Romande Energie Group 2023 results

Exceptional circumstances boost 2023 results
The Romande Energie Group today reports extraordinarily high 2023 results – the consequence of an excellent operating performance and a combination of exceptional circumstances. At an operational level, these results are explained by catch-up effects in 2023 helping to offset the sharp increase in energy procurement costs in 2021 and 2022. The sharp increase in net profit is mainly due to Alpiq’s remarkable business turnaround, which did not generate cash except for the EOSH dividend (CHF 3.3 million).

Even though 2024 will not be of the same calibre, long-term trends are positive, demonstrating the effectiveness of Romande Energie’s business model. In line with its value creation strategy, Romande Energie reached the CHF 200 million mark in direct investments in support of the green energy transition in 2023.

- **Record-breaking revenues**, rising by 24% to CHF 928 million.
- **Operating profit (EBIT)** of CHF 100 million (+122%) as a consequence of the authorised adjustment to energy supply margin. Pricing in 2023 took account of the surge in energy procurement costs in 2021 and 2022, resulting in a partial rebalancing of the energy adjustment account.
- **Net profit** of CHF 215 million, including a remarkable increase in profit from Alpiq and EOS totalling CHF 141 million. The Group’s net profit was CHF 74 million without the contribution from these two companies. Group EBIT margin was 11% versus 6% in 2022.
- **Solid cash from operations** of CHF 136 million (CHF 166 million in 2022), a decrease due to the change in the working capital requirement.
- Romande Energie continued unlocking value through capital expenditure reaching CHF 200 million (compared with CHF 179 million in 2022) allotted to the energy transition and grid infrastructure.
- **1-for-25 split in REHN shares** on 28 June 2023.

“The outstanding operating results by our Group reflect performances from each of the three business units, although the main driver was the substantial adjustment from relating to the impact of the energy crisis in prior years,” said Christian Petit, CEO de Romande Energie. “The surge in energy prices in 2021 and 2022 could only be passed on to customers from 1 January 2023, based on the mechanism for setting tariffs.

At the halfway point in our 2021-2026 strategy, we are thinking about how we can adjust and extend it. To speed up the energy transition and boost domestic renewables generation, we’re aiming to sustain our ambitious investment drive beyond 2027. Details will follow once our review is complete.”
Strong revenue growth powered by all three business units

Revenues increased by 24% to CHF 928 million versus CHF 746 million in 2022, fuelled by all three business units.

Energy Solutions posted a 42% increase in revenues to CHF 540 million reflecting ex post adjustments to pass on energy supply costs to customers. Grids made a significant contribution to the Group’s performance with a 17% increase in revenue to CHF 312 million. Romande Energie Services continued to grow, reporting a 13% increase in revenue to CHF 164 million, all of which was organic, reflecting strong regional growth in building renovation, district heating network installation and several new rooftop solar installations.

Profits boosted by exceptionally large ex post adjustments

Romande Energie ended 2023 with an EBIT of CHF 100 million, up from CHF 45 million in 2022. Excluding a non-recurring gain from the sale of land, EBIT was CHF 90 million. Financial results in 2023 benefited fully from the exceptionally high ex post adjustments to compensate for energy supply deficits in 2021 and 2022, whereas results in 2022 had borne the brunt of higher energy procurement costs and the severe drought. As a result, the energy supply margin for the year amounted to CHF 56 million versus a deficit of CHF 19 million in 2022. Reflecting the ex post adjustments, the Group’s EBIT margin was 11% versus 6% in 2022.

However, this positive result was also driven by all three business units. Energy Solutions posted EBIT of CHF 47 million, versus a CHF 1 million loss in 2022. This sharp increase, mainly attributable to the ex post adjustments, also resulted from a return to normal rainfall patterns. In contrast, the operating margin of FMHL and French merchant assets were hit by the drop in spot prices. The margin generated by the French assets was also impacted by a tax on the output of production assets below marginal cost. Grids EBIT was stable at CHF 49 million. Romande Energie Services achieved a strong year with EBIT more than doubling to CHF 5 million, in line with its strategy.

Increased staff count but tight grip on other operating expenses

Operating expenses increased slightly in 2023, mainly as a result of workforce increases (+85 employees) to deliver the growth strategy. Romande Energie had 1,338 employees as at 31 December 2023. Personnel expenses rose by 10% to CHF 162 million, reflecting this hiring wave and cost-of-living adjustments to wages. Other operating expenses were only CHF 74 million (+5%), despite the Group’s expansion – a sign of sound management of financial resources.
Alpiq boosts 2023 net profit

In 2023, the Group’s net profit was CHF 215 million compared with CHF 41 million in 2022. One of the main factors behind this increase was the contribution from Alpiq (CHF 139 million) and EOS (CHF 2 million) to the bottom line. Romande Energie holds a 29.71% interest in EOS Holding SA, which in turn owns 33.33% of Alpiq and 100% of EOS NER SA.

<table>
<thead>
<tr>
<th>Key figures, Romande Energie Group, 31 December 2023</th>
<th>As at 31 December 2023</th>
<th>As at 31 December 2022 (restated)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF thousands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenues</td>
<td>928 213</td>
<td>745 825</td>
<td>24%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>436 682</td>
<td>346 442</td>
<td>26%</td>
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<tr>
<td>EBITDA</td>
<td>200 597</td>
<td>128 851</td>
<td>56%</td>
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<tr>
<td>EBIT</td>
<td>99 682</td>
<td>44 848</td>
<td>122%</td>
</tr>
<tr>
<td>Share of net profit/(loss) from associates</td>
<td>141 196</td>
<td>7 405</td>
<td>1 807%</td>
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<tr>
<td>Group net profit</td>
<td>214 904</td>
<td>41 478</td>
<td>418%</td>
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Restatement

Romande Energie SA took over energy invoicing from Romande Energie Commerce SA on 1 January 2023. During this process, an error was detected dating back to the formation of Romande Energie Commerce SA in respect of energy supplied before 1 April 2008. The restatement increased the opening balance of equity as at 1 January 2022 by CHF 31 million but had no impact on 2022 financial results.

In addition, as reported in our interim statement, an investigation revealed a metering error caused by a misconfigured transformer. The amount of energy supplied was under-stated and the energy used by some of the Group’s customers was not accurately measured nor correctly counted against market-based procurement. This restatement positively impacted 2022 revenues by CHF 3 million but added CHF 18 million to energy supply costs. The restated net profit for the 2022 financial year is CHF 41 million (CHF 54 million reported for the period). This restatement has no impact on customer electricity bills.

Financially strong

Romande Energie Group still has a solid financial position. As at 31 December 2023, Romande Energie had cash and cash equivalents of CHF 113 million versus CHF 141 million as at 1 January 2023. Cash flow from operating activities before the impact of the working capital requirement (WCR) rose to a record CHF 185 million versus CHF 132 million in 2022. After recognition of the change in the WCR, this line came to CHF 136 million (versus CHF 166 million in 2022). The Group’s debt decreased by CHF 13 million to CHF 195 million as at 31 December 2023.
Growth capex totalling CHF 200 million

Romande Energie continued unlocking value through capital expenditure reaching CHF 200 million (compared with CHF 179 million in 2022). It was allotted mainly to grid infrastructure and renewables generation. The main focus of this spending was the construction of district heating networks and solar farms.

In 2023, the Group inaugurated the first wind farm in the canton of Vaud, in the municipality of Sainte-Croix. However, administrative bottlenecks affecting major hydroelectric, thermal and other renewable energy projects will extend by one year the timeframe of the 2021-2026 investment plan, which has earmarked CHF 1.4 billion for the green energy transition. Romande Energie’s priority is to increase renewable energy generation and continue to invest in growth beyond 2026. For that purpose, a midpoint strategy review is under way, the findings of which will be announced in the autumn. The massive investments planned for the coming years are expected to support EBIT growth and, in some cases, help stabilise energy prices for the Group’s customers.

Dividend unchanged

Equity attributable to shareholders of Romande Energie Holding SA was stable at CHF 2.1 billion as at 31 December 2023. Encouraged by the strong balance sheet and the positive outlook, the Board of Directors will seek approval at the Annual General Meeting to continue its policy of providing stable returns to shareholders, resulting in an unchanged ordinary dividend of CHF 1.44 per share (CHF 36 before share split, as in previous years). The dividend payout, totalling CHF 37 million, represents a yield of 2.6% based on the share’s closing price on 31 December 2023.

On 28 June 2023, the registered share of Romande Energie Holding SA, listed on the SIX Swiss Exchange, underwent a 1-for-25 share split (from a nominal value of CHF 25.00 to CHF 1.00). Consequently, the number of shares making up the share capital increased from 1,140,000 to 28,500,000.

Authentic commitment to sustainability and to customers

The Group’s ESG ratings are unchanged, underlining its determination to continue furthering sustainability and provide full disclosure about these developments. Several key performance indicators in our Sustainability Report have been audited for the first time. Although the carbon footprint could be better, with growth in business activities automatically resulting in higher emissions, several initiatives are in progress this year that will illustrate the importance that Romande Energie accords to sustainability. One example is the launch of the Group’s patronage scheme, the “Social and Environmental Percent”. In 2023, almost CHF 444,000 was allocated to support projects run by the CSP, Caritas Vaud, La Maison de la Rivière and Le Repuis.
In addition, Romande Energie is keen to support customers through the current times of financial hardship. Efforts were made, when setting tariffs for 2024, to provide some stability for our regulated customer base. In the non-regulated market, we held a dialogue with customers struggling with their bills, leading to the creation of a mechanism spreading the price increase over several years. The shortfall for 2023 totalled CHF 2 million. In addition, ad hoc financial assistance totalling CHF 0.5 million was granted to support the business activities of companies in distress.

**Outlook**

Romande Energie forecasts a decrease in 2024 financial results from the exceptionally high level achieved in 2023. The financial outlook remains subject to the impact of uncertainties affecting prices and supply flows in both electricity markets, particularly in the context of the ongoing armed conflict in Ukraine, and materials markets. In the longer term, geopolitical issues – such as the absence of an institutional agreement with the EU – and regulatory developments, with the energy industry umbrella act due to be put to a referendum in June 2024, may have a material impact on the Group’s future financial results and investments.

From 1 January 2024, the margin generated on the sale of energy to regulated customers will be reduced from CHF 75 to CHF 60, following the regulator’s decision. The negative impact on the Group’s EBIT is estimated at CHF 4 million in 2024. In contrast, investments in generation facilities and grid infrastructure will earn higher returns in 2024. The return (WACC) authorised on the grid will rise from 3.83% to 4.13%. For generation, the return increases from 4.98% to 5.23%. Together this represents a positive impact of slightly under CHF 3 million.

The Annual Report of the Romande Energie Group is available via these links:
- French: Rapport annuel 2023
- English: 2023 Annual Report

Documentation may also be requested from the Romande Energie head office in Morges by calling +41(0)21 802 91 11 or by writing to info@romande-energie.ch.

An interview with our CEO is available using this link (French only).

Additional information for the general public can be consulted here (French only).
Note to editorial desks

This press release is being issued outside the trading hours of the SIX Swiss Exchange as required by the SIX Listing Rules on ad hoc publicity.

Contacts
Caroline Monod
Communications Officer
+41 (0)21 802 95 78
caroline.monod@romande-energie.ch

René Lauckner
Head of Group Treasury
+41 (0)21 802 95 24
rene.lauckner@romande-energie.ch

Romande Energie at a glance

The Romande Energie Group, the leading supplier of electricity in Western Switzerland, provides its customers with a wide range of sustainable solutions, which help to lower energy consumption and carbon emissions. These solutions include made-to-measure support to generate its own energy, products and services to enhance energy efficiency, and to champion energy efficiency.

Formed in 1997, Romande Energie aims to make Western Switzerland the country’s first net-zero region. We are constantly investing significant amounts in expanding our local base of facilities generating renewable energy. Our solar, hydro and biomass power plants, our various district heating networks and our geothermal and wind projects are fulfilling this commitment and distributing more and more renewable energy to our customers.

We have established ourselves as a trusted partner for a society mindful of the importance of protecting the environment, looking after individuals and maintaining a sustainable economy. Keeping Western Switzerland on track for a sustainable future lies at the heart of our core purpose.

For more information, visit romande-energie.ch