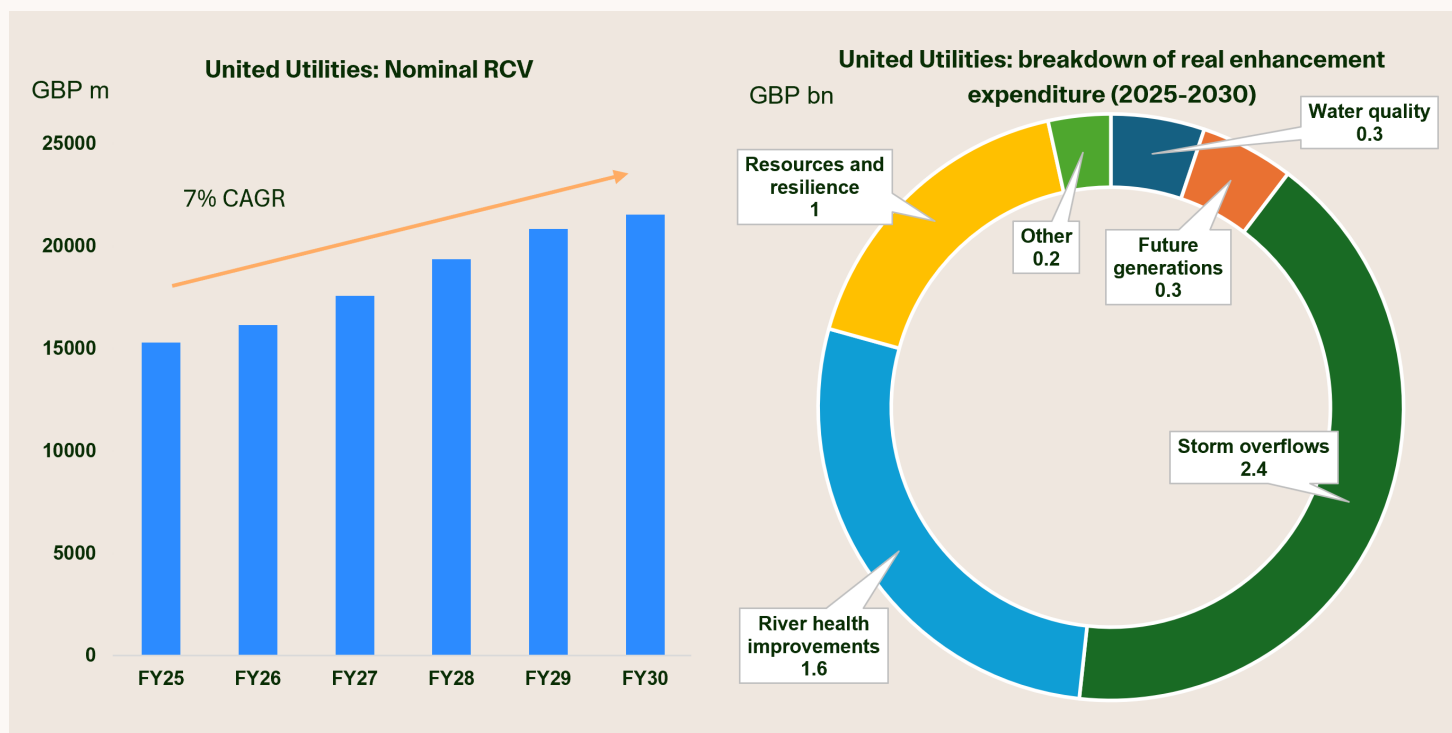


Infrastructure in focus: April 2026

# 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 no optionality. This investment needs to happen. 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 supports a higher RAB and greater 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.

**For more information, please visit**

[magellaninvestmentpartners.com](http://magellaninvestmentpartners.com)

or contact your financial adviser.

**Connect with us**

**Email:** [info@magellanfinancialgroup.com](mailto:info@magellanfinancialgroup.com)

**Phone:** +61 2 9235 4888 or 1800 6243 5526

#### **IMPORTANT INFORMATION**

This material has been delivered to you by Magellan Asset Management Limited ABN 31 120 593 946 AFS Licence No. 304 301 trading as Magellan Investment Partners ('Magellan') and has been prepared for general information purposes only and must not be construed as investment advice or as an investment recommendation. This material does not take into account your investment objectives, financial situation or particular needs. This material does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should obtain and consider the relevant Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') and consider obtaining professional investment advice tailored to your specific circumstances before making a decision about whether to acquire, or continue to hold, the relevant financial product. A copy of the relevant PDS and TMD relating to a Magellan financial product may be obtained by calling +61 2 9235 4888 or by visiting [www.magellaninvestmentpartners.com](http://www.magellaninvestmentpartners.com)

Past performance is not necessarily indicative of future results and no person guarantees the future performance of any financial product or service, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of a Magellan financial product or service may differ materially from those reflected or contemplated in such forward-looking statements.

This material may include data, research and other information from third party sources. No guarantee is made that such information is accurate, complete or timely and no warranty is given regarding results obtained from its use. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Magellan or the third party responsible for making those statements (as relevant). Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Magellan will not be responsible or liable for any losses arising from your use or reliance upon any part of the information contained in this material.

Any third-party trademarks contained herein are the property of their respective owners and Magellan claims no ownership in, nor any affiliation with, such trademarks. Any third-party trademarks contained herein are the property of their respective owners, are used for information purposes and only to identify the company names or brands of their respective owners, and no affiliation, sponsorship or endorsement should be inferred from such use. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of Magellan. (080825-#W17) UID359