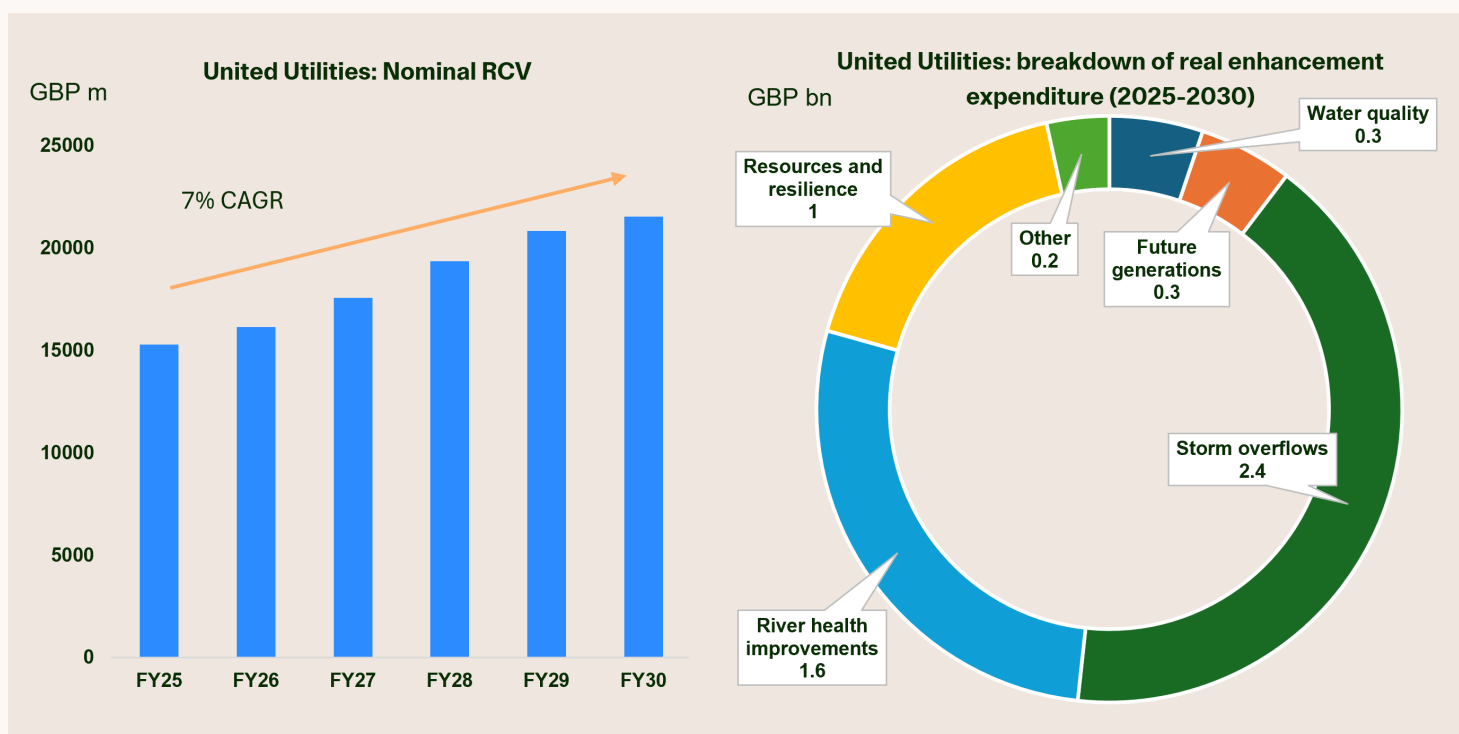


Infrastructure in focus: April 2026

Turning on the capex tap

Many investors are well-versed in the growth story for data centres, with the rapid building of these assets a focal point in markets and the media. What is perhaps not appreciated is the large-scale capital investment outlook beyond hyperscalers, AI and data centres.



Source: United Utilities, Magellan analysis.

- For example, UK water infrastructure highlights the sheer volume of expected investment required. The UK Government has confirmed a GBP104 billion private investment program for the sector between 2025 and 2030. This reflects the years of underinvestment, with improving environmental performance the key objective.
- In such a situation, there is limited flexibility around the need for this investment. The UK government estimates ~60% of water mains were built before 1980, with ~13% of these assets over 100 years old. This underinvestment has led to issues such as water pollution and stopgap solutions to support storm overflows and wastewater treatment. With public health concerns and regulatory support, we can expect that this investment will go ahead.
- For the listed UK water utilities such as United Utilities and Severn Trent, we view this large-scale sector capex positively. While large capital spending is often viewed with apprehension in other industries, in regulated infrastructure it is a source of earnings. Capital outlays roll into the regulated asset base (RAB) as they come online, forming the basis of allowed returns. More capex can support a higher RAB and may contribute to earnings growth over time.
- These listed water utilities are instrumental in delivering the government's planned investment overhaul. In the current regulatory period (2025-2030), Severn Trent guides to 60% growth in its Regulated Capital Value (RCV or RAB) while United Utilities expects >40% growth in its RCV over the same period.

This capex story is durable for regulated utilities, even in a market downturn. Regardless of the economic climate, there are no substitutes for clean water and wastewater infrastructure. For the UK listed water utilities, while share prices are sensitive to rates, this does not reflect any change in the underlying quality of these businesses.

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