

North Carolina Turnpike Authority; Toll Roads Bridges

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<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
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<i>Long Term Rating</i>	BBB/Stable	Current

Credit Highlights

- S&P Global Ratings' underlying rating (SPUR) on North Carolina Turnpike Authority's (NCTA) senior turnpike system revenue bonds is 'BBB' and its long-term rating on NCTA's subordinate series 2021 and series 2024 Transportation Infrastructure Finance and Innovation Act (TIFIA) loans is 'BBB'.
- The outlook on all ratings is stable.

Security

A pledge of the expressway's receipts secures the bonds. The authority's TIFIA loan provisions allow the loan to spring to parity with senior obligations upon a bankruptcy-related event. Because of these considerations, we equalize the senior and subordinate-lien ratings.

NCTA will have approximately \$2.26 billion of total rated debt outstanding on the Triangle Expressway System as of July 1, 2025, consisting of approximately \$1.34 billion of senior-lien turnpike system revenue bonds and approximately \$917 million of TIFIA loans outstanding.

Credit overview

The ratings reflect our view of the toll road's strong enterprise characteristics as well as its operations in a relatively large metropolitan statistical area (MSA) that provides important links within the Raleigh-Durham region, with consistently strong traffic demand for a relatively new facility, notwithstanding the modestly adverse impacts of the COVID-19 pandemic. Our financial risk profile incorporates debt service coverage (DSC) metrics that we expect will be pressured but remain at adequate levels, supported by strong state support through the North Carolina Department of Transportation (NCDOT) for operations and maintenance (O&M) expenses, if needed. We also incorporate the Triangle Expressway System's history of generally meeting or exceeding revenue forecasts, with fiscal years 2021 to 2024 revenues at 104%, 103%, 97%, and 111% of projections, respectively. Management expects annualized fiscal 2025 revenues, based on actual revenues through April 2025, to reach 111% of budgeted expectations.

The Triangle Expressway System extends 18.8 miles from the interchange of Interstate 40 (I-40) and North Carolina Highway (NC) 147, or NC 885, on the north end, to the NC 55 bypass near Holly Springs, N.C., on the south end. The road also extends the planned and partially complete outer loop around the greater Raleigh area. Travelers use a limited-access, six-lane, high-grade facility from I-40 to the NC 55 bypass, reducing congestion on the heavily used and toll-free NC 55. The expressway also improves access to the Research Triangle Park and other employment centers.

The initial plan of the Complete 540 project will be to extend the expressway to I-40 southeast of Raleigh, completing the ring road around the metropolitan Raleigh area. Complete 540 Phase 1 opened to traffic for tolling in September 2024.

The rating reflects our view of NCTA Triangle Expressway's:

- Relatively high toll rates and escalating debt service requirements that rely on annual revenue growth in excess of 10% through 2027 to maintain steady financial margins;
- DSC levels that we believe could be pressured in the short term due to rising annual debt service requirements and reliance on the successful ramp-up of Phase 1, but that we expect will eventually be maintained in the 1.10x-1.25x range through 2030; and
- High debt burden that could potentially increase if the authority faces higher project costs than currently anticipated and debt-finances those needs.

Some credit strengths we consider in determining the rating include NCTA Triangle Expressway's:

- Extremely strong service area economic fundamentals, reflecting a populous and expanding MSA, with favorable levels of economic activity as measured by gross domestic product per capita;
- Strong state support to replenish the O&M reserve fund and the renewal and replacement fund, if needed, and unrestricted liquidity reserves in the general fund of approximately \$73.7 million as of June 1, 2025; and
- Very strong management and governance that has established a solid record of managing and operating its assets. Management has reasonably forecast the initial Triangle Expressway ramp-up period and we expect this strong oversight and prudent governance will continue through completion of the Complete 540 project.

Environmental, social, and governance

We assessed NCTA's environmental, social, and governance risks and opportunities relative to the expressway's market position, management and governance, and financial performance, and determined that all are neutral in our credit rating analysis. The Raleigh MSA's positive social capital due to favorable demographic trends, namely rapid population growth, positions the expressway to benefit from strong demand to the extent it translates into higher transactions and revenues.

Outlook

The stable outlook reflects our view that the Triangle Expressway will be able to maintain financial metrics consistent with an adequate financial risk profile as revenue-generating segments from Phases 1 and 2 of the Complete 540 project come on line.

Downside scenario

Although we view this as unlikely, we could lower the rating if the authority were to consistently underperform projected revenue forecasts or face project cost overruns, pressuring DSC (S&P Global Ratings-calculated) and debt to EBIDA and resulting in a weaker financial risk profile.

Upside scenario

Although we view this as unlikely, we could raise the rating during the two-year outlook period if traffic and revenue levels continue to meet or exceed current forecasts, resulting in improved financial metrics consistent with a strong financial risk profile.

Credit Opinion**Enterprise Profile: Strong****Growing MSA with resilient demand trends**

We believe the system's overall market position reflects a toll road operating in its service area that provides important links in the Raleigh-Durham MSA, tempered by what we view as a high overall toll structure. However, NCTA has a record of achieving its financial and operational goals and maintains strong cash reserve levels.

Actual toll transactions in fiscal 2023 were 95% of budgeted expectations, while actual pledged revenues were 97% of budget. Fiscal 2024 results were in line with budgeted expectations. Fiscal 2025 year-to-date results through April 2025 reached 111% of budgeted expectations, and we expect traffic and revenue to perform in line with budget or better for the rest of fiscal 2025 and beyond.

Experienced management and governance team supported by NCDOT

We consider state support to be strong. NCDOT, through its highway transportation fund, has agreed to cover any cost overruns, as well as to replenish the O&M reserve fund and the renewal and replacement fund. NCTA has the full ability to adjust toll rates and has set annual rate increases aligning with inflation expectations.

Performance of Complete 540 Phase 1 has been strong since opening to traffic in September 2024

Since opening, Phase 1 of the Complete 540 project, which is an 18-mile section that extends the Triangle Expressway from NC 55 Bypass in Apex to I-40 (future I-42) near Garner, N.C. has been showing usage above traffic and revenue expectations. The expansion of the road has also increased traffic levels on the previously existing portion of the Triangle Expressway System. Total system traffic for fiscal 2025 is projected to be approximately 100 million transactions, and as of the end of April the system had already reached 96.3 million toll transactions.

Financial Profile: Adequate**Escalating annual debt service requirements that require significant growth in pledged revenues**

Our financial risk profile assessment considers both historical performance and pro forma figures, which are based on management's forecasts related to the anticipated ramp-up period of the Complete 540 project. Phase 1 of the project opened to traffic in September 2024, near the beginning of the authority's fiscal 2025, and Phase 2 is scheduled to open to traffic in fiscal 2029. The pro forma data reflect our expectation of the authority's high debt burden of approximately \$2.26 billion and its anticipated rising annual debt service obligations, increasing from approximately \$61.0 million in fiscal 2025 to maximum annual debt service of \$151.8 million in 2057. The data assume annual increases in pledged revenues in excess of 9% through 2027, 12% in fiscal 2030 after Complete 540 Phase 2 opens to traffic, and

approximately 5% thereafter, which takes into account both Consumer Price Index-based rate increases and organic growth in tolled transactions.

There is risk associated with rising debt service requirements that rely on strong annual growth in revenues, transactions, and tolls to meet base-case projections of DSC, particularly with the new tolled segment having uncertain traffic levels. However, actual results have historically met or exceeded forecasts on the operational segment of Triangle Expressway and we believe that transactions will continue their positive trajectory, albeit from a lower base. We expect DSC will be maintained above sufficiency over the two-year outlook horizon and ultimately at levels we consider adequate, in the 1.10x-1.25x range, after successful ramp-up of Phases 1 and 2 of the Complete 540 project. In addition, we expect debt and liabilities capacity to be maintained at levels we consider vulnerable, in the 20x-30x range. We also expect unrestricted liquidity balances will be maintained at levels we consider strong, in excess of 250 unrestricted days' cash on hand.

Bond provisions

The rate covenant requires revenues in each fiscal year to equal at least 130% of the long-term debt service requirements for the senior-lien debt. In addition, revenues must equal 110% of the long-term debt service requirements on the senior-lien, subordinate, and TIFIA debt for each fiscal year; and 110% of the necessary deposits to the senior, subordinate, and TIFIA reserve accounts.

NCTA can issue additional senior-lien bonds if the authority complies with its rate covenant. In addition, the authority must show that forecast revenue in each fiscal year is at least 140% of the debt service requirement with respect to all senior-lien debt and the proposed debt issuance; that the revenues are at least equal to 130% of the debt service requirement with respect to all senior-lien and subordinate-lien debt, the TIFIA debt outstanding, and additional debt; and that the required deposits to the senior, subordinate, and TIFIA reserve accounts are met. Bondholders also benefit from a debt service reserve fund on the senior-lien bonds funded with surety policies.

North Carolina Turnpike Authority Triangle Expressway--Financial and operating data

	--Fiscal year ended June 30--						Medians reported for 'BBB' category rated toll roads
	2026 projections	2024	2023	2022	2021	2020	2023
Financial performance							
Total operating revenue (\$000s)	112,540	72,944	61,134	54,043	39,079	52,790	45,606
Plus: interest income (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	4014	MNR
Plus: other committed recurring revenue sources (\$000s)	N.A.	N.A.	N.A.	2,003	11,770	3,787	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	31,989	25,730	18,789	14,137	13,900	20,279	13,697
Numerator for S&P Global Ratings' coverage calculation (\$000s)	80,551	47,214	42,345	41,909	36,949	40,312	MNR
Total debt service (\$000s)	67,128	46,637	40,605	40,048	37,193	36,375	19,546

North Carolina Turnpike Authority Triangle Expressway--Financial and operating data (cont.)

	--Fiscal year ended June 30--						Medians reported for 'BBB' category rated toll roads
	2026 projections	2024	2023	2022	2021	2020	2023
S&P Global Ratings-calculated coverage (x)	1.2	1.0	1.0	1.0	1.0	1.1	1.9
Debt and liabilities							
Debt (\$000s)	2,098,729	1,903,976	1,555,346	1,564,357	1,563,185	887,504	609,347
EBIDA (\$000s)	80,551	47,214	42,345	39,906	25,179	32,511	MNR
S&P Global Ratings-calculated net revenue (\$000s)	80,551	47,214	42,345	41,909	36,949	40,312	34,576
Debt to net revenue (x)	26.1	40.3	36.7	37.3	42.3	22.0	13.7
Debt to EBIDA (x)	26.1	40.3	36.7	39.2	62.1	27.3	16.1
Liquidity and financial flexibility							
Unrestricted cash and investments (\$000s)	70,472	70,472	74,337	48,239	48,523	63,930	49,873
Available liquidity, net of contingent liabilities (\$000s)	70,472	70,472	74,337	48,239	48,523	63,930	MNR
Unrestricted days' cash on hand	804.1	999.7	1444.1	1245.5	1274.2	1150.7	MNR
Available liquidity to debt (%)	3.4	3.7	4.8	3.1	3.1	7.2	MNR
Unrestricted days' cash on hand (excluding credit facilities)	804.1	999.7	1444.1	1245.5	1274.2	1150.7	1403.0
Available liquidity to debt (%) (excluding credit facilities)	3.4	3.7	4.8	3.1	3.1	7.2	11.0
Operating metrics - toll road							
Total toll revenue (\$000s)	N.A.	72,944	61,134	54,043	39,079	52,790	MNR
Toll transactions (000s)	N.A.	76,870	69,170	61,138	49,069	49,528	10,343

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. PFC--Passenger facility charge. CFC--Customer facility charge. MADS--Maximum annual debt service. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N.A.--Not available. MNR--Median not reported.

This report does not constitute a rating action.

Ratings Detail (As Of June 20, 2025)

North Carolina Tpk Auth toll rds br (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth toll rds br (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current

Ratings Detail (As Of June 20, 2025) (cont.)

North Carolina Tpk Auth (Triangle Expwy) toll rds brs (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds br (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds br (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds br (AGI)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds br (AGI) (SECMKT)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds br (ASSURED GTY)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) toll rds & brs (AGI) (SECMKT)		
<i>Unenhanced Rating</i>	BBB(SPUR)/Stable	Current
North Carolina Tpk Auth (Triangle Expwy) (2 019 TIFIA) toll rds br		
<i>Long Term Rating</i>	BBB/Stable	Current

Many issues are enhanced by bond insurance.

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