



PR24

Stronger, Greener, Healthier: Our plan for the North West



Water for the North West

Our most ambitious plan ever

Delivering on what matters



Strong customer support



Step change in customer and environmental outcomes



Significant growth



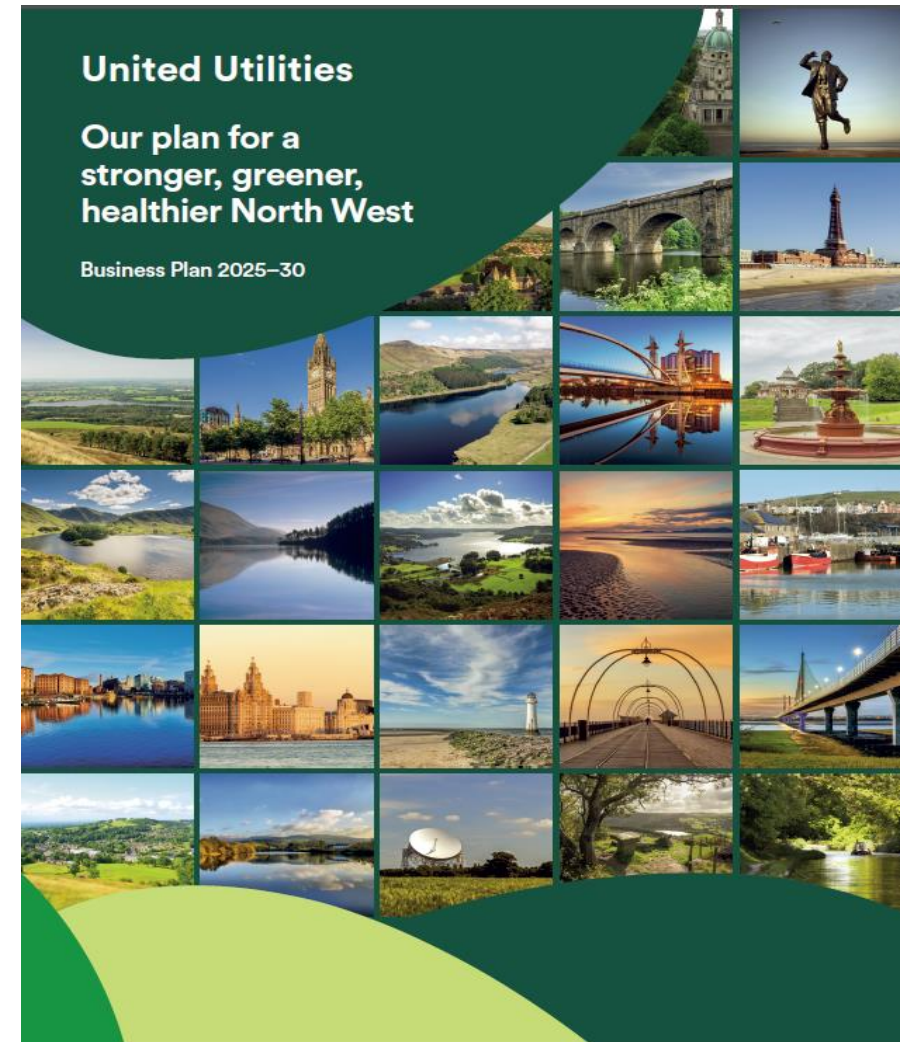
Financial strength to deliver



Opportunity to outperform



Already started



Water for the North West

Building a plan for a Stronger, Greener, Healthier North West

An ambitious plan

7x increase
in our **environmental**
programme

Igniting the economy

Over **30,000 jobs**
supported
with this plan

Innovation opportunities

79 research projects
shape the plan



Improved resilience

£13.7bn totex plan -
largest infrastructure
investment for
over 100 years

Great engagement

95k customers helped
build the plan

Strong support

74% acceptability
of our plan

Backed by a strong track record



Doing the right thing, time after time:

Fully funded pension scheme



One of the lowest levels of gearing in the sector



Strong credit ratings A3/A⁽¹⁾



Led the sector on affordability support



Strong track record of delivering on service, performance commitments and ESG:

Consistently achieved c.80% of ODIs during AMP7



Earned the highest 4 star rating in the EA's EPA - 5 of the last 8 years



Sector frontier in reducing pollution



Already started with the UK's biggest reduction in overflow spills



(1) A3 with Moody's; and senior unsecured debt rating of A-, Issuer Default Rating of BBB+ with Fitch

Business plan highlights

A plan that delivers for customers and the environment

Great water

Improving water quality for over **1.4 million** customers



Secure supply

Investing in our aqueducts to safeguard supplies to **over 2 million** customers



Building resilience

Upgrading over **950km mains & pipes**, installing over **900k smart meters**, halving the chance of a hosepipe ban



Improving river quality

60% reduction in storm overflow activations in the decade to 2030



Reducing sewer flooding

32% reduction in internal sewer flooding



Bold carbon commitments

43% reduction in operational emissions



Business plan highlights

A plan that delivers for customers and the environment

Acceptability Testing

74% support
for our plan

Customer bills

c.£22 real increase each year of the AMP to deliver **environmental and service improvements**

Affordability support

Proposed **£525m** of customer support helping more than **1 in 6 customers**

c.80% increase in Totex

£13.7bn plan,
> £35 billion total economic value

Efficient Plan

14% efficiency,
realised through innovation and markets

RCV growth

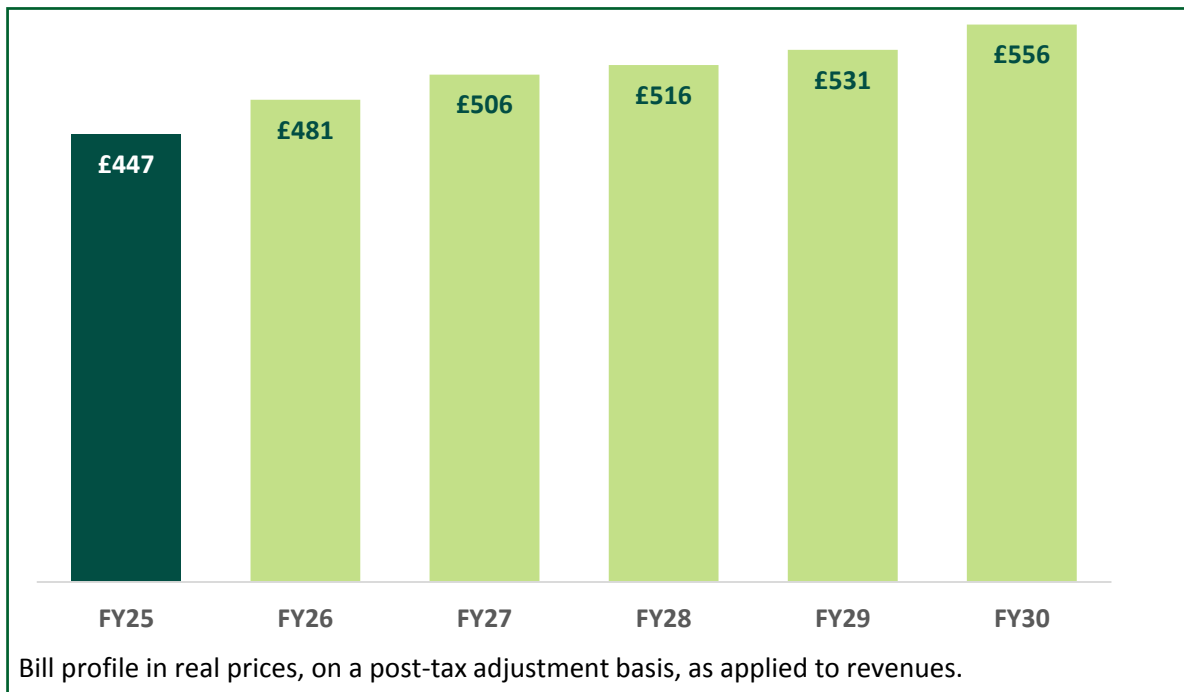
Strong growth
52% (nominal)
37% (real)

Bills and customer support

74% customer acceptability of our plan



Average household bill increase of c.£22 (real) on average, each year of AMP8



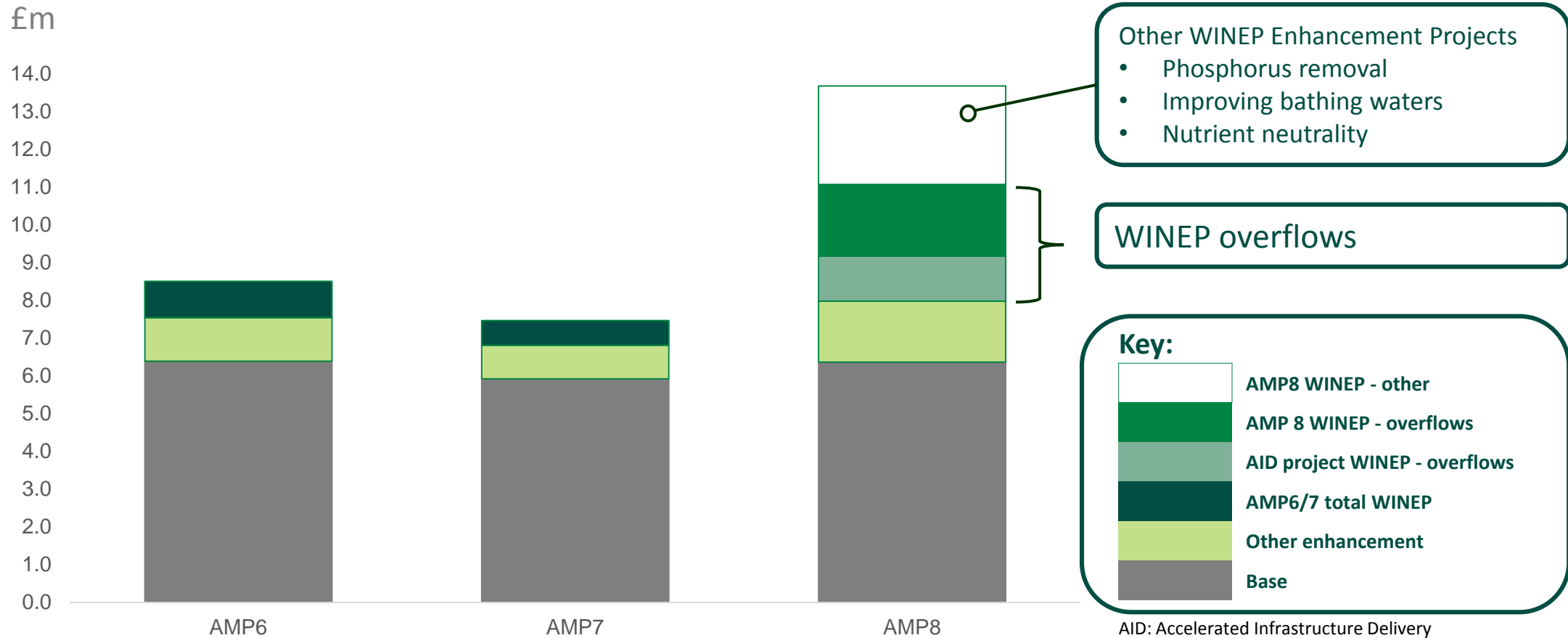
Increasing affordability support to £525m – > 1 in 6 customers

No increase in water poverty – despite higher bills

Customers don't pay twice – enhancement investment all linked to new statutory requirements and services

93% of AMP8 enhancement driven by statutory requirements

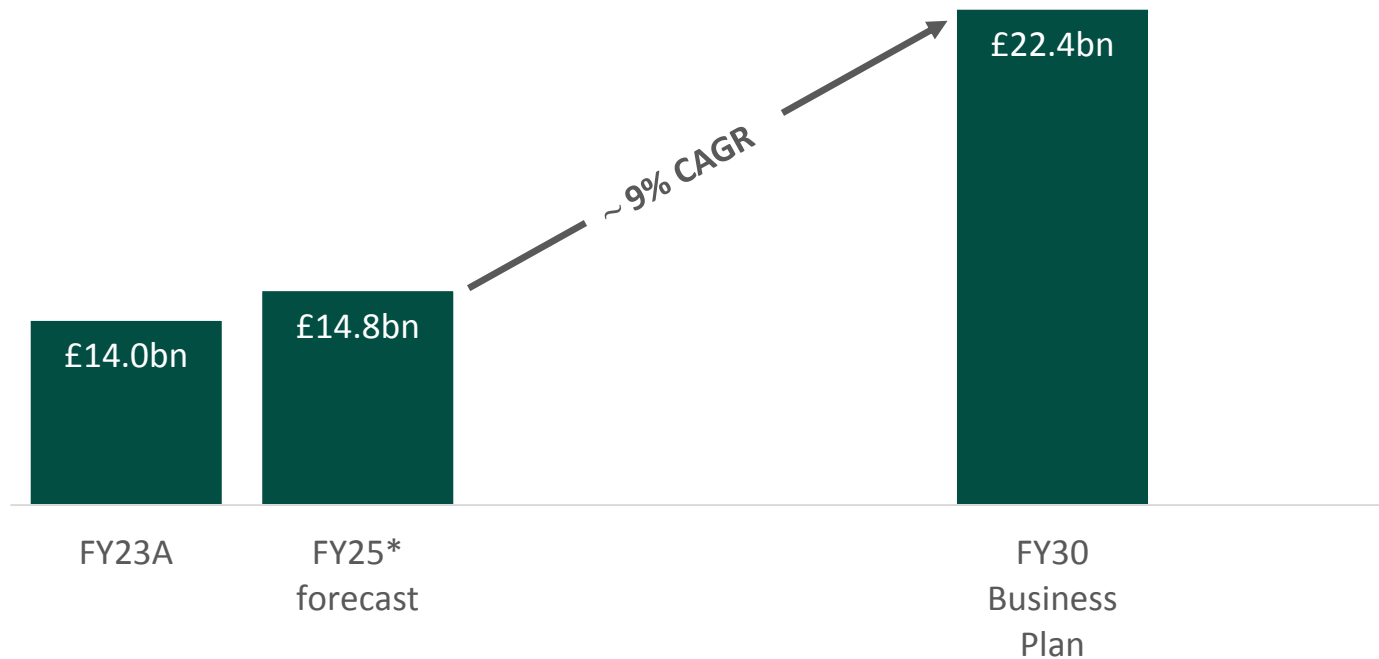
PR24 Submission £13.7bn (FY23 Prices)



RCV growth

RCV growth accelerating from 4-5% in AMP7 to ~9% CAGR in AMP8

AMP8 RCV (nominal)



Nominal RCV CAGR: ~9%

	CAGR	AMP
Real	6.5%	37%
Nominal	8.7%	52%

*Mar-25 closing RCV reflects midnight adjustments capitalised £0.6bn of carried forward value with £0.4bn to be added to AMP8 revenues

Investor Returns

Our plan based on Ofwat guidance

Base Returns Allowance (Real, CPIH)				
	Ofwat PR19 (Dec-19)	Ofwat 'Early View' (Sep-22)	Frontier Economics* (Apr-23)	
			Low	High
Gearing	60%	55%	55%	55%
Risk-free Rate	-1.39%	0.47%	1.23%	1.95%
Equity Beta	0.71	0.58 - 0.64	0.60	0.64
Cost of Equity	4.19%	4.14%	4.44%	5.32%
Cost of Debt	2.14%	2.60%	2.68%	2.79%
WACC	2.96%	3.29%	3.47%	3.93%

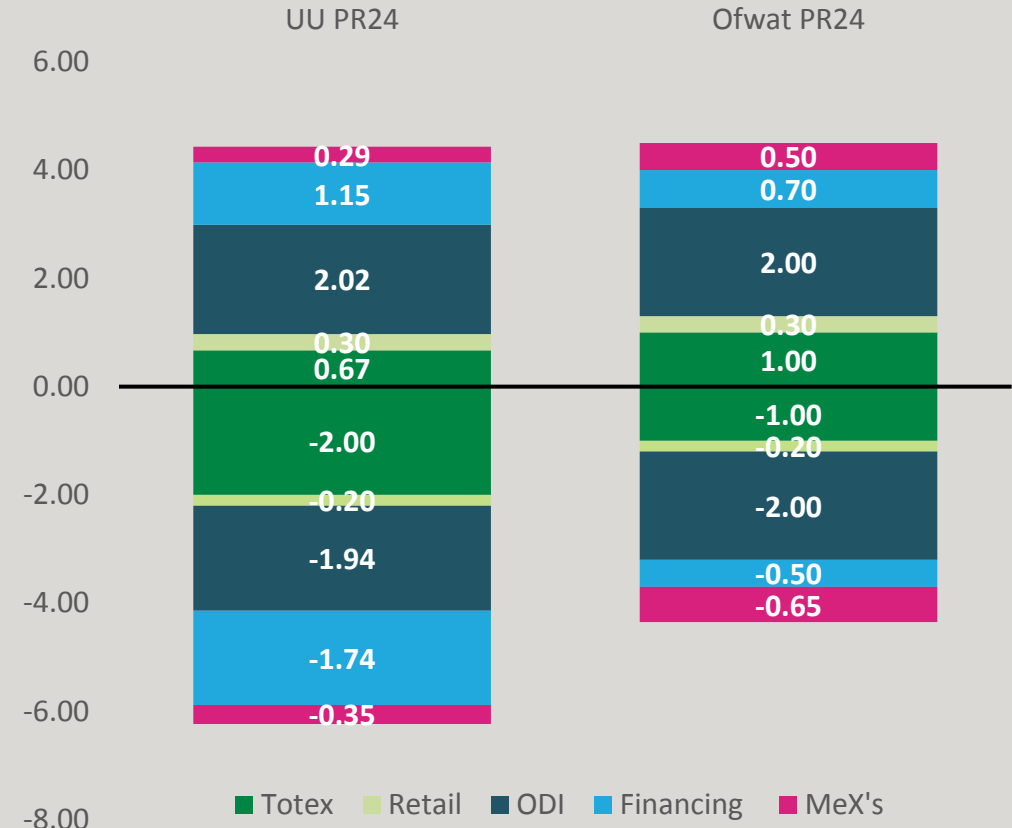
Business plan revenue assumption

Customer acceptability 74%

Quality & Ambition Assessment: +/- 0.3%

* Translated to 55% gearing

AMP8 RoRE Incentive Ranges (%)



Gearing Bridge: PR24 Submission

Base return

Ofwat 'early view' WACC

3.29% (real) adopted for consistency and comparability

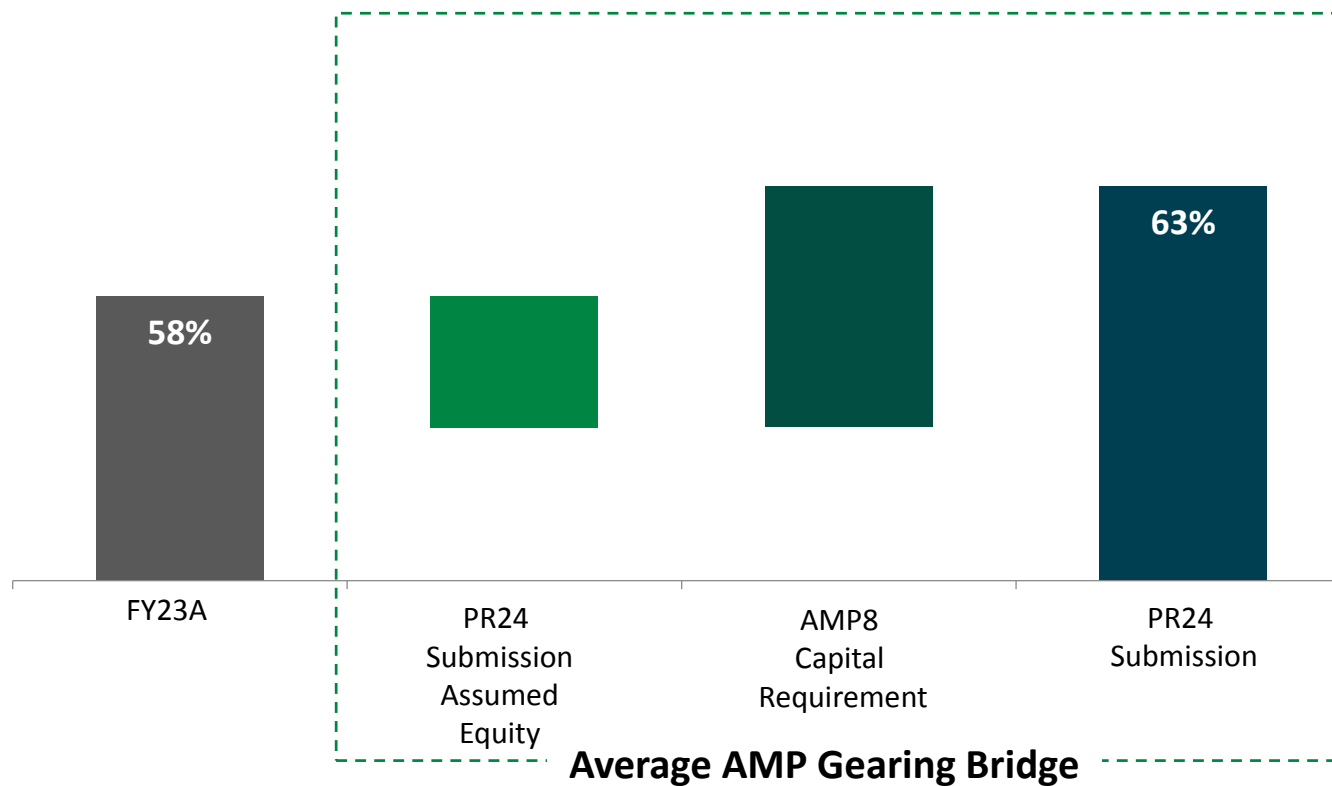
Totex

PR24 submission

£13.7bn

(FY23 prices)

Group Gearing (ND/RCV)



Gearing Bridge: Alternative Plan Assumptions

Base return

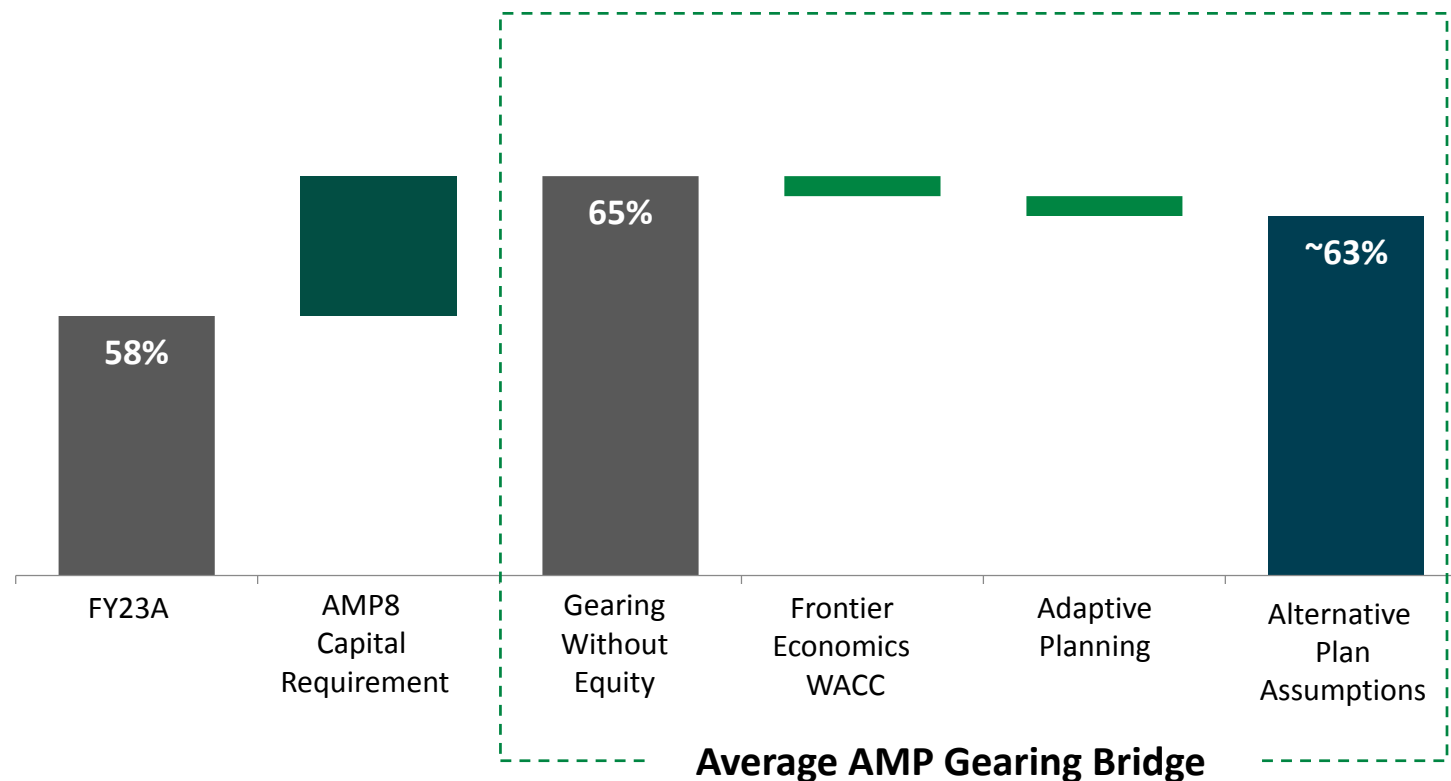
Frontier Economics

3.93% WACC
(real, CPIH)

Totex

Adaptive planning
scenario: **£12.7bn**
(FY23 prices)

Group Gearing (ND/RCV)



AMP8 Average Gearing 63-65% without recourse to equity

Summary of customer ODIs

Targeting stretching performance levels



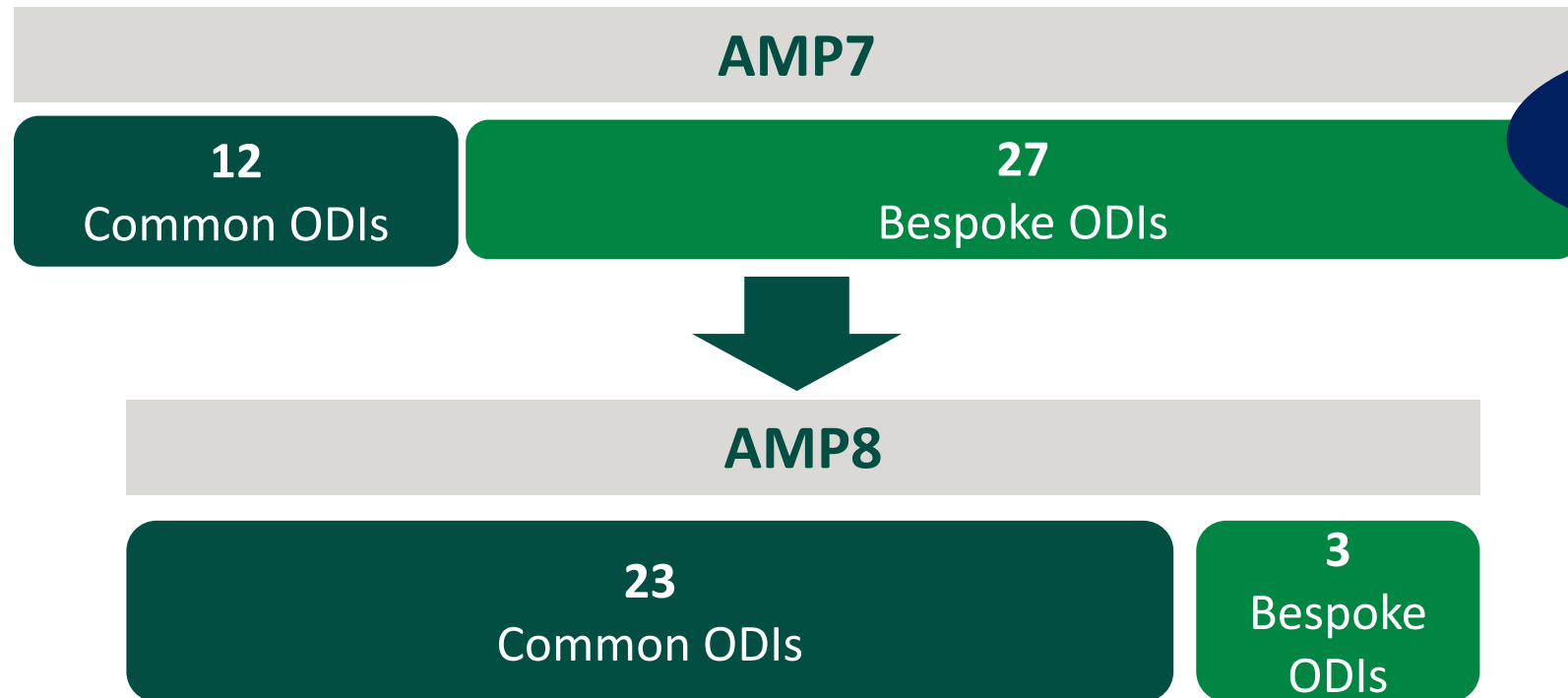
Pushing the frontier forward on reducing pollution



Backing ourselves to deliver proposed RoRE range of -2.29% to 2.31%



Framework evolution



83% - highest in the sector this year



A plan that delivers

We are submitting a plan that is financeable, affordable and most importantly deliverable - building on our strong track record of success

1. Financeable

- **Strong balance sheet** with 58% gearing at Mar-23 and credit ratings of **A3/A-**
- **65% average gearing** based on early view of WACC and planned scope without recourse to equity
- **Significant flexibility** in financing plan as submitted
- **Update to WACC** and adaptive planning opportunities provides further flexibility
- A **financeable plan** based on actual and notional company

2. Affordable

- Plan is underpinned by **£525m of support**
- A plan that supports **> 1 in 6 customers** in our region
- Planned initiatives and affordability support should mean **no increase in water poverty over AMP8**
- A **new low income social tariff** for our customers
- Supported by the **best water and sewerage customer service** in the industry

3. Deliverable

- **Early start to £1.2bn** of storm overflow investment – 40% of our AMP8 storm overflow programme
- Supported by an **up and running delivery team** for CSOs, rainwater management and modelling
- **Increase in delivery partners** from 5 to >50
- **Standardised and simplified** design and engineering to aid efficient delivery
- Building on a **100% delivery track record** for AMP7 WINEP

Next steps

Ongoing engagement
with Ofwat, EA, CCW
and DWI on business
plans

**2 October
2023**
Business
plan
submission

**May/June
2024**
Draft
determinations

**December
2024**
Final
determinations

Early 2025
UUG dividend
policy
announcement

April 2025
Start of
AMP8



Summary highlights

Key stats and information coupled with an investor summary available to help

65%
average gearing
without recourse to equity

£13.7bn
totex plan
(2022/23 prices)

A3/A-
current credit rating

37%
real RCV growth
6.5% real CAGR
8.7% nominal CAGR

c.£22
average real increase in
household bills, each year
(2022/23 prices)

£525m
affordability support –
>1 in 6 customers

60%
reduction
in storm overflow activations
in the decade to 2030

25%
reduction in pollutions,
from a sector-leading start point

32%
reduction in internal sewer
flooding

An outstanding plan

A plan that delivers for everyone

1. 5 counties approach – we have been listening and understand



2. Delivering what matters – benefiting our North West economy



3. Supporting >1 in 6 customers with over £500m of support



4. Comprehensive plan – delivers for all our regulators



5. Strong track record coupled with new innovation and opportunity



6. Robust balance sheet – 65% average gearing without equity



7. A3 / A- credit rating



8. Strong growth – 52% (nominal) RCV growth / 8.7% CAGR



9. Effective and transparent governance – doing the right thing



10. We have been building capability and we have already started



- Committed to make a difference
- Backing ourselves to deliver
- Because it matters!

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.

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