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North Carolina Turnpike Authority Triangle Expressway Debt Rating Outlook Revised To Stable On Traffic Recovery

CENTENNIAL (S&P Global Ratings) June 23, 2022--S&P Global Ratings revised the outlook to stable from negative and affirmed its 'BBB' long-term rating and underlying rating (SPUR) on North Carolina Turnpike Authority's (NCTA) existing revenue bonds, subordinate Transportation Infrastructure Finance and Innovation Act loan, and bond anticipation notes, issued for the Triangle Expressway.

"The outlook revision reflects our view that the Triangle Expressway will perform near or above projections, which will allow the authority to maintain financial metrics consistent with an adequate financial risk profile," said S&P Global Ratings credit analyst Ken Biddison. The outlook revision further reflects a meaningful traffic recovery on the existing tolled segment from the interchange of I-40 and NC 147 or NC 885 in the north, to the NC 55 Bypass in the south within a large and growing metropolitan statistical area (MSA).

The rating reflects our opinion of the toll road's strong enterprise risk profile and adequate financial risk profile.

We assessed the turnpike system's environmental, social, and governance risks and opportunities relative to its market position, management and governance, and financial performance, and determined that all are credit neutral in our analysis of the credit ratings. We note the MSA's broader population growth positions the Triangle Expressway to benefit to the extent it translates into higher transactions and revenues.

We could raise the rating within the next two years if toll traffic remains generally stable to favorable as more toll segments come online and we expect debt service coverage (DSC) and debt-to-net-revenues metrics will be maintained at levels we consider consistent with a higher rating. Completion of the Complete 540 Phase 1 project and detailed financing plans and projections, that we view as reasonable, for Phase 2 will also be key considerations.

We could lower the rating if we believe that traffic and revenue will fall materially below forecasts due to prolonged delays or cost increases related to Phase 1 of the Complete 540 Project, suggesting a weaker market position and a higher debt load that pressures DSC and debt-to-net-revenue metrics.

Related Research

— Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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