North Carolina Turnpike Authority

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This report does not constitute a rating action.

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Credit Highlights

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

Rationale

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 has approximately $1.9 billion of total rated debt outstanding on the Triangle Expressway System as of June 2025, consisting of approximately $1.35 billion of senior-lien turnpike system revenue bonds and approximately $499 million of series 2021 TIFIA loans outstanding.

Credit overview

The ratings reflect our view of the toll road's robust demand characteristics and operations in a relatively large metropolitan statistical area (MSA) that provides important links within the Raleigh-Durham region. The road has consistently strong traffic demand, even on newer portions of the facility. Our view of the system's debt service coverage (DSC) metrics reflect our expectation it will face pressure but remain at sufficient 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; from fiscal years 2021 to 2025, revenues reached 104%, 103%, 97%, 111%, and 115% of projections, respectively.

The Triangle Expressway System runs 18.8 miles from Interstate 40 (I-40) and North Carolina Highway (NC) 147 (or NC 885) interchange in the north, to the NC 55 bypass near Holly Springs in the south. The road also spans the planned and partially completed outer loop around the greater Raleigh area. The limited-access, six-lane, high-grade facility from I-40 to the NC 55

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bypass reduces 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 Complete 540 project plan will extend the expressway to I-40 southeast of Raleigh, completing the ring road around the Raleigh area. Complete 540 Phase 1 opened for tolling in September 2024. Since opening, toll transactions and revenues have surpassed budgeted expectations. The system anticipates Complete 540 Phase 2 will open in late 2028.

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

- Relatively high toll rates and escalating debt service requirements that rely on high annual revenue growth 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 at sufficient levels through 2030; and
- Large debt burden that could increase if the authority faces higher-than-anticipated project costs and debt-finances those needs.

Credit strengths include Triangle Expressway's:

- Robust 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 $73.9 million as of June 2025; and
- Proactive management and governance practices with a solid record of managing and operating its assets. Management has reasonably forecasted 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 factors relative to the expressway's market position, management and governance, and financial performance, and consider them neutral in our analysis. Raleigh’s positive social capital due to favorable demographic trends--namely rapid population growth--positions the expressway to benefit from strong demand and higher transactions and revenues.

Outlook

The stable outlook reflects our view that Triangle Expressway will be able to meet or exceed forecasts as Phases 1 and 2 of the Complete 540 project launch and begin generating revenue.

Downside scenario

We could lower the rating if the authority were to consistently underperform revenue forecasts or face project cost overruns, pressuring DSC and debt to EBIDA and resulting in a weaker financial risk profile.

Upside scenario

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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 and construction on phase 2 progresses in line with expectations.

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Credit Opinion

Enterprise Profile--Strong

Growing MSA with resilient demand trends

We believe the system's overall market position reflects a toll road that provides important links in the Raleigh-Durham MSA, although offset by a high overall toll structure. NCTA has a record of achieving its financial and operational goals and maintains healthy reserve levels.

Actual toll transactions in fiscal 2023 were 95% of budgeted expectations, while pledged revenues were 97% of budget. Fiscal 2024 results were in line with budgeted projections while fiscal 2025 results surpassed expectations, with transactions at 121% and revenues at 115% of budget.

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 replenish the O&M reserve fund and the renewal and replacement fund. NCTA has the full ability to adjust toll rates and sets annual rate increases in line with inflation.

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 the NC 55 bypass in Apex to the I-40 (future I-42) near Garner--has shown usage above traffic and revenue expectations. The road expansion has also increased traffic levels on the existing portion of the Triangle Expressway System. Total system traffic for fiscal 2025 was 121 million transactions.

Financial Profile--Adequate

Escalating annual debt service requirements that require significant growth in pledged revenues

We consider both historical performance and pro forma figures, based on management's forecasts for the ramp-up of the Complete 540 project. Phase 1 opened in September 2024 and Phase 2 is scheduled to open in fiscal 2028. The pro forma data reflect our expectation of the authority's high debt burden of approximately $ 1.9 billion and its 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 pledged revenue growth of more than 9% through 2027, 12% in fiscal 2030 (after Complete 540 Phase 2 opens to traffic), and

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approximately 5% thereafter, reflecting both Consumer Price Index-based rate increases and organic tolled transaction growth.

Rising debt service requirements that rely on strong annual growth in revenues, transactions, and tolls to meet base-case projections of DSC creates risk, particularly given uncertain traffic levels in the new tolled segment. However, actual results on the operational segment of Triangle Expressway have historically met or exceeded forecasts; we believe transactions will continue their positive trajectory, albeit from a lower base. We expect DSC will be maintained above average over the two-year outlook horizon and will eventually reach levels we consider sufficient following the successful ramp-up of Phases 1 and 2 of the Complete 540 project. Furthermore, we expect debt and liabilities capacity will be maintained at levels we consider weak. We also expect unrestricted liquidity balances will be maintained at healthy levels, exceeding 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. Additionally, 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 it complies with its rate covenant. Furthermore, the authority must show that forecast revenue in each fiscal year is at least 140% of the debt service requirement for all senior-lien debt and the proposed debt issuance; that revenues are at least equal to 130% of the debt service requirement for all senior-lien and subordinate-lien debt, the TIFIA debt outstanding, and additional debt; and that 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, financed 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
	2027 projections	2025	2024	2023	2022	2021	2024
Financial performance							
Total operating revenue ($000s)	123,671	110,824	72,944	61,134	54,043	39,079	72,346
Plus: interest income ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Plus: other committed recurring revenue sources ($000s)	N.A.	N.A.	N.A.	N.A.	2,003	11,770	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	35,077	29,798	25,730	18,789	14,137	13,900	22,322
Numerator for S&P Global Ratings' coverage calculation ($000s)	88,594	81,026	47,214	42,345	41,909	36,949	MNR
Total debt service ($000s)	69,628	60,967	46,637	40,605	40,048	37,193	23,518
S&P Global Ratings-calculated coverage (x)	1.27	1.33	1.01	1.04	1.05	0.99	1.72

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North Carolina Turnpike Authority (Triangle Expressway)--financial and operating data

	--Fiscal year ended June 30--						Medians reported for 'BBB' category rated toll roads
	2027 projections	2025	2024	2023	2022	2021	2024
Debt and liabilities							
Debt ($000s)	2,548,583	1,901,928	1,903,976	1,555,346	1,564,357	1,563,185	710,118
EBIDA ($000s)	88,594	81,026	47,214	42,345	39,906	25,179	MNR
S&P Global Ratings-calculated net revenue ($000s)	88,594	81,026	47,214	42,345	41,909	36,949	47,214
Debt to net revenue (x)	28.8	23.5	40.3	36.7	37.3	42.3	10.9
Debt to EBIDA (x)	28.8	23.5	40.3	36.7	39.2	62.1	13.9
Liquidity and financial flexibility							
Unrestricted cash and investments ($000s)	73,983	73,983	70,472	74,337	48,239	48,523	70,472
Available liquidity, net of contingent liabilities ($000s)	73,983	73,983	70,472	74,337	48,239	48,523	MNR
Unrestricted days' cash on hand	769.8	906.2	999.7	1,444.1	1,245.5	1,274.2	MNR
Available liquidity to debt (%)	2.9	3.9	3.7	4.8	3.1	3.1	MNR
Unrestricted days' cash on hand (excluding credit facilities)	769.8	906.2	999.7	1,444.1	1,245.5	1,274.2	1,000.0
Available liquidity to debt (%) (excluding credit facilities)	2.9	3.9	3.7	4.8	3.1	3.1	9.0
Operating metrics - toll road							
Total toll revenue ($000s)	N.A.	110,824	72,944	61,134	54,043	39,079	MNR
Toll transactions (000s)	N.A.	121,046	76,870	69,170	61,138	49,069	11,931

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 applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings List	
Current Ratings	
Transportation	
North Carolina Turnpike Authority NC 2nd Lien Toll Revenues	BBB/Stable
North Carolina Turnpike Authority, NC Toll Facility Revenues	BBB/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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