

MOODY'S

RATINGS

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Dwr Cymru Cyfyngedig

21 Mar 2024

London, March 21, 2024 -- Moody's Ratings has completed a periodic review of the ratings of Dwr Cymru Cyfyngedig and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 15 March 2024 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

All ratings, including the A3 CFR of Dwr Cymru Cyfyngedig, as well as the Baa2 subordinated and A3 senior secured and backed senior secured ratings of Dwr Cymru (Financing) UK Plc remain unchanged with a stable outlook.

The ratings are supported by (1) the low business risk profile as the monopoly provider of essential water and sewerage services in Wales, with stable and predictable cash flow generated under a transparent and well-established regulatory regime; (2) a low level of gearing below 60%, calculated as the group's consolidated net debt to regulatory capital value (RCV); (3) the not-for-dividend status of Welsh Water's ultimate parent company, Glas Cymru Holdings Cyfyngedig, which allows Welsh Water to manage the distribution of its profit to maintain the company's stated gearing target of around 60% net debt to RCV; and (4) the more cautious approach to market reform by the Welsh Government. Ratings are constrained by high cash interest costs as a result of inflation-linked derivatives and interest coverage ratios that will consequently be very weak during the 2020-25 regulatory period (AMP7).

The A1 ratings of those bonds that are subject to a financial guarantee of timely payments of scheduled interest and principal by Assured Guaranty UK Limited (A1 stable) will continue to reflect the insurance financial strength rating of the guarantor and also remain unchanged.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regulated Water Utilities published in August 2023. Please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are part of the same organization list.

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