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Analyst Briefing Transcript:
2024 Annual Results

Marissa Wong, Director – Investor Relations

Good afternoon, everyone, and thank you for joining us for the CLP's 2024 Annual Results Briefing. My name is Marissa Wong, I'm Director of Investor Relations. And today, joining me is Chief Executive Officer, Mr. T.K. Chiang; and Chief Financial Officer, Mr. Alex Keisser.

We lodged our announcement with the Hong Kong Exchange at midday today. That announcement, in addition to this presentation, is now available on our website. This briefing is also being recorded so if you want to find that on our website later on, you can.

And just a few formalities before we begin, a reminder to read Slide 2, the disclaimer there. And for today's briefing, we have T.K., delivering the highlights for 2024, as well as his strategic priorities, and Alex to deliver the financial performance for 2024. This will be followed by a Q&A session.

And so with that, I will now hand over to T.K., to begin the briefing. Thank you, T.K.

Chiang Tung Keung, Chief Executive Officer

Good afternoon, ladies and gentlemen.

We are broadcasting from our brand-new headquarters in Kai Tak today,

And as we begin this pivotal chapter in our organisation, it is with great excitement and pleasure that I present a strong set of results, and also share with you the outcome of our strategic review.

Let’s begin with our results.

Financially, we delivered growth across key financial indicators from our diversified portfolio, with notable material improvements from EnergyAustralia.

Our operational excellence remains at our core as we maintained our track record of execution, positioning us to lead the build out of energy infrastructure in the coming years.

In Hong Kong, we completed major gas infrastructure paving the way for phasing down of coal.

In China, Yangjiang nuclear achieved record generation, while in India, Jhajjar upheld its position as one of the best run thermal plants achieving record level of efficiency.

In Australia, amidst increasing price volatility, Tallawarra B went into commercial operations, the only peaking plant added to the New South Wales grid in the past decade

Turning to our growth momentum, the new D-Plan cycle in Hong Kong is progressing well with 11 billion in capex in 2024.

Outside of Hong Kong, with close to 4.5GW of non-carbon projects in execution, we are in a solid position to secure future recurring earnings and cashflows.

A few highlights include construction of CLP China's largest wind and solar projects to date, both 300MW in Shandong and Guangxi.

Adding the largest solar project in India to date, 300MW in Rajasthan.

And expanding EnergyAustralia's flexible portfolio with the largest battery to date, the 350MW 4-hour Wooreen battery.

The strength of our results, together with growth momentum and already robust financial structure has led to the Board's decision to increase the dividend.

This reflects our policy of paying reliable and consistent ordinary dividends with steady increases when supported by earnings and the ability to fund growth.

Finally, I'm pleased to confirm that we've completed our strategic review. The outcomes of this review will underpin our ambition of delivering cleaner and more reliable energy, stable earnings and dividends growth.

I'll share more towards the end of the presentation.

Turning to the highlights.

A strong financial performance in 2024, headlined by strong Operating Earnings before fair value movements and the announcement of increasing our dividends.

Alex will cover the details next, but in summary, Group's operating earnings before fair value movements increased by 8% year-on-year to nearly 11 billion Hong Kong dollars.

Total earnings were also up significantly by 76% to 11.7 billion dollars.

The Board today recommended a fourth interim dividend of one dollar and twenty-six cents per share, which, together with the three dividends already paid, brings 2024's total dividend to three dollar and fifteen cents per share, an increase of 1.6% from three dollars and ten cents in the prior year.

Based on our share price at the end of December, this provides a yield to investors of 4.8%.

Operationally, we maintained good performance on our safety and reliability metrics.

There was a slight increase in low impact injuries largely attributed to more planned outages and construction activities.

Reliability, measured by unplanned customers minutes lost, was impacted by extreme weather and power supply incidents in Hong Kong. Nevertheless, Hong Kong's network reliability stood at 99.999%, which remains exceptional by the world's standards.

On the customer front, we saw growth in accounts in Hong Kong, while competitive market conditions in Australia resulted in a reduction in customer numbers.

Electricity output from our generation facilities increased marginally and generation capacity decreased as a result of retirement of three coal units in Hong Kong, and exit of our minority share in the Shandong Zhonghua coal portfolio. These actions led to a 2% decrease in the overall greenhouse gas emissions intensity.

I'll now hand over to Alex to take you through the financial results.

Alexandre Jean Keisser, Chief Financial Officer

Thank you TK, and good afternoon.

The results today reflect the positive signals in first half, consolidating the growth trend across the key financial indicators.

Earnings Before Interest, Tax, Depreciation and Fair Value, or EBITDAF, increased by 9% to over 25 billion Hong Kong dollars. This reflected sustained capital expenditure in Hong Kong and strong performance from EnergyAustralia.

Increase in EBITDAF supported Operating Earnings before fair value movements growth of 8% to close to 11 billion. This was slightly impacted by higher interest costs, depreciation and tax expenses.

Adjusted for fair value movements and items affecting comparability, Total Earnings was 11.7 billion, an increase of 76%.

Capital Investments of over 18 billion was higher than last year, which I'll cover in more detail in the cash flow section.

As a result of this positive momentum and as mentioned by TK, we increased our dividends to our shareholders. Total dividend for financial year 2024 was three dollar and fifteen cents per share, representing an increase of 1.6%.

In summary, we achieved growth in earnings while investing for the future, and returning to our shareholders.

The EBITDAF waterfall shows EnergyAustralia as the major driver for the increase, followed by dependable performance from Hong Kong, profitable growth from Apraava Energy in India and improvement in other earnings and unallocated items.

Reduced contributions from Mainland China was mainly due to lower contributions from nuclear fleet.

Details of the regions will be covered in the following slides.

In line with EBITDAF performance, we saw higher contributions at the Operating Earnings level, with a significant uplift from EnergyAustralia and more modest uplift from Hong Kong and Apraava Energy, offset by lower contributions from Mainland China, Taiwan Region and Thailand.

Together with the contribution from the regions, and efficiency gains from digitalisation and headquarters cost optimisation, we reported Operating Earnings before fair value of close to 11 billion.

We didn't have the significant fair value gains that we saw in 2023, but it was still positive, reflecting accounting gains on EnergyAustralia's forward energy contracts as of end of December 2024.

After one-off elements, the Group's Total Earnings increased by 76% to 11.7 billion.

I'll now take you through the performance and outlook for each business unit. All variances will exclude the impact of foreign exchange to reflect the organic underlying performance of the business.

First, Hong Kong.

With the start of the new D-Plan cycle, our continued investments and reliable performance drove stable and dependable earnings.

On an accrual basis, the Scheme of Control business invested 10.8 billion, the majority going towards transmission and distribution to support infrastructure growth and new development areas, and decarbonisation.

Earnings were slightly impacted by the non-repeat of the one-off, 5-year performance incentives we received in 2023, as well as higher interest costs.

The last piece of gas infrastructure, our 600MW CCGT D2 unit, went into operation in April. With this milestone, and the operation of our offshore LNG terminal, we have now successfully completed our major gas infrastructure enabling the retirement of three coal units at Castle Peak. This is a significant step towards lower emissions.

Local electricity sales were up 2.1%. Notably, load demand from data centres and EV charging increased 8.6% and 55.1% respectively, outpacing overall electricity sales growth.

It was a busy year for energy-as-a-service activities across all major areas such as cooling of buildings with efficiency solutions, transportation with e-mobility, and replacing diesel engines with batteries on construction sites for example, as we continue to change the way industries and customers utilise energy.

Looking ahead, the focus will be on the programme for work in the new D-Plan, working towards government's 2035 climate target, supporting industries transition to a lower carbon economy, and continue to deliver reliable electricity at a reasonable tariff.

Moving to Mainland China.

Overall, earnings decreased by 10% to 1.9 billion.

Main driver of lower earnings was nuclear, namely lower market tariff and higher costs at Yangjiang, and lower generation at Daya Bay due to a planned 30-year outage.

Earnings from renewables were slightly lower, mainly due to two legacy projects which were exposed to curtailment and tariff pressure. This was partially offset by contributions from new grid parity projects and better hydro resources.

Stabilised fuel prices and lower O&M costs on lower energy sold contributed to increase in earnings for thermal.

In line with our Climate Vision 2050, we executed an early exit of our minority interest in Shandong coal assets in 2024.

Turning to our growth momentum.

We've made significant progress with close to 2GW of renewable and battery projects in various stages of construction, and notably, a few achievements, including our largest wind, our largest solar, and our first standalone battery energy storage system.

Continuing with the theme of achievements, we also signed two large-scale and long-term energy offtake agreements with internationally renowned customers to supply green power, adding stability and long-term value to our portfolio.

Looking ahead, nuclear performance is expected to remain dependable, although for Yangjiang, we expect higher market tariff exposure. Renewable tariffs are expected to be stable with our disciplined province selection and return requirement.

We are on the right pathway to deliver renewables growth, and progressing business models and partnership options, which TK will talk about later.

Turning to Australia, where a record number of high price events occurred in NSW in 2024. Twelve hours with average spot prices above $10,000 Australian dollars compared to zero in 2023.

EnergyAustralia's actions on investments in the reliability of Yallourn and coal supply and flexibility for Mount Piper, combined with higher and more volatile wholesale prices, and hedge book outcomes contributed to strong performance in the Energy segment.

The Customer segment saw higher churn and reducing customer accounts, driven by intense market competition coupled with higher costs of living pressure.

Depreciation costs increased as a result of refurbishment capex in Yallourn.

The net impact enabled a turnaround from a loss position in 2023 to more than 590 million Operating earnings before fair value movement in 2024.

We also accelerated our energy transition portfolio, with more flexible capacity projects and renewable energy additions.

Tallawarra B, a critical peaking plant in New South Wales, went into operation.

Winning the Capacity Incentive Scheme for both Wooreen in Victoria and Hallett in South Australia will enable the construction of these battery projects.

Contracted capacity for Orana battery in NSW and Golden Plains wind PPA in Victoria add to the growing renewable and flexible portfolio.

Looking ahead, focus remains on maintaining the performance of our generation fleet. The outlook for wholesale prices is stable albeit higher fuel cost for Mt Piper, as well as a higher depreciation costs for Yallourn.

Market conditions in the Customer segment is expected to remain competitive, as we focus on efficiency improvements and re-platforming technology to strengthen business.

EnergyAustralia will expand its renewable portfolio in line with its Climate Transition Action Plan through contracting of long term PPAs.

And flexible capacity developments will continue, leveraging business models and partnerships, to capture the increasing value in energy transition.

As a final note, we've made a change to reporting segments to move the retail hedge book from Customer segment to Energy segment. This change allows for better reflection of the underlying Customer segment results, and enhances comparability with others in the industry.

A detailed reconciliation of the restatements is in the appendix of our IR materials.

Apraava Energy recorded another year of profitable growth, with earnings increasing by 11% to nearly 330 million, and solid cash flow position enabling return of capital.

While renewables contribution was down in line with lower wind resources and less delay payment income from the significant reduction of overdue receivables, we recorded steady earnings growth from transmission and Jhajjar coal plant.

Smart meters business is developing well, as we work towards the installation of more than 6.8 million meters in six states.

Turning to our growth momentum, again, progressing solidly with equivalent of around 2GW of non-carbon projects in execution with four renewables including the construction of Apraava Energy's largest solar project to date, four transmission and six metering projects won in 2023 and 2024.

Corporate expenses improved mainly due to a gain recognised upon the successful exit of the Dedasari solar project.

In the year ahead, Apraava Energy will continue to execute its growth strategy and build out its diversified portfolio of renewables, batteries, transmission and smart meters.

Finally to Taiwan region and Thailand.

Generation at Ho Ping coal power station in Taiwan region was impacted by an earthquake in April as well as lower recovery of coal costs.

Operations were stable at Lopburi solar in Thailand, but its contribution was lowered by a step-down in PPA tariffs. Together, earnings were down by 12%, landing at 260 million.

Looking ahead, Ho Ping will focus on managing fuel costs, and more broadly for this region, we will begin to explore development opportunities in line with our strategy, which TK will cover later in this presentation.

Moving to the Group's cash flows.

Free cash flow generation was healthy at 21 billion, driven by underlying EBTIDAF performance which increased by 2.1 billion.

This was offset by Hong Kong Scheme of Control working capital movements returning back to a more normal profile as fuel prices stabilise and recovery of fuel costs largely absorbed in 2023.

Cash outflows were higher totalling almost 25 billion, made up of 11.2 billion of SoC capex, 2.7 billion growth capex mostly attributed to Mainland China renewable projects, 3 billion for our new Kai Tak headquarters, as well as dividend payments of 7.8 billion

Finally, our funding position remains strong, with ample headroom to credit metrics.

There was a modest increase in debt, mainly driven by capital investment.

Liquidity position remains healthy with 36 billion in available liquidity.

The team has been disciplined in maintaining a diversified and cost-effective debt portfolio, successfully raising competitive financing of over 15 billion debt for Hong Kong SoC business, and 5.2 billion non-recourse project loan facilities for Mainland China renewable energy projects.

Early in 2025, we also successfully refinanced 500 million US dollar perpetual capital security for Hong Kong SoC business.

Our strong investment grade credit ratings were confirmed by S&P in May for CLP Holdings, CLP Power, and CAPCO at A, A+, and AA- respectively. Similarly, Moody's has kept ratings of the three companies together with EA. All with stable outlooks.

With strong cash flows and funding metrics, we're in a position to invest prudently in our strategic priorities, while remaining committed to keeping strong rating and returning to our shareholders.

I'll now pass it over to TK for the Group's strategic priorities.

Chiang Tung Keung, Chief Executive Officer

Thanks Alex.

CLP has been a leading utility in Asia Pacific based on the foundations we built in Hong Kong and Mainland China.

For decades, CLP has powered this region with reliable and affordable energy, anchored in operational excellence, thoughtful approach to risk, and financial strength.

We’ve expanded into important, key markets – India, Australia and Southeast Asia – delivering 22GW of generation capacity. Our operations span the full value chain from generation to networks and services, while consistently creating shareholder value.

But energy itself is undergoing significant transformation, as catalytic forces of electrification and decarbonisation take hold.

Our recent strategic review sharpens our path forward: taking advantage of growth opportunities while advancing long-term resilience.

We are poised to lead this transition, combining our regional expertise, infrastructure, and drive to meet rising demand for clean, sustainable energy.

This is how we secure our legacy of powering brighter tomorrows.

When I started with CLP as a graduate trainee in 1988, electric vehicles were not commercially available. Today, seven out of ten newly registered vehicles in Hong Kong are electric.

In 1988, renewable energy contributed less than 1% of the global energy. Today, they supply more than a quarter of total electricity in this region, and Bloomberg predicts that Asia Pacific must triple energy investments by 2050 to hit net zero.

Electrification and decarbonisation are irreversible trends.

And our strategy aligns with these mega trends.

To that end, delivering on Climate Vision 2050 is our true north. Out of coal by 2040 and net zero by 2050. There is no change here.

Our strengths—including our people, operational expertise, regional knowledge, project pipelines, brand, and access to capital—position us well to execute for growth and more dependable earnings, and capture the opportunities at our doorstep.

We’re scaling investments in clean power generation, grid capacity, storage, and customer solutions in this region, while advancing workforce capabilities and technology.

So now let me go through CLP’s strategic priorities and financial targets.

Our home market, Hong Kong and Mainland China remain a priority.

Our integrated utility business in Hong Kong is central to our continuous investments and dependable earnings, supported by predictable returns under its asset-based regulatory framework.

We are committed to delivering 52.9 billion 5-year capital programme to support government's economic and infrastructure agenda and decarbonisation targets.

We will continue to drive performance of the business, maximise synergies and improve operational efficiency.

To our other home market, Mainland China, where the need for clean energy is driving additions of some 300GW of renewable capacity. This gives us good opportunities to find good projects.

Our target of double our RE portfolio to about 6GW by the end of this decade, is modest in comparison.

But it does reinforce our value over volume discipline, investing only in projects that meet our return criteria over the long term.

We're already seeing tangible results on multiple fronts.

We've added almost two gigawatts in various stages of construction since we announced the target.

We're seeing good returns from grid parity projects.

Lower cost of capital and the emergence of long term PPAs adds further stability and long-term value to our portfolio.

And finally, the potential for partnership models like a clean energy fund to optimise capital efficiency and enhance returns.

As regional cooperation strengthens, our unique blend of energy, infrastructure, and commercial expertise positions us to enable energy transition in key industries like transportation.

We are committed to becoming an important partner in achieving the new net zero economy across the whole supply chain.

The markets that we operate in have some of the richest opportunities, with strong market fundamentals and dual aims of energy security and lower carbon.

We've built up a sizeable platform in this region, a key component of our geographical and technological diversification.

This, combined with active asset management and operational approach, underpin our confidence to invest, but only if those opportunities meet our tight perimeter of value creation and dependable earnings.

In India, matching the opportunities in one of the fastest growing economies, the joint venture will continue to channel efforts to triple its non-carbon portfolio which now includes renewables, transmission and smart meters, on a self-funded basis.

The advancements achieved so far have been excellent, with a growing portfolio of winning bids and projects under construction.

For other key Asia Pacific markets, we will focus on markets with stable market design and where we have core competencies and competitive advantage. Ultimately, looking for assets that meet our criteria of profitable growth, accompanied by dependable earnings, and with the availability of financing in front of us.

This will initially be Taiwan, and in the longer term, Vietnam and Laos.

In Australia, where the energy transition is occurring at pace, the investment case will be on building key parts of a decarbonising system.

Critical low carbon dispatchable generation like gas, pumped hydro, renewables.

And storage assets with ready access to transmission infrastructure, with partnership and business model upsides.

Security of supply and firming capacity will remain highly valuable in Australia to meet market needs and capture value in increasing volatility; and we will optimise the portfolio accordingly.

Anchoring our efforts will be our continuous work to uplift and enhance capability.

The focus is on three critical elements.

First, investing in our future ready work force. We're closing talent gaps through targeted programs that equipe teams with skills to lead the net zero transition at scale.

Second, embedding digital into our DNA. From AI-driven grid resilience to our proprietary eMobility platform for Hong Kong's EV expansion, we're unlocking efficiencies, elevating customer experiences, and pioneering new revenue streams.

Third, sustaining operational excellence. This is the backbone to our success. It ensures we continue to deliver safe, reliable, and affordable energy, while enabling disciplined growth.

Finally to our financing strategy to get capital flowing towards our priority areas.

The strong cash recovery profile allows us to continue to pay dividends while funding future growth.

Maintaining our investment-grade credit rating provides financial flexibility to support operations and growth.

We also run our businesses with the objective of financial independence with standalone credit profiles for different funding sources.

Sustained and committed asset growth in Hong Kong underpins stable and predictable cash flow, to continue our track record of delivering value to shareholders.

We apply disciplined and selective investment criteria based on differentiated risk adjusted returns, which we've shared today.

Our investment committee prioritises high return opportunities, focusing capital on the most strategically aligned and financially compelling projects.

There will be options around partnerships, capital recycling and business model optimisation, like the Clean Energy Fund in Mainland China, for efficient use of capital.

At the core of our strategy lies disciplined capital allocation, and a resilient, diversified portfolio designed to drive consistent earnings growth.

As we close, three forces align to power our success:

Clear trajectory of electrification and decarbonisation.

Attractive growth markets.
Our regional leadership and proven expertise.
Together, they position us to deliver on this strategy and continue to generate sustained value for shareholders.

We are excited about this new phase, and we are committed to execution with discipline and focus to continue our legacy in the energy sector in Asia Pacific.

With that, I'll hand it over to Marissa for Q&A.