

AffinityWater

Affinity Water

Investor presentation
October 2024



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Presentation team



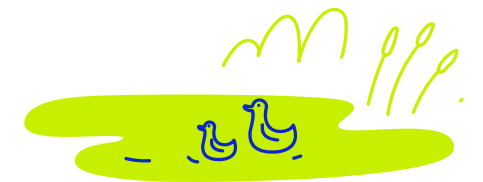
Keith Haslett – Chief Executive Officer

Keith joined Affinity in January 2023 and was previously Water Director of Northumbrian Water, prior to this he worked for United Utilities and Northern Ireland Water.



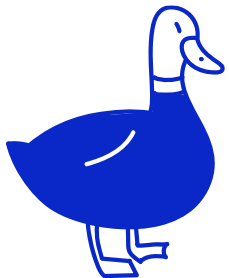
Michael Blake – Head of Corporate Finance

Michael joined Affinity in March 2021 having previously worked in senior finance and treasury roles at Landsec and Transport for London.



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AffinityWater

1. Company Overview



About us

6.4%

Of England and Wales population served in a region with large critical infrastructure around London

937MI/d

Daily amount of drinking water supplied

1,430

Number of employees

8.0

Improved staff engagement - ranked top 25% of utility companies

10%

Of the world's rare chalk streams in our supply area

20%

reduction in groundwater abstraction since 1990

1500

Customers in new rising block tariff trial

114k

Customers supported on social tariffs in 2025

£1,851m

Regulatory Capital Value March 2024

74.7%

Covenant gearing March 2024

£347.7m

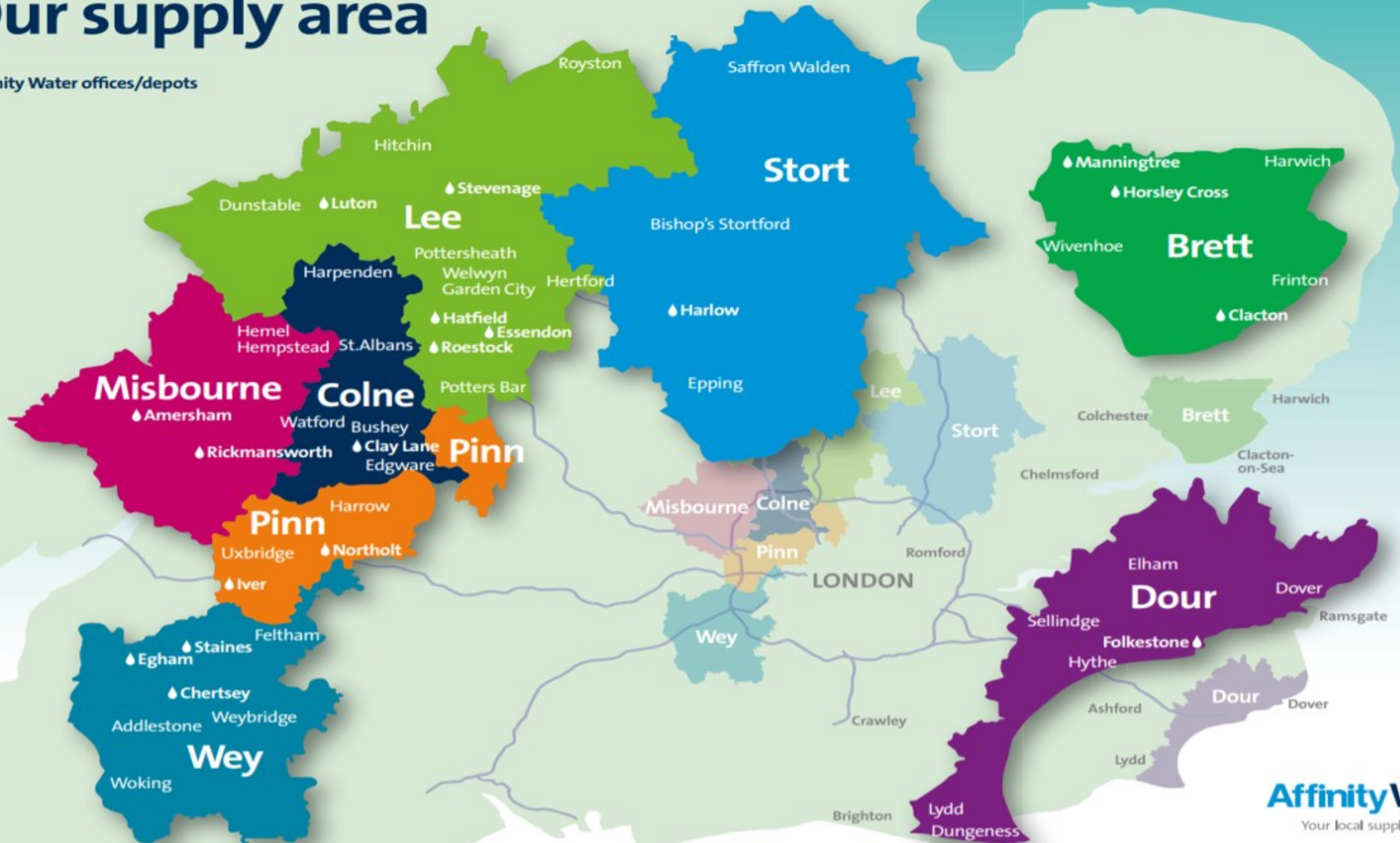
Revenue March 2024

£2.3bn

AMP8 investment proposed in Draft Determination Representation

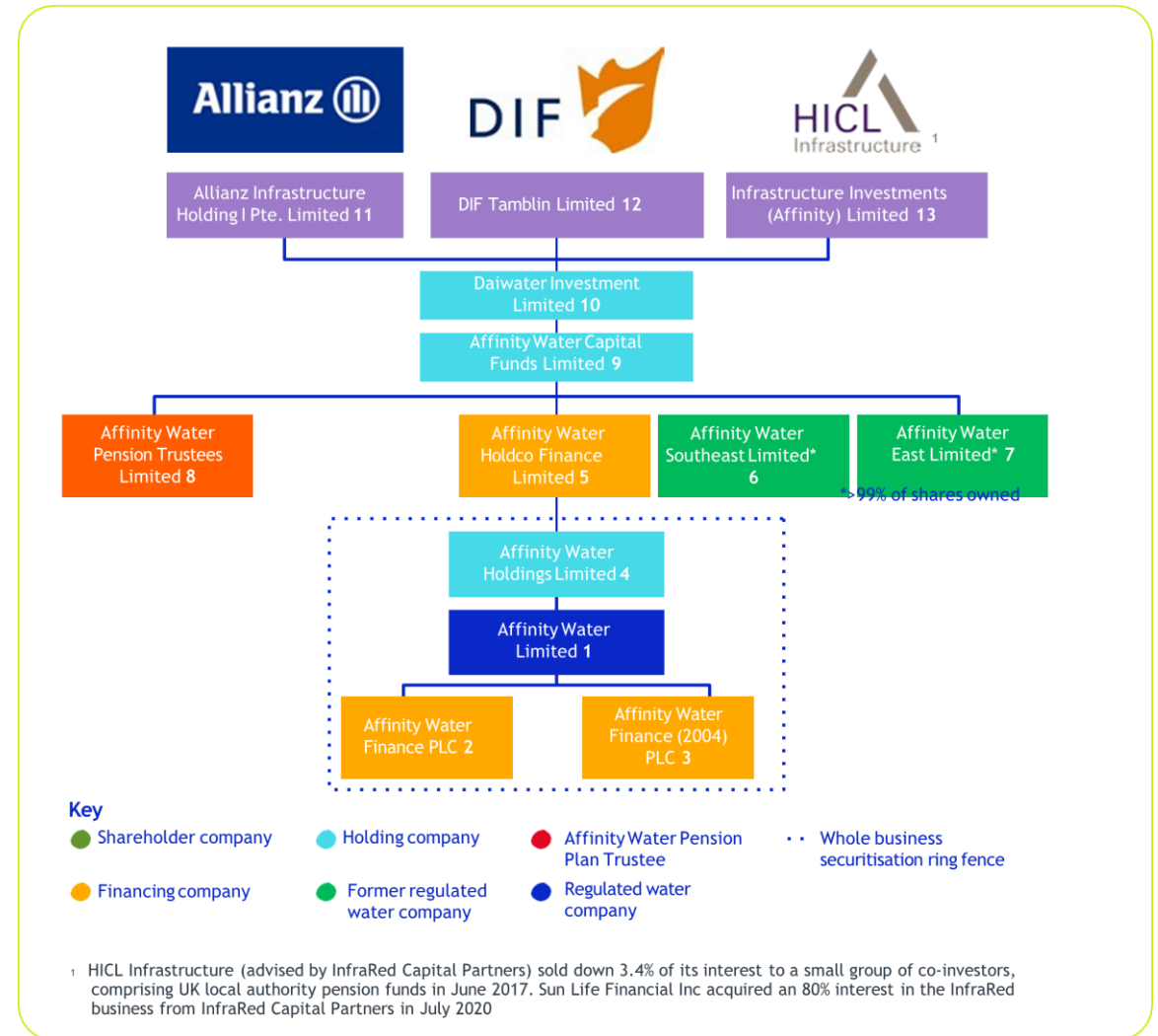
Our supply area

◆ Affinity Water offices/depots



Ownership

- Sold out of Veolia Group in July 2012 to Infrastructure Investors.
- Whole Business Securitisation structure established with Class A & B bonds (February 2013).
- Acquired in May 2017 by the Daiwater consortium comprising:
 - Allianz - 36.6%
 - DIF - 26.8%
 - HICL - 33.2%
 - Co-investors - 3.4%
- Track record of long term investors in core infrastructure.



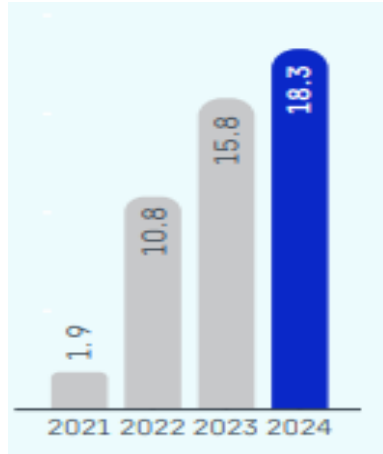
AffinityWater

2. AMP7 Journey



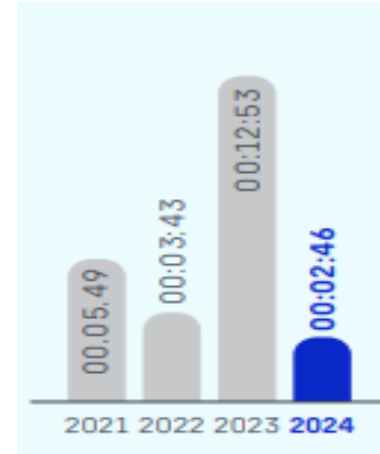
AMP7 journey

Improved and improving



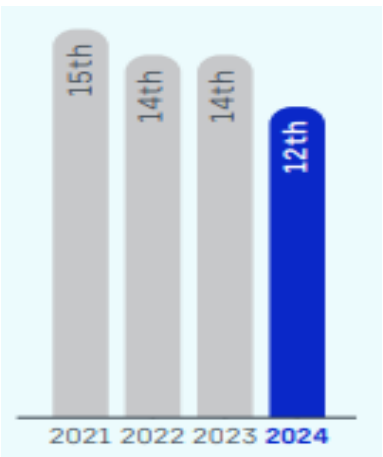
Leakage

Industry leading performance and on track for AMP7 20% target.



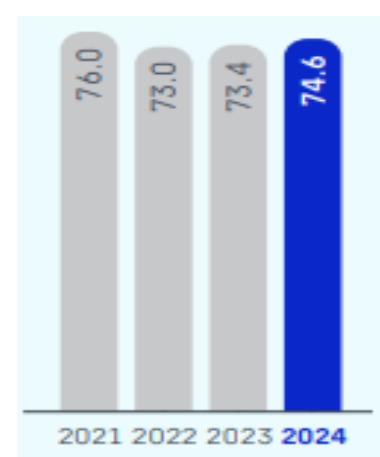
Water supply interruptions >3 hours

Industry leading performance and met target in 3 out of 4 years of AMP7. On track for year 5.



C-MeX

We have worked hard to improve our scores this year by improving our systems, processes, and employee training.



Gearing

Stable gearing achieved through efficient expenditure and shareholder support. This is despite AMP7 headwinds.

Operational performance

- Our operational performance over the period 2021-2025 is shown in the table below.
- Moved from a low ranking performer in 2019-20 to upper quartile performance in the last 4 years, but we are still improving.

Performance Commitment	2020-21	2021-22	2022-23	2023-24	2024-25 (forecast)
Leakage	Red	Red	Green	Green	Light Green
PCC	Red	Red	Red	Red	Light Red
Water Supply Interruptions	Green	Green	Red	Green	Light Green
Compliance risk index	Green	Green	Green	Red	Light Green
Unplanned outage	Green	Green	Green	Green	Light Green
Water quality contacts	Red	Red	Green	Green	Light Green
Mains repairs	Red	Green	Red	Green	Light Green
C-MeX	15th	14th	14th	12th	12th
D-MeX	10th	9th	10th	12th	9th

AMP7 Environmental, Social and Governance outcomes

3.9m

Customers provided with clean drinking water every day

195k

Meters installed

18.3%

Reduction in leakage over AMP7 so far

267ML

We reduced abstraction by 267ML in the year

337k

People signed up to our award winning Save our Streams initiative

85

Electric vehicles working and on order

80

Energy efficiency schemes due for delivery by 2025

11,794

Gulls counted roosting at Hilfield reservoir

New

ESG Board Committee established

1500

Customers in new rising block tariff trial

Zero

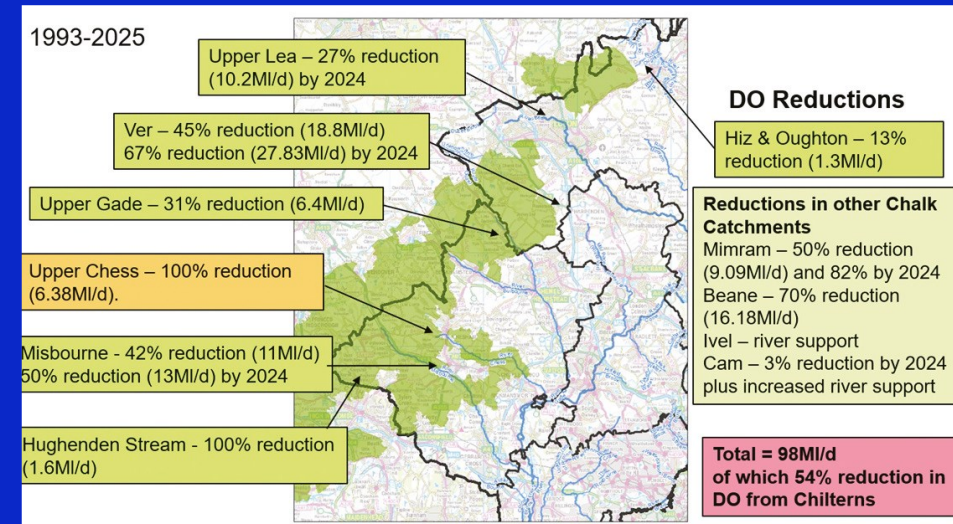
Digs required when using 'No Dig' technology



Improved staff engagement scores

WINEP

- Our AMP7 WINEP (Water industry national environment programme) comprises of sustainability reductions, river restoration, biodiversity enhancements, catchment management initiatives and investigations into the impact of our abstraction
- We are working in partnership to deliver our programmes
- To date we have delivered:
 - 20 river restoration projects, improving over 125km of chalk stream
 - Pesticide mitigation catchment schemes covering >600km²
 - Funded >3500ha of cover crops for multiple benefits in AMP7
 - Undertaken enhancement work on key strategic biodiversity sites
 - Launched our INNS Out scheme
 - Completed investigations into the impact of our abstraction
- By the end of AMP7 we will have reduced abstraction by 98MI/d



- Our PR24 WINEP submission takes a holistic catchment systems based approach
- We have an experienced team with mature relationship with catchment partnerships and stakeholder groups
- Builds on risks and issues identified by EA, NE and stakeholders
- Incorporates lessons learned from AMP6 & AMP7
- Closer alignment of river restoration and catchment management
- Investigations aligned with our Environmental Destination Strategy in our dWRMP24
- Innovative approach to abstraction reductions by moving abstraction down catchment

Cover crops



**Catharine
Bourne swallow holes**



Hilfield



South Mimms

Biodiversity and river restoration



Hilfield Reservoir



Woodhall Estate



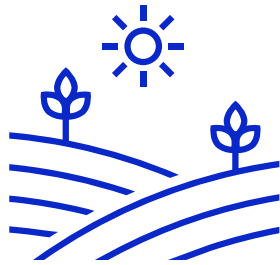
Hedges Farm

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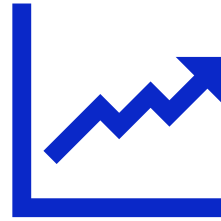
3. Price Review 2024



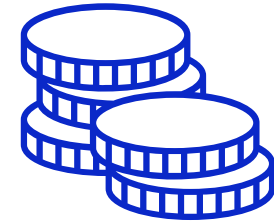
Sector trends



Increasing sector
scrutiny



Large scale
investment



Financial resilience

AMP8 Business Plan (October 2023)

£2.12bn → **19%**
Of totex investment proposed Increase in totex compared to AMP7

£1.37bn → **6%**
Base expenditure proposed Increase compared to AMP7

£588m → **86%**
Enhancement expenditure proposed Increase compared to AMP8

Well-resourced project team

Our largest ever programme of customer research and engagement

Ambitious performance targets

Enhanced environmental outcomes

13% bill increase over 5 years (real terms)

£150m equity injection

Flat gearing approach

Independent assessment of financial resilience

Draft Determination (July 2024)

14%

Efficiency challenge on totex

1st

Highest quality Business Plan in the sector based on Ofwat's quality assessment

5th highest performer on efficient base costs (we are the benchmark company)

Least intervention on performance targets

New risk mechanism introduced on energy

New risk interventions on ODIs

6% bill increase over 5 years (real terms)

RoRE risk still skewed to the downside

Consultation on introducing **gearing cap** at 70%

8%

Efficiency challenge on Base expenditure

3.72%

Increased WACC

20%

Efficiency challenge on Enhancement expenditure

Standard

Rating, secured £2m reward and 50:50 sharing rates

Draft Determination Representations (August 2024)

£2.17bn → **13%**

Of totex investment proposed (excluding 149m PFAS)

Increase compared to draft Determination

£1.62bn → **8%**

Base expenditure proposed

Increase compared to draft Determination

£550m → **33%**

Enhancement expenditure proposed (excluding 149m PFAS)

Increase compared to draft Determination

Five key issues

1. Enhancement funding
2. ODIs
3. Investability
4. Balance of Risk and Return
5. PFAS uncertainty

Removed planned equity injection due to concerns over equity investability

Independent assessment of financial resilience with and without equity injection

Outlined steps required to balance risk and return to attract equity investment

Proposed WACC of 4.23% which supports de-gearing to 74.4% by 2030

AMP8 Environmental, Social and Governance outcomes

3.9m

Customers provided with clean drinking water every day

400k

Smart meters to be installed

100%

Electric vehicles by 2030

12.9%

Reduction in PCC from 2019/20 baseline

11%

Reduction in Business Demand from 2019/20 baseline

31%

Reduction in leakage from 2019/20 baseline



1.73

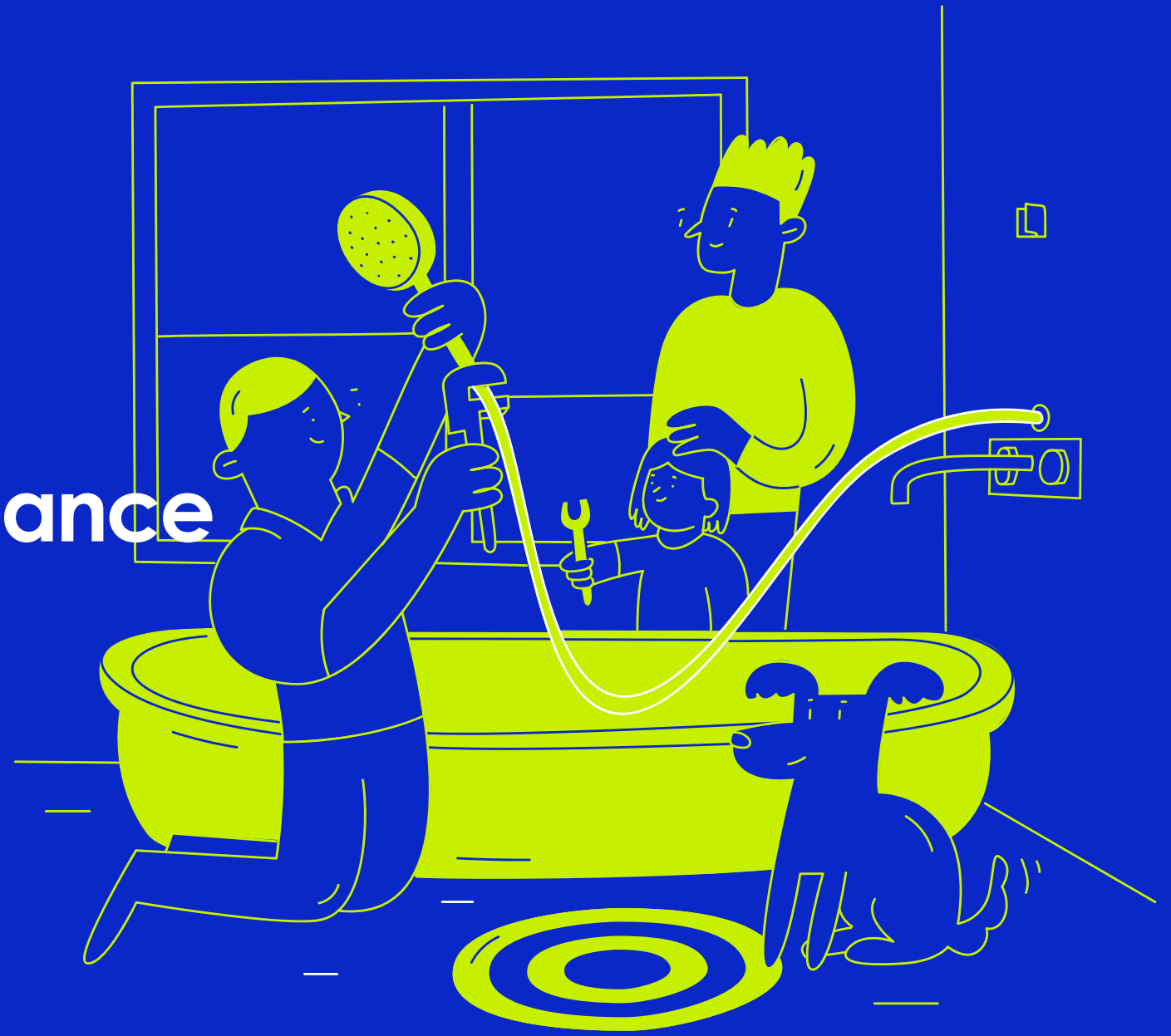
Biodiversity units per hectare

Zero

Serious pollution incidents

Source: Affinity Water draft Determination Representation

4. Financial Performance



Financial Results

£m	March 2023	March 2024
Revenue	315.0	347.7
Operating Profit	14.6	22.1
Net Finance Costs	(100.0)	(58.0)
Loss for the Period	(100.4)	(37.3)
RCV	1,714	1,851
Senior Net Indebtedness	1,258	1,382
Gearing	73.4%	74.7%
Conformed Senior Adjusted ICR	1.5x	1.6x
Cash and available facilities	245.5	181.3

Credit ratings

Ratings maintained throughout AMP7 despite external headwinds



Affirmed: March 2024

Class A: A3, Class B: Baa3, CFR: Baa1

Outlook: Stable



Affirmed: October 2023

Class A: BBB+, Class B: BBB-

Outlook: Stable

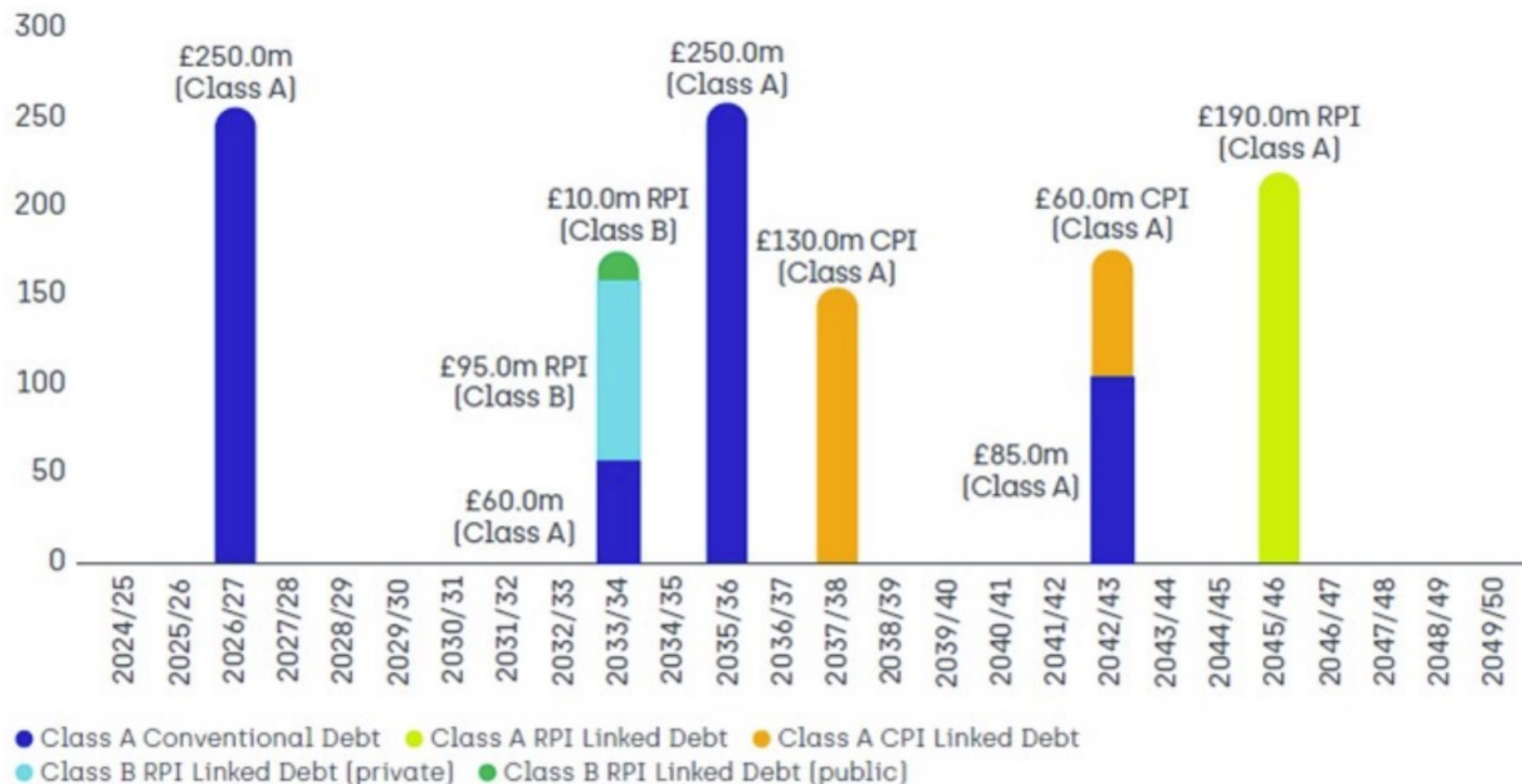


Affirmed: February 2024

Class A: BBB+, Class B: BBB-

Outlook: Negative

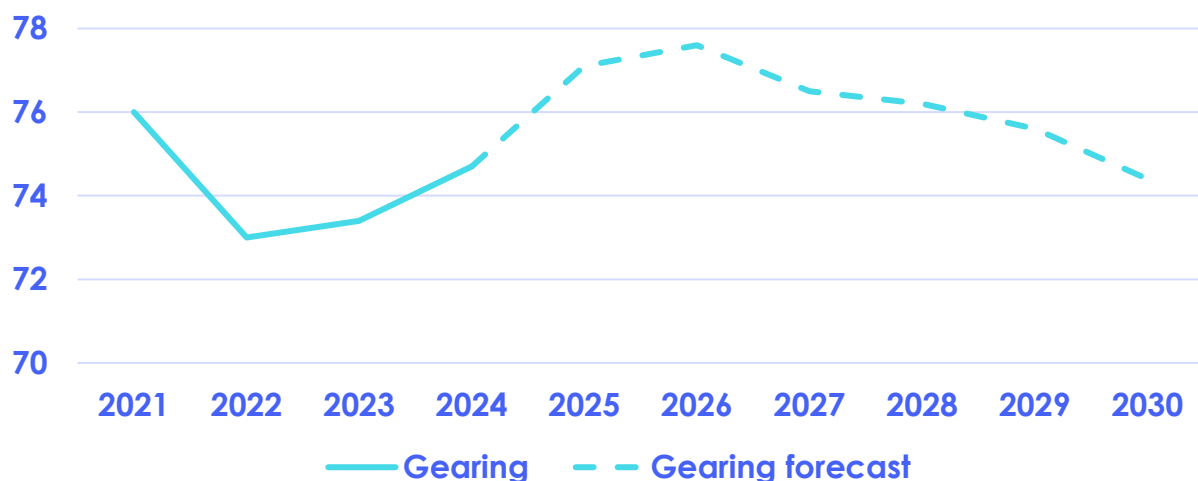
Debt maturity profile (nominal)



PR24 capital structure

- Our business plan, submitted in October 2023, proposed a flat gearing approach to capital structure, AMP8 exit gearing 76.4%. This was based on a planned equity injection of £150m and associated dividends.
- This flat gearing approach can be achieved with or without an equity injection and our draft Determination Representation actually shows AMP8 exit gearing 2% lower at 74.4% (no equity injection is assumed).
- In addition to equity funding, we have a debt finance requirement of c.£700m, this includes refinancing of £250m before July 2026.
- The table below shows actual and forecast gearing and ICR metrics over AMP7 and AMP8. Forecast information is from our draft Determination Representation.

Gearing %



Interest cover ratio



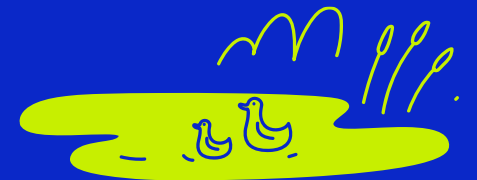
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5. Credit Highlights



Key investment highlights

- Low business risk profile as a **monopoly provider** of water services
- Operating under a **well-established** and transparent regulatory framework
- Collaborative and financially **well-resourced** shareholder group who support management initiatives
- **Strong** operational performance, with planned totex investment during AMP8 to strengthen this position
- **High quality** business plan submission and well placed to deliver
- **Stable** financial profile and credit ratings
- **Structural protection** for lenders contained in the Common Terms Agreement
- **Green Finance Framework** in place to align strategic and sustainability priorities with funding and financial strategy
- **Experienced** Board and Leadership team



AffinityWater

6. Appendix



Whole Business Securitisation

- Class A and B debt structure in line with UK water sector peers
- £1,025m Class A rated BBB+/A3/BBB+ (S&P/Moody's/Fitch)
- £105m Class B, rated BBB-/Baa3/BBB- (S&P/Moody's/Fitch)
- £100m of revolving loan facilities in place
- Debt Service Reserve Liquidity Facility £29m and O&M Reserve Facility £28m provide additional structural protection
- £210m, July 2026 RPI swap linked to debt within the security ringfence
- £100m, March 2030 CPI swap linked to debt within the Security ringfence
- £150m, March 2036 CPI swap linked to debt within the security ringfence

