

United Utilities Water Limited

Fitch Ratings' affirmation of the ratings of United Utilities Water Limited (UUW) reflects Fitch's expectation that UUW's financial profile will remain commensurate with its current rating for the price control period ending March 2025 (AMP7), supported by strong performance in the first three years of AMP7, and the group's public commitment to the rating.

UUW met 83% of its performance commitments in the financial year to March 2023 (FY23), earning net outcome delivery incentives (ODI) rewards of GBP25 million. UUW is on track to achieve its five-year GBP200 million net ODI reward over AMP7. The rating also considers UUW's strong record of outperforming the cost of debt allowance due to the low cost of debt embedded in its debt structure.

Key Rating Drivers

Higher Gearing on Increased Spend: Fitch expects UUW's net debt/shadow regulatory capital value (RCV) to increase to around 66.3% by end-AMP7, leaving limited rating headroom under our negative sensitivity of 67%. However, the increase in gearing relates to additional investments of GBP765 million above UUW's baseline allowance, together with about GBP200 million of transition investments from AMP8 (next five-year price control ending March 2030) brought forward into AMP7.

Investments to Benefit AMP8 Gearing: The expected value creation from additional investments will be realised both in AMP7 and AMP8, and is therefore not fully reflected in our forecast gearing of 66.3% at FYE25. We only include in the shadow RCV carried forward values to AMP8, which we view as highly certain (below UUW's expectations). The inclusion of further investments approved by Ofwat, the regulatory body for water services, already realised in the shadow RCV would improve headroom under net debt/shadow RCV at FYE25.

AMP7 Credit Ratios Within Guidelines: We forecast average cash and nominal post-maintenance interest coverage ratios (PMICR) at about 2.2x and 2.6x, respectively, over AMP7. Both average credit metrics are commensurate with our rating sensitivities despite our expectations of weaker cash PMICR in FY24 and FY25. In addition, we assume that group treasury arrangements will continue to be in place and therefore expect United Utilities PLC's (UU; BBB+/Stable) net gearing to be below its negative sensitivity of 63% in AMP7.

Totex Overspend Expected: We expect UUW to accelerate about GBP200 million of AMP8 transition investments into AMP7. This is in addition to its investment plan of GBP765 million above Ofwat's final determination allowance in AMP7.

These investments, which are within our expectations, are aimed at improving customer service (GBP250 million), environmental improvements (GBP450 million), and increasing base allowances (GBP265 million) mainly related to the Water Industry National Environment Programme (WINEP) and green recovery schemes.

Ratings

Foreign Currency

Long-Term IDR BBB+

Outlook

Long-Term Foreign-Currency IDR Stable

Debt Rating

Senior Unsecured Debt - Long-Term Rating A-

2035 Climate Vulnerability Signal: 14

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

Applicable Criteria

[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)

[Sector Navigators: Addendum to the Corporate Rating Criteria \(May 2023\)](#)

[Corporate Rating Criteria \(October 2022\)](#)

[Climate Vulnerability in Corporate Ratings Criteria \(July 2023\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(June 2023\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts \(July 2023\)](#)

[What Investors Want to Know: UK Water Companies \(April 2023\)](#)

[Ofwat's Tighter Licence Conditions Negative for UK Water Holdcos \(May 2023\)](#)

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Clear Target for CSO Reduction: U UW is targeting a one-third sustainable reduction in the number of spills recorded from combined sewer overflows (CSOs) by end-2025 and a 60% reduction by end-2030. U UW aims to reduce CSOs activations to 20 per year by 2030 from 59 in 2020. Fitch has not included any allowance for a fine from the ongoing investigation by Ofwat and the Environmental Agency (EA), given limited visibility over the severity of a potential license breach.

Ofwat could impose a fine of up to 10% of turnover in a given year, but we believe U UW is better placed in comparison with its peers with a good EA performance rating of three stars (out of a possible four), with no serious pollution incidents in 2022.

ODI Rewards Expected: U UW achieved strong FY23 performance with net ODI rewards of GBP25million, driven by fewer pollution incidents, voids, water service resilience and hydraulic flood risk resilience. Our forecast remains unchanged at GBP84 million of net cash ODI rewards received in AMP7. This is driven by forecast net rewards in its bespoke ODIs such as hydraulic flood-risk resilience, voids and pollution incidents. These net rewards more than offset forecast penalties in internal sewer flooding, water supply interruptions and water-quality compliance.

Sewer Flooding Biggest Challenge: Fitch expects internal sewer flooding to remain U UW’s most challenging performance commitment for AMP7. U UW recorded internal flooding incidents of 2.32 against a target of 1.58 per 10,000 connections.

Financial Policy: Under its dividend policy United Utilities Group PLC (U U Group PLC) expects to increase dividend distribution in line with CPIH over AMP7, while maintaining its public commitment to its target gearing of 55%-65%. If dividends at U U exceed our expectations and result in U U’s consolidated net gearing rising above our negative sensitivity of 63%, we would consider a downgrade of U U.

Ratings Aligned: U U’s and U UW’s Long-Term IDRs are equalised at ‘BBB+’, instead of a typical one-notch difference between the holding company (holdco) and the operating company (opco) for structural subordination and regulatory ring-fencing provisions. The equalisation reflects Fitch’s assumption that group treasury arrangements will remain similar to those seen in AMP6 and therefore our expectation that the holdco’s consolidated net gearing will remain significantly below that of the opco over the remainder of AMP7.

Financial Summary

(GBPm)	2021	2022	2023F	2024F	2025F
Net debt to RCV (%)	65.3	64.4	65.3	68.0	66.3
Cash PMICR (X)	2.8	2.9	1.7	1.7	1.9
Nominal PMICR (x)	2.6	2.8	2.5	2.7	2.4

F – Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

U UW’s ratings reflect adequate credit metrics and improving regulatory and operational performance. U UW is rated at the same level as its peer Severn Trent Water Limited (STWL; BBB+/Stable, senior unsecured rating of ‘A-’), but we view U UW’s overall rating headroom as marginally higher.

The senior unsecured rating of U UW and its peers benefit from a one-notch uplift due to their regulated cash flows, which in our view imply above-average creditor recoveries in a default. Wessex Water Services Limited’s ‘BBB+’ senior unsecured rating reflects a weaker financial profile and is thus one notch below U UW’s.

U U’s rating continues to be aligned with the rating of its opco U UW, given the group’s treasury arrangements and our expectations that U U’s leverage will continue to be lower than that of the opco.

Rating Sensitivities

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

- A sustained reduction in U UW’s gearing to below 62%
- Cash PMICR above 1.9x and nominal PMICR above 2.0x at U UW on a sustained basis
- Sustained top-quartile regulatory performance

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

- Gearing above 67% at UUW, which could have a negative impact on both UUW’s and UU’s ratings
- Cash PMICR below 1.6x and nominal PMICR below 1.8x at UUW on a sustained basis
- An ambitious dividend policy for AMP7 leading to an increase in group gearing with a resulting adverse impact on UU’s and UUW’s financial metrics
- Additional debt-raising by UU, which could be negative for its ratings, or changes to the group treasury arrangements leading to UU’s net gearing increasing above 63%

Liquidity and Debt Structure

Adequate Liquidity: At FYE23, UUW had cash and cash equivalents of GBP238 million along with GBP595 million of undrawn committed borrowing facilities, combined with diverse access to capital markets. All this is sufficient to cover short-term debt maturities of about GBP307million, and our expectations of negative free cash flow (FCF) of about GBP300 million in FY24.

ESG Considerations

UUW has an ESG Relevance Score of ‘4’ for Exposure to Environmental Impacts due to the risk of exposure to severe weather events, which has a negative impact on the credit profile, 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, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

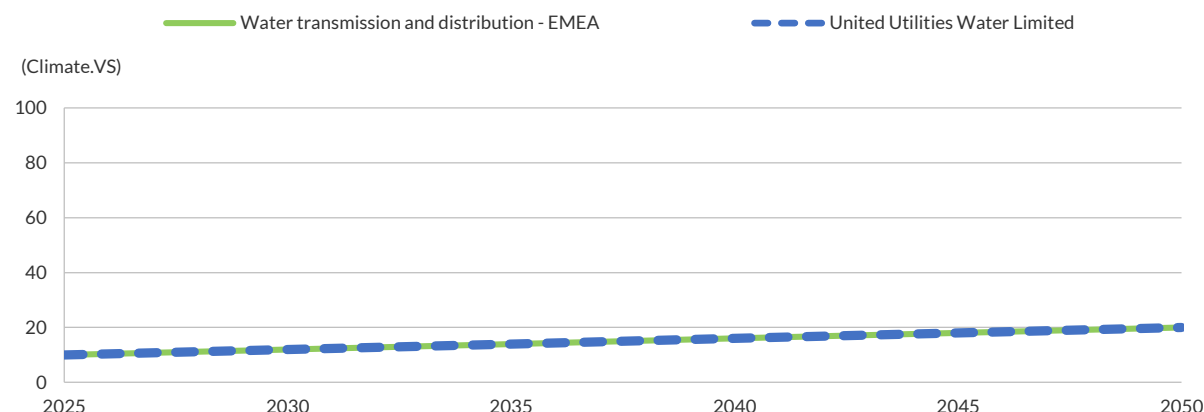
Climate Vulnerability Considerations

Fitch’s *Climate Vulnerability in Corporate Ratings Criteria* report describes how we use 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). [Click here for the criteria](#).

The FY22 revenue-weighted Climate.VS for UUW for 2035 is 14 out of 100, suggesting low exposure to climate-related risks in that year. This score is inline with the sector average for water/wastewater utilities.

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity analysis (GBPm)	2024F	2025F
Available liquidity		
Beginning cash balance	238	384
Rating-case FCF After acquisitions and divestitures	-297	122
Debt issued since last balance sheet	750	
Total available liquidity (A)	691	506
Liquidity uses		
Debt maturities	-307	-495
Total liquidity uses (B)	-307	-495
Liquidity calculation		
Ending cash balance (A+B)	384	11
Revolver availability	595	595
Ending liquidity	979	606
Liquidity score (x)	4.2	2.2

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, UUW

Scheduled debt maturities (GBPm)	Original 31 March 2023
2024	307
2025	495
2026	529
Thereafter	7,695
Total	9,025

Source: Fitch Ratings, Fitch Solutions, UUW

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

Note: Ofwat's final determinations financial model used as a main information source

- Allowed wholesale weighted average cost of capital of 1.92% (RPI-based) and 2.92% (CPIH-based) in real terms, excluding retail margins until FY25
- RCV is 50% RPI-linked and 50% plus capital additions CPIH-linked since FY21
- RPI of 8% for FY24 and 3.9% for FY25
- CPIH of about 6.1% in FY24 and 2.8% in FY25
- Allowed net total expenditure of GBP5.4 billion (wholesale and retail) in real terms (2017-2018 prices, net of grants and contributions) for AMP7
- Net ODI rewards of around GBP60 million cumulatively over FY24-FY25
- Weighted average pay-as-you-go rate of 59% in AMP7
- Retail EBITDA around GBP21 million per year during AMP7

Financial Data

(GBPm)	2021	2022	2023	2024F	2025F
Summary income statement					
Gross revenue	1,798	1,845	1,816	2,089	2,177
Revenue growth (%)	-2.8	2.6	-1.6	15.0	4.2
EBITDA before income from associates	1,045	1,029	875	963	1,168
EBITDA margin (%)	58.1	55.8	48.2	46.1	53.7
Gross interest expense	-186	-331	-501	-167	-198
Summary balance sheet					
Shadow RCV	11,729	12,436	13,584	13,896	14,293
Net debt	7,644	8,006	8,874	9,448	9,474
Summary cash flow statement					
EBITDA	1,045	1,029	875	963	1,168
Cash interest paid	-143	-121	-116	-167	-198
Cash tax	-46	-37	12	57	-46
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—
Other items before FFO	-122	-37	-41	—	—
FFO	741	834	738	853	924
FFO margin (%)	41.2	45.2	40.6	40.8	42.4
Change in working capital	114	18	37	-14	-4
CFO (Fitch-defined)	855	853	775	839	920
Total non-operating/nonrecurring cash flow	—	—	—	—	—
Capex	-633	-627	-693	—	—
Capital intensity (capex/revenue) (%)	35.2	34.0	38.1	—	—
Common dividends	—	-339	-454	—	—
FCF	221	-113	-372	—	—
FCF margin (%)	12.3	-6.1	-20.5	—	—
Net acquisitions and divestitures	—	—	—	—	—
Other investing and financing cash flow items	—	—	6	-277	-148
Net debt proceeds	-157	-380	414	500	—
Net equity proceeds	—	—	—	—	—
Total change in cash	64	-493	48	-74	-26
Leverage ratios (x)					
Total net debt/shadow RCV (%)	65.3	64.4	65.3	68.0	66.3
FFO leverage	9.5	8.6	10.8	9.4	8.6
FFO net leverage	8.7	8.4	10.5	9.3	8.4
Calculations for forecast publication					
Capex, dividends, acquisitions and other items before FCF	-633	-966	-1,147	-1,136	-798
FCF after acquisitions and divestitures	221	-113	-372	-296	122
FCF margin after net acquisitions (%)	12.3	-6.1	-20.5	-14.2	5.6
Coverage ratios (x)					
Cash PMICR (X)	2.8	2.9	1.7	1.7	1.9
Nominal PMICR (x)	2.6	2.8	2.5	2.7	2.4
FFO interest coverage	6.2	7.9	7.3	6.1	5.7

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

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.

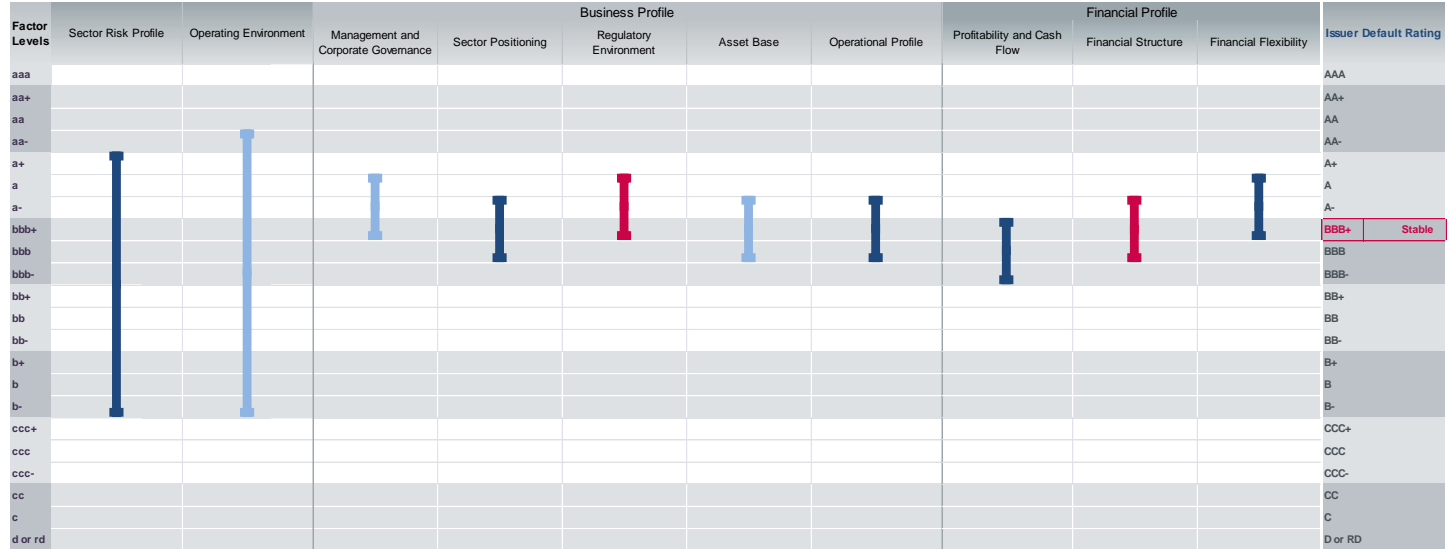
Ratings Navigator

FitchRatings

United Utilities Water Limited

ESG Relevance:

Corporates Ratings Navigator
EMEA Regulated Networks



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	<ul style="list-style-type: none"> ↑ Positive ↓ Negative ↕ Evolving □ Stable
<ul style="list-style-type: none"> ■ Higher Importance ■ Average Importance ■ Lower Importance 	

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 and Cash Flow

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	Very strong access to capital markets; no need to raise external financing; exceptional liquidity committed facilities, in the next 12 months even under a severe stress scenario. Well-covered debt maturity schedule. Diversified sources of 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 category.

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 PMCR	a	2.2x
bbb-	Nominal PMCR	a	2.5x

Credit-Relevant ESG Derivation

				Overall ESG
United Utilities Water Limited has 1 ESG rating driver and 11 ESG potential rating drivers				
key driver	0	issues	5	
driver	1	issues	4	
potential driver	11	issues	3	
not a rating driver	1	issues	2	
	1	issues	1	

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 11 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 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.
- ➔ United Utilities Water Limited has exposure to customer accountability risk but this has very low impact on the rating.

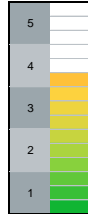
Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	1	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	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

E Relevance



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.

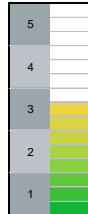
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit 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 result in 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

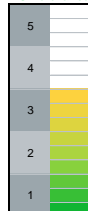
S Relevance



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

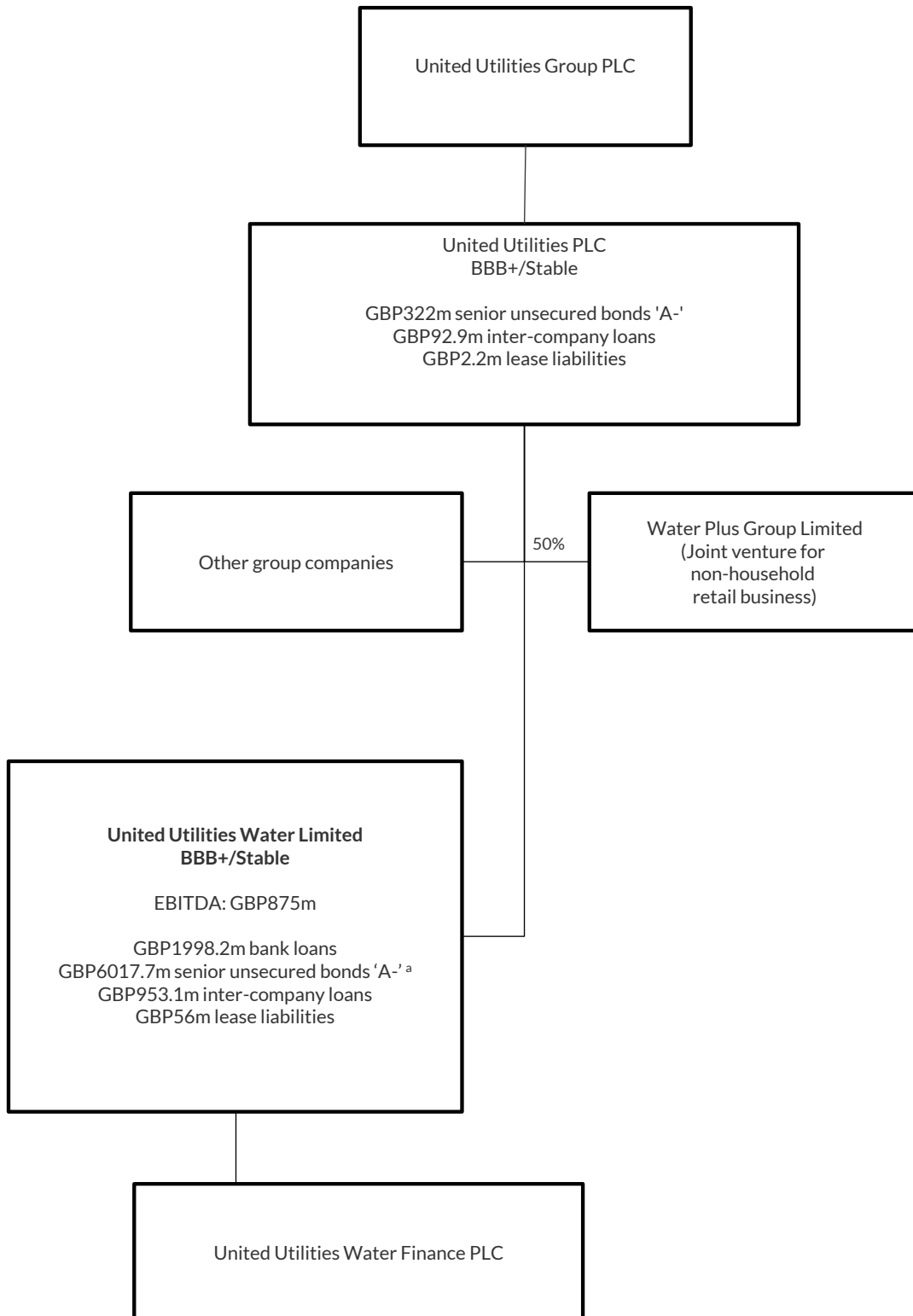
G Relevance



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.

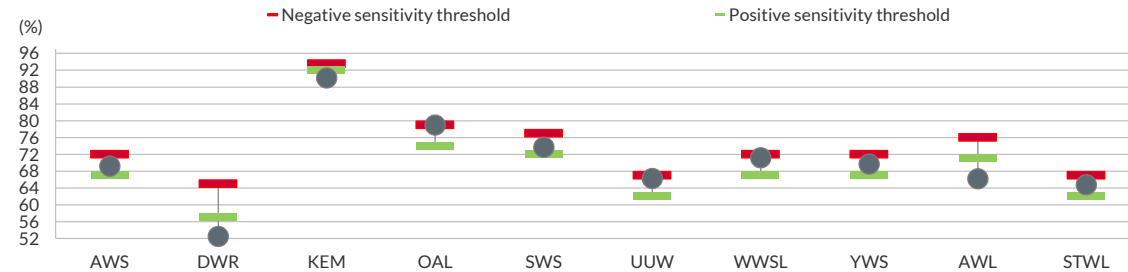
Simplified Group Structure Diagram



^a Senior unsecured bonds issued by UUL and UUL Finance PLC (guaranteed by UUL).
Source: Fitch Ratings, Fitch Solutions, UUL, as of 31 March 2023.

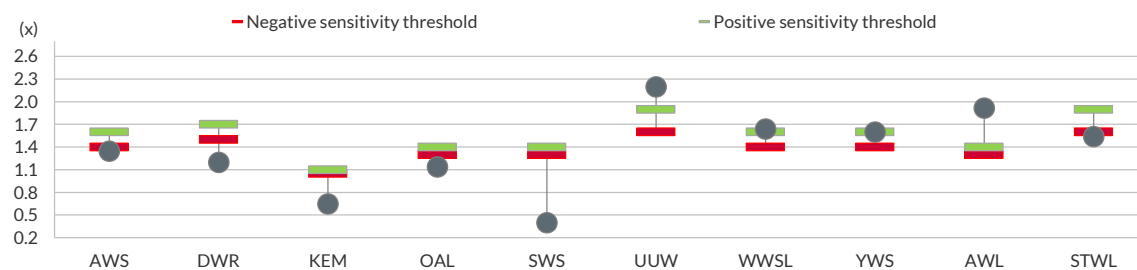
Peer Financial Summary

Rating Headroom by Gearing (FY25)



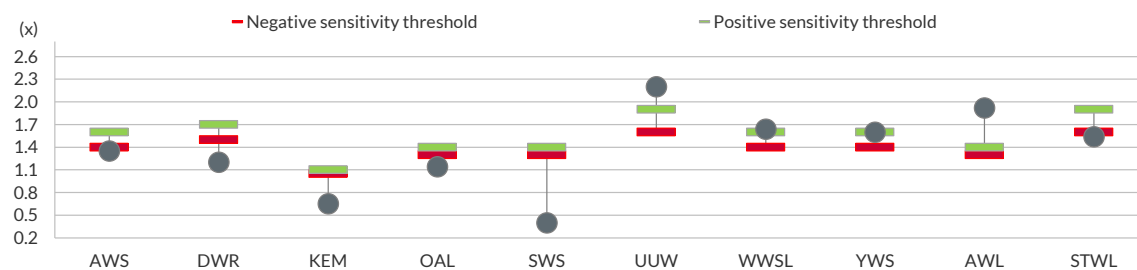
Ratios for AWS, DWR, SWS, YWS and AWL reflect senior class A debt
Source: Fitch Ratings, Fitch Solutions, companies' data

Rating Headroom by Cash PMICR (Five-Year Average)



Ratios for AWS, DWR, SWS, YWS and AWL reflect senior class A interest
Source: Fitch Ratings, Fitch Solutions, companies' data

Rating Headroom by Cash PMICR (Five-Year Average)



Ratios for AWS, DWR, SWS, YWS and AWL reflect senior class A interest
Source: Fitch Ratings, Fitch Solutions, companies' data

Key

AWS	Anglian Water Services Limited
DWR	Dwr Cymru (Financing) UK Ltd
KEM	Kemble Water Finance Limited
OAL	Osprey Acquisitions Limited
SWS	Southern Water Services Limited
UUW	United Utilities Water Limited
WW	Wessex Water Services Limited
YWS	Yorkshire Water Services Limited
AWL	Affinity Water Limited
STWL	Severn Trent Water Limited

Source: Fitch Ratings, Fitch Solutions, UUW

Fitch Adjusted Financials

Reconciliation of Key Financial Metrics for United Utilities Water Limited

(GBPm)	31 March 2023
Interest-bearing loans and borrowings	9,025
- Derivatives adjustments	-87
- Intercompany liability	0
- Cash and equivalents	238
= Net debt	8,874
+ Pension deficit not funded by customers	0
= Pension adjusted net debt (a)	8,874
Economic regulatory asset value (b)	13,584
Net debt/RAV (%)	65
Pension adjusted net debt/regulatory asset value (a/b) x 100 (%)	65
Operating EBITDA	875
- Regulatory depreciation	-707
- Net Tax (paid)/received	12
- Pensions	0
Post maintenance cash flow = EBITDA - regulatory depreciation - tax - pensions (c)	179
Consolidated cash interest (d)	108
Post-maintenance interest coverage ratio (x)	1.7
RCV indexation	1,369
Nominal post-maintenance cash flow = post-maintenance cash flow + RCV indexation (e)	1,548
Net debt indexation	520
Total senior unsecured interest = cash interest + net debt indexation (f)	628
Nominal PMICR (x)	2.5
Source: Fitch Ratings, Fitch Solutions, U UW	

Reconciliation of Key Financial Metrics for United Utilities PLC

(GBPm)	
Interest-bearing loans and borrowings	8,435
- Derivatives adjustments	-87
- Cash and equivalents	340
= Adjusted net debt	8,182
+ Pension deficit not funded by customers	0
= Pension adjusted net debt (a)	8,182
Economic regulatory asset value (b)	13,584
Net debt/RAV (%)	60.2
Pension adjusted net debt/regulatory asset value (a/b) x 100 (%)	60.2

Source: Fitch Ratings, Fitch Solutions, United Utilities PLC

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