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## Fitch Upgrades eustream to 'BBB+'; Outlook Stable

Fitch Ratings - Warsaw - 16 Oct 2025: Fitch Ratings has upgraded eustream, a.s.'s Long-Term Issuer Default Rating (IDR) and its senior unsecured rating to 'BBB+' from 'BBB'. Fitch also revised the company's Standalone Credit Profile (SCP) up to 'bbb' from 'bbb-'. The Outlook on the Long-Term IDR is Stable.

The upgrade of the IDR reflects eustream's improving business profile and capital structure. The company's business mix has largely transitioned to a national, regulated gas transmission network operator (TSO), which has a higher debt capacity than an international transit operator, notwithstanding the relative weakness of Slovakia's 2025-2027 regulation compared with more established frameworks, including full exposure to volume risk.

The full repayment of the 2025 bond and the residual European Investment Bank loan has left eustream with EUR500 million of financial liabilities, which we expect to fall further in 2027, resulting in funds from operations (FFO) net leverage of 2.6x-2.8x. This broadly corresponds to company-defined net debt/EBITDA just above 2.0x, providing reasonable rating headroom.

### Key Rating Drivers

**More Defensive Business Mix:** While the limited gas flow has reduced eustream's EBITDA to EUR130 million, we consider the current operating cash flow benefits from much higher visibility compared with the past. Our current projections assume about 70% of revenue and EBITDA from domestic gas transportation and the rest from international transit. The latter is run on a short-term basis, with bookings at or below one year. This entails an overall limited exposure to gas-in-kind price risk.

**Gross Debt Halved:** In 2025 eustream fully repaid the EUR500 million notes maturing in 2025 and the EUR23 million European Investment Bank loan with internally generated and accumulated cash, more than halving gross debt. This now consists of the EUR500 million notes maturing in 2027. Coupled with positive annual pre-dividend free cash flow (FCF) generation of about EUR80 million in our forecast (about 65% of EBITDA), this positions eustream to maintain net debt/EBITDA at around, or slightly above, 2.0x, in line with its financial policy. This broadly corresponds to FFO net leverage of 2.6x-2.8x, notwithstanding the materially lower EBITDA than historically.

**Dry-Up of International Gas Flow:** We expect eustream's gas flow to fall to about 5 billion cubic metres (bcm) a year in the medium term due to developments in 2025, from more than 17bcm in 2024 and 55bcm a year on average in 2014-2021. This includes about 4bcm a year for domestic consumption, with the international transit being very limited and mainly related to Ukraine.

**Supportive, but Immature Regulatory Framework:** The materially positive tariff revision for new

domestic transportation and international transit in 2024, ahead of the cessation of the Ukraine-Russia transit agreement, has been supportive for eustream. However, the regulatory framework, which runs only to end-2027 (three years), is less defensive compared with many other European countries, as it fully exposes eustream to volume risk. Inflation is recognised yearly for only non-EU interconnection points, while the length of entry/exit booking periods influences the final tariff but is not under management's control.

**Senior Unsecured Aligned with IDR:** Senior unsecured notes remain rated in line with eustream's Long-Term IDR, despite the largely regulated nature of EBITDA. This reflects the weaker aspects of the TSO regulatory framework, such as full volume risk and the short record for international transit. This differs from the more mature distribution system operator regulatory framework for a sibling company SPP - distribúcia, a.s., which would qualify for a notch uplift for senior secured instruments. However, this cannot be applied, as the instrument rating cannot exceed Slovakia's sovereign IDR of 'A-'.

**Positive Links with Stronger Parent:** In our view, the stronger parent, SPP Infrastructure a.s (SPPI), has 'low' legal incentives, but 'medium' strategic and operational incentives to support eustream, which accounts for around 16% of the former's consolidated EBITDA under our assumptions. The IDR and senior unsecured ratings of eustream continue to benefit from a one-notch uplift, reflecting links with SPPI under Fitch's Parent and Subsidiary Linkage Rating Criteria.

## Peer Analysis

Fitch considers there to be significantly higher debt capacity for fully regulated gas TSOs and distribution system operators operating under mature regulatory frameworks, such as Snam S.p.A. (BBB+/Stable), REN - Redes Energeticas Nacionais, SGPS, S.A. (BBB/Stable), Czech Gas Networks Investments S.a r.l (BBB+/Stable) and Italgas S.p.A. (BBB+/Stable) compared with companies focused on transit.

NET4GAS, s.r.o. (BBB-/Positive) used to be eustream's closest rated peer as both companies own and operate gas transit pipelines in the Czech Republic and Slovakia, respectively. However, their debt capacity trajectory has materially diverged following NET4GAS's shift towards being a fully regulated gas TSO under a clearly improved framework. The moderate net leverage of eustream balances this gap in the business profile (2.7x FFO net leverage for eustream versus 5.0x-6.0x for NET4GAS in 2025-2028).

The Romanian TSO SNTGN TRANSGAZ SA (BBB-/Positive) benefits from fully regulated EBITDA and the absence of volume risk under its regulatory framework, although its operating cash flow is more volatile than most utility peers' due to still developing regulation. By contrast, eustream continues to have positive FCF generation due to limited capex requirements.

## Key Assumptions

- Annual transited gas at 5.2bcm, of which 4.2bcm for domestic needs, to 2028
- Received gas-in-kind payments a small percentage of gas transit volumes

- Operating expenditure of about EUR45 million a year to 2028
- Tax rate at 25% on taxable income to 2028, accounting for the limited fiscal deductibility of depreciation and amortisation
- Capex about EUR5 million a year to 2028
- Dividend payments to be reinstated in 2026, leading to net debt/EBITDA slightly above 2.0x
- Partial refinancing (60%) of EUR500 million notes maturing in 2027

## **RATING SENSITIVITIES**

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

- Weakening of SPPI's credit quality or of its strategic and operational incentives to support eustream
- FFO net leverage above 3.2x on a sustained basis and FFO interest cover below 3.5x
- Failure to maintain a defensive business mix with TSO-regulated activities representing at least 70% of EBITDA could lead to a tightening of rating sensitivities

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

- FFO net leverage below 2.5x on a sustained basis, which would be positive for eustream's SCP, but not necessarily for its Long-Term IDR.

## **Liquidity and Debt Structure**

At FYE25 (financial year ending 31 July 2025), eustream had about EUR264 million of cash and its liquidity is also supported by access to SPPI's other available cash at group level through cash pooling (about EUR210 million of unused revolving credit facility). The first and only debt maturity of EUR500 million is in June 2027. We expect positive pre-dividend FCF until that date.

## **Issuer Profile**

eustream is the Slovak national gas TSO, and a part of the international infrastructure for European gas transit. eustream operates a large high-pressure gas transmission system of 2,376km of pipelines.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **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.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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## Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
eustream, a.s.	LT IDR	BBB+ 	Upgrade	BBB 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• senior unsecured <sup>LT</sup>	BBB+	Upgrade	BBB

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◐	

## Applicable Criteria

[Corporate Rating Criteria \(pub.27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub.02 Aug 2024\) \(including rating assumption sensitivity\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub.27 Jun 2025\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub.27 Jun 2025\)](#)

## Applicable Models

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

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

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