

## **RATING ACTION COMMENTARY**

# **Fitch Affirms NTS's National Long-Term Rating at 'AAA(bra)'; Outlook Stable**

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Fitch Ratings - Rio de Janeiro - 11 Dec 2025: Fitch Ratings has affirmed Nova Transportadora do Sudeste S.A. - NTS's (NTS) National Long-Term Rating and its unsecured debenture issuances at 'AAA(bra)'. The corporate Rating Outlook is Stable.

NTS's rating reflects its solid business model in Brazil's natural gas transportation industry, characterized by its monopolistic nature, supported by long-term contracts with no volumetric risk, and guarantees that provide adequate revenue protection and high margins. The company benefits from robust FCF before dividend distribution and strong financial flexibility. Fitch expects NTS to manage its moderate leverage, despite a potential revenue reduction from 2026 onward due to the recontracting of its transportation contracts.

## **KEY RATING DRIVERS**

**Robust Business Profile:** NTS's business profile is strong and benefits from the monopolistic nature of its natural gas transportation activity. The company's entire installed capacity is contracted under a ship-or-pay regime, which protects it from fluctuations in the volume of gas actually transported. This supports high revenue predictability, as NTS is remunerated for the availability of its pipelines.

The company's installed capacity is mostly contracted by Petróleo Brasileiro S.A. (Petrobras; AAA[bra]/Stable), through five contracts with tariffs indexed to the General Market Price Index (IGP-M). One of these contracts (called Malhas SE), which accounts for about 30% of the revenue, expires at YE 2025, while the other contracts mature in 2030 and 2031. Fitch's base-case scenario considered Malhas SE's recontracting in June 2026, with a revenue 45% lower than the current contract, assuming the postponement of the contract and the deadline for the completion of recontracting by the ANP (National Agency of Petroleum, Natural Gas and Biofuels).

**Revenue Concentration Risk Mitigated:** The revenue concentration risk in Petrobras is mitigated by the very low probability of supply disruption by the oil company to its customers. Petrobras' payments to NTS are also backed by bank guarantees and receivables from a group of gas distribution companies that are Petrobras' clients.

Although the average volume of these receivables represented 110% of the amount to be received by NTS in the last six months, below the minimum contractual level of 120%, Fitch does not yet see a negative impact of this discrepancy on the rating. The distributors have strong credit profiles, and gas payments are their priority, mitigating receivables risk.

**Strong and Resilient CFFO:** NTS is expected to continue generating strong FCF before dividends, even after the expected renewal of current agreements. Fitch's base-case rating scenario contemplates reductions in EBITDA, to BRL6.6 billion in 2026 and BRL6.3 billion in 2027, from an estimated BRL7.2 billion for 2025, with high margins, between 89% and 92%, for the same period. Annual average cash flow from operations (CFFO) is projected at BRL3.7 billion for 2025-2027, with annual average capex and dividends estimated at BRL809 million and BRL3.6 billion, respectively. Fitch estimates the average annual negative FCF at around BRL 670 million for the three-year period.

**Shareholder Transaction is Neutral:** Part of the large volume of dividends distributed by NTS is expected to be returned to the company as payment by the shareholders for the debt service on the BRL 8.6 billion notes. The notes, issued by the shareholders and acquired by NTS, and NTS's sixth debenture issuance of BRL 8.0 billion, carried out for the acquisition of the notes, were structured so that the principal amortization and interest payment schedules would coincide. The receipt of the notes by NTS increases its cash flow for debt repayment. The transaction also allows the retention of dividend flows to shareholders for payment of the sixth issuance, if necessary.

**Moderate Financial Leverage:** NTS is expected to maintain a moderate net debt/EBITDA ratio, between 2.6x to 3.1x until 2029, when the financial structure used to advance resources to shareholders may begin to unwind, accelerating deleveraging. Fitch's calculations excluded the BRL8.6 billion in notes acquired by NTS from its shareholders from cash and equivalents. During the 12-month period ended Sept. 30, 2025, NTS's net leverage was 2.7x, compared to 2.8x in 2024 and an average of 1.3x from 2021 to 2023, before the distribution to shareholders.

**Favorable Diversification Strategy:** NTS is focused on diversifying its client base and expanding its transportation infrastructure to serve new shippers. The Southeast region of Brazil, where NTS's infrastructure is located, is the most economically significant in the country, accounting for around 50% of the country's gas demand, which relies on

NTS's network, thus strengthening its business profile. The company's pipeline network is also important for transporting gas from Bolivia, the Santos and Campos basins, as well as from the liquefied natural gas (LNG) terminals in Southeast to other regions.

## **PEER ANALYSIS**

NTS's business profile — characterized by robust and predictable cash flows — is very similar to that of Brazilian electricity transmission companies rated by Fitch, such as Transmissora Aliança de Energia Elétrica S.A. (Taesa; AAA[bra]/Stable), which bill for network availability rather than transported volume.

Automatic inflation adjustments in long-term contracts are also a common feature to both gas transportation and electricity transmission businesses. Fitch expects NTS's financial leverage to remain lower than Taesa's, which has greater operational risk diversification due to a more diversified asset base.

NTS's solid financial and business profile is also similar to that of Transportadora Associada de Gás S.A. (TAG; AAA[bra]/Stable), although TAG has slightly lower EBITDA margins. Both operate in the gas transportation industry in Brazil through long-term contracts without volumetric risk.

## **FITCH'S KEY RATING-CASE ASSUMPTIONS**

-- Revenues based on contracted amounts and annual adjustments by IGP-M or IPCA (Broad National Consumer Price Index) on the contract that will substitute Malhas SE in 2026;

-- A reduction of approximately 7% in revenue in 2026 and 4% in 2027, due to the expiration of one of the transportation contracts (Malhas SE) and renewal in June 2026, with a 45% reduction in revenue on the recontracted terms;

-- Average annual capex at around BRL965 million from 2026 to 2028, including expansion projects;

-- Average annual dividend distributions of BRL3.3 billion from 2026 to 2028.

## **RATING SENSITIVITIES**

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

-- Significant deterioration in Petrobras's credit profile resulting in a downgrade to the 'A(bra)' category;

- Weakening of the guarantee structure for Petrobras customers making deposits into NTS's collection account;
- Net leverage above 3.5x on a sustained basis;
- Regulatory or contractual changes that worsen the fundamentals of the gas transportation industry and/or NTS's business model.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Not applicable, as the rating is already at Fitch's highest national scale level.

## **LIQUIDITY AND DEBT STRUCTURE**

The robustness and resilience of operating cash flow, as well as the broad access to debt and capital markets, limit NTS's risks of operating, at times, with low to moderate liquidity. On Sept. 30, 2025, NTS's adjusted cash and equivalents amounted to only BRL371 million, after the payment of BRL2.3 billion in interim dividends in the third quarter, compared to a short-term debt of BRL1.5 billion.

The operating cash flow generation is expected to replenish the company's liquidity over the next few quarters. During the same period, NTS's adjusted debt totaled BRL19.8 billion, mainly composed of debentures (BRL16.7 billion) and bank loans (BRL3.1 billion), with no FX exposure.

## **ISSUER PROFILE**

NTS operates gas pipelines in São Paulo, Rio de Janeiro, and Minas Gerais. Its shareholders are Nova Infraestrutura Fundo de Investimento em Participações Multiestratégia, managed by Brookfield Asset Management, with 91.5%, and Itaúsa S.A., with 8.5%.

## **MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS**

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

## **RATING ACTIONS**

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Nova Transportadora do Sudeste S.A. - NTS	Natl LT			AAA(bra) Rating
	AAA(bra) Rating Outlook Stable			Outlook
	Affirmed			Stable
senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)

[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

[Metodologia de Ratings em Escala Nacional \(pub. 22 Dec 2020\)](#)

[Metodologia de Ratings Corporativos \(pub. 27 Jun 2025\)](#)

## **APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([27 Jun 2025](#), [02 Sep 2025](#), [08 Apr 2025](#), [02 Sep 2025](#))

## **ADDITIONAL DISCLOSURES**

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Nova Transportadora do Sudeste S.A. - NTS

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