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United Utilities PLC

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This report does not constitute a rating action.

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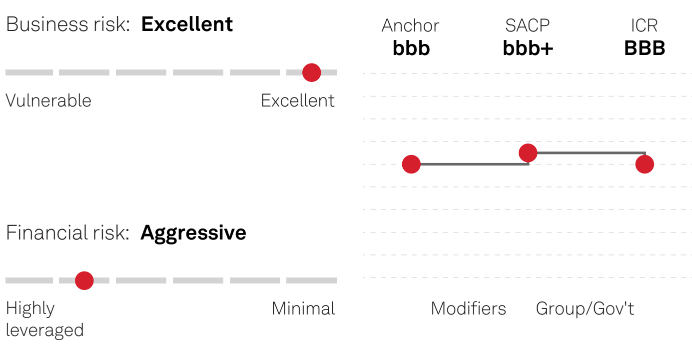
Ratings Score Snapshot



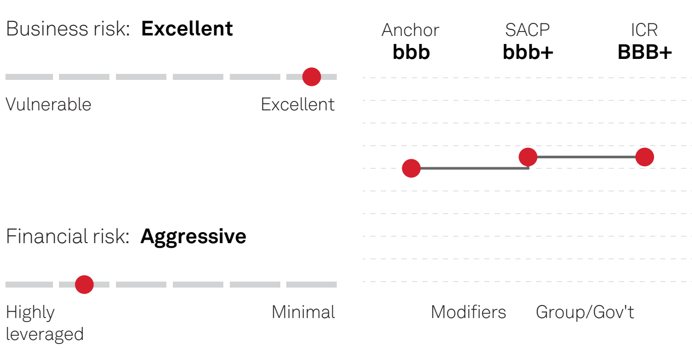
Issuer credit rating

BBB/Stable/NR

ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Ratings Score Snapshot

United Utilities Water Ltd.



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BBB+/Stable/NR

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Credit Highlights

Overview

Key strengths	Key risks
EBITDA of £1.6 billion in fiscal year 2026, mostly from low-risk regulated water and wastewater monopoly activities in Northwest England.	Sizeable AMP8 investment program bears execution risks and reduces prospects of deleveraging.
Robust balance sheet and financial flexibility, supported by regulatory gearing of 60%, one of the lowest in the sector.	The regulatory framework has become less credit supportive, given the abrupt shift from affordability and bill reduction to investment growth, while preserving the asymmetry between risk and rewards.
Track record of strong operational performance, evidenced by cumulative outcome delivery incentive (ODI) rewards of £129 million over the previous regulatory period.	Reforms in the U.K. water sector introduce uncertainty over the future regulatory landscape.
	The Ofwat enforcement investigation into wastewater treatment compliance is ongoing without a definitive timeline and poses an important regulatory risk.

United Utilities (UU) delivered a strong performance in fiscal 2026, with earnings growth driven by higher regulated revenue under the new framework for Asset Management Period 8 (AMP8), the U.K. water industry's regulatory and investment cycle from 2025 to 2030. S&P Global Ratings-adjusted revenue rose to £2.6 billion (from £2.1 billion in fiscal 2025), underpinned by £447 million in regulatory adjustments. This followed the PR24 Final Determination, which yielded a 23% real increase in wholesale revenue, and a 3.5% revenue cap uplift linked to CPIH (consumer price index inflation including owner occupiers' housing costs). This top-line expansion drove S&P Global Ratings-adjusted EBITDA up to £1.6 billion in fiscal 2026 from £1.1 billion in 2025, while S&P Global Ratings-adjusted funds from operations (FFO) nearly doubled to £1.2 billion from £0.7 billion. Strong FFO growth amid relatively flat net debt resulted in a substantial improvement to the core FFO-to-debt ratio, which rose to 12.1% in fiscal 2026 and was largely in line with our expectations. We expect, however, that this headroom will be somewhat eroded as the company progresses on its investment plan through the AMP.

UU' strong operational start to AMP8 demonstrates improving underlying performance, although near-term regulatory penalties reflect the more stringent performance thresholds embedded in AMP8. During the first year of AMP8, the company demonstrated strong execution, with over 1,000 projects underway and more than 80% of key performance metrics showing year-over-year improvement. Notably, this includes zero Category 1 pollution incidents, a 42% reduction in internal sewer flooding, a 25% reduction in external flooding, a 23% decline in spills per overflow, and a 27% reduction in spill duration. However, despite meeting regulatory commitments on time, the company incurred a net ODI penalty of approximately £35 million, primarily due to the more stringent efficiency and performance targets inherent in the new AMP8 framework.

Nevertheless, UU delivered a robust AMP8 Year 1 return on regulated equity (RoRE) of 12.9%, supported by a 5.2% base return, 3.1% financing outperformance, 1.9% gearing benefit, and 3.5% inflation, which more than offset the impact of the 0.5% ODI penalty and minor total expenditure (totex) and retail underperformance. The strong Year 1 RoRE underpins our expectation that the company remains well positioned to generate attractive returns across AMP8. Over the full AMP8 cycle, we expect UU to transition toward a net ODI reward as sustained capital investment and ongoing operational enhancements enable the company to exceed regulatory targets.

We expect UU's expanded AMP8 investment program to materially accelerate regulated capital value (RCV) growth. The company increased its AMP8 capital investment plan to £11.5 billion from £9.0 billion previously, driving expected RCV growth of about 10% per year through

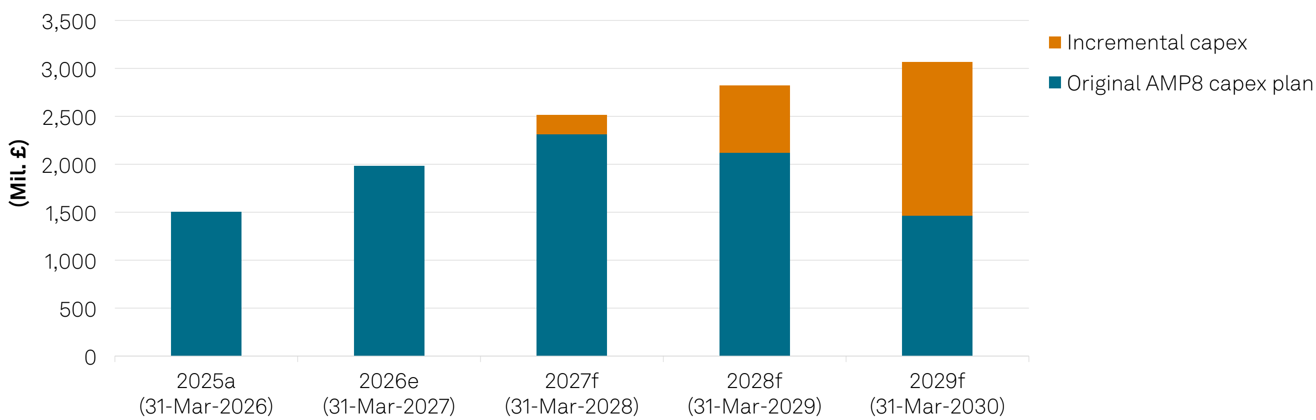
2030, versus approximately 7% under the original plan. The first phase of the incremental investment comprises a £1.1 billion (in 2022-2023 prices) proposal submitted to the Water Services Regulation Authority (Ofwat) in April 2026 to support asset health, housing growth, data center expansion, the hydrogen economy, and network resilience. In its draft determination in August 2026, Ofwat granted UU a cost change allowance of £995 million (in 2022-2023 prices). The funding of the additional expenditure allowances will be made through an RCV adjustment at the end of AMP8 and an adjustment to revenue over 2030-2035. Ofwat will make a final determination in December 2026. Beyond this, UU plans to submit further investment proposals of approximately £1.2 billion through subsequent regulatory mechanisms in 2027 and 2028, together with transitional investments that will accelerate AMP9 spending into AMP8.

To help offset the balance sheet impact of the enlarged capital program, the group raised £800 million of equity in April 2026. This should support gearing within management's target range of 55% to 65% throughout AMP8 and preserve FFO to net debt above our 9% downside threshold. At this stage, our projections do not incorporate the additional spending, given that regulatory approval is still awaited. However, we expect that UU's headroom above the current ratings threshold will be able to absorb the additional spend.

Chart 1

United Utilities has raised its AMP8 capex target by £2.5 billion to £11.5 billion

We exclude incremental capex from our forecasts pending regulatory approval



AMP8--Asset Management Period 8. Capex--Capital expenditure. a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

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The ongoing sector-wide Ofwat enforcement investigation into wastewater treatment compliance poses a key regulatory risk for UU. Originally announced in November 2021 by Ofwat and the Environment Agency, the probe targets all water and wastewater companies in England and Wales regarding potential non-compliant sewage discharges. While several cases across the sector have now concluded with enforcement outcomes including financial penalties, UU remains the only company still under active investigation, with no definitive timeline for resolution. While the potential financial implications could be significant, given Ofwat's authority to impose penalties of up to 10% of a company's wastewater turnover, we note that several cases have been concluded with undertakings rather than fines.

Outlook

The stable outlooks on UU and operating company United Utilities Water Ltd. (UUW) are based on UUW's strong operational record and our expectation that the company will achieve credit metrics above our 9% threshold for AMP8. UU received a totex allowance of £13.3 billion, which represents a 5% cut to the company's business plan. With the cuts mainly being made to enhancement expenditure, we expect UU to achieve some efficiency to operate in line with the totex allowance. We also believe the company will continue to achieve solid operating performance and will execute its business plan, with expectations of achieving some outcome delivery incentives (ODIs), despite tougher targets.

Downside scenario

We could lower the ratings on UU and UUW if we regard the group's delivery of its AMP8 business plan as more challenging than we previously anticipated, with either significant cost underperformance or ODI penalties. If this were the case, we would likely raise our rating thresholds to reflect the increased risk perception for the U.K. water sector, which could result in a downgrade should the group not achieve credit metric headroom at that level.

We could also downgrade the company if we believe FFO to debt would not remain sustainably above 9% on average over AMP8.

A negative rating action could also be linked to a significant negative financial or reputational impact on the group due to the ongoing investigation by Ofwat and the Environment Agency into how the company manages its wastewater treatment works.

Upside scenario

We currently see limited upside potential for UU and UUW through AMP8, based on the significant increase in the group's investment program over the period. We could consider raising the ratings if the group's adjusted FFO to debt sustainably exceeded 12%, and UUW demonstrated continued sector-leading operational performance during the rest of AMP8 and were also committed to maintaining a higher rating level.

Our Base-Case Scenario

Assumptions

- We forecast U.K. consumer price index (CPI) inflation of 3.0% in March 2027, 2.0% in March 2028, 2.2% in March 2029, and 2.0% in March 2030. We forecast U.K. RPI inflation of 3.5% in March 2027, 3.2% in March 2028, and 2.6% in March 2029 and March 2030.
- Revenue growth in line with regulatory assumptions and the ability to entirely pass through CPIH (CPI including owner occupiers' housing costs)inflation.
- An EBITDA margin of 60%-65% over the AMP8 period.
- Annual capex of about £2.1 billion on average over fiscal years 2027-2029. However, this does not include the £2.5 billion incremental increase to its AMP8 capital program, of which £1.4 billion has been submitted and pending regulator’s approval.
- Dividends to increase by CPIH annually.
- The group to maintain gearing within its target range of 55% to 65%.

- We expect UU will achieve cumulative net ODI rewards during AMP8.

Key metrics

United Utilities PLC--Forecast summary

Period ending	Mar-31-2023	Mar-31-2024	Mar-31-2025	Mar-31-2026	Mar-31-2027	Mar-31-2028
(Mil. GBP)	2022a	2023a	2024a	2025a	2026e	2027f
EBITDA	860	910	1,089	1,588	1,750-1,800	1,950-2,000
Funds from operations (FFO)	229	487	670	1,210	1,400-1,450	1,400-1,450
Capital expenditure (capex)	689	736	990	1,502	1,950-2,000	2,300-2,350
Dividends	301	320	344	358	360-390	370-400
Adjusted ratios						
Debt/EBITDA (x)	9.5	9.6	8.6	6.3	6.0-7.0	6.0-7.0
FFO/debt (%)	2.8	5.6	7.1	12.1	12-13	11-12
DCF/debt (%)	(2.6)	(3.6)	(4.5)	(4.8)	(7.0-8.0)	(9.0-10.0)

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. These projections do not incorporate the additional £2.5 billion UU intends to spend on capital delivery during AMP8, or the associated impact on cash flows.

Company Description

With an RCV of £16.5 billion as of March 31, 2026, UUW is the second-largest water and sewerage company in the U.K. after Thames Water. Its parent, United Utilities Group PLC, is listed on the London Stock Exchange. It is a monopoly supplier of water and wastewater services to approximately 8 million people in Northwest England. During fiscal 2026, the company generated S&P Global Ratings-adjusted EBITDA of £1.6 billion. Additionally, the company operates a joint venture with Severn Trent, known as 'Water Plus,' which competes in the non-household retail business segment.

Peer Comparison

UU's peer group includes regulated water and sewerage utilities in the U.K.--Yorkshire Water, Southern Water, and Thames Water--alongside European water companies such as FCC Aqualia and Veolia. We have issuer credit ratings on UU, Thames Water, FCC Aqualia, and Veolia, whereas we rate Yorkshire Water's Class A and Class B debt, and Southern Water's senior secured debt under our structurally enhanced debt criteria. The 'BBB' issuer credit rating on UU is a notch lower than the 'BBB+' rating on UUW, the operating company, given structural subordination.

Among these peers, we assess UU exclusively against the low-volatility table, which is indicative of our opinion of a greater ability for UU to bear debt compared with its peers. This is a reflection of the low-risk profile of its regulated water business, which generates nearly all of its EBITDA and its solid track record of operational performance. Throughout AMP7, the company maintained high operational efficiency by achieving 80% of its performance commitments and securing approximately £112 million in cumulative net ODI rewards. This contrasts with sizeable cumulative net ODI penalty positions for Southern and Thames Water at about £250 million each for the AMP7 period. In RoRE terms, this works out to a net reward of 0.5% for UU, net penalties of 0.5% for Yorkshire Water, 0.7% for Thames Water, and 1.6% for Southern Water.

The first year of AMP8 has presented industry-wide challenges resulting in penalties across the peer group--with UU incurring a £35.0 million penalty alongside Southern Water (£8 million), Yorkshire Water (£88.8 million), and Thames Water (£91.0 million). However, we expect UU to transition back toward a net ODI reward over the full AMP8 cycle, driven by sustained capital investment and ongoing operational enhancements.

We assess the preliminary regulatory advantage for U.K. water utilities, including UU, as strong/adequate as we do for FCC Aqualia, which operates a smaller-scale business under a quasi-regulated framework for its Spanish municipal water concessions, contributing more than 50% of its EBITDA. In addition to Iberia, it also operates in Georgia and France. In contrast, Veolia is larger in terms of earnings and is more diversified; however, its operations are less regulated than those of UU, with water services accounting for 48% of its 2025 EBITDA and waste and energy comprising the rest. We reflect these differences in regulatory approaches, and the contribution of regulated businesses to overall earnings in our assessment of the business risk profile with UU assessed as excellent and FCC Aqualia and Veolia as strong. The strong and satisfactory business risk profile assessments for Southern Water and Thames Water, respectively, reflect the magnitude of their operational issues.

United Utilities PLC--Peer Comparisons

	United Utilities PLC	Veolia Environnement S.A.	FCC Aqualia S.A.	Thames Water Utilities Finance PLC	SW (Finance) I PLC	Yorkshire Water Services Finance Ltd.
Foreign currency issuer credit rating	BBB/Stable/NR	BBB/Stable/A-2	BBB-/Stable/--	CCC/Negative/--		
Local currency issuer credit rating	BBB/Stable/NR	BBB/Stable/A-2	BBB-/Stable/--	CCC/Negative/--		
Rating on Senior secured debt					BBB-/Negative	
Rating on Class A debt						BBB+/Stable
Rating on Class B debt						BBB-/Stable
Period	Annual	Annual	Annual	Annual	Annual	Annual
Period ending	2026-03-31	2025-12-31	2025-12-31	2026-03-31	2026-03-31	2026-03-31
Mil.	GBP	GBP	GBP	GBP	GBP	GBP
Revenue	2,616	38,730	1,562	3,616	1,425	1,628
EBITDA	1,588	5,640	400	1,990	682	875
Funds from operations (FFO)	1,210	4,469	322	847	306	415
Interest	487	781	79	1,031	339	376
Cash interest paid	322	651	70	876	212	284
Operating cash flow (OCF)	1,382	3,847	296	1,058	265	460
Capital expenditure	1,502	2,666	172	2,304	1,091	886
Free operating cash flow (FOCF)	(120)	1,181	125	(1,245)	(825)	(426)
Discretionary cash flow (DCF)	(484)	(339)	(74)	(1,245)	(825)	(511)
Cash and short-term investments	1,794	8,266	274	531	1,495	571
Gross available cash	1,794	8,273	274	531	1,495	571
Debt	10,038	21,233	1,726	19,776	5,529	7,624
Equity	2,241	9,900	911	342	1,675	1,361
EBITDA margin (%)	60.7	14.6	25.6	55.0	47.9	53.7

United Utilities PLC--Peer Comparisons

Return on capital (%)	9.8	9.2	9.8	6.4	4.7	6.0
EBITDA interest coverage (x)	3.3	7.2	5.1	1.9	2.0	2.3
FFO cash interest coverage (x)	4.8	7.9	5.6	2.0	2.4	2.5
Debt/EBITDA (x)	6.3	3.8	4.3	9.9	8.1	8.7
FFO/debt (%)	12.1	21.0	18.7	4.3	5.5	5.4
OCF/debt (%)	13.8	18.1	17.2	5.4	4.8	6.0
FOCF/debt (%)	(1.2)	5.6	7.2	(6.3)	(14.9)	(5.6)
DCF/debt (%)	(4.8)	(1.6)	(4.3)	(6.3)	(14.9)	(6.7)

The 'BBB' issuer credit rating on UU is one notch lower than the 'BBB+' rating on UUW, the operating company, reflecting structural subordination.

Business Risk

The planned abolition of Ofwat and the creation of a single, consolidated water regulator will likely reduce fragmented oversight. We view the recommendations of the Independent Water Commission (the Cunliffe review) as credit supportive. Specifically, we think that the creation of a single, stronger regulator could reduce fragmentation and overlapping competencies between Ofwat, the Environment Agency, Natural England, and the Drinking Water Inspectorate. We also view as credit supportive recommendations to take regional disparities into account, as well as tighter financial resilience standards and earlier intervention. Although these developments could strengthen the sector's long-term credibility, the reform process itself introduces a degree of uncertainty regarding the future regulatory regime.

The government's response to date indicates a willingness to consider reforms to regulation, governance, environmental oversight, and accountability, in our opinion. That said, the white paper published in January 2026 did not offer much detail and publication of the transition plan has been delayed. As a result, we do not expect the new government to bring the water reform bill to parliament until the end of the year at the earliest. Ofwat will remain operational during the transition under new leadership. However, in our view, any resultant changes in oversight or even regulatory parameters are likely to be most relevant from the next regulatory period (AMP9, starting April 2030). There could, however, be implications for planning as companies will start work on their business models for AMP9 in 2028, if not earlier.

The regulatory landscape for water utilities in England and Wales has become less credit-supportive while companies navigate a massive £100 billion plus investment program during the AMP8 period. While increases in RCVs provide some offset, the sheer scale of required capital is expected to strain balance sheets that already have limited financial flexibility, while simultaneously introducing significant execution risks. While equity support has been forthcoming, we anticipate the AMP8 investment cycle will remain largely debt financed for the sector as a whole. Although companies can still access capital at affordable rates, the risk-return balance appears to understate the risks inherent in the regulatory period. In our opinion, equity investors in the sector face uncertainty regarding its long-term regulatory framework and returns. Several water utilities are unlikely to issue any dividends during AMP8. In addition, some companies have been subjected to lengthy investigations and are at risk of sizable fines, though we note the investigations have resulted in undertakings rather than fines.

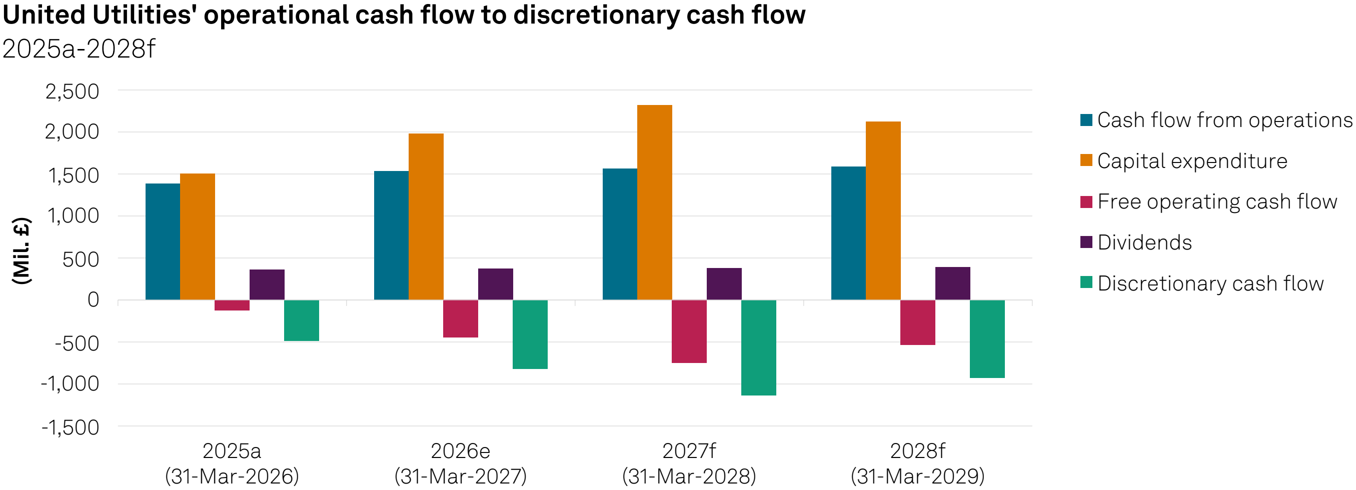
We also view the balance between rewards and penalties as asymmetrical. While PR24 introduced mechanisms to smooth out or mitigate extreme under/overperformance, the balance still remains skewed to the downside. Reflecting these factors, we revised our view of the preliminary regulatory advantage for water companies in England and Wales to 'strong/adequate' from 'strong' in February 2025.

Despite broader sector headwinds, UU remains well positioned, resulting in an 'excellent' business risk profile underpinned by its ability to navigate the regulatory landscape effectively. Throughout AMP7, the company maintained high operational efficiency by achieving 80% of its performance commitments and securing approximately £112 million in cumulative net ODI rewards. Financial performance remained equally robust, characterized by a cumulative RoRE of 6.1% during AMP7, which exceeded the 4.0% base return, while gearing stood at 60% as of March 31, 2025 (the end of AMP7). We expect UU will sustain this trajectory during AMP8, meeting most performance commitments and securing a net ODI reward while benefiting from lower execution risks relative to its capital investment programs. Ofwat recognized UU’s business plan in its quality and ambition assessment for deliverability. Considering UU’s strong operational credibility, we apply a ‘positive’ strategy modifier for regulatory advantage, maintaining an 'excellent' business risk profile.

Financial Risk

UU has sizable headroom in its financial metrics to allow substantial investments over AMP8. Although we expect these investments will bolster long-term operating performance and regulatory returns, we also expect this will lead into a negative free operating cash flow (FOCF) and negative discretionary cash flow (DCF). We project average annual capex of about £2.1 billion over fiscal 2027-2029. Notably, this excludes the proposed £2.5 billion incremental increase to the AMP8 capital program, as it is pending regulatory approval. We forecast average annual FOCF of negative £580 million over this period. Given UU’s policy of indexing dividend growth to CPIH inflation, we project average annual dividends of £380 million, resulting in an average annual negative DCF of £960 million over the same period. To bridge this gap, we expect the company to rely on additional debt issuances, leading to higher leverage as AMP8 progresses. Specifically, we project net debt to increase to £13.7 billion by fiscal 2029 from £10 billion in fiscal 2026. We project FFO to debt will decrease to about 11% by fiscal 2029 from 12% in fiscal 2026. We anticipate that even if we were to take UU’s proposed additional investments of £2.5 billion into account, its £800 million equity raise would allow FFO to exceed 9% of net debt over the current regulatory period.

Chart 2



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

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We assess UU against the low volatility table under our criteria, while we assess the rest of the sector on the medial volatility table. Generally, if an issuer exhibits low cash flow volatility, the threshold levels for the applicable ratios to achieve a given cash flow/ leverage assessment are less stringent than those in the medial or standard volatility tables. In other words, we think that issuers, such as UU, with lower cash flow volatility have a higher ability to bear debt compared with those with greater cash flow volatility. This reflects the low risk associated with UU's regulated water and wastewater businesses, which contribute almost all consolidated EBITDA, and its solid track record of operational performance evidenced by a track record of ODI rewards and Ofwat's recognition of the deliverability of its investment plan. Regulatory gearing--among the lowest in the sector--was 60% as of March 31, 2026, unchanged from the previous year and within the company's 55%-65% target range and close to the 55% gearing of the notional company.

At this stage we do not adjust UU's debt to consolidate the £3 billion Haweswater Aqueduct Resilience Program (HARP). This treatment could change if we were to believe that there is a greater likelihood of UU stepping in to bear costs related to the project, which it will not be able to pass on to consumers via the regulatory framework. The project aims to upgrade the 110 kilometer Haweswater Aqueduct to ensure long-term water supply for 2.5 million people in Northern England. It is the first major U.K. water project delivered under Ofwat's Direct Procurement for Customers (DPS) model, which applies to projects with total lifetime expenditure of at least £200 million, and is being delivered by a consortium formed by STRABAG UK, Equitix, and GLIL Infrastructure. Under the DPC framework sponsors, contractors, and consumers of a large capex project would assume responsibility for a significant amount of the associated project risk, rather than the utility retaining it all.

United Utilities PLC--Financial Summary

Period ending	Mar-31-2021	Mar-31-2022	Mar-31-2023	Mar-31-2024	Mar-31-2025	Mar-31-2026
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	GBP	GBP	GBP	GBP	GBP	GBP
Revenues	1,808	1,863	1,824	1,950	2,145	2,616

United Utilities PLC--Financial Summary

EBITDA	1,034	1,024	860	910	1,089	1,588
Funds from operations (FFO)	795	637	229	487	670	1,210
Interest expense	189	379	650	457	459	487
Cash interest paid	137	122	118	176	264	322
Operating cash flow (OCF)	866	934	788	745	918	1,382
Capital expenditure	639	627	689	736	990	1,502
Free operating cash flow (FOCF)	227	308	99	9	(72)	(120)
Discretionary cash flow (DCF)	(69)	6	(209)	(315)	(421)	(484)
Cash and short-term investments	744	241	340	1,399	1,673	1,794
Gross available cash	744	241	340	1,399	1,673	1,794
Debt	7,285	7,556	8,182	8,751	9,409	10,038
Common equity	3,031	2,957	2,509	2,056	2,000	2,241
Adjusted ratios						
EBITDA margin (%)	57.2	55.0	47.1	46.7	50.8	60.7
Return on capital (%)	5.8	5.8	4.2	4.8	6.3	9.8
EBITDA interest coverage (x)	5.5	2.7	1.3	2.0	2.4	3.3
FFO cash interest coverage (x)	6.8	6.2	2.9	3.8	3.5	4.8
Debt/EBITDA (x)	7.0	7.4	9.5	9.6	8.6	6.3
FFO/debt (%)	10.9	8.4	2.8	5.6	7.1	12.1
OCF/debt (%)	11.9	12.4	9.6	8.5	9.8	13.8
FOCF/debt (%)	3.1	4.1	1.2	0.1	(0.8)	(1.2)
DCF/debt (%)	(0.9)	0.1	(2.6)	(3.6)	(4.5)	(4.8)

Reconciliation Of United Utilities PLC Reported Amounts With S&P Global Adjusted Amounts (Mil. GBP)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Mar-31-2026									
Company reported amounts	11,402	2,241	2,616	1,600	1,099	394	1,588	1,382	358	1,535
Cash taxes paid	-	-	-	-	-	-	16	-	-	-
Cash interest paid	-	-	-	-	-	-	(322)	-	-	-
Lease liabilities	89	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	-	-	-	4	4	-	-	-	-	-
Accessible cash and liquid investments	(1,794)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	75	-	-	-	-
Share-based compensation expense	-	-	-	5	-	-	-	-	-	-

Reconciliation Of United Utilities PLC Reported Amounts With S&P Global Adjusted Amounts (Mil. GBP)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Nonoperating income (expense)	-	-	-	-	78	-	-	-	-	-
Debt: other	342	-	-	-	-	-	-	-	-	-
EBITDA: other	-	-	-	(21)	(21)	-	-	-	-	-
Interest: Derivatives	-	-	-	-	-	21	-	-	-	-
Interest expense: other	-	-	-	-	-	(2)	-	-	-	-
FFO: other	-	-	-	-	-	-	(154)	-	-	-
Capex: customer contributions	-	-	-	-	-	-	-	-	-	(33)
Total adjustments	(1,364)	-	-	(12)	61	94	(378)	-	-	(33)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	10,038	2,241	2,616	1,588	1,161	487	1,210	1,382	358	1,502

Liquidity

Our assessment of UU's liquidity as adequate reflects our expectation that the company's sources of liquidity will exceed its uses by about 1.7x over the next 12 months started March 31, 2026. We also think the group has a high standing in credit markets and generally prudent risk management.

Principal liquidity sources	Principal liquidity uses
• Cash and liquid investments of about £1.8 billion; • Undrawn committed facilities of £1.0 billion, with maturities of more than 12 months; and • Cash FFO of about £1.5 billion-£1.6 billion.	• Debt maturities of about £160 million; • Capex of £1.9 billion-£2.0 billion; and • Dividends of about £370 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 most recent 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 47% 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 across the three emissions scopes by 2050. Since October 2021, it has purchased all of its electricity from renewable sources.

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 £11.4 billion of unsecured debt as of March 31, 2026, of which £11 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.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB/Stable/NR**
Local currency 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	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Sector, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- 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
- General Criteria: Methodology For Linking Long-Term And Short, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Credit FAQ: How Is The U.K. Water Sector Navigating Regulatory And Financial Pressures?, July 22, 2026

- Industry Credit Outlook Update Europe: Utilities, July 16, 2026
- Preliminary Regulatory Assessment For Water Utilities In England And Wales: Strong/Adequate, March 10, 2026
- Industry Credit Outlook 2026: EMEA Utilities, Jan. 14, 2026
- Tear Sheet: United Utilities Water Ltd., Oct. 3, 2025
- U.K. Water Regulatory Framework Support, Low Financial Flexibility In Coming Regulatory Period Drive Rating Actions, Feb. 18, 2025
- U.K. Water Utilities And Projects: The New DPC Investment Model In Focus, May 16, 2024

Ratings Detail (as of August 19, 2026)*		
United Utilities PLC		
Issuer Credit Rating		BBB/Stable/NR
Senior Unsecured		BBB-
Issuer Credit Ratings History		
18-Feb-2025	*Foreign Currency*	BBB/Stable/NR
12-Nov-2024		BBB/Negative/NR
25-Feb-2020		BBB/Stable/NR
18-Feb-2025	*Local Currency*	BBB/Stable/NR
12-Nov-2024		BBB/Negative/NR
25-Feb-2020		BBB/Stable/NR
Related Entities		
United Utilities Water Finance PLC		
Senior Unsecured		BBB-
United Utilities Water Ltd.		
Issuer Credit Rating		BBB+/Stable/NR
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.

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