# 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.

1. **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

* 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 |

* 1. **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 | - | - | - | - | - |

\*UUW 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.

* 1. **UUW DEBT MANAGEMENT STRATEGIES**

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

* 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.
  2. Target an overall fixed/floating ratio of 70% fixed/30% floating
  3. Redemption portfolio management
     1. Minimise both the refinancing and interest rate risk associated with large debt redemptions by creating redemption portfolios.
     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. Regulatory compliance – Borrowing authority by National Treasury and compliance with covenants.
  2. **REGULATORY COMPLIANCE**

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

* 1. 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;

* 1. Water Services Act;
  2. JSE Debt & specialist Securities Listing requirements.
  3. **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 |
| 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 |