



Proposed acquisition of
Western Power Distribution
and **Strategic Portfolio**
Repositioning

London, 18 March 2021

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John Pettigrew
Chief Executive

Transforming our business, leading the energy transition

Our priorities

- › Deliver for our customers efficiently
- › Grow organisational capabilities
- › Empower our people for great performance
- › Enable the energy transition for all

to be at the heart of
a clean, fair and
affordable energy future

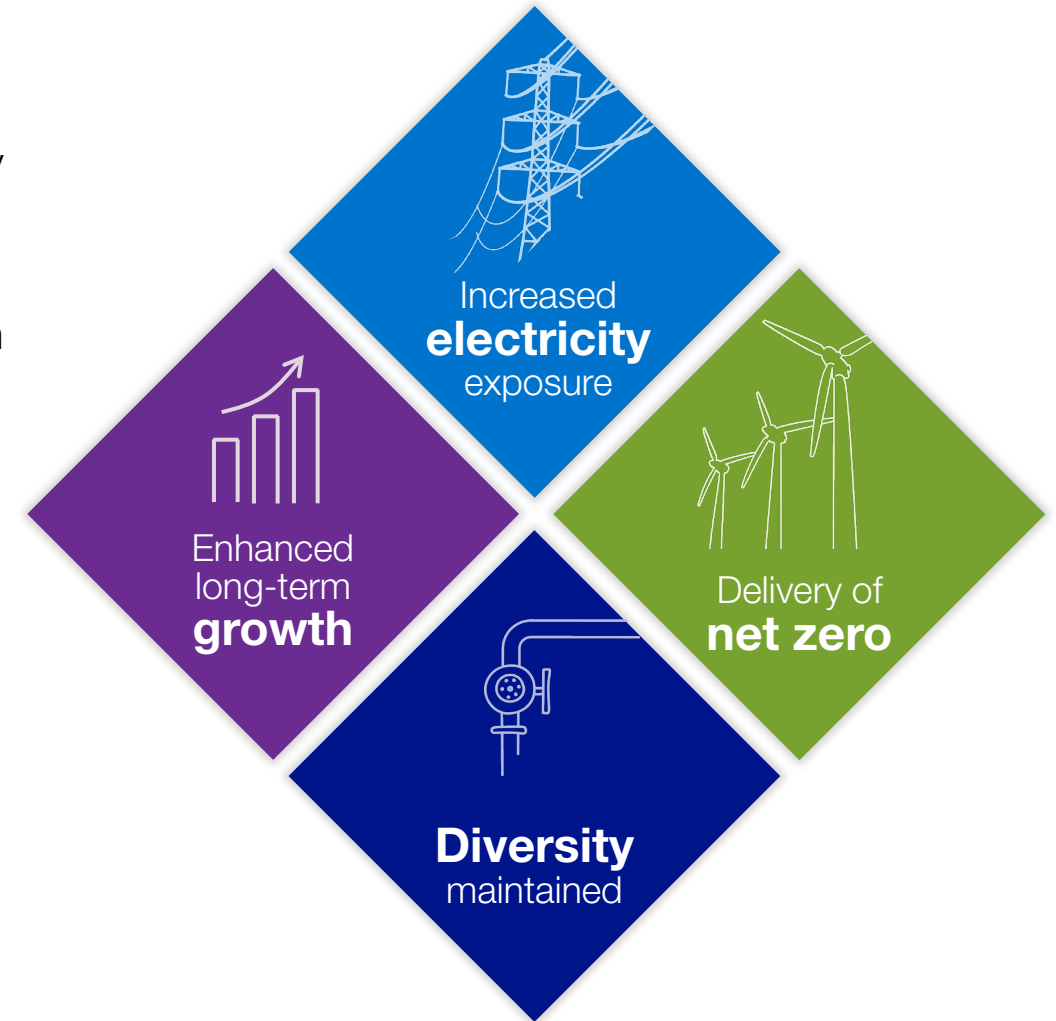
nationalgrid

A strategic transformation

- › Significantly improves strategic positioning and long term growth
- › Puts National Grid at the heart of delivering net zero
- › Attractive financial returns for shareholders

Transformative strategic fit

- Combined transaction agreed with PPL Corporation:
 - Acquisition of **Western Power Distribution (WPD)** for equity value of £7.8bn
 - UK's largest electricity distribution network operator
 - Sale of our **Rhode Island** business for equity value of \$3.8bn (£2.7bn¹)
- Announcing an intention to sell a majority stake in our **UK Gas Transmission** business
- **Two complementary businesses** – a compelling combination
 - WPD**
 - Low cost and local delivery strength
 - Customer focus and strong operational performance
 - National Grid**
 - Engineering expertise
 - Experience in modernising electricity distribution networks



1. Assumed GBP/USD FX rate of 1.39.

Accretive earnings and stable credit metrics

Attractive financial returns for shareholders

- Strong growth profile of WPD and potential for outperformance
- Expected strong cash flow and returns greater than cost of capital
- Valuation of WPD based on conservative assumptions for future regulatory returns
- Achieved premium valuation for Rhode Island business
- Confidence in value of UK Gas Transmission business

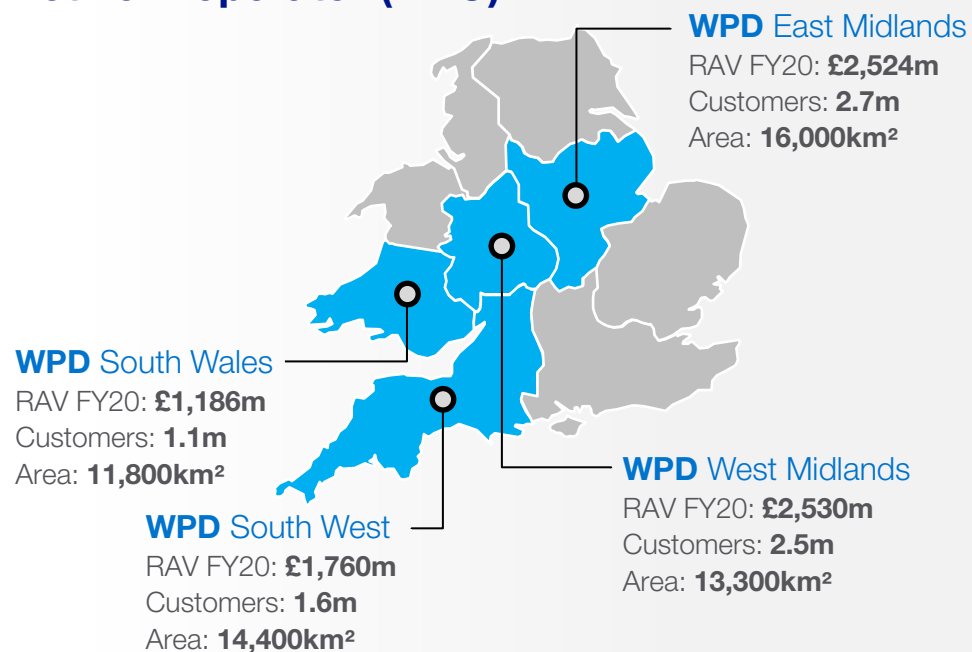
Following completion of three deals

- Superior growth opportunity
- enabling 5-7% range for longer
- Improves earnings growth and dividend cover
- Further underpins recently updated dividend policy
- Earnings accretive
- Expect metrics to remain consistent with current ratings

WPD business summary

One-off opportunity to gain a scale position in UK electricity distribution

UK's largest electricity distribution network operator (DNO)



Network comprises
 ~90,000 km of overhead lines
 ~135,000 km of underground cable
 188,000 transformers

Key highlights

£8.8bn
 Estimated RAV
 FY2022

5%
 Annual RAV CAGR¹
 delivered for ED1 period

6,500
 Employees

7.9million
 Customers

Key financials

£m	FY18	FY19	FY20
Revenue	1,621	1,686	1,724
EBITDA	1,168	1,193	1,241
Net Income	586	605	549
RAV	7,355	7,698	8,000

1. Regulated asset base compound annual growth rate based on Ofgem publication.

WPD a leading Distribution Network Operator

Strong regulatory track record with Ofgem

fast tracked during RIIO-ED1



9.9%

RoRE operational performance over ED1 to date¹



Leading



customer satisfaction

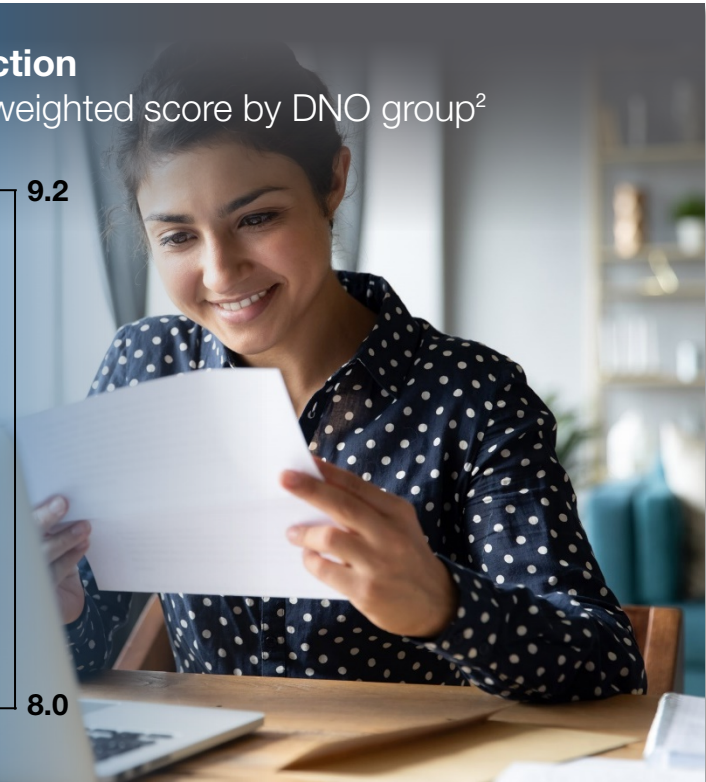
Highly experienced



management team

Customer satisfaction

Average RIIO-ED1 weighted score by DNO group²



1. Cumulative Return on Regulatory Equity for the RIIO ED1 regulatory years up to and including 2019/20, using 65% notional gearing; before debt and tax performance

2. Ofgem RIIO-ED1 Network Performance Summary 2019-20

A strong strategic fit

Strong
electricity
demand growth



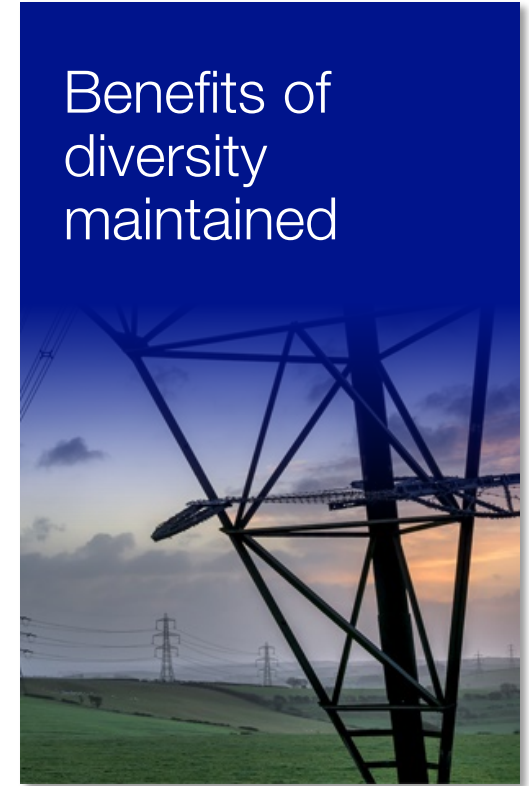
Improved
growth outlook



Net zero
delivery

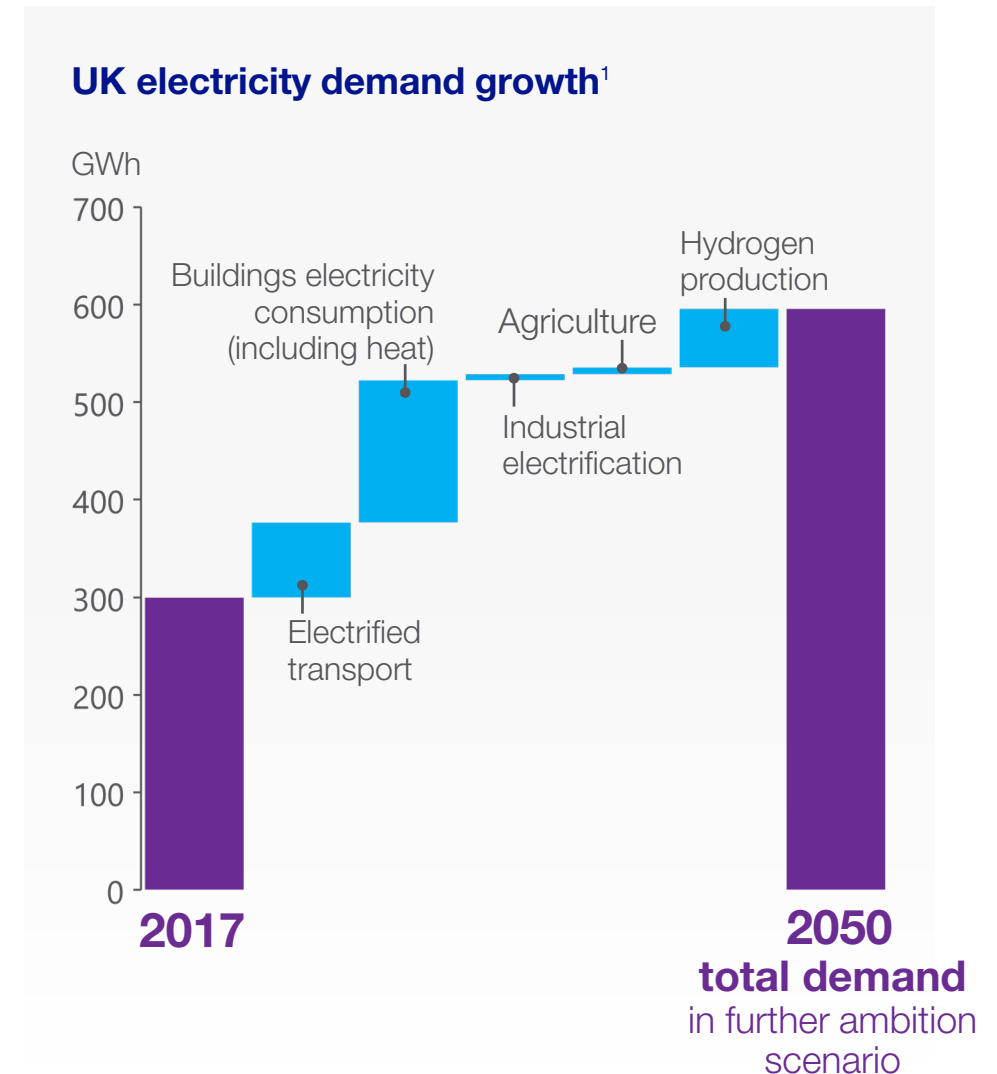


Benefits of
diversity
maintained



Increases electricity footprint

- A changing energy landscape
 - Increased renewable generation
 - Growth in electric vehicle penetration
 - Electric heating solutions for homes, offices and buildings
- Electricity demand potentially doubles by 2050
- National Grid positioned to play a pivotal role in enable growing role of electricity



1. Source: Committee on Climate Change, Net Zero Technical Report, May 2019

An improved growth outlook

WPD brings high quality assets with attractive growth

c.5% RAV CAGR¹ over 6 years

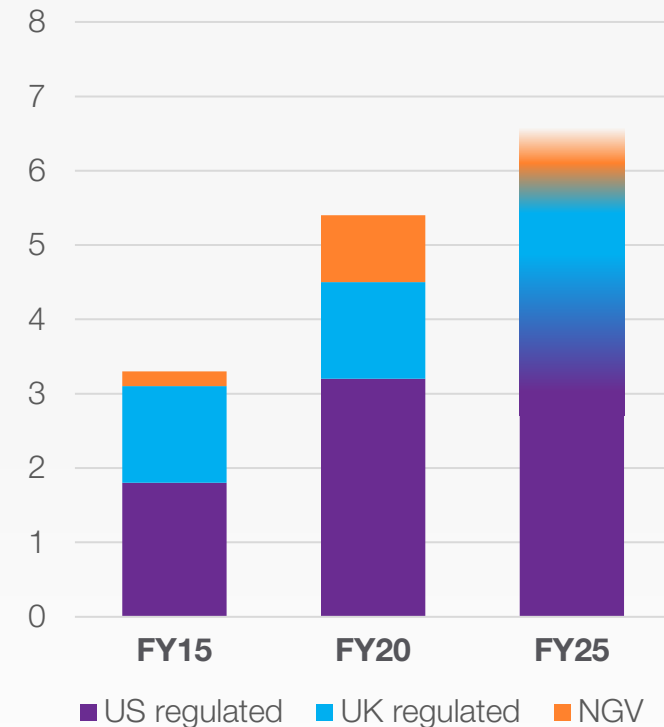
Delivering a cleaner, smarter energy system

Investment expected to rise c.20% from ED1 to ED2

5-7%

Group asset growth underpinned

Capital investment by segment² (£bn)



1. Regulated asset base compound annual growth rate

2. FY25 illustrative only. Assumes illustrative 51% disposal of UK Gas Transmission and divestment of Rhode Island

Delivering net zero

A holistic approach

- Faster more efficient delivery across transmission and distribution
- Smarter networks to deliver more renewable energy connections
- Electric vehicle charging infrastructure
 - National: £950m Rapid Charging Fund
 - Local: Enable up to 3m electric vehicles by 2030
- Sharing best practice
 - Engineering solutions
 - Customer solutions

A shared vision to reduce own emissions

National Grid

80% reduction
in own emissions by 2030

90% by 2040

Net zero by 2050

25% CO₂ emissions reduction
FY15/16 to FY19/20¹

WPD

- Net zero aims in ED2 business plan
- 20% emissions reduction in ED1 to date

1. National Grid ESG Virtual Seminar, October 2020

Electricity-oriented portfolio with regulatory diversity

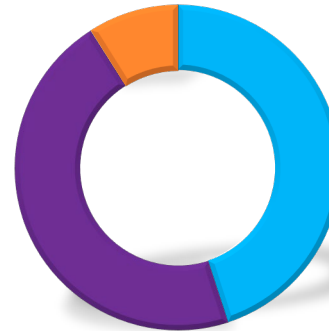
National Grid remains geographically balanced

with the US regulatory assets **c.40%** of the Group

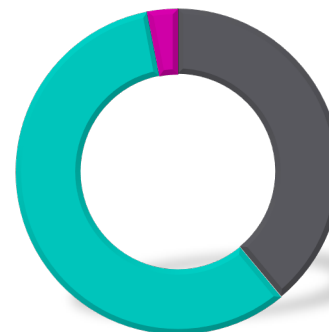
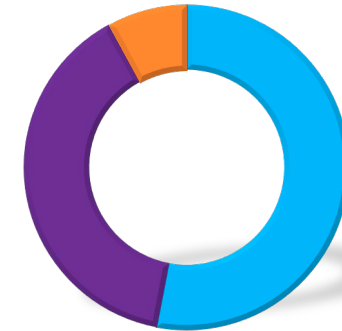
Step-change in electricity's portfolio contribution

to be **c.70%** of the Group

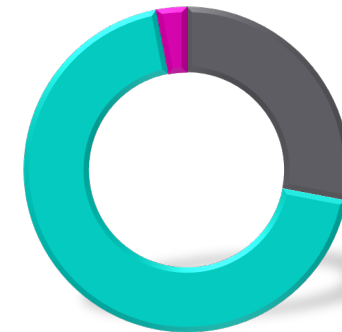
National Grid today¹



Post-transactions National Grid²



53%	UK	53%
39%	US	39%
8%	NGV ³	8%
69%	Electricity	69%
28%	Gas	28%
3%	Other ⁴	3%



1. Proportion of FY2020 asset base

2. Calculated as proportion of FY20 asset base basis, assuming illustrative 51% disposal of UK Gas Transmission

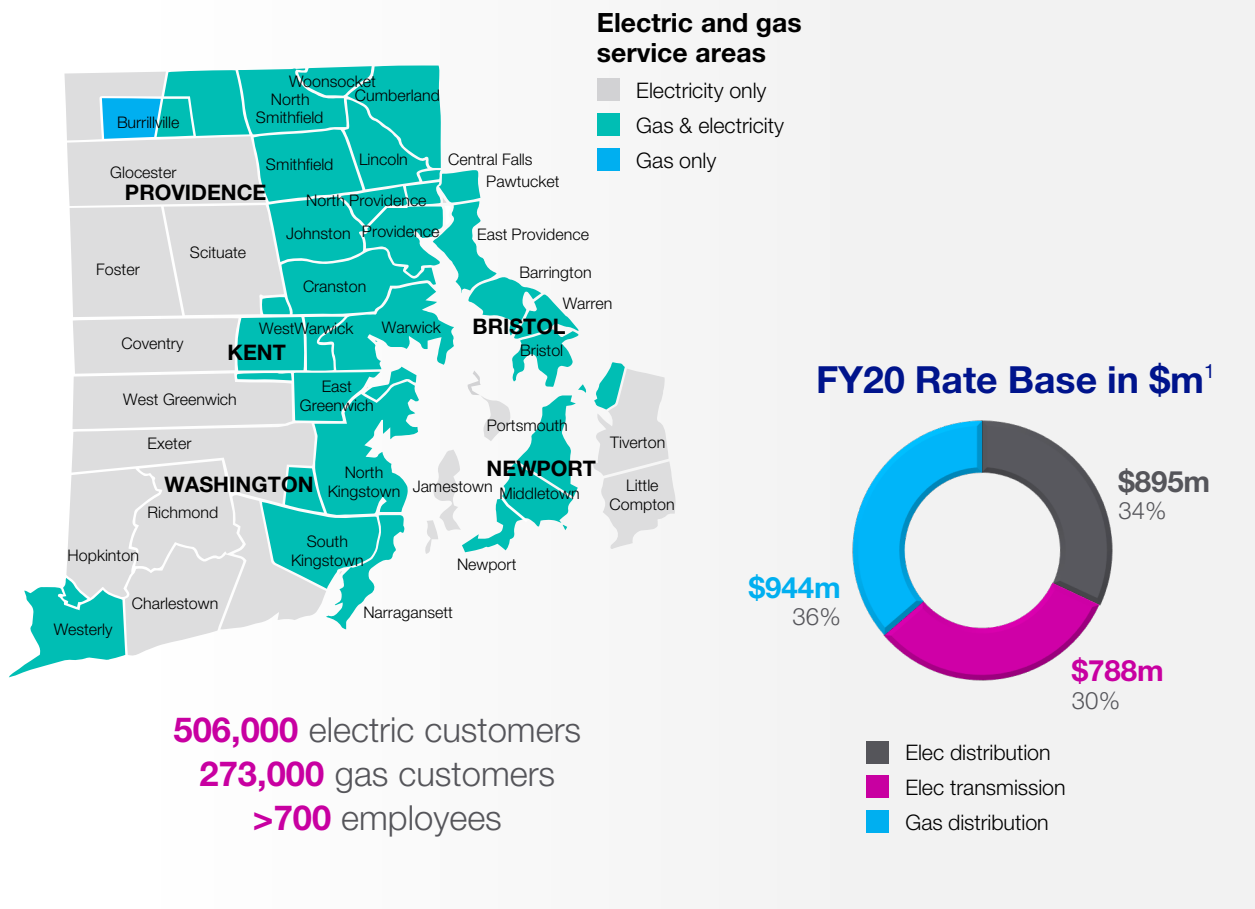
3. National Grid Ventures and Other

4. Includes US Service Co, NG Partners, Property and UK Other Assets (Corporate).

Rhode Island business summary

Divestment does not materially change National Grid US asset mix or growth

Geographic footprint



Key highlights

- Largest electricity transmission & distribution service provider as well as a natural gas distribution company in Rhode Island
- Electric and gas distribution business regulated by Rhode Island Public Utilities Commission; electric transmission business regulated by the FERC
- \$2.6bn rate base (\$1.8bn distribution, \$788m transmission) as at March 2020
- Net debt of \$1.4bn (£1.0bn) as at 31 March 2020

Key financials¹

£m	FY18	FY19	FY20
Revenue	1,063	1,188	1,207
Net Income	91	84	95
Rate Base	1,576	1,854	2,119

1. Company Information, US GAAP, £m at an average FX rate of \$1.36/1.31/1.29 for FY18/FY19/FY20 Revenue and Net Income and \$1.40/1.30/1.24 for Rate Base

Andy Agg
Chief Financial Officer



Transaction details

WPD

£7.8bn equity value¹

£6.4bn assumed net debt

- **£8.8bn** March 2022 RAVe²
- Attractive growth profile
- **£750m** FY20 profit before tax
- **£1bn** average annual capex over RIIO-ED1

Rhode Island

£2.7bn consideration¹

£1.0bn (\$1.4bn) assumed net debt¹

- Partially repays cost of acquiring WPD
- Attractive valuation
- FY20
 - **\$206m** operating profit³
 - **\$122m** net profit³

UK Gas Transmission

£6.4bn March 2022 RAVe²

- Intention to sell majority interest, including gas metering
- **£356m** FY20 profit before tax⁴
- Plan to launch a sale in 2H 2021

1. Assumed GBP/USD FX rate of 1.39 and subject to customary closing adjustments

2. RAVe: estimated regulated asset value

3. US GAAP basis

4. National Grid Gas plc

Financial impact

Financing

- Bridge facility in place to fully cover WPD purchase
- Proceeds from Rhode Island and UK Gas Transmission businesses to repay bridge facility¹
- UK Gas Transmission sale process expected to be launched in second half 2021

Portfolio

- Earnings accretive
- Expect to maintain current credit rating

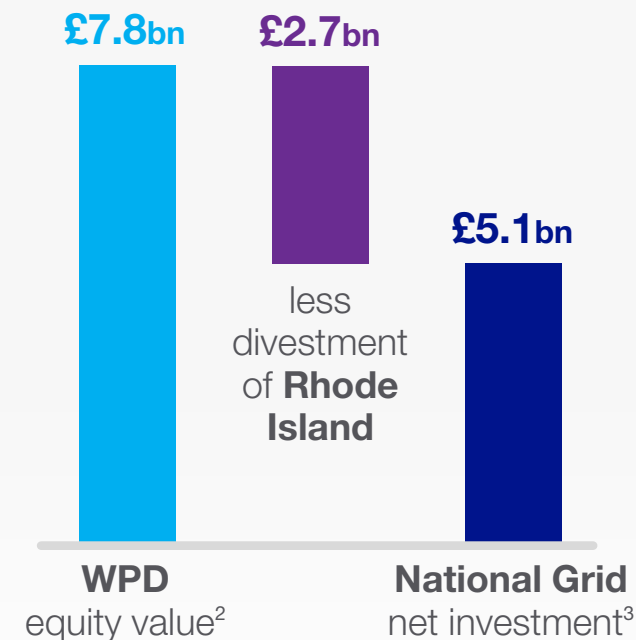
Dividend

- Dividend cover metrics enhanced
- Further underpins updated CPIH-linked dividend policy

1. Any remainder to be refinanced with new debt

Funding overview (equity basis)

National Grid Contribution



2. Subject to customary closing adjustments

3. Rhode Island is conditional upon WPD completing, but WPD is not conditional on Rhode Island completing

Delivering further value for shareholders

Further significant upside potential

Valuation of WPD reflects

- Conservative assumptions on baseline returns

Further upside potential

- Opportunities to drive outperformance on totex
 - Strong track record of delivery
- Opportunities on incentives

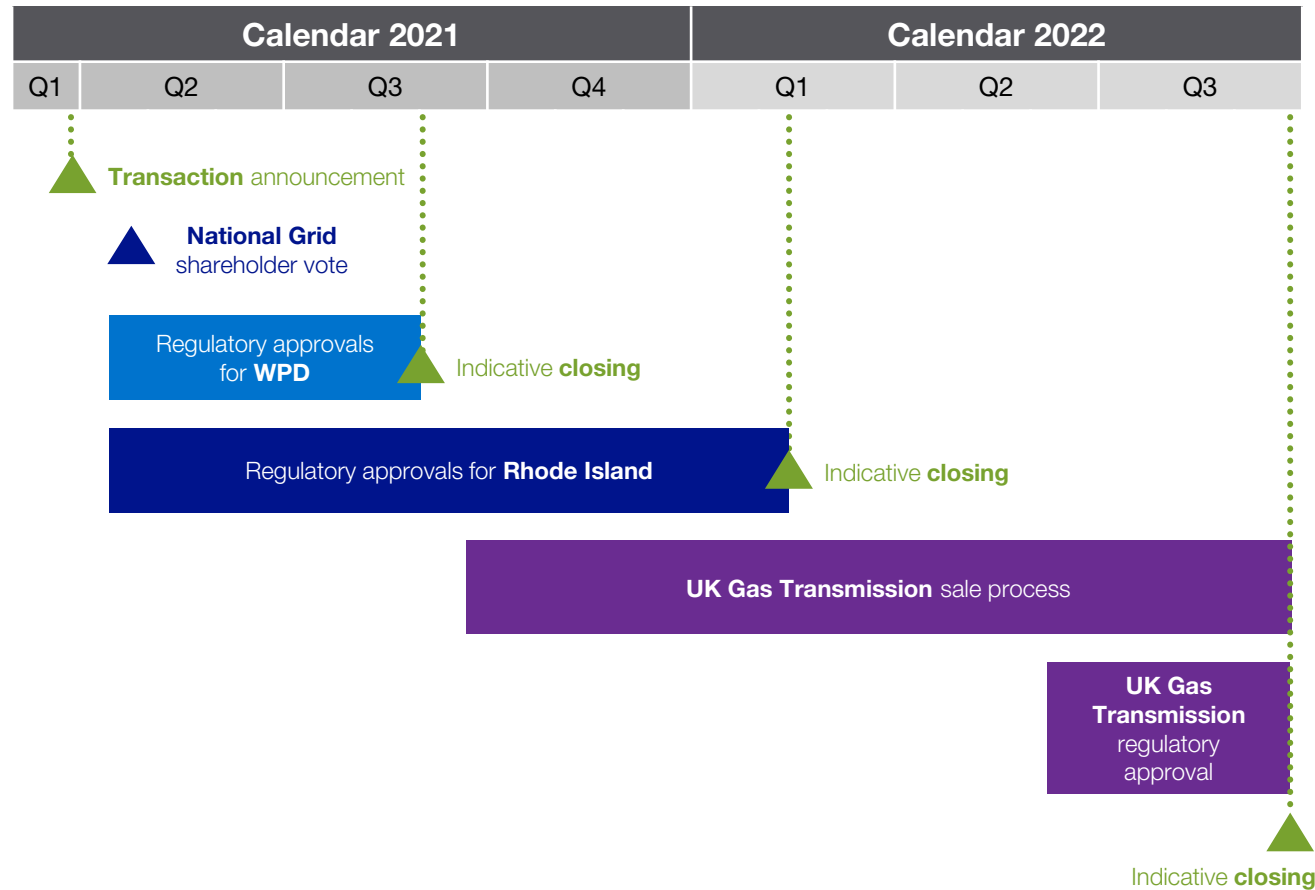
Sharing best practice to drive performance

- Digital innovation
 - Streamline connection process
 - Improve asset reliability
- Leading customer satisfaction



Timetable and regulatory considerations

Overall timeline summary



Timing of key steps

WPD

- Shareholder meeting to approve acquisition of WPD expected by the end of April 2021
- Technical filings to be submitted with FCA and Guernsey equivalent
- Voluntary CMA filing
- Expected to complete within the next four months

Rhode Island

- Relevant regulatory approvals required
- Expected to complete in Q1 2022

UK Gas Transmission

- Intention to launch process for sale of a majority stake in Q3 2021
- Expect process to completion will take c.12 months

Conclusion

Transforms National Grid's strategic position

- Increased focus on electricity
- One-off opportunity to establish scale UK Electricity Distribution
- Enhances 5-7% growth for longer

Foundation for growth and shareholder returns

- Earnings accretive
- Expect to maintain current credit rating
- Further underpins dividend policy and long-term sustainability

Geographic and regulatory diversity maintained

Puts **National Grid** at the heart of a clean, fair and affordable energy future



Q&A

To ask a question, please dial in as below

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