

Investor Presentation

September 2024



Water for the North West

PR24

Draft Determination Response



Overview

High quality plan

meeting 22/26 quality
assessments

Significant totex
increase

Growing RCV

25yr programme

Customer led, underpinned by
statutory drivers

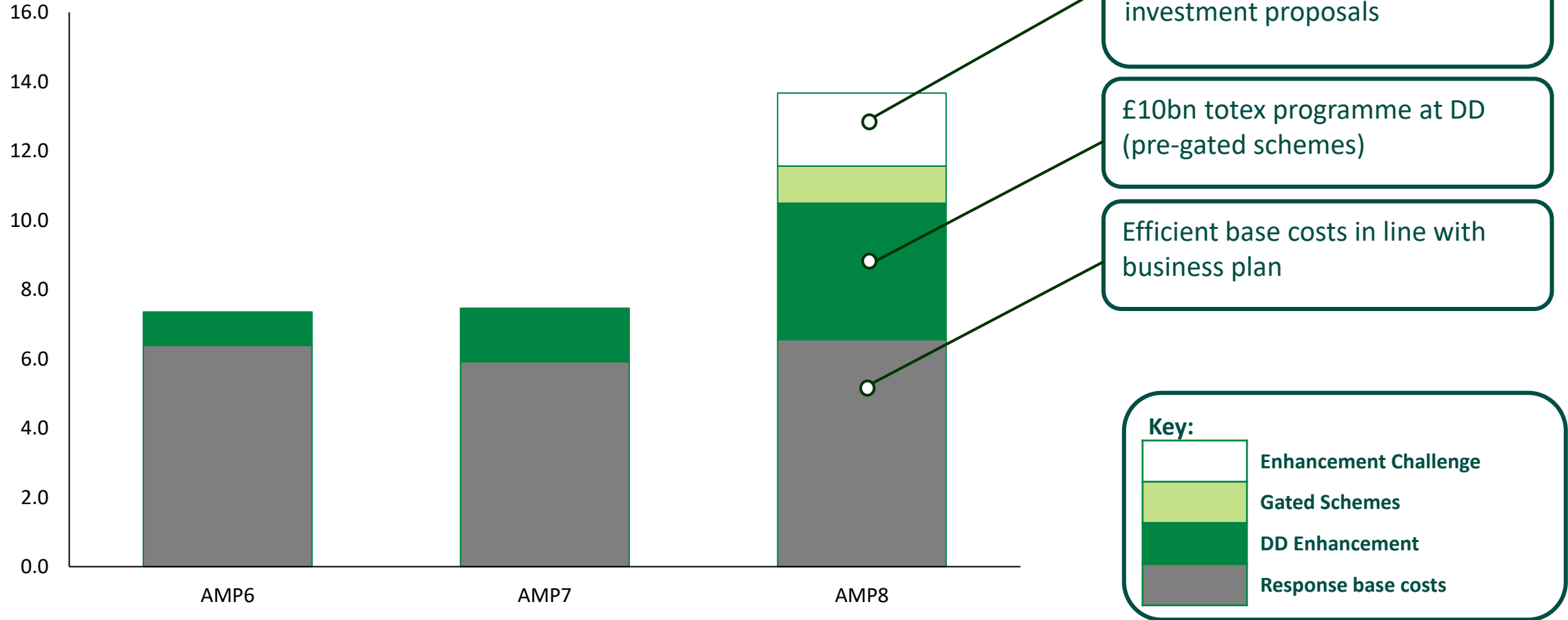
Efficient base costs
in line with business plan

£2bn enhancement
investment further evidenced in
our response



Significant totex increase in AMP8

£bn 2022/23 FYA prices



*AMP8 totex is shown net of grants and contributions, and includes transitional investment

Long-term investment drivers

Rising investment, accelerating growth

**Environment Act
2021**

Legislative changes

**Tightening
environmental
standards**

PFAS, microplastics

Replacement

Renewing our ageing
infrastructure

**Resource
adequacy**

Investing in long-term
resource management

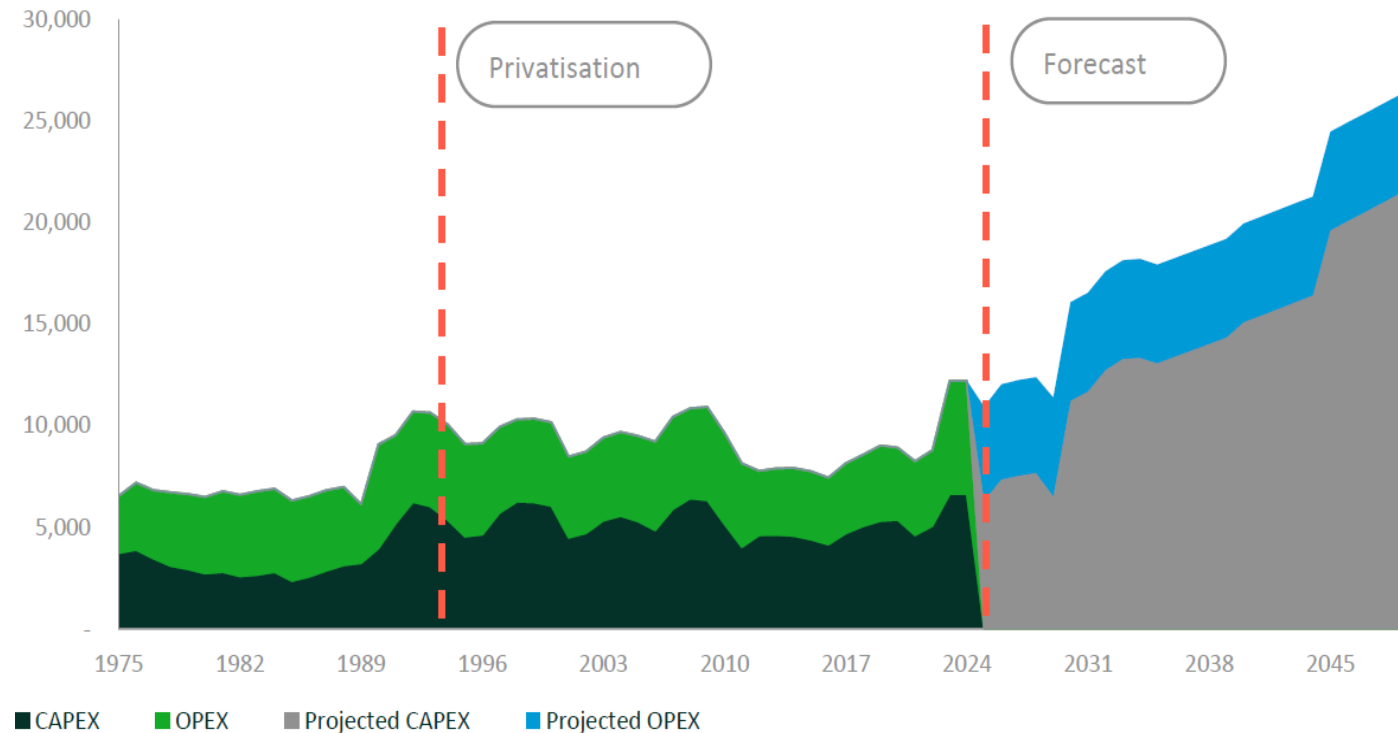
**Climate change
adaptation**

Building resilience

Net Zero

Addressing
process emissions

Water UK industry historical and projected spend (£m 2020, real)

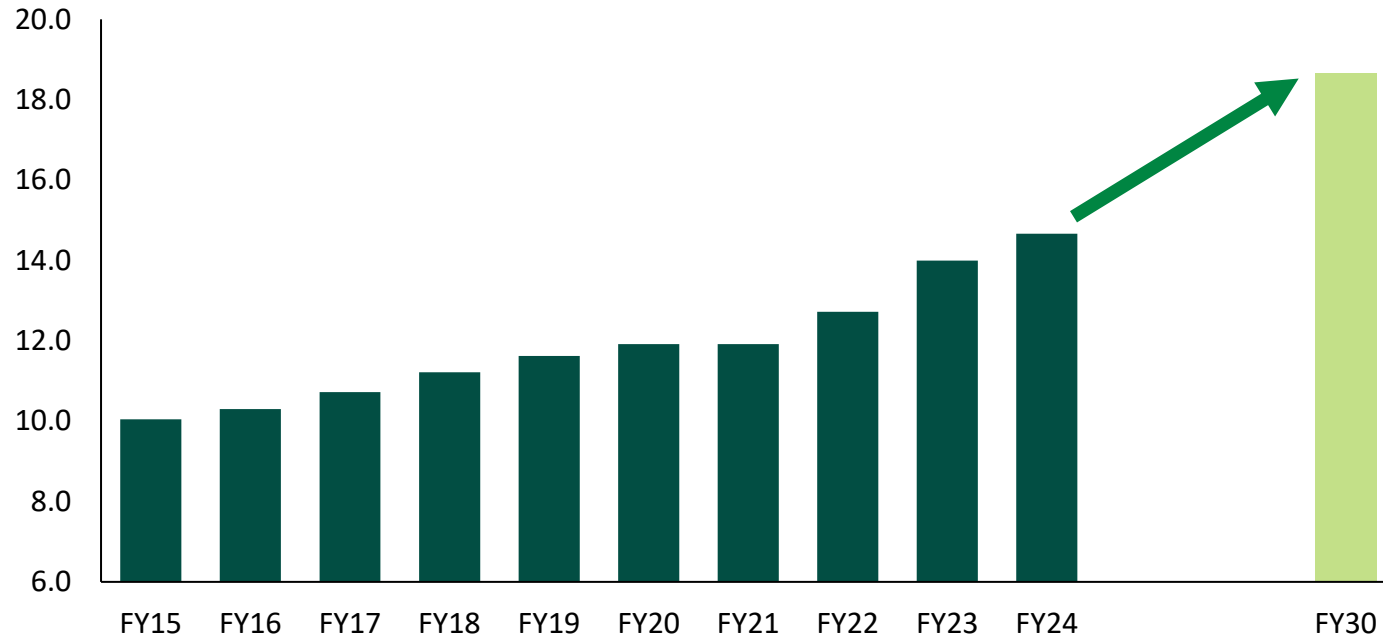


Source: Oxera for Water UK, 2024

Asset base growth

Rising investment, accelerating growth

Nominal RCV (£bn)



Guidance underpinned

Annual RCV growth > 4-5% under DD

*FY15 to FY24 RCV as reported at full year results, FY30 RCV as per Draft Determination. Excludes gated mechanism totex



Financing and returns

Higher WACC, with upside potential

	Ofwat 'Early View' (Sep-22)	Ofwat Draft Determination (Mar-24)	Frontier Economics (Mar-24)
Gearing	55%	55%	55%
Risk-free Rate	0.47%	1.43%	2.48%
Equity Beta	0.58 - 0.64	0.57 - 0.63	0.69
Cost of Equity	4.14%	4.80%	5.65%
Cost of Debt	2.60%	2.84%	2.99%
WACC	3.29%	3.72%	4.19%

Positive changes to 'early view' methodology

Potential for further changes between now and FD

*United Utilities Group gearing as announced in May 2024.

Robust financial position

Strong balance sheet

59%* RCV gearing at March 24

Responsible approach to financing

Fully funded pension scheme

AMP8 funding underway

c.£2.3bn raised in FY24/25

Risk and return balance

Opportunities for improvement

Gated Mechanism

Apply to the right projects and fund financing costs

Bioresources

Recognise risks associated with FRfW

Business rates

Address known increases

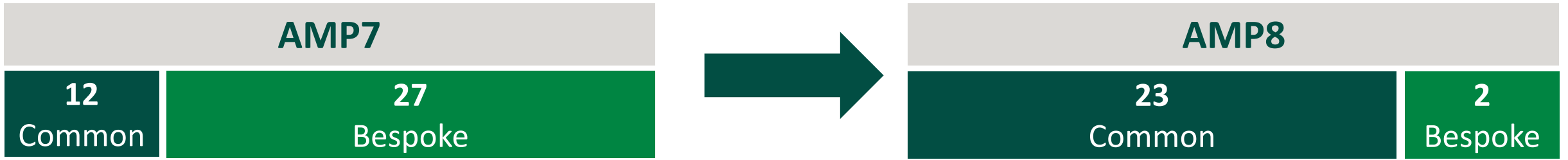
ODIs

Establish balanced P50 position

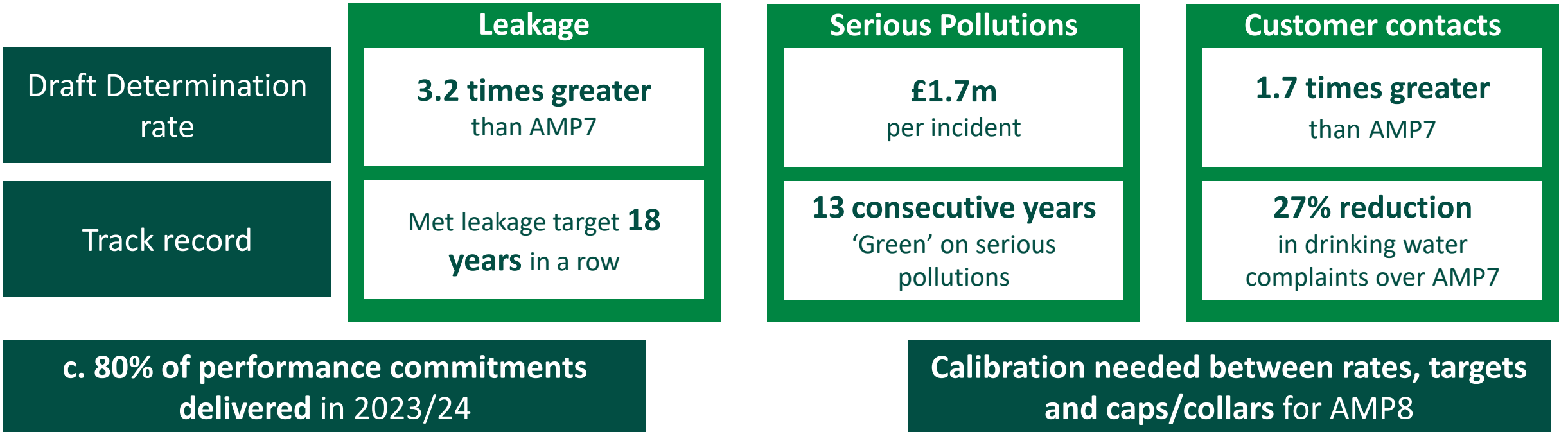


ODIs

Greater comparability across the sector



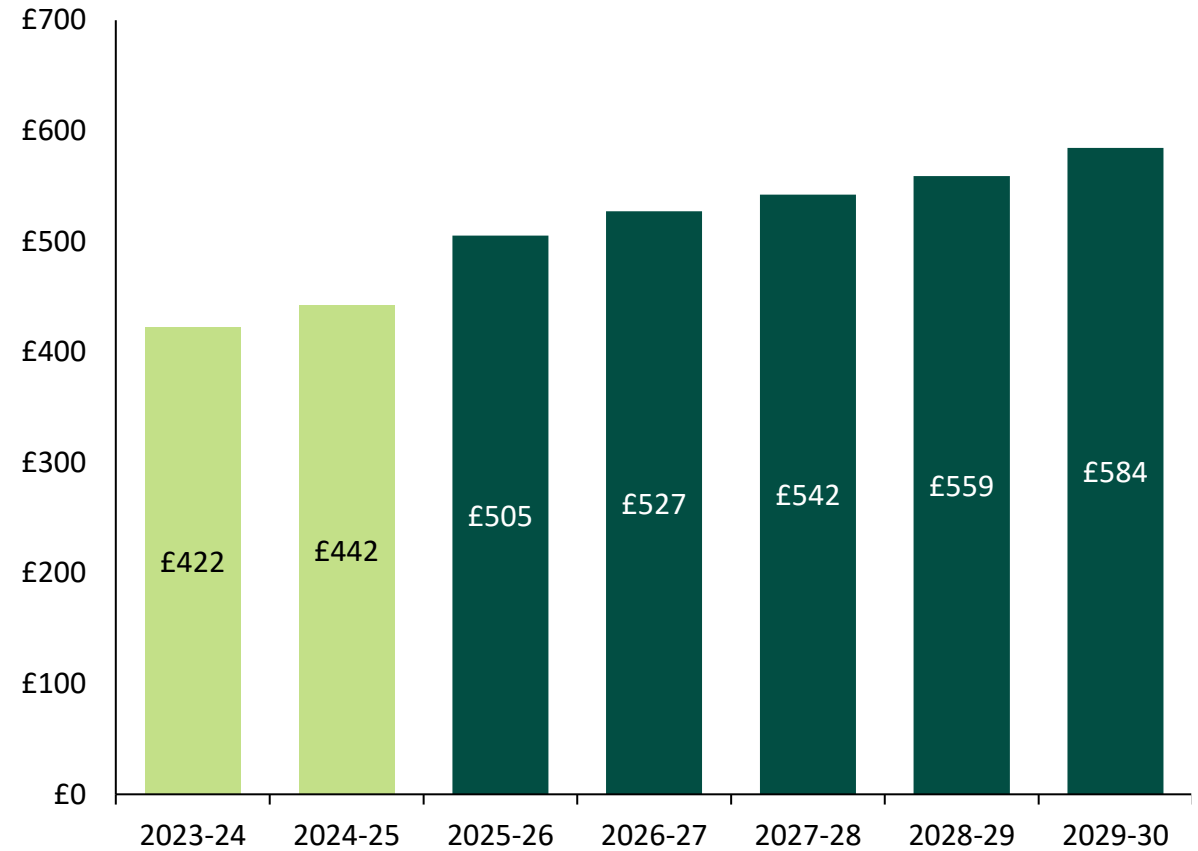
More powerful incentive rates



Bills and customer support



Average bill in real prices as per Uuw response*



*As per table RR14, excluding CSO top-down efficiency and gated scheme proposals

Affordability support of £525m -> 69% increase from AMP7

Supporting 590,000 customers - > 1 in 6 households

No increase in water poverty – despite higher bills

Timeline



Summary

**Significant totex
increase**

Growing RCV

**More information
provided**
to support a further £2bn of
investment schemes

Multi-AMP growth
with investment plans in place
out to 2050

Strong balance sheet
59% group gearing at Mar-24

Affordable bills
£525m affordability package



Questions.

Cautionary Statement

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include without limitation any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and the company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Certain regulatory performance data contained in this presentation is subject to regulatory audit.

This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.