

United Utilities Water Limited; United Utilities Water Finance PLC; United Utilities PLC

United Utilities Water Limited's (UUV) ratings reflect Fitch Ratings' expectation that UUV's financial profile will remain commensurate with its ratings for the price control period ending March 2030 (AMP8). This considers our tightened rating sensitivities, as well as our assumption of net outcome delivery incentive (ODI) rewards and environmental fines. The group's solid operational performance and the low cost of debt embedded in its capital structure relative to the sector's further underpin its rating headroom.

The rating of United Utilities PLC (UU) reflects our increasing focus on its structural subordination to UUV, despite UU's lower consolidated gearing than at UUV.

Key Rating Drivers

Rising Sector Risk: Ofwat's recent final determination (FD) offers a reasonable outcome for most UK water companies compared to the draft determination and is in line with our expectations. However, we anticipate moderately higher business risk in AMP8 due to increased environmental exposure, public scrutiny, and clawback risk, which is linked to the price control deliverables (PCDs) mechanism. Further uncertainties may arise from the Cunliffe review, the most significant regulatory reform since privatisation.

The sector faces increased risk of fines for operational and environmental underperformance and challenges in rebuilding trust with the public, government, and regulatory bodies. We expect the sector to enhance its assets to accommodate population growth and extreme weather conditions.

Revised Debt Capacity and Sensitivities: Fitch has revised the sector's debt capacity for AMP8, leading to a 0.1x increase in cash and nominal post-maintenance interest coverage ratios (PMICRs) for UUV. However, the negative sensitivity for net debt/regulatory capital value (RCV) remains at 67% because UUV is a positive outlier in the sector. In contrast, the gearing sensitivity has tightened by 2% across our utilities portfolio.

The affirmation is supported by solid operational performance and a target gearing of 55%-65% across AMP8 for United Utilities Group PLC (UU Group PLC). We tested the resilience of UUV's rating headroom by including environmental fines in the rating case, and under our cash flow assumptions, the company maintains limited gearing headroom but comfortable coverage headroom.

Limited Gearing Headroom: Fitch forecasts UUV's net debt/RCV around 66% by the end of AMP8 (67% expected in financial year to March 2025), leaving limited rating headroom under our negative sensitivity of 67%. UUV plans to fund its investments through bill increases and new debt, with no equity issuance. However, we expect management to undertake mitigation measures to avert breaches of its net debt/RCV negative rating sensitivities.

Comfortable PMICRs Headroom: We forecast cash PMICR of 2.3x and nominal PMICR of 2.5x for AMP8, both comfortably above our negative rating sensitivities of 1.7x and 1.9x, respectively. PMICRs benefit from a low cost of debt, which was 4.6% at FYE24 versus a sector average of 5.5%. UUV has around 50% of inflation-linked debt, partly through swaps in FY24, which is broadly aligned with the sector average of 52%. Our ratios also assume an average cost of new debt at 5.3%, below the sector average.

Ratings

United Utilities PLC

Long-Term IDR BBB
Senior Unsecured Debt - Long-Term Rating BBB+

Outlook

Long-Term Foreign-Currency IDR Stable

United Utilities Water Finance PLC

Senior Unsecured Debt - Long-Term A- Rating

United Utilities Water Limited

Long-Term IDR BBB+
Senior Unsecured Debt - Long-Term A- Rating

Outlook

Long-Term Foreign-Currency IDR Stable

[Click here for the full list of ratings](#)

ESG and Climate

Highest ESG Relevance Scores	
Environmental	4
Social	3
Governance	3

2035 Climate Vulnerability Signal: 15

Applicable Criteria

[Corporate Rating Criteria \(December 2024\)](#)
[Sector Navigators – Addendum to the Corporate Rating Criteria \(December 2024\)](#)
[Parent and Subsidiary Linkage Rating Criteria \(June 2023\)](#)
[Corporates Recovery Ratings and Instrument Ratings Criteria \(August 2024\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts](#)
[UK Water Companies After the Draft Determination \(July 2024\)](#)
[UK Water - Relative Credit Analysis \(June 2024\)](#)
[Spotlight: UK Water Business Plans \(October 2023\)](#)

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Neutral Totex Performance: Net total expenditure (totex) for AMP8 is GBP13.3 billion (real terms, 2022-2023 prices), nearly double the GBP6.8 billion in AMP7, leading to an RCV of GBP21.8 billion by the end of AMP8, up from GBP14.8 billion expected in FY25. Despite a 5% reduction in the company's business plan, we expect U UW to adhere to regulatory cost allowances. This is based on AMP8 investments already in progress and a supply chain ready to handle increased totex. In addition, FD allowances have been set at around 10% higher than the draft determination

Increased Enhancement Allowance: Enhancement expenditure for U UW are about 3x higher in AMP8 (GBP5.7 billion in real terms) than in AMP7. Storm overflows account for nearly 42% of the investments, and 28% are related to river health improvements. About 90% of enhancement expenditure is subject to the PCD mechanism. Under this framework, investments need to achieve Ofwat's benchmarks of allowance and timeline to mitigate the risk of a clawback. This mechanism ensures that investment funding is ringfenced, with any unspent allowances returned to customers.

ODI Rewards Expected: We forecast in-period ODI rewards of GBP80 million related to operational performance in AMP8. Since the cash impact of these penalties materialises with a two-year lag, we are projecting cash ODI rewards of about GBP160 million in AMP8 to include the amount related to the last two years of AMP7. In AMP8, we expect U UW to receive rewards, primarily for improvements in pollution incidents, external sewer flooding, and bathing water quality.

Regulatory Fines Forecast: Fitch forecasts about GBP140 million in total fines from the Environment Agency and Ofwat as baseline cash outflows, due to heightened regulatory scrutiny and stricter controls on wastewater networks. We have assumed fines across all companies operating wastewater networks and will adjust this assumption to reflect actual fines or a perceived reduction in risk, accordingly.

Structural Subordination of UU: Following its downgrade, UU's senior unsecured debt ratings is now one notch below U UW's. We are placing a greater emphasis on its structural subordination to U UW, despite UU's lower consolidated gearing. The downgrade also reflects the possibility of UU issuing debt during AMP8 to support U UW's financial profile.

Financial Summary

(GBPm)	2026F	2027F	2028F	2029F	2030F
EBITDA	1,432	1,578	1,645	1,758	1,842
Cash PMICR (x)	2.4	3.1	2.1	1.8	1.9
Nominal PMICR (x)	2.7	3.1	2.4	2.2	2.3
Net debt/RAV (%)	67	66	67	67	66

Fitch Ratings, Fitch Solutions, U UW

Rating Derivation Relative to Peers

U UW is rated at the same level as Severn Trent Water Limited (STWL; 'BBB+' /Stable; senior unsecured 'A-'), given its solid performance and conservative capital structure. STWL's gearing headroom is supported by GBP1 billion equity injection. South West Water Limited (SWW; 'BBB+' /Stable; senior unsecured 'A-') shares the same ratings as U UW, but we expect its parent company's (Pennon Group PLC) GBP490 million rights issue, announced in January 2025, to support SWW's rating headroom in AMP8.

The senior unsecured rating of U UW and the aforementioned peers benefits from a one-notch uplift from their IDRs, due to their regulated cash flows, which, in our view, imply above-average creditor recoveries in a default. Wessex Water Services Limited's 'BBB+' /Negative' senior unsecured rating mainly reflects a weaker financial profile and is thus one notch below U UW's.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- U UW: Adjusted total net debt/RCV above 67%, cash PMICR below 1.7x and nominal PMICR below 1.9x
- Deterioration in operational and environmental performance, resulting in lower ODI rewards or higher fines than Fitch's rating case
- UU: Adjusted total net debt/RCV above 69% or a downgrade of U UW

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- U UW: Adjusted total net debt/RCV below 62%, combined with cash PMICR above 1.8x and nominal PMICR above 2.0x
- UU: An upgrade is unlikely, due to its structural subordination to U UW. However, an upgrade of U UW, combined with UU's consolidated leverage remaining below 64%, could lead to an upgrade

Liquidity and Debt Structure

As of FYE24, U UW held cash and cash equivalents of about GBP1.3 billion, along with undrawn committed borrowing facilities of around GBP555 million with various maturity dates. This is sufficient to cover short-term debt maturities of about GBP900 million, and our expectations of negative free cash flow (FCF) of about GBP400 million in FY25.

ESG Considerations

U UW and UU each has an ESG Relevance Score of '4' for Exposure to Environmental Impacts, due to the Environment Agency's and Ofwat's heightened regulatory scrutiny and stricter controls over wastewater networks. This has a negative impact on the credit profiles, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, [click here](#).

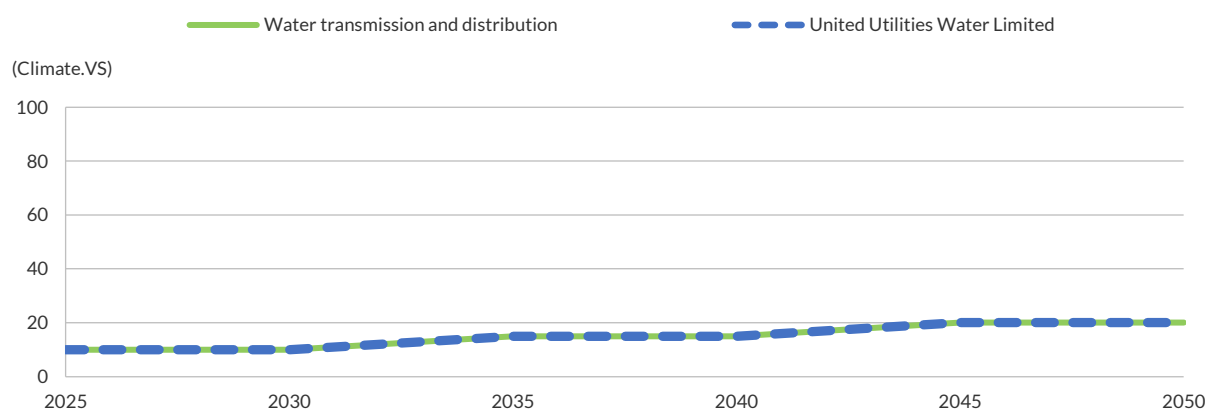
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#). For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see [Climate Vulnerability Signals for Non-Financial Corporate Sectors](#).

The FY24 revenue-weighted Climate.VS for U UW for 2035 is 15 out of 100, suggesting low exposure to climate-related risks in that year. This signal is in line with the sector average for water/wastewater utilities sector.

Climate.VS Evolution

As of Mar 31, 2024



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(GBPm)	2025F	2026F	2027F
Available liquidity			
Beginning cash balance	1,256	-67	-1,335
Rating case FCF after acquisitions and divestitures	-400	-679	-731
Total available liquidity (A)	856	-746	-2,066
Liquidity uses			
Debt maturities	-924	-589	-323
Total liquidity uses (B)	-924	-589	-323
Liquidity calculation			
Ending cash balance (A+B)	-67	-1,335	-2,388
Revolver availability	555	555	555
Ending liquidity	488	-780	-1,833
Liquidity score (x)	1.5	-0.3	-4.7

Source: Fitch Ratings, Fitch Solutions, United Utilities Water Limited

Scheduled debt maturities

(GBPm)	31 Mar 24
2025	924
2026	589
2027	323
2028	323
2029	323
Thereafter	7,971
Total	10,451

Source: Fitch Ratings, Fitch Solutions, United Utilities Water Limited

Key Assumptions

- Ofwat's FD financial model used as the principal source of information
- Neutral totex performance
- Net cash ODI rewards of GBP160 million in FY26-FY30
- Fines totalling GBP140 million from the Environmental Agency or Ofwat
- Nominal cost of new debt averaging 5.3%
- CPIH averaging 2.8% (starting at 3.3% in FY26 and decreasing to 2.5% by 2030). RPI averaging 3% (starting at 3.5% in FY26 and trending down to 2.5% by 2030)
- U UW Dividend averaging GBP300 million per year over FY26-FY30
- UU Group PLC group dividend policy increasing in line with CPIH per year over FY26-FY30, supported by U UW's dividend distributions
- No cash tax payments or pension-deficit recovery payments
- No material new debt at UU level

Summary of Financial Adjustments

- Profit and loss interest cost is adjusted by adding capitalised interest cost of GBP81 million in FY24
- Net debt includes upward adjustments for derivatives of GBP149 million in FY24
- Fitch reconciled statutory total debt and cash interest with annual report

Financial Data

United Utilities Water Limited AMP8 - Forecasts

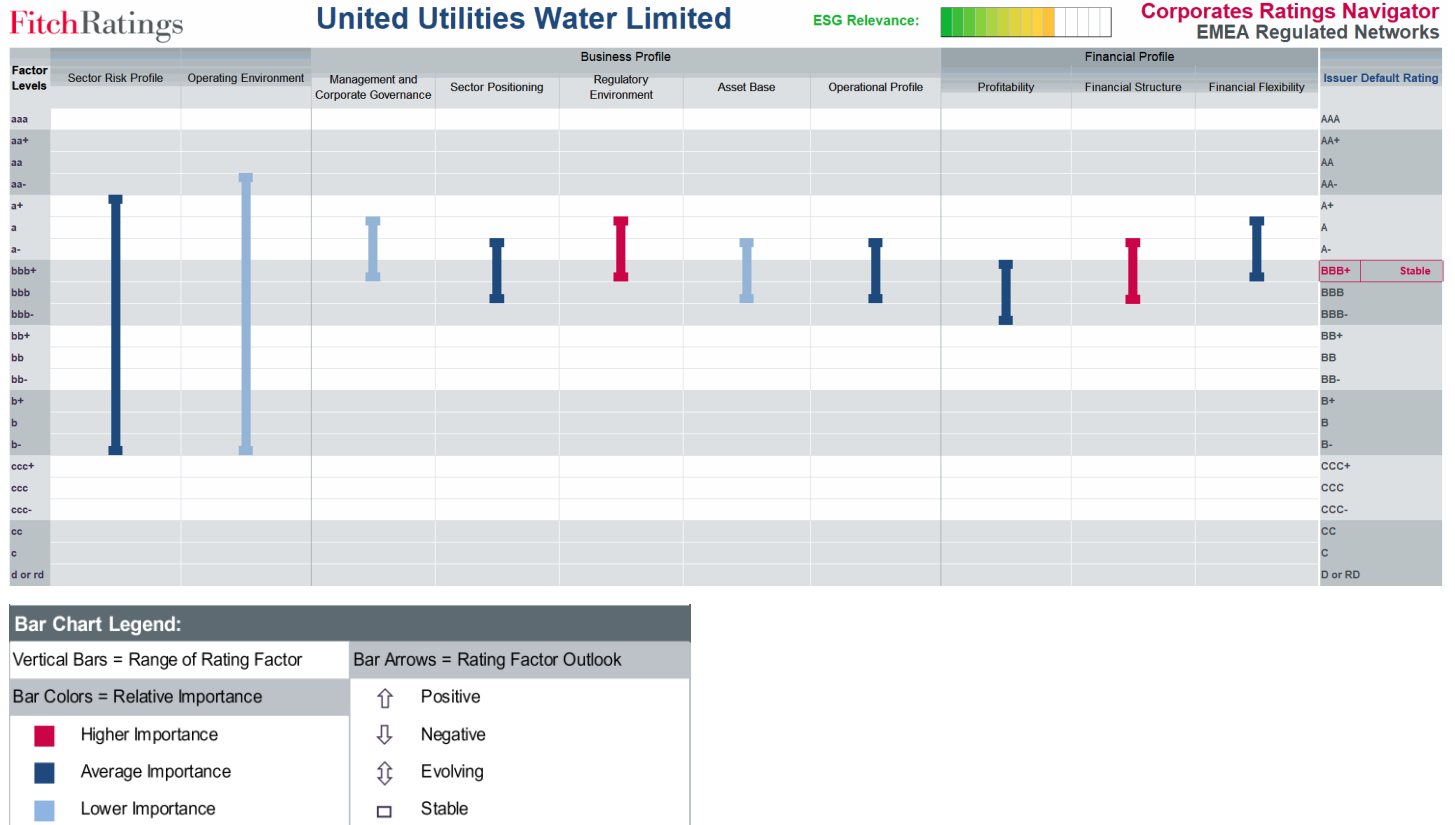
(GBPm)	Notes and formulas	FY26F	FY27F	FY28F	FY29F	FY30F
Post-maintenance cash flow						
EBITDA		1461	1606	1673	1786	1871
Environment Agency & Ofwat fines		-28	-28	-28	-28	-28
Cash ODI rewards/(penalties) (nominal)		52	52	23	18	16
Non-appointed EBITDA						
Fitch EBITDA		1432	1578	1645	1758	1842
Regulatory depreciation		-688	-723	-765	-811	-865
Cash tax		0	0	0	0	0
Pension deficit repair		0	0	0	0	0
Post-maintenance cash flow	(a)	744	855	880	947	977
Net cash interest paid (after interest received)	(b)	310	278	421	514	502
Cash PMICR (x)	a/b	2.4	3.1	2.1	1.8	1.9
Indexation of debt	(c)	170	161	165	169	144
RCV yoy indexation	(d)	534	487	534	572	539
Nominal PMICR (x)	(a+d)/(b+c)	2.7	3.1	2.4	2.2	2.3
Net debt to RCV						
Net debt	(a)	10,762	11,654	13,008	14,156	14,439
Shadow RCV	(b)	16,186	17,692	19,550	21,105	21,838
Net debt to RCV (%)	a/b	67	66	67	67	66
Other financial data						
CPIH forecast (%)		3.3	2.8	2.7	2.7	2.5
FCF positive/(negative) funded by debt		-679	-731	-1189	-979	-138
Totex out/(under) performance						
Refinancing needs		924	589	323	323	323
Average cost of new debt per year (%)		5.4	5.4	5.3	5.3	5.3
Dividends		-219	-246	-270	-389	-404
Equity		0	0	0	0	0
Rating sensitivities				Negative	Positive	UWU
Closing net debt to RCV (%)				67	62	66
Average cash PMICR (x)				1.7	1.8	2.3
Average nominal PMICR (x)				1.9	2.0	2.5

Source: Fitch Ratings, Fitch Solutions, Ofwat, companies' data

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Operating Environment			
aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Sector Positioning

a	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.
a-	Non-Regulated Earnings (% of Total Earnings)	a	up to 10%
bbb+			
bbb			
bbb-			

Asset Base

a	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
a-	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
bbb+	Asset Quality and Residual Life	bbb	Mid-range asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.
bbb			
bbb-			

Profitability

a-	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.
bbb	Investment Cycle	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.
bbb-			
bb+			

Financial Flexibility

a+	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a	Liquidity	a	No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.
a-	FFO Interest Coverage	n.a.	
bbb+	FX Exposure	aa	No material FX mismatch.
bbb	Dividend Cover	n.a.	

How to Read This Page:

The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding

Management and Corporate Governance			
a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure has some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bbb			

Regulatory Environment

a+	Independence, Transparency, Predictability	a	Transparent frameworks with strong track record and multi-year predictable tariffs set by independent regulators; little political risk.
a	Licensing, Ring-Fencing, Concessioning	a	Licensing includes effective ring-fencing provisions with creditworthiness requirements; limited concession renewal risk.
a-	Cost and Investment Recovery	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb+	Volume and Price Risk	a	High insulation from price and volume risk, little revenue under-recovery.
bbb			

Operational Profile

a	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
a-	Counterparty Risk	bbb	Medium counterparty risk; medium collection rates for water suppliers. Some exposure to cyclical industries and/or customers.
bbb+			
bbb			
bbb-			

Financial Structure

a	FFO Leverage		n.a.
a-	FFO Net Leverage		n.a.
bbb+	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	bbb	70%
bbb	Cash PMICR	a	2.2x
bbb-	Nominal PMICR	a	2.5x

Credit-Relevant ESG Derivation

United Utilities Water Limited has 1 ESG rating driver and 12 ESG potential rating drivers

➔ Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)

➔ Emissions from operations

➔ Energy and fuel use in operations; entities' financial targets for losses/shrinkage

➔ Water usage in operations; water utilities' financial targets for water quality, leakage and usage

➔ Impact of waste including pollution incidents; discharge compliance; sludge disposal

➔ Product affordability and access

Showing top 6 issues

Overall ESG			
key driver	0	issues	5
driver	1	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	0	issues	1

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

United Utilities Water Limited has 1 ESG rating driver and 12 ESG potential rating drivers

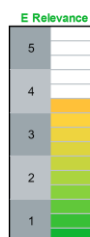
- United Utilities Water Limited has exposure to extreme weather events which, in combination with other factors, impacts the rating.
- United Utilities Water Limited has exposure to emissions regulatory risk but this has very low impact on the rating.
- United Utilities Water Limited has exposure to energy regulatory risk but this has very low impact on the rating.
- United Utilities Water Limited has exposure to water management risk but this has very low impact on the rating.
- United Utilities Water Limited has exposure to waste & impact management risk but this has very low impact on the rating.
- United Utilities Water Limited has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

ESG Relevance to Credit Rating			
key driver	0	issues	5
driver	1	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Profitability and Cash Flow
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	4	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility



How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

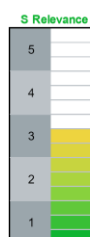
The **Environmental (E), Social (S) and Governance (G)** tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The **Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

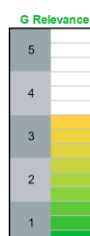
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow



Governance (G) Relevance Scores

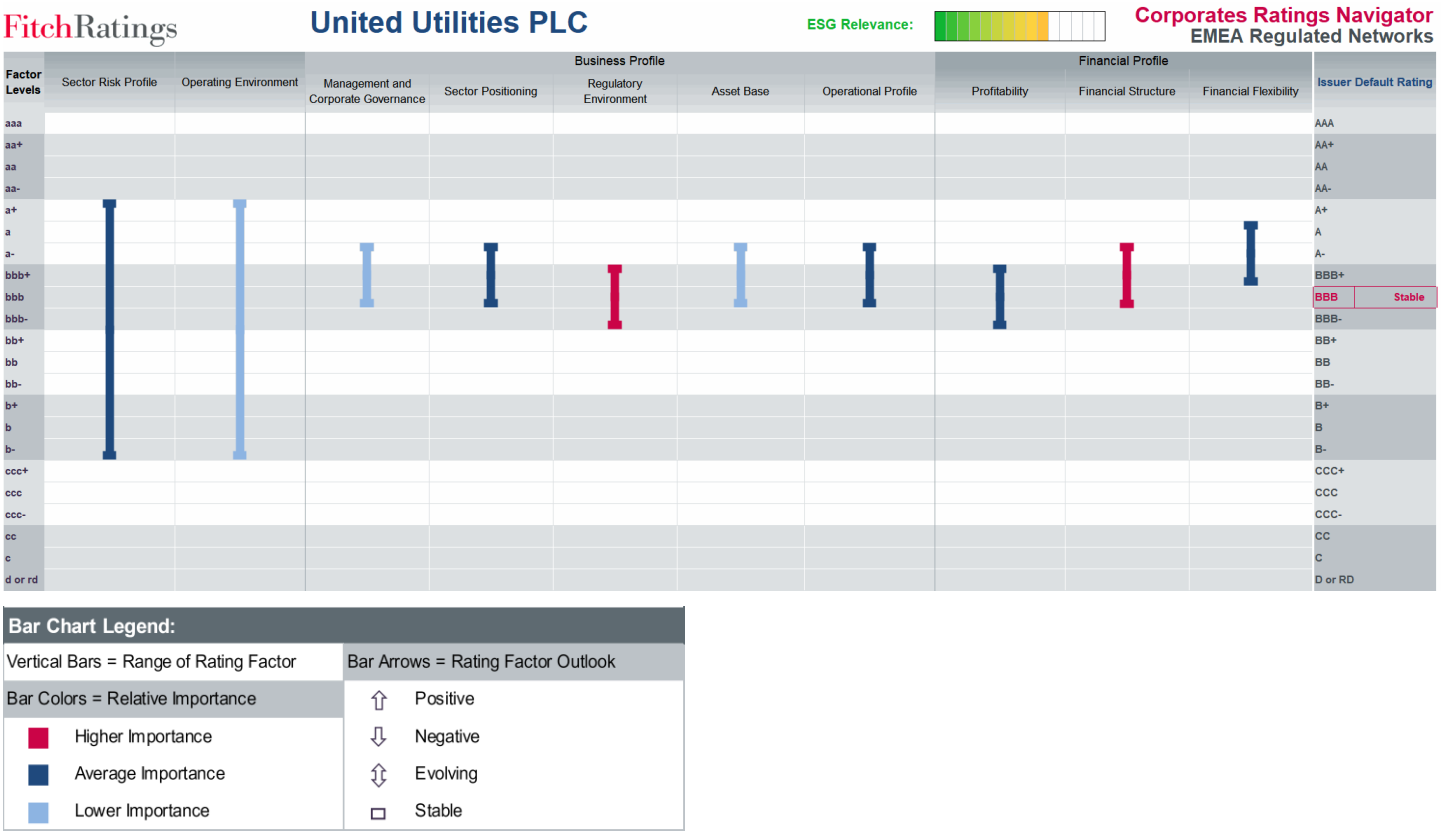
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.



Operating Environment			
aa-	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
a+	Financial Access	a	Strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Sector Positioning

a	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.
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bbb+			
bbb			
bbb-			

Asset Base

a	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
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bbb+	Asset Quality and Residual Life	bbb	Mid-range asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.
bbb			
bbb-			

Profitability

a-	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.
bbb	Investment Cycle	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.
bbb-			
bb+			

Financial Flexibility

a+	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a	Liquidity	a	No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.
a-	FFO Interest Coverage	n.a.	
bbb+	FX Exposure	aa	No material FX mismatch.
bbb	Dividend Cover	n.a.	

How to Read This Page:

The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding

Management and Corporate Governance			
a	Management Strategy	a	Coherent strategy and good track record in implementation.
a-	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
bbb+	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bbb-			

Regulatory Environment

a-	Independence, Transparency, Predictability	a	Transparent frameworks with strong track record and multi-year predictable tariffs set by independent regulators; little political risk.
bbb+	Licensing, Ring-Fencing, Concessioning	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
bbb	Cost and Investment Recovery	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb-	Volume and Price Risk	a	High insulation from price and volume risk, little revenue under-recovery.
bb+			

Operational Profile

a	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
a-	Counterparty Risk	bbb	Medium counterparty risk; medium collection rates for water suppliers. Some exposure to cyclical industries and/or customers.
bbb+			
bbb			
bbb-			

Financial Structure

a	FFO Leverage		n.a.
a-	FFO Net Leverage		n.a.
bbb+	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	bbb	70%
bbb	Cash PMICR	a	2.2x
bbb-	Nominal PMICR	a	2.5x

Credit-Relevant ESG Derivation

United Utilities PLC has 1 ESG rating driver and 12 ESG potential rating drivers					Overall ESG
	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	key driver	0	issues	5
	Emissions from operations	driver	1	issues	4
	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	potential driver	12	issues	3
	Water usage in operations; water utilities' financial targets for water quality, leakage and usage				
	Impact of waste including pollution incidents; discharge compliance; sludge disposal	not a rating driver	1	issues	2
	Product affordability and access		0	issues	1

Showing top 6 issues

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Showing top 6 issues
For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

United Utilities PLC has 1 ESG rating driver and 12 ESG potential rating drivers

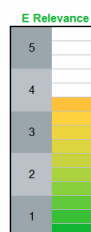
- United Utilities PLC has exposure to extreme weather events which, in combination with other factors, impacts the rating.
- United Utilities PLC has exposure to emissions regulatory risk but this has very low impact on the rating.
- United Utilities PLC has exposure to energy regulatory risk but this has very low impact on the rating.
- United Utilities PLC has exposure to water management risk but this has very low impact on the rating.
- United Utilities PLC has exposure to waste & impact management risk but this has very low impact on the rating.
- United Utilities PLC has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

ESG Relevance to Credit Rating			
key driver	0	issues	5
driver	1	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Profitability
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operational Profile; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operational Profile; Profitability; Financial Flexibility
Exposure to Environmental Impacts	4	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operational Profile; Profitability; Financial Flexibility



How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

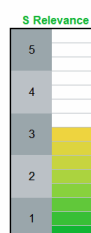
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

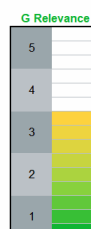
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operational Profile; Profitability



Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

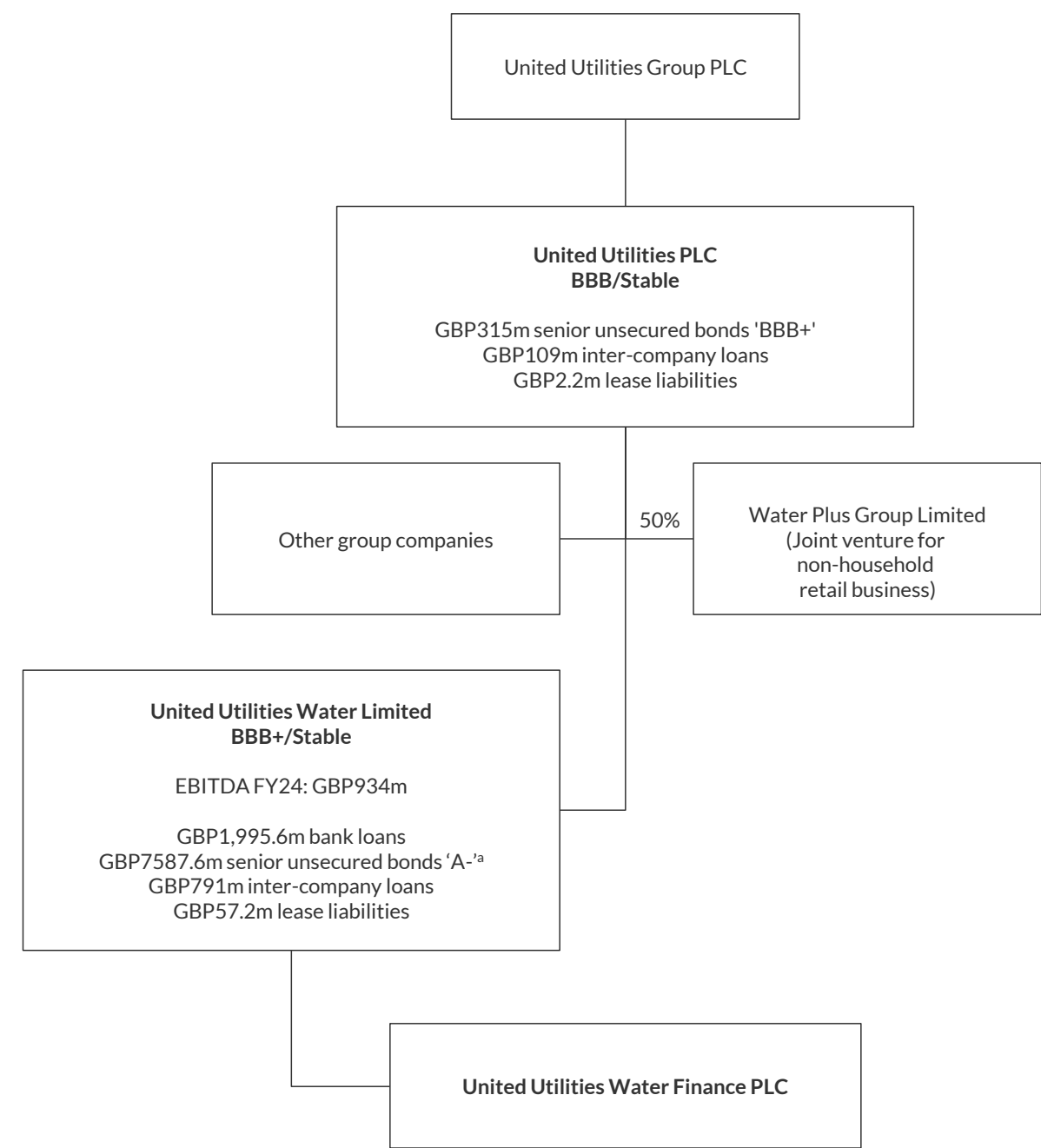


CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



^a Senior unsecured bonds issued by UUW and UUW Finance PLC (guaranteed by UUW).
Source: Fitch Ratings, Fitch Solutions, UUW, as at 31 March 2024

Peer Financial Summary

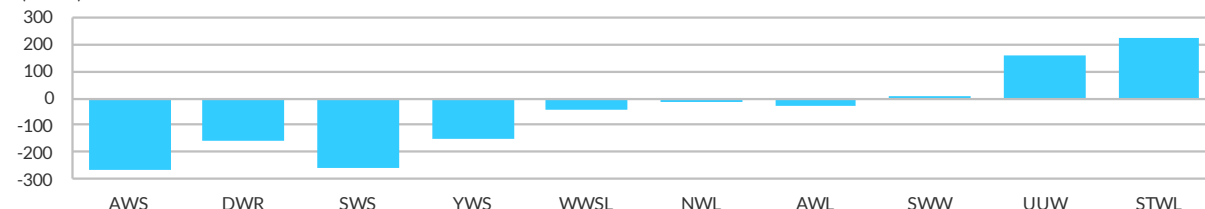
Company	Senior unsecured debt rating	Financial statement date	EBITDA (GBPm)	Total Interest (GBPm)	Cash PMICR (x)	Nominal PMICR (x)	Net debt/RCV (%)
United Utilities Water Limited	A-	2030F	1,842	646	1.9	2.3	66
		2029F	1,758	683	1.8	2.2	67
		2028F	1,645	586	2.1	2.4	67
		2027F	1,578	439	3.1	3.1	66
		2026F	1,432	480	2.4	2.7	67
Severn Trent Water Limited	A-	2030F	2,030	689	1.8	2.5	66
		2029F	1,903	668	1.9	2.4	67
		2028F	1,675	620	1.7	2.3	68
		2027F	1,414	549	1.4	2.2	67
		2026F	1,236	474	1.4	2.2	66
South West Water Limited	A-	2030F	628	229	1.5	2.3	66
		2029F	603	215	1.6	2.3	66
		2028F	610	206	1.8	2.5	65
		2027F	561	190	1.8	2.6	65
		2026F	516	204	1.5	2.3	64
Wessex Water Services Limited	BBB+	2030F	554	216	1.5	2.2	71
		2029F	538	180	1.9	2.6	69
		2028F	502	166	2.0	2.6	69
		2027F	439	150	1.9	2.5	71
		2026F	408	133	2.0	2.9	71
Northumbrian Water Limited	BBB+	2030F	715	300	1.5	2.0	70
		2029F	680	283	1.5	2.0	70
		2028F	642	257	1.6	2.1	69
		2027F	595	217	1.7	2.3	68
		2026F	552	184	1.9	2.6	66

Source: Fitch Ratings, Fitch Solutions. Ofwat, companies' data

The graph below compares Fitch's assumptions for UUW's cash ODIs across the rated portfolio. These penalties and rewards have a cash impact that materialises with a two-year lag. We forecast UUW's net cash ODI rewards of about GBP160 million in AMP8, including the final two years of AMP7.

Cash ODIs in AMP8

Fitch assumptions (nominal terms)
(GBPm)



Source: Fitch Ratings, Fitch Solutions, Ofwat, companies

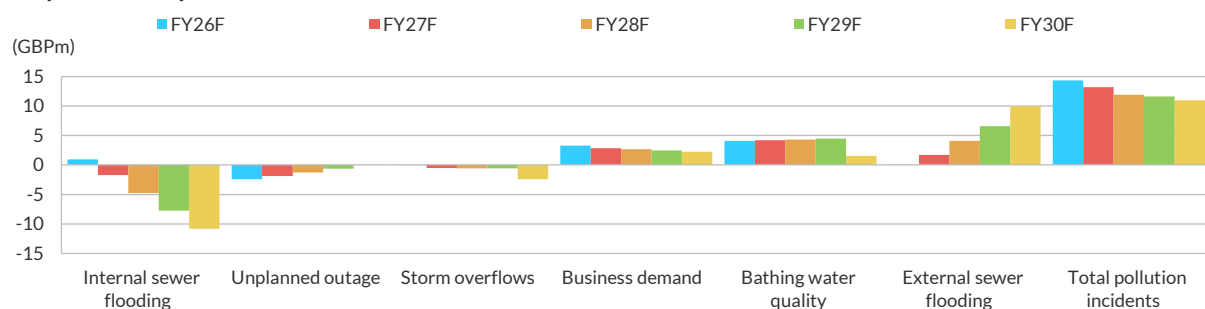
Key

AWS	Anglian Water Services Limited
DWR	Dwr Cymru (Financing) UK Ltd
SWS	Southern Water Services Limited
UUW	United Utilities Water Limited
WWSL	Wessex Water Services Limited
YWS	Yorkshire Water Services Limited
STWL	Severn Trent Water Limited
NWL	Northumbrian Water Limited
SWW	South West Water Limited

Source: Fitch Ratings, companies

The graph below presents a year-by-year breakdown of the most significant ODI rewards and penalties for UUW. We forecast cumulative net in-period ODI rewards of GBP80 million for AMP8. In AMP8, we expect UUW to receive rewards, primarily for improvements in pollution incidents, external sewer flooding, and bathing water quality.

Key AMP8 In-period ODI Rewards and Penalties



Source: Fitch Ratings, Fitch Solutions, Ofwat, UUW

Fitch Adjusted Financials

Reconciliation of Key Financial Metrics for United Utilities Water Limited

(GBPm)	Notes and formulas	31 Mar 24
Post-maintenance cash flow		
Fitch EBITDA		934
Regulatory depreciation		-739
Cash tax		1
Pension deficit repair		0
PAYG adjustment		0
Post-maintenance cash flow	(a)	196
Net cash interest paid (after interest received)	(b)	131
Cash PMICR (x)	a/b	1.5
Indexation of debt	(c)	252
RCV yoy indexation	(d)	870
Nominal PMICR (x)	(a+d)/(b+c)	2.8
Net debt to RCV		
Interest-bearing loans and borrowing		10,451
Cash and equivalents (unrestricted)		-1256
Derivatives adjustments		149
Net debt	(a)	9344
RCV	(b)	14,227
Net debt to RCV (%)	a/b	65.7

Source: Fitch Ratings, Fitch Solutions, Ofwat, UUWL

Reconciliation of Key Financial Metrics for United Utilities PLC

(GBPm)	Notes and formulas	31 Mar 24
Net debt to RCV		
Interest-bearing loans and borrowing		10,107
Cash and equivalents (unrestricted)		-1399
Derivatives adjustments		149
Net debt	(a)	8857
RCV	(b)	14,227
Net debt to RCV (%)	a/b	62.3

Source: Fitch Ratings, Fitch Solutions, Ofwat, United Utilities PLC

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