



State-owned Enterprises Quarterly Report

1st Quarter 2023

Ministry of Finance & Economic Affairs
Directorate of State-owned Enterprises

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INTRODUCTION

This report is a product of the Directorate of State-owned Enterprises of the Ministry of Finance and Economic Affairs. The thirteen (13) commercial State-Owned Enterprises (SOEs) submit quarterly management accounts to the Directorate of State-Owned Enterprises. These submissions are then analysed to assess each SOEs financial performance over the stated period. This report provides an overview of the financial position of the (SOEs) over the first quarter of 2023.

The information presented in this report is from submitted management accounts, which includes a consolidated Income Statement and Balance Sheet, as well as accompanying notes. The report focuses on accounting ratios to determine the financial viability of each State-owned Enterprise. These ratios consider the SOE's ability to yield profit and pay its long-term and short-term debts.

The report further reveals SOE's performance on key financial indicators, such as gross revenue/turnover, net profit/loss, liabilities, and other aspects such as staff costs/expenses. In addition, it also shows the graphical presentation of SOE revenue performance and highlights individual SOE performance with their associated risk category.

KEY SOE ACTIVITIES:

- **Performance Contracts:** Following the successful signing of three performance contracts with SSHFC, GNPC and GPA, plans are on the way to sign additional performance contracts with GIA, GPPC, GamPost and NFSPMC/GGC. Moving forward, the DSOE intends to sign performance contracts with the remaining SOEs by the end of next year.
- **State-Owned Enterprises Act:** The SOE Bill, now The SOE Act, was passed by Parliament and assented to by the President. The Directorate of State-Owned Enterprises is working on the necessary steps to establish the SOE Commission.
- **NAWEC Taskforce:** The NAWEC Taskforce was established to review the financial conditions of NAWEC from 2018 – 2022, provide a situation report, and make recommendations to MOFEA management to enhance its performance, has concluded its investigation and submitted a report and recommendations to management.
- **AMRC Liquidation:** A Taskforce has been formed to lead the liquidation of the Asset Management and Recovery Corporation. The Taskforce has since been meeting and a draft Cabinet Paper and AMRC Repeal Bill have been prepared and are awaiting approval.

AGGREGATE ANALYSES

Table 1

Q1	REVENUE	OPERATING PROFIT	NET PROFIT	ASSETS	LIABILITIES
23	D2,782,103,554.00	-D62,012,770.30	-D782,274,239.80	D32,483,144,775.70	D22,152,642,079.80
Q1'22 compared to Q1'23 (NAWEC Balance Sheet Excluded)					
22	D3,224,017,490.00	D438,231,071.00	D200,346,026.00	D22,400,290,864.00	D9,911,709,262.00
23	D2,782,103,554.00	(D62,012,770.30)	(D782,274,239.80)	D22,111,751,585.70	D9,210,573,753.00
%	-14%	-114%	-490%	-1%	-7%

Table 1 presents the aggregate SOE figures for the quarter ending March 31st, 2023. The 13 commercial SOEs have earned a combined revenue of D2.8 Billion but ended the quarter with a net loss of D782 million. As of March 31st, 2023, Total SOE Assets are at D32 Billion, which is over 50% higher than Total liabilities at D22 Billion. The table above also compares the current quarter (Q1 2023) to the first quarter of 2022 (Q1 2022) to gauge the position of the SOEs over the year.

Additionally, SOE performance has dropped drastically once compared to the first quarter of 2022. The Total Revenue declined by 14%, but most notably, operating and net profit have decreased significantly, by 114% and 490%, respectively; moving from positive to negative figures. The value of SOE Assets has decreased by 1%, and their liabilities have also decreased by 7%. Overall, SOE's financial performance significantly dropped in the first quarter.

AGGREGATE INCOME STATEMENT

Table 2

SOE	Q1'22 REVENUE	Q1'23 REVENUE	% Δ	Q1'22 Net Profit	Q1'23 Net Profit	% Δ
AMRC	D6,125,742.00	D2,184,550.00	-64%	D961,591.00	-D1,899,254.00	-298%
GAMCEL	D51,616,344.00	D39,052,000.00	-24%	-D25,082,683.00	-D29,894,000.00	19%
GAMPOST	D5,416,720.00	D4,266,918.00	-21%	D364,851.00	-D479,587.00	-231%
GAMTEL	D82,931,000.00	D116,373,000.00	40%	-D75,139,000.00	-D17,917,000.00	76%
GCAA	D61,444,793.00	D51,728,719.00	-16%	D36,726,213.00	D39,937,716.00	9%
GIA	D79,281,000.00	D75,124,570.00	-5%	D32,863,000.00	D17,913,730.00	-45%
GNPC	D416,505,954.00	D460,091,278.00	10%	D10,511,988.00	D11,314,654.00	8%
GPA	D655,717,000.00	D321,229,000.00	-51%	D257,565,000.00	D61,060,000.00	-76%
GPPC	D11,543,061.00	D36,006,403.67	212%	D3,147,682.00	D23,408,512.60	644%
GRTS	D53,851,145.00	D45,613,381.00	-15%	D14,678,007.00	D10,094,385.00	-31%
NAWEC	D1,730,357,757.00	D1,323,003,128.00	-24%	D608,868,055.00	-D772,908,957.00	-227%
NFSPMC	D11,451,167.00	D234,987,606.00	1952%	-D659,481,811.00	-D67,854,438.00	90%
SSHFC	D57,776,000.00	D72,443,000.00	25%	-D6,305,000.00	-D55,048,000.00	-773%
TOTAL:	D3,224,013,683.00	D2,782,103,553.67	-14%	D200,346,026.00	-D782,272,238.40	-490%

Table 2 illustrates a simplified Income Statement of the State-Owned Enterprises, with figures from last year for comparison. Total revenue generated by the SOEs is down by 14% to D2.7 Billion compared to over D3.2 Billion in the previous year.

As expected, the larger SOEs, namely NAWEC, GAMTEL, GNPC, and GPA earned relatively high revenues compared to the smaller ones, and therefore have a higher impact on the aggregate revenue. However, 8 out of the 13 SOEs have demonstrated a fall in revenue compared to the first quarter of 2022. GAMTEL, GNPC, SSHFC, GPPC & NFSPMC are the SOEs that experienced a growth in revenue when compared to last year.

GPPC indicated the most promising increase by doubling their previous revenues and earning a higher net income than 85% of the SOEs. Although GAMTEL's revenue grew by 40%, it ended the quarter with a net loss of D20 million. Similarly, SSHFC also experienced a 25% revenue growth but made a loss of D55 million. GNPC's revenue grew by 10%, while its net profit grew by 8%, indicating a slight increase in its costs. NFSPMC (GGC) had an astounding 1952% increase in revenue, but this is mostly attributable to their seasonal activities.

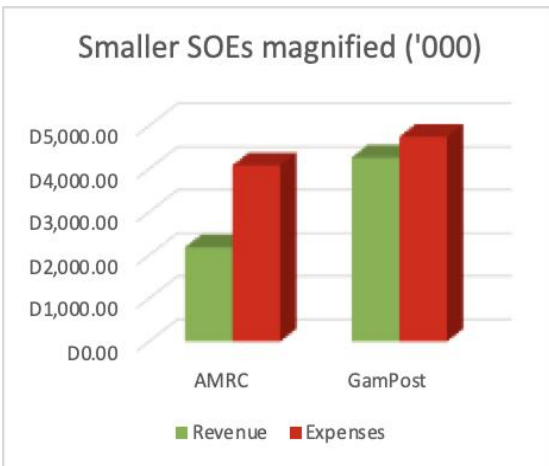
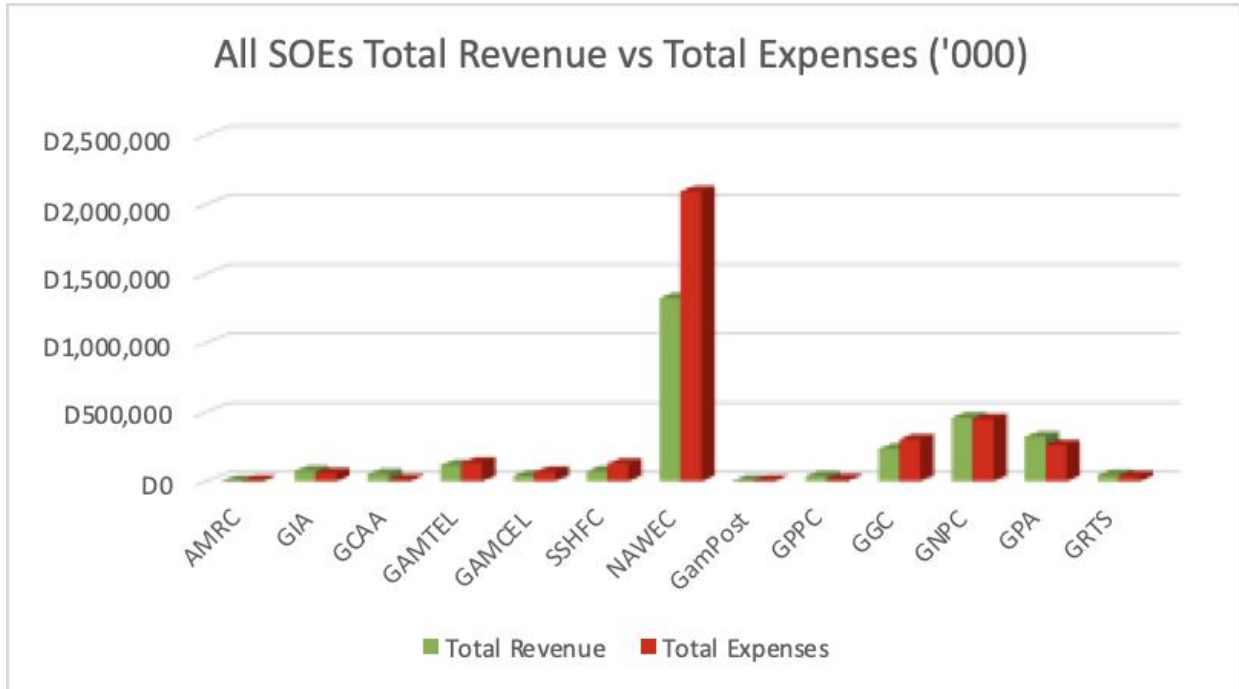
GPA is usually one of the most profitable SOEs and has frequently paid hundreds of millions in dividends to the government. However, compared to last year, GPA revenue has dropped by half, from D655 Million to D321 Million and their net profit fell by 76%, indicating a major decline in their performance. According to GPA management, the SOE's performance is being affected by the delay in the government's decision on the Port Concession Agreement.

NAWEC, GPA, and SSHFC experienced the most significant drops in revenue. NAWEC's revenue dropped by approximately D400 million, but their Net Profit dropped by over D1.2 Billion, indicating a significant loss. GPA's revenue dropped by over D330 million, translating into an almost D200 million drop in Net Profit. Similarly, SSHFC's revenue dropped by 65%, which is also a loss of revenue of almost D200 million.

SSHFC had the highest proportion of revenue fall, at -773%. This alarming fall is apparently due to pending payments from the government. AMRC's total revenue fell by 64%. These figures are quite concerning for the services sector, demonstrating only a 2% contribution to Total Revenue.

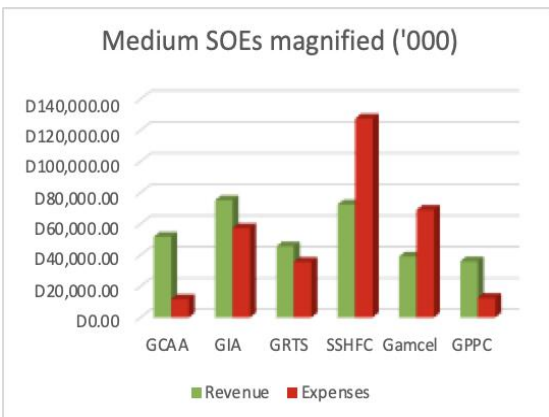
TOTAL SOE REVENUE

Graph 1



An overview of the SOEs' Total Revenues and Total Expenses indicates that high expenses continue to restrict the high net incomes of all SOEs.

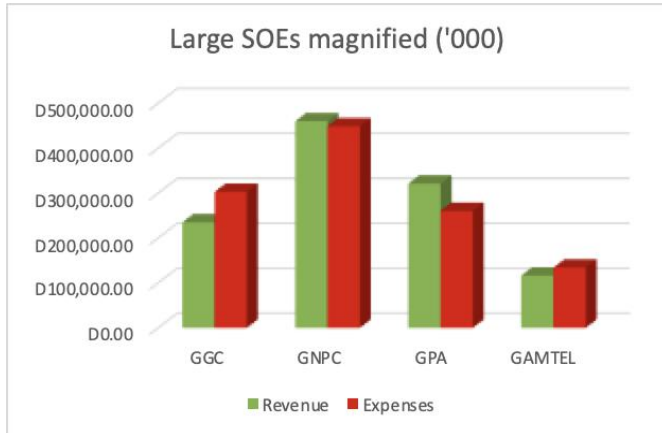
Considering AMRC & GamPost, both SOEs have higher total expenses than total revenues, making them loss-making SOEs. AMRC, however, is spending over 30% more than their total revenue earned.



Regarding GCAA and GPPC, both these SOEs show a significant gap between their revenues and expenses, implying the ability to yield a high net profit.

GRTS and GIA are profitable, but their net incomes are relatively low due to high expenditures. SSHFC and GAMCEL have similar cases whereby their expenses far exceed revenue, incurring losses in millions for the institutions.

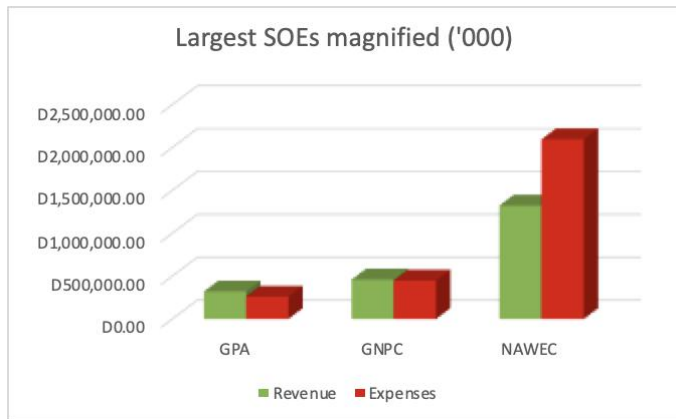
Amongst the large SOEs, GGC/NFSPMC also seem to have a higher expenditure than revenue.



The increase in expenditure was a result of the high cost of sale in Q1 wherein NFSPMC usually purchased groundnuts from farmers.

GAMTEL's revenue grew by 40%, but its expenses also increased ending the quarter with a net loss.

GNPC's profit margin is low for their institution at roughly 2.3% for this quarter.



GNPC and GPA have consistently yielded a profit. However, considering the sheer size of the institutions, GPA has no competitors and GNPC's upstream monopoly, both institutions could be more profitable.

NAWEC played a significant role in the downward trend of the total revenue of SOEs this quarter. With their expenses approximately 50% higher than revenue, NAWEC remains an SOE of concern.

EXPENDITURE ANALYSIS

Table 3

SOE	REVENUE 2023	ADMIN & STAFF COST '23	% of REV'	ADMIN & STAFF COST '22	ADMIN & STAFF COST '23	% Δ
AMRC	D2,184,550	D5,012,376	229%	D4,931,932	D5,012,376	2%
GIA	D75,124,570	D32,539,250	43%	D40,521,000	D32,539,250	-20%
GCAA	D51,728,719	D16,584,271	32%	D24,109,401	D16,584,271	-31%
GAMTEL	D116,373,000	D68,354,000	59%	D57,936,000	D68,354,000	18%
GAMCEL	D39,052,000	D39,961,000	102%	D40,905,074	D39,961,000	-2%
SSHFC	D72,443,000	D62,589,000	86%	D36,458,958	D62,589,000	72%
NAWEC	D1,323,003,128	D113,672,336	9%	D86,737,574	D113,672,336	31%
GamPost	D4,266,918	D4,315,131	101%	D4,278,993	D4,315,131	1%
GPPC	D36,006,404	D8,066,041	22%	D6,725,310	D8,066,041	20%
GGC	D234,987,606	D19,304,785	8%	D11,419,760	D19,304,785	69%
GNPC	D460,091,278	D28,453,413	6%	D39,942,390	D28,453,413	-29%
GPA	D321,229,000	D138,026,000	43%	D156,453,000	D138,026,000	-12%
GRTS	D45,613,381	D30,962,519	68%	D31,886,966	D30,962,519	-3%

A common trend amongst SOEs over the past few years has been unusually high administrative and/or staff costs. Table 3 above looks at staff and admin costs as a percentage of revenue and compares these figures to the previous year.

Generally, Admin costs should be between 10 - 25% of revenue, and Personnel/Staff Costs should be below 30% of revenue. Therefore, percentages above 50% are reason for concern. As administrative expenses do not directly contribute to sales or production, management should be motivated to reduce a company's general and administrative expenses. Nevertheless, these costs are typically fixed, therefore limiting the potential for significant reductions.

Evidently, AMRC, GAMCEL, and GamPost are spending significantly more on admin and staff than they should. All three of these SOEs have spent more than their total earnings on just these two expenses alone, which also explains why they ended the quarter with a Net loss.

GAMTEL is also spending a significant share of its revenue on these costs, considering the nature of its business GAMTEL may invest a high proportion of its revenue in staff costs due to requiring specialists and experts. Although their revenue increased by 40%, staff and admin

costs also increased by 18%. Since these costs are not directly linked to GAMTEL's production or sales, it partially explains why it experienced a Net loss.

GRTS and SSHFC spent 68% and 86% of their revenue on Staff and Admin costs. SOEs with centralized management that do not primarily engage in the sale of goods and services may have higher administrative costs. However, these SOEs should maintain admin and staff costs below 50%.

GPA saw a 50% decrease in revenue but their expenditure of staff and admin costs only decreased by 12%. This potentially implies GPA is not using their staff efficiently to maximize revenue.

Overall, 6 out of the 13 SOEs have managed to decrease their expenditure on Admin and staff (S&A) costs. GCAAs expenditure dropped by 31% and GNPC S&A expenditure dropped by 29% compared to the previous year, implying that these institutions may have implemented cost-cutting measures.

SSHFC saw the largest increase in staff and admin costs, at over 72%. Considering SSHFC was also one of the underperforming SOEs in the quarter, this increase is concerning.

AGGREGATE BALANCE SHEET

Table 3

SOE	Q1 22 Assets	Q1 23 Assets	% Δ	Q1 22 Liabilities	Q1 23 Liabilities	% Δ
GAMPOST	D77,958,968	D86,139,701.00	10%	D43,860,794	D42,804,208.00	-2%
AMRC	D129,174,673	D157,444,035.00	22%	D18,379,872	D18,928,244.00	3%
GPPC	D143,009,968	D182,502,206.70	28%	D58,069,625	D63,156,700.00	9%
GRTS	D234,536,622	D232,556,250.00	-1%	D49,433,891	D39,496,358.00	-20%
GIA	D367,865,000	D368,959,000.00	0%	D316,192,000	D356,290,000.00	13%
GAMCEL	D444,260,096	D409,524,000.00	-8%	D1,271,285,932	D1,351,892,000.00	6%
NFSPMC	D1,079,553,289	D1,224,199,115.00	13%	D1,664,043,532	D1,406,798,060.00	-15%
GNPC	D1,895,752,219	D1,725,777,772.00	-9%	D786,428,005	D588,147,871.00	-25%
GAMTEL	D2,430,178,733	D2,012,738,000.00	-17%	D2,110,891,742	D1,786,683,000.00	-15%
GPA	D5,096,609,000	D3,563,208,000.00	-30%	D859,810,000	D133,009,000.00	-85%
GCAA	D4,086,974,513	D5,131,333,506.00	26%	D2,732,313,869	D3,408,989,312.00	25%
SSHFC	D6,414,417,783	D7,017,370,000.00	9%	N/A	D14,379,000.00	-2%
NAWEC	N/A	D10,371,393,190.00		N/A	D12,942,068,327.00	N/A

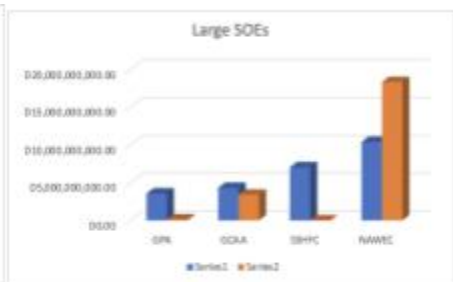
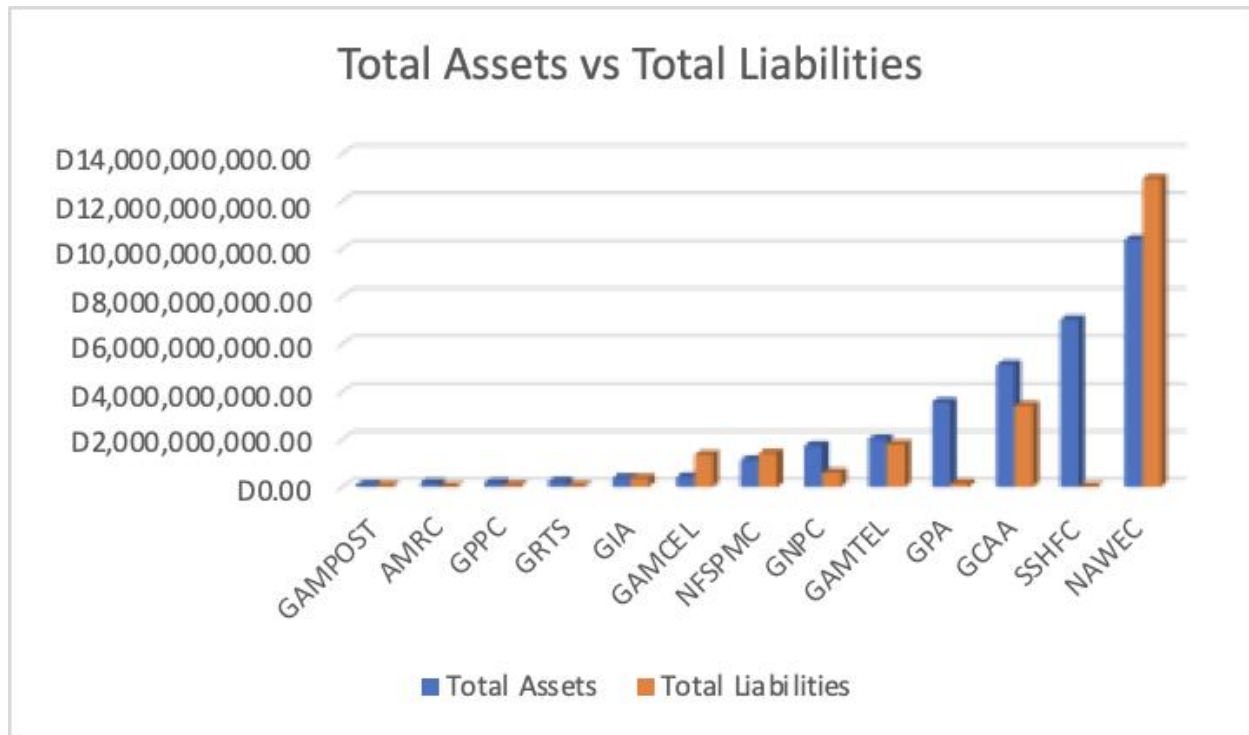
*GCAA submitted unbalanced statement noting that opening balances were not included

As of 31st March 2023, SOE Aggregate Assets were approximately D32.483 billion, whilst aggregate liabilities stood at D22.152 billion. The growth in assets is mainly from GPPC, GCAA, AMRC, GAMPOST, and SSHFC which had increments of 28%, 26%, 22%, 10%, and 9% respectively. On the other hand, the increments in total liabilities are mainly from GCAA, GIA, GPPC, and GAMCEL which had increments of 25%, 13%, 9%, and 6% respectively.

NAWEC also contributed to the growth in both assets and liabilities. However, the percentage of the contribution could not be determined as there were no figures for assets and liabilities in the 2022 Q1 SOE Financial Report. Also, there were no liabilities recorded for SSHFC as well.

BALANCE SHEET ANALYSIS

Graph 2



All the smaller SOEs have total assets greater than their total liabilities, showing a positive indicator for solvency. AMRC has the highest indicator whilst GIA has the lowest. Compared to Q1 2022, AMRC had a significant growth of 22% in assets and a slight growth of 3% in liabilities. Meanwhile, GIA had a significant growth in both assets and liabilities with assets being slightly higher at 26 percent.

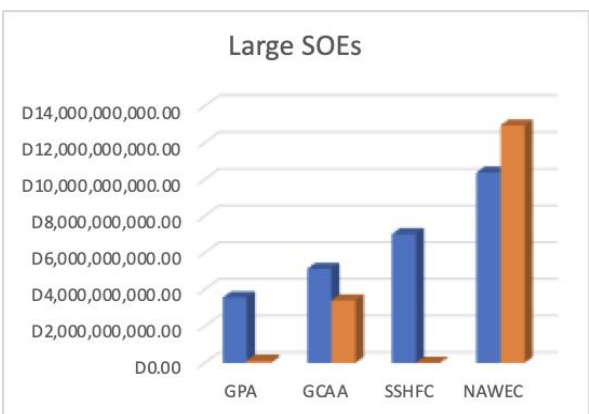
GRTS showed a slight decline in assets but a major decline in liabilities at 20%. Both GPPC and GAMPOST had a significant growth in assets with GPPC showing 9% increase in liabilities whilst GAMPOST showed a 2 percent decline.



For the medium SOEs, GAMCEL and NFSPMC's total liabilities are more than their respective total assets, which poses a significant threat to solvency. In the case of GAMCEL, not only are total liabilities more than its total assets, current liabilities are also more than its current assets, translating into a very high risk and continuous liquidity challenge. GAMCEL's assets declined by 8 percent whilst its liabilities grew by 6 percent.



GNPC, GAMTEL, and NFSPMC all show a significant decline in liabilities. Whilst NFSPMC had a 13% growth in assets, GAMTEL and GNPC had a decline of 17 and 9% respectively. It should be noted that GNPC has no long-term debts in its current financial statement.



As for the large SOEs, except for NAWEC, all have their total assets greater than their total liabilities. SSHFC has the least liabilities followed by GPA. It should be noted that SSHFC has no long-term debts in its current financial statements. GCAA showed growth in both assets and liabilities at 26% and 25% respectively. GPA on the other hand showed a significant decline in both assets and liabilities at 30 and 85 percent respectively.

Of all the SOEs, GCAA's current assets and current liabilities account for the least (approximately 9% and 5%) of its total assets and total liabilities respectively; most of its total assets are accounted for by Fixed Assets whilst long-term debts account for most of its total liabilities.

Three out of the thirteen SOEs have their total liabilities greater than their total assets and these are NAWEC (D 12.942 billion), NFSPMC (D 1.406 billion), and GAMCEL (D 1.351 billion). They pose the greatest concern as they all fall under "very high risk" in their overall risk rating. With the negative net worth, these three SOEs run the risk of insolvency as they owe more than they own. In addition, they may face difficulties in raising additional funds from lenders and there is a higher risk of debt default thereby posing a fiscal risk to the government.

SECTOR OVERVIEW

The State Owned Enterprises, are sorted into 5 sectors, based on their various industries:

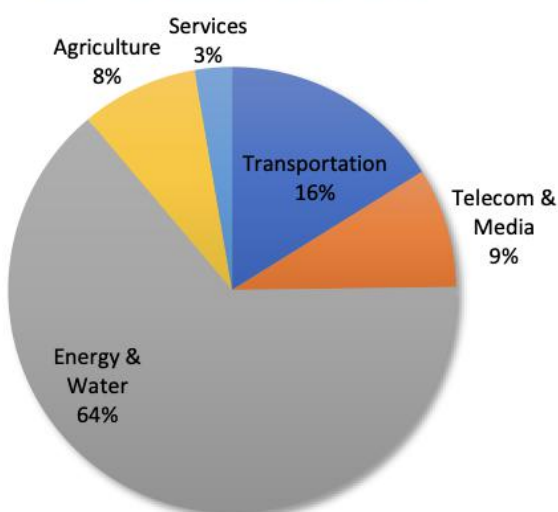
Table 4

Transportation	Agriculture	Energy & Water	Services	Telecommunication & Media
GIA GPA GCAA	GGC	NAWEC GNPC	SSHFC AMRC	GAMTEL GAMCEL GamPost GPPC

Table 5

Q1 2023 & Q1 2022 AGGREGATE SECTOR REVENUE					
	Transportation	Agriculture	Energy & Water	Services	Telecom & Media
Q122	D796,442,793.00 25%	D11,451,167.00 0.36%	D2,146,863,711.00 67%	D63,901,742.00 2%	D205,358,076.00 6%
Q123	D449,241,319.00 16%	D234,987,606.00 8%	D1,783,080,944.00 64%	D74,627,550.00 3%	D571,476,258.00 18%

Sector Share Revenue

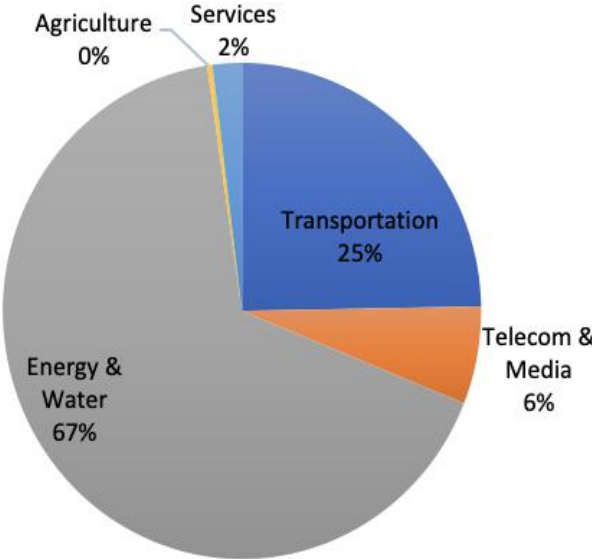


The Energy & Water sector is generally the largest because it includes the largest SOE, NAWEC, and GNPC. Therefore, this sector generates the most revenue. However, due to the significance of NAWECs net loss of D772 Million, the sector ended the quarter with a Net Loss of D761 Million.

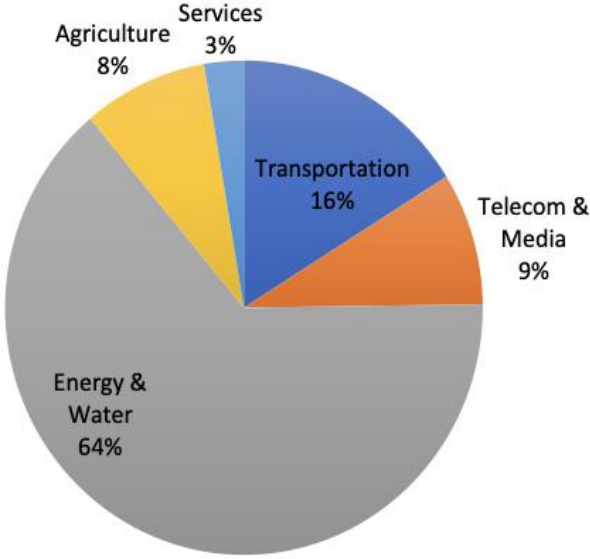
The Services sector contributed very little to the total SOE revenue at 3%, considering that there are two out of 13 institutions in this category. In addition to only earning 3% of total revenue, the Services sector ended the quarter with a net loss of approximately D56 Million.

SECTOR COMPARISON

Q1 Sector Revenue 2022



Q1 Sector Revenue 2023



Overall, the proportionate sector revenues are relatively consistent. Energy & Water decreased by 3%, and Telecommunications & Media increased by the same percentage. Despite the increase, Telecommunications & Media had a net loss of D14 Million. The Services sector continues to contribute very little to total revenue, with only a 1% increase from 2% in 2022, indicating stagnancy in the sector. Transportation sector revenue dropped by 9%, largely due to the D300 Million drop in revenue from GPA.

The Agriculture Sector increased by 8%, from less than 0% the previous year. As promising as this may sound, considering the sector revenue grew by almost 2000%, the sector ended the period with a net loss of over D60 Million.

FINANCIAL RATIO ANALYSIS

This section of the report focuses on three types of financial ratios, Profitability, Liquidity & Solvency. Considering each type of financial ratio, two ratios are calculated to determine the financial position of the SOE.

Table 6

SOE Selected Financial Ratios (2023)						
	Profitability		Liquidity		Solvency	
	Cost Recovery	Return on Assets	Current Ratio	Debtor Turnover Days	Debt to Assets	Debt to EBITDA
NAWEC	0.83	-9.79	0.34	167.37	1.25	-30.14
GCAA	2.97	0.93	2.97	69.60	0.79	84.68
GAMTEL	1.28	-0.89	2.05	2087.60	0.89	-110.65
NFSPMC	1.04	-5.54	0.87	490.83	1.15	158.12
GAMCEL	0.59	-7.30	0.17	1185.32	3.30	-50.58
GNPC	1.04	0.66	1.82	699.52	0.34	36.80
GIA	1.32	4.86	0.66	426.69	0.97	15.34
GPA	1.35	1.71	6.99	44.82	0.04	1.59
GPPC	2.86	12.83	1.14	597.88	0.35	2.70
GAMPOST	0.92	-0.56	2.51	1617.40	0.50	501.56
GRTS	1.28	4.34	2.82	432.08	0.17	3.74
AMRC	0.48	-1.21	10.45	8943.31	0.12	-7.45
SSHFC	1.13	-0.78	265.12	2217.19	0.00	1.72

Profitability - Measures the ability to generate adequate revenue to cover its revenue. A company is profitable when the aggregate amount of revenue is larger than the aggregate amount of expenses. The two accounting ratios used to determine profitability include **Cost Recovery** and **Return on Equity**.

Cost Recovery Ratio - divides total revenue by total cost and may be expressed as a percentage. The Simplicity of this ratio makes it a good indicator of financial performance. *A ratio over 1 or 100% implies the company is breaking even or earning a surplus, and anything below one means money is being lost.*

GCAA & GPPC had Cost Recovery ratios over 1.5 implying they are both earning surpluses. NAWEC, GAMCEL, GamPost, and AMRC all scored below 1, indicating that they are operating at a loss.

Return on Assets - gauges whether a company uses its assets efficiently to generate profit by dividing its net income by total assets. A ROA of over 5% is generally considered good. A negative ROA suggests losses in investment value.

One can infer that GPPC is using its assets efficiently and generating appropriate revenue. However, most SOEs are below the expected ROA standard or negative. This shows that SOEs tend to invest in assets that do not yield profit or fail to generate the intended revenue.

Liquidity - refers to a company's ability to convert assets to cash or acquire cash—through a loan or money in the bank—to pay its short-term obligations or liabilities. The two ratios used to determine liquidity include the current ratio & credit turnover days.

Current Ratio - The current ratio compares all of a company's current assets to its current liabilities. A good current ratio is usually between 1 to 2, and a current ratio below 1 signifies that the company does not have enough liquid assets to cover its short-term liabilities.

Four SOEs' current ratio is below 1, including NAWEC, GAMCEL, NFSPMC and GIA. GAMCEL especially has an alarmingly low current ratio of 0.17, implying that the institution is not capable of repaying its short-term debts. The remaining SOEs can be considered liquid based on their current ratios. SSHFC is a notable mention, the current ratio of 265 is largely due to their minimal liabilities.

Debtor Turnover Days - Measures the speed with which a company is paid by its customers. A high ratio, or one over 40 could indicate that the SOE may face increasing liquidity challenges.

GPPC is the only SOE with DTD under 50, which implies that most SOEs offer services without payment, and are not collecting payments in a decent amount of time. This is typically due to cross arrears between SOEs as well as unpaid balances from the central government.

Solvency - measures a company's ability to meet its long-term debts and other financial obligations. The two accounting ratios used to determine solvency are Debt to Assets and Debt to EBITDA.

Debt to Assets ratio - illustrates how much of a company is owned by its creditors, vs how much is owned by shareholders. An Ideal ratio would be below 1.

Most of the SOEs seem to pass this ratio test, with ratios below one. However, NAWEC, NFSPMC and GAMCEL's ratio indicates that the companies rely heavily on debt financing and may have limited resources to cover their obligations.

Debt to EBITDA - This measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation, and amortization expense. A ratio below 3 is generally considered healthy. High ratios may mean that a company is

unable to generate enough cash from operations to cover its short-term and long-term debts.

There is a staggering difference between the SOE's Debt to EBITDA ratios. Only GPPC, SSHFC, GPA and GRTS have reasonable ratios. Therefore, a majority of the SOEs are not generating enough to cover their debts and the negative EBITDAs imply that SOEs such as NAWEC, GAMTEL, GAMCEL and AMRC have operational inefficiencies and are being managed poorly.

SOE RISK RATINGS

Table 7

	SOE Risk Ratings (2023)						
	Profitability		Liquidity		Solvency		Overall Risk Rating
	Cost Recovery	Return on Assets	Current Ratio	Debtor Turnover Days	Debt to Assets	Debt to EBITDA	
NAWEC	High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
GCAA	Very Low Risk	Moderate Risk	Very Low Risk	High Risk	High Risk	Very High Risk	Moderate Risk
GAMTEL	Low Risk	High Risk	Very Low Risk	Very High Risk	High Risk	Very High Risk	High Risk
NFSPMC	Moderate Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
GAMCEL	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
GNPC	Moderate Risk	Moderate Risk	Low Risk	Very High Risk	Low Risk	Very High Risk	Moderate Risk
GIA	Low Risk	Low Risk	Very High Risk	Very High Risk	High Risk	Very High Risk	High Risk
GPA	Low Risk	Moderate Risk	Very Low Risk	Moderate Risk	Very Low Risk	Low Risk	Low Risk
GPPC	Very Low Risk	Very Low Risk	High Risk	Very High Risk	Low Risk	Moderate Risk	Moderate Risk
GAMPOST	High Risk	High Risk	Very Low Risk	Very High Risk	Low Risk	Very High Risk	High Risk
GRTS	Low Risk	Low Risk	Very Low Risk	Very High Risk	Very Low Risk	High Risk	Moderate Risk
AMRC	Very High Risk	High Risk	Very Low Risk	Very High Risk	Very Low Risk	Very High Risk	High Risk
SSHFC	Moderate Risk	High Risk	Very Low Risk	Very High Risk	Very Low Risk	Low Risk	Moderate Risk

A visual depiction of the risk ratings illustrates the generally poor financial positions of the 13 State-Owned Enterprises. Here they are rated from very low risk to very high risk determined by each financial ratio.

Overall, There is no SOE considered very low risk. However, the SOEs GPA, GRTS and SSHFC are relatively better off as low risks, especially in terms of solvency. GCAA, GNPC. GPPC and AMRC are rated as moderate risks. These SOEs show potential in either profitability and or solvency. The SOEs NAWEC, NFSMPC (GGC) and GAMCEL are the most obvious reasons for concern as they have recorded very high risks in all areas; profitability, solvency and liquidity.

Half of the SOEs have a proven good current ratio, implying that they have the ability to cover their immediate debts. However, the debtor turnover days imply it takes a very long time for most SOEs to collect their debts, which can lead to liquidity issues. In general terms, SOEs are more likely to be liquid than solvent, meaning they are more likely to pay their short-term debts than their long-term debts.

Key Findings & Conclusion

During the first quarter of 2023, the performance of State-Owned Enterprises (SOEs) was disappointing. Out of the 13 SOEs assessed, 9 experienced a decline in revenue compared to the same period last year, highlighting growing concerns about their lack of profitability. Total revenue plummeted by 14%, and Net Profit saw a staggering drop of over 300%, underscoring the urgent need for reforms within the SOEs. All sectors, except Transportation, exhibited decreased performance in both revenue and net income, pointing to underlying issues in governance and financial management.

The expenditure analysis revealed that SOEs allocate a significant portion of their revenue to Personnel and Administrative costs. Despite 6 out of 13 SOEs attempting to reduce expenditure in these areas, their spending still exceeds earnings, leading to 7 of them experiencing a Net Loss, while three others witnessed a decline in Net income.

Encouragingly, most SOEs saw an increase in their Asset base. Seven out of twelve SOEs (excluding NAWEC) observed growth in the value of their assets, even though they were depreciating. This indicates the potential for future profitability and suggests that the SOEs are investing in Assets which could be utilized more efficiently, thereby increasing their equity and eventually reducing their liabilities.

Moreover, seven out of twelve SOEs also managed to decrease their liabilities, which is promising. This is particularly significant for larger SOEs like NAWEC and GAMTEL, as they heavily relied on debt to finance their operations in the past.

Current reform objectives such as the establishment of the SOE Commission, as well as the signing of the performance contracts are expected to play a significant role in the turnaround efforts of SOEs.