FitchRatings

Corporates
Utilities - Non U.S.
Panama

AES Panama Generation Holdings, S.R.L.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Foreign Currency IDR	BBB–	Stable	New Rating Aug. 3, 2020
Long-Term Local Currency IDR	BBB–	Stable	New Rating Aug. 3, 2020
National Long-Term Rating	AA+ (pan)	Stable	New Rating Aug. 3, 2020

Click here for full list of ratings

Fitch Ratings assigned AES Panama Generation Holdings, S.R.L. Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) of 'BBB–' and a 'AA+(pan)' National Long-Term Rating. The Outlook on all ratings is Stable. In addition, Fitch assigned 'BBB–' and 'AA+(pan)' ratings the company's senior secured notes.

AES Panama Generation will issue a total of approximately USD1.489 billion in debt, including an USD830 million bond due 2030, a USD553 million bond due 2027 and a USD104 million loan. The proceeds will refinance the outstanding debt of AES Panama S.R.L., AES Changuinola S.R.L. and AES Colon, which is a 381MW liquid natural gas (LNG)-fired power plant, Gas Natural Atlantico S.R.L., and an LNG storage facility, Costa Norte LNG Terminal S.R.L., combined.

Changuinola's amortizing bond Tranche A, which totaled USD110 million as of March 31, 2020, will remain outstanding and be repaid according to its amortization schedule. The transaction will also repay a USD62 million loan to build a transmission line from AES Colon's power plant to the country's electric grid and finance the construction of 52MW of solar panels at AES Panama.

Following the transaction, intercompany loans (ICLs) will be made to each operating company to refinance its respective debts and AES Corporation's (BBB–/Stable) shares in the operating companies will be held in a trust as collateral for the notes. Although the notes are not directly secured by any tangible assets in the operating companies, they are secured by the ICLs, AES Corporation's equity pledge and the collateral trust accounts.

The issuer will also enter into a USD50 million committed credit liquidity facility from a consortium of global banks, which will make payments on the notes should one of the ICLs default. The issuer would repay the credit facility with dividends drawn from AES Corporation's shares in the trust and no dividends could be upstreamed to AES Corporation until the credit facility is fully repaid.

AES Panama Generation's ratings reflect the consolidated credit profiles of its operating companies. Fitch expects AES Panama Generation to deleverage to 3.6x gross leverage by 2023 from 6.5x in 2019 due to scheduled debt amortizations, increased storage fees at its Costa Norte LNG terminal and contracted price step-ups on its hydro power purchase agreements (PPAs) with distribution companies.

The company's portfolio diversification, which includes hydro, LNG and renewables, and its strong market position with approximately 37% of Panama's electricity generation add stability to its expected robust cash flows. Fitch considers that a parent and subsidiary relationship exists between AES Panama Generation and AES Corporation due to the latter's pledge of shares but Fitch rates AES Panama Generation on a standalone basis as it does not assume any implicit support from the parent company.

Key Rating Drivers

Medium-Term Leverage to Moderate: Fitch expects the company's combined leverage to moderate to 5.1x in 2020 and 4.8x in 2021 as hydrology conditions return to their long-term average levels. Further deleveraging is anticipated in 2022 to 4.3x due to a 5.5% step-up in contracted energy prices with distribution companies in that year. Fitch expects 3.6x gross and 3.4x net leverage in 2023 due to increased LNG storage terminal fees and further debt amortization with FFO interest coverage rising to 4.7x from 3.9x in 2020.

Applicable Criteria

National Scale Rating Criteria (June 2020)

Corporate Rating Criteria (May 2020)

Parent and Subsidiary Rating Linkage (September 2019)

Related Research

Panamanian Electricity Sector (Infrastructure Investments and Natural Gas to Reduce Price Volatility) (September 2019)

Coronavirus Impact on Latin American Utilities (Portfolio Screener) (April 2020)

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Diversification Mitigates Hydrology Risk: The addition of AES Colon's 381MW LNG plant, along with a 55MW wind acquisition in May 2020 and 52MW of solar in 2021, is expected to provide efficient hydrology risk management. In 2019, the Colon power plant's generated roughly 27% of the country's supply. The 107MW of wind and solar capacity will are expected to perform better during the dry season from December to April and during dry years. The company will also keep its 72MW fuel oil barge as back-up capacity.

Strong Market Position: AES Panama Generation Holdings is expected to represent 29% of Panama's installed capacity and 37% of the country generation, giving it a dominant position in the market. The company's generation portfolio is highly cost competitive in the Panamanian market with 705MW of hydroelectricity. AES Colon, a 381MW LNG plant, debuted in 2018 and is the country's first gas-fired plant. LNG is a strategic initiative for the new government and AES Colon is positioned to sell tank storage to other currently planned LNG plants.

Strong Cash Flow Generation: Fitch expects the company to generate strong cash flows over the life of the bond with EBITDA margins between 50% and 60%. This can be attributed to hydro assets' profitability during periods of normal hydrology conditions and capacity payments from distribution companies to AES Colon until mid-2028. Fitch estimates Colon's capacity payments to be USD163 million. These payments, along with distribution company PPAs through 2030 are well matched with the anticipated term of the company's financing.

Moderate Off-Taker Risk: AES Panama Generation Holdings faces moderate counterparty risk by virtue of its approximately 90% contracted position. Fitch estimates that approximately 28% of the combined companies' capacity is contracted with Elektra Noreste S.A. (BBB/Stable); 62% with EDEMET and EDECHI, which are both majority owned and operated by Naturgy Energy Group S.A. (BBB/Stable); with 10% contracted directly with large commercial users, a growing part of the portfolio representing 43 companies.

Potential Sale of Bayano: In October 2019, AES Panama and the Panamanian government signed a memorandum of understanding to negotiate the possible sale of the company's largest hydro asset, Bayano, a 260MW reservoir hydro plant located 80km from Panama City. Bayano has historically produced 35%–40% of AES Panama's net generation and is an important contributor to its profitability. Fitch assumes AES Panama Generation would maintain its capital structure if Bayano were to be sold to the government.

Regulatory Risk: The company's ratings also reflect its exposure to regulatory risk. Historically, power generation companies in Panama were competitive, unregulated businesses free to implement their own commercial strategies. However, in the past several years higher electricity prices have resulted in increased government intervention to curb the effect on end users. Efforts to diversify the country's energy matrix will help to reduce prices over the medium term, limiting the need for regulatory interference.

Financial Summary

(USD Mil., as of Dec. 31)	2019	2020F	2021F	2022F	2023F	2024F
Gross Revenue	631	573	574	602	648	629
Operating EBITDA (Before Income From Associates)	204	307	314	339	378	371
Operating EBITDA Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Total Debt with Equity Credit/Operating EBITDA (x)	6.5	5.1	4.8	4.3	3.6	3.6
FFO Interest Coverage (x)	2.9	3.9	3.7	4.1	4.7	4.9

F – Forecast.
Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

Fitch expects AES Panama Generation Holdings' leverage to be between 4.3x and 5.1x between 2020 and 2022 before falling to below 4.0x in 2023 and thereafter. This proposed capital structure is in line with that of Kallpa Generacion S.A. (BBB–/Negative), which is expected to have leverage of 4.0x–4.5x over the medium term. Like AES Panama Generation, Kallpa also features a diversified asset base of both natural gas and hydro production. AES Panama Generation Holdings' capital structure is also comparable with that of AES Gener S.A. (BBB–/Stable), which had 2019 leverage of 4.4x, although Fitch expects it to fall below 4.0x in 2020.

AES Panama Generation's capital structure is more aggressive than those of higher rated Colombian peers, such as Isagen S.A. ESP (BBB/Negative) and Emgesa S.A. E.S.P. (BBB/Negative), which are expected to have medium-term leverage of 2.5x–3.0x and 1.5x–1.2x, respectively. Both companies have significant hydroelectric capacity and mitigate El Nino risk with back-up thermal capacity. Despite comparable market shares, Isagen and Emgesa each have installed capacity in excess of 3,000MW while AES Panama Generation's would be 1,157MW. The company compares favorably with Orazul Energy Peru (BB/Stable) with expected 2020 leverage of 5.0x.

The company's national scale rating of 'AA+(pan)'/Stable is comparable with that of Empresa de Transmision Electrica S.A. (ETESA; AAA[pan]/Stable). ETESA is more highly levered, with expected 2021 gross leverage of 5.6x, but it operates in the electricity transmission subsector, which is highly regulated and considerably less volatile than electricity generation. AESP's sister company, AES Changuinola (A+[pan]), had higher 2019 leverage of 24.0x due to a nine-month tunnel repair. After returning to full operation in 2020, leverage will fall to 4.0x.

Navigator Peer Comparison

Issuer		Business profile							Financial profile	
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Gener S.A.	BBB-/Sta	a+	bbb	bbb+	bbb	bbb	bbb	bbb-	bbb-	bbb-
AES Panama Generation Holdings, S.R.L.	BBB-/Sta	bbb	bbb-	bbb-	bbb	bbb	bbb-	bbb	bb+	bbb-
Kallpa Generacion S.A.	BBB-/Neg	bbb-	bbb-	bbb	bbb-	bbb	bbb-	bbb	bbb-	bbb-
Engie Energia Chile S.A.	BBB+/Sta	a+	bbb+	bbb+	bbb+	bbb	bbb	bbb	a-	bbb+
Guacolda Energia SA	BB-/Neg	a+	bbb	bb+	bb+	bbb	bbb-	bbb	bb-	bb+

Source: Fitch Ratings.

Importance Higher Moderate Lower

Issuer		Business profile							Financial profile	
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Gener S.A.	BBB-/Sta	5.0	1.0	2.0	1.0	1.0	1.0	0.0	0.0	0.0
AES Panama Generation Holdings, S.R.L.	BBB-/Sta	1.0	0.0	0.0	1.0	1.0	0.0	1.0	-1.0	0.0
Kallpa Generacion S.A.	BBB-/Neg	0.0	0.0	1.0	0.0	1.0	0.0	1.0	0.0	0.0
Engie Energia Chile S.A.	BBB+/Sta	3.0	0.0	0.0	0.0	-1.0	-1.0	-1.0	1.0	0.0
Guacolda Energia SA	BB-/Neg	8.0	4.0	2.0	2.0	4.0	3.0	4.0	0.0	2.0

Source: Fitch Ratings.

Worse positioned than IDR In line with IDR Better positioned than IDR

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 Panamanian electricity matrix.

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;
- Increased government intervention in the sector, coupled with a weakening regulatory framework;
- Deterioration in the company's ability to mitigate spot-market risk;
- Payment of dividends coupled with high leverage levels;
- Significant asset sales causing an adverse change in financial structure.

Liquidity and Debt Structure

Adequate Liquidity: Fitch believes the combined company will generate strong cash flow from operations (CFO) of USD150 million–USD250 million between 2020 and 2023 with amortizations of USD20 million per year from 2020 to 2022 and USD50 million in 2023 arising from the Changuinola Series A bond. The new loan and 2027 amortizing bond have combined maturities of USD12 million, USD30 million, USD35 million, USD39 million, USD47 million, USD20 million and USD21 million in 2020 through 2026, respectively. The remainder and majority of the companies' debt would be long term due in 2027 and 2030. The companies' strong operating cash flow and favorable debt maturity profile are partially offset by expected future dividends. Fitch assumes a combined minimum cash balance of USD75 million with any residual amounts expected to be paid as dividends. As of March 31, 2020, the combined companies held USD106 million in readily available cash and equivalents.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) credit relevance is a score of '3' — 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 For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity with No Refinancing

Liquidity Analysis

(USD Mil.)	12/31/19	3/31/20
Total Cash and Cash Equivalents	94	139
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	12	33
Fitch-Defined Readily Available Cash and Cash Equivalents	83	106
Availability Under Committed Lines of Credit	0	0
Total Liquidity	83	106
LTM EBITDA After Associates and Minorities	204	—
LTM FCF	(21)	—

Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Scheduled Debt Maturities

(USD Mil.)	**3/31/20**
2020	35
2021	630
2022	463
2023	269
2024	0
Thereafter	0
Total	**1,398**

Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Key Assumptions

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

- USD1.489 billion of new debt, including two bonds and a loan, is issued to refinance all outstanding debt at the three operating companies, except for the Changuinola Series A bond; The new bonds are assumed to carry an interest rate of approximately 4.5-5%. The USD553 million bond has amortizations between 2023 and 2026 with a balloon repayment in 2027. The USD830 million bond has a single balloon payment at maturity in 2030. The USD104 million loan has amortizations between 2020 and 2023.
- Hydrology conditions will return to their long-term historical averages in 2020 and beyond;
- AES Panama S.R.L. adds 55MW of new wind asset revenue in 2H2020 and 52MW of solar assets in 1H21;
- Spot prices will be USD50/MWh in 2020 due to improved hydrology and lower electricity demand and USD60/MWh thereafter due to normalized hydrology and demand conditions;
- AES Panama S.R.L.'s barge will be used minimally after its PPA expires in mid-2020 and retired after 2023;
- Combined cash in excess of USD75 million will be paid out as dividends;
- A new gas plant contracts storage capacity with AES Colon's LNG terminal in 2023;
- No significant asset sales take place during the rating horizon;
- Expiring large user hydro PPAs are renewed with similar terms.

Financial Data

	Historical		Forecast			
(USD Mil., as of Dec. 31)	2019	2020	2021	2022	2023	2024
Summary Income Statement						
Gross Revenue	631	573	574	602	648	629
Revenue Growth (%)	0.0	(9.1)	0.1	5.0	7.5	(2.8)
Operating EBITDA (Before Income from Associates)	204	307	314	339	378	371
Operating EBITDA Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Operating EBITDAR	204	307	314	339	378	371
Operating EBITDAR Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Operating EBIT	95	227	233	257	296	288
Operating EBIT Margin (%)	15.1	39.5	40.6	42.7	45.7	45.8
Gross Interest Expense	(104)	(69)	(74)	(71)	(68)	(65)
Pretax Income (Including Associate Income/Loss)	14	160	162	188	230	226
Summary Balance Sheet						
Readily Available Cash and Equivalents	83	75	75	75	75	75
Total Debt with Equity Credit	1,328	1,563	1,514	1,458	1,369	1,322
Total Adjusted Debt with Equity Credit	1,328	1,563	1,514	1,458	1,369	1,322
Net Debt	1,245	1,488	1,439	1,383	1,294	1,247
Summary Cash Flow Statement						
Operating EBITDA	204	307	314	339	378	371
Cash Interest Paid	(77)	(69)	(74)	(71)	(68)	(65)
Cash Tax	(25)	(40)	(40)	(47)	(57)	(56)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	45	0	0	0	0	0
FFO	149	201	203	223	255	252
FFO Margin (%)	23.7	35.0	35.3	37.0	39.3	40.1
Change in Working Capital	(54)	(39)	29	(2)	(4)	1
Cash Flow from Operations (Fitch Defined)	95	162	231	220	251	253
Total Non-Operating/Nonrecurring Cash Flow	0					
Capex	(102)					
Capital Intensity (Capex/Revenue) %	16.2					
Common Dividends	(13)					
FCF	(21)					
Net Acquisitions and Divestitures	0					
Other Investing and Financing Cash Flow Items	110	(92)	0	0	0	0
Net Debt Proceeds	(1)	235	(50)	(56)	(89)	(47)
Net Equity Proceeds	(6)	0	0	0	0	0
Total Change in Cash	83	(8)	0	0	0	0
Leverage Ratios (x)						
Total Net Debt With Equity Credit/Operating EBITDA	6.1	4.8	4.6	4.1	3.4	3.4
Total Adjusted Debt/Operating EBITDAR	6.5	5.1	4.8	4.3	3.6	3.6
Total Adjusted Net Debt/Operating EBITDAR	6.1	4.8	4.6	4.1	3.4	3.4
Total Debt with Equity Credit/Operating EBITDA	6.5	5.1	4.8	4.3	3.6	3.6
FFO-Adjusted Leverage	5.9	5.9	5.5	5.0	4.3	4.2
FFO-Adjusted Net Leverage	5.6	5.6	5.3	4.7	4.0	4.0
FFO Leverage	5.9	5.9	5.5	5.0	4.3	4.2
FFO Net Leverage	5.6	5.6	5.3	4.7	4.0	4.0

Financial Data

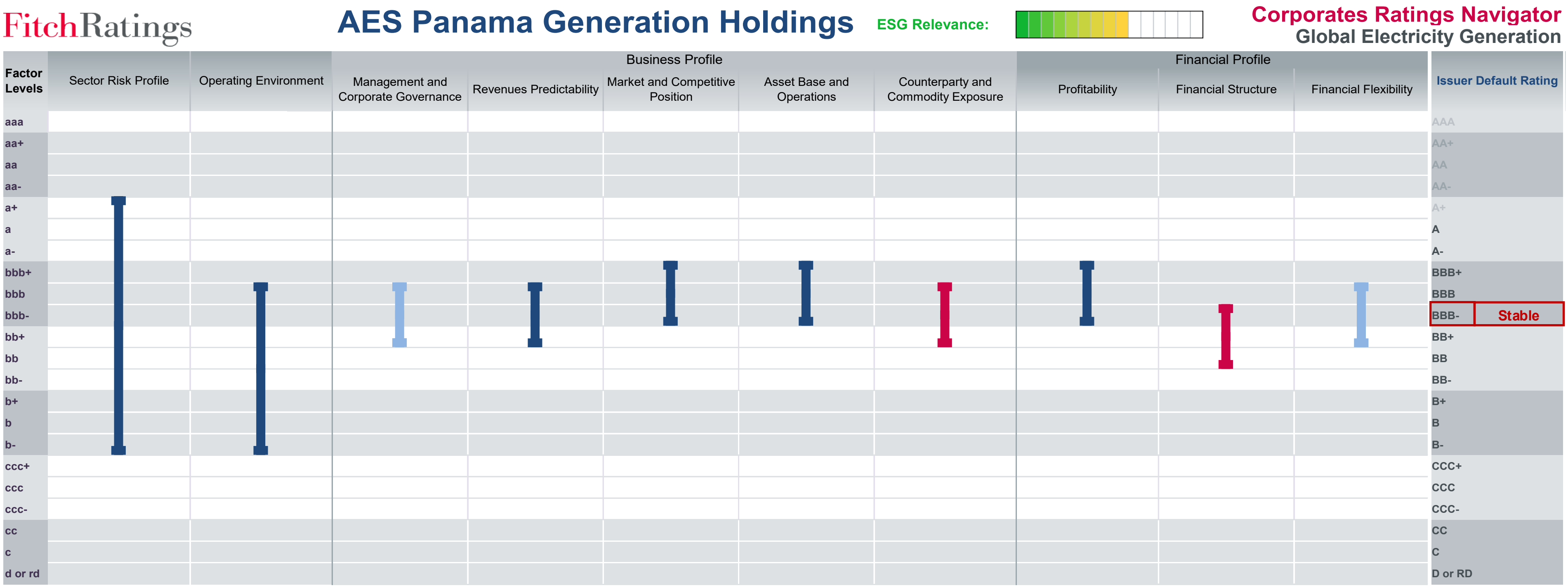
	Historical		Forecast			
(USD Mil., as of Dec. 31)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	(115)	(312)	(182)	(165)	(162)	(206)
Free Cash Flow After Acquisitions and Divestitures	(21)	(151)	50	56	89	47
Free Cash Flow Margin (After Net Acquisitions) (%)	(3.3)	(26.3)	8.7	9.2	13.8	7.4
Coverage Ratios (x)						
FFO Interest Coverage	2.9	3.9	3.7	4.1	4.7	4.9
FFO Fixed-Charge Coverage	2.9	3.9	3.7	4.1	4.7	4.9
Operating EBITDAR/Interest Paid + Rents	2.6	4.5	4.3	4.7	5.6	5.7
Operating EBITDA/Interest Paid	2.6	4.5	4.3	4.7	5.6	5.7
Additional Metrics (%)						
CFO-capex/Total Debt with Equity Credit	(0.6)	5.1	14.5	14.3	17.4	18.2
CFO-capex/Total Net Debt with Equity Credit	(0.6)	5.4	15.3	15.1	18.4	19.3

F – Forecast.
Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented 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 Colours = 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	bbb	Average combination of countries where economic value is created and where assets are located.
bbb	Financial Access	bbb	Average combination of issuer specific funding characteristics and of 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 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	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb			

Revenues Predictability

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 and Competitive 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+			

Counterparty and 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	FFO Leverage	bb	5.0x
bbb-	FFO Net Leverage	bb	4.5x
bb+	Total Debt With Equity Credit/Operating EBITDA	bb	4.8x
bb			
bb-			

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	bb	3.5x
bb+	DSCR	bbb	Expected average DSCR of >1.8 for high merchant exposure or >1.3 for amortizing debt with well contracted business profile.
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 12 ESG potential rating drivers

- 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
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	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 12 ESG potential rating drivers

- 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.
- AES Panama Generation Holdings has exposure to access/affordability risk but this has very low impact on the rating.
- AES Panama Generation Holdings has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	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

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure	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; Counterparty and Commodity Exposure	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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 Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

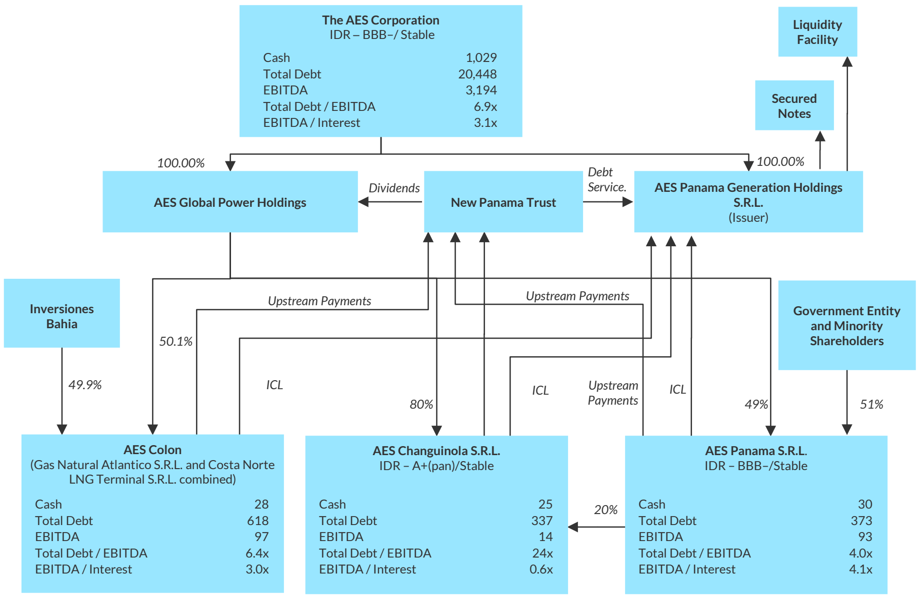
CREDIT-RELEVANT ESG SCALE

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 Mil., As of Dec. 31, 2019,)



ICL – Intercompany loans. IDR – Issuer Default Rating. Note: All ICLs are intercompany loans that AES Colon, AES Changuinola and AES Panama owe to issuer, AES Panama Generation Holdings S.R.L. Upstream Payments include dividends and debt service payments made to a trust, which are dispersed to AES Global Power Holdings and AES Panama Generation Holdings, respectively.
Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD Mil.)	Operating EBITDA (Before Income From Associates) (USD Mil.)	Operating EBITDA Margin (%)	Total Debt with Equity Credit/Operating EBITDA (x)	FFO Interest Coverage (x)
AES Panama Generation Holdings, S.R.L.	BBB–						
	—	2019	631	204	32.3	6.5	2.9
Isagen S.A. E.S.P.	BBB						
	BBB	2019	970	563	58.0	2.9	1.8
	BBB	2018	897	505	56.3	3.0	1.3
	BBB–	2017	796	400	50.2	2.9	3.3
Emgesa S.A. E.S.P.	BBB						
	BBB	2019	1,247	711	57.0	1.3	5.7
	BBB	2018	1,258	708	56.3	1.9	5.7
	BBB	2017	1,160	697	60.1	2.1	4.5
Kallpa Generacion S.A.	BBB–						
	BBB–	2019	569	271	47.5	4.0	5.1
	BBB–	2018	538	284	52.8	3.7	6.0
	BBB–	2017	590	230	39.0	4.6	3.2
Nautilus Inkia Holdings LLC	BB						
	BB	2019	1,642	540	32.9	5.1	3.1
	BB	2018	1,612	523	32.4	6.1	3.3
	BB	2017	1,777	429	24.2	7.0	2.6
The AES Corporation	BBB–						
	BB+	2018	10,736	3,384	31.5	6.5	2.6
	BB	2017	10,530	3,418	32.5	6.7	2.3
	BB–	2016	13,586	3,415	25.1	6.6	2.3

Source: Fitch Ratings, Fitch Solutions.

Reconciliation of Key Financial Metrics

(USD Mil., as reported)	12/31/19
Income Statement Summary	
Operating EBITDA	204
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**204**
+ Operating Lease Expense Treated as Capitalized (h)	**0**
= Operating EBITDAR after Associates and Minorities (j)	**204**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**1,328**
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt (p)	0
= Total Adjusted Debt with Equity Credit (a)	**1,328**
Readily Available Cash [Fitch-Defined]	83
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**83**
Total Adjusted Net Debt (b)	**1,245**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	3
+ Interest (Paid) (d)	**(77)**
= Net Finance Charge (e)	**(74)**
Funds From Operations [FFO] (c)	**149**
+ Change in Working Capital [Fitch-Defined]	(54)
= Cash Flow from Operations [CFO] (n)	**95**
Capital Expenditures (m)	**(102)**
Multiple applied to Capitalized Leases	**8.0**
Gross Leverage (x)	
Total Adjusted Debt/Op. EBITDAR[a] (a/j)	**6.5**
FFO Adjusted Gross Leverage (a/(c-e+h-f))	**5.9**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalized Leases - Pref. Div. Paid)	
FFO Leverage ((l+p)/(c-e+h-f))	**5.9**
(Total Debt + Other Debt)/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Debt With Equity Credit/Op. EBITDA[a] (l/k)	**6.5**
CFO-Capex/Total Debt with Equity Credit (%)	**(0.6)**
Net Leverage (x)	
Total Adjusted Net Debt/Op. EBITDAR[a] (b/j)	**6.1**
FFO Adjusted Net Leverage (b/(c-e+h-f))	**5.6**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalized Leases - Pref. Div. Paid)	
FFO Net Leverage ((l+p-o)/(c-e+h-f))	**5.6**
Total Adjusted Net Debt/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Net Debt/(CFO - Capex) ((l-o)/(n+m))	**(165.7)**
CFO-Capex/Total Net Debt with Equity Credit (%)	**(0.6)**
Coverage (x)	
Op. EBITDAR/(Interest Paid + Lease Expense)[a] (j/-d+h)	2.6
Op. EBITDA/Interest Paid[a] (k/(-d))	2.6
FFO Fixed Charge Cover ((c+e+h-f)/(-d+h-f))	2.9

Reconciliation of Key Financial Metrics

(USD Mil., as reported)	**12/31/19**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid)/(Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage ((c+e-f)/(-d-f))	2.9
(FFO + Net Finance Charge - Pref. Div Paid)/(Gross Int. Paid - Pref. Div. Paid)	

[a]EBITDA/R after Dividends to Associates and Minorities.
Source: Fitch Ratings, Fitch Solutions, AES Panama Generation..

Fitch Adjustment Reconciliation

(USD 000, as reported)	Reported Values (Dec. 31, 2019)	Sum of Fitch Adjustments	Non-recurring costs	Adjusted Values
Income Statement Summary				
Revenue	631	0		631
Operating EBITDAR	193	11	11	204
Operating EBITDAR after Associates and Minorities	193	11	11	204
Operating Lease Expense	0	0		0
Operating EBITDA	193	11	11	204
Operating EBITDA after Associates and Minorities	193	11	11	204
Operating EBIT	95	0		95
Debt & Cash Summary				
Total Debt With Equity Credit	1,328	0		1,328
Total Adjusted Debt With Equity Credit	1,328	0		1,328
Lease-Equivalent Debt	0	0		0
Other Off-Balance Sheet Debt	0	0		0
Readily Available Cash & Equivalents	83	0		83
Not Readily Available Cash & Equivalents	12	0		12
Cash-Flow Summary				
Preferred Dividends (Paid)	0	0		0
Interest Received	3	0		3
Interest (Paid)	(77)	0		(77)
Funds From Operations [FFO]	149	0		149
Change in Working Capital [Fitch-Defined]	(54)	0		(54)
Cash Flow from Operations [CFO]	95	0		95
Non-Operating/Non-Recurring Cash Flow	0	0		0
Capital (Expenditures)	(102)	0		(102)
Common Dividends (Paid)	(13)	0		(13)
Free Cash Flow [FCF]	(21)	0		(21)
Gross Leverage				
Total Adjusted Debt / Op. EBITDAR[a] [x]	6.9			6.5
FFO Adjusted Leverage [x]	5.9			5.9
FFO Leverage [x]	5.9			5.9
Total Debt With Equity Credit / Op. EBITDA[a] [x]	6.9			6.5
CFO-Capex/Total Debt with Equity Credit (%)	(0.6)			(0.6)
Net Leverage				
Total Adjusted Net Debt / Op. EBITDAR[a] [x]	6.5			6.1
FFO Adjusted Net Leverage [x]	5.6			5.6
FFO Net Leverage [x]	5.6			5.6
Total Net Debt / (CFO - Capex) [x]	(165.7)			(165.7)
CFO-Capex/Total Net Debt with Equity Credit (%)	(0.6)			(0.6)
Coverage				
Op. EBITDAR / (Interest Paid + Lease Expense)[a] [x]	2.5			2.6
Op. EBITDA / Interest Paid[a] [x]	2.5			2.6
FFO Fixed Charge Coverage [x]	2.9			2.9
FFO Interest Coverage [x]	2.9			2.9

[a]EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Covenant Summary

Operating companies are not permitted to incur new indebtedness unless that operating company's and the combined companies' net debt/EBITDA is below 4.0x in 2022 and prior and below 3.5x in 2023 and thereafter.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.