Watercare investor information

September 2026

Watercare

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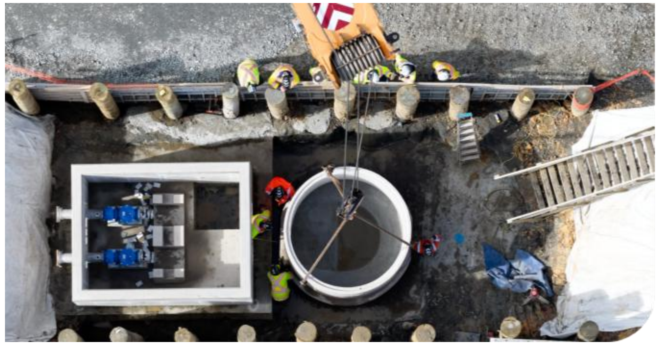

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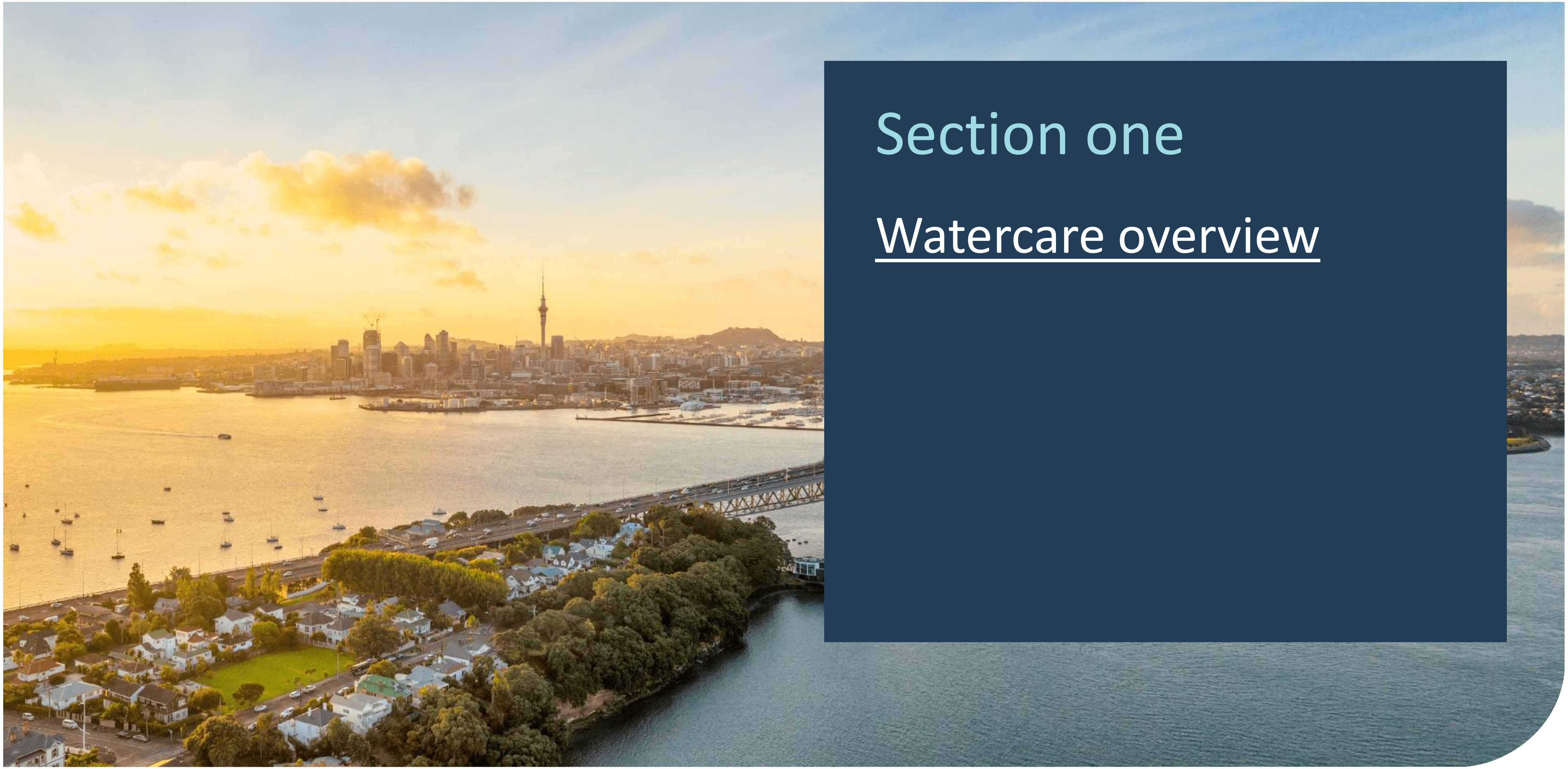


Section one

Watercare overview

About Watercare

- Responsible for providing essential water and wastewater services to the Auckland region, as shown here
- Owned by Auckland Council: Council Controlled Organisation (CCO).
- Council's credit ratings are AA (Standard & Poor's - stable outlook) and Aa2 (Moody's - negative outlook).
- Auckland Council is legislatively prohibited from giving financial support or capital, or lending money or providing credit to Watercare. Therefore, Watercare is a standalone borrower with its own credit rating.
- **Watercare's credit rating from Moody's is Aa3, on a stable outlook.**

1.8m
Aucklanders receive essential water services

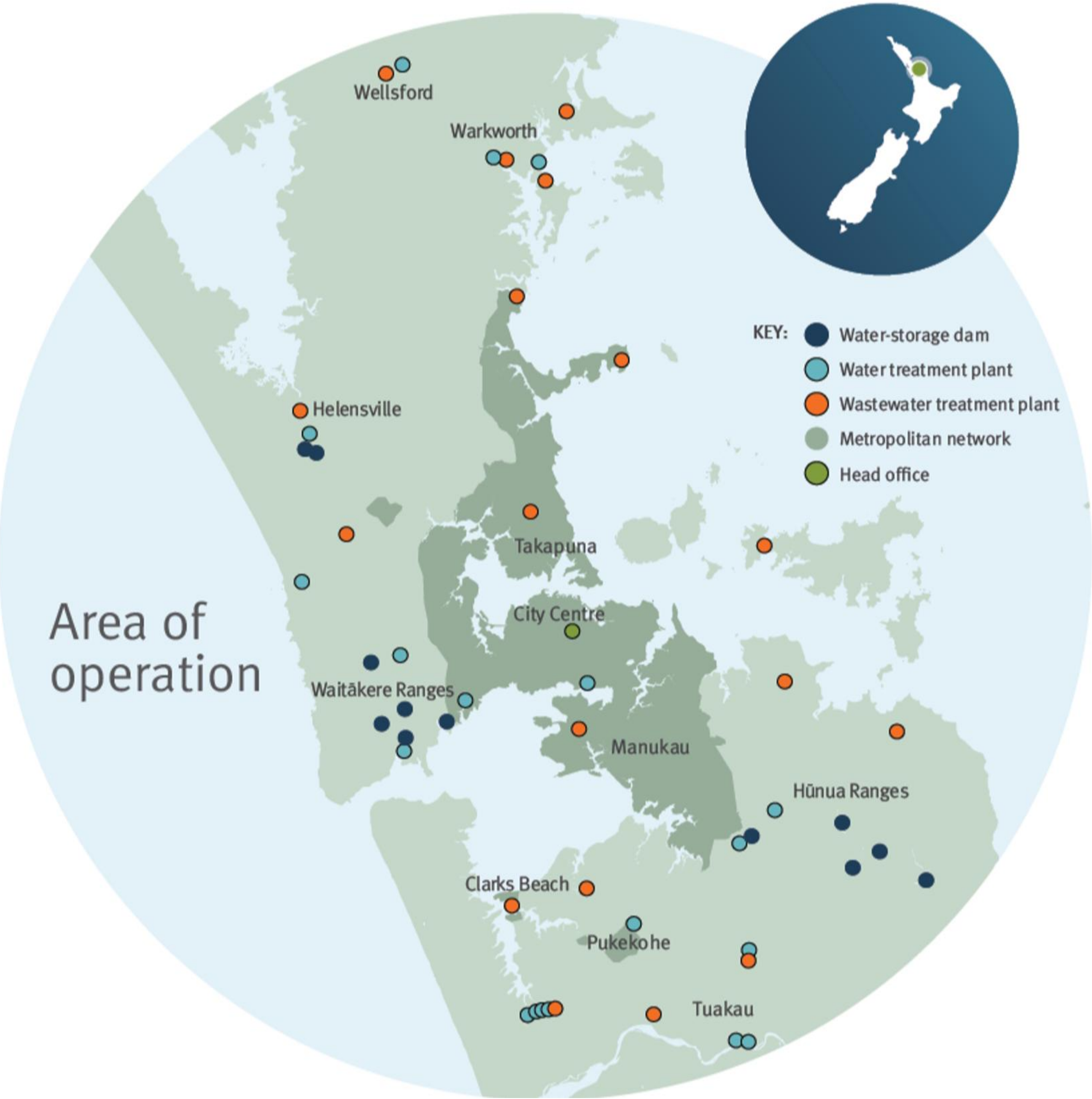
465k
Residential households served

$15.2b
To be invested during the 10 year Business Plan period FY27 to FY36

$19b
Assets operated within the network

36k
Business connections served

$1.3b
Total revenue generated in FY26



Watercare

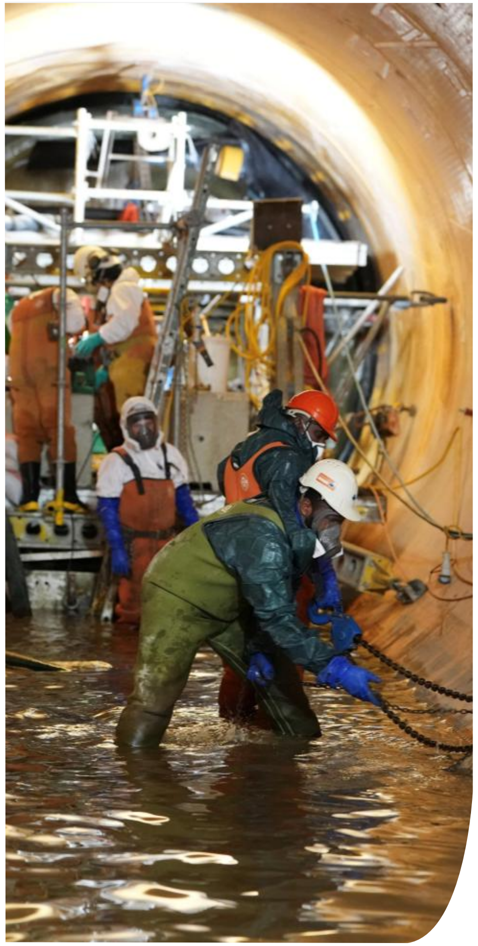
Water reform

In late 2023 the Government established the Local Water Done Well framework with the intention of restoring control of water assets to local communities. It aims to:

Restore council ownership and control of water infrastructure assets

Ensure water services are financially sustainable

Set water quality and infrastructure investment rules



All councils in New Zealand submitted a Water Services Delivery Plan in September 2025, setting out, among other things, their chosen delivery model.

A bespoke solution has been implemented for Auckland Council and Watercare under the Local Water Done Well reforms via the Watercare Charter, which commenced on 1 April 2025 and provides for interim regulation until 30 June 2028.

Watercare

Implications of water reform for Watercare

01 Legislative obligations

On 1 July 2025, the obligation to provide water and wastewater services was transferred from Auckland Council to Watercare. Stormwater services remain with Auckland Council.

02 Economic regulation

Watercare is now subject to interim economic regulation via the Watercare Charter. The Commerce Commission has been appointed Watercare's Crown monitor.

03 Financial separation

Auckland Council is legislatively prohibited from giving financial support or capital, or lending money or providing credit to Watercare. Watercare has therefore become a standalone borrower with its own credit rating. Watercare is also prohibited from making any distributions to its shareholder.

04 Transitionary support

The outstanding debt balance to Auckland Council as of 1 July 2025 was $4.032bn. It is required to be fully repaid by 30 June 2030.

05 Role of central government

Watercare does not benefit from central government guarantee but is subject to central government step-in powers and eligible to receive support under the Civil Defence Emergency Management (**CDEM**) Act 2002.

06 Role of Auckland Council

Watercare remains a council-controlled organisation, receiving strategic input from its sole shareholder. Watercare contracts treasury services from Auckland Council.

Watercare

Section two

Regulatory environment

Watercare

Watercare Charter

In effect from 1 April 2025 to 30 June 2028. The purpose of the Charter includes promotion of the following purposes:

- Ensuring Watercare manages its operations efficiently with a view to keeping the overall costs of delivering water services at the minimum levels consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets.

- Ensuring Watercare has incentives to invest in water services, improve efficiency and provide water services at a quality that reflects consumer demands; and shares with consumers the benefits of efficiency gains in supplying water services, including through lower prices, and is limited in its ability to extract excessive profits.

The Charter includes:

- Minimum service quality standards in relation to water supply and wastewater networks.

- Financial performance objectives, including a maximum allowable revenue, minimum infrastructure growth charge (IGC) increases, and maintenance of an investment grade credit rating:

	FY26	FY27	FY28
Revenue cap	$845.1m	$919.2m	$985.0m
Minimum IGC increase	15.5%	20%	11.2%

The Charter does not include a formulaic penalty or incentive regime for over or under performance, nor a customer compensation scheme.

Watercare

Role of the Commerce Commission

Interim economic regulation regime:
A Watercare specific charter

Longer-term economic regulation regime:
Applicable to all water organisations

Interim economic regulation | 30 June 2028 | **Long-term economic regulation**

Interim economic regulation

- Central Government appointed the Commerce Commission as the Crown monitor.
- Watercare is required to report to Crown monitor either quarterly or annually on compliance with:
  - SOI/Business Plan measures
  - Minimum service quality standards
  - Efficiency improvements
  - Price-quality path earnings
  - Infrastructure Delivery and Asset Management Improvement
  - Opex and Capex
- The Crown monitor is required to produce an annual report on Watercare's performance against the Charter.
- The Crown monitor can enforce non-compliance in High Court.

Long-term economic regulation

- The Local Government (Water Services) Act and Local Government (Water Services) (Repeals and Amendments) Act, gives councils the framework, delivery models, and tools they need to address specific challenges they are facing, in a way that works for the ratepayers they serve.
- The Commerce Commission will have oversight of the economic regulation regime and ensure ratepayers are getting the quality infrastructure they deserve, at a price that is fair and reasonable.
- The Commission released an Emerging Views paper on foundational settings with responses published in August. The draft decision on Watercare's price-quality path is due in the second half of 2027.

Watercare

Section three

Credit rating

Moody’s Aa3 (stable outlook) credit highlights

Credit rating assessment					
Aa3	Assigned rating (Senior secured – stable outlook)	**Baa1**	Baseline Credit Assessment	**P-1**	Assigned rating (short-term)

Cashflows
Solid operating track record supports cashflows, underpinned by Watercare being a monopoly provider of an essential service with a large, diverse, customer base.

Revenue collection and enforcement
Low historical bad debts, robust enforcement processes, and the ability to restrict water supply mitigates the risk of non-payment.

Security arrangements
Debt is secured against water charges, while an appointed receiver has the legislative ability to impose a special charge to service debt commitments.

Central government oversight/support
The central government plays an important role via the regulatory regime, step-in rights, and Civil Defence Emergency Management Act.

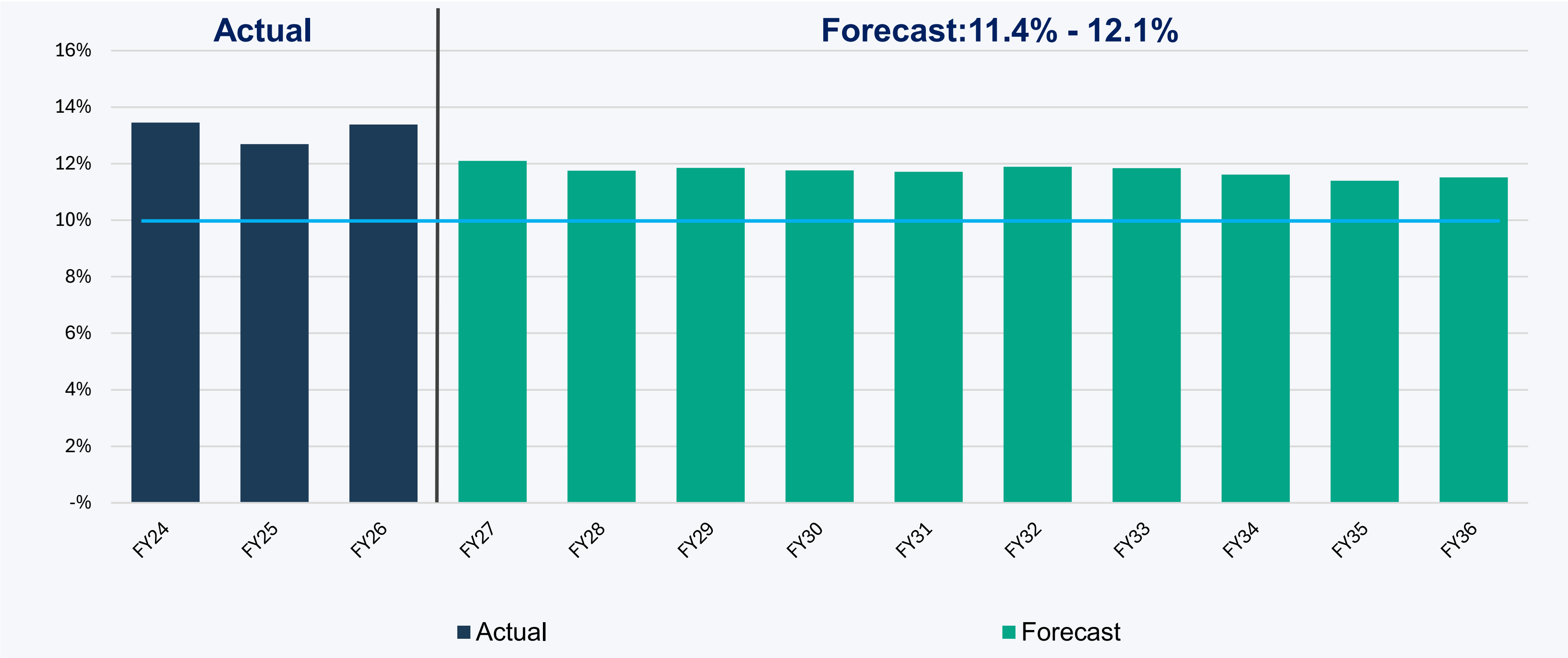
Governance
Watercare has an established governance framework incorporating comprehensive risk management protocols and policies.

Beneficial and robust regulatory regime
The Charter ensures that Watercare delivers high-quality water services, maintains long-term integrity of its assets, manages operations efficiently and shares efficiency gains with customers.

Scale and essential service
Watercare is a natural monopoly providing essential water and wastewater services to Auckland – representing over one third of New Zealand’s population.

Financial metrics underpinning credit rating

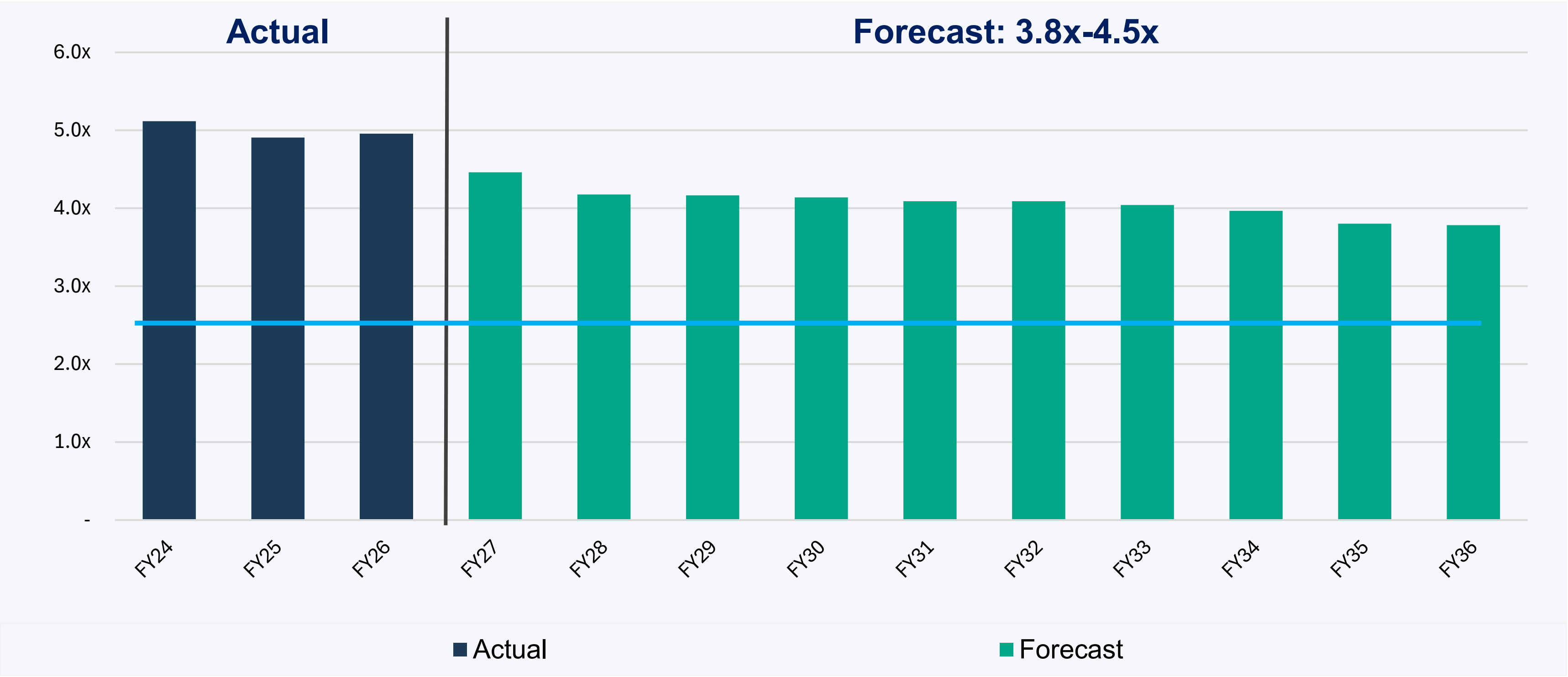
FFO to debt ratio



Treasury Management Policy minimum FFO 10%

Financial metrics underpinning credit rating

Interest cover ratio



Treasury Management Policy minimum 2.5x

Watercare

Support mechanisms

A balanced multi-regulatory oversight regime and Government emergency intervention powers to ensure service continuity.

Auckland Council

The Local Government (Auckland Council) Act 2024 s56A prohibits Auckland Council from providing financial support to Watercare.

Auckland Council:

- has no right, title or interest in the assets, security, debts or liabilities of Watercare.
- cannot receive any equity return, either directly or indirectly, from Watercare.
- must not lend money or provide credit to Watercare.
- must not give any guarantee, indemnity or security in relation to the performance of any obligations of Watercare.

The New Zealand Government

The Government will not provide a guarantee, however, may step in under certain circumstances:

- The Local Government Act 2002 provides the Minister of Local Government with the power to intervene in the affairs of a local authority if required[1].
- In the event of financial distress, secured creditors (via the appointed receiver) can set and collect a special charge to cover debt service.
- The Government can appoint a statutory manager to create a structuring proposal for consumers and the Government, and control assets until this is complete.

CDEM ACT 2002

The Civil Defence Emergency Management (CDEM) Act 2002 sets out the rules for managing emergencies.

In an emergency, the Government will cover up to 60% of the costs above a threshold, which Watercare spends on essential infrastructure recovery repairs.

1. Including a Crown Review Team, Crown Observer, Crown Manager, Crown facilitators, or Crown commissioners.

The receiver's special charge

Modelled on the equivalent special rate power available to receivers appointed to local councils, the receiver's special charge is a material credit enhancement ensuring that Watercare can continue to meet its debt obligations in the unlikely event of financial distress.

Basis of the special charge

The receiver has the authority to set and collect a special charge each financial year to recover sufficient funds to meet debt commitments and costs associated with collecting the charge.

Nature of the special charge

The special charge is legislative in nature and set and collected by the receiver, as opposed to contractual, as is the case for charges collected by Watercare.

Sizing

The special charge is not limited or restricted by the Maximum Allowable Revenue in the Charter. The receiver operates outside of this regime and there is no legislative cap on the amount of the special charge.

Recourse

A receiver can recover unpaid special charges as a debt due via standard debt collection processes including Court procedures.

Non-payment

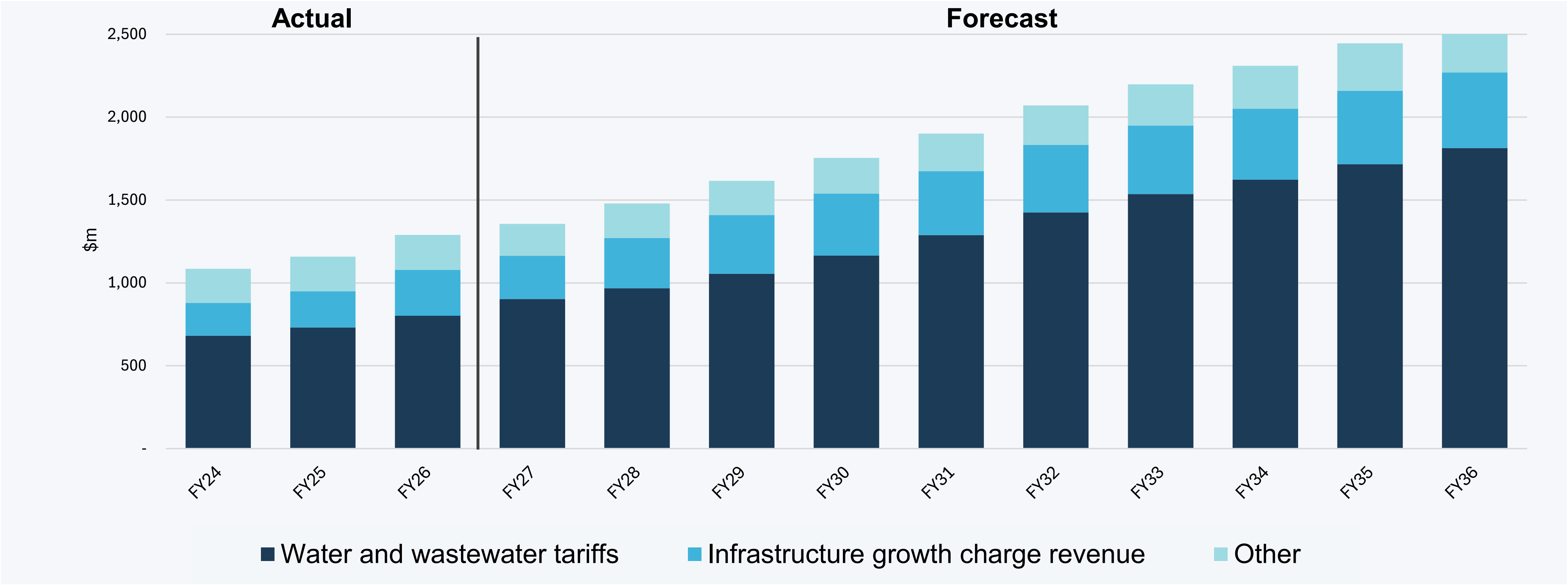
The special charge is set each financial year and the receiver can set the charge at a level that is sufficient to meet debt commitments and costs. Any non-payment in a prior period can be recovered via resetting the charge the following period.

Section four

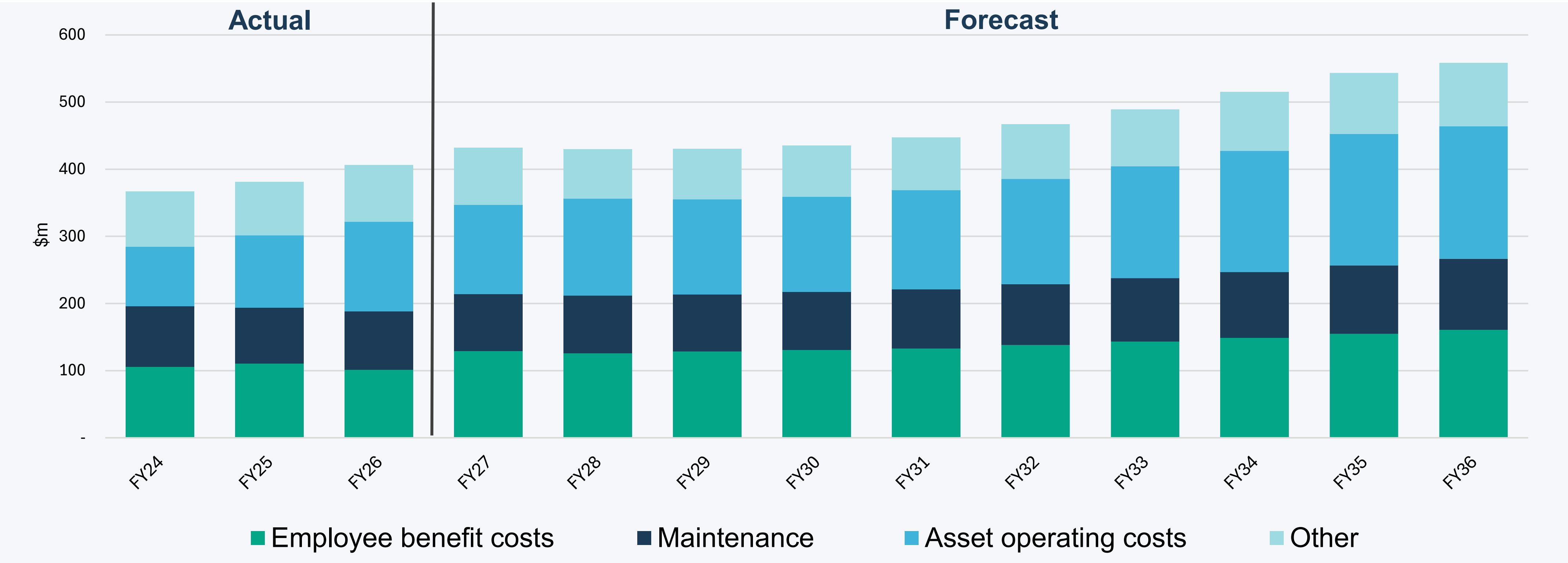
Financials

Watercare

Operating Revenue



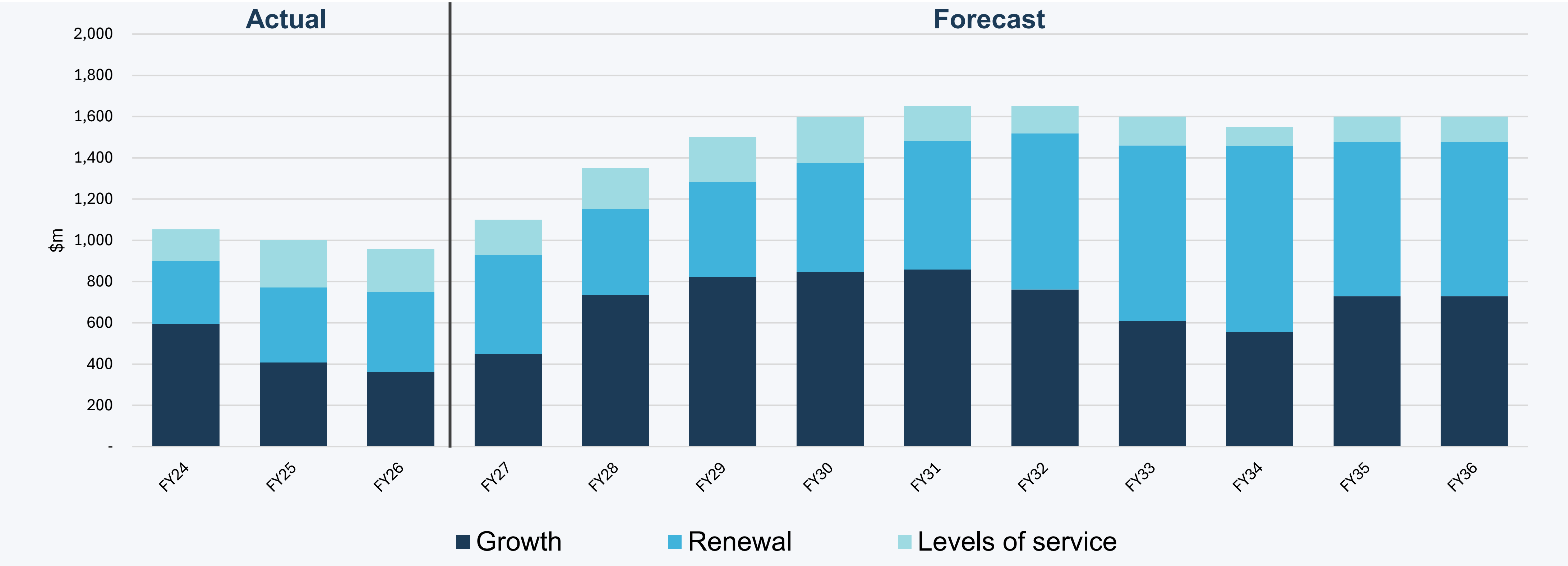
Operating Costs



FY27 onwards: Reclassification of ~$26m of costs from Other to Employee benefit costs
Asset Operating Costs: Include Chemicals, Energy, Solids handling and other Plant Operating costs.

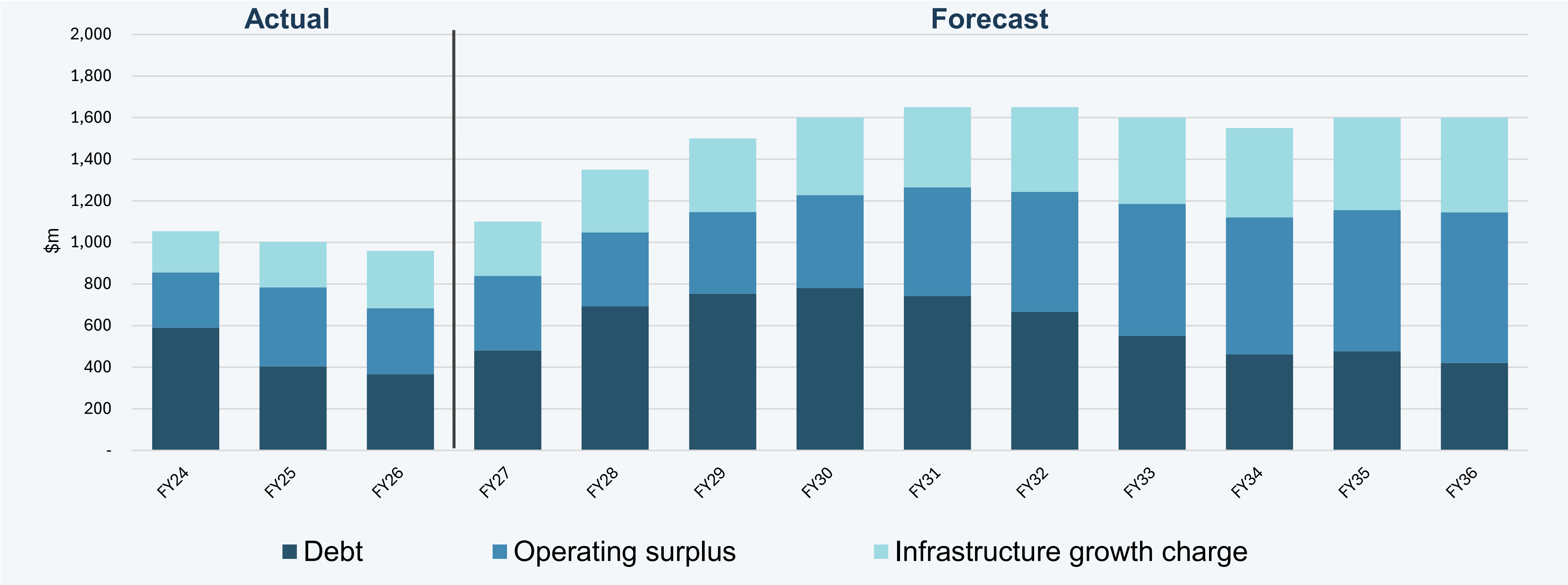
Asset investment

- Watercare proactively manages its asset base across the network, with renewals based on asset condition and criticality.
- Over FY27 to FY36 Watercare will invest **$15.2 billion** into its asset base.



Capital sources

- Capital investment is funded from operating surplus, infrastructure growth charges and debt.

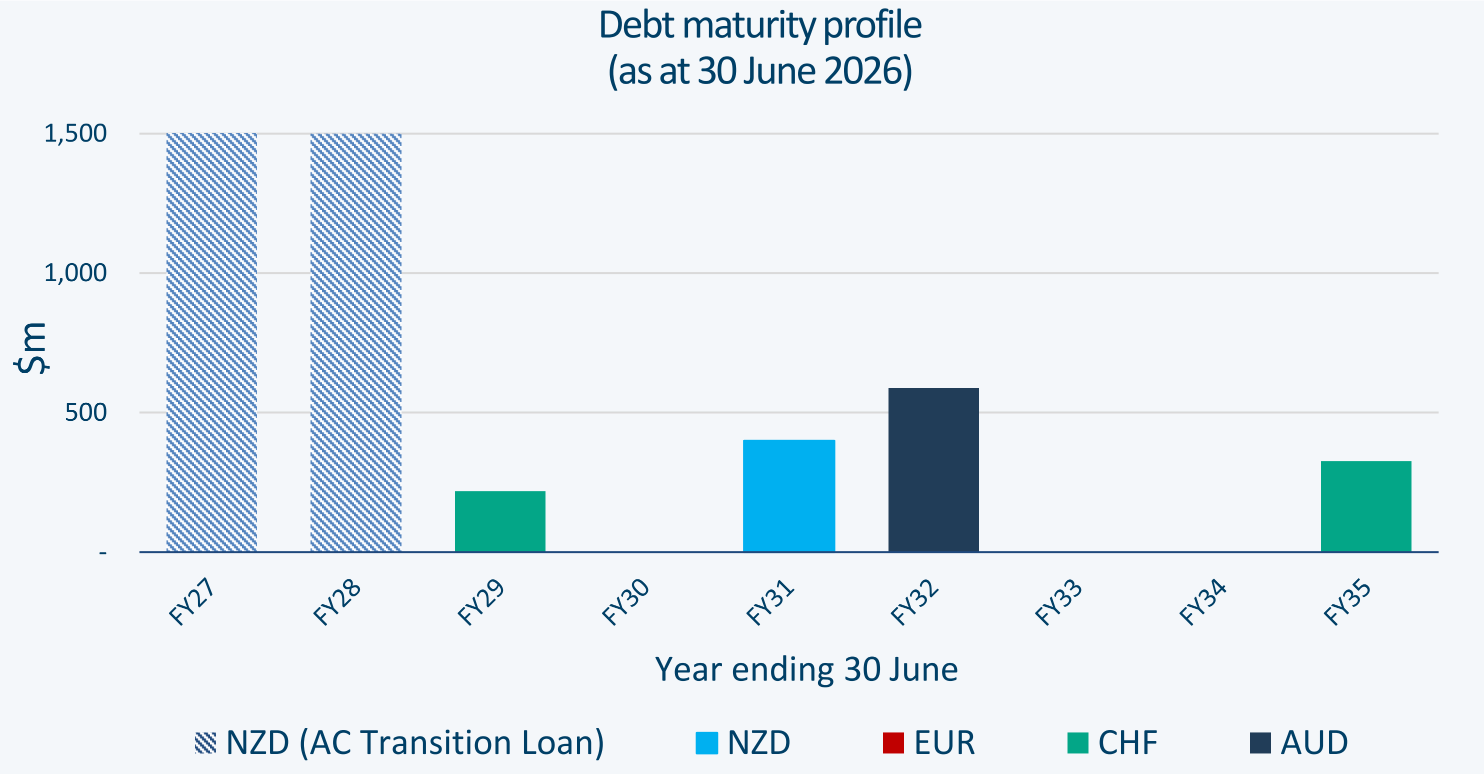


Section five

Debt funding

Watercare

Watercare funding



Initially funded through:

- **Auckland Council Transition Loan** ($3b expected to be repaid by June 28).
- **Revolving Credit Facility:** $1.2b (30 June 2027 with 1 year extension option).
- **Standby Facility** $0.8b (30 June 2027 with 1 year extension option).

Board approved Treasury Management Policy:

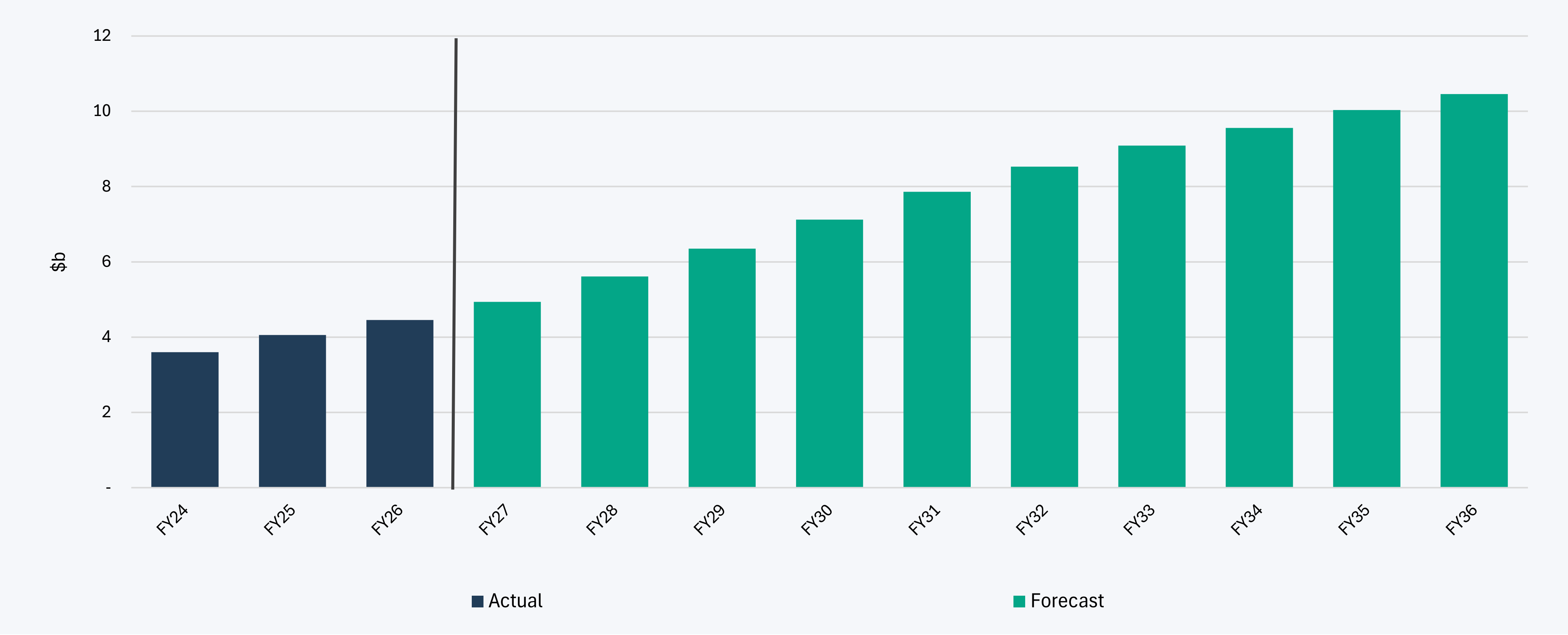
- No more than $2b of debt to mature in any 12-month period
- Hedging of all foreign currency debt

Governance provided through Treasury Management Committee and Watercare Board.

Sustainable Finance Framework being considered.

Watercare

Forecast Net Debt



Note: Net Debt includes PV of leases and cash balance

Multi-creditor debt platform

- Secured creditors that are beneficiaries of the Watercare Security Trust established under the Security Trust and Intercreditor Deed (STID) share in a common security package over specific security.
- Specific Security: Secured creditors have recourse to existing water charges, and any future 'special' charges that may be imposed on customers by a receiver to repay debt in an enforcement scenario .
- Secured liabilities under the STID rank pari passu, including hedging and make-whole liabilities.
- Watercare is prohibited by legislation from providing security over its water assets, therefore no asset security can be provided to any creditor.

Watercare

Appendix

Income statement

$ millions	FY24A	FY25A	FY26A	FY27F
Water Revenue	211.3	226.3	247.6	283.5
Wastewater Revenue	471.5	507.0	554.4	619.6
IGC Revenue	197.8	218.5	275.9	260.3
Vested Asset Revenue	85.7	92.4	88.6	97.2
Grant Revenue	45.9	27.4	15.4	0.9
Levy income	0.0	0.0	-	0.0
Other revenue	72.9	86.7	107.7	94.8
Total Revenue	**1,085.1**	**1,158.3**	**1,289.6**	**1,356.3**
Asset operating costs	(88.4)	(107.5)	(133.4)	(132.5)
Maintenance costs	(90.5)	(83.2)	(86.6)	(84.9)
Employee benefit costs	(105.5)	(110.9)	(101.6)	(129.5)
Rental and lease expenses	(6.6)	(6.0)	(6.0)	(6.2)
Other general overheads	(76.0)	(73.8)	(78.8)	(78.8)
Total Operating costs	**(367.0)**	**(381.3)**	**(406.4)**	**(431.9)**
Demolition costs	(0.4)	(1.4)	(0.4)	(5.0)
Other Gains and Losses	-	-	(13.3)	-
Net loss on disposal of PP&E	(9.3)	1.9	9.0	(8.0)
EBITDA	**708.4**	**777.5**	**878.6**	**911.4**
Depreciation and amortisation	(394.7)	(460.7)	(665.2)	(648.1)
EBIT	**313.7**	**316.8**	**213.4**	**263.3**
Interest expense	(150.3)	(172.3)	(198.4)	(239.4)
NPBT	**163.4**	**144.5**	**15.0**	**23.9**
Tax	(66.8)	(61.5)	913.4	-
NPAT	**96.6**	**83.0**	**928.4**	**23.9**

Restatements: Operating costs: FY25 reclassification within operating expenses, net impact $6m, with no change to the total. From FY27: ~$26m of costs reclassified from Other to Employee Benefits. This includes contract labour, staff training, recruitment,) FBT, GST on FBT

Note: Totals may vary slightly due to rounding of figures with multiple decimal places in actual and forecast models.

Watercare

Balance sheet

$ millions	FY24A	FY25A	FY26A	FY27F
Cash and cash equivalents	48.3	52.9	325.1	448.1
Trade and other receivables	138.3	154.0	153.6	169.5
Inventories	27.4	26.8	29.3	33.7
Prepaid expenses	40.9	39.4	51.1	48.3
Other financial assets	7.0	-	-	-
PP&E	16,046.0	18,034.8	18,754.5	19,295.2
Intangibles & Goodwill	86.7	134.0	145.8	154.2
Derivative Assets	-	-	21.5	21.5
Deferred tax asset	-	-	89.5	75.0
Assets	**16,394.6**	**18,441.9**	**19,570.4**	**20,245.5**
Trade and other payables	(34.2)	(71.8)	(44.0)	(45.1)
Accrued expenses	(159.6)	(157.4)	(165.6)	(195.9)
Employee benefit expense	(12.0)	(11.9)	(12.7)	(16.7)
Other provisions	(1.0)	-	-	-
Borrowings	(3,567.5)	(4,032.2)	(4,699.8)	(5,302.7)
Deferred tax liability	(2,465.6)	(2,915.3)	-	-
Other non-current liabilities	(41.1)	(58.1)	(81.7)	(94.6)
Derivative Liabilities	-	-	(8.9)	(8.9)
Liabilities	**(6,280.9)**	**(7,246.7)**	**(5,012.7)**	**(5,663.9)**
Net assets	**10,113.7**	**11,195.2**	**14,557.7**	**14,581.6**
Retained earnings	(4,718.8)	(4,802.8)	(5,799.1)	(5,822.9)
Revaluation reserves	(5,134.2)	(6,131.6)	(8,498.0)	(8,498.0)
Issued capital	(260.7)	(260.7)	(260.7)	(260.7)
Total Equity	**(10,113.7)**	**(11,195.1)**	**(14,557.8)**	**(14,581.6)**

Note: Totals may vary slightly due to rounding of figures with multiple decimal places in actual and forecast models.

Cash flow statement

$ millions	FY24A	FY25A	FY26A	FY27F
Operating Activities				
Cash receipts from:				
Customers	1,002.8	1,123.7	1,255.6	1,230.4
Dividends	0.2	0.2	0.2	-
Interest	2.3	2.5	4.5	12.6
Subvention cash receipt			12.4	
Total cash from operating activities	**1,005.3**	**1,126.3**	**1,272.7**	**1,243.0**
Cash applied to				
Employees and suppliers:	(392.1)	(355.0)	(481.6)	(384.5)
Net cash inflows from operating activities	**613.2**	**771.3**	**791.1**	**858.5**
Investing activities				
Cash applied to:				
Purchase and construction of PPE	(1,032.2)	(1,046.0)	(965.4)	(1,098.0)
Net cash outflows - investing activities	**(1,032.2)**	**(1,046.0)**	**(965.4)**	**(1,098.0)**
Sale of PPE, disposal of discontinued operations and Other				
Net cash outflows - investing activities	**(1,032.2)**	**(1,046.0)**	**(965.4)**	**(1,098.0)**
Financing activities				
Cash receipts from:				
Borrowings	1,162.6	1,072.5	1,678.2	2,157.0
Cash applied to:				
Interest paid on borrowings	(150.6)	(172.1)	(198.9)	(244.5)
Repayment of loans	(548.7)	(621.1)	(1,032.7)	(1,550.0)
Net cash inflows / (outflows) from financing activities	**463.3**	**279.3**	**446.6**	**362.5**
Net change in cashflows	44.2	4.6	272.2	123.0
Cash and cash equivalent / (overdraft) at the beginning of the year	4.1	48.3	52.9	325.2
Cash and cash equivalent / (overdraft) at the end of the year	**48.3**	**52.9**	**325.1**	**448.1**

Note: Totals may vary slightly due to rounding of figures with multiple decimal places in actual and forecast models.

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