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United Utilities Water Ltd.

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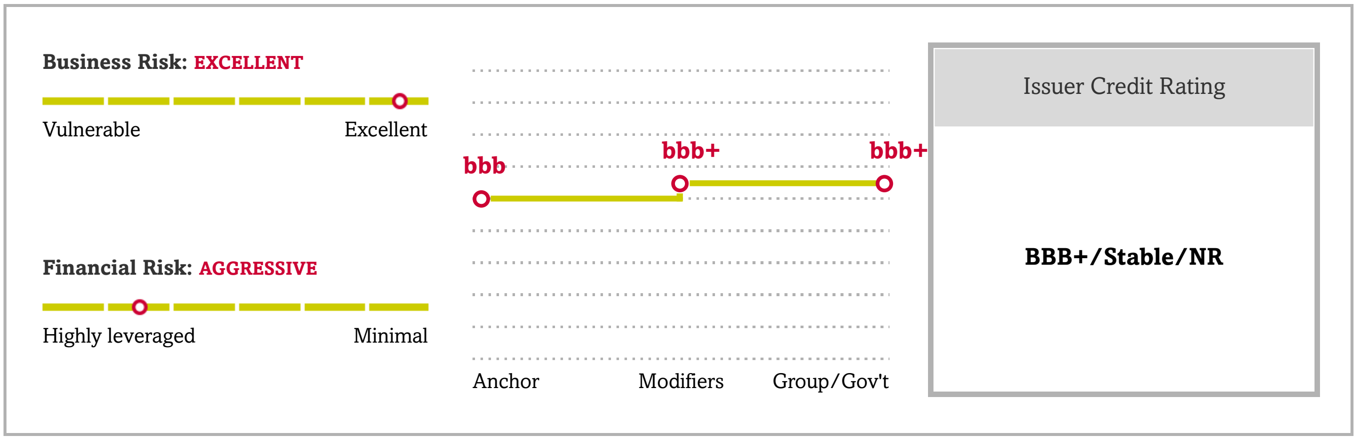
United Utilities Water Ltd.

*(**Editor's Note:** On Jan. 26, 2024, we republished this full analysis report to reflect the United Utilities Water Finance senior unsecured issue rating guaranteed by United Utilities Water Ltd. at 'BBB+', rather than the senior unsecured issue rating guaranteed by United Utilities PLC at 'BBB-'.)*



Credit Highlights

Overview

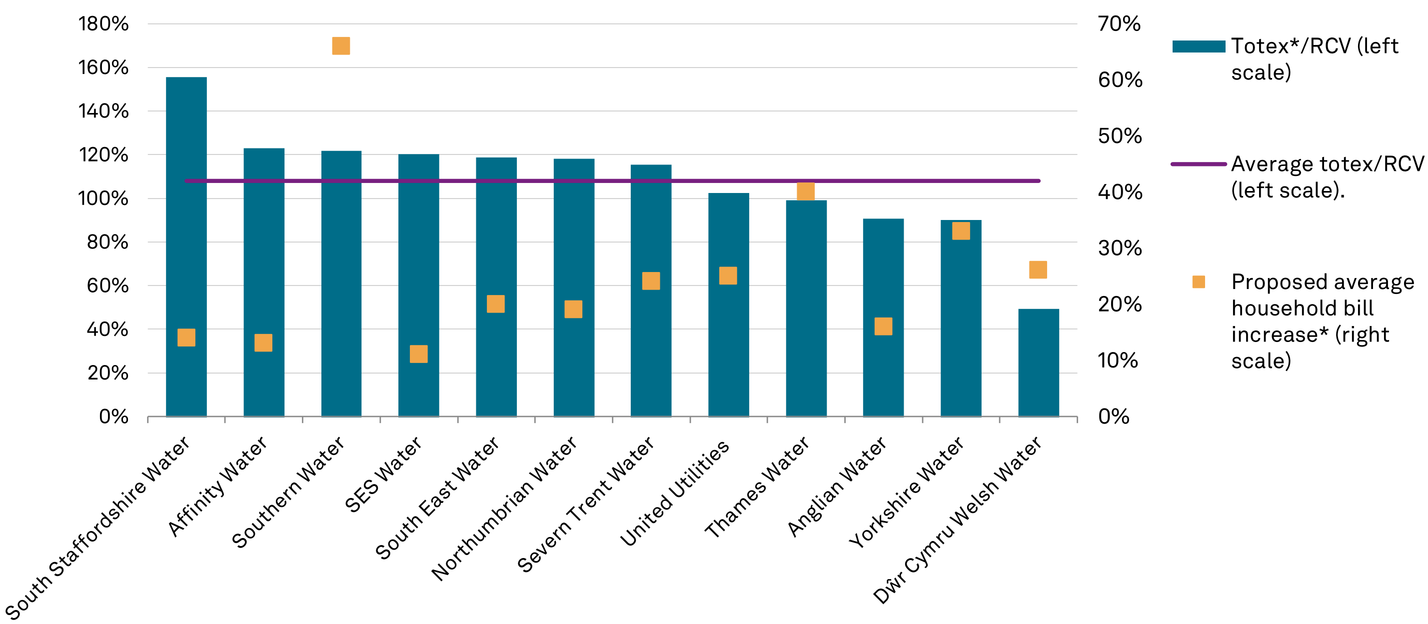
Key strengths	Key risks
EBITDA of £860 million, mostly from low-risk regulated water and wastewater monopoly activities in northwest England.	Regulatory reset in 2025 for the next five-year regulatory period (AMP 8).
Transparent, credit-supportive regulatory framework, resulting in financial stability during regulatory periods.	Major investment to secure long-term regional resilience, leading to negative cash flow and a moderate increase in debt.
Lower leverage than most regulated peers, with a debt-to-regulatory-capital value of about 58%.	Negative outlook bias for the regulated water sector due to sizable investments during the next regulatory period amid higher interest rates, regulatory uncertainty, and continued high energy costs.
Strong operational performance for the AMP7 regulatory period.	

United Utilities PLC (UU) reported solid first-half results. The increase in EBITDA to £484 million (£465 million) mostly reflected a significant increase in revenue. Capital expenditure (capex) was up 10% to £357 million (£323 million), based on a ramp-up in investment for UU ahead of its large capex program during the next regulatory period, as well as its green recovery investments. S&P Global Ratings still expects full-year results in line with its previous forecasts, albeit with slightly higher revenue and operating costs. The company has guided an outcome delivery incentive (ODI) reward of about £50 million for the year, which is double of the previous year.

Following the intense pressure on the sector to improve water quality and reduce its environmental impact, business plans indicate that the water sector aims to increase investments significantly to £96 billion by March 2030. This is nearly double the allowed total expenditure (totex) of £51 billion for 2020-2025 and exceeds the combined regulatory capital value of the sector today (£94 billion as of March 2023). The regulatory framework allows for utilities to recoup this expenditure via consumer bills. As a result, proposed bill increases over the five-year period ending in March 2030 are sizable, ranging from 10.5% for SES Water to 66% for Southern Water, excluding inflation. This stands in stark contrast to the previous two price control periods when the focus was on customer bill reduction. Although UU has the second-largest totex plan for the next regulatory period, it falls slightly below the sector average when comparing the totex to regulatory capital value (RCV). Its proposed bill increase of 25% falls right in line with the sector average.

Chart 1

Totex/RCV versus bill increases



*Over 2025-2030. RCV--Regulatory capital value. Totex--Total expenditure. Source: S&P Global Ratings.

United Utilities Water (UUW) is planning to spend £13.7 billion during the next five-year regulatory period commencing in April 2025. If approved by the regulator this will lead to a 8.7% RCV compound annual growth rate (CAGR), up from 4%-5% in the previous period. The company plans to make this investment while maintaining one of the sector's lowest regulatory gearing levels because bill increases will finance a majority of the spending. The proposed increase over the five-year period is 25%, which is slightly below the 31% average of rated water and sewerage companies. UUW will finance a majority of the plan through bill increases, with the rest through a combination of new debt and equity into the water company. The plan includes the companies' largest combined sewers overflow (CSO) spill reduction program and aims for a 60% reduction, delivering a 25% reduction in leakage as well as a affordability package in order to help about 17% of all customers. All of this is expected to create 7,000 new jobs in Northwest England.

Operating performance was strong in fiscal 2023. UU delivered 83% of its ODI performance commitments for the year, leading to an approximately £25 million ODI reward for the year. The company continues to target total net ODI reward of about £200 million for the whole of AMP7. The company recorded its best performance to date on leakage performance commitment, a 39% reduction in reported activations from storm overflows compared with the 2020 baseline. It also remains the sector leader in reducing serious pollution incidents, being the only one to record achieve zero incidents in consecutive years. Internal sewer flooding also fell 46% during the current regulatory period and showed best water quality performance, posting 26% improvement in water quality contacts.

We expect financial metrics will remain depressed in fiscal 2024 (year ending March 31). However, we expect to see a return to metrics commensurate with our 'BBB+' rating by fiscal 2025, including funds from operations (FFO) to debt above 9%. We expect that as inflationary pressures recede, financial metrics will strengthen relatively quickly. Power prices, which UU has 90% hedged for in fiscal 2024, have decreased and chemical prices normalized, two major factors affecting margins. Associated noncash debt indexation costs will also decline in line with inflation, which will boost the group's FFO.

The U.K. regulated water sector shows lingering effects from the energy crisis. It faces tough operating conditions until the current regulatory period ends in March 2025, with high inflation pushing up operating costs and substantial reliance on inflation-linked funding leading to higher financing expense. We indicated this in our rating actions at the end of 2022, implying a negative outlook bias for the regulated water sector. Although pressure on credit metrics should gradually ease as inflation normalizes and feeds through to bills, we do not expect them to recover to levels commensurate with our ratings benchmarks until close to March 2025, when the current regulatory period ends. In addition, given the sector's high investment requirements, free operating cash flow is likely to be constrained over the next three years.

The regulator, Ofwat, confirmed its decision to allow 33 infrastructure schemes, totaling £2.2 billion, with work beginning in the next two financial years. UUW will invest a potential £1.5 billion to deliver four schemes to improve river water quality and reduce harm from storm overflows, the highest investment among the 11 U.K. water companies that are part of this scheme. The company will accelerate about £1.4 billion investment for three separately identified storm overflow improvement programs. Of this, about £200 million is expected in the current 2020-2025 regulatory period.

Fines could result from noncompliance at wastewater treatment works (WWTW). The Environment Agency (EA) is investigating more than 2,200 WWTW that discharge into English waters. This relates to all water and sewage companies. The latest update in November 2023 indicated that the EA has conducted multiple site visits at all water companies and the investigation is ongoing. The investigation's timing is unclear, but could lead to substantial fines.

Outlook: Stable

The stable outlook on UU reflects our expectation that the group's strong operating performance will continue, while maintaining debt to EBITDA below 9x. Although we expect FFO to debt to be below the ratings threshold for the next two years, we expect it will recover to above 9% by fiscal 2025. The stable outlook also assumes no political or regulatory interference that could prevent UUW from passing on inflation to customers.

Downside scenario

We could lower the ratings on UU and UUW if FFO to debt does not seem likely to recover to above 9%, the level we view as commensurate with the ratings, by March 2025. We could also take a negative rating action if debt to EBITDA increases above 9x. This could happen if inflation has a worse-than-forecast impact on credit metrics, through higher inputs or financing costs. We could further lower the ratings if UUW's operational performance deteriorates significantly, thereby reducing "outcome delivery incentives" rewards, or if we consider the regulatory outcome for UUW for the next regulatory period, AMP8, will lead to less favorable operating conditions.

Upside scenario

We see limited ratings upside before the end of AMP7 (ending March 31, 2025), given that we expect credit metrics to be below target for fiscal years 2023 and 2024, and that the group faces inflationary pressures while it delivers a significant capital program during the rest of AMP7. However, we would consider raising the ratings if adjusted FFO to debt exceeded 11% and debt to EBITDA stayed sustainably below 7x, while the group continued to demonstrate above-average operating performance.

Our Base-Case Scenario

Assumptions

Assumptions over the rest of AMP7 (2024-2025) include the following:

- The retail prices index (RPI) and consumer price index (CPI) and CPI including owner occupiers' housing costs (CPIH) inflation as per our in-house projections. We forecast average RPI inflation in the U.K. of 5.3% for fiscal 2024, 3.6% for fiscal 2025, and 2.6% for fiscal 2026. We forecast average CPI inflation of 3.2% for the year ending March 31, 2024, 2.8% for the year ending March 31, 2025, and 1.9% for the year ending March 31, 2026.
- Revenue growth in line with regulatory assumptions and the ability to entirely pass through CPIH inflation for the 12 months to November 2023 via bills increase in April 2024.
- EBITDA margins of 49.0%-54.5% for the remainder of AMP7.
- £765 million of investment above its PR19 regulatory settlement, as well as about £200 million of accelerated investments.
- Capex net of grants and contributions received of £750 million-£830 million a year in 2024 and 2025.
- The group's gearing remaining among the lowest in the sector, at 55%-65%.
- Dividends to increase by CPIH annually.
- Total ODI rewards of £200 million over AMP7.

Key metrics

United Utilities PLC--Forecast summary

Industry sector: Water						
	--Fiscal year ended March 31--					
(Mil. £)	**2020a**	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**
EBITDA	1,126	1,034	1,024	860	950-1,000	1,150-1,200
Funds from operations (FFO)	820	795	637	229	630-650	750-800
Capital expenditure (capex)	645	639	627	689	690-740	500-600
Dividends	285	292	296	301	310-330	320-360
Debt	7,241	7,285	7,556	8,182	8,000-8,200	8,000-8,200
Adjusted ratios						
Debt/EBITDA (x)	6.4	7.0	7.4	9.5	8-9	6.5-7.5
FFO/debt (%)	11.3	10.9	8.4	2.8	7.5-8.5	9-10
DCF/debt (%)	(1.6)	(0.9)	0.1	(2.6)	(4)-(3)	0-1

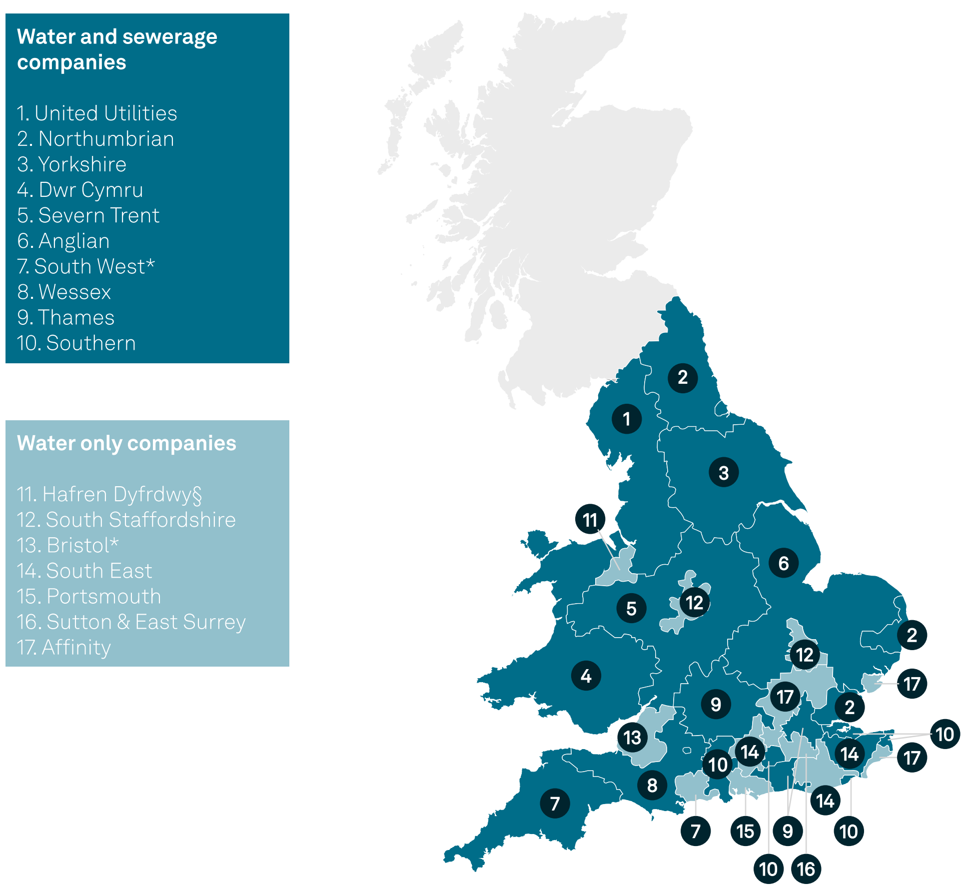
All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast.

Company Description

With a regulatory capital value of £14 billion as of March 31, 2023, UUW is the second-largest water and sewerage company in the U.K. after Thames Water. Its parent, UU, is listed on the London Stock Exchange. It is a monopoly supplier of water and wastewater services to about 3 million households and 200,000 businesses in northwest England and generates annual EBITDA of about £1 billion. UU has a joint venture with Severn Trent to operate in the competitive nonhousehold retail business segment. It has minimal unregulated activity.

Chart 1

England and Wales water supply areas of operation and key players



*Part of Pennon Group. §Part of Severn Trent PLC. Source: Ofwat.

Peer Comparison

Table 1

United Utilities Water Ltd.--Peer comparison

Industry sector: Water

	United Utilities Water Ltd.	Severn Trent Water Ltd.	Thames Water Utilities Finance PLC	Anglian Water Services Financing PLC	Northumbrian Water Ltd.
Ratings as of Dec. 21, 2023	BBB+/Stable/--	BBB+/Stable/A-2	NR	NR	BBB/Stable/--

Table 1

United Utilities Water Ltd.--Peer comparison (cont.)

Industry sector: Water

	United Utilities Water Ltd.	Severn Trent Water Ltd.	Thames Water Utilities Finance PLC	Anglian Water Services Financing PLC	Northumbrian Water Ltd.
	--Fiscal year ended March 31, 2023--				
(Mil. £)					
Revenue	1,824.4	2,165.1	2,180.7	1,388.9	899.9
EBITDA	860.0	929.4	957.9	664.5	365.5
Funds from operations (FFO)	228.9	509.0	(478.2)	(139.9)	99.7
Interest expense	649.6	423.4	912.8	776.4	277.7
Cash interest paid	118.2	209.0	240.1	243.0	124.7
Cash flow from operations	787.5	505.6	942.0	395.5	200.2
Capital expenditure	688.9	699.5	1,390.2	535.2	257.0
Free operating cash flow (FOCF)	98.6	(193.9)	(448.2)	(139.7)	(56.8)
Dividends paid	301.2	261.3	45.2	169.0	105.8
Discretionary cash flow (DCF)	(209.4)	(457.0)	(493.4)	(308.7)	(162.6)
Gross available cash	340.4	15.8	1,829.3	633.1	218.8
Debt	8,182.0	7,539.2	14,924.4	6,446.3	3,737.9
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	2,508.7	970.6	1,825.1	2,306.2	231.0
Debt and equity	10,690.7	8,509.8	16,749.5	8,752.5	3,968.9
Regulatory asset base	N/A	N/A	18,945.0	N/A	N/A
Adjusted ratios					
EBITDA margin (%)	47.1	42.9	43.9	47.8	40.6
Return on capital (%)	4.2	6.2	1.8	3.8	5.5
EBITDA interest coverage (x)	1.3	2.2	1.0	0.9	1.3
FFO cash interest coverage (x)	2.9	3.4	(1.0)	0.4	1.8
Debt/EBITDA (x)	9.5	8.1	15.6	9.7	10.2
FFO/debt (%)	2.8	6.8	(3.2)	(2.2)	2.7
Cash flow from operations/debt (%)	9.6	6.7	6.3	6.1	5.4
FOCF/debt (%)	1.2	(2.6)	(3.0)	(2.2)	(1.5)
DCF/debt (%)	(2.6)	(6.1)	(3.3)	(4.8)	(4.4)
Return on common equity (%)	7.5	11.8	(13.4)	9.8	(12.2)
Common dividend payout ratio, unadjusted (%)	147.0	197.7	(150.2)	63.0	(387.5)

N/A--Not applicable. NR--Not rated.

Business Risk: Excellent

The regulatory framework in which UU operates is strong. UUW's excellent business risk profile primarily reflects the strong regulatory framework and low risk associated with the company's regulated water and wastewater businesses, which contribute almost all consolidated EBITDA. We view the regulatory framework for the water sector in England and Wales as benefiting credit (see "Why We See The Regulatory Frameworks For U.K. Utilities As Supportive," published Sept. 26. 2017, on RatingsDirect), with revenue set prospectively for periods of five years, ensuring transparency and predictability of earnings and cash flow. Given the company's status as a natural monopoly within its service areas, regulation protects end-consumers.

Operational performance has improved during AMP7 with strong results. In the regulatory year ended March 2023, UU met most of its regulatory targets. However, in the most recent annual assessment (2022) from the Environment Agency (EA), UU was awarded 3 stars instead of the maximum four (which it was awarded in 2021). UU did not achieve the top rating due to its amber performance status for the discharge permit compliance, which is considered a core metric. The 4-star rating means the EA classified the UU as an industry-leading company. UU performed better than target on five of six parameters and was below target on self-reported pollution incidents. With the companies half-year results, UU stated it is on track to achieve a 4-star rating in 2023.

To address the challenges, shareholders have contributed £250 million of outperformance during AMP7 to enhance its performance in AMP8, through for example resilience programs to help improve the company's environmental outcomes and get an early start on implementation the Government's new Environment Act. This additional investment will support operating performance, and has placed UU in a good position. In addition, AMP7 totex plans increased by £250 million to accelerate the companies' digital transformation and expand their environmental program. Overall, we expect UU will continue to improve its solid operating performance into the next regulatory period. The company has reduced leakage in its network through innovative methods such as artificial intelligence, mobile sensors, sniffer dogs, satellites, a customer leak find app, and acoustic leak sensors.

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Financial Risk: Aggressive

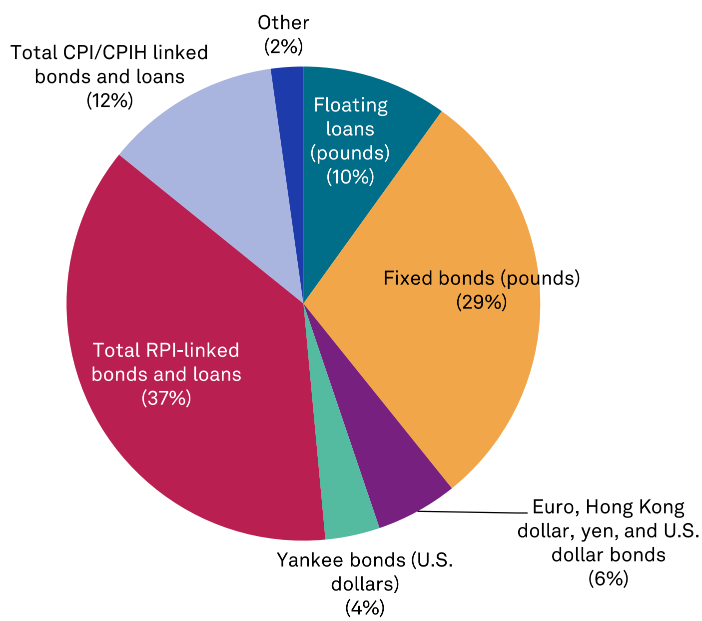
UU's revenue and EBITDA declined following inflation-timing differences between revenue and costs along with lower volumes and margins. Margins were depressed by a significant increase in the prices of power, chemicals, and labor costs. In combination with the debt increase of about 8%, driven by high inflation, this means that the company's FFO to debt, at 2.8%, is below our threshold of 9%. Nevertheless, due to the cost-of-debt outperformance and the inflationary impact, UU's RoRE is its highest ever, at 11.0%. Despite the nominal increase in debt, inflation has helped slightly reduce regulatory gearing to 58%, from 59% at the end of 2022, via an increase in regulated capital. Dividends are also in line with policy as the recommended final dividend of 30.34 pence per share, bringing the full-year dividend to 45.51 pence.

We believe that, like the rest of the sector, UUW will operate under tougher conditions in the remainder of AMP7 that will ultimately weaken its credit metrics. Specifically, we forecast FFO to debt will have dropped to below 9%-10% from 11%-12% during most of AMP6.

High inflation led to an increase in noncash accreditation costs. The company has a balanced split of debt between fixed- and index-linked, and a small portion of floating-rate debt.

Chart 2

Gross debt split

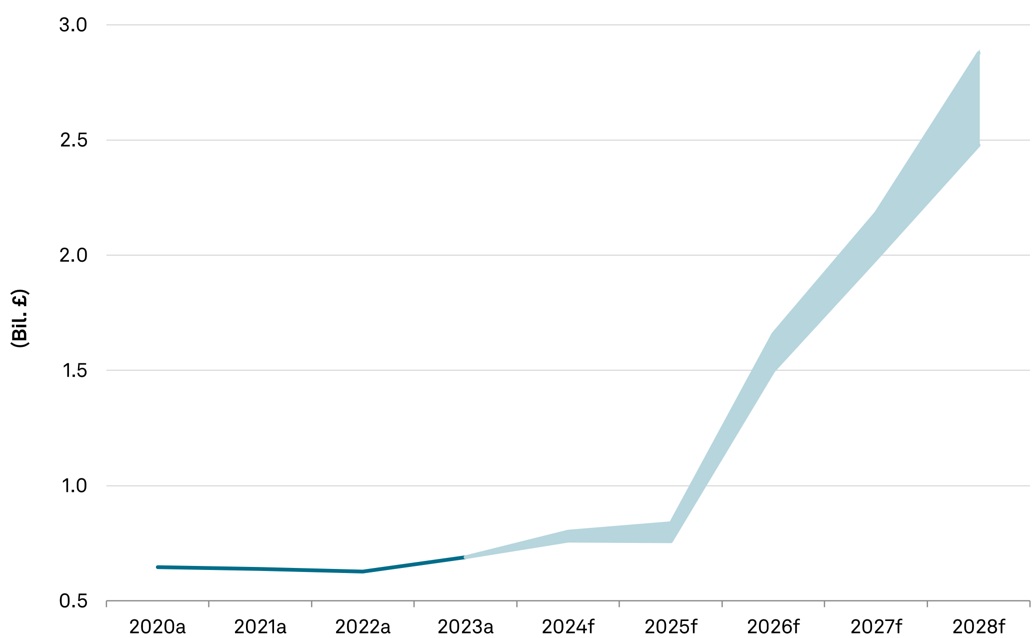


Source: Company data.

We expect capex will continue to increase over the rest of the regulatory period, to £750 million-£830 million a year over the next two years from about £689 million for 2023. The group's dividend policy for AMP7 states that dividends will increase in line with CPIH each year. We expect growth will be about 2%, which is lower than in AMP6, given the decision to shift to CPIH from RPI. Although UUW's RCV will decline in real terms by the end of AMP7, we expect the group's gearing to remain at our 55%-65% target range for the rating.

Chart 3

United Utilities Water Ltd. capital expenditure evolution



a--Actual. f--Forecast. Source. S&P Global Ratings

Financial summary

Table 2

United Utilities PLC -- Financial Summary

Industry Sector: Water

	--Fiscal year ended Mar. 31--				
	2023	**2022**	**2021**	**2020**	**2019**
(Mil. £)					
Revenue	1,824.4	1,862.7	1,808.0	1,859.3	1,818.5
EBITDA	860.0	1,023.6	1,034.1	1,125.8	1,040.3
Funds from operations (FFO)	228.9	636.6	795.0	820.4	769.3
Interest expense	649.6	378.5	189.3	256.3	240.9
Cash interest paid	118.2	121.9	136.7	149.4	145.1
Cash flow from operations	787.5	934.4	865.8	815.2	835.5
Capital expenditure	688.9	626.7	639.0	645.3	627.0

Table 2

United Utilities PLC -- Financial Summary (cont.)

Industry Sector: Water

	--Fiscal year ended Mar. 31--				
	2023	**2022**	**2021**	**2020**	**2019**
Free operating cash flow (FOCF)	98.6	307.7	226.8	169.9	208.5
Discretionary cash flow (DCF)	(209.4)	6.1	(69.1)	(117.4)	(68.7)
Cash and short-term investments	340.4	240.9	744.1	528.1	339.3
Gross available cash	340.4	240.9	744.1	528.1	339.3
Debt	8,182.0	7,556.2	7,285.1	7,241.4	7,027.4
Equity	2,508.7	2,957.4	3,031.0	2,962.1	3,110.8
Adjusted ratios					
EBITDA margin (%)	47.1	55.0	57.2	60.5	57.2
Return on capital (%)	4.2	5.8	5.8	6.0	6.6
EBITDA interest coverage (x)	1.3	2.7	5.5	4.4	4.3
FFO cash interest coverage (x)	2.9	6.2	6.8	6.5	6.3
Debt/EBITDA (x)	9.5	7.4	7.0	6.4	6.8
FFO/debt (%)	2.8	8.4	10.9	11.3	10.9
Cash flow from operations/debt (%)	9.6	12.4	11.9	11.3	11.9
FOCF/debt (%)	1.2	4.1	3.1	2.3	3.0
DCF/debt (%)	(2.6)	0.1	(0.9)	(1.6)	(1.0)

Reconciliation

Table 3

United Utilities PLC--Reconciliation of reported amounts with S&P Global Ratings' adjusted amounts (mil. £)

	--Fiscal year ended March 31, 2023--					
United Utilities PLC reported amounts						
	Debt	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Capital expenditure**
Reported	8,377.1	864.4	440.8	497.7	860.0	694.0
S&P Global Ratings' adjustments						
Cash taxes paid	--	--	--	--	6.8	--
Cash interest paid	--	--	--	--	(118.2)	--
Reported lease liabilities	58.3	--	--	--	--	--
Postemployment benefit obligations/deferred compensation	--	2.5	2.5	--	--	--
Accessible cash and liquid investments	(340.4)	--	--	--	--	--
Capitalized interest	--	--	--	127.5	--	--
Share-based compensation expense	--	5.1	--	--	--	--
Nonoperating income (expense)	--	--	16.2	--	--	--
Debt: Other (situational)	87.0	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	4.2	4.2	--	--	--

Table 3

United Utilities PLC--Reconciliation of reported amounts with S&P Global Ratings' adjusted amounts (mil. £) (cont.)						
EBITDA: Other (situational)	--	(16.2)	(16.2)	--	--	--
Interest expense: Derivatives	--	--	--	56.2	--	--
Interest expense: Other (situational)	--	--	--	(31.8)	--	--
Funds from operations: Other (principle based)	--	--	--	--	(519.7)	--
Capital expenditure: Customer contributions	--	--	--	--	--	(5.1)
Total adjustments	(195.1)	(4.4)	6.7	151.9	(631.1)	(5.1)
S&P Global Ratings' adjusted amounts						
	Debt	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Capital expenditure**
Adjusted	8,182.0	860.0	447.5	649.6	228.9	688.9

Liquidity: Adequate

Our assessment of UUW's liquidity as adequate reflects our expectation that the company's sources of liquidity will exceed its uses by about 1.9x in the 12 months from Sept. 30, 2023. We also think the group has a high standing in credit markets and generally prudent risk management.

Principal liquidity sources

We anticipate the following principal liquidity sources over the 12 months from Sept. 30, 2023:

- Cash and liquid investments of about £830 million
- FFO of £730 million-£740 million
- Undrawn committed facilities of £800 million, with maturities of more than 12 months

Principal liquidity uses

We anticipate the following principal liquidity uses for the same period:

- Debt maturities of about £166 million
- Capex of £680 million-£730 million
- Dividends of about £320 million

Environmental, Social, And Governance

Social factors are a moderately negative consideration in our credit rating analysis of UU. As one of the U.K.'s water and wastewater network operators, the company provides a key service with a significant social impact. This exposes UU to additional scrutiny from regulators and the government to ensure high quality, reliability, and affordable costs for customers, as the latest price review indicates.

Environmental and governance factors are a neutral consideration. The company has shown strong performance in both water and waste, achieving good metrics, in line with regulatory targets, and delivering significant outperformance in the first year of the regulatory period. We expect UU will continue to invest to make its network more sustainable by reducing leakage and pollution incidents. The group's geographical monopoly covers 41% of the U.K.'s most deprived areas and it has therefore implemented a large social tariff scheme. UU has also set a target to reach net zero by 2030. All of its electricity usage has been from renewable sources since October 2021.

Group Influence

We base our ratings on our assessment of the group, which comprises the parent, UU, and the operating and entity, UUW.

We rate the holding company, UU, one notch lower than the operating company, UUW, at 'BBB'. This differential reflects the regulatory ring-fencing risk associated with the water industry in the U.K. According to regulations, and the license agreement for UUW, if the rating on UUW is below 'BBB-', the regulator could impose a lock-up on dividends, which could impair UU's ability to repay its creditors.

Issue Ratings - Subordination Risk Analysis

Capital structure

UU's capital structure consists of £8.4 billion of unsecured debt as of March 31, 2023, of which £8 billion was issued by UUW and its financing subsidiary United Utilities Water Finance PLC.

Analytical conclusions

We rate the debt issued by UUW and its financing subsidiary 'BBB+', in line with the long-term issuer credit rating on UUW. The issue rating on the unsecured debt (6.875%, £400 million bond) issued by the parent, UU, is 'BBB-', one notch below the 'BBB' long-term issuer credit rating on UU, to reflect the structural subordination of holding company debt to total debt.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/NR

Business risk: Excellent

- **Country risk:** Low
- **Industry risk:** Very low
- **Competitive position:** Excellent

Financial risk: Aggressive

- **Cash flow/leverage:** Aggressive

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Moderate (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Positive (+1 notch)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Entity status within group:** Core (no impact)

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	Significant	**Aggressive**	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	**bbb**	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of December 21, 2023)*

United Utilities Water Ltd.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB+
Issuer Credit Ratings History	
25-Feb-2020	BBB+/Stable/NR
09-Aug-2019	A-/Negative/NR
25-Jul-2017	A-/Stable/NR
Related Entities	
United Utilities PLC	
Issuer Credit Rating	BBB/Stable/NR
Senior Unsecured	BBB-
United Utilities Water Finance PLC	
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.