CREDIT OPINION

16 May 2025

Update

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RATINGS

Dubai Electricity & Water Authority PJSC

Domicile	Dubai, United Arab Emirates
Long Term Rating	A3
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Dubai Electricity & Water Authority PJSC

Update to credit analysis

Summary

We view Dubai Electricity & Water Authority PJSC (DEWA) as a government-related issuer (GRI), whose credit profile is interlinked with the economic and fiscal developments impacting the emirate of Dubai. In particular, supportive structural economic trends are strengthening the operating environment in Dubai. We expect these trends to continue and sustain DEWA's strong operating performance.

DEWA's long-term issuer rating of A3 combines a Baseline Credit Assessments (BCA) of baa1 with GRI assumptions of a very high level of dependence and the strong likelihood of extraordinary support if needed, from the Government of Dubai. Given that the Government of Dubai is DEWA's majority shareholder and the company's sole operational exposure is to Dubai, we consider that DEWA's credit profile is tied to the economic and fiscal developments of the emirate of Dubai.

DEWA's baa1 BCA is supported by the company's (1) dominant market position in Dubai's power and water sectors and its strong asset base with a 60% reserve margin recorded in 2024; (2) generally strong credit metrics for the current rating level with our expectation that, in the absence of any special dividend over the next 12-18 months, (CFO pre-WC + Interest expense)/Interest expense and (CFO pre-WC – dividends)/debt will trend towards 7.0x and the high teens, respectively; (3) a tariff structure that supports the company's healthy cash flow generation ability; and (4) strong liquidity profile. Conversely, DEWA's BCA also incorporates (1) high dividend payouts and increased leverage in 2022 following its dividend recapitalization and subsequent IPO; (2) moderate level of capital investment; (3) asset and cash flow concentration in Dubai; and (4) regulatory and contractual frameworks that offer limited protection.

Exhibit 1

Strong operating performance to support sustained improvements in credit metrics

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Dominant market position in Dubai's power and water sectors

» Generally strong credit metrics for the current rating category

» Tariff structure is currently supportive of strong cash flow generation

» Strong liquidity profile

Credit challenges

» High dividend payouts and increased leverage following the IPO

» Moderate level of capital investment

» Asset and cash flow concentration in Dubai

» Regulatory and contractual frameworks offer limited protection

Rating outlook

The stable outlook reflects DEWA's low business risk profile and considers the significant credit linkages between the company and the Government of Dubai.

Factors that could lead to upgrade

DEWA's ratings could be upgraded if the credit profile of the Government of Dubai strengthens. This would also require no material deterioration in the company's operating performance and financial profile. We do not currently anticipate any further upward pressure on DEWA's baa1 BCA given the company's ongoing sizable capital investment programme and committed dividend policy that limit its free cash flow generation ability.

Factors that could lead to downgrade

DEWA's ratings could be downgraded in case of a deterioration in Dubai's economic environment and if we assess that the emirate's credit profile has weakened. The rating could also be downgraded as a result of a reduction in our assumption of GRI support. For instance, in case of adverse changes in regulation and oversight by the government or a significant reduction in the company's ownership by the Government of Dubai. DEWA's BCA could be downgraded in case of a sustained material deterioration in its operating performance or liquidity profile. This includes if the company's credit metrics weaken on a sustained basis such that (CFO pre-WC + Interest expense)/Interest expense trends below 4.0x or (CFO pre-WC – dividends)/debt does not trend above 13%.

Key indicators

Exhibit 2

Dubai Electricity & Water Authority PJSC

	2020	2021	2022	2023	2024	2025F	2026F
(CFO Pre-W/C + Interest) / Interest Expense	13.2x	10.5x	7.2x	5.6x	5.7x	6.5x	7.3x
(CFO Pre-W/C) / Debt	47.0%	36.3%	27.6%	28.8%	32.5%	34.0%	37.3%
(CFO Pre-W/C - Dividends) / Debt	39.0%	28.7%	-11.1%	8.2%	14.8%	16.0%	19.0%
Debt / Book Capitalization	18.0%	22.9%	31.4%	30.2%	28.2%	27.5%	26.7%

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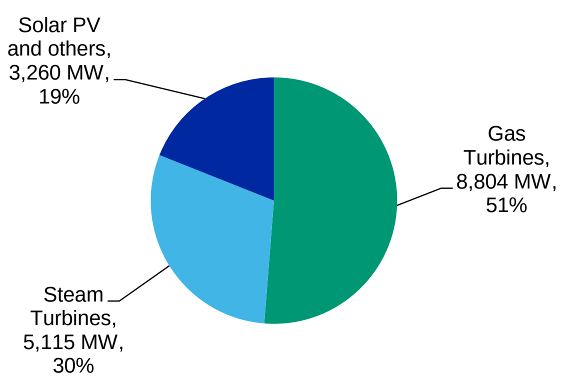
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

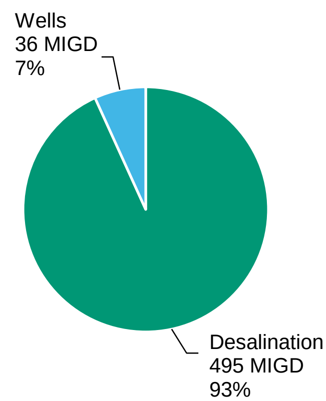
DEWA is the state-owned monopoly provider of electricity and water in Dubai, United Arab Emirates, where it served more than 1 million customers in 2024. The company operates as a vertically integrated multi-utility, with business activities including electricity generation, transmission and distribution, water desalination and distribution and district cooling. As of 31 December 2024, DEWA had total electricity generation capacity of 17,179 megawatts (MW) and water capacity of 531 million imperial gallons per day (MIGD) through 10 majority-owned and operated plants. The company reported revenue of AED31.0 billion ($8.4 billion) and assets of AED184.4 billion ($50.2 billion) in 2024. DEWA is 82% owned by the Government of Dubai with the remaining 18% listed on the Dubai Financial Market (DFM).

Exhibit 3
Installed electricity generation capacity (2024)



Source: Company filings

Exhibit 4
Installed water capacity (2024)



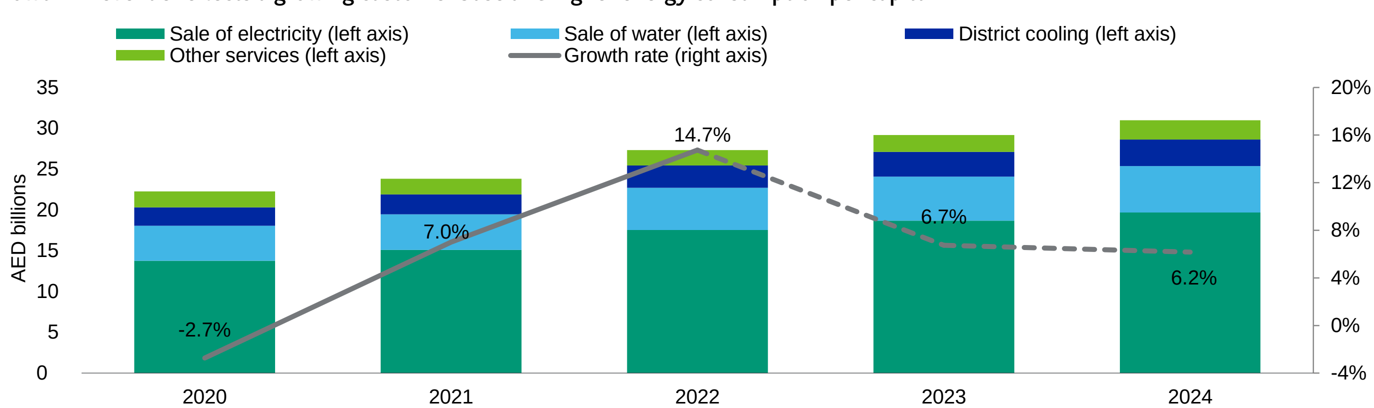
Source: Company filings

Detailed credit considerations

Very high credit interlinkages with Dubai

DEWA is solely exposed to the Emirate of Dubai. The company's operating performance is correlated to the economy of the emirate and DEWA is exposed to the same economic and political risk factors as the Government of Dubai. During 2024, DEWA continued to benefit from supportive structural economic trends in Dubai. DEWA's total customers increased by 4.9% in 2024, while energy demand also increased by 5.4% compared to 2023. The company's revenue base grew by around 6% in 2024 when compared to 2023, driven mainly by a 5% growth in electricity sales. We expect these trends to continue and sustain DEWA's strong operating performance during the next 12-18 months.

Exhibit 5
Growth in revenue reflects a growing customer base and higher energy consumption per capita



Source: Company filings

DEWA and the Government of Dubai have very high credit interlinkages. The company is exposed to the ability of the Government of Dubai to influence DEWA's investment decisions, governance and financial policies which could materially affect the company's credit profile. Moreover, while the current dividend policy provides visibility on the minimum annual dividend distribution level of AED6.2 billion between 2022-27, there remains a risk that the Government of Dubai as the majority shareholder may seek larger dividend distributions in the future.

DEWA plays a strategic role in the Emirate of Dubai as the exclusive provider of power and water. The Government of Dubai has provided support through tariff increases in 2008 and 2011, as well as through the introduction of a fuel surcharge in 2011. More recently, starting January 1, 2022, a new subsidy mechanism for UAE nationals was introduced, which will see the Government of Dubai compensate DEWA for UAE nationals volumes at the same rate as (non-UAE national) residential tariffs. This will result in a marginal improvement in the company's funds from operation (FFO). Additionally, during 2022, the Government of Dubai streamlined its payable settlement mechanism, aiming to settle payables in cash within 90 days. This led to a significant improvement in DEWA's working capital management.

Regulatory and contractual frameworks offer limited protection

DEWA operates under a regulatory framework that is highly dependent on the Government of Dubai's policy decisions. The regulatory and contractual frameworks are not as protective as those in other markets in the region because of the lack of provisions regarding contractual return, cost pass-through and tariff settings. This affects the predictability of return on DEWA's invested capital and future cash flow. For example, an increase in production costs (other than fuel costs), capital spending or financing costs would not be accompanied by an automated increase in tariffs, which would reduce the company's profitability.

These factors are largely mitigated by a tariff structure that currently allows the company to generate strong cash flows. Exposure to pricing risk has been mitigated by the implementation of a fuel surcharge mechanism in 2011. The surcharge mechanism allows DEWA to pass through its fuel costs, which represent most of the variable costs related to production. The company also benefits from a long-term supply agreement with Dolphin Energy Limited for the provision of gas, through the Dubai Supply Authority. The regulatory framework has undergone substantial positive changes, including the establishment of the Supreme Council of Energy in 2010 to oversee policy development, planning and coordination in the sector.

Diversification of the energy mix mitigates carbon transition risks

DEWA is committed to diversifying its energy mix and is focused on investing in renewables. During 2022, the company announced that it plans to deploy between AED7-10 billion of capital investment per year on projects (excluding the equity partners' share), as well as into the extension of its transmission and distribution network. DEWA is well-positioned to face carbon transition risks given the relatively low carbon intensity of its natural gas plants and growing solar generation. The company's investment plans align with Dubai's long-term ambition to generate 100% of its energy from clean sources by 2050, and its medium-term objective to generate 25% by 2030, respectively. We expect the company's monopoly position as the sole provider of power and water services in the emirate of Dubai to remain undisrupted.

DEWA's major renewable project is the Mohammed Bin Rashid Al Maktoum (MBR) solar park. The first phase of the solar park was launched in 2013, and the project is currently undergoing its sixth phase. The latter consists of 1.8 GW, which will become operational in stages between 2024-26. Additionally, during Q1 2025, the tendering process for phase seven was launched, consisting of 1.6-2.0 GW of solar generation capacity, in addition to a 1.0 GW battery storage system. As of 31 March 2025, MBR's completed solar capacity represented 48%, or around 3.5 GW, of the total planned capacity of 7.3 GW that the company expects to complete by 2030. Under its water segment, DEWA is developing a 180 MIGD seawater reverse osmosis (RO) desalination project at Hassyan, which the company expects to complete by 2027. Water production plants with RO technology require less energy than multi-stage distillation plants, making it a more sustainable option for desalination. By 2030, DEWA aims to produce 100% of desalinated water using clean energy and waste heat, enabled by RO technology.

During 2024, DEWA's gross electricity capacity increased by 6% to 17.2 GW from 16.3 GW in 2023. This mainly includes 400 MW that were added at MBR solar park. In 2024, the electricity peak load reached 10.8 GW, translating into a healthy reserve margin of 60% and representing a 3% increase from 2023 levels.

DEWA fully owns most of its plants and only started tendering independent power projects (IPPs) more recently, including the MBR solar park and Hassyan power and water plants. This will allow the company to lower its capital spending because the partners in the projects contribute an equity investment.

Solid financial profile despite high dividend payouts and moderate capital investment cycle

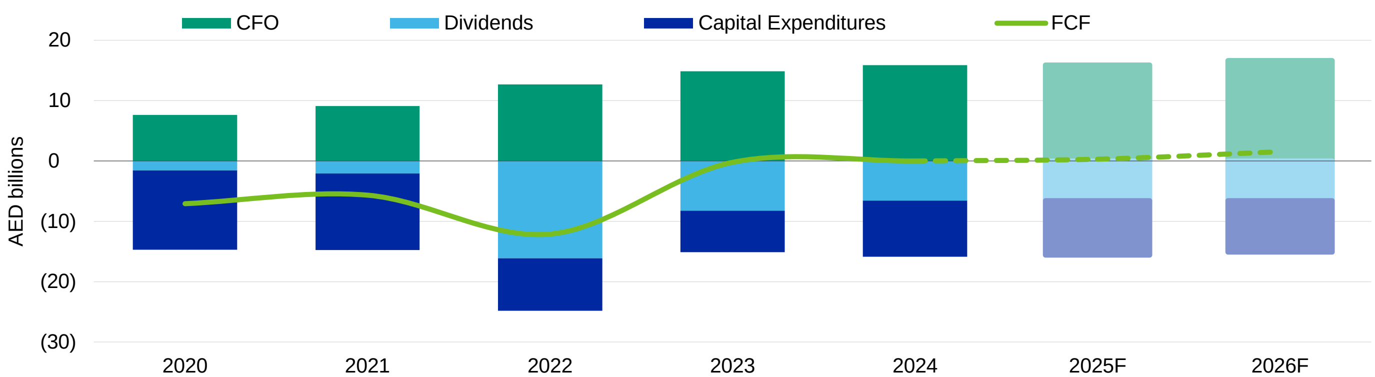
Since the company's IPO in 2022, DEWA's credit metrics have gradually improved during the last 12-18 months and are generally strong for the current rating level. As of 31 December 2024, DEWA's (CFO pre-WC + Interest expense)/Interest expense ratio stood at 5.7x and (CFO pre-WC – dividends)/debt ratio stood at 14.8%. We expect that in the absence of any special dividend over the next 12-18 months, (CFO pre-WC + Interest expense)/Interest expense and (CFO pre-WC – dividends)/debt will trend towards 7.0x and the high teens, respectively.

We expect DEWA to maintain its current public dividend policy of at least AED6.2 billion per annum until 2027. In addition, we note that the company's credit metrics could weaken in case of a substantial increase in discretionary spending or sustained higher borrowing costs that are not offset by increases in allowed tariffs.

During the next 12-18 months, we expect the company's free cash flow generation to remain neutral, despite an average forecasted capital investment outflow of AED8.5 billion and dividend distribution of around AED6.5 billion. This is supported by our expectation of sustained stronger operating performance, increased contribution of cost-efficient renewables to DEWA's energy mix, positive working capital trends and lower net borrowing costs.

Exhibit 6

Free cash flow generation to remain neutral during current investment cycle



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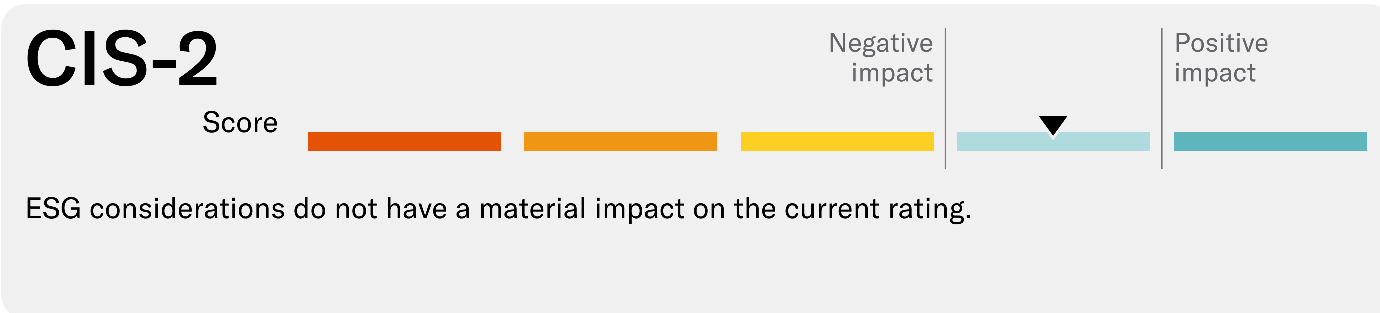
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

ESG considerations

Dubai Electricity & Water Authority PJSC's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score

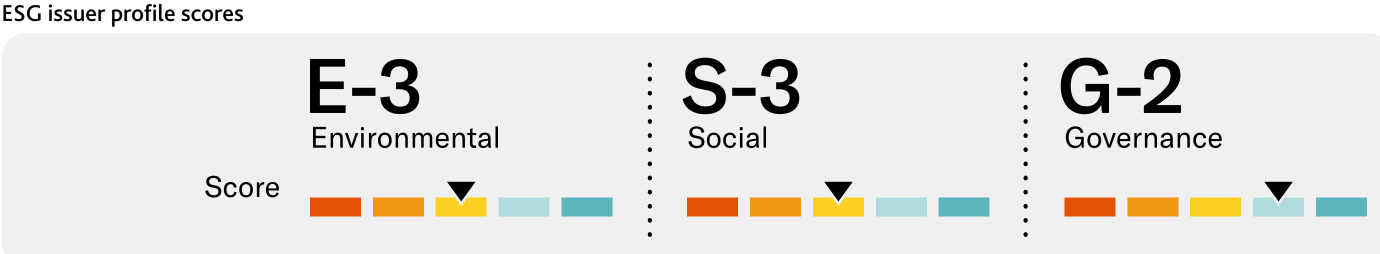


Source: Moody's Ratings

DEWA's **CIS-2** indicates that ESG considerations have limited to no impact on the company's current rating. DEWA is exposed to environmental risks as its generation energy mix includes mainly natural gas and the company's assets are concentrated in Dubai. DEWA is also exposed to social risks related to potentially adverse regulatory or political interventions. The company is exposed to governance risks related to ownership concentration, but is also expected to benefit from government support if necessary, because of its strategic importance to the government.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

DEWA's **E-3** is driven by its exposure to carbon transition risk and physical climate risk. The company's generation energy mix includes mainly natural gas. However, DEWA through its sustainability strategy and current capital investment programme, is gradually working on increasing the contribution of renewables to its generation energy mix. In addition, the company's moderate exposure to physical climate risk is due to the geographical concentration of most of its assets in Dubai.

Social

DEWA's **S-3** reflects risks related to potentially adverse regulatory or political interventions. DEWA is exposed to the risk of tariff reductions which could have a moderately negative effect on its financial profile. Stricter health and safety practices could also lead to higher compliance costs.

Governance

DEWA's **G-2** reflects its strong liquidity profile and generally strong credit metrics for the current rating level, despite higher dividend payouts and increased leverage following the IPO. In addition, the company is exposed to governance risks related to ownership concentration, but is also expected to benefit from government support if necessary, because of its strategic importance to the government.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

DEWA has excellent liquidity. As of 31 December 2024, the company had around AED10 billion of cash and cash equivalents and AED5.5 billion of undrawn committed facilities. Over the next 12 months, we expect DEWA to generate around AED16 billion of cash flow from operations. This, along with its existing cash holdings, will be sufficient to cover cash outflows of around AED21 billion. These outflows represent our forecasts of DEWA's committed capital spending needs, upcoming debt repayments and dividends.

Methodology and scorecard

The principal methodologies used in rating DEWA were Regulated Electric and Gas Utilities, and Government-Related Issuers.

Exhibit 9
Rating factors
Dubai Electricity & Water Authority PJSC

Regulated Electric and Gas Utilities Industry	Current FY 12/31/2024		Moody's 12-18 Month Forward View	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Ba	Ba	Ba	Ba
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.1x	Aa	6.3x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	29.5%	A	33.6%	Aa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	3.5%	Ba	15.4%	Baa
d) Debt / Capitalization (3 Year Avg)	29.9%	Aa	27.9%	Aa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned				A3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa1			
b) Government Local Currency Rating	n/a			
c) Default Dependence	Very High			
d) Support	Strong			
e) Actual Rating Assigned	A3			

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 10

Peer comparison
Dubai Electricity & Water Authority PJSC

	Dubai Electricity & Water Authority PJSC A3 Stable			Saudi Electricity Company Aa3 Stable			Israel Electric Corporation Limited (The) Baa2 Negative		
	FY Dec-22	FY Dec-23	FY Dec-24	FY Dec-22	FY Dec-23	FY Dec-24	FY Dec-22	FY Dec-23	LTM Sep-24
(CFO Pre-W/C + Interest) / Interest Expense	7.2x	5.6x	5.7x	3.4x	2.2x	1.8x	2.4x	3.6x	3.7x
(CFO Pre-W/C) / Debt	27.6%	28.8%	32.5%	10.0%	6.5%	4.4%	4.4%	8.7%	8.4%
(CFO Pre-W/C - Dividends) / Debt	-11.1%	8.2%	14.8%	8.9%	5.5%	3.5%	4.4%	8.7%	8.4%
Debt / Book Capitalization	31.4%	30.2%	28.2%	75.6%	77.0%	80.0%	51.0%	50.1%	50.3%
(CFO Pre-W/C + Interest) / Interest Expense (3 Year Avg)	9.4x	7.1x	6.1x	3.6x	3.0x	2.4x	4.0x	3.3x	3.4x
(CFO Pre-W/C) / Debt (3 Year Avg)	34.6%	30.2%	29.5%	8.9%	8.8%	6.8%	10.4%	7.6%	7.3%
(CFO Pre-W/C - Dividends) / Debt (3 Year Avg)	12.4%	6.0%	3.5%	8.1%	7.8%	5.8%	10.2%	7.6%	7.3%
Debt / Book Capitalization (3 Year Avg)	24.5%	28.3%	29.9%	77.2%	76.7%	77.6%	51.1%	50.7%	49.9%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's–adjusted debt reconciliation
Dubai Electricity & Water Authority PJSC

(in AED millions)	2020	2021	2022	2023	2024
As reported debt	**18,820.7**	**26,770.8**	**40,726.2**	**38,919.8**	**36,216.7**
Pensions	1,048.8	1,020.6	1,010.5	1,020.2	1,109.6
Moody's-adjusted debt	**19,869.5**	**27,791.4**	**41,736.7**	**39,940.1**	**37,326.3**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
Source: Moody's Financial Metrics™

Ratings

Exhibit 12

Category	Moody's Rating
DUBAI ELECTRICITY & WATER AUTHORITY PJSC	
Outlook	Stable
Issuer Rating	A3

Source: Moody's Ratings

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