

2 October 2023

## UNITED UTILITIES PR24 BUSINESS PLAN SUBMISSION & TRADING UPDATE

United Utilities Water Limited has today submitted its business plan covering the 2025-30 period.

- **£13.7 billion total expenditure** across 2025-30, driving **significant RCV growth at 8.7% per annum, which equates to over 50% nominal across the period**
- Boosting the North West economy - our plan will **support 30,000 jobs, 7,000 of which are new**
- Supporting more customers with **affordability schemes worth £525 million, helping more than 1 in 6 customers**
- **Strong balance sheet** – 58% gearing today provides flexibility to finance the full plan with average gearing of 65% over the AMP, based on Ofwat’s WACC assumptions, and without assuming new equity
- **Plan delivering on what matters to customers, communities and the environment**, with the UK’s biggest CSO spill reduction plan, safeguarding supplies for over 3 million households and halving the chances of a hosepipe ban in the future

**Louise Beardmore, CEO said:** *“We’ve been listening to customers and communities right across our region to understand what really matters. What’s clear is that we need to improve services for customers and the environment. That’s why we are proposing the largest investment in water and wastewater infrastructure in over 100 years, with £13.7 billion planned between 2025 and 2030 to build a stronger, greener and healthier North West for everyone.*

*It’s a hugely ambitious plan, and we’ve engaged with 95,000 people across our five great counties of Cumbria, Lancashire, Merseyside, Greater Manchester and Cheshire, to make sure we get it right, shaping our plans for each county to address the things that they’ve told us matter most.*

*Our plan will secure water supplies for the future, halving the need for hosepipe bans, reduce storm overflow spills into our rivers and seas and upgrade our water network to cut leakage and service interruptions for customers.*

*This historic investment will deliver a significant boost to the economy of the North West, supporting 30,000 jobs, of which 7,000 are new roles. We will also double our support for those struggling to pay their bills, with more than half a billion pounds of extra help – enabling us to support more than one in six households.*

*Today’s announcement is the first step in a long process but our robust balance sheet, low gearing and solid credit ratings mean we are in a very strong position to deliver our plan – and we are already underway after bringing forward £1.2 billion of investment earlier this year. We are now ready to move forward and deliver the step change we all want to see.”*

### **PR24 Business Plan Submission**

This business plan is our most ambitious yet. It is a high quality plan, meeting all our statutory and regulatory requirements and delivers on what matters most to our customers. Our proposed £13.7 billion totex plan is both ambitious and stretching. The investment in our asset base will result in significant growth in our RCV, at 8.7% per annum, which equates to over 50% nominal across the AMP.

### **The plan will see us improve the things that matter most to our customers**

- **Safeguarding supplies for 3 million households** as we improve water quality and security of future supplies and halve the chance of needing a hosepipe ban in the future
- **The biggest CSO spill reduction programme across the country** with a 60% reduction in spills in the decade to 2030, alongside protecting and enhancing over 500km of rivers and bathing waters

- **Pushing the frontier forward on avoiding pollution incidents** with a further 25% improvement between 2025-30
- **Delivering a 25% decrease in leakage over the decade to 2030** as we invest to build a more resilient water network, replacing over 950 km of pipes and mains and fixing leaks
- **Responding to the challenges of climate change** and reducing internal flooding of homes and businesses by 32%
- **Making bills as affordable as possible for customers**, with an average real bill increase of around £22 every year despite delivering record levels of investment
- **Proposing a comprehensive £525 million package of affordability support**, enabling us to help more than 1 in 6 customers meaning we expect no increase in water poverty despite the increase in bills
- **Igniting the North West economy**, by supporting 30,000 jobs, of which 7,000 are new.

### Financing the plan

We approach the plan from a robust position, with one of the lowest gearing levels in the sector at 58% today. This uniquely positions us to tackle the challenge of delivering and funding our investment programme in AMP8 and beyond, and what is clear is that we have options and flexibility around funding this capital requirement.

In order to align with the Ofwat methodology, our PR24 submission assumes that the programme is funded with equity and debt, with equity sized to maintain our current A3 rating with Moody's /A- senior unsecured debt rating with Fitch. Recognising that Ofwat will be updating their WACC assumption for draft determinations next summer, we have adopted Ofwat's 'early view' cost of capital in our business plan submission. On this regulatory basis, our PR24 submission assumes notional equity of £1.35 billion, out of a total capital requirement of around £5.2 billion. This gives rise to average gearing across the AMP of 63%.

Alternatively, if the investment programme was funded entirely with cash and senior debt, we would expect gearing to average around 65% across the AMP. This is based on our full £13.7 billion totex plan, coupled with Ofwat's early view WACC. This also assumes a continuation of our current dividend policy, and no outperformance or rewards.

By way of illustration, if the WACC was c.60 bps higher – in line with an AMP8 independent WACC assessment undertaken by Frontier Economics c.3.9% – we would see average gearing levels around 1.5% lower across the AMP. If adaptive planning decisions led to a £1 billion deferral of totex into AMP9, then that would result in a further 1% reduction on average. The combination of both would see group gearing averaging 63% over the AMP, and remaining within our target range of 55-65%.

We are proposing an ambitious and value for money service package for customers, resulting in a notional company RoRE incentive range of -6.3% to +4.4%.

### Next Steps

Our plan today represents an important milestone in the price review process and will frame ongoing discussions as we continue to work with regulators and Government. What is clear is that we have options and flexibility to fund the capital requirement. We expect Ofwat to publish draft determinations in May/June 2024 and final determinations in December 2024. As in previous price reviews, following final determinations, we would announce our dividend policy.

### Trading update

Current trading is in line with the group's expectations for the year ending 31 March 2024, and we reiterate technical guidance for underlying performance provided at our full year results on 25 May 2023.

## Contacts

### Investors and Analysts

Chris Laybutt, Investor Relations and Clean Energy Strategy Director +44 7769 556 858  
Anna Oberg, Investor Relations Manager +44 7435 939 112

### Media

Gaynor Kenyon, Corporate Affairs Director +44 7753 622 282  
Graeme Wilson, Teneo Communications +44 207 353 4200

Our full PR24 business plan can be accessed at the following link:

<https://www.unitedutilities.com/corporate/about-us/our-future-plans/our-business-plan-submissions/our-business-plan-submissions-for-2025-2030>

We will be hosting a webcast presentation for investors and analysts starting at 9.00am on Monday 2 October 2023, which can be accessed using the following details:

<https://us06web.zoom.us/j/84466713632?pwd=TmlRNmY4aEdpYS81MDk3ZWRIRTNhZz09>

Meeting ID: 844 6671 3632

Passcode: 317444

This announcement and the associated presentation will be available at:

<https://www.unitedutilities.com/corporate/investors/>