

1. TERMS OF REFERENCE

1. Background

UUW is a Schedule 3B entity not funded through the fiscus, ie, UUW is a self-funded entity. On an annual basis the entity calculates the funding requirements net of sales to customers and any grants received to date for developmental projects. For the year 2025/26 to 2029/30, UUW will be investing up to R22bn in capex projects and will not have raised such funding from tariffs by this time. Therefore funding from external funders has to be sought.

2. Description of services required.

Interested financial services providers are requested to submit proposals for the provision of funding including term sheets to meet UUW's funding requirements per the table below:

Funding requirements – 2025 to 2030

FUNDING REQUIREMENTS	Short term		Medium Term			L/Term
Financial Year (R'm)	F25	F26	F27	F28	F29	F30
Operational Cash flows	1,381	1,592	2,096	2,600	2,982	3,542
CapEx - Gross (Escalated)	(3,754)	(4,596)	(4,334)	(3,599)	(3,218)	(2,981)
Net Operating and CapEx cash flow	(2,373)	(3,004)	(2,238)	(999)	(237)	561

To be funded through:

Available investments	2,065	2,243	-	-	-	-
Debt	-	800	2,000	1,000	900	1,000
Grant/Fiscal reimbursement	318		408	408	408	408

To not breach existing debt covenants, funding is to be drawn down in tranches as follows:

1. By 30 June 2026 – R800m
2. By 30 June 2027 – R2000m
3. By 30 June 2028 – R1000m
4. By 30 June 2029 – R900m
5. By 30 June 2030 – R1000m

Total debt required – R6000m

2.1 Funding requirements – 2031 to 2036

FUNDING REQUIREMENTS	L/Term	L/Term	L/Term	L/Term	L/Term	L/Term
Financial Year (R'm)	F31	F32	F33	F34	F35	F36
Operational Cash flows	4,181	4,881	5,440	6,066	6,962	7,739
CapEx - Gross (Escalated)	(6,138)	(2,852)	(823)	(943)	(414)	(771)
Net Operating and CapEx cash flow	(1,957)	2,029	4,618	5,123	6,549	6,967

To be funded through:

Available investments	-	-	-	-	-	-
Debt	1,000					
Grant/Fiscal reimbursement	408	408	408	408	408	408

2.2 Existing Debt Maturity Profile (R'm)

Capital balances (R'm)	Lender	Maturity date	F24	F25	F26	F27	F28	F29	F30
EIB1 (Variable)	EIB	2028/12/18	58	45	32	19	6	-	-
EIB 2	EIB	2029/03/31	66	54	42	30	18	6	-
UG26*	Capital market	2026/03/09	935	935	-	-	-	-	-
RMB loan (ex Mhlathuze Water loan)	RMB	2025/11/30	16	5	-	-	-	-	-

*UW currently has an investment with RMB that will mature on the 09 March 2026 to provide the required liquidity for the redemption of the UG26 on 09 March 2026.

2.3 UW DEBT MANAGEMENT STRATEGIES

The funding proposals to include the following debt management strategies (wherever applicable):

- 1.1. Asset and liability matching - Match the maturity dates and quantum of debt outstanding in any one year with the free cash generated by operations after servicing operational expenditure and costs.
- 1.2. Target an overall fixed/floating ratio of 70% fixed/30% floating
- 1.3. Redemption portfolio management
 - 1.3.1. Minimise both the refinancing and interest rate risk associated with large debt redemptions by creating redemption portfolios.
 - 1.3.2. The uMngeni-uThukela Water's Redemption Strategy Framework allows for a build-up in the redemption portfolio over a 3-year period is as follows:
 - 10% of the capital redemption value is provided for 3 years before maturity;
 - 40 % is provided for 2 years before maturity;
 - 75 % is provided for 1 year before maturity; and
 - The balance of 25 % is funded during the year of maturity.
- 1.4. Regulatory compliance – Borrowing authority by National Treasury and compliance with covenants.

2.4 REGULATORY COMPLIANCE

The following legislative regulations will need to be taken into consideration for compliance purposes:

- a. Public Finance Management Act:

uMngeni-uThukela Water is a schedule 3B public entity under the Public Finance

Management Act (PFMA) it is imperative that the abovementioned transaction complies with all legislation;

- b. Water Services Act;

- c. JSE Debt & specialist Securities Listing requirements.

2.5 EXISTING DEBT COVENANTS

Ratio	Comment	Description	Covenant
Interest cover ratio	EIB loan agreement (Based on consolidated financial statements)	Operating Profit /(Finance Cost)	Not less than 2.5 times

Ratio	Comment	Description	Covenant
Cash interest cover ratio	National Treasury prescribed ratio in terms of Borrowing Authority 2022 to 2025	CFFO(after changes in working capital)/finance costs	Not less than 3 times
Debt to equity	National Treasury prescribed ratio in terms of Borrowing Authority 2022 to 2025 The EIB loan covenant also requires a ratio of not greater than 0.7 times.(Based on consolidated financial statements)	Gross borrowings/Equity	Not greater than 0.5 times
Debt service cover ratio	National Treasury prescribed ratio in terms of Borrowing Authority 2022 to 2025	CFFO (after changes in working capital)/finance costs and debt/capital repayments	Not less than 1 times