

Investor Presentation

December 2024

Yorkshire Water Half yearly update



YorkshireWater

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Welcome to our half yearly update



Today's hosts are...



Nicola Shaw,
Chief Executive Officer



Paul Inman,
Chief Financial Officer

Today's topic's are...



Business update
with Nicola Shaw



Financial update
with Paul Inman



**Q&A
session**



**Update on
the year
so far**

Nicola Shaw,
Chief Executive Officer
of Yorkshire Water

A thriving Yorkshire. Right for customers. Right for the environment.



Capital programme delivery on track for year



Big focus on £180m storm overflow programme and WINEP schemes



Submitted our response back to Ofwat's PR24



Challenging start to the year operationally



Steady improvement in key financial performance measures



A group of people are in a boat on a stream, looking at several mallard ducks. One duck is in the foreground, standing on a rock. The water is clear and reflects the surrounding environment. The people are wearing jackets, suggesting a cool environment. The text is overlaid in the center of the image.

**Keeping the focus on
'Right for the environment'**

**We're on track to
deliver our capital
programme**



**Delivering
c£850m in FY25**

Our key areas of focus are:



£180million storm overflow programme

117 schemes across Yorkshire, from Ilkley to York, to Doncaster and Bradford.

13

complete

42

on site

62

due to start soon



Launched our new storm overflow map

- Public now see storm overflow discharges live
- Tackling transparency challenges

Development nearing completion supported by 100% monitoring in place by December.



Industry leading treatment works compliance.



Improving river health

Continued delivery of
our WINEP programme.

By the end of FY25 we're aiming
to have improved 741.7kms of
river length through wastewater
and clean water schemes.

**Marley
Wastewater
Treatment works
near Keighley**





A pregnant woman with long blonde hair, wearing a blue textured dress, stands in a kitchen. She is holding a red mug in her right hand and a document in her left hand, looking down at it. The kitchen features a brick wall, a window with a view of greenery, and various plants including a basil plant in a white pot. The text 'Our work continues on 'Right for our customers'' is overlaid in white on the image.

**Our work continues on
'Right for our customers'**

CMEX Q2 results placing us at 10th place overall



**Perception with
customers is improving
- Trust pilot score has
improved from 1.6 to 4.6**

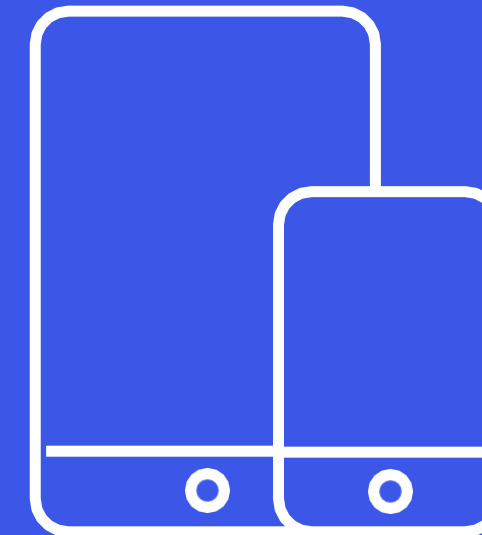


**We've reduced long
standing complaints
by 40%**

We're implementing our modernisation programmes and are seeing some good successes as they begin to embed



New and improved processes, improving the colleague and customer experience.



Better tech and new systems, making things smoother and faster.



More effective ways of working across clean water, wastewater, customer experience and finance teams.

Colleagues are trained and using new technologies

We've brought field and contact teams together – assigned to regional catchments focussing on end-to-end customer service.

One team

- Contact handlers
- Customer Recovery
- Planning and Scheduling
- Field Operations
- Technical triage





In the last 12 months,
provided bill reductions to

130,000
customers



On track for

£115m

bill reductions and debt
support by the end of FY25.



We're on track to provide
bill reductions this year to

145,000

low income customers.
Surpassing our FY25 target.

A woman with blonde hair in a braid, wearing a dark blue Yorkshire Water polo shirt and a blue lanyard, is sitting at a desk in an office. She is looking at a laptop screen with a thoughtful expression, her hand resting on her chin. The background shows a modern office environment with a large green plant and another person working at a desk.

PR24 Business plan submission reminder

Yorkshire Water's response to the DD is focussed on ensuring our plan meets the needs of customers in Yorkshire, that we can invest in the resilience of our network and meet environmental requirements.

PR24 Draft Determination response



Total expenditure allowance of £8.2bn required to deliver plan £1.1bn higher than Ofwat's stated allowance at response to DD.



Sector Investability

- Ofwat's DD appears to focus on the near term at the expense on the long term
- Proposed WACC of 3.72% does not reflect current market conditions or the risk profile inherent in the DD, raising questions over the investability of the UK water sector



Totex Allowance

- Ofwat's DD included at totex reduction of 11%, skewed toward enhancement expenditure
- YWS' DD Response includes a totex plan of £8.2bn*, representing an increase of £1.1bn compared to the DD

* (post frontier shift net of grants and contribution), including an additional £165 million for coastal bathing water investment at Scarborough and Robin Hoods Bay requested by YWS as part of the DD Response



Performance Commitments (PCs) and Performance Commitment Deliverables (PCDs)

- Ofwat has set PC targets at a median level, but AMP8 start points need updating to reflect current sector run-rates, otherwise there is a high risk of penalties
- A number of PCDs also need fine-tuning, for example smart-meters
- Recalibration of both PCs and PCDs needed to provide investors with a "fair bet"

PR24 Draft Determination response



Customer Bills

- Ofwat has kept bills low by adjusting RCV run-off rates. We do not agree and our representation reinstates YW natural rates



Uncertainty Mechanisms (UMs)

- We consider UMs to be positive, but it is important that Ofwat sets a reasonable baseline in AMP8 and allows companies to recover material shortfalls in AMP8



Our Board confirmed that Yorkshire Water was financially resilient for 2025–2030 and beyond on the basis of our draft determination representation including Ofwat’s proposed WACC of 3.72%

Readiness for AMP

Creation of the Storm Overflow Alliance



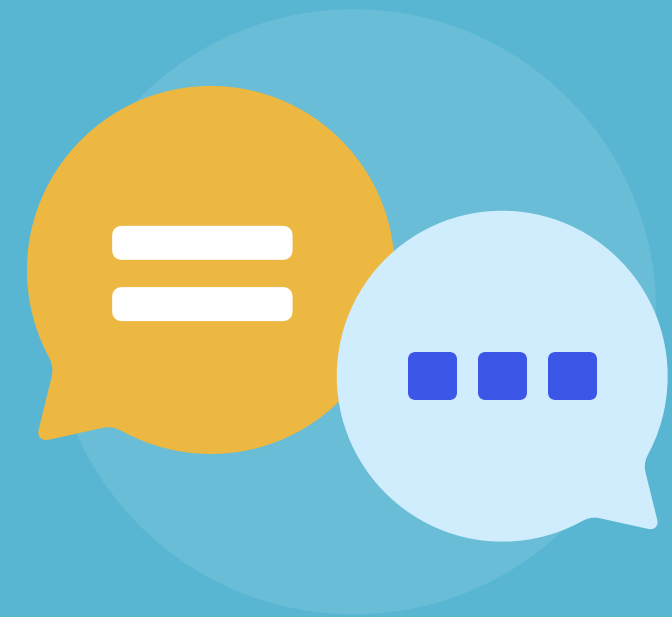
Appointed partners –
Ward and Burke Construction,
Morrison Water Services,
Stantec and AtkinsRealis.



Coming together as one
organisation, they will deliver
up to £1billion of storm overflow
improvements In Yorkshire over
the next five years with more to
come in AMP9.



Collaborative delivery
organisation that aims to
deliver a highly efficient service
to Yorkshire Water by focussing
on innovation and removing
waste from our processes.



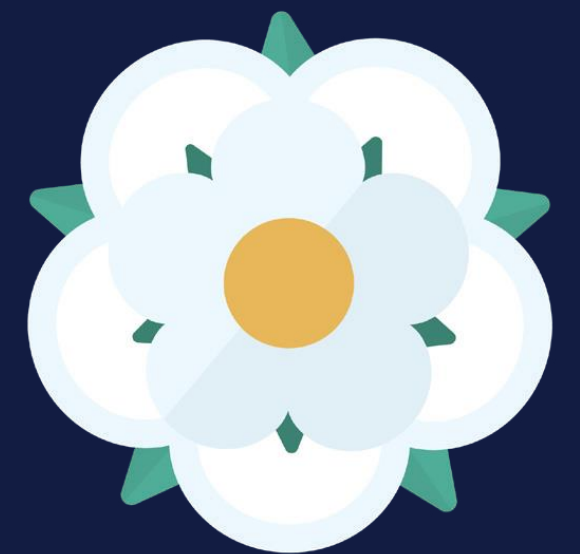
It has a shared risk and
reward mechanism allowing
all members of the Alliance to
collectively mitigate risks and
share in genuine savings.

Early start schemes to support storm overflow investment



£2m storm overflow investment in **Scarborough**.

Increasing the capacity at our treatment works in **Ilkley**, the UK's first inland bathing water, to further reduce storm overflow discharges.





**Financial
results**

Paul Inman,
Chief Financial Officer

Financial performance



Revenue:
£653m

September 2023:
£613m



Adjusted EBITDA:
£359m

September 2023:
£315m



Net Interest Payable:
£116m

September 2023:
£130m



Capital Expenditure:
£404m

September 2023:
£307m



Gearing:
73.9%

March 2024:
70.8%



Adjusted Net Debt:
£6,791m

March 2024:
£6,468m



RCV:
£9,190m

March 2024:
£9,132m



Derivative MTM:
£1,690m

March 2024:
£1,783m

Earnings summary

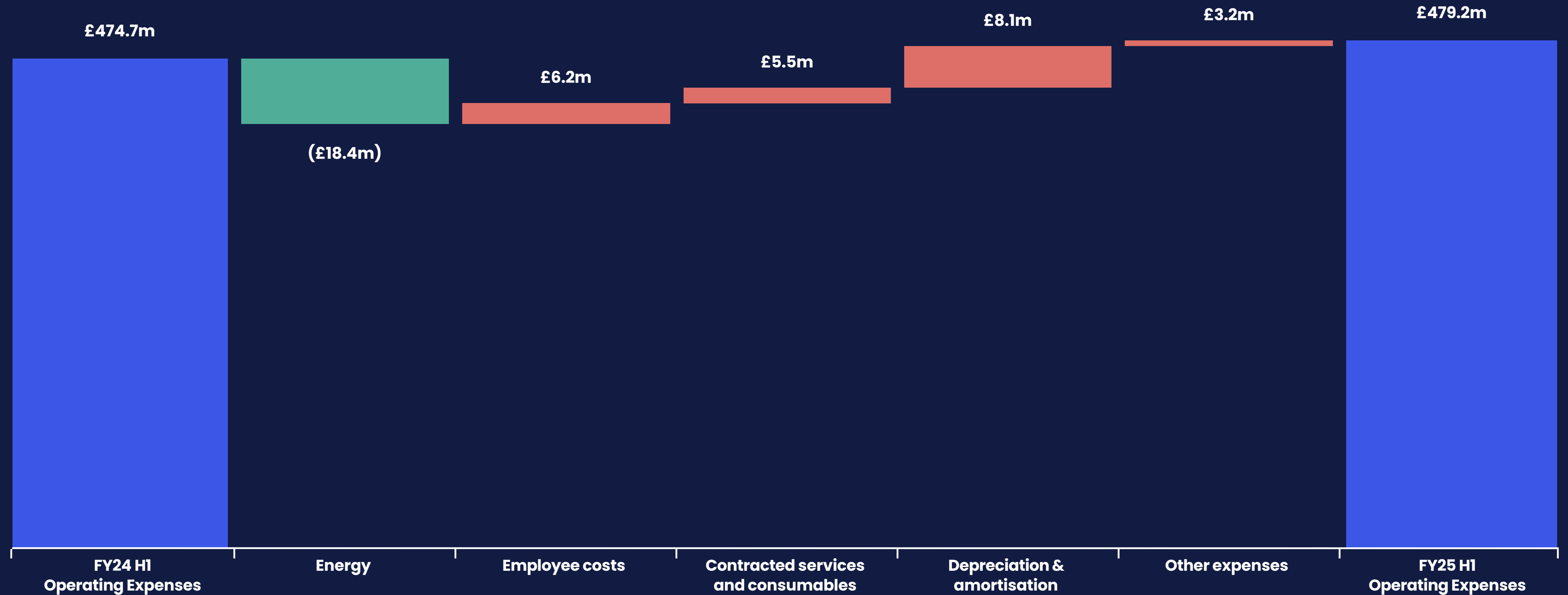
- Revenue**
 Increase largely due to inflationary price uplift to customer bills
 - Adjusted EBITDA**
 Improved revenues coupled with tight cost control, partially offset by inflationary cost increases on operating expenses
 - Operating expenses**
 Increase driven by inflationary cost pressures on raw materials and employee costs offset in
- part by strong cost measures, particularly within energy costs.
- Operating profit**
 Slight improvement from FY24 H1 reflective of revenue and operating expenses
 - Profit before taxation**
 Significantly impacted by non-cash fair value movements on financial instruments (FY25 H1 credit of £147.2m; FY24 H1 credit £223.5m)

£m	Six months ended	
	Sept 2024	Sept 2023
Revenue	653.1	613.2
Adjusted EBITDA*	358.6	315.2
Operating expenses	(479.2)	(474.7)
Operating profit	173.9	138.5
Profit before taxation	205.1	231.8
Adjusted profit after taxation*	40.2	6.0

*Alternative Performance Measures (APM) as detailed in the interim results

Operating expenses

0.9% net increase reflecting strong cost control



























Outcome delivery incentives (ODIs)

Significant improvement in almost all measures since 2020

- Overall AMP7 penalties to date of c£80m (FY21: £3.9m; FY22 £15.2m; FY23 £22.7m and FY24 £38.2m)
- Making good progress in some areas – Leakage, Per Capita Consumption, WWTW compliance, PSR, CMEX
- Recognise more to do in others – Water Quality, Internal sewer flooding, mains repairs
- Prioritising investment on storm overflows programme, WINEP and water resilience to support key performance and regulatory commitments

Key:

- Achieved Regulatory Target
- Failed Regulatory Target
-  Improvement
-  Deterioration
-  No movement

Performance Commitment (PC)	Customer Satisfaction (C-Mex Rank)	Priority Services (% Reach)	Leakage (Ml/d)	Per Capita Consumption (l/h/d)	Supply Interruptions (mins:secs)	Water Quality (CRI score)	Mains Repairs (per 1,000km of mains)	Unplanned Outage (%)	Internal Sewer Flooding (per 10,000 sewer connections)	Pollution Incidents (per 10,000km sewer)	Sewer Collapses (per 1,000km of sewer)	Treatment Works Compliance (%)
2022/23 Actual	11th	4.80%	285.2	132.2	00:09:27	4.61	219.3	3.26%	2.67	22.39	10.96	99.68%
2023/24 Actual	 9th	 9.2%	 275.3	 126.9	 00:10:35	 9.27	 175.3	 2.95%	 2.78	 26.21	 12.37	 99.68%
2024/ 25 Estimate												

Strong liquidity position

- **Targeting minimum 15 months projected headroom through revolving credit facilities and available cash**
- **Continued strong liquidity focus**
 - Receipts totalling £500m against intercompany loan paydown. Final £437m repayment due by Mar 27, supporting AMP8 investment plans
 - Issued **£400m** sustainability bond during Sep 24
 - Followed by **£100m** CPI linked bond in Oct 24
 - Revolving credit facility termination date extended to **November 2029**
 - Secondary £80m committed credit facility termination date extended to **July 2028**
- **No significant debt maturity until November 2026**
- **Inflation swap portfolio MtM liability £1,661m at Sept 24; no break dates until 2028**

Yorkshire Water Financing Group (“YWFG”)	
Revolving Credit Facilities	30 Sept 24 (Pro-forma)
Total Committed Facilities	£710m
Less: Drawings Outstanding	–
Available Headroom	£710m
Cash & Equivalents	
Cash & Cash equivalents	£266m*
Committed Standby Liquidity Facilities	
Debt Service Reserve	£182m
Operating & Maintenance	120m
Total Standby Facilities	£302m
Total Available Liquidity	£1,278m

*September 2024 adjusted to include £100m bond proceeds received Oct 2024

Source: Management analysis

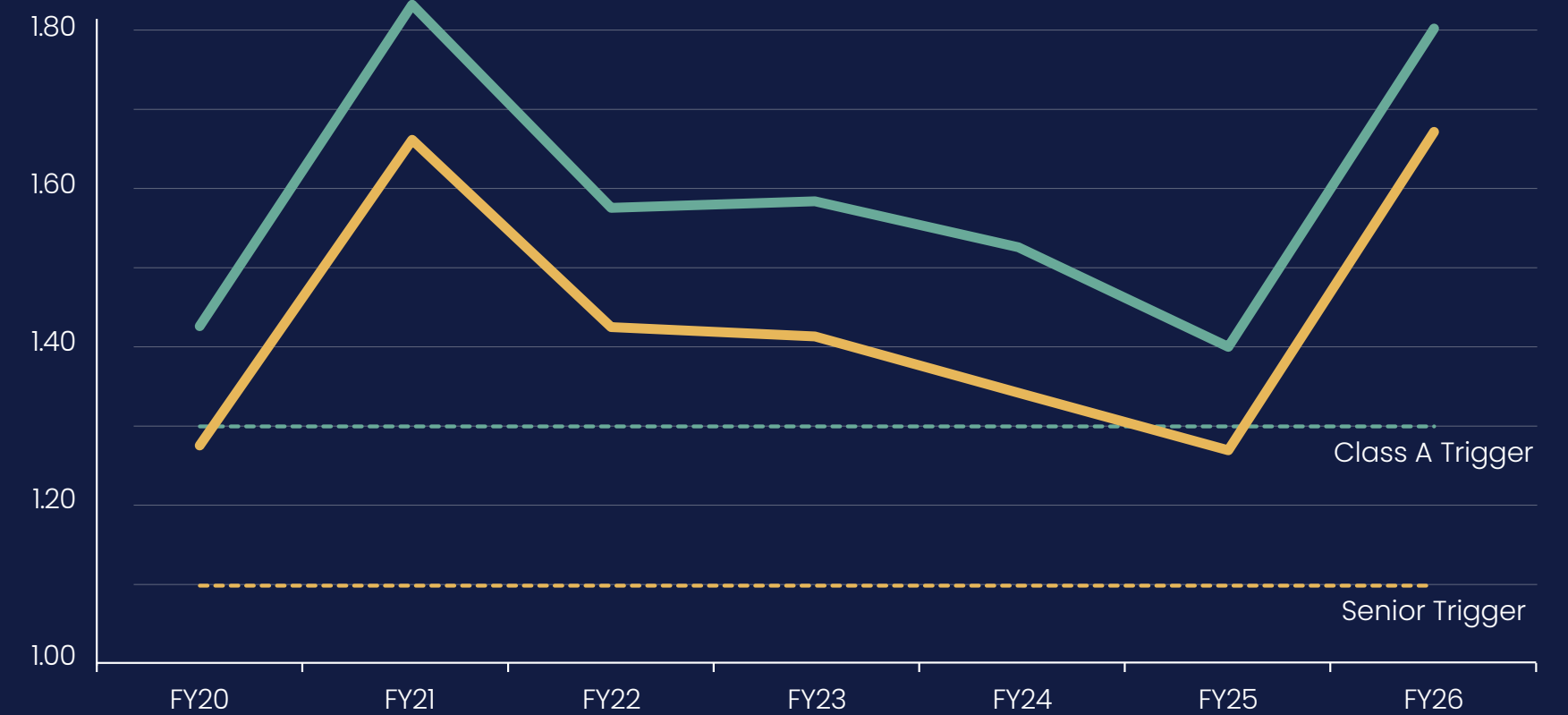
Covenant performance

Senior Gearing



- Nominal RCV growth of **32% forecast for AMP7**
- On target to achieve Ofwat regulatory gearing undertaking at March 2025 of **72%**

Interest cover



- Proactive management has maintained headroom to trigger thresholds
- Managing inflationary cost pressures well

Note: Back end loaded nature of the AMP7 capital expenditure programme drives FY25 movements

Credit Ratings

- Placed on negative outlook and credit watch negative by Moody's and S&P respectively during November
- Sector moves reflecting revised assessments of the regulatory environment
- Update anticipated post Final Determination

Moody's

Baa2 / negative

S&P

A- / credit watch negative

Fitch

A- / stable

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Challenging start to the year operationally



Steady improvement in key financial performance measures



**Welcome to our
Q&A session**



YorkshireWater



YorkshireWater



➔ **Find out more visit:**
yorkshirewater.com/about-us/reports

➔ **For any questions contact:** debtir@keldagroup.com

Appendices

APM – Adjusted EBITDA

Adjusted EBITDA is the primary measure used by management and the Board to assess the financial performance of Yorkshire Water as it provides a more comparable assessment of trading performance year-on-year. It is also a key metric used by investors to assess the performance of our operations.

£m	Sept 2024	Sept 2023
Profit before taxation	205.1	231.8
Add back net interest payable	116.0	130.2
Deduct fair value movements	(147.2)	(223.5)
Operating profit	173.9	138.5
Add back depreciation and impairment of tangible assets	158.1	155.1
Add back amortisation of intangible assets	26.6	21.6
Adjusted EBITDA	358.6	315.2

As extracted from YWS interim Financial Statements for the period ended 30 September 2024

APM – Adjusted net debt

Net debt comprises cash and cash equivalents along with short and long-term borrowings with adjustments for balances excluded for the purpose of Yorkshire Water's financial covenant calculations. This gearing calculation takes the adjusted net debt as a percentage of the published Regulatory Capital Value (RCV).

Management use these measures to monitor debt funding levels and compliance with funding covenants. Net debt is a key metric used by debt rating agencies and the investor community as a key measure of liquidity and the ability to manage Yorkshire Water's current obligations.

£m	Sept 2024	Sept 2023
Net debt	5,719.9	5,318.8
Net amounts owed from group companies	437.2	537.2
Fair value movements in amounts owed to subsidiary companies	26.7	31.6
Unamortised issue costs	117.3	116.2
Intercompany loans	(7.9)	(8.9)
RPI bullet accrued	497.4	473.2
Adjusted net debt	6,790.6	6,468.1

As extracted from YWS interim Financial Statements for the period ended 30 September 2024

APM – Adjusted profit after taxation

Adjusted profit after taxation excludes fair value derivative movements. This excludes volatile balances and provides a more stable view of profitability to management and is therefore a valuable metric to the business.

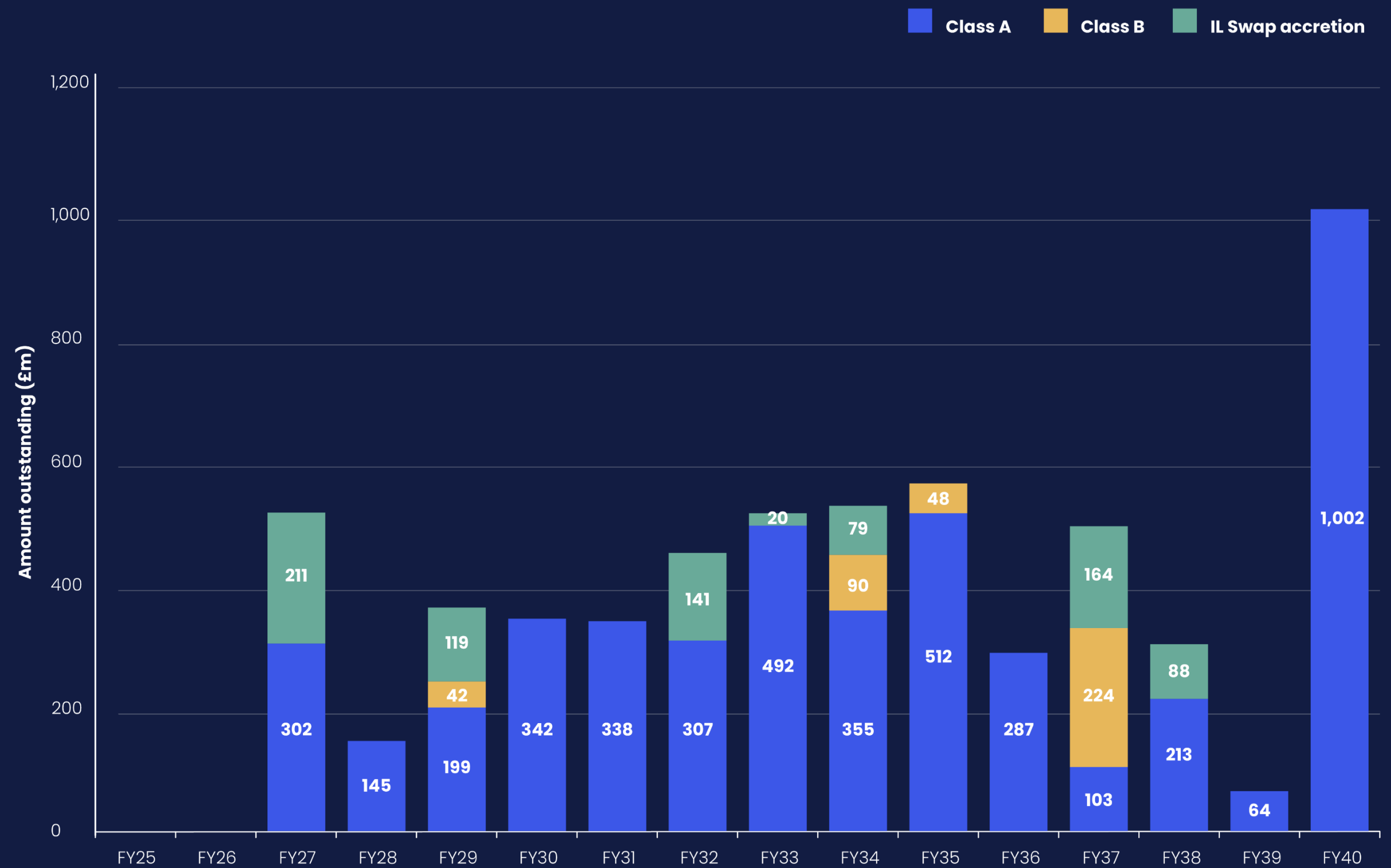
£m	Sept 2024	Sept 2023
Profit before taxation	205.1	231.8
Deduct net fair value credit	(147.2)	(223.5)
Adjusted profit before the effects of taxation	57.9	8.3
Effects of taxation	(17.7)	(2.3)
Adjusted profit after taxation	40.2	6.0
Adjusted EBITDA	358.6	315.2

As extracted from YWS interim Financial Statements for the period ended 30 September 2024

Debt Profile

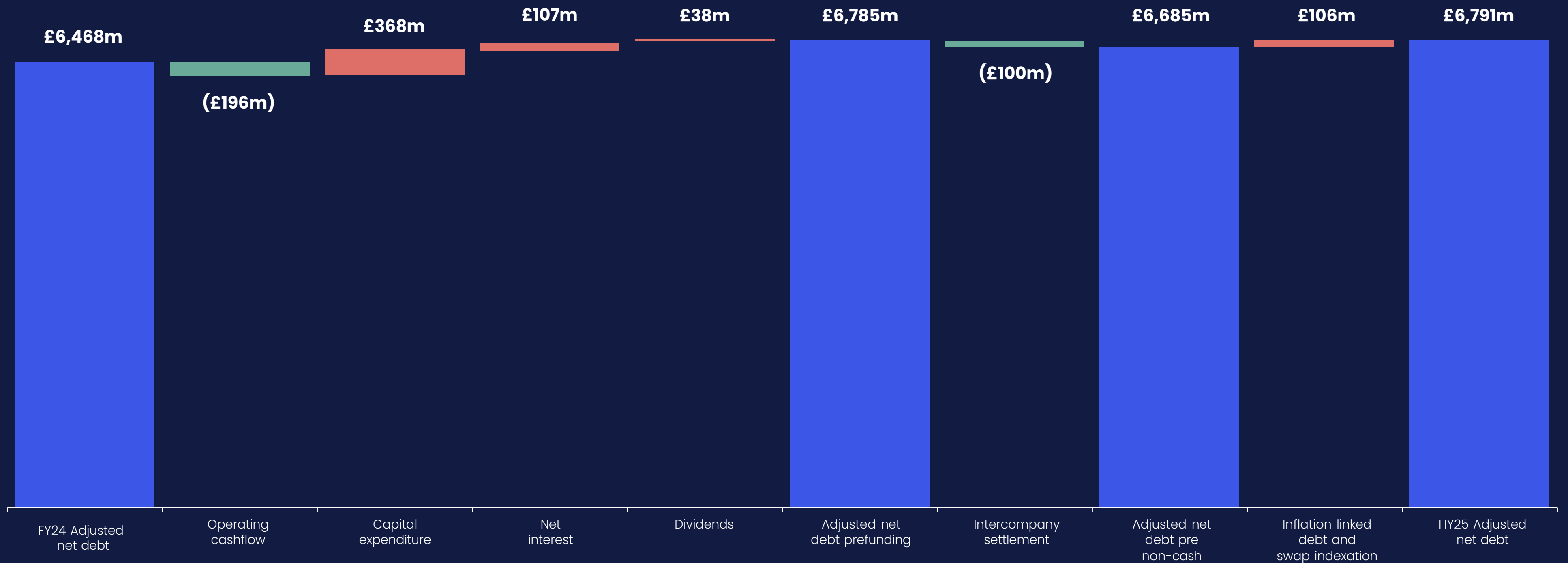
- **Next significant debt maturity is November 2026**
- **Current weighted average life of debt portfolio is just under 14 years**
- **£3bn funding requirement currently forecast for AMP8, split approximately 50/50 new and refinancing**
- **AMP8 maturities represent approximately 15% of RCV**

Source: Management analysis as at 30 September 2024 Proforma analysis assuming medium term return to CPI at 2% and RPI at 3% and does take account of any convergence following HM Treasury announcement on the future of RPI Includes existing and forecast inflation on IL Bonds and IL Swaps –Termination Date and PAYG payments (assumes break dates do not occur)
Excludes amounts drawn on Committed Bank and Liquidity Facilities



Adjusted net debt

Movement in Net Debt



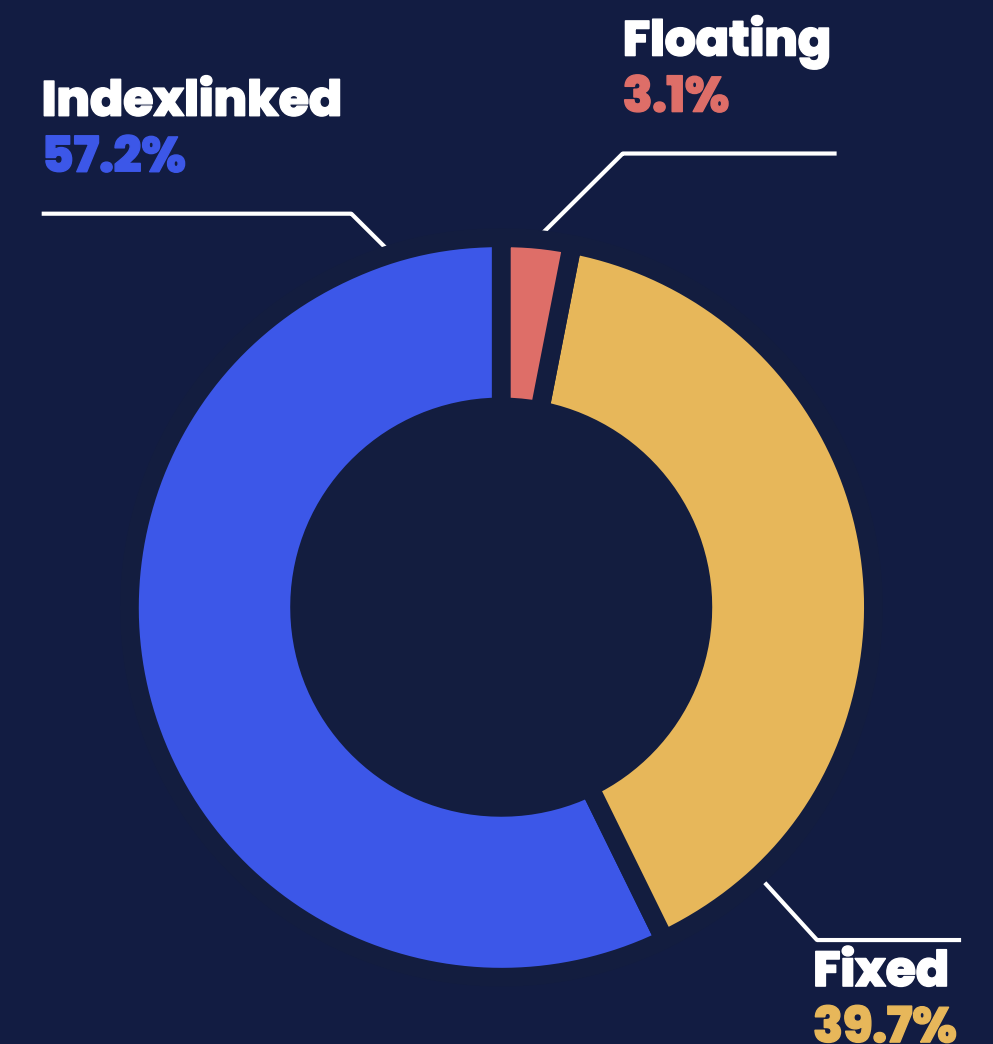
Derivatives

- Mark to market liability as at 30 September 2024 of £1.69bn and net fair value of £1.36bn
- 84% / £1.39bn of the index linked swap mark to market relates to future accretion payments with historical accretion classed as debt and managed within the securitisation imposed limit of 6% of RCV
- Next swap event is 2028 mandatory breaks for £110m of inflation swaps

Mark to Market £m	Sept 2024	March 2024
Index linked swaps	(1,660.8)	(1,752.9)
Interest rate swaps	(31.0)	(28.1)
RPI CPI basis swaps	1.9	(2.3)
	(1,689.9)	(1,783.3)

- Active portfolio management to improve interest cover resilience and manage breaks:

February 2025 mandatory breaks (£23m notional) addressed ahead of time – post Feb 25 cashflows settled in June 24



Yorkshire Water Executive Team



Nicola Shaw,
Chief Executive Officer



Paul Inman,
Chief Financial Officer

Ben Roche

Director of Wastewater

Dave Kaye

Director of Clean Water

Imran Patel

Director of Customer
Experience

Richard Stuart

Director of
Asset Delivery

Richard Heighington

Group Director
of Information

Kathy Smith

Company Secretary

Matt Pinder

Chief of Staff

Peter Jacques

Director of Health
and Safety

Michelle Naisbitt

Director of Human
Resources

Tim Hawkins

Director of Regulation
and Strategy