the large majority of which with a duration above five years and some stretching actually to more than 20 years. We'll be saying a bit more on this later in the presentation.

Turning to this next slide, 2024 was really the year where we attained a position of true scale in batteries following a 2023 breakthrough when we acquired Broad Reach Power in the United States. Because we doubled our capacity in operation to 2.6GW and now we have a further 2.6GW under construction. We have actually a presence not just in the US but a global presence encompassing all types of market, from the shorter duration ancillary based in Texas to the longer duration storage in Latin America. We have a few highlights on the slide, now with strong delivery by BRP of their projects that were under construction when we acquired them. We had the startup of Coya, that is a co-located storage system and then the construction of 200MW of Vilvoorde project, one of the largest in Europe with 4 hours storage duration and that is in Belgium.

And on nuclear, the European Commission gave us last week its approval to the terms of the agreement signed by ENGIE and the Belgian government. This was the final condition for the completion of the transaction. Closing is now underway. We are expecting it to take place by March 14. Once this is achieved, we'll make the first payment to the Belgian government of about €11.5 billion and that will correspond to the Category B and C waste. From late this year our nuclear activity will be smaller, it will be stabler, it will be based on a partnership with the Belgium government and a quasi-regulated strike price mechanism. In addition, the nuclear deal upgrades the overall efficiency and optionality of our global group asset portfolio.

On that very positive note, I'm going to hand over to Pierre-François for a financial review of 2024.

Pierre-François Riolacci

Thank you very much, Catherine and good afternoon all of you. I'm very pleased of course to present this strong set of numbers, and I'm not going to repeat the numbers that Catherine went just through and these are exactly the same. So I suggest that we go straight into the numbers and move to the next slide where I think in one glance you can capture basically what happened in '24 and see what is behind the decrease of €0.5 billion of EBIT year-on-year.

And I think clearly you can see on the left side the prices and volatility which impacted us by about €1.4 billion, which is coming mainly on GEMS. Volumes are up close to €300 million and that reflects mainly the ideology that we had in Europe. It has been raining a lot. Commissioning is a positive impact of nearly €500 million. That's a very impressive number, very important for us, mostly Renewable assets which are coming online for €355 million as well as investments made in Networks and also Energy Solutions. Performance adds an extra €231 million to the EBIT variation. So that's in one glance is a key story of '24.

Now let's be a bit more granular and turn to the variation per business:

And starting with EBIT for Renewables which stands at €2.2 billion, nearly plus 10% year-on-year with almost half of it coming from wind and solar. FX impact on EBIT is minus €58 million, mainly related to the depreciation, of course of the Brazilian Real, but more than offset by the scope contribution which is a positive of EUR108 million with some tuck in acquisition that we completed actually in South Africa, South America and in Europe. Therefore organic growth is plus 7%. You will recognize the same positive drivers mentioned during your 9 months presentation. Volumes are up by €315 million. Exceptional hydro conditions in France and Portugal, new capacities that were commissioned. I mentioned the €355 million which is another proof point of our strategy in renewables bringing tangible results, and then performance which is adding another €71 million. We did face some headwinds with lower captured prices and also higher hydro tax in France, partly offsetting higher hydro volumes I was referring to. We had also in others some positive one-offs in Latam and Europe in '23 which turned negative one-off in '24 and also reduced tax equity and DBSO contribution as well. As you can see, we delivered robust organic growth compared to a challenging comparison basis in '23. And the capacities that we are adding is a major contributor to this performance.

For Networks EBIT is up €326 million organically. It's a 15% increase mainly driven by GRDF new tariff which includes clawback on previous years. We have also benefited from a colder winter. This year we achieved significant milestones with a sell down in two gas networks, 15% of TAG in Brazil and 50% of Mayakan in Mexico. But also with the auctions one in Brazil and Peru for power networks. I won't comment in detail on each block of the bridge, but it is worth to mention international expansion with plus €63 million in gas networks and plus €45 million in power networks. And this is a result of, increased performance of our gas assets in Latin America, and in power assets, tariff increase and indexations in Chile, and organic growth in Brazil. Power networks now represent 8% of the EBIT of the GBU.

Energy Solutions EBIT stands at €356 million which is a 3% organic decrease. Positive impact from performance, plus €60 million and also commissioning plus €30 million, were offset, by lower energy prices in France and in Germany, and by lower DBSO margins in North America. I'm not going to talk again about the one-offs of our US contracts, which I already discussed in detail during the 9M results. We are monitoring the situation with all due attention, and remediation plans are proceeding as planned. Excluding one-offs, EBIT margin is stable at 5.3% despite less favorable energy prices in Europe. We will be moving into another level of control and focus with our new setup from '25.

EBIT from Flex Gen amounts to €1.5 billion, supported by high captured spreads in Europe. It is another year of record high profits. Key messages are pretty simple. In France we paid higher international tax. This tax ended in December '24, but so the very good spreads, we had locked in. In Europe we've seen a further decrease of load factors down to 17.5% from 21.6% a year ago. But that was compensated by high capture spreads locked in '22 and '23 and by increased volatility induced by the growing share of intermittent energy in the power mix. Eventually internationally Chile benefited from lower sourcing prices. Our battery development in the US, is going according to plan, both in capacities and in pricing.

Looking at retail, EBIT amounted to €695 million. Organically EBIT grew by 22%, mainly driven by non-recurring timing impacts in '24, related to sourcing, and tariff shield. You can expect about half of this effect to be reversed next year. Impact from prices are quite limited and includes discounts granted to customers and precarious clients in France. Volumes were slightly positive with a colder winter and better hedging protection, partly offset by client sobriety. Performance is negative due to loss making activities in services unrelated to energy supply that we will divest or wind down in '25 and '26. All-in-all an excellent year also boosted by nonrecurring timing effect.

Let's transition to our nuclear activity. EBITDA stands at €1.4 billion, a €843 million increase versus previous year coming from the end of the inframarginal tax in Belgium on June '23. You can see in the bridge that Belgian nuclear tax and inframarginal tax had a positive impact of €700 million on year-on-year EBIT variance consistent with our H1 presentation. EBIT also benefited from higher capture prices at plus €340 million with hedged positions contracted in '22 and '23 when energy markets were supportive. Volumes, a negative €152 million, result from lower availability in Belgium and the extended two months shutdown of Doel 4 in Q4.

When it comes to other activities, EBIT decreased by a €1 billion. This is solely driven by GEMS which benefited from exceptional market conditions in '23 while '24 was a year of normalisation with lower energy prices and more importantly lower volatility. We have landed '24 in line with expectation with an EBIT at €2.4 billion for GEMS underpinned by the non-recurring reversal of market reserve for €0.5 billion related to the normalization of energy market conditions. Other activities are up €126 million due to improvements in non-core operations including EV Box.

Let's now be a bit more granular on GEMS. We present here the details by activity, geography and commodity that we started to communicate last year. Client risk management and supply is taking a bigger share as expected with market conditions normalising. It now represents 45% of total EBIT. This part is less subject to market variations. We are pleased with the activity over the last quarters that gives visibility to 2025 earnings and beyond. No significant evolution on commodity split, repartition is balanced and in line with ENGIE's portfolio. GEMS is growing outside Europe with the US and new franchises for example India. GEMS is more and more involved in optimising our battery portfolio with 50% of our US fleet hedged on '25, -29.

Turning now to performance, continuous action to improve performance contributed to €231 million in EBIT beating our target by 15%. Main contributor was operational excellence, with many actions ranging from contract renegotiation to asset optimisation and HQ reorganisation. We continue to see a sustainable momentum on that stream. While turnaround plan is on track for EV Box, we have taken some hits in a limited number of well identified situation which are turning the net contribution negative from one year to the other. There is room for improvement in some businesses inherited from the past. We are fully committed to fix or exit all loss making activities.

Let's now go down from EBIT to net income. Net financial expenses improved by about €100 million. Higher cost of gross debt, average rate has been increasing from 4.3% to 4.6%, was offset by strong cash generation early in the year and better cash remuneration supported by high short term interest rates. A flattish interest rate curve is definitely helpful since we are significantly long cash. Income tax increased by about €100 million consistent with increase of our profits before tax and the effective tax rate stands at 27.6%, quite stable versus last year and it does include prudent provisioning in some jurisdictions. As a result, net recurring income group share is up €200 million at €5.5 billion. And looking at main non-recurring items, impairments are for about €700 million, a collection of mid-sized items including EV Box in H1 and other ongoing disposal processes. We also recorded an impairment on our US offshore assets for a bit more than €100 million to account for a four year time lag in their development following the executive order issued on January 20th. In restructuring costs for about €400 million you will find mostly EV Box and some restructuring initiative in several Energy Solutions businesses.

Let's look at cash flows. Cash flow from operation is stable year-on-year at a very high level, €13.1 billion. Operating cash flows were strong, also €1.3 billion lower than last year. As mentioned in our latest call, it does include reclassification elements between operating cash flows and change in working cap, in particular to better track the variation of margin calls. Change in working cap is a positive €0.8 billion on CFFO versus last year with evolution that are very similar to those mentioned in our latest financial presentation, so I'm not going to comment on them. What is maybe important to get is that the working cap level is now normalized and we have recovered most if not all what was injected during the crisis in '22-'23.

Let's move on to net debt. Net financial debt increased from €29.5 billion to €33.2 billion mainly due to the funding of nuclear obligations. Significant CapEx and high level of dividends paid in '24 were almost entirely funded by CFFO. Economic net debt is increasing as well but to a lesser extent. Leverage ratios are quite stable and remain strong with net financial debt to EBITDA at 2.1 and economic net debt-to-EBITDA at 3.1x well below 4x threshold. This is it for '24. And before starting our presentation on our medium term outlook, we are now opening the floor for questions on our full year '24 performance.

Delphine Deshayes

So we'll now have a short 15 minute Q&A session before continuing to the Market Update presentation. So please can I ask you to keep your questions just to 2024 results as there will be plenty of time later on for questions on the market updates. And if you don't mind limiting your questions to one or two only. So we'll start by taking questions from the room and then we'll take some questions from online. Operator could you please remind our online participants the process for taking a question?

Q&A

Harry Wyburd

Hi everyone. Thank you. It's Harry Wyburd of Exane. So I'll give it just a one because I presume I can ask some other ones later. This is quite a boring one, but I think it's quite important given that finance costs are a big source of some of the upgrades that you made this morning. So you mentioned that the sort of inversion or previous inversion of the yield curve was good for you because you're long cash, but that's actually been dis-inverting in the last few months. So short rates have gone down, long rates have stayed high. Is the guidance you just gave on interest costs, which is pretty important and still valid and at current short term interest rates. So is it sort of mark-to-market and you comfortable that you can still deliver on that new finance cost guidance.

Pierre-François Riolacci

Yeah, I think that clearly when we took the stance, it was a year ago and then we gave the guidance on '24 but also '25, '26. I'm not going to go to '25, '26, but just to stick on '24, it's clear that a year ago, and based also on the forward, we had the view that the short term interest rates would come down pretty early in the year and while the long term interest rate would be higher. So what does it mean for us? And you may remember in '24 we went to the market with a significant amount of bond issues, much more than what we have to do in '25 and more than double actually in '24.

We had been factoring in our forecast that we would issue debt at a pretty significant cost, while at the same time we will be investing our cash, which is significant, at a much lower rate. It turned out to be different. First it turned out that the interest rates, short term, actually stood higher for longer and at the same time we have been cashing, you remember, our Q1, Q2 were very strong on cash and, due to the sharp decrease of prices at those days. You remember in February, I mean in the early part of the year, the energy prices went down. So we cashed in a lot on the back of this and therefore we ended up with a strong cash position earlier in the year with rates being better in the short term. So it has been helping us in '24 very significantly. Now the view that we are taking, that we expect a curve which would be less backwarded than the one that we had in mind and therefore that would help us definitely. Probably the view that we had a year ago was very conservative in terms of curve.

Zach Ho

Hi, thanks for taking my question. This is a question on Retail really. So I think earlier in the year you mentioned that first half and second half your retail EBIT would be kind of evenly split. Just I think your fourth quarter you basically delivered more than I think what the market was expecting. Could you just give us some color on the source of this outperformance and is it like a one-off kind of thing? Or any kind of color you can give would be helpful? Thank you.

Pierre-François Riolacci

So it's a tricky one, and I don't want to dig into too much details, but what you need to realize is that in Retail, in most of our markets, we have what we call campaigns, which are usually one year or two years. So you lock basically the price and you sell on that campaign. The point is that people are not buying their energy on the 1st of Jan. They tend to enter into contracts all year through. So we have 12 campaigns actually, which means that we have, as you can imagine, we have a cross year effect in our sales. In the same way we are sourcing our product and we are not, as you can imagine sourcing back to back each and every contract. We manage a portfolio.

So that means that our sourcing is also depending on the calendar year. And you know that in energy markets, calendar is very important when it comes to hedge. So when we are selling we are also hedging based on calendar. If you add up that in France there is a specific, which is a big market for us, which is the ARENH and the ARENH is also calendar. And so It means that we have a misfit, natural misfit over time. It's not an economic misfit. But when you represent the financial result in one year you have campaigns which are going cross year, when you have a sourcing which is more calendar.

So you have between the years you are seeing significant effect. And we mentioned that '23, was not in the right direction. In '24, we are significantly helped and we expect part of it to reverse actually in '25. So we'll have less of a good impact of course in '25. Long story short, there is definitely a one timer and I think it's well represented in the graph and we have been as transparent as we could be about this timing difference that you need of course to narrow. So you are better off to look at a 3 year average in Retail that gives you a better view of what is the momentum but it's not one off as such. It's more a timing effect.

Ajay Patel

Hi, Ajay Patel of Goldman Sachs. I'm going to ask you to do my job for me a little bit. If you look at '24, could you just list the one-offs that we need to take off when we're doing our bridges into next year. So what were just items that we maybe need to extract and normalize for.

And then the second one is could you maybe give us a little bit more granularity to GEMS in the sense that how much of that business, I know you highlighted the client activities, but how much that business was dependent on the absolute power price or gas price at a given point in time? As in just because I get asked that question a lot, it'd be helpful just to maybe you can unpack it a little bit more than you have. That would be helpful.

Pierre-François Riolacci

Yeah. On the one-off we had positive one-off in H1. We had negative one-off in H2. So if you take the year as a whole, forget about the one-off. I think that's a fair way. And of course next year because of course you will be looking at each and every quarter you will find that you should you should see some of this one-off, which were positive in H1 and definitely a negative in H2. And we announced that. And you remember, we mentioned that during Q3 call, we were expecting some negative one-off even in Q4, we knew it was coming. So that's to me, I would say, overall in the year, I mean, you should look at it as not significantly impacted by one-off.

Now, GEMS on absolute power on gas prices, I think that you know, and we have been advocating that for a while. You know, first, we are not a gas producer. We hedge at inception. That's very important. So we never take an open position because we sell at fixed price and we source a different price. We don't do that. We really hedge at inception.

Now, those being said, first there is a commercial margin embedded into this business, especially the B2B part. There is a commercial margin. There is some sensitivity to the absolute level because if you are selling a megawatt hour at €200 or if you are selling at €50, the commercial margin that you can pass is not exactly the same, but still it's not very significant. That's not a key point, but there is an exposure. So I want to be complete. So it is there.

Then there is another point which is that a lot of the value on the energy management part is based on the arbitrage and it can be about the bid ask. It can be about the discrepancies that you have in the market, the spread that you have in the delivery points for gas, the spread that you have between countries in power. And of course say that the absolute price does also indicate something. But what is even more important is really the value of the spread, really the value of the volatility. I think that by far a bigger, much bigger driver than the absolute level of price. And that's why despite lower prices, we are still comfortable with strong earnings coming from GEMS. And we will discuss that, I'm sure, in a moment when we look forward. And we are also comfortable because even if we see a very sharp decline in prices, we have this capability to capture another stream of value which is on volatility.

Operator

The next question is from Louis Boujard from Oddo, please go ahead.

Louis Boujard

Yes, hi, good afternoon. Thank you for taking my question. Congratulations on the good results. Maybe just one question to focus on 2024, on Networks, was wondering if you could provide a little bit more granularity regarding NaTran performance specifically during this year. In particular, you were expected to have some positive impacts from the new tariffs. At the same time this effect which has been negative, could we have some elements in terms of the level of impact in each boxes that offset each other? It could be nice for the forecast as well.

And then still in Networks if possible on Storengy, how do you see this evolving more particularly with regards to the topic regarding the maximum level of result in terms of total volumes that would be eventually lowered going forward in France in particular. Thank you very much.

Catherine MacGregor

Yes, I'm not sure I completely understood. I think it's fair to say that, you know, we are looking carefully at the filling campaign for this summer. They started a little bit later than usual but we believe that the market and the spreads are improving and therefore we will be in good situation to fill the storage as expected.

What I think is important is that we meet the 80% at the beginning of next winter. And at this stage we think that the signals will allow us to do that eventually, albeit a little bit slower and later than normally. I think the key as you know, will be then obviously LNG continuing to be imported in Europe and allowing us to fill, both this summer but also to pass a good winter and to have a good storage capacity at the end of the winter, '25-'26. So situation is improving and I hope that was the question because we couldn't hear you very well.

Pierre-François Riolacci

I got the sense of what you were asking on the variation of results for Networks. So maybe not entering too much in details but we can of course, you can dig in with the IR team offline. But what is key is that indeed there is a claw back process in the French regulation for gas because the tariffs are actually set based on projected cost and also projected volumes.

And there is a way that you can actually modify incrementally the tariffs, that is what they call the K factor. But it is capped and it was capped in the previous regulations, the previous 4 year period at 2%. So what happened is that when you have the volumes dropping a lot and that's what happened of course on the back of the crisis in '22, '23 where there was a lot of demand destruction. What happens that the volumes, the actual volumes were significantly lower than the projected volumes which created indeed an underperformance in GRDF and our numbers were significantly lower than what they should have been, should we have achieved the projected volumes.

And that's what is indeed feeding a kind of regularisation account which is creating the clawback. So what is it? It's an amount that was not cashed in and not invoiced during the initial period, could not be actually compensated by the K factor that was too small. And that creates a kind of a receivable. I would say it's not in the balance sheet, but that's a kind of credit that we have. And that credit is actually embedded in the new calculation of the tariff. So for the following period the tariff is actually increased to make sure that based on the new projected volumes, the operator can catch up with what was not earned during the previous period.

And this total amount for GRDF that was missing was $900 million. So this $900 million are now spread over the new 4 year period. And in the tariff increase that we got, part of this tariff increase is backed so that we can actually get back this money over the 4 year period. And that's why indeed our revenues are sharply increasing a year to the other, because now we are recovering money that was due from the previous 4 years. I hope it's simple enough so you can work out the numbers and $900 million on 4 years. And so more or less it gives you ballpark the magnitude of the clawback based of course on the volumes that are projecting the new tariff.

Catherine MacGregor

And that's why we like to say that we have in France a strong regulation.

Delphine Deshayes

So we'll end the full year results Q&A here.