

Half year results

Six months ended 30 September 2024

Thursday 14 November 2024



Louise Beardmore

Chief Executive



Half year overview

4 star EPA

Record ODI
rewards

Strong customer
service
performance

Strong
underlying EPS

RCV growth in line
with guidance

Gearing stable
60% ND/RCV

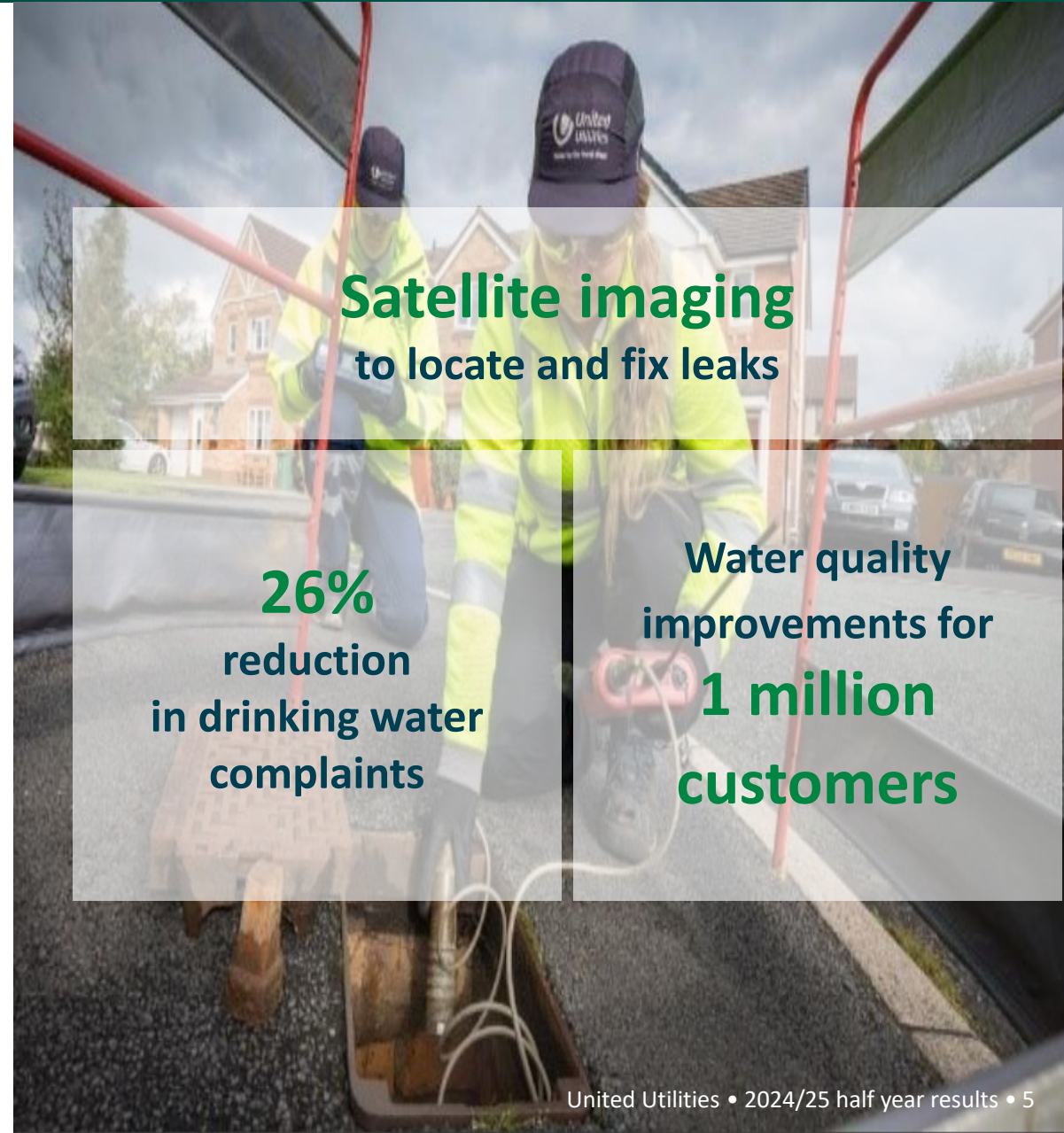
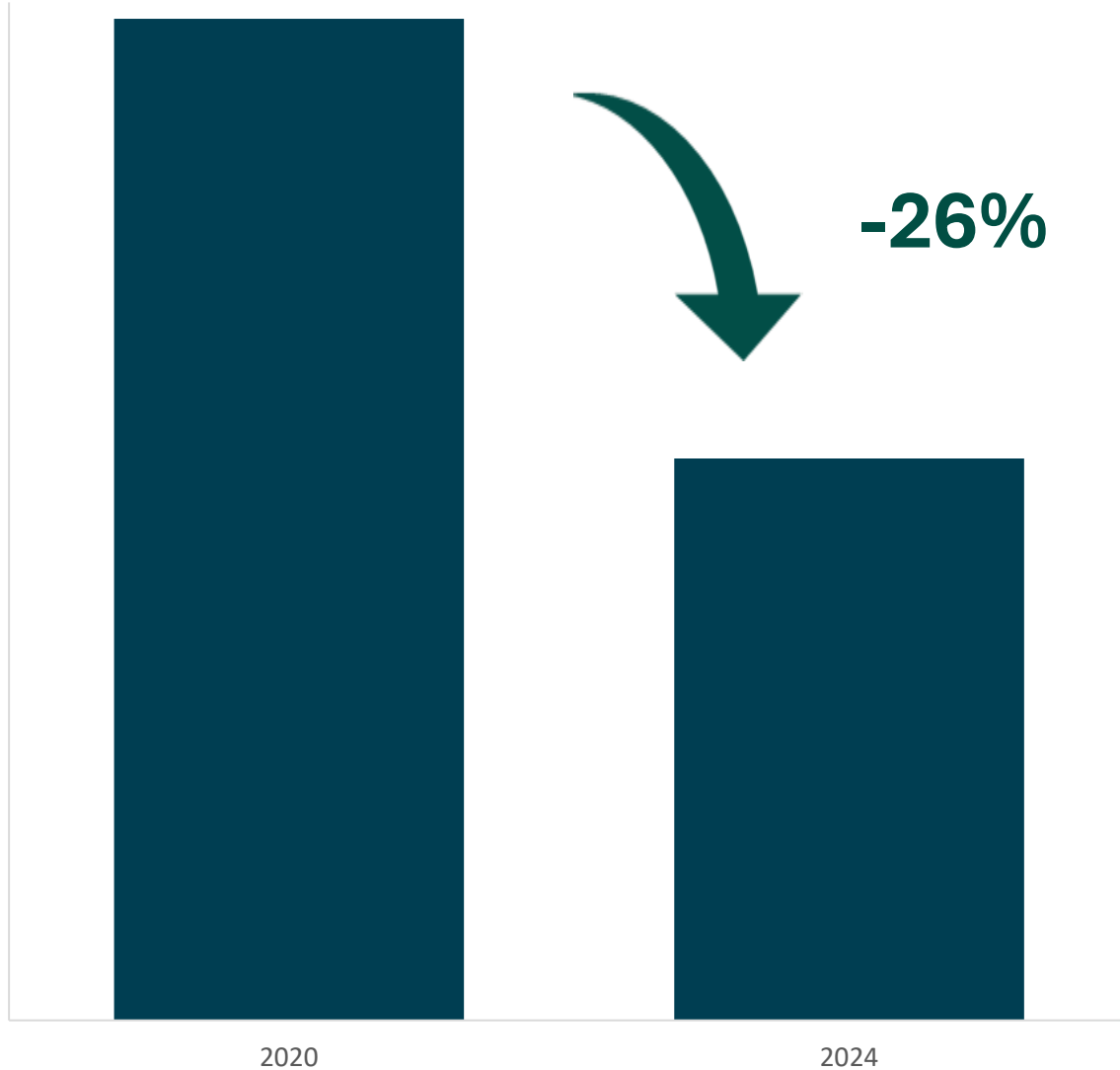


Operational performance



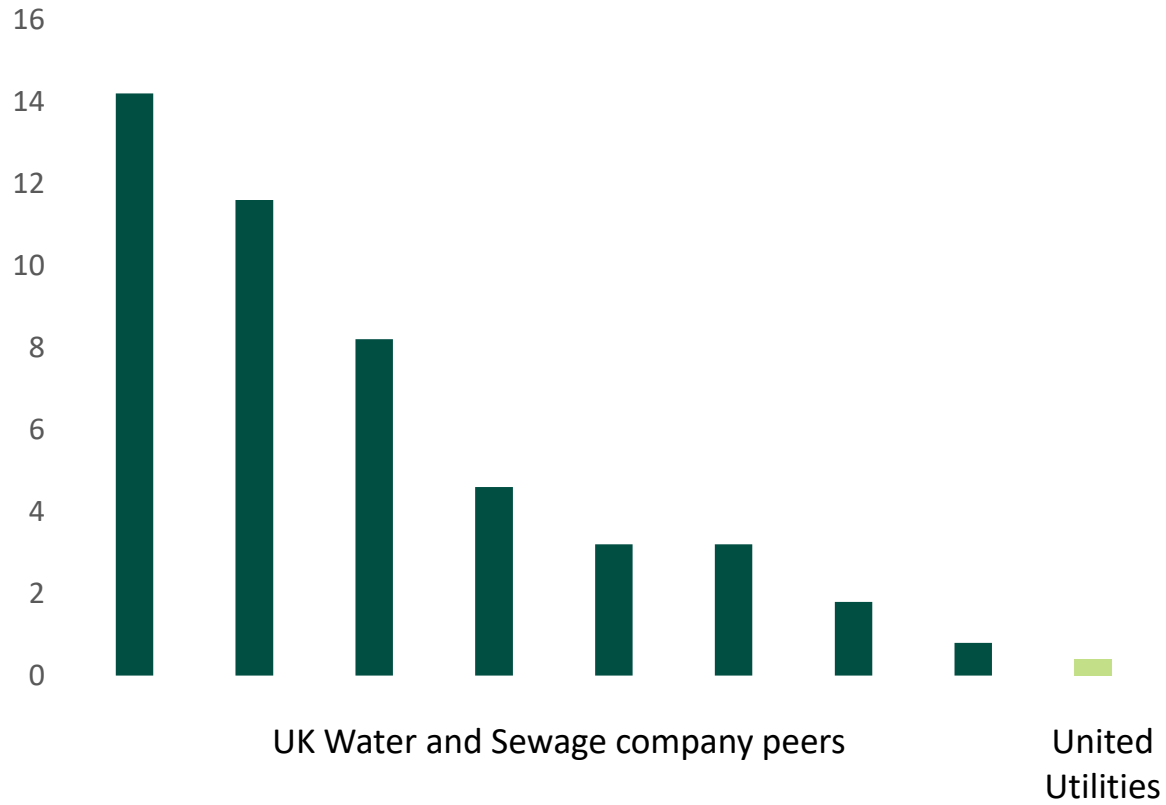
Water performance

Drinking water complaints



Wastewater performance

Industry-leading performance on serious pollutions¹

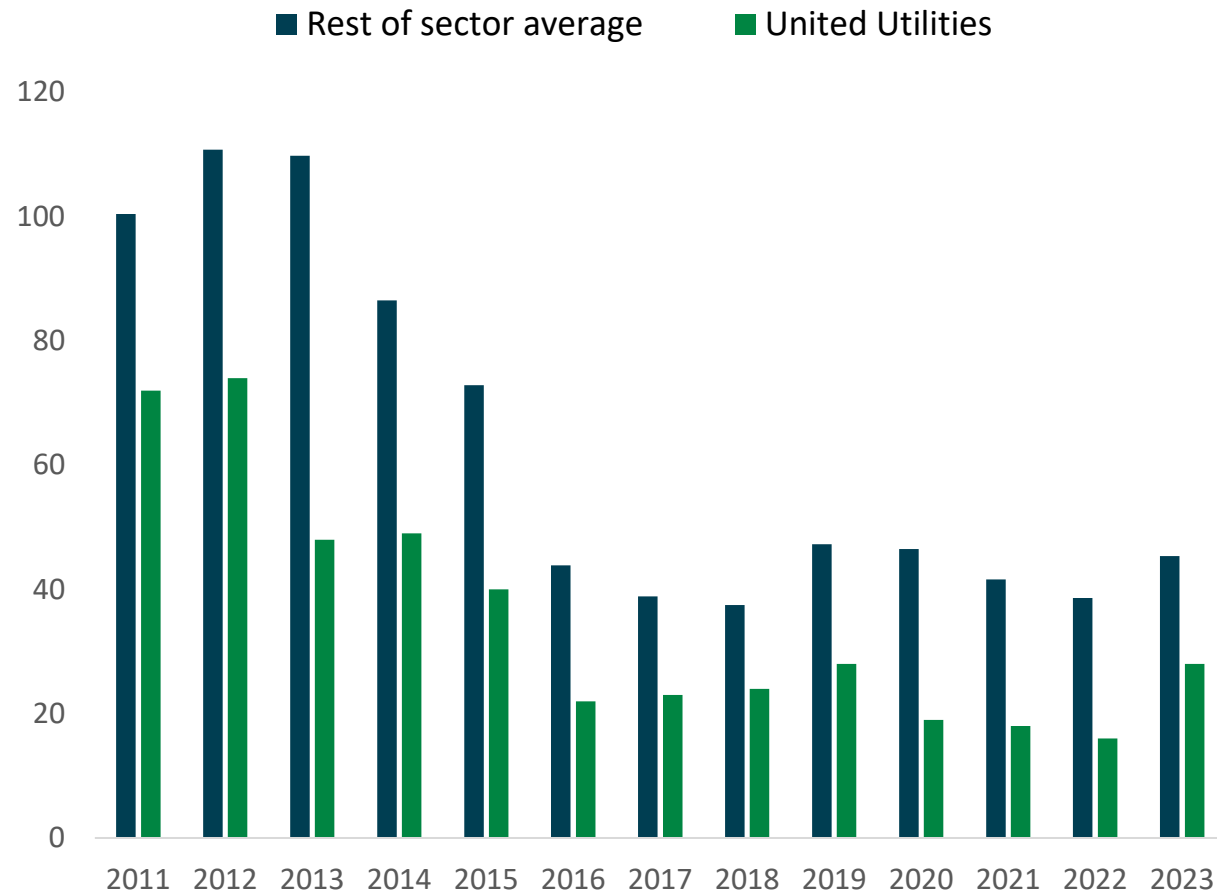


1. 5-year average. Environment Agency EPA [Water and sewerage companies in England: environmental performance report 2023](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/103122/2023-03-27-Environment-Agency-EPA-Water-and-sewerage-companies-in-England-environmental-performance-report-2023.pdf) - GOV.UK



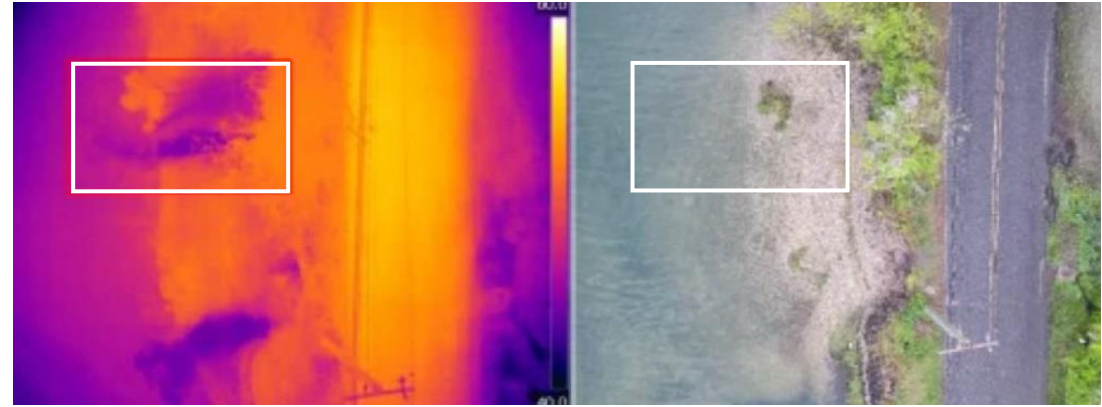
Pollution performance

Pollution incidents¹



1. Number of pollution incidents per 10,000km of sewers

Drone imaging



AI system management

Alerts

Thursday October 24 - 4 Alerts

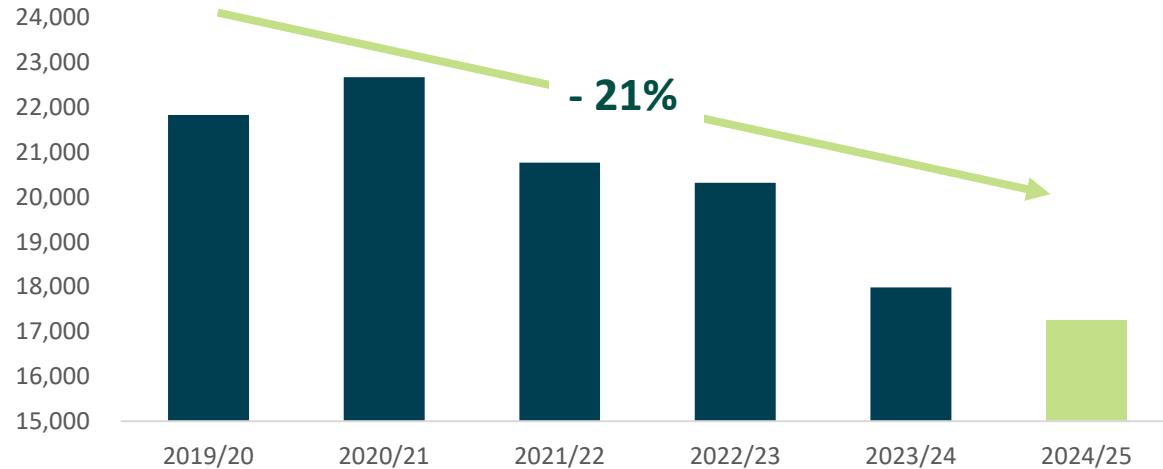
- 452V5-C01 - TRAFORD PARK ROAD CSO**
 Drainage Area - DayPollution
 Alert Type - CSO High Level Warning - Dry Weather
 Time Elapsed - 2 hrs, 3 mins
- 31842-DT1 - TWEEDEALE WAY DT**
 Drainage Area - DayPollution
 Alert Type - Pump Unit Discharging Well Level
 Time Elapsed - 3 mins
- 43339-AP1 - RAMBLESS AVENUE WW INTAK PS**
 Drainage Area - DayPollution
 Alert Type - Backing Run Time Exceeded
 Time Elapsed - 1 day, 7 hrs, 48 mins
- 45111-AP1 - CHURCH ROAD WW INTAK PS**
 Drainage Area - DayPollution
 Alert Type - PS - Low Weather SSI - CSO Permit
 Time Elapsed - 1 day, 10 hrs, 38 mins

Mini Map
 Live Forecast
 DayPollution

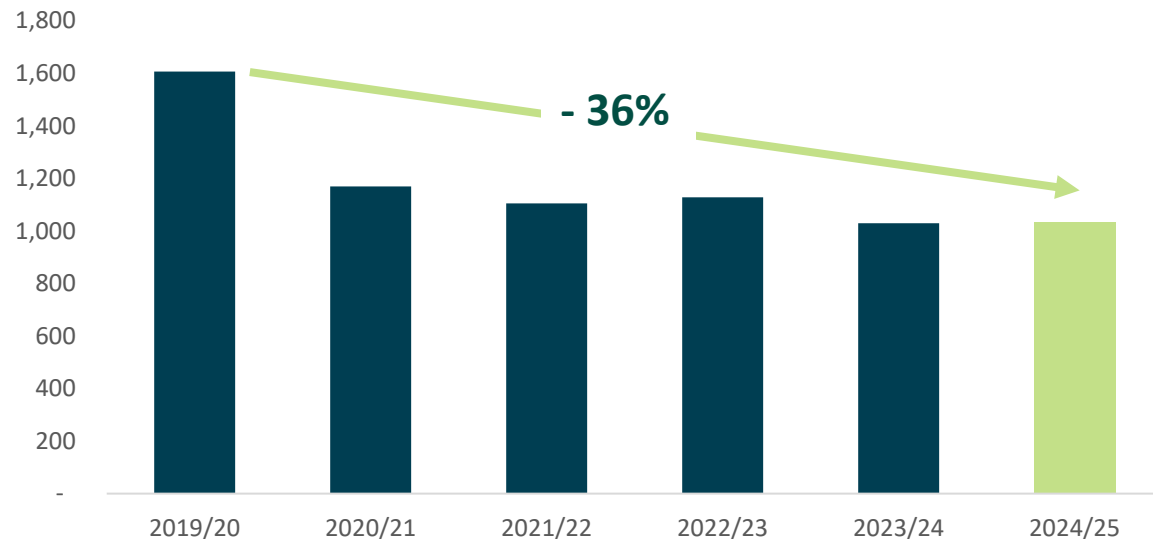
Alert Graph
 Total alerts in your selected areas
 20/10/2024

Wastewater performance

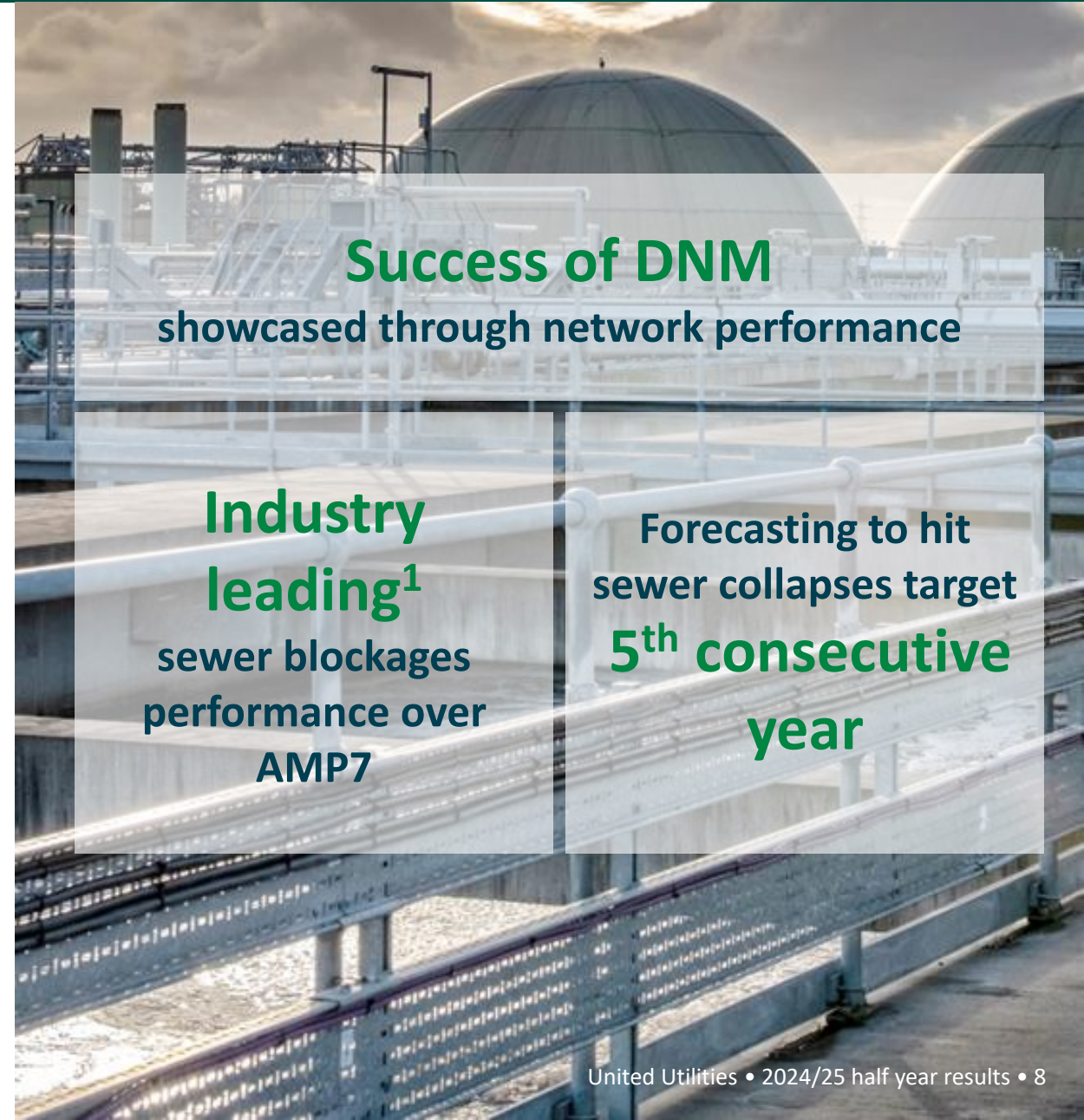
Best ever sewer blockages performance



Progressive reduction in sewer collapses



1. Industry leading AMP7 performance is normalised



Success of DNM
showcased through network performance

Industry leading¹
sewer blockages performance over **AMP7**

Forecasting to hit sewer collapses target **5th consecutive year**

Customer performance



Strong performance across ALL measures of customer experience

Supported
400,000
customers
through AMP7 with
affordability schemes

Over 475,000
households
on our
Priority Services
Register

ESG performance

E

Environment

- **On track with the delivery of all AMP7 environmental commitments** - strong track record
- **EA EPA** - 15 out of a possible 16 stars this AMP
- **SBTi targets** - only UK water company to have near term, long term and net zero targets validated by SBTi
- **Community Environmental Investment Fund** - 40,000 beneficiaries in our communities

S

Social

- **Graduates and apprentices** - 500 graduates and apprentices recruited in AMP7
- **Career development opportunities** - partnering with 'Ambitious about Autism' and '10,000 Black Interns'
- **Diversity & Inclusion** - recognised as one of the Top 10 FTSE100 companies in the 2024 REDI Index
- **High level of employee engagement** - at 81% this is in line with the UK high performance norm

G

Governance

- **Upper quartile performance across a range of ESG ratings** - including FTSE4good and Sustainalytics
- **CIPS Corporate Ethics kite mark** - accredited 6 years in a row
- **Fair Tax Mark** - accredited 6 years in a row

Phil Aspin

Chief Financial Officer



Financial highlights

Revenue

£1,082m

+11%

**HY23/24:
£975m**

Underlying operating profit¹

£336m

+24%

**HY23/24:
£271m**

Reported operating profit¹

£333m

+39%

**HY23/24:
£241m**

Underlying EPS¹

26.8p

+103%

**HY23/24:
13.2p**

Interim DPS

17.28p

+4%

**HY23/24:
16.59p**

RCV gearing²

60%

+1%

**HY23/24:
59%**

1. Underlying profit measures are reconciled to reported profit measures in the appendices to this presentation

2. RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).

AMP7 financial framework

Framework unchanged from full year

RoRE^{1,2}	6 – 8% real
RCV growth^{1,3}	4 – 5% CAGR
Dividend growth	Growing in line with CPIH
Strong Balance Sheet	Policy target 55 – 65% gearing

Moody's
A3 / negative⁴

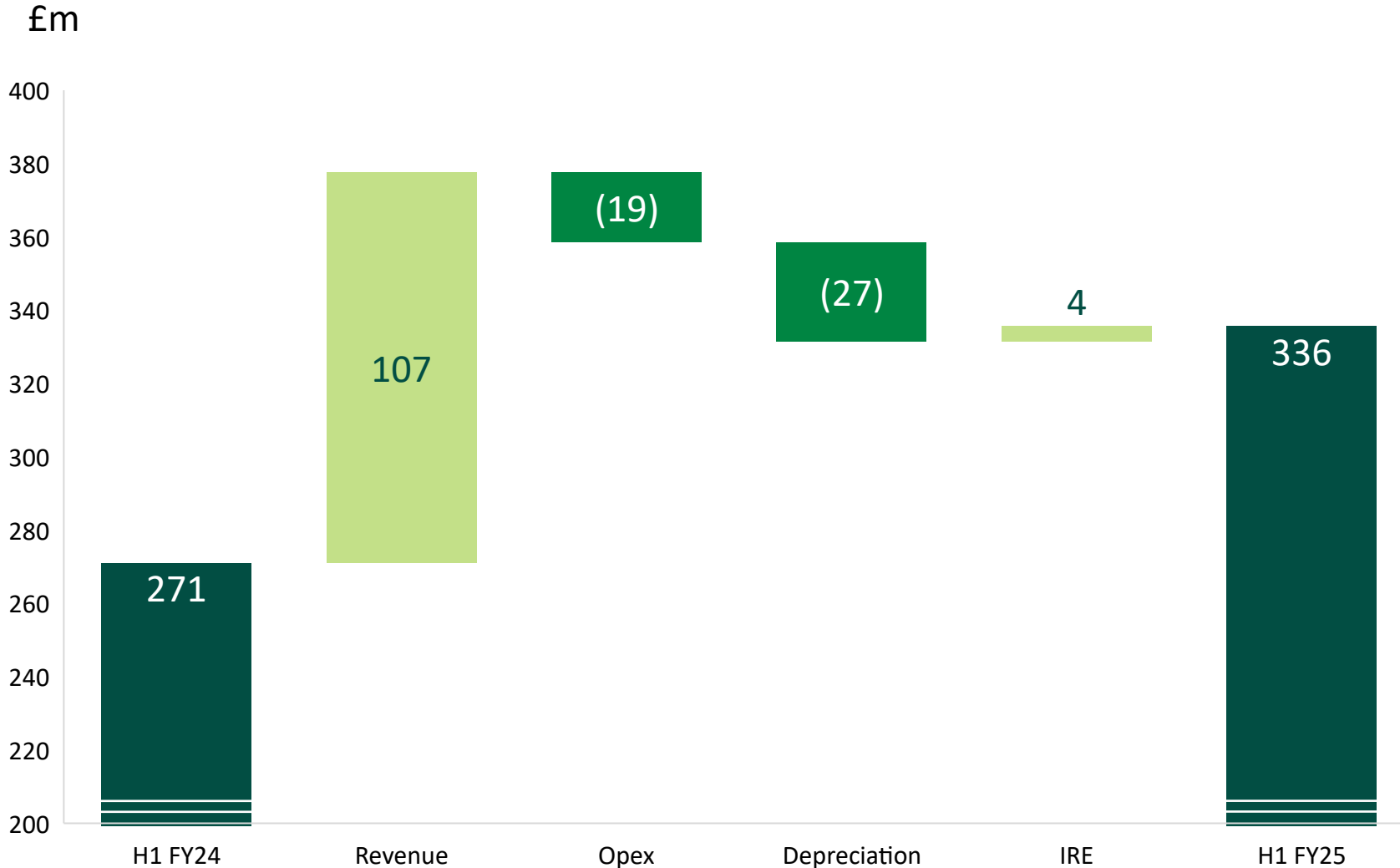
Fitch
A- / stable

Standard & Poor's
BBB+ / negative⁴

1. Based on CPIH of 2.1% at Mar-25
2. Average RoRE performance over AMP7, real RPI/CPIH blended basis
3. Average AMP7 CAGR. Includes the full expected value of AMP7 ex-post adjustment mechanisms as an adjustment to RCV
4. Moody's and S&P placed United Utilities Water and United Utilities PLC on negative outlook in November 24

Underlying operating profit

24% increase in underlying operating profit



Revenue: **£1,082m**

- Revenue cap increase: **£97m**

Underlying opex: **£414m**

- In line with expectations: **+5%**

Depreciation: **£241m**

- Accelerated depreciation: **£10m**

Interest, tax and earnings

Underlying net finance expense

HY24/25: £153m

HY23/24: £180m

Underlying tax

HY24/25: nil

HY23/24: £nil

Underlying profit after tax

HY24/25: £183m

HY23/24: £90m

Inflation charge on index-linked debt of £93m (HY23/24: £183m)

Cash interest of £84m
(HY23/24: £60m)

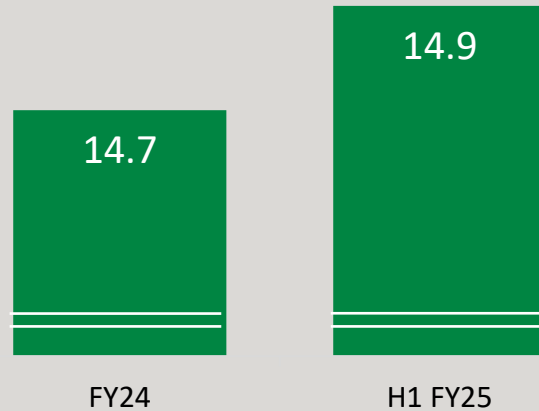
'Full expensing' to continue to provide a **tax benefit** such that we expect a **FY current tax charge of nil**

Underlying EPS of 26.8p

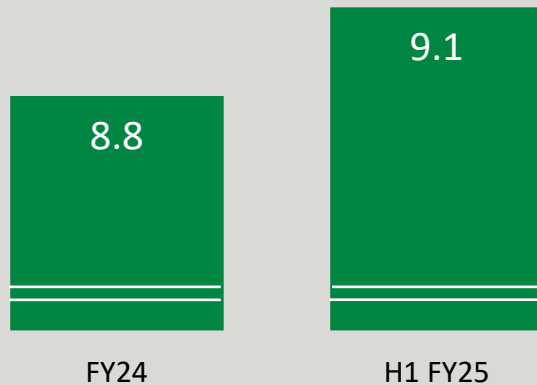
HY23/24: 13.2p

Financial strength

RCV¹ (£bn)



Net debt (£bn)



RCV gearing²

60%

FY24: 59%

Funding raised

c.£830m

AMP8 funding underway

Responsible financing

Fully funded pension scheme

Not subject to unfunded costs

Liquidity

£2.6bn

Sufficient liquidity into FY27

1. Includes the full expected value of AMP7 ex-post adjustment mechanisms as an adjustment to RCV.
2. RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).

Technical guidance 2024/25

	FY24	y-o-y	
Revenue	£1,950m	▲	Revenue expected to increase by c.10%, driven by the inflationary mechanism and the impact of prior period adjustments in respect to consumption
Underlying operating costs (inc. IRE)	£993m	▲	Underlying operating costs expected to increase more than inflation due to business rates, regulatory charges and IRE
Depreciation	£439m	▲	With continued growth in our asset base and accelerated investments ahead of AMP8, depreciation is expected to increase by c.£30-40m
Underlying finance expense	£293m	↔	Expected to be broadly unchanged year-on-year. Every 1% change in inflation gives rise to a c.£47m swing in interest charge
Underlying tax	£7m credit	▲	'Full expensing' expected to continue to provide tax benefits, resulting in no expected current tax charge
Capex	£737m	▲	Expected to be in the range of £950m - £1,100m reflecting additional investment and AMP8 accelerated capital programmes
ODI rewards	£34m	▲	Forecasting to achieve a reward at least in line with FY24
Dividend¹	49.78p	▲	FY25 dividend of 51.87p, in line with policy of growth in line with CPIH

1. Calculated using the November 2023 CPIH annual rate 4.2%

Financial summary

Solid financial result

- Underlying operating profit: £336m (+24%)
- Underlying EPS: 26.8p (+103%)

Funding and liquidity position

- Liquidity of £2.6bn extending out to FY27
- AMP8 funding underway

Financial strength

- RCV gearing of 60%¹
- Fully funded pension scheme

Dividend

- HY24/25 interim dividend: 17.28p
- Inflation-linked dividend

1. RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's shadow (adjusted for actual spend and timing difference) RCV, Including full expected value of AMP7 ex-post adjustment mechanisms.



Louise Beardmore

Chief Executive



Draft Determination overview

High quality plan

meeting 22/26 quality assessments

Significant totex increase

Growing RCV

25yr programme

Customer-led, underpinned by statutory drivers

Efficient base costs

in line with business plan

£2bn enhancement

investment further evidenced in our response



Timeline

**28 August
2024**

UU response to DD

Early 2025

Update dividend
policy

**2 October
2023**

Business plan
submission

**11 July
2024**

Draft
determinations

**Ongoing
dialogue**

with
regulators

**19 December
2024**

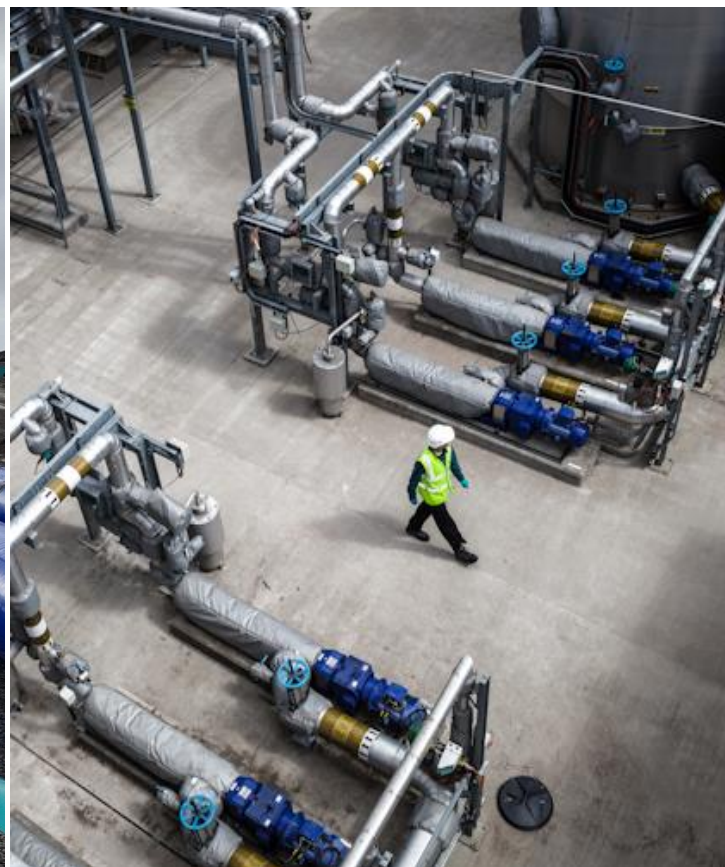
Final
determinations

**April
2025**

Start of
AMP8



Infrastructure delivery and economic growth



Driving growth in our region:

45 delivery partners
already in contract for AMP 8

Working with a further
30 locally-based suppliers

Supporting **30,000 jobs**
across UU and the supply chain

Our plan will contribute
£35 billion of economic value



Tackling spills

Making improvements at over 1,100 sites:



Creating additional storage capacity for storm water collection



Enlarging wastewater treatment works with modular units to reduce spills



Removing groundwater and surface water from entering the sewerage pipes



Creating nature based solutions to improve filtration and treatment



Using AI and predictive analytics to optimise operations



Summary

Performing well
operationally and
financially



Tackling more than
1,100 storm overflows



Comprehensive
response
to the Draft Determination



Financial strength and
flexibility



Already delivering for
AMP8



Supporting customers
through sector-leading
affordability packages



Cautionary statement

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

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

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

Supporting information

1. Underlying income statement
2. Underlying operating costs
3. Profit before tax reconciliation
4. Profit after tax reconciliation
5. Finance expense
6. Finance expense: index-linked debt
7. Derivative analysis
8. Statement of financial position
9. Reconciliation of net debt
10. Financing performance
11. Financing and liquidity
12. Debt structure
13. Term debt maturity profile

Underlying income statement

Six months ended 30 September

£m

	2024	2023	Change (%)
Revenue*	1,082.0	975.4	+10.9%
Operating expenses*	(413.8)	(394.7)	+4.8%
Infrastructure renewals expenditure	(92.0)	(96.2)	-4.4%
EBITDA	576.2	484.5	+18.9%
Depreciation and amortisation	(240.5)	(213.4)	+12.7%
Operating profit	335.7	271.1	+23.8%
Net finance expense	(153.4)	(179.7)	-14.6%
Share of profits/(losses) of joint ventures	0.6	(1.1)	N/A
Profit before tax	182.9	90.3	+102.5%
Tax	-	-	-
Profit after tax	182.9	90.3	+102.5%
Earnings per share (pence)	26.8	13.2	+102.5%
Dividend per ordinary share (pence)	17.28	16.59	+4.2%

* Revenue and operating expenses for the six months to 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in Other income rather than in revenue

Underlying operating costs

Six months ended 30 September £m	2024	2023	Change (%)
Revenue*	1,082.0	975.4	+10.9%
Employee costs	(107.7)	(104.5)	+3.1%
Power	(73.0)	(74.3)	-1.7%
Hired and contracted services	(58.2)	(51.4)	+13.2%
Materials	(69.0)	(67.8)	+1.8%
Property rates	(47.6)	(42.0)	+13.3%
Regulatory fees	(21.0)	(18.9)	+11.1%
Bad debts	(12.3)	(12.6)	-2.4%
Other expenses*	(25.0)	(23.2)	+7.9%
	(413.8)	(394.7)	+4.8%
Infrastructure renewals expenditure (IRE)	(92.0)	(96.2)	-4.4%
Depreciation and amortisation	(240.5)	(213.4)	+12.7%
Total underlying operating expenses	(746.3)	(704.3)	+6.0%
Underlying operating profit	335.7	271.1	+23.8%

* Revenue and other expenses for the six months to 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in Other income rather than in revenue

Profit before tax reconciliation

Six months ended 30 September	2024	2023
£m		
Reported operating profit	333.4	240.6
Net finance expense	(193.4)	(79.5)
Share of profits/(losses) of joint ventures	0.6	(1.1)
Reported profit before tax	140.6	160.0
<u>Adjustments:</u>		
Fleetwood outfall pipe fracture	2.3	30.5
Fair value losses/(gains) on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	40.0	(100.2)
Underlying profit before tax	182.9	90.3

Profit after tax reconciliation

Six months ended 30 September	2024	2023
£m		
Reported profit after tax	103.1	116.8
<u>Adjustments:</u>		
Fleetwood outfall pipe fracture	2.3	30.5
Fair value losses/(gains) on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	40.0	(100.2)
Deferred tax adjustment	37.5	43.2
Underlying profit after tax	182.9	90.3
Basic earnings per share (pence)	15.1	17.1
Underlying earnings per share (pence)	26.8	13.2

Finance expense

Six months ended 30 September

£m

	2024	2023
Investment income	51.7	40.4
Finance expense	(245.1)	(119.9)
	(193.4)	(79.5)
Fair value losses/(gains) on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	40.0	(100.2)
Underlying net finance expense	(153.4)	(179.7)
Adjustment for net pension interest income	(6.4)	(14.2)
Adjustment for capitalised borrowing costs	(31.0)	(55.8)
Effective net finance expense	(190.8)	(249.7)
Average notional net debt	8,886	8,351
Average effective interest rate	4.3%	6.0%
Effective interest rate on index-linked debt	4.6%	8.0%
Effective interest rate on other debt	3.9%	3.4%

Finance expense: index-linked debt

Six months ended 30 September	2024	2023
£m		
Interest on index-linked debt	(28.8)	(28.2)
RPI adjustment (£2.4bn debt at Mar-24/2.5% indexation charge for the six months to Sep-24; £2.3bn debt at Mar-23/3.9% indexation charge for the six months to Sep-23) – 3 month lag ¹	(60.0)	(91.5)
CPI adjustment (£1.3bn debt at Mar-24/1.7% indexation charge for the six months to Sep-24; £1.1bn debt at Mar-23/3.6% indexation charge for the six months to Sep-23) – 3 month lag ²	(23.0)	(44.7)
RPI adjustment (£0.9bn debt at Mar-24/1.0% indexation charge for the six months to Sep-24; £0.8bn debt at Mar-23/5.0% indexation charge for the six months to Sep-23) – 8 month lag ³	(10.4)	(46.8)
Finance expense on index-linked debt⁴	(122.2)	(211.2)
Interest on other debt (including fair value option debt and derivatives)	(68.6)	(38.5)
Effective net finance expense	(190.8)	(249.7)

¹ Affected by movement in RPI between January 2024 and July 2024

² Affected by movement in CPI between January 2024 and July 2024

³ Affected by movement in RPI between July 2023 and January 2024

⁴ Adjusted to overlay the impact of inflation swaps

Derivative analysis

Six months ended 30 September

£m

	2024	2023
Derivatives hedging debt	(43.6)	(112.4)
Derivatives – total accretion on inflation-linked swaps	(122.1)	(108.4)
Derivatives – fixing future real interest rates through inflation-linked swaps	124.1	148.6
Derivatives – hedging future nominal interest rates	136.4	255.7
Derivatives – hedging commodity prices	(30.2)	(0.3)
Net derivative asset position	64.6	183.2

- Derivatives hedging debt; hedge our non index-linked debt into sterling, floating interest rate debt. Typically these are designated in fair value hedge accounting relationships.
- Derivatives hedging interest rates; the majority fix our sterling interest rate exposure on a 10-year rolling average basis.
- A portion of derivatives fix future real interest rates through inflation-linked swaps.
- Derivatives hedging commodity prices; fix a proportion of our future electricity prices in line with our policy. These are in addition to prices fixed in the physical market with power purchase agreement which are not subject to fair value measurement.
- Derivatives hedging specific debt instruments are included within net debt to eliminate, to a certain extent, the fair value recognised in borrowings and thereby present a more representative net debt figure.
- Further details of our group hedging strategy can be found in the Group financial statements.

Statement of financial position

At £m	30 Sep 2024	31 Mar 2024	Change (%)
Property, plant and equipment	13,383.3	13,044.3	+2.6%
Retirement benefit surplus	284.2	268.0	+6.0%
Other non-current assets	201.2	210.6	-4.5%
Cash and bank deposits	1,813.1	1,399.3	+29.6%
Other current assets	440.9	348.4	+26.5%
Total derivative assets	334.1	382.8	-12.7%
Total assets	16,456.8	15,653.4	+5.1%
Gross borrowings	(10,697.9)	(10,001.4)	+7.0%
Other non-current liabilities	(2,997.0)	(2,888.5)	+3.8%
Other current liabilities	(554.0)	(426.8)	+29.8%
Total derivative liabilities	(269.5)	(280.6)	-4.0%
Total liabilities	(14,518.4)	(13,597.3)	+6.8%
TOTAL NET ASSETS	1,938.4	2,056.1	-5.7%
Share capital	499.8	499.8	-
Share premium	2.9	2.9	-
Retained earnings	1,122.3	1,242.3	-9.7%
Other reserves	313.4	311.1	+0.7%
SHAREHOLDERS' EQUITY	1,938.4	2,056.1	-5.7%
ADJUSTED NET DEBT¹	(8,978.1)	(8,689.0)	+3.3%

¹Net debt reconciliation can be found on the next slide

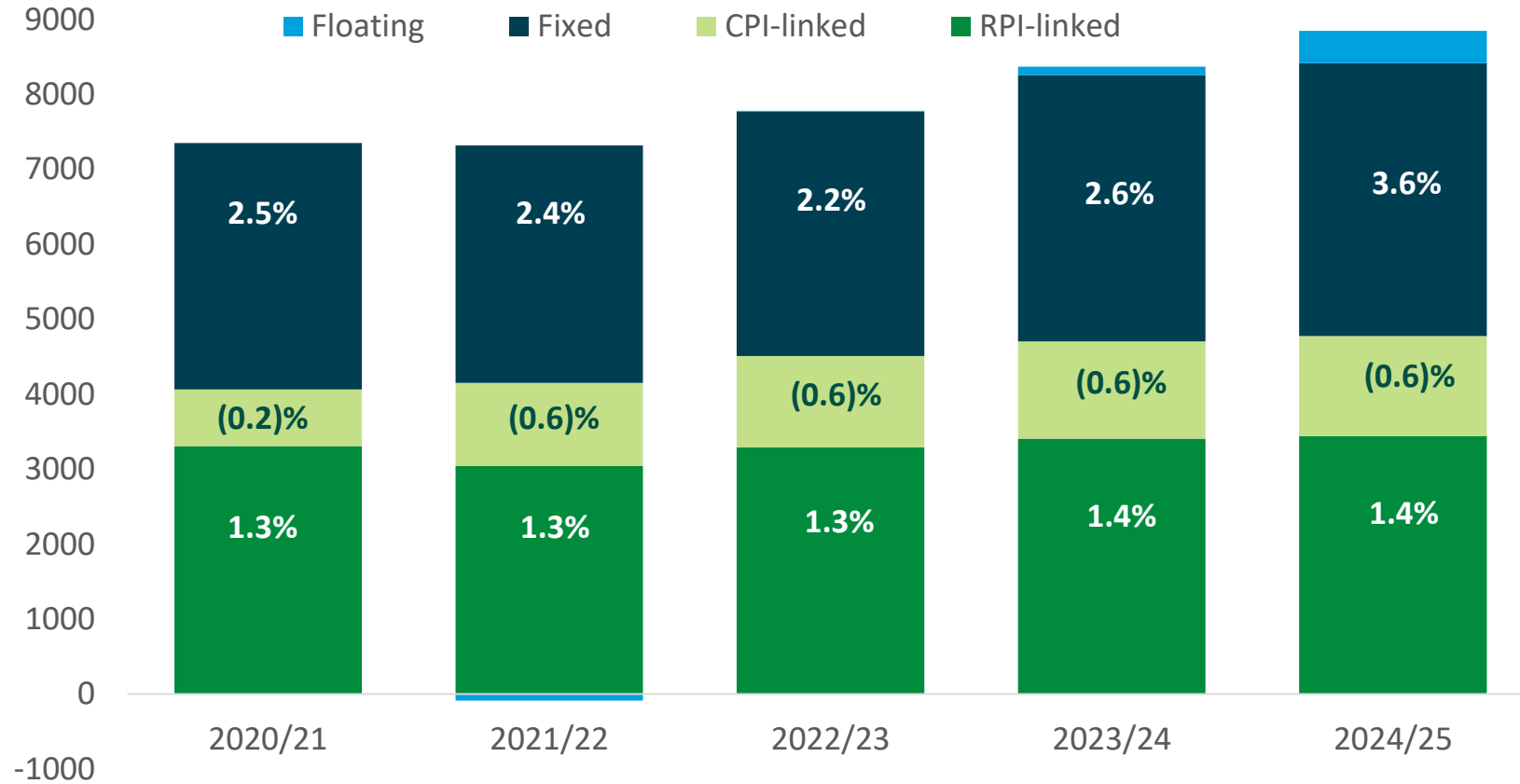
Reconciliation of net debt

At £m	30 Sep 2024	31 Mar 2024
Cash and bank deposits	(1,813.1)	(1,399.3)
Total derivative assets	(334.1)	(382.8)
Gross borrowings	10,697.9	10,001.4
Total derivative liabilities	269.5	280.6
Balance sheet net debt	8,820.2	8,499.9
Exclude:		
<i>The fair value impact of:</i>		
Interest rate derivatives fixing future nominal interest rates	136.4	123.8
Inflation derivatives fixing future real interest rates	124.1	173.8
Electricity derivatives fixing future electricity costs	(30.2)	(34.8)
Include:		
Loan receivable from JV	(72.4)	(73.7)
Adjusted net debt	8,978.1	8,689.0

Adjusted net debt includes the loan receivable from our JV, Water Plus, and excludes the impact of derivatives that are not hedging specific debt instruments to provide a fairer reflection of the net debt amount the group is contractually obliged to repay. This includes deducting the fair value of derivatives fixing future real interest rates through inflation-linked swaps but adding back the cumulative indexation accretion on these swaps that will be paid at the end date of the swaps. This approach is more consistent with that taken by credit rating agencies, and better reflects the regulatory economics relating to the group's treasury activities.

Financing performance

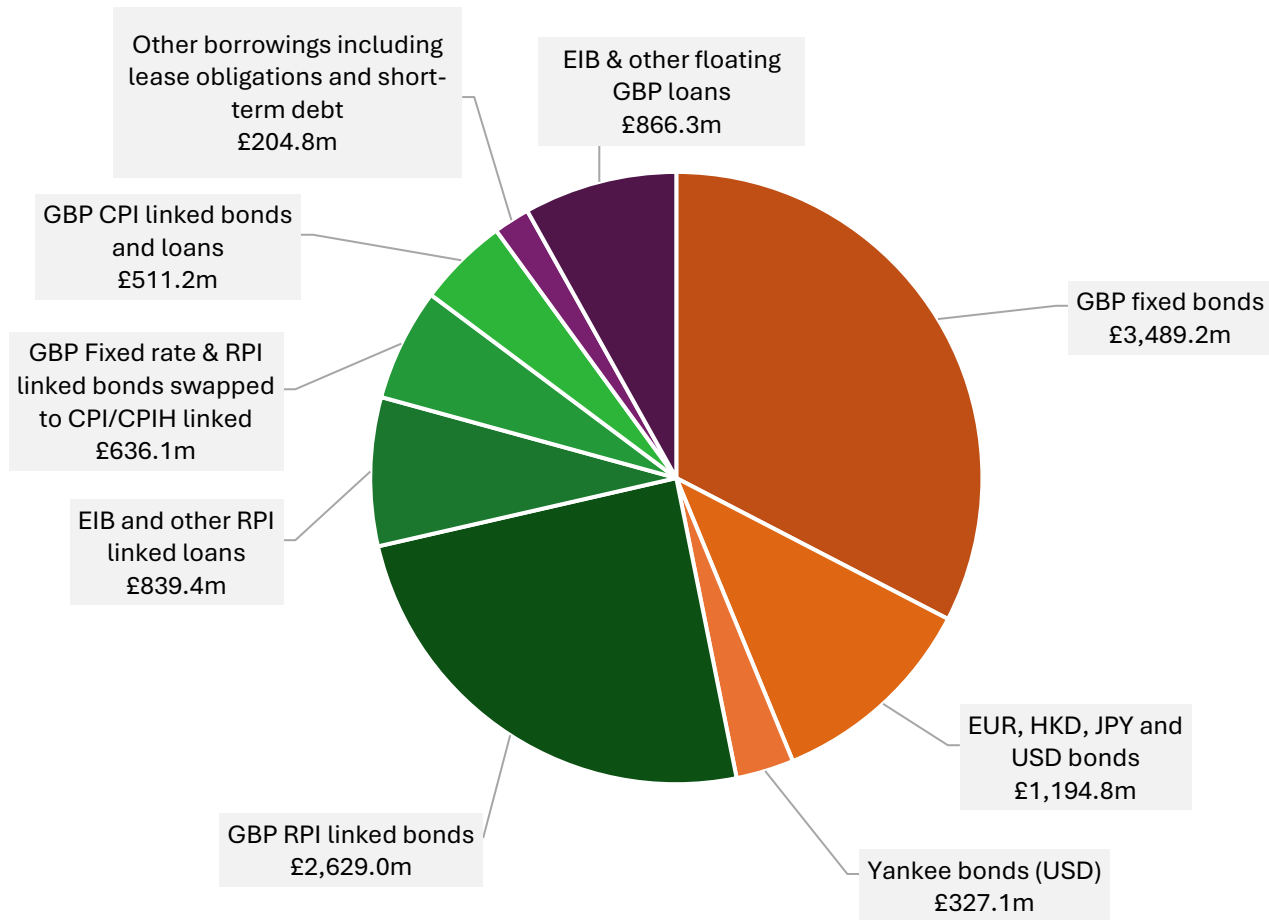
Existing debt locked in at rates favourable to the AMP7 allowed cost of embedded debt



The rates shown are real rates for the index-linked debt and nominal rates for the fixed rate debt. Floating rate debt will be progressively fixed in line with 10 year reducing balance hedging policy.

Financing and liquidity at 30 September 2024

Gross debt = £10.7bn

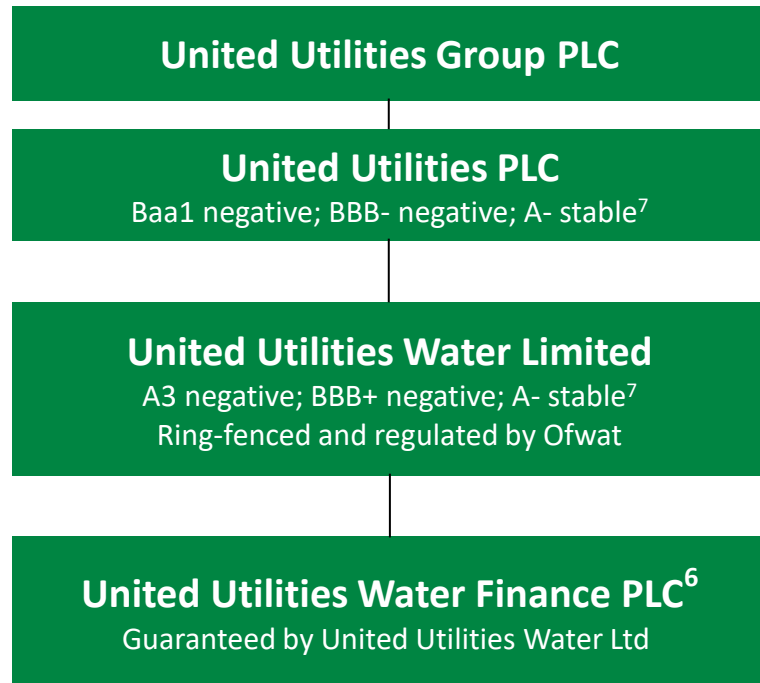


Liquidity = £2.6bn

	£m
Cash and short-term deposits ¹	1,813.1
Medium-term committed bank facilities	800.0
Spot liquidity at 30 September 2024	2,613.1

¹ Excludes £106.3m swapped proceeds from NOK1.5bn Notes due 2035 issued on 3 Oct 2024

Debt structure at 30 September 2024



Yankees:

- \$400m in 28s on-lent at issue to UU Water

Euro MTNs:

- £300m in 27s
- £50m in 32s¹
- £200m in 35s
- £100m in 35s¹
- £35m in 37s¹
- £70m in 39s¹
- £100m in 40s¹
- £50m in 41s¹
- £100m in 42s¹
- £20m in 43s¹
- £50m in 46s¹
- £50m in 49s¹
- £510m in 56s¹
- £150m in 57s¹

Other debt:

- EIB RPI-linked loans £346m¹
- Other RPI-linked loans £200m¹
- CPI-linked loans £100m²
- Other EIB loans £382m
- Short-term loans £38m
- ¥10bn dual currency loan
- Other sterling loans £509m

Euro MTNs:

- £340m in 25s
- £25m in 25s¹
- HK\$320m in 26s
- HK\$739m in 26s
- €52m in 27s
- HK\$830m in 27s
- £20m in 28s¹
- £100m in 28s
- £300m in 29s²
- £35m in 30s¹
- ¥11bn in 30s
- €30m in 30s
- €425m in 31s⁴
- €30m in 31s
- HK\$600m in 31s
- US\$35m in 31s
- £38m in 31s³
- £20m in 31s²
- €28m in 32s
- €26m in 32s
- €30m in 33s
- £350m in 33s⁵
- €825m in 34s
- £400m in 36s
- £27m in 36s³
- £29m in 36s³
- £20m in 36s²
- £60m in 37s²
- ¥8.5bn in 37s
- £400m in 38s
- £300m in 38s
- £125m in 40s²
- £300m in 42s
- £400m in 46s
- £32m in 48s²
- £350m in 51s
- £33m in 57s²

¹ RPI linked finance

² CPI linked finance / fixed rate finance subsequently swapped to CPI linked

³ RPI linked finance subsequently swapped to CPI linked

⁴ £100m and £75m fixed rate tranches of this bond have been swapped to CPI linked

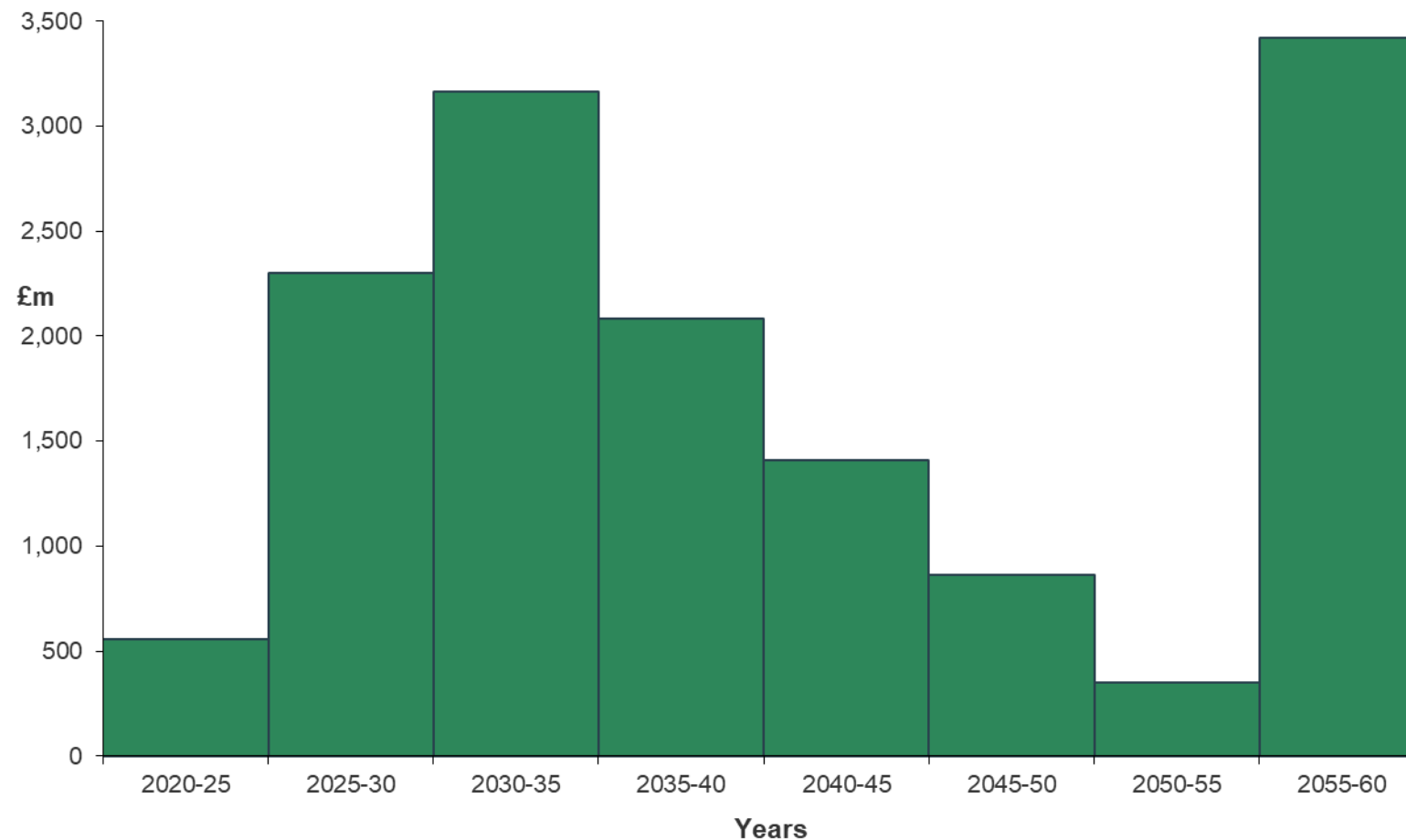
⁵ Two £50m fixed rate tranches of this bond have been swapped to CPI/CPIH linked

⁶ United Utilities Water Finance PLC (UUWF) is a financing subsidiary of United Utilities Water Limited (UUW) established to issue new listed debt on behalf of UUW. Notes issued by UUWF are unconditionally and irrevocably guaranteed by UUW and are rated in line with UUW's credit ratings

⁷ Senior unsecured debt ratings published by Moody's; Standard & Poor's; Fitch respectively

Term debt maturity profile as at 30 September 2024¹

Average term to maturity of approximately 16 years



¹ Future repayments of index-linked debt include RPI/CPI/CPIH market derived forecasts out to 2028, subsequently transitioning to an average annual RPI rate of 3% and an average annual CPI/CPIH rate of 2%