

Presentación Analistas Iberdrola (Miércoles 21 Octubre)



October 2020

Avangrid-PNM Resources Merger

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Index

Iberdrola's strategy

Description of PNM

Description of Avangrid + PNM

Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Iberdrola's strategy

The merger of PNM fits within Iberdrola's strategy

1 Growth in Regulated business and Renewables



2 Increase exposure in highly rated countries (Aaa)



3 Accretive transactions to earnings from the first year



4 Maintaining balance sheet strength



Index

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Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Description of PNM (I/II)

Unique combination opportunity for Avangrid

1

Regulated US utility

#1 country worldwide by GDP¹

Quality rated (Aaa)

2

Operates in states where Iberdrola Group already does business

Wind operational assets in New Mexico (604MW)²

Wind operational assets and retail business in Texas (1,256MW)

Pipeline of 1,443MW

3

100% Regulated businesses

2019 RAB: \$4.1Bn

2019 Regulated Generation: 2.8GW³

Description of PNM (II/II)

PNM's service territory

New Mexico	Texas
<p><i>Serves main cities in New Mexico</i></p> <p><i>Largest New Mexico Utility</i></p>  <ul style="list-style-type: none"> • Albuquerque • Santa Fe • Belen • Las Vegas • Rio Rancho 	<p><i>Serves mainly development areas around Dallas and Houston</i></p>  <ul style="list-style-type: none"> • Lewisville • League City • Texas City • Friendswood

2019 Operational figures

RAB (\$ BN)	4.1
Rate Payers	788,826
Population Served	~2M
Regulated Generation (MW) ¹	2,811

2019 Financial figures (\$ MM)

EBITDA	586
Net Income	173
Total Assets	7,299
Net Debt	3,189
Total Equity	1,742

Index

Iberdrola's strategy

Description of PNM

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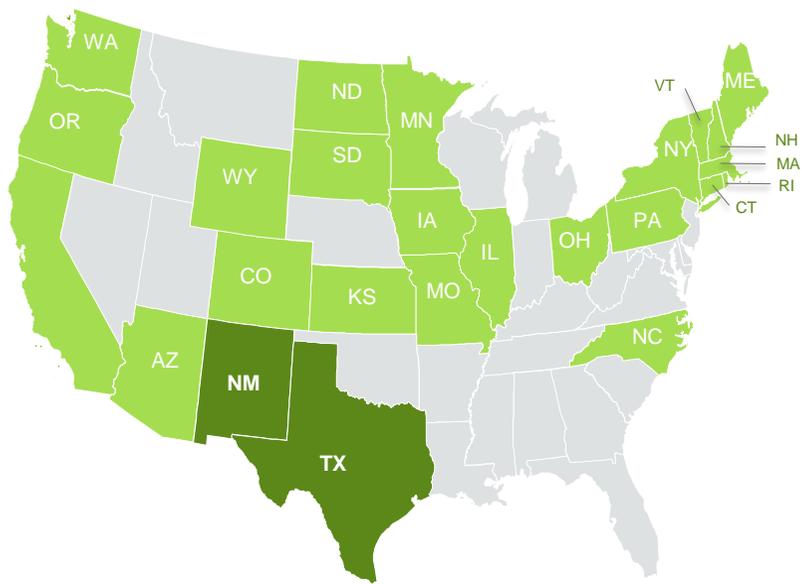
Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Description of Avangrid + PNM (I/II)



■ Avangrid locations
■ PNM locations

1

10 regulated utilities

✓

2

Operations in 24 states

✓

3

2019 Installed capacity of ~10.9 GW¹

✓

4

More than 168,000 km of T&D lines

✓

Description of Avangrid + PNM (II/II)

Pro forma 2019 figures

Operational figures

RAB (\$ BN)	14.4
Rate Payers	~ 4.1M
Population Served	~9M
Total Installed Capacity (MW) ¹	10,939
Renewables Pipeline (GW)	~19

Financial figures (\$ MM)

EBITDA	2,453
Avangrid	1,867
PNM	586
Net Income	846
Avangrid	673
PNM	173
Total Assets	41,715
Net Debt	11,017
Total Equity	17,328

Avangrid's pro forma EBITDA from regulated activities anticipated to increase to over 80%

Index

Iberdrola's strategy

Description of PNM

Description of Avangrid + PNM

Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Rationale for the Iberdrola Group

1	Growth in Regulated business and Renewables	✓
2	Increase exposure in highly rated countries (Aaa)	✓
3	Accretive transaction (>3% in EPS) financed with an appropriate capital structure	✓
4	ESG leadership (accelerating coal exit by 2022)	✓

Pro forma 2019 figures (€ MM)¹	
EBITDA	10,601
Iberdrola	10,104
PNM	498
Net Income	3,526²
Iberdrola	3,406
PNM	120
Total Assets	128,566
Net Debt	41,079
Total Equity	48,673

Index

Iberdrola's strategy

Description of PNM

Description of Avangrid + PNM

Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Terms of the Transaction

Avangrid will acquire PNM at a price of \$50.30/share and total consideration of ~\$4.3 Bn

1

Avangrid (81.5% owned by Iberdrola) to acquire 100% of PNM in cash

- PNM shareholders will receive Acquisition consideration of ~\$4.3 Bn
- The offer values PNM at \$50.30/share, a 10.0% premium to PNM's trading price of \$45.74/share and a 19.3% premium to PNM's 30-day volume weighted average price

2

Closing expected between October and December 2021

Financial Impacts and Financing

Transaction financed with an appropriate capital structure

1	Accretive to earnings since the first year (>3%)	✓
2	Iberdrola will provide a funds commitment letter to Avangrid to finance the transaction	✓
3	Current Iberdrola Group's liquidity position of EUR ~14 Bn will not be affected	✓
4	On November the 5 th , strategic guidance to be provided in the <i>Capital Markets Day</i>	✓

Index

Iberdrola's strategy

Description of PNM

Description of Avangrid + PNM

Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Current activities of Iberdrola Group in New Mexico and Texas

Well known geographies with strong growth opportunities

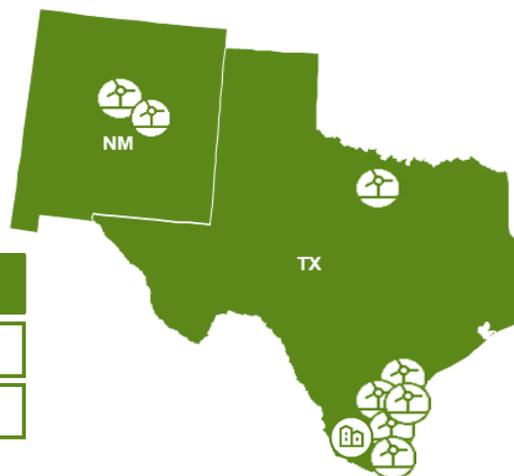
<u>Key State data</u>	New Mexico	Texas
GDP CAGR (2000 – 2019)	3.4%	4.9%
Population CAGR (2000 – 2019)	0.7%	1.7%
Current Presence	604 MW (wind)	1,256 MW (wind) Retail business

Wind New Mexico (MW)

-  El Cabo (298)
-  La Joya I and II (306)¹

Pipeline (MW)	2,103
Avangrid	1,443
PNM	660

PNM is Avangrid's transmission provider for El Cabo wind asset



Wind Texas (MW)

-  Baffin (202)
-  Barton Chapel (120)
-  Karankawa (307)
-  Peñascal I (202)
-  Peñascal II (199)
-  Patriot (226)
-  Retail business Houston

King Felipe VI Chair in the New Mexico University financed by Iberdrola for more than 15 years

Index

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Description of PNM

Description of Avangrid + PNM

Rationale for the Iberdrola Group

Terms of the Transaction and Financial Impacts

Current activities in New Mexico and Texas

Calendar

Regulatory Filings and Approvals Within ~ 12 Months

	Regulator	Estimated time from filing to approval
Federal Authorities	• Federal Energy Regulatory Commission (FERC)	• 3-6 months
	• Hart Scott Rodino Clearance	• 1 month
	• Committee on Foreign Investment in the United States (CFIUS)	• 3 months
	• Federal Communications Commission	• 1 month
	• Nuclear Regulatory Commission	• 6-8 months
State Authorities	• New Mexico Public Regulation Commission (NMPRC)	• 8-14 months
	• Public Utility Commission of Texas (PUCT)	• 6-8 months
No regulatory approvals required in NY, ME, CT or MA		

Appendix - Regulatory Overview

		PNM		TNMP	
		T&D and Generation	Transmission Service (FERC)	T&D	Transmission Cost of Service
Regulatory Metrics	ROE	9.575%	10.00%	9.65%	
	Reg. Cap.	Debt / Equity: 50% / 50%		Debt / Equity: 55% / 45%	
Next Rate Case Date		01/07/2022 ¹	Annual	<ul style="list-style-type: none"> ▪ Transmission: semiannually ▪ Distribution: annually ▪ General Rate Case: TBD 	

Appendix – PNM Generation Overview

<u>2019 (MW)</u>	Total regulated ¹	Owned in rate base	Owned or contracted in rates / PPA
Regulated - Owned and Contracted ¹	2,811	2,087	659
Solar	287	157	130 ⁴
Wind	356	-	356
Geothermal	15	-	15
Nuclear (7.3% stake) ²	402	402	-
Gas	989	831	158
Coal ³	762	697	-
<ul style="list-style-type: none"> ▪ <i>San Juan Generating Station (66.3% stake)</i> ▪ <i>Four Corners (13% stake, not operated)</i> 			

Exit Plan from San Juan Generating Station (SJGS)

- Retirement has been approved for 2022
- Securitization bonds approved to recover undepreciated investment, a portion of decommissioning cost and other costs