# Namibia Power Corporation (Proprietary) Limited

Namibia Power Corporation (Proprietary) Limited's (NamPower) rating mainly reflects its strong links with its sovereign, Namibia (BB-/Stable), as per Fitch Ratings' *Government-Related Entities (GRE) Rating Criteria*.

The Issuer Default Rating (IDR) is also in line with NamPower's Standalone Credit Profile (SCP) of 'bb-'. This not only reflects its underlying earnings volatility and expected-negative free cash flow (FCF), but also its monopolistic position in energy trading and transmission, with a cost-reflective tariff framework and conservative capital structure.

Fitch expects high capex, especially from the financial year to end-June 2025 (FY25). This will progressively transition NamPower to a net-debt position in FY27 from a net-cash position.

## Key Rating Drivers

**Strong Links with Government:** Fitch assesses the support factors 'decision-making and oversight' as 'Very Strong' and 'precedent of support', 'preservation of government policy role' and 'contagion risk' as 'Strong' under our GRE Criteria. However, these support factors currently do not affect the IDR, as the SCP assessment of NamPower is in line with Namibia's current ratings.

**Responsibility to Support:** The 'Very Strong' 'decision-making and oversight' support factor is underpinned by NamPower's full ownership by the government, which appoints its board of directors and maintains oversight of the company via the Ministry of Mines and Energy and the Ministry of Finance and Public Enterprises (for governance and board appointments). Further, its investment plans are driven by Namibia's Vision 2030.

The 'Strong 'precedents of support' support factor is underlined by the government's consistent past support for NamPower to maintain a strong financial profile in the form of loans guaranteed by the government (fully repaid in 2021), grants, and a flexible dividend policy. We expect NamPower to receive additional grants from the government, and state-guaranteed loans related to specific projects. We also expect it to maintain its flexible dividend policy to FY27.

**Incentives to Support:** The 'preservation of government policy role' support factor for NamPower is rated as 'Strong', given that the company plays a key role in energy trading power generation, and transmission of electricity through its position in the Southern African Power Pool. It operates an essential service with large asset development needs for electricity infrastructure. We view the 'contagion risk' support factor as 'Strong', as a NamPower default could affect the availability and funding cost of Namibia and other GREs.

**SCP Revised Lower:** Fitch has revised down NamPower's SCP to 'bb-' from 'bbb-' after reassessing the impact of the weak operating environment on the company's credit profile. We believe the operating environment is constrained by the sovereign as NamPower's activities are predominantly concentrated in Namibia.

We view NamPower's credit profile as strong, despite the inherent challenges stemming from its smaller scale, earnings volatility and higher dependence on imported energy than other rated peers. These challenges are offset by NamPower's monopolistic position in energy trading and transmission as well as its conservative capital structure, with NAD7.5 billion of cash and short-term liquid investments at FY23, compared with NAD437 million of debt.

## Ratings

| | |
|---|---|
| Long-Term IDR | BB- |
| Short-Term IDR | B |
| National Long-Term Rating | AA+(zaf) |
| National Short-Term Rating | F1+(zaf) |

### Outlooks

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |
| National Long-Term Rating | Stable |

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 55

## Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (November 2023)

Corporate Rating Criteria (November 2023)

Government-Related Entities Rating Criteria (January 2024)

National Scale Rating Criteria (December 2020)

## Related Research

EMEA Emerging Markets Integrated Utilities - Relative Credit Analysis (September 2023)

EMEA Utilities Outlook 2024 (November 2023)

## Analysts

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**Capex Hits FCF:** Fitch forecasts total capex of NAD10.8 billion in FY24-FY27, leading to cumulative negative FCF of about NAD9.6 billion. Power generation will represent almost 50% of total capex during this period, compared to 41% for transmission and 9% for other capex. We view its capex plan as aggressive and entailing execution risk. The capex will lead to a gradual drop in readily available cash and an increase in debt, resulting in funds from operations (FFO) net leverage of 1.8x by FYE27. Our rating case is based on a conservative load factor from the Ruacana hydro power plant (Ruacana) of 31% and CPI-linked tariff growth. Tariffs are approved annually with the aim to reflect costs, especially those of imported energy and the independent power projects (IPPs).

**Higher Ruacana Output Improves Profitability:** Ruacana represents about 37% of NamPower's available installed capacity (including imports) and its production varies depending on the flow of the Kunene River. This variation in production has a direct impact on NamPower's total cost of electricity supply. For example, the river flow was better in FY23 than in FY22, leading to higher electricity generation from Ruacana of 1,323GWh (FYE22: 781GWh). As a result, NamPower saw lower imported electricity volumes, leading to a higher adjusted EBITDA of around NAD925 million. We do not include the costs related to the "Eskom 400 kilovolt Transmission Connection" transmission line as part of EBITDA.

**Continued Reliance on Electricity Imports:** NamPower is committed to four power generation projects and expects completion of some of its IPPs. Both will lead to an increase in total installed capacity of around 280MW and gradually decrease the reliance on imported electricity. However, the risk of delay is considerable, and we expect NamPower to remain reliant on imported energy, albeit down to 50% of total supply by FYE27 from 58% at FYE23.

**Long-Term Contracts:** NamPower has long-term contracts with Eskom Holdings SOC Ltd. (Eskom; B/Stable, Under Criteria Observation) expiring in 2025 and 2027, Zimbabwe Power Company expiring in 2025, and Zambia Electricity Supply Corporation expiring in 2027 and 2030. We expect management to proactively manage the renewal risk.

**MSB Neutral to SCP:** The modified single buyer (MSB) model, which came into effect in Namibia in September 2019, is currently in phase 1b (ending in 2026). The MSB progress has been slower than expected so far and is forecast by Fitch to only contribute to 3.8% of national energy demand by FYE27, subject to the project's readiness. As such, Fitch does not expect the MSB model to negatively affect NamPower's SCP.

## Financial Summary

| (NADm) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| Gross revenue | 6,550 | 6,506 | 7,321 | 8,162 | 8,721 | 9,335 |
| EBITDA | 790 | 72 | 925 | 617 | 77 | 223 |
| FCF margin (%) | 7.4 | -18.4 | -10.3 | — | — | — |
| FFO interest coverage (x) | 2.2 | 4.0 | 18.5 | 18.4 | 0.8 | 0.5 |
| FFO net leverage (x) | -45.5 | -29.6 | -9.0 | -9.5 | -29.5 | -0.2 |

F — Forecast
Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

NamPower's ratings are the same as Namibia Water Corporation's (BB-/Stable). NamPower's SCP of 'bb-' is in line with the sovereign IDR, reflecting the impact of the country's operating environment on the company's business profile.

Among its international peer group, which includes Eskom, PGE Polska Grupa Energetyczna S.A. (BBB+/Stable) and Saudi Electricity Company (A/Stable, Under Criteria Observation), NamPower's financial profile is the strongest in terms of FFO net leverage. However, it has a materially weaker business profile due to its much smaller scale, weaker market trends, volatile profitability and significant reliance on load factors at Ruacana and imported electricity.

## Navigator Peer Comparison

| | IDR/Outlook | Operating Environment | Management and Corporate Governance | Revenue Visibility | Regulatory Environment | Market Position | Asset Base and Operations | Profitability and Cash Flow | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Namibia Power Corporation (Proprietary) Limited | BB-/Stable | bb- | bb+ | bb+ | bb+ | bb | bb+ | bb | a- | bbb |
| Eskom Holdings SOC Ltd. | B/Stable | bb | b+ | b+ | b | bb | b | ccc | b | ccc |
| PGE Polska Grupa Energetyczna S.A. | BBB+/Stable | a- | a- | bbb | bbb | bbb+ | bb | bbb | a | bbb+ |
| Saudi Electricity Company | A/Stable | a- | bbb | bbb | bbb- | bbb | bbb- | bbb | a- | bbb |
| Abu Dhabi National Energy Company PJSC | AA-/Stable | a | bbb | bbb+ | bbb | a- | bbb | bbb+ | bbb | bbb+ |

Source: Fitch Ratings. Relative Importance of Factor: Higher; Moderate; Lower

| Name | IDR/Outlook | Operating Environment | Management and Corporate Governance | Revenue Visibility | Regulatory Environment | Market Position | Asset Base and Operations | Profitability and Cash Flow | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Namibia Power Corporation (Proprietary) Limited | BB-/Stable | 0 | +2 | +2 | +2 | +1 | +2 | +1 | +6 | +4 |
| Eskom Holdings SOC Ltd. | B/Stable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PGE Polska Grupa Energetyczna S.A. | BBB+/Stable | +1 | +1 | -1 | -1 | 0 | -4 | -1 | +2 | 0 |
| Saudi Electricity Company | A/Stable | -1 | -3 | -3 | -4 | -3 | -4 | -3 | -1 | -3 |
| Abu Dhabi National Energy Company PJSC | AA-/Stable | -2 | -5 | -4 | -5 | -3 | -5 | -4 | -5 | -4 |

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR; Within one notch of IDR; Better positioned than IDR

## Rating Sensitivities

### For NamPower

***Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade***

- Positive rating action on Namibia's sovereign ratings

***Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade***

- Negative rating action on Namibia's sovereign ratings

### For Namibia (see June 2023 Rating Action Commentary)

***Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade***

**Public Finances**: Failure to shrink fiscal deficits, leading to a marked increase in government debt-to-GDP in the medium term and/or a deterioration in domestic and external borrowing conditions

**Macro**: Weakening of trend growth or a sustained shock that further undermines fiscal consolidation efforts

**External Finances**: Increased external vulnerabilities, such as a sustained decline in international reserves, potentially driven by a significant widening of the current account deficit that could create risks for sustainability of the long-standing currency peg

***Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade***

**Public Finances:** Sustainable progress on fiscal consolidation that leads to a reduction in government debt-to-GDP over the medium term

**Macro:** Stronger medium-term growth prospects, for example, derived from investment projects in the energy sector that support fiscal consolidation efforts

## Liquidity and Debt Structure

**Strong Liquidity:** At FYE23, NamPower had approximately NAD1.1 billion in cash and cash equivalents and around NAD6.4 billion in short-term readily available investments. This compares favourably with short-term debt of NAD0.1 billion and Fitch's expectation of negative FCF of NAD0.9 billion at FYE24.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

## Climate Vulnerability Considerations

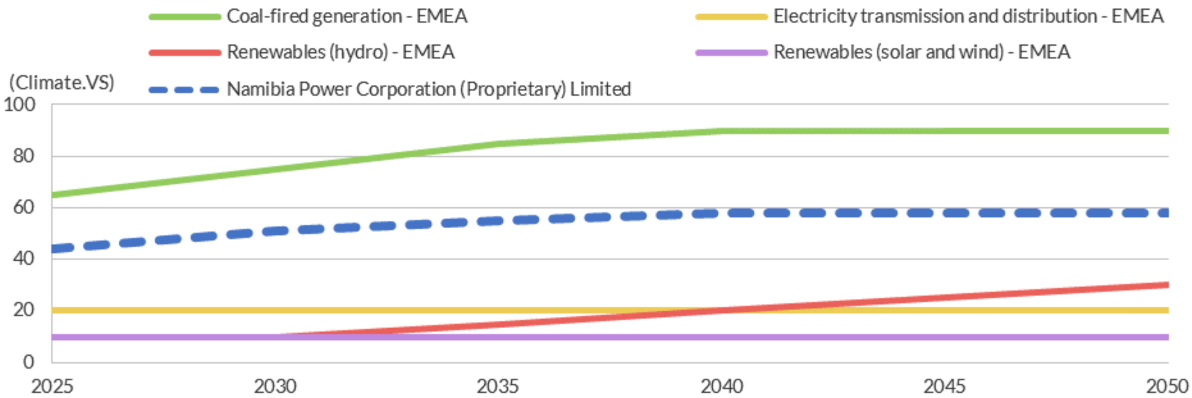
Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The FY23 revenue-weighted Climate.VS for NamPower in 2035 is 55 out of 100, which is largely due to its exposure to imported electricity generated from various sources including coal-fired power plants. NamPower is highly dependent on the energy imports that represented almost 58% of total energy supplied in FY23 (71% in 2022).

These risks do not have a material influence on the rating for NamPower, given its plans to develop new power generation projects, which, along with the IPPs being developed, should reduce the company's reliance on imported electricity generated from various sources including coal-fired power plants. The capex plan will also gradually develop its transmission network to improve reliability, efficiency and to connect the newly developed plants to the grid.

NamPower's capex plan of around NAD13.9 billion in 2024-2027 includes the development of several renewable power plants (NAD6.6 billion), transmission projects (NAD5.4 billion) and other projects (NAD 1.9 billion). We expect a gentle increase in the IPPs and further development of the MSB model to further assist in the gradual reduction of imported electricity generated from coal-fired power plants. NamPower expects imported electricity to represent almost 33% of the total generation mix by 2030. Fitch notes that the capex plan entails execution risk and possible delays.

**Climate.VS Evolution**
As of June 30 2023




Source: Fitch Ratings

# Liquidity and Debt Maturities

## Liquidity Analysis

| NADm | 2024F | 2025F |
|---|---|---|
| **Available liquidity** | | |
| Beginning cash balance | 7,524 | 6,551 |
| Rating case FCF after acquisitions and divestitures | -883 | -3,579 |
| **Total available liquidity (A)** | **6,641** | **2,972** |
| **Liquidity uses** | | |
| Debt maturities | -90 | -84 |
| **Total liquidity uses (B)** | **-90** | **-84** |
| **Liquidity calculation** | | |
| Ending cash balance (A+B) | 6,551 | 2,888 |
| Revolver availability | — | — |
| **Ending liquidity** | **6,551** | **2,888** |
| Liquidity score (x) | 74.1 | 35.5 |

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

**Scheduled debt maturities**

| NADm | 30 Jun 23 |
|---|---|
| 2024 | 90 |
| 2025 | 84 |
| 2026 | 84 |
| 2027 | 84 |
| Thereafter | 97 |
| **Total** | **438** |

Source: Fitch Ratings, Fitch Solutions, Namibia Power Corporation (Proprietary) Limited

# Key Assumptions

### Fitch's Key Assumptions Within Our Rating Case for the Issuer

- National energy demand to increase on average by 3.1% per year in FY24-FY27
- MSB model sales contributing low single-digit percentage share of total demand
- Average system loss factor and distribution loss factor at around 12% per year
- Revenue to increase on average 8% per year between FY24 and FY27
- Average Ruacana load factor of 33% in FY24 and 31% a year in FY25-FY27
- Imports on average around 58% of total demand per year
- Average tariff increases of about 8.9% in FY24, and linked to CPI from FY25
- Total capex of NAD10.9 billion over FY24-FY27
- Additional borrowing of NAD6.3 billion in FY24-FY27

## Financial Data

| (NADm) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Gross revenue | 6,550 | 6,506 | 7,321 | 8,162 | 8,721 | 9,335 |
| Revenue growth (%) | -5.0 | -0.7 | 12.5 | 11.5 | 6.9 | 7.0 |
| EBITDA before income from associates | 790 | 72 | 925 | 617 | 77 | 223 |
| EBITDA margin (%) | 12.1 | 1.1 | 12.6 | 7.6 | 0.9 | 2.4 |
| EBITDA after associates and minorities | 791 | 73 | 925 | 617 | 77 | 223 |
| EBITDAR | 790 | 72 | 925 | 617 | 77 | 223 |
| EBITDAR margin (%) | 12.1 | 1.1 | 12.6 | 7.6 | 0.9 | 2.4 |
| EBIT | -95 | -1,318 | -822 | -565 | -1,541 | -1,645 |
| EBIT margin (%) | -1.5 | -20.3 | -11.2 | -6.9 | -17.7 | -17.6 |
| Gross interest expense | -83 | -48 | -39 | -35 | -130 | -454 |
| Pretax income including associate income/loss | 1,644 | -1,633 | -1,146 | 299 | -1,219 | -1,788 |
| **Summary balance sheet** | | | | | | |
| Readily available cash and equivalents | 9,149 | 7,097 | 7,524 | 6,428 | 4,360 | 4,547 |
| Debt | 761 | 531 | 438 | 348 | 1,424 | 4,508 |
| Lease-adjusted debt | 761 | 531 | 438 | 348 | 1,424 | 4,508 |
| Net debt | -8,388 | -6,567 | -7,086 | -6,080 | -2,936 | -40 |
| **Summary cash flow statement** | | | | | | |
| EBITDA | 790 | 72 | 925 | 617 | 77 | 223 |
| Cash interest paid | -83 | -55 | -43 | -35 | -130 | -454 |
| Cash tax | -287 | — | — | — | — | — |
| Dividends received less dividends paid to minorities (inflow/outflow) | 1 | 0 | 0 | — | — | — |
| Other items before FFO | -320 | 150 | -138 | 22 | 23 | 24 |
| FFO | 702 | 574 | 1,183 | 1,503 | 422 | 104 |
| FFO margin (%) | 10.7 | 8.8 | 16.2 | 18.4 | 4.8 | 1.1 |
| Change in working capital | 459 | -403 | -39 | -528 | -47 | -93 |
| CFO (Fitch-defined) | 1,160 | 172 | 1,144 | 975 | 374 | 11 |
| Total non-operating/nonrecurring cash flow | — | — | — | — | — | — |
| Capex | -679 | -1,369 | -1,901 | — | — | — |
| Capital intensity (capex/revenue) (%) | 10.4 | 21.0 | 26.0 | — | — | — |
| Common dividends | — | — | — | — | — | — |
| FCF | 481 | -1,198 | -757 | — | — | — |
| FCF margin (%) | 7.4 | -18.4 | -10.3 | — | — | — |
| Net acquisitions and divestitures | 5 | 3 | — | — | — | — |
| Other investing and financing cash flow items | 1,070 | 1,386 | 508 | -124 | 435 | 566 |
| Net debt proceeds | -634 | -212 | -91 | -90 | 1,076 | 3,083 |
| Net equity proceeds | — | — | — | — | — | — |
| Total change in cash | 923 | -21 | -340 | -1,096 | -2,068 | 187 |
| **Leverage ratios (x)** | | | | | | |
| EBITDA leverage | 1.0 | 7.3 | 0.5 | 0.6 | 18.5 | 20.2 |
| EBITDA net leverage | -10.6 | -90.6 | -7.7 | -9.8 | -38.2 | -0.2 |
| EBITDAR leverage | 1.0 | 7.3 | 0.5 | 0.6 | 18.5 | 20.2 |
| EBITDAR net leverage | -10.6 | -90.6 | -7.7 | -9.8 | -38.2 | -0.2 |
| FFO adjusted leverage | 4.1 | 2.4 | 0.6 | 0.5 | 14.3 | 18.3 |
| FFO adjusted net leverage | -45.5 | -29.6 | -9.0 | -9.5 | -29.5 | -0.2 |
| FFO leverage | 4.1 | 2.4 | 0.6 | 0.5 | 14.3 | 18.3 |
| FFO net leverage | -45.5 | -29.6 | -9.0 | -9.5 | -29.5 | -0.2 |
| **Calculations for forecast publication** | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -674 | -1,366 | -1,901 | -1,858 | -3,953 | -3,473 |
| FCF after acquisitions and divestitures | 487 | -1,195 | -757 | -883 | -3,579 | -3,462 |
| FCF margin after net acquisitions (%) | 7.4 | -18.4 | -10.3 | -10.8 | -41.0 | -37.1 |

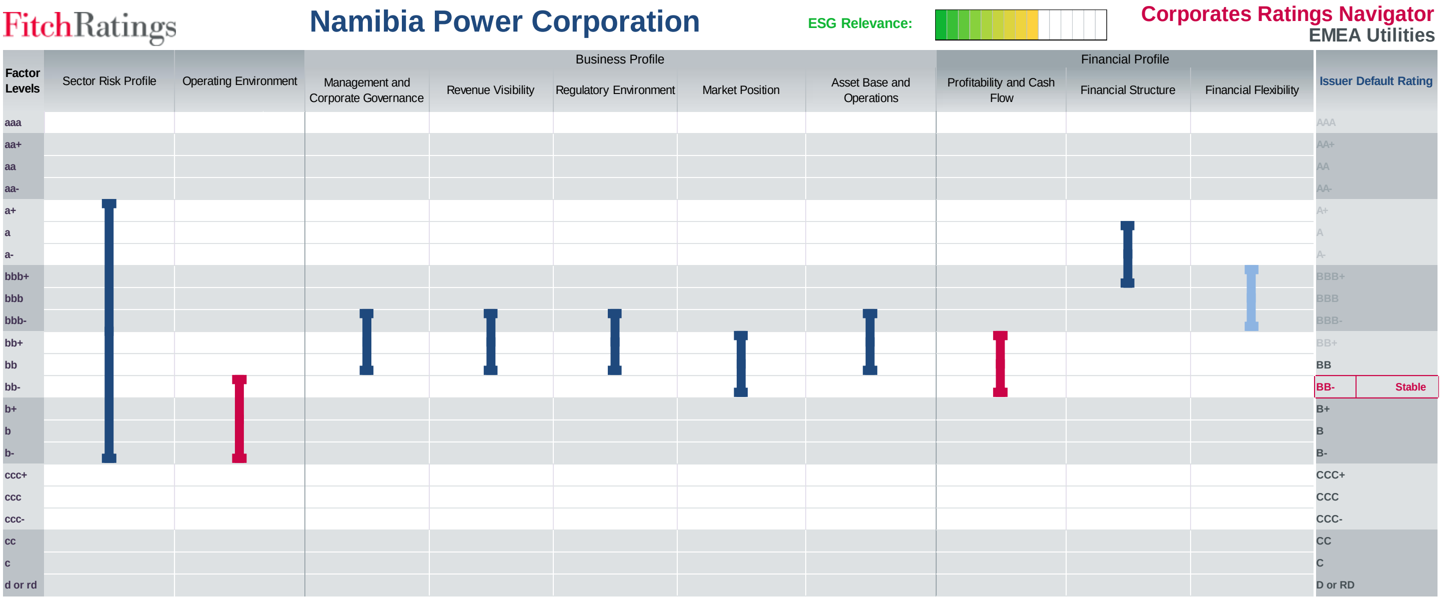
| NADm | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| **Coverage ratios (x)** | | | | | | |
| FFO interest coverage | 2.2 | 4.0 | 18.5 | 18.4 | 0.8 | 0.5 |
| FFO fixed-charge coverage | 2.2 | 4.0 | 18.5 | 18.4 | 0.8 | 0.5 |
| EBITDAR fixed-charge coverage | 9.5 | 1.3 | 21.7 | 17.8 | 0.6 | 0.5 |
| EBITDAR net fixed-charge coverage | -1.5 | -0.2 | -2.3 | -0.7 | -0.2 | 1.6 |
| EBITDA interest coverage | 9.5 | 1.3 | 21.7 | 17.8 | 0.6 | 0.5 |
| **Additional metrics (%)** | | | | | | |
| CFO-capex/debt | 63.3 | -225.7 | -172.9 | -253.6 | -251.3 | -76.8 |
| CFO-capex/net debt | -5.7 | 18.2 | 10.7 | 14.5 | 121.9 | 8,720.7 |
| CFO/capex | 170.9 | 12.5 | 60.2 | 52.5 | 9.5 | 0.3 |

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

**How to Interpret the Forecast Presented**

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Ratings Navigator




| Bar Chart Legend: | | | |
|---|---|---|---|
| Vertical Bars = Range of Rating Factor | | Bar Arrows = Rating Factor Outlook | |
| Bar Colors = Relative Importance | | ⇧ | Positive |
| ■ | Higher Importance | ⇩ | Negative |
| ■ | Average Importance | ⇳ | Evolving |
| ■ | Lower Importance | □ | Stable |

FitchRatings

# Namibia Power Corporation

**Corporates Ratings Navigator**
**EMEA Utilities**

### Operating Environment

| | | | |
|---|---|---|---|
| bb | Economic Environment | bb | Below-average combination of countries where economic value is created and where assets are located. |
| bb- | Financial Access | a | Strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market. |
| | Systemic Governance | bbb | Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'bbb'. |
| b- | | | |
| ccc+ | | | |

### Management and Corporate Governance

| | | | |
|---|---|---|---|
| bbb | Management Strategy | bbb | Strategy may include opportunistic elements but soundly implemented. |
| bbb- | Governance Structure | bbb | Good governance track record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration. |
| bb+ | Group Structure | bbb | Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions. |
| bb | Financial Transparency | bb | Financial reporting appropriate but with some failings (eg lack of interim or segment analysis). |
| bb- | | | |

### Revenue Visibility

| | | | |
|---|---|---|---|
| bbb | Size and Integration | a | Top-tier position in more than one market. Vertically integrated (typically including generation, transmission, distribution and supply). |
| bbb- | Earnings from Regulated Network Assets | bb | Less than 25% of EBITDA comes from high-quality regulated network assets. |
| bb+ | Quasi-Regulated Earnings | b | Small amounts of income from quasi-regulated assets or long-term contracts. |
| bb | | | |
| bb- | | | |

### Regulatory Environment

| | | | |
|---|---|---|---|
| bbb | Regulatory Framework and Policy Risk | bb | Opaque or overly demanding frameworks with limited track record, short-term tariffs; significant political risk. |
| bbb- | Cost Recovery and Risk Exposure | bbb | Tariff setting that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag, price and volume risk. |
| bb+ | | | |
| bb | | | |
| bb- | | | |

### Market Position

| | | | |
|---|---|---|---|
| bbb- | Fundamental Market Trends | bb | Markets with structural challenges. |
| bb+ | Generation and Supply Positioning | bb | Weak position in the merit order; limited hedging. Own generation not in balance with marginal position in supply and services. |
| bb | Customer Base and Counterparty Risk | bb | Structurally challenged economy in area served; high counterparty risk; supply operations with high doubtful debt levels. |
| bb- | | | |
| b+ | | | |

### Asset Base and Operations

| | | | |
|---|---|---|---|
| bbb | Asset Quality | bbb | Mid-range asset quality not likely to affect opex and capex requirements compared with peers. |
| bbb- | Asset Diversity | bb | Limited diversification by geography, generation source, supplied product. |
| bb+ | Carbon Exposure | a | Energy production mostly from clean sources and low carbon exposure (< 300gCO2/kWh). |
| bb | | | |
| bb- | | | |

### Profitability and Cash Flow

| | | | |
|---|---|---|---|
| bbb- | Free Cashflow | bb | Structurally negative FCF across the investment cycle. |
| bb+ | Volatility of Profitability | bb | Lower stability and predictability of profits than utility peers. |
| bb | | | |
| bb- | | | |
| b+ | | | |

### Financial Structure

| | | | |
|---|---|---|---|
| a+ | FFO Leverage | bbb | 5.0x |
| a | FFO Net Leverage | a | 3.0x |
| a- | | | |
| bbb+ | | | |
| bbb | | | |

### Financial Flexibility

| | | | |
|---|---|---|---|
| a- | Financial Discipline | bbb | Financial policies less conservative than peers but generally applied consistently. |
| bbb+ | Liquidity | a | No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding. |
| bbb | FFO Interest Coverage | bb | 3.5x |
| bbb- | FX Exposure | bbb | Some FX exposure on profitability and/or debt/cash flow match. Effective hedging. |
| bb+ | | | |

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Credit-Relevant ESG Derivation

**Overall ESG**

| Namibia Power Corporation has 12 ESG potential rating drivers | | | | |
|---|---|---|---|---|
| Emissions from operations | key driver | 0 | issues | 5 |
| Fuel use to generate energy | driver | 0 | issues | 4 |
| Impact of waste from operations | potential driver | 12 | issues | 3 |
| Plants' and networks' exposure to extreme weather | not a rating driver | 2 | issues | 2 |
| Product affordability and access | | 0 | issues | 1 |
| Quality and safety of products and services; data security | | | | |

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

# Namibia Power Corporation

**Corporates Ratings Navigator**
**EMEA Utilities**

## Credit-Relevant ESG Derivation

Namibia Power Corporation has 12 ESG potential rating drivers

- Namibia Power Corporation has exposure to emissions regulatory risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to energy productivity risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to waste & impact management risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to extreme weather events but this has very low impact on the rating.
- Namibia Power Corporation has exposure to access/affordability risk but this has very low impact on the rating.
- Namibia Power Corporation has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

ESG Relevance to Credit Rating

| | | | |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 12 | issues | 3 |
| not a rating driver | 2 | issues | 2 |
| not a rating driver | 0 | issues | 1 |

## Environmental (E) Relevance Scores

| General Issues | E Score | Sector-Specific Issues | Reference | E Relevance |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 3 | Emissions from operations | Asset Base and Operations; Profitability and Cash Flow | 5 |
| Energy Management | 3 | Fuel use to generate energy | Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow | 4 |
| Water & Wastewater Management | 2 | Water used by hydro plants or by other generation plants; effluent management | Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 3 | Impact of waste from operations | Asset Base and Operations; Profitability and Cash Flow | 2 |
| Exposure to Environmental Impacts | 3 | Plants' and networks' exposure to extreme weather | Asset Base and Operations; Profitability and Cash Flow | 1 |

## Social (S) Relevance Scores

| General Issues | S Score | Sector-Specific Issues | Reference | S Relevance |
|---|---|---|---|---|
| Human Rights, Community Relations, Access & Affordability | 3 | Product affordability and access | Profitability and Cash Flow; Regulation | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Quality and safety of products and services; data security | Profitability and Cash Flow | 4 |
| Labor Relations & Practices | 3 | Impact of labor negotiations and employee (dis)satisfaction | Profitability and Cash Flow; Financial Structure; Financial Flexibility | 3 |
| Employee Wellbeing | 2 | Worker safety and accident prevention | Profitability and Cash Flow; Financial Structure; Financial Flexibility | 2 |
| Exposure to Social Impacts | 3 | Social resistance to major projects that leads to delays and cost increases | Asset Base and Operations; Profitability and Cash Flow | 1 |

## Governance (G) Relevance Scores

| General Issues | G Score | Sector-Specific Issues | Reference | G Relevance |
|---|---|---|---|---|
| Management Strategy | 3 | Strategy development and implementation | Management and Corporate Governance | 5 |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration | Management and Corporate Governance | 4 |
| Group Structure | 3 | Complexity, transparency and related-party transactions | Management and Corporate Governance | 3 |
| Financial Transparency | 3 | Quality and timing of financial disclosure | Management and Corporate Governance | 2 |
| | | | | 1 |

**How to Read This Page**
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

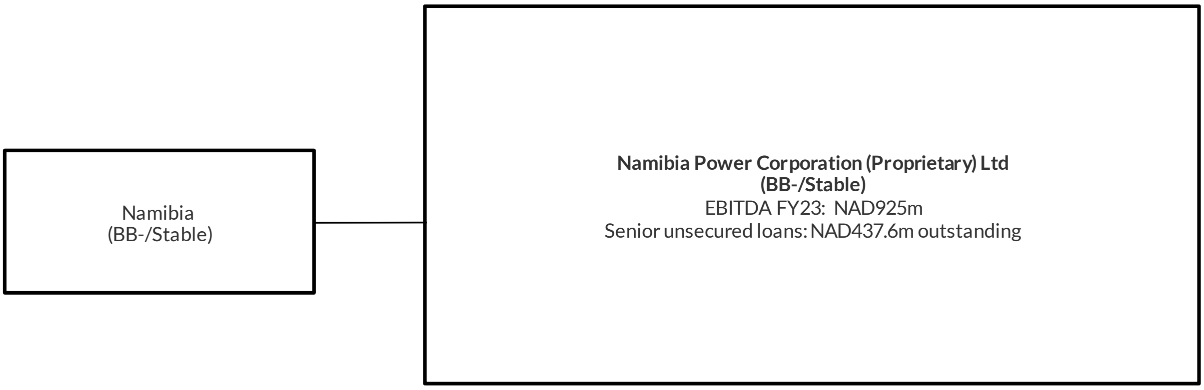
**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

**CREDIT-RELEVANT ESG SCALE**

**How relevant are E, S and G issues to the overall credit rating?**

| | |
|---|---|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | Irrelevant to the entity rating but relevant to the sector. |
| 1 | Irrelevant to the entity rating and irrelevant to the sector. |

## Simplified Group Structure Diagram




Source: Fitch Ratings, Fitch Solutions, NamPower, as of June 2023

## Peer Financial Summary

| Company | Issuer Default Rating | Financial statement date | Gross revenue (USDm) | EBITDA (USDm) | FCF margin (%) | FFO interest coverage (x) | FFO net leverage (x) |
|---|---|---|---|---|---|---|---|
| Namibia Power Corporation (Proprietary) Limited | BB- | | | | | | |
| | BB- | 2023 | 390 | 49 | -10.3 | 18.5 | -9.0 |
| | BB- | 2022 | 400 | 4 | -18.4 | 4.0 | -29.6 |
| | BB | 2021 | 458 | 55 | 7.4 | 2.2 | -45.5 |
| Eskom Holdings SOC Ltd. [a] | B | | | | | | |
| | B | 2023 | 14,570 | 2,347 | -9.5 | 1.3 | 9.7 |
| | B | 2022 | 16,909 | 3,638 | -3.6 | 1.9 | 6.0 |
| | B | 2021 | 13,808 | 2,109 | -14.3 | 1.2 | 9.3 |
| | | | | | | | |
| PGE Polska Grupa Energetyczna S.A. | BBB+ | | | | | | |
| | BBB+ | 2022 | 16,683 | 1,590 | 6.2 | 18.8 | -0.6 |
| | BBB+ | 2021 | 12,887 | 1,951 | 4.4 | 24.4 | 0.4 |
| | BBB+ | 2020 | 12,396 | 1,638 | 8.5 | 16.5 | 1.2 |
| Saudi Electricity Company[a] | A | | | | | | |
| | A | 2022 | 19,221 | 9,796 | 8.3 | 10.3 | 2.5 |
| | A- | 2021 | 18,490 | 10,281 | 19.5 | 11.0 | 2.6 |
| | A- | 2020 | 18,322 | 7,093 | -1.1 | 5.6 | 4.3 |
| Abu Dhabi National Energy Company PJSC[a] | AA- | | | | | | |
| | AA- | 2022 | 13,606 | 5,522 | 17.7 | 6.4 | 2.9 |
| | AA- | 2021 | 12,441 | 5,238 | 21.3 | 5.7 | 3.2 |
| | AA- | 2020 | 6,531 | 2,688 | 18.9 | 5.8 | 6.9 |

[a] Under Criteria Observation
Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

| NADm as of 30 June 2023 | Notes and formulas | Standardised values | Other adjustments | Adjusted values |
|---|---|---|---|---|
| **Income statement summary** | | | | |
| Revenue | | 7,321 | — | 7,321 |
| EBITDAR | (a) = (c-b) | -316 | 1,241 | 925 |
| Lease expese for capitalised leased assets | (b) | — | — | — |
| EBITDA | (c) | -316 | 1,241 | 925 |
| Depreciation and amortisation | | -1,747 | — | -1,747 |
| EBIT | | -2,063 | 1,241 | -822 |
| **Balance sheet summary** | | | | |
| Debt | (d) | 438 | — | 438 |
| Of which other off-balance-sheet debt | | — | — | — |
| Lease-equivalent debt | (e) | — | — | — |
| Lease-adjusted debt | (f) = (d+e) | 438 | — | 438 |
| Readily available cash and equivalents | (g) | 7,525 | -0 | 7,524 |
| Not readily available cash and equivalents | | 290 | — | 290 |
| **Cash flow summary** | | | | |
| EBITDA | (c) | -316 | 1,241 | 925 |
| Dividends received from associates less dividends paid to minorities | (h) | 0 | — | 0 |
| Interest paid | (i) | -43 | — | -43 |
| Interest received | (j) | 438 | — | 438 |
| Preferred dividends paid | (k) | — | — | — |
| Cash tax paid | | — | — | — |
| Other items before FFO | | 843 | -981 | -138 |
| FFO | (l) | 923 | 260 | 1,183 |
| Change in working capital | | -39 | — | -39 |
| CFO | (m) | 884 | 260 | 1,144 |
| Non-operating/nonrecurring cash flow | | — | — | — |
| Capex | (n) | -1,641 | -260 | -1,901 |
| Common dividends paid | | — | — | — |
| FCF | | -757 | — | -757 |
| **Gross leverage (x)** | | | | |
| EBITDA leverage | d / (c+h) | -1.4 | — | 0.5 |
| EBITDAR leverage | f / (a+h) | -1.4 | — | 0.5 |
| FFO leverage | d / (l-i-j-k) | 0.8 | — | 0.6 |
| FFO adjusted leverage | f / (l-i-j-k-b) | 0.8 | — | 0.6 |
| (CFO-capex)/debt (%) | (m+n) / d | -172.9 | — | -172.9 |
| **Net leverage (x)** | | | | |
| EBITDA net leverage | (d-g) / (c+h) | 22.5 | — | -7.7 |
| EBITDAR net leverage | (f-g) / (a+h) | 22.5 | — | -7.7 |
| FFO net leverage | (d-g) / (l-i-j-k) | -13.4 | — | -9.0 |
| FFO adjusted net leverage | (f-g) / (l-i-j-k-b) | -13.4 | — | -9.0 |
| (CFO-capex)/net debt (%) | (m+n) / (d-g) | 10.7 | — | 10.7 |
| **Coverage (x)** | | | | |
| EBITDA interest coverage | (c+h) / (-i) | -7.4 | — | 21.7 |
| EBITDAR fixed-charge coverage | (a+h) / (-i-b) | -7.4 | — | 21.7 |
| FFO interest coverage | (l-i-j-k) / (-i-k) | 12.4 | — | 18.5 |
| FFO fixed-charge coverage | (l-i-j-k-b)/(-i-k-b) | 12.4 | — | 18.5 |

CFO – Cash flow from operations
Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, NamPower

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