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E.ON fully met its targets; debt reduction making swifter progress

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- Adjusted EBIT increases to €3.8 billion; adjusted net income of €1.6 billion surpasses prior-year level. Both figures inside the guidance range for 2020 revised in August
- Dividend proposal of €0.47 per share for 2020; dividend to increase by up to 5 percent annually through 2023
- Synergy delivery in 2020 was on schedule; synergy target of €780 million in recurring savings through 2024 reaffirmed
- Turnaround in the United Kingdom successful and ahead of schedule; U.K. expected to deliver more than £100 million in earnings in 2021

- Earnings increase anticipated for 2021: adjusted EBIT of €3.8 to €4.0 billion and adjusted net income of €1.7 to €1.9 billion

The COVID-19 did not leave an enduring mark on E.ON's earnings. This is due to the resilience of E.ON's business model and to the fact that the company early on took systematic countermeasures, which prevented a lasting adverse impact on its earnings. As anticipated, the pandemic's negative effects on the E.ON Group's reported earnings were not only limited to just under €300 million. Instead, these effects will be largely recovered in the next few years.

Despite a challenging environment, E.ON's operating business delivered a solid performance. E.ON recorded sales of €60.9 billion, Group adjusted of about €3.8 billion, and adjusted net income of €1.6 billion. Both figures are within the forecast ranges for 2020 that were revised in August.

"Amid the pandemic and the resulting lockdowns, 2020 put many business models to a severe test. E.ON, by contrast, successfully completed the financial year without any significant impact, either from the COVID-19 pandemic or from the historically warm winter. E.ON has impressively demonstrated its strength and resilience during the greatest economic crisis in decades. We deliver secure and growing earnings and dividends," stated CEO Johannes Teyssen at the presentation of the company's 2020 results in Essen in a joint video conference with CFO Marc Spieker and future CEO Leonhard Birnbaum.

E.ON overcame business challenges

Teyssen emphasized that E.ON has overcome all of the main hurdles in its businesses in order to launch the next phase of its corporate development.

First, in 2020 E.ON fully met all the European Commission's conditions for the innogy takeover and integrated innogy into the Group. The planned synergy targets will be achieved. E.ON reaffirmed that it will deliver €780 million in recurring savings by 2024. It achieved €130 million of these savings by year-end 2020.

Second, E.ON largely completed its exit from nuclear energy and the related separation from risks. An agreement with the German federal government to implement a ruling by the Federal Constitutional Court will result in E.ON subsidiary PreussenElektra receiving prorated production rights from power stations previously jointly owned with Vattenfall at no cost as well as additional production rights as a co-shareholder on reasonable terms. E.ON anticipates total cash inflow in the mid-triple-digit euro million range in the course of this year.

In addition, E.ON has achieved a turnaround in the United Kingdom. E.ON’s U.K. retail business, which recorded a roughly £200 million loss in 2019, will recover faster than originally anticipated and this year will again deliver a positive contribution of more than £100 million to Customer Solutions’ earnings. As announced, E.ON migrated about 90 percent of the customers of innogy subsidiary npower to a new digital platform in just a single year despite the lockdown. In addition to npower customers, all E.ON UK customers will be migrated to the new platform by year-end 2022.

E.ON intends to further increase earnings and dividends

In view of the positive developments with the innogy integration, in the nuclear energy business, and in the United Kingdom, CFO Marc Spieker forecasts 2021 earnings above the prior-year level: “For 2021, E.ON anticipates adjusted EBIT of €3.8 to €4.0 billion and adjusted net income of €1.7 to €1.9 billion. We have ambitious plans for beyond 2021 as well: we expect our EBITDA to grow by 2 to 3 percent on average between 2021 and 2023, our EBIT by an average of 8 to 10 percent. In particular, tangible earnings in our core business of 11 to 13 percent will than offset declining earnings at our nuclear power business in Germany. The synergies we’re leveraging will also help.”

In line with the company’s current dividend policy, the E.ON SE Management Board and Supervisory Board intend to recommend the payment of a dividend of €0.47 per share for the 2020 financial year. CFO Marc Spieker said: “Our strong operating business is the foundation for our reliable dividend policy. We’ll continue to pursue this policy in the future and plan annual growth in dividend per share of up to 5 percent through the dividend for the 2023 financial year. We’ll aim for an annual increase in dividend per share after that as well.” By maintaining a high degree of financial discipline, E.ON will continue to strengthen its BBB/Baa2 rating.

Debt reduced

Despite high net investments, in the fourth quarter of 2020 E.ON reduced its economic net debt by €1.4 billion to €40.7 billion. Strong operating cash flow was the primary factor. Also, provisions for pensions declined by about €500 million in the fourth quarter. In addition, E.ON recorded proceeds from the disposal of an equity interest in the Czech Republic and in conjunction with the agreement to sell its remaining stake in Rampion, an offshore wind farm in England, to RWE. These proceeds enabled E.ON to further reduce its economic net debt. Based on strong anticipated cash flow in the future and supported by the new nuclear-energy agreement, E.ON will aim for a tangibly lower debt ratio of just 4.8 to 5.2 times EBITDA in the near future.

E.ON is fully committed to sustainability

Going forward, E.ON wants to be assessed even more stringently against verifiable sustainability targets. Specific targets for greenhouse gas reductions, occupational safety, and diversity will be included in the long-term incentive plans for all levels of E.ON management.

E.ON is embracing sustainability in its financing as well. E.ON is among the largest issuers of green bonds. Just three weeks ago E.ON revised and published its Green Bond Framework—the first in Europe to be fully aligned with the EU Taxonomy. More than 80 percent of E.ON's future investments are already aligned with the EU Taxonomy.

Alongside its key social role as Europe's largest network operator in the green energy transition, E.ON intends to reduce the emissions it can influence directly and become climate-neutral by 2040. E.ON will reduce its Scope 1 and 2 emissions by 75 percent by 2030 and by 100 percent by 2040 compared with 2019. E.ON aims to reduce Scope 3 emissions, which it cannot influence directly, by 50 percent by 2030 and by 100 percent by 2050. E.ON is making rapid progress in reaching these targets: in 2020 it reduced its emissions in all three scopes by a total of 10 percent.

These ambitious targets demonstrate that E.ON is fully committed to sustainability, which it believes has great potential for the development of its own business. Johannes Teyssen said: “We’ve focused on energy infrastructure and customer solutions business to enable the energy transition in Europe and Germany. We deliver innovative and climate-friendly energy solutions for our customers and are a sought-after partner for sustainable solutions for industrial enterprises and city districts. When energy networks and energy solutions are combined in a single plan, E.ON is the first choice.”

E.ON sees great potential for organic growth

Future CEO Leonhard Birnbaum, who takes his position on April 1, 2021, sees Germany and Europe’s energy transition, in which sustainability and digitization come together, as a source of growth opportunities and unforeseen investment possibilities. “Combating climate change will continue to require a massive expansion of network infrastructure. Every new electric car, every heat pump, every wind turbine, and every solar installation must be connected to the power grid—95 percent of them to the distribution grid. Experts predict that Germany alone will need to invest €110 billion to expand its grids through 2050."

E.ON views itself as superbly positioned in the heating business as well. Birnbaum: “Alongside electrification by means of heat pumps, green gases and green hydrogen have what it takes to propel the decarbonization of the heating sector ecologically and equitably. Our networks are ready to bring them to customers.”

The European Commission’s Green Deal offers additional growth potential. E.ON has identified about 200 specific projects in its markets in areas like grid smartification, broadband, hydrogen, and decarbonized district heating. As soon as the national execution plans are more concrete, which, according to the current EU timeline, is expected within the next six months, E.ON will communicate additional details about its project portfolio and eligibility for funding.