



Thames Water 2023/24 Interim Results

5 December 2023



It's everyone's water

Disclaimer

IMPORTANT: This presentation and its contents (this "Presentation") are strictly private and confidential and are being provided to you solely for your information in connection Thames Water Utilities Limited and its affiliates (the "Company"). This Presentation may not be reproduced, redistributed or disclosed to any other person or published, in whole or in part, for any purpose. Any forwarding, distribution or reproduction of this Presentation in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of applicable laws. Neither this Presentation nor any of its contents may be used for any purpose other than for the purposes described to you above without the prior written consent of the Company.

This Presentation has been made available to you on the basis that you are a person into whose possession this Presentation may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By viewing this Presentation, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of this Presentation, including by electronic transmission and (c) that you are a person into whose possession this Presentation may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

This Presentation and any related oral presentation is provided for informational purposes only and does not constitute or form part of, and should not be construed as, (i) an offer, solicitation or invitation to subscribe for, sell or issue, underwrite or otherwise acquire any securities, loans or other financing of the Company or its affiliates or any other person or entity, nor shall it, or the fact of its communication, form the basis of, or be relied upon in connection with, or act as any inducement to underwrite, arrange, sell, buy, participate in, syndicate or enter into any contract or commitment whatsoever with respect to any securities, loans or other financing of the Company or its affiliates (or any other person or entity), in each case in the United States or in any other jurisdiction; or (ii) any form of financial opinion, recommendation or investment advice with respect to any securities, loans or other financing of the Company or its affiliates (or any other person or entity) in the United States or in any other jurisdiction.

Any opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. It should be noted the auditors of the Company have not reviewed the information herein and the information has not been independently verified.

No reliance should be placed upon the information contained in this presentation by prospective investors, as the accuracy cannot be guaranteed. The information contained in this presentation has no regard to the specific investment objectives, financial situation or particular needs of any person.

This presentation contains statements that are forward-looking statements with respect to the financial condition, results of operations and business and business strategy of the Company. Forward-looking statements typically use words such as "believes", "anticipates", "expects", "intends", "plans", "targets", "projects", "may", "will", "could", "would" and "should" and words of similar import. Various known and unknown risks, uncertainties and other factors may cause the actual future results, financial situation, development, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the future projections, expectations, estimates or prospects in this presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the presentation. This presentation should not be relied on as a guide to future performance, and should not be relied on in making any investment decision with respect to the Securities. Neither the Company nor any of its shareholders, affiliates, directors, officers or employees assumes any obligation to update any forward-looking statements or any other information contained in this presentation.

The Company is not providing you with any legal, business, tax or other advice in connection with this presentation. You should conduct such investigations as you deem necessary and consult with your own advisers as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Securities.

No representation or warranty, express or implied, is made or given, and no responsibility is accepted, by or on behalf of the Company or any of its shareholders, affiliates, directors, officers or employees or any other person as to the accuracy, adequacy, usefulness, completeness or fairness of the information or opinions contained in this presentation or as to the reasonableness of any assumptions on which any of the information herein is based. The Company shall have no liability to any party for the quality, accuracy, timeliness, continued availability, or completeness of any information contained in this presentation.

The Company does not accept any liability whatsoever for any direct, indirect or consequential losses to any person in relation to the distribution, or possession or reliance on this presentation and its contents in contract, tort or otherwise.

This Presentation does not constitute an offer of any securities for sale in the United States. No securities of the Company have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, this Presentation has been prepared on the basis that you are either (i) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") or institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act ("IAs") or (ii) outside the United States (within the meaning of Regulation S under the Securities Act ("Regulation S")) and not a "U.S. person" (as defined in Regulation S) ("U.S. Persons"). This Presentation is being sent at your request and, by accessing this Presentation, you represent to us that you are either (i) a QIB or an IA; or (ii) outside the United States and not a U.S. Person.

This Presentation has been prepared on the basis that you are a "qualified investor" within the meaning of Directive 2003/71/EC and in circumstances where an exemption applies under section 86(1) of FSMA, or otherwise, in respect of the requirement to make an approved prospectus available. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) communicated or caused to be communicated in connection with any securities of the Company will only be made in circumstances in which exemptions from section 21(1) of FSMA apply. The only categories of persons to whom this Presentation is directed are persons who are permitted to receive this Presentation outside the United Kingdom or persons in the United Kingdom who fall within the exemptions under articles 19 (investment professionals) or 49 (high net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. The transmission of this Presentation to any other person in the United Kingdom is unauthorised and may contravene FSMA and other United Kingdom securities laws and regulations. All applicable provisions of FSMA must be complied with in respect to anything done in relation to the securities of the Company referred to in this Presentation in, from or otherwise involving the United Kingdom.

Please note that these materials are being shared in the interests of creditor engagement only and any projected estimates, figures or returns contained in these materials should be viewed as working figures and do not represent comprehensively-reviewed or audited estimates, figures, projections or returns. In relation to any information related the draft AMP8 business plan and forecasts particularly, we note that all figures, proposals and expectations are subject to ongoing review and will be updated as the group continues its preparation for PR24. The Company does not assume any obligation to provide you with access to any additional information or to update these materials or any additional information or to correct any inaccuracies in any such information which may become apparent.



Alastair Cochran

Interim Co-CEO & CFO

Our interim results

Key 2023/24 first half highlights (“HY24”)

- Solid set of results
- Delivered improvements in several key operational priorities
- Investing to improve performance
- Submitted ambitious PR24 business plan
- Refocused Turnaround Plan approved
- Continuing to increase social tariff support for customers



HY24 financial highlights

Improvement in underlying financial performance

Underlying
Revenue¹

£1.2bn

+11%

Underlying
EBITDA²

£627m

+22%

Underlying
Profit After Tax²

£142m

(57%)

Underlying Op.
Cashflow²

£585m

+1%

Capex

£1,049m

+30%

Gearing³

79.5%

+2.1% ppt

RCV

£19.6bn

(Mar 23: £18.9bn)

Liquidity

£3.5bn

(Mar 23: £4.4bn)

1. Excluding Bazalgette Tunnel Limited
2. Excluding exceptional items and Bazalgette Tunnel Limited
3. Senior gearing: covenant net debt to Regulatory Capital Value ("RCV"); change vs 31 March 2023



Underlying revenue growth

11% increase in revenue largely driven by higher tariffs

Underlying Revenue Bridge (£m) ¹

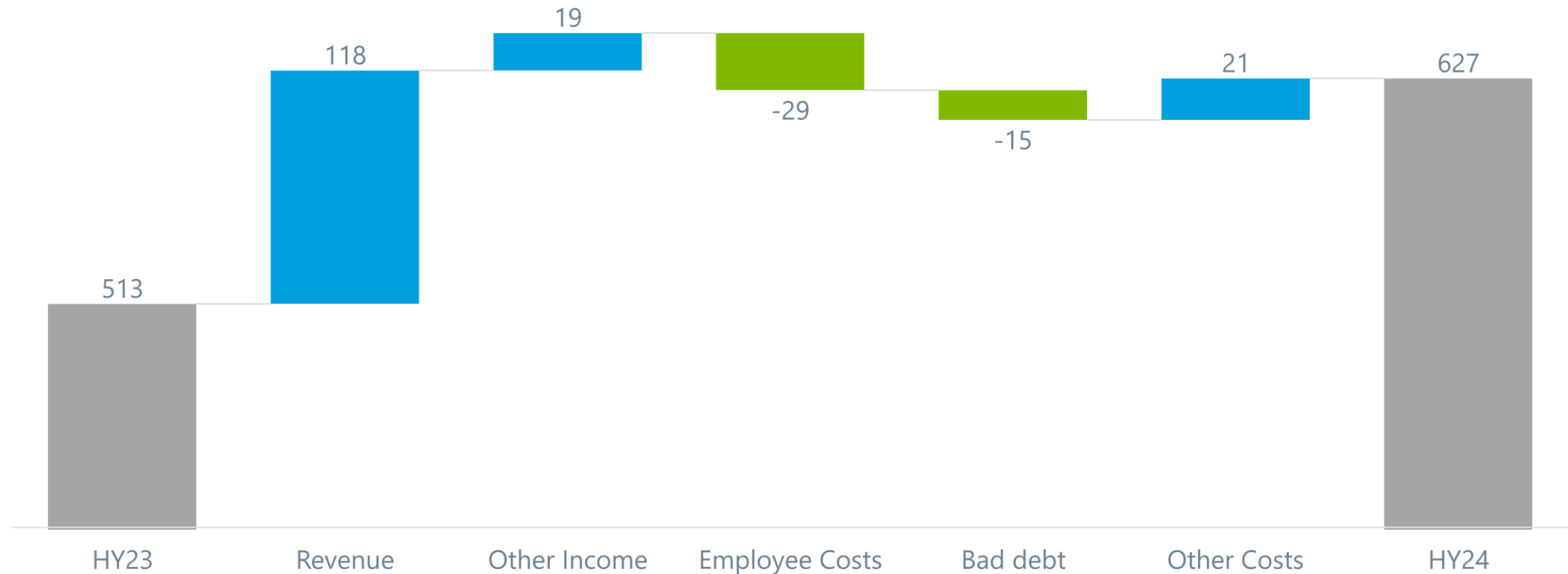


1. Excludes Bazalgette Tunnel Limited

Strong growth in EBITDA

22% increase in EBITDA driven by revenue and cost efficiency initiatives

Underlying EBITDA Bridge (£m) ¹



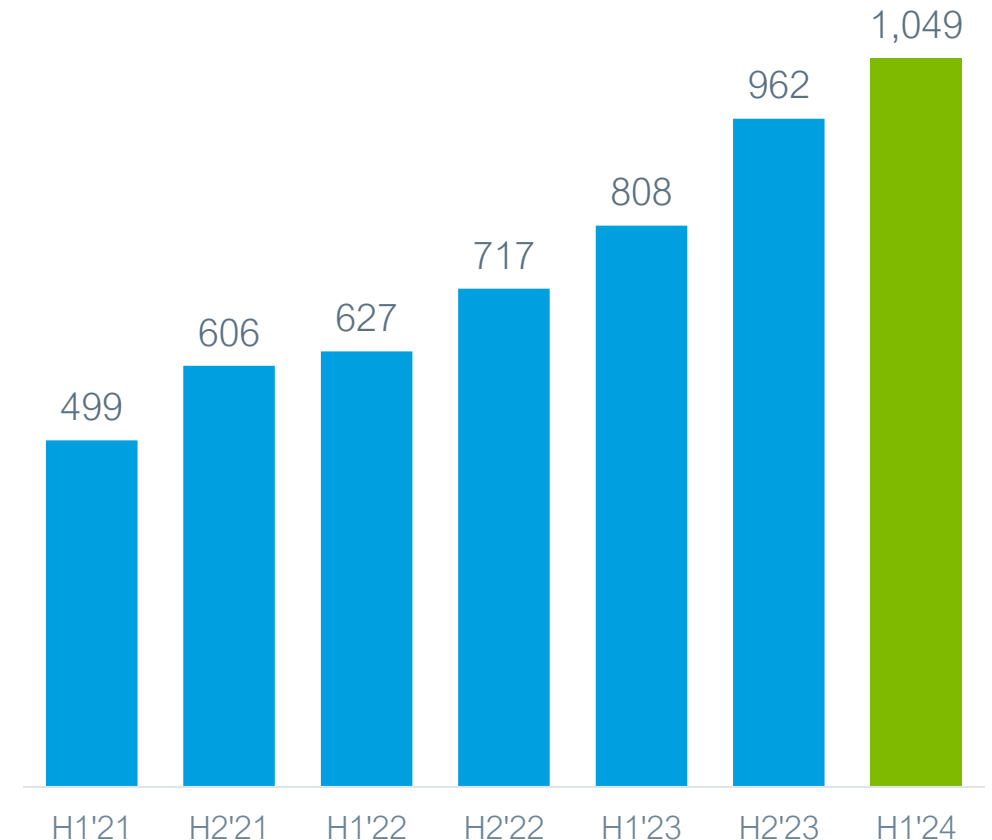
1. Excludes exceptional items and Bazalgette Tunnel Limited

Investing to improve performance

Record investment in our network and assets

- 30% increase in capital investment to
 - Increase asset resilience
 - Improve customer service
 - Improve environmental performance
 - Mitigate impact of climate change
 - Address population growth
- Innovating to reduce disruption & costs
- Major capital programmes in the period
 - Renewal of critical water mains in N. London
 - New Faringdon to Blunsdon trunk main
 - Replacement of Haydens End rising main
 - New sewage treatments works in Guildford

Net Capex (£m)



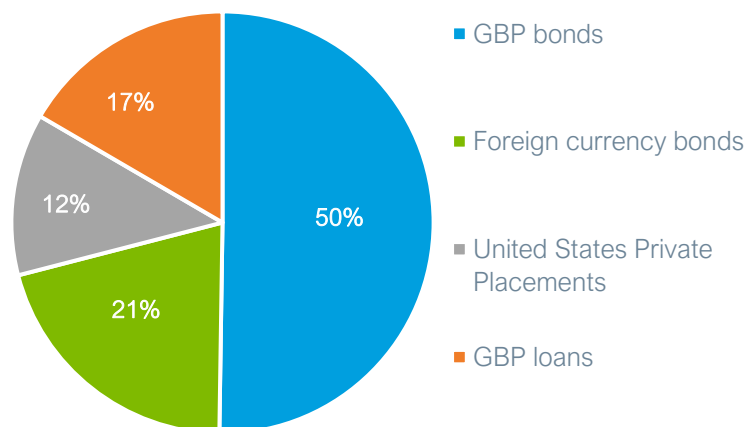
Financing our investment programme

Maintaining a prudent financing strategy

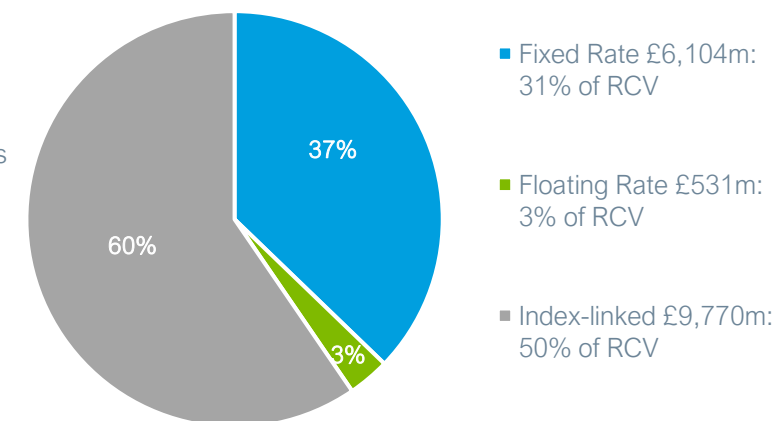
- Prudent treasury management mitigating impact of rising rates
 - 97% of debt fixed or index-linked
 - £183m net cash interest cost¹
- Sustainable Financing Framework for bond issuance
- No change in credit ratings²

Debt and interest rate profiles as at 30 September 2023

Debt sources



Interest rate profile (debt and derivatives combined)



Credit ratings

Agency	Class A	Class B	Outlook
S&P	BBB	BB+	CreditWatch negative
Moody's	Baa1	Ba1	Stable

1. Covenant basis. £191 million for six-month period to 30 September 2022

2. S&P ratings on credit watch negative since 29 June 2023

Maintaining high levels of liquidity

Diversifying sources of finance, pre-funding maturities and maintaining a balanced debt maturity profile

- £3.5 billion in liquidity as at 30 September 2023
- Liquidity of £3.2 billion as at 31 October 2023
 - £300 million new debt issued and £325 million of loans extended during October 2023
 - Covers next 15 months of cash requirements
 - Excludes £550 million of liquidity facilities
- £1.7 billion¹ of term debt maturities due by end of AMP7

Liquidity at 30 September 2023

£m	Total	Drawn	Available
Class A facilities			
Revolving Credit	2,326	-	2,326
Term Loans	198	-	198
Class B facilities			
Revolving Credit	371	371	-
Term Loans	65	-	65
	2,960	371	2,589
Cash			892
Total Liquidity			3,481

Debt maturity profile at 30 September 2023: next 15 years (£m)¹

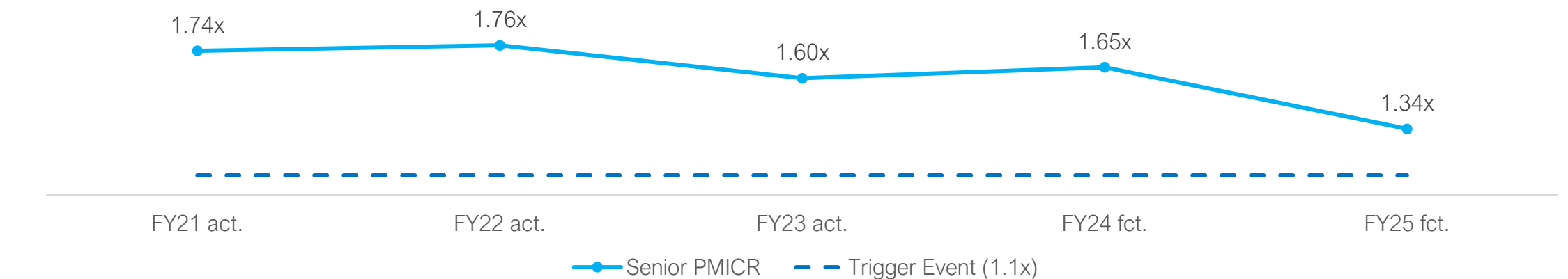


1. Excluding future accretion; 31 October position takes account of £0.7bn of debt maturities and a facility extension

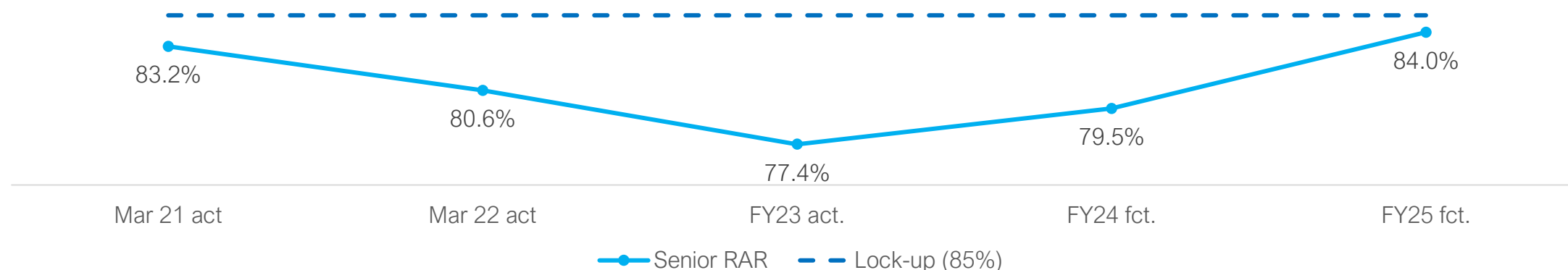
Fully compliant with financial covenants

Increase in gearing reflects ramp up in AMP7 capital investment programme¹

Senior Post Maintenance Interest Cover Ratio (“PMICR”)



Senior Regulatory Asset Ratio (“RAR”)



1. Financial covenant forecasts assume £500m and £250m of additional equity is received in March 2024 and March 2025 respectively

Our refocused Turnaround Plan

Focused on improving outcomes for customers, the environment and our communities

Operational Performance Priorities



Health, Safety &
Wellbeing



Supply
Interruptions



Water Quality
(CRI)



Pollutions



Customer
Complaints



Leakage



Financial Efficiency
will help fund the turnaround



Business Resilience
will manage risks to performance



Foundational Capabilities
will underpin and sustain the turnaround

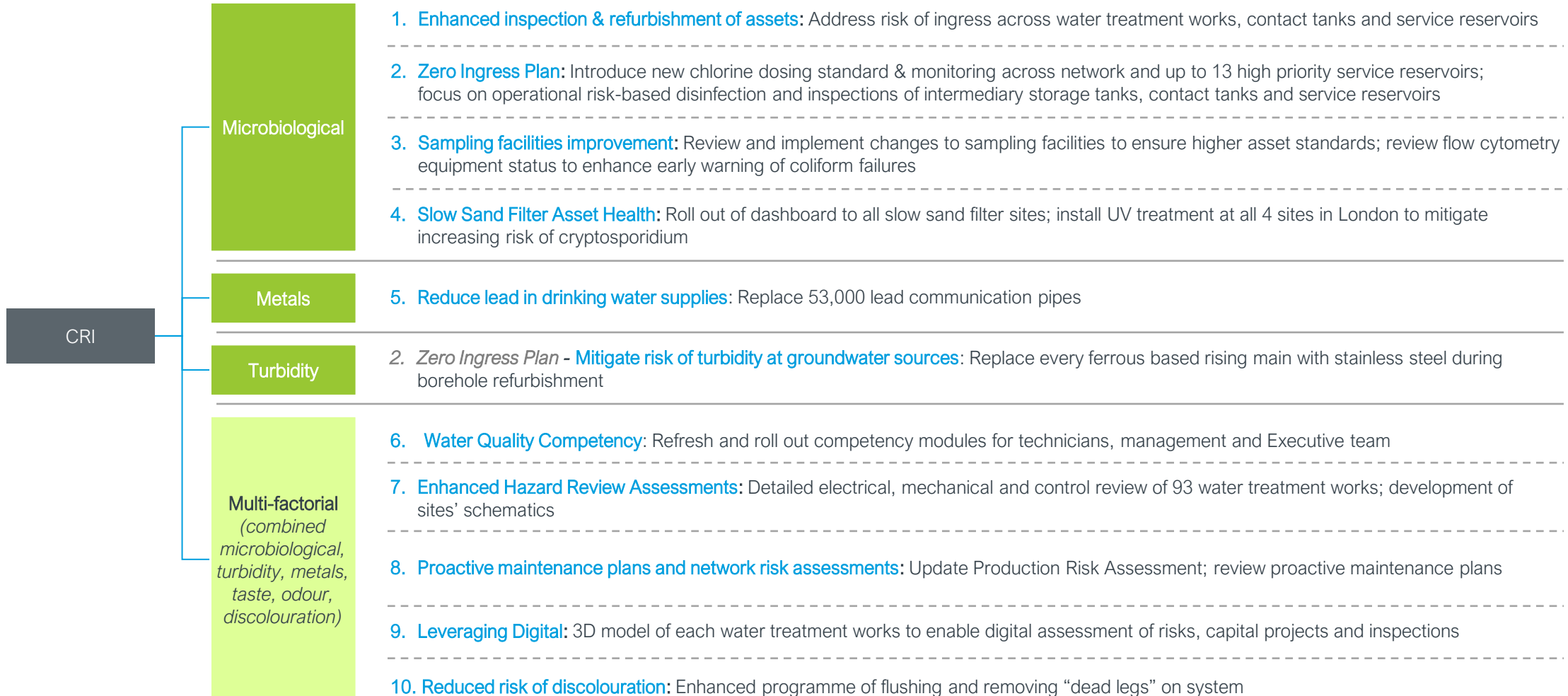
- Prioritisation has involved difficult decisions and trade-offs
- Choices reflect an absolute commitment to [health safety](#) and the [wellbeing of our customers & colleagues](#)
- Designed to deliver on the [highest priorities](#) of our [customers and stakeholders](#)

Deep dive: water quality risk (CRI)

Refocused Turnaround Plan comprehensively addresses the root causes impacting CRI score

Root causes

Improvement levers





Cathryn Ross
Interim Co-CEO

Health and Safety

Our number one priority

Lost-time injury frequency rate (LTIFR)

Sep-23	Sep-22	Change
0.19	0.15	27% increase

Turnaround Plan objective

- Drive improvement in performance and ensure a health & safety culture is embedded into all operational and business priorities

Near term priorities

- New HS&W¹ Leadership & team structure (now in place)
- Define approach & workplans; embed across TW organisation
- Define foundational improvement programmes
- Deploy a data-driven approach to analysis and intervention prioritisation, and deployment



Water quality

90% reduction in CRI year to date

Compliance Risk Index

Sep-23	Sep-22	Change
1.19	10.87	90% improvement

Turnaround Plan objective

- Maintain high levels of water quality performance through current activities and planned resilience measures

Near term priorities

- Continued roll-out of Public Health Transformation Plan; 26 initiatives across 5 cross-functional themes
- Complementary programmes; e.g., improvement works at large water treatment works



Customer complaints

Reduced customer complaints backlog by 49%

Total complaints

Sep-23	Sep-22	Change
38,872	34,426	13% increase

Turnaround Plan objective

- Reduction in the inbound number of complaints, complaints backlog and cost to serve

Near term priorities

- 'In the line' improvements: e.g., ways of working, handling of aged complaints, improving online channels, webchat / chatbot
- Increasing investment in digital systems and data platform, and root cause analysis
- End-to-end customer journey mapping to target improvements in billing and customer side leakage



Leakage

Performance benefitted from more benign weather conditions

Leakage (Mld)

Sep-23	Sep-22	Change
557.1	593.5	6% reduction

Turnaround Plan objective

- Establish accountability and implement specific targeted interventions to drive improvement in leakage performance

Near term priorities

- Roll-out of leakage transformation plan
 - Better understanding of consumption
 - Enhance detection performance
 - Better prioritisation of repairs - “fixing bigger leaks faster”
 - Improve DMA operability & availability
 - Increase productivity in our field operations



Supply interruptions

Solid start to the year with performance within Ofwat's target

Supply interruptions (min:secs)

Sep-23	Sep-22	Change
2 mins 52 secs	6mins 57 secs	60% reduction

Turnaround Plan objective

- Maintain forecasted performance trajectories through current activities and planned resilience measures

Near term priorities

- Roll-out of Supply Interruptions Strategy
 - Reduce trunk mains bursts
 - Reduce inefficiencies in mains repairs
 - Improve incident response
- Investment in high-risk areas; e.g., Guildford



Pollutions

Reduced blockages by 5%, the principal cause of network pollutions

Category 1-3 pollutions

Sep-23	Sep-22	Change
257	217	+40

Turnaround Plan objective

- Establish accountability and implement specific targeted interventions to drive improvement in pollutions performance

Near term priorities

- Address and mitigate the major drivers of pollutions across Network and Sewage Treatment Works
 - *Networks*: proactive network cleaning & monitoring; sewer rehabilitation; improved triage; reprioritisation of SDM alarms
 - *Treatment works*: improved 24/7 monitoring of site performance; improved Pollution Action Plans & incident reporting; increase maintenance & testing



Cleaning up the tidal River Thames

On track to reduce CSO discharges by 95% in the tidal Thames

- **2005: Publication of Thames Tideway Strategic Study**
Leads to plan to clean up the Thames in London
- **2012: 40% reduction in volume of untreated sewage entering river**
Upgrades at Beckton, Crossness, Mogden, Riverside and Long Reach sewage treatment works
- **2016: Further 15% reduction in volume of untreated sewage**
Lee Tunnel goes into operation - Intercepted the tidal Thames' largest combined sewer overflow (CSO) at Abbey Mills. At 7.2m in diameter, the 7km tunnel runs from Abbey Mills pumping station in Stratford to Beckton sewage treatment works in Newham
- **By 2025: A total of 95% reduction in volume of untreated sewage**
Thames Tideway Tunnel goes into operation

Note: % reduction in the volume of untreated sewage going into the tidal river in a typical year, compared to the 2005 baseline, when the Thames Tideway Strategic Study was published



Our PR24 business plan for 2025-30

Delivering a step change in investment & performance

INVESTMENT

A record level of investment



£18.7bn

Total spend across our business



£4.7bn

To improve the quality of our services



£1.59

Average daily water and wastewater bill



530k

Households getting help with their bills

FOR CUSTOMERS

A safe and reliable service for you



£12.1bn

To improve your service



17%

Reduction in the number of times sewage floods into properties



75%

Of eligible customers on the priority services register



500km

Of replaced water mains

FOR COMMUNITIES

Having a positive impact on your community



600

Apprentices, graduate scheme applicants and summer interns on placements



27

Wetlands and nature reserves open to the public



1

Key commitment to cut down disruption caused by our streetworks

FOR THE ENVIRONMENT

Improving the environment



£6.6bn

To improve the environment



£885m

Investment in reducing storm overflows



30%

Drop in pollution incidents



22%*

Reduction in leakage

*AMP8 reduction based on a 2019/20 baseline

All £ are in 2022/23 prices

Summary

HY24 interim results

- Delivered a solid set of results
- Continuing to increase social tariff support for customers
- Our plans will deliver a turnaround & more resilient Thames Water
 - Refocussed turnaround plan to deliver a step change in performance
 - Ambitious PR24 business plan submitted to Ofwat
- Building on good progress & foundations laid in last two years
- Shareholders remain supportive
- Turning around Thames will take time



Q&A

Cathryn Ross: Interim Co-CEO

Alastair Cochran: Interim Co-CEO & CFO

David Gregg: Director of Corporate Finance



debt.investorrelations@thameswater.co.uk