# AES Panama Generation Holdings, S.R.L.

The downgrade of AES Panama Generation Holdings, S.R.L. (AESPGH) reflects Fitch Ratings' view of stronger linkages between the company's credit profile and the Panama sovereign rating (BB+/Stable) amid a deteriorating operating environment, which Fitch assesses at 'bb+'.

## Key Rating Drivers

**Sovereign-Driven Downgrade:** AESPGH's exposure to direct governmental control amid a deteriorating operating environment is heightened given the government's 51% ownership of the operating company, AES Panama S.R.L. (hydroelectric assets). Fitch estimates this ownership amounts to oversight of 20% of company-wide decision-making that affects roughly 58% of revenue, including intercompany sales to AES Changuinola S.R.L. through the government's ability to influence certain corporate processes.

In Fitch's understanding, major decisions, such as changes to AES Panama SRL's articles of association, amendments to bylaws, approval of mergers, asset sales and dividend payments, among others, require unanimous approval from the board, where the government controls two of five board seats. Although AESPGH (through Global Power Holdings) is a minority shareholder of 49.1% of AES Panama S.R.L., it nonetheless controls three board seats.

**Operating Environment Deterioration:** Panama's 'bb+' operating environment provides a key asymmetric rating consideration for regulated utilities in Latin America and weighs heavily on companies with direct exposure to a host government and through wholly domestic operations. Fitch expects further deterioration in the operating environment or another downgrade of the Issuer Default Rating (IDR) would likely result in further corporate downgrades.

Fitch also views an inherent linkage to sovereign credit quality based on AESGPH's position as a regulated generation company with domestic cash flow, market dominance and, essentiality, upstream exposure to government subsidies via the regulated distribution company off-takers (79% of AES Panama S.R.L. and 59% of AES Colon contracted sales).

**Strong Market Position:** AESPGH is Panama's largest energy producer, yielding an annual average 40% of national generation volume through a diversified and balanced mix of resources. The company is also Panama's sole liquid natural gas (LNG) supplier and EBITDA from the expanding business of storage, transportation and sales of LNG accounts for an average 45% portion of the company's financial structure. LNG customers are largely domestic, but also include vessels and exports.

**Improving Leverage, Strong Cash Flow:** The company's gross leverage profile, defined as total debt to EBITDA, should steadily decline to below pre-2022 levels over the next three years, to about 3.5x. This is mostly attributable to amortising debt and incremental EBITDA from AES Colon's LNG sales and terminal storage fee growth. The company's predictable and stable cash flow is supported by an average contract life of seven years.

Cash flow from operation (CFO) supports capex and debt maturities. Fitch expects dividends equivalent to 100% of excess cash flow with a minimum annual cash balance of about USD65 million.

## Ratings

**AES Panama Generation Holdings, S.R.L.**

| | |
|---|---|
| Long-Term IDR | BB+ |
| Long-Term Local-Currency IDR | BB+ |
| National Long-Term Rating | AA+(pan) |
| Senior Secured Debt - Long-Term Rating | BB+ |

**Outlooks**

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

Click here for the full list of ratings

## Applicable Criteria

Corporate Rating Criteria (November 2023)

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

Parent and Subsidiary Linkage Rating Criteria (June 2023)

## Related Research

Global Corporates Macro and Sector Forecasts

Latin American Credits on the Cusp (A Deeper Look at 'BBB–' Rated Corporates as They Navigate Uncertainty) (July 2023)

Latin American Electricity Generation — Relative Credit Analysis (Sector Credit Outlook Neutral in 2023) (July 2023)

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## Financial Summary

| (USDm) | 2020 | 2021 | 2022 | 2023E | 2024F | 2025F |
|---|---|---|---|---|---|---|
| Gross revenue | 507 | 635 | 851 | 836 | 729 | 765 |
| EBITDA margin (%) | 49.1 | 43.1 | 57.9 | 35.7 | 49.2 | 50.4 |
| EBITDA interest coverage (x) | 4.2 | 3.9 | 7.3 | 4.7 | 5.9 | 6.6 |
| EBITDA leverage (x) | 6.4 | 5.5 | 3.0 | 4.8 | 3.8 | 3.3 |
| EBITDA net leverage (x) | 5.9 | 5.2 | 2.8 | 4.6 | 3.6 | 3.1 |

Source: Fitch Ratings, Fitch Solutions, AESPGH

## Rating Derivation Relative to Peers

AESPGH's credit profile is commensurate with investment grade, diversified electric generation companies in the region, such as Kallpa Generación S.A. (BBB-/Stable) of Peru, AES Andes S.A. (BBB-/Stable) of Chile and Isagen S.A. E.S.P. (BBB-/Stable) of Colombia.

Fitch expects AESPGH's leverage to steadily decline to about 3.4x and below from 2025. This capital structure is in line with that of Kallpa, which is expected to have leverage of about 4.0x over the medium term. Kallpa also features a diversified asset base of natural gas and hydroelectric production. AESPGH's capital structure is also comparable with that of AES Andes, for which Fitch estimates EBITDA leverage to remain between 3.5x and 4.0x, peaking at 4.0x by the end of 2023. AES Andes has far higher installed capacity of 5.2 gigawatts (GW), well above AEPGH's 1.2GW.

AESPGH's capital structure is slightly more aggressive than Colombian peer Isagen S.A. E.S.P. (BBB-/Stable), which is expected to have medium-term leverage of 3.3x. Isagen's IDR is constrained by Colombia's Country Ceiling at 'BBB-', as the company operates entirely within Colombia, and does not have substantial offshore cash or EBITDA from other countries rated above the Country Ceiling.

Isagen's IDR reflects its leading business position in the Colombian electricity generation market and portfolio of diversified generation assets, and stability of EBITDA driven by a well-contracted position. Both AESPGH and Isagen have large hydroelectric capacity and have the ability to mitigate El Niño risk with back-up thermal capacity.

The company's national scale rating of 'AA+(pan)'/Stable is comparable to Empresa de Transmision Electrica S.A.'s rating (ETESA, AAA(pan)/Stable). ETESA has higher projected medium-term leverage, with expected 2023 gross leverage of 6.0x, but operates in the electricity transmission subsector, which is highly regulated and considerably less volatile than electricity generation.

## Rating Sensitivities

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

- Sustained gross leverage below 3.0x over the medium term.
- A conservative contracting strategy that promotes cash flow stability and the ability to withstand hydrological shocks to the system.
- Continued evidence of sustainable spot price stabilization as a result of asset diversification in the Panamanian electricity matrix.
- Upgrade of Panama's sovereign rating and greater disassociation from the government.

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

- Sustained gross leverage above 4.0x and net leverage above 3.5x over the medium term.
- Adverse government intervention in the sector that weakens the regulatory framework.
- A downgrade of the sovereign rating.
- Deterioration in the company's ability to mitigate spot-market risk.
- Payment of dividends coupled with high leverage levels

## Liquidity and Debt Structure

**Solid Liquidity:** Fitch expects the combined company to generate strong free cash flow (FCF) of an average annual USD55 million in years 2023-2025, after capex and conservative dividend distribution assumptions. FCF will be nearly sufficient to support annual debt amortizations, and remain supportive of an overall solid year-on-year (yoy) liquidity position that we assume should be sustained at about USD65 million or above. The combined companies held a robust USD152 million in readily-available cash and equivalents as of Sept. 30, 2023, while the majority of debt is long term, with just over USD1.2 billion due in 2030.

## 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 www.fitchratings.com/topics/esg/products#esg-relevance-scores

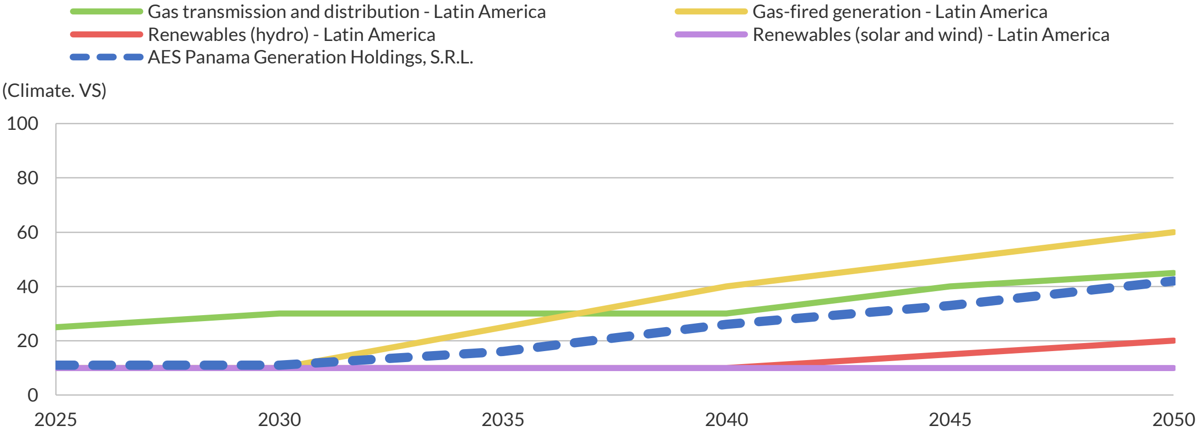
## Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are 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 2022 revenue-weighted Climate.VS for AESPGH for 2035 is 16 out of 100, reflecting low exposure to climate-related risks in that year due to the company's diverse generation mix that includes renewable energy from hydro, solar, wind and natural gas-fired thermal. For further information on how Fitch perceives climate-related risks in the utilities sector, see our Utilities - Long-Term Climate Vulnerability Signals Update report.

### Climate.VS Evolution

As of Dec. 31, 2022




Source: Fitch Ratings

## Liquidity and Debt Maturities

### Liquidity Analysis

| (USDm) | 2023E | 2024F | 2025F |
|---|---|---|---|
| **Available liquidity** | | | |
| Beginning cash balance | 79 | 65 | 64 |
| Rating case FCF after acquisitions and divestitures | 24 | 57 | 98 |
| Other cash inflows post-FCF or not modeled into base case FCF | 6 | — | — |
| Debt issued since last balance sheet | 27 | 7 | — |
| **Total available liquidity (A)** | **136** | **128** | **163** |
| **Liquidity uses** | | | |
| Debt maturities | -71 | -64 | -101 |
| **Total liquidity uses (B)** | **-71** | **-64** | **-101** |
| **Liquidity calculation** | | | |
| Ending cash balance (A+B) | 65 | 64 | 61 |
| Revolver availability | — | — | — |
| **Ending liquidity** | **65** | **64** | **61** |
| Liquidity score (x) | 1.4 | 1.9 | 1.6 |

Source: Fitch Ratings, Fitch Solutions, AESPGH

| **Scheduled debt maturities** | |
|---|---|
| **(USDm)** | **31 December 2022** |
| 2023 | 71 |
| 2024 | 64 |
| 2025 | 101 |
| 2026 | 129 |
| 2027 | 65 |
| Thereafter | 1,268 |
| **Total** | **1,699** |

Source: Fitch Ratings, Fitch Solutions, AESPGH

## Key Assumptions

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

- Monomic contract prices through 2026 for each company are USD100/megawatt hours (MWh) for AES Panama S.R.L., USD114/MWh for AES Changuinola and USD108/MWh for AES Colon.
- Long-term hydro and renewable purchased power agreements (PPA) have fixed prices where some adjust with inflation and prices for capacity are fixed with no change over the life of the contract.
- Expiring large user hydro PPAs will be renewed with similar terms.
- Thermal PPA prices adjust based on the cost of fuel and capacity prices are fixed.
- Spot prices of about USD100/MWh in 2023 then gradually step down yoy as new system capacity is added with the onset of the natural gas-fired Generadora Gatun plant.
- Generadora Gatun, a 670MW LNG-fired plant, enters operation in 2H24 and contracts LNG storage with Costa Norte. AESPGH will purchase energy from the spot market at projected costs to offset the step-down in production at the AES Colon plant.
- No large asset sales occur without corresponding debt rebalancing.
- Debt amortizes for the AESPGH bond and a USD50 million Costa Norte term loan.
- Year-end cash estimated at about USD65 million.
- Net dividends (less shareholder contributions) average USD175 million through 2027. Dividends to government as 51% shareholder in operating company AES Panama S.R.L. average USD39 million a year, or about 23% of total company net dividends.

## Financial Data

| (USDm) | 2020 | 2021 | 2022 | 2023E | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Gross revenue | 507 | 635 | 851 | 836 | 729 | 765 |
| Revenue growth (%) | -19.6 | 25.2 | 34.2 | -1.8 | -12.8 | 4.9 |
| EBITDA before income from associates | 249 | 274 | 493 | 298 | 359 | 386 |
| EBITDA margin (%) | 49.1 | 43.1 | 57.9 | 35.7 | 49.2 | 50.4 |
| EBITDA after associates and minorities | 249 | 274 | 493 | 298 | 359 | 386 |
| EBITDAR | 249 | 274 | 493 | 298 | 359 | 386 |
| EBITDAR margin (%) | 49.1 | 43.1 | 57.9 | 35.7 | 49.2 | 50.4 |
| EBIT | 154 | 185 | 410 | 216 | 279 | 309 |
| EBIT margin (%) | 30.3 | 29.2 | 48.2 | 25.8 | 38.2 | 40.4 |
| Gross interest expense | -87 | -85 | -89 | -63 | -61 | -58 |
| Pre-tax income including associate income/loss | 43 | 100 | 322 | 153 | 218 | 250 |
| **Summary balance sheet** | | | | | | |
| Readily available cash and equivalents | 120 | 82 | 79 | 65 | 65 | 62 |
| Debt | 1,602 | 1,509 | 1,474 | 1,430 | 1,373 | 1,272 |
| Lease-adjusted debt | 1,602 | 1,509 | 1,474 | 1,430 | 1,373 | 1,272 |
| Net debt | 1,482 | 1,427 | 1,395 | 1,365 | 1,308 | 1,210 |
| **Summary cash flow statement** | | | | | | |
| EBITDA | 249 | 274 | 493 | 298 | 359 | 386 |
| Cash interest paid | -60 | -70 | -68 | -63 | -61 | -58 |
| Cash tax | — | -20 | -37 | -13 | -18 | -21 |
| Dividends received less dividends paid to minorities (inflow/outflow) | — | — | — | — | — | — |
| Other items before funds from operations (FFO) | 3 | 37 | 111 | — | — | — |
| FFO | 193 | 221 | 499 | 222 | 280 | 307 |
| FFO margin (%) | 38.1 | 34.8 | 58.7 | 26.6 | 38.3 | 40.1 |
| Change in working capital | -125 | -17 | -94 | 8 | -42 | -8 |
| Cash flow from operations (CFO) (Fitch-defined) | 69 | 203 | 405 | 230 | 238 | 298 |
| Total non-operating/non-recurring cash flow | — | — | — | — | — | — |
| Capex | -37 | -33 | -47 | — | — | — |
| Capital intensity (capex/revenue) (%) | 7.3 | 5.2 | 5.6 | — | — | — |
| Common dividends | -25 | -60 | -222 | — | — | — |
| FCF | 7 | 110 | 136 | — | — | — |
| FCF margin (%) | 1.3 | 17.4 | 15.9 | — | — | — |
| Net acquisitions and divestitures | -75 | 6 | 0 | — | — | — |
| Other investing and financing cash flow items | -55 | -5 | -97 | — | — | — |
| Net debt proceeds | 225 | -108 | -42 | -44 | -57 | -101 |
| Net equity proceeds | -65 | -41 | — | — | — | — |
| Total change in cash | 37 | -38 | -3 | -14 | -0 | -3 |
| **Leverage ratios (x)** | | | | | | |
| EBITDA leverage | 6.4 | 5.5 | 3.0 | 4.8 | 3.8 | 3.3 |
| EBITDA net leverage | 5.9 | 5.2 | 2.8 | 4.6 | 3.6 | 3.1 |
| EBITDAR leverage | 6.4 | 5.5 | 3.0 | 4.8 | 3.8 | 3.3 |
| EBITDAR net leverage | 5.9 | 5.2 | 2.8 | 4.6 | 3.6 | 3.1 |
| FFO-adjusted leverage | 6.4 | 5.2 | 2.6 | 5.0 | 4.0 | 3.5 |
| FFO-adjusted net leverage | 5.9 | 4.9 | 2.5 | 4.8 | 3.8 | 3.3 |
| FFO leverage | 6.4 | 5.2 | 2.6 | 5.0 | 4.0 | 3.5 |
| FFO net leverage | 5.9 | 4.9 | 2.5 | 4.8 | 3.8 | 3.3 |
| **Calculations for forecast publication** | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -136 | -87 | -269 | -206 | -182 | -200 |
| FCF after acquisitions and divestitures | -68 | 116 | 136 | 24 | 57 | 98 |
| FCF margin after net acquisitions (%) | -13.4 | 18.3 | 16.0 | 2.9 | 7.8 | 12.8 |

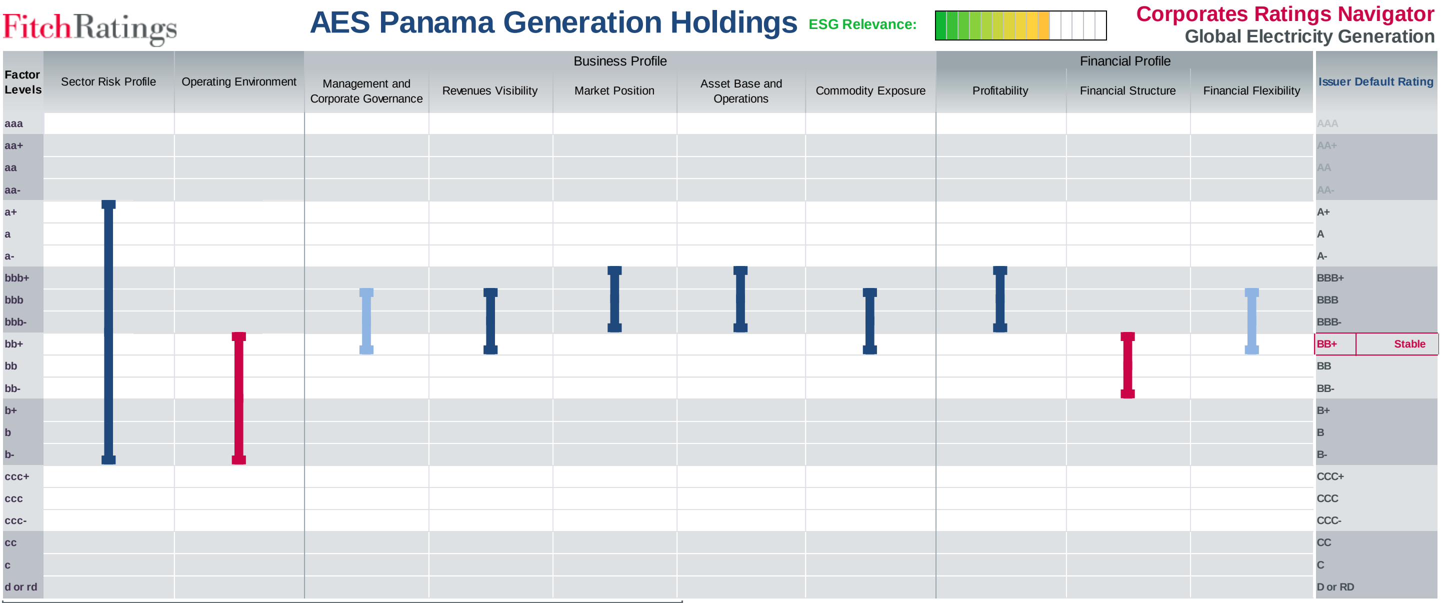
| (USDm) | 2020 | 2021 | 2022 | 2023E | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Coverage ratios (x)** | | | | | | |
| FFO interest coverage | 4.2 | 4.1 | 8.3 | 4.5 | 5.6 | 6.3 |
| FFO fixed-charge coverage | 4.2 | 4.1 | 8.3 | 4.5 | 5.6 | 6.3 |
| EBITDAR fixed-charge coverage | 4.2 | 3.9 | 7.3 | 4.7 | 5.9 | 6.6 |
| EBITDAR net fixed-charge coverage | 4.2 | 3.9 | 7.4 | 4.7 | 5.9 | 6.6 |
| EBITDA interest coverage | 4.2 | 3.9 | 7.3 | 4.7 | 5.9 | 6.6 |
| **Additional metrics (%)** | | | | | | |
| CFO-capex/debt | 2.0 | 11.3 | 24.3 | 11.7 | 16.0 | 22.4 |
| CFO-capex/net debt | 2.1 | 11.9 | 25.6 | 12.2 | 16.8 | 23.5 |
| CFO/capex | 186.0 | 612.6 | 856.7 | 365.0 | 1,306.5 | 2,157.3 |

Source: Fitch Ratings, Fitch Solutions, AESPGH

**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

# AES Panama Generation Holdings

**Corporates Ratings Navigator**
**Global Electricity Generation**

### Operating Environment

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

### Management and Corporate Governance

| | | | |
|---|---|---|---|
| bbb+ | Management Strategy | bbb | Strategy may include opportunistic elements but soundly implemented. |
| bbb | Governance Structure | bbb | Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration. |
| bbb- | Group Structure | bb | Complex group structure or non transparent ownership structure. Related-party transactions exist but with reasonable economic rationale. |
| bb+ | Financial Transparency | bb | Financial reporting is appropriate but with some failings (eg: lack of interim or segment analysis) |
| bb | | | |

### Revenues Visibility

| | | | |
|---|---|---|---|
| bbb+ | Contracted Position | bbb | Balanced position with medium remaining life of PPAs or incentives of 5 to 7 years. PPAs or incentives amount between 80% and 100% of firm generation capacity. |
| bbb | Contract Renewal Risk | bbb | Likely re-contracting prospects with similar to potentially moderately worse contractual terms. |
| bbb- | System / Capacity Payments | bbb | Less transparent or shorter duration market pricing structures with some risk of political interference proving medium term price visibility for power generators. |
| bb+ | Degree of Supply Integration | bbb | Balanced supply integration with strong retail position contributing to cash-flow stability and predictability. |
| bb | Resource Predictability | bb | Somewhat volatile capacity factor. |

### Market Position

| | | | |
|---|---|---|---|
| a- | Supply/Demand Dynamics | bbb | Moderately favorable outlook for prices. Balanced reserve margin with capacity addition pace matching demand growth. Supply/Demand balance aided by regulatory system mechanism. |
| bbb+ | Competitive Position | bbb | Efficient generation with recurrent merit dispatch. |
| bbb | Relative Size and Scale | bbb | Large scale operations with diverse generation asset base or company supplies more than 20% of electricity to the systems where it operates or strong competitive position in a localized market |
| bbb- | | | |
| bb+ | | | |

### Asset Base and Operations

| | | | |
|---|---|---|---|
| a- | Asset Quality and Diversity | bbb | Good single asset quality or partial diversification by geography and/or generation source. |
| bbb+ | Exposure to Environmental Regulations | bbb | Limited or manageable exposure to environmental regulations. Balanced generation between clean and thermal sources; medium carbon exposure. |
| bbb | Capital and Technological Intensity of Capex | bbb | Moderate reinvestments requirements in established technologies. |
| bbb- | | | |
| bb+ | | | |

### Commodity Exposure

| | | | |
|---|---|---|---|
| bbb+ | Counterparty Risk | bbb | Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA. |
| bbb | Costs Pass-Through and Supply Mix | bbb | Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply. |
| bbb- | Hedging Strategy | bb | Minimal portfolio/cash flow smoothing effects from contractual hedge. |
| bb+ | | | |
| bb | | | |

### Profitability

| | | | |
|---|---|---|---|
| a- | Free Cash Flow | a | Structurally neutral to positive FCF across the investment cycle. |
| bbb+ | Cash Flow Predictability | bbb | Stability and predictability cash flow in line with peers. |
| bbb | | | |
| bbb- | | | |
| bb+ | | | |

### Financial Structure

| | | | |
|---|---|---|---|
| bbb- | EBITDA Leverage | bb | 4.8x |
| bb+ | FFO Leverage | | n.a. |
| bb | FFO Net Leverage | | n.a. |
| bb- | | | |
| b+ | | | |

### Financial Flexibility

| | | | |
|---|---|---|---|
| bbb+ | Financial Discipline | bb | Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines. |
| bbb | Liquidity | bbb | One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified. |
| bbb- | FFO Interest Coverage | | n.a. |
| bb+ | DSCR | a | Expected average DSCR >2.0 for amortizing debt with no merchant exposure. |
| bb | FX Exposure | aa | No material FX mismatch. |

**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

AES Panama Generation Holdings has 1 ESG rating driver and 12 ESG potential rating drivers

- Board independence and effectiveness; ownership concentration
- Emissions from operations
- Fuel use to generate energy and serve load
- Water used by hydro plants or by other generation plants, also effluent management
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather

Showing top 6 issues

**Overall ESG**

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

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

FitchRatings

# AES Panama Generation Holdings

**Corporates Ratings Navigator**
**Global Electricity Generation**

## Credit-Relevant ESG Derivation

AES Panama Generation Holdings has 1 ESG rating driver and 12 ESG potential rating drivers

- AES Panama Generation Holdings has exposure to board independence risk which, in combination with other factors, impacts the rating.
- AES Panama Generation Holdings has exposure to emissions regulatory risk but this has very low impact on the rating.
- AES Panama Generation Holdings has exposure to energy productivity risk but this has very low impact on the rating.
- AES Panama Generation Holdings has exposure to water management risk but this has very low impact on the rating.
- AES Panama Generation Holdings has exposure to waste & impact management risk but this has very low impact on the rating.
- AES Panama Generation Holdings has exposure to extreme weather events but this has very low impact on the rating.

Showing top 6 issues

| | | | ESG Relevance to Credit Rating |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 1 | issues | 4 |
| potential driver | 12 | issues | 3 |
| not a rating driver | 1 | issues | 2 |
| | 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 | 5 |
| Energy Management | 3 | Fuel use to generate energy and serve load | Asset Base and Operations; Counterparty and Commodity Exposure; Profitability | 4 |
| Water & Wastewater Management | 3 | Water used by hydro plants or by other generation plants, also effluent management | Asset Base and Operations; Profitability | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 3 | Impact of waste from operations | Asset Base and Operations; Profitability | 2 |
| Exposure to Environmental Impacts | 3 | Plants' and networks' exposure to extreme weather | Asset Base and Operations; Profitability | 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.

## 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 | Asset Base and Operations; Revenues Predictability; Profitability | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Quality and safety of products and services; data security | Asset Base and Operations | 4 |
| Labor Relations & Practices | 3 | Impact of labor negotiations and employee (dis)satisfaction | Asset Base and Operations; Profitability | 3 |
| Employee Wellbeing | 2 | Worker safety and accident prevention | Asset Base and Operations | 2 |
| Exposure to Social Impacts | 3 | Social resistance to major projects that leads to delays and cost increases | Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure | 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; Financial Structure | 5 |
| Governance Structure | 4 | Board independence and effectiveness; ownership concentration | Management and Corporate Governance | 4 |
| Group Structure | 3 | Complexity, transparency and related-party transactions | Management and Corporate Governance; Counterparty and Commodity Exposure | 3 |
| Financial Transparency | 3 | Quality and timing of financial disclosure | Management and Corporate Governance | 2 |
| | | | | 1 |

**CREDIT-RELEVANT ESG SCALE**

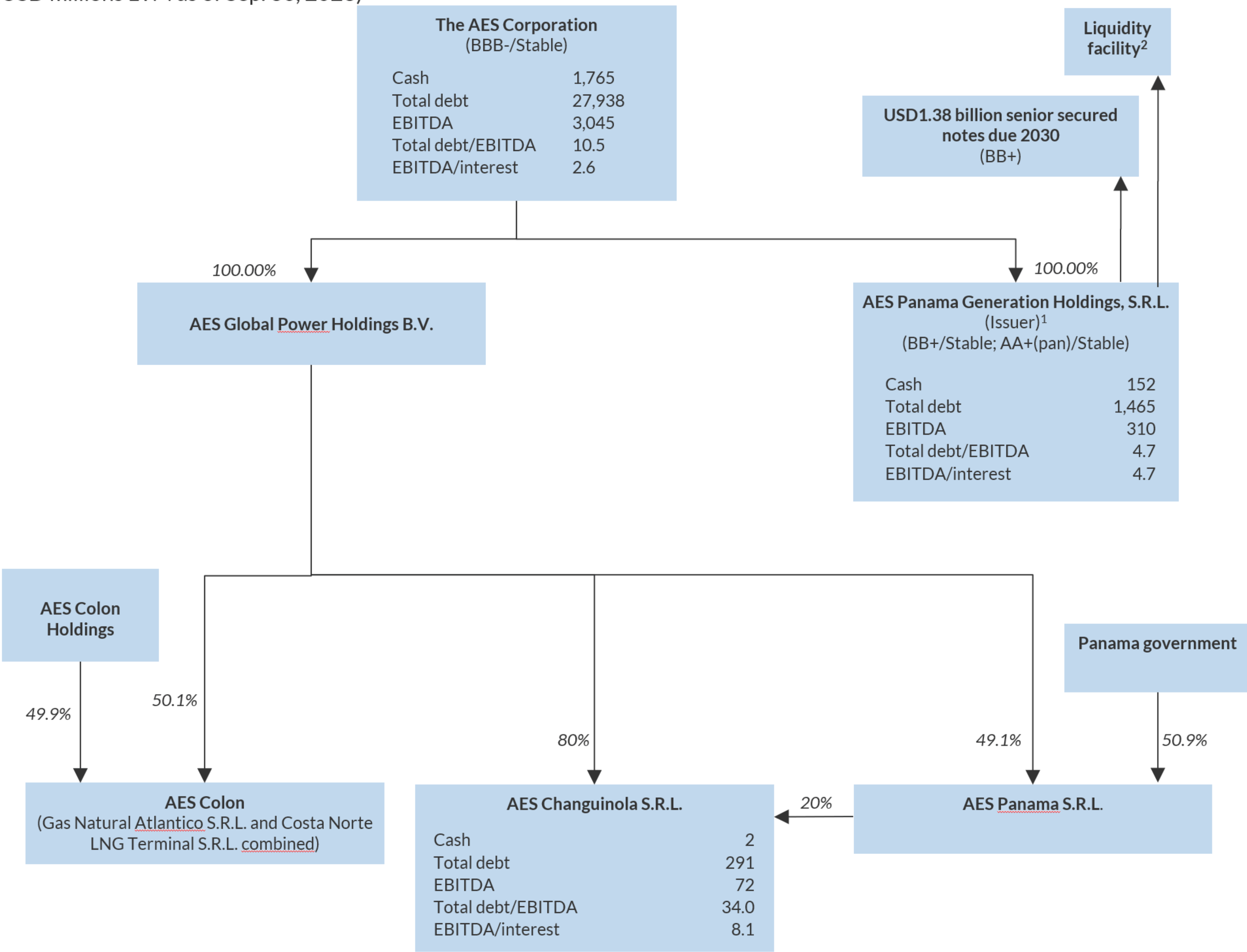
**How relevant are E, S and G issues to the overall credit rating?**

| | |
|---|---|
| 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

### Organizational Structure — AES Panama Generation Holdings, S.R.L.

(USD millions LTM as of Sep. 30, 2023)




[1] Financials are combined financials of operating companies: AES Panama S.R.L., AES Changuinola S.R.L., Gas Natural Atlantico S.R.L. and Costa Norte LNG Terminal S.R.L. The operating companies have intercompany loans, which are owed to the issuer and whose payments the issuer uses to make pro rata payments on the notes.

[2] The liquidity facility will be used to make payments on the notes if there has been a payment default under an intercompany loan. The issuer will repay drawn amounts with dividend payments received from the Trust. Dividends cannot be paid to GPH if there is any amount outstanding under the liquidity facility.

[3] AES Changuinola S.R.L., as of June 30, 2023

Source: Fitch Ratings, Fitch Solutions, AESPGH

## Peer Financial Summary

| Company | Issuer Default Rating | Financial statement date | Gross revenue (USD m) | EBITDA margin (%) | EBITDA interest coverage (x) | EBITDA leverage (x) | EBITDA net leverage (x) |
|---|---|---|---|---|---|---|---|
| AES Panama Generation Holdings, S.R.L. | BB+ | | | | | | |
| | BBB- | 2022 | 851 | 57.9 | 7.3 | 3.0 | 2.8 |
| | BBB- | 2021 | 635 | 43.1 | 3.9 | 5.5 | 5.2 |
| | BBB- | 2020 | 507 | 49.1 | 4.2 | 6.4 | 5.9 |
| AES Andes S.A. | BBB- | | | | | | |
| | BBB- | 2022 | 2,579 | 30.9 | 5.1 | 3.4 | 3.2 |
| | BBB- | 2021 | 2,771 | 38.8 | 6.3 | 1.8 | 1.7 |
| Kallpa Generacion S.A. | BBB- | | | | | | |
| | BBB- | 2022 | 597 | 44.3 | 5.2 | 4.3 | 4.2 |
| | BBB- | 2021 | 534 | 47.3 | 5.3 | 4.5 | 4.3 |
| | BBB- | 2020 | 539 | 47.5 | 5.2 | 4.3 | 4.2 |
| Engie Energia Chile S.A. | BBB | | | | | | |
| | BBB | 2023 | 2,188 | 18.0 | 4.0 | 5.5 | 4.7 |
| | BBB | 2022 | 1,920 | 9.4 | 3.2 | 9.9 | 9.1 |
| | BBB+ | 2021 | 1,479 | 20.7 | 4.0 | 3.5 | 2.8 |
| Enel Colombia S.A. E.S.P. | BBB | | | | | | |
| | BBB | 2023 | 4,379 | 34.8 | 6.0 | 1.5 | 1.3 |
| | BBB | 2022 | 2,541 | 48.4 | 9.6 | 1.2 | 1.0 |
| | BBB | 2021 | 1,182 | 62.4 | 13.1 | 0.8 | 0.7 |
| Isagen S.A. E.S.P. | BBB- | | | | | | |
| | BBB- | 2022 | 1,001 | 68.3 | 2.7 | 3.1 | 3.1 |
| | BBB- | 2021 | 871 | 63.6 | 3.2 | 3.2 | 3.2 |
| | BBB | 2020 | 932 | 54.2 | 2.1 | 3.4 | 3.4 |

Source: Fitch Ratings, Fitch Solutions

| (USDm as of December 31, 2022) | Notes and formula | Reported values | Sum of adjustments | Adjusted values |
|---|---|---|---|---|
| **Income statement summary** | | | | |
| Revenue | | 851 | — | 851 |
| EBITDAR | | 493 | — | 493 |
| EBITDAR after associates and minorities | (a) | 493 | — | 493 |
| Lease expense | (b) | 0 | — | 0 |
| EBITDA | (c) | 493 | — | 493 |
| EBITDA after associates and minorities | (d) = (a-b) | 493 | — | 493 |
| EBIT | (e) | 410 | — | 410 |
| **Debt and cash summary** | | | | |
| Other off balance sheet debt | (f) | 0 | — | 0 |
| Debt | (g) | 1,474 | — | 1,474 |
| Lease-equivalent debt | (h) | 0 | — | 0 |
| Lease-adjusted debt | (i) = (g+h) | 1,474 | — | 1,474 |
| Readily available cash and equivalents | (j) | 79 | — | 79 |
| Not readily available cash and equivalents | | 6 | — | 6 |
| **Cash flow summary** | | | | |
| EBITDA after associates and minorities | (d) = (a-b) | 493 | — | 493 |
| Preferred dividends paid | (k) | 0 | — | 0 |
| Interest received | (l) | 1 | — | 1 |
| Interest paid | (m) | -68 | — | -68 |
| Cash tax paid | | -37 | — | -37 |
| Other items before FFO | | 111 | — | 111 |
| FFO | (n) | 499 | — | 499 |
| Change in working capital (Fitch-defined) | | -94 | — | -94 |
| CFO | (o) | 405 | — | 405 |
| Non-operating/non-recurring cash flow | | 0 | — | 0 |
| Capex | (p) | -47 | — | -47 |
| Common dividends paid | | -222 | — | -222 |
| FCF | | 136 | — | 136 |
| **Gross leverage (x)** | | | | |
| EBITDAR leverage[a] | (i/a) | 3.0 | — | 3.0 |
| FFO adjusted leverage | (i/(n-m-l-k+b)) | 2.6 | — | 2.6 |
| FFO leverage | (i-h)/(n-m-l-k) | 2.6 | — | 2.6 |
| EBITDA leverage[a] | (i-h)/d | 3.0 | — | 3.0 |
| (CFO-capex)/debt (%) | (o+p)/(i-h) | 24.3 | — | 24.3 |
| **Net leverage (x)** | | | | |
| EBITDAR net leverage[a] | (i-j)/a | 2.8 | — | 2.8 |
| FFO adjusted net leverage | (i-j)/(n-m-l-k+b) | 2.5 | — | 2.5 |
| FFO net leverage | (i-h-j)/(n-m-l-k) | 2.5 | — | 2.5 |
| EBITDA net leverage[a] | (i-h-j)/d | 2.8 | — | 2.8 |
| (CFO-capex)/net debt (%) | (o+p)/(i-h-j) | 25.6 | — | 25.6 |
| **Coverage (x)** | | | | |
| EBITDAR fixed-charge coverage[a] | a/(-m+b) | 7.3 | — | 7.3 |
| EBITDA interest coverage[a] | d/(-m) | 7.3 | — | 7.3 |
| FFO fixed-charge coverage | (n-l-m-k+b)/(-m-k+b) | 8.3 | — | 8.3 |
| FFO interest coverage | (n-l-m-k)/(-m-k) | 8.3 | — | 8.3 |

[a] EBITDA/R after dividends to associates and minorities.
Note: Debt includes other off balance sheet debt.
Source: Fitch Ratings, Fitch Solutions, AESPGH

## FX Screener

N.A. Panama's currency, the balboa, is pegged to the US dollar 1:1.

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