

RATING ACTION COMMENTARY

Fitch Affirms Cemig's IDRs at 'BB'; Outlook Stable

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Fitch Ratings - Rio de Janeiro - 06 Oct 2025: Fitch Ratings has affirmed Local Currency (LC) and Foreign Currency (FC) Issuer Default Ratings (IDRs) for Companhia Energetica de Minas Gerais' (Cemig) and its subsidiaries Cemig Distribuicao S.A.'s (Cemig D) and Cemig Geracao e Transmissao S.A.'s (Cemig GT) at 'BB'. Fitch has also affirmed the National Scale Ratings for these three entities at 'AAA(bra)'. The Rating Outlook is Stable.

Ratings for the Cemig group reflect its diversified asset base, healthy financial profile and favorable operating performance in the Brazilian power sector. Fitch expects the group's ambitious capex program to drive negative FCF throughout the rating horizon and to increase leverage, which should remain aligned with the rating level. The group's leverage is projected to peak in 2027, as it has proven access to funding to support its capex and refinancing needs. Fitch equalizes the IDRs of Cemig and its subsidiaries, which it has strong legal incentives to support.

KEY RATING DRIVERS

Robust Business Profile: The Cemig group's IDRs are supported by a diversified and resilient asset base and operation across different segments in the power sector, which mitigates business and regulatory risks. The group is one of Brazil's largest integrated electric utilities, distributing electricity to 9.4 million users and operating 4.5GW of generation installed capacity and 5,060km of transmission lines. Cemig's distribution segment should represent about 56% of consolidated EBITDA in 2025, with generation and transmission roughly at 31% and natural gas distribution at about 13%.

Positive Performance in Distribution: Cemig D has sustained its strong operating performance despite lower distributed energy volumes driven by rapid growth in distributed generation in Minas Gerais. Fitch's base case incorporates a modest recovery in sales volumes, flat in 2025 and about 1.4% in 2026-2028. EBITDA is projected at BRL3.9 billion in 2025 and BRL4.2 billion in 2026, above regulatory levels.

Favorable Generation and Transmission: Cemig GT's performance and highly predictable revenue support Cemig's consolidated credit profile. In generation, Cemig GT is fully contracted through 2027 at an average price of BRL233/MWh, while transmission revenue is linked to asset availability rather transported volumes. Fitch projects an average annual EBITDA of around BRL2.3 billion in 2025-2027. Fitch's base case also factors in the expiration of three generation concessions in 2027, representing 54% of Cemig GT's commercial capacity, with the full cash flow impact reflected in 2028.

Leverage to Increase: Cemig's consolidated adjusted gross and net leverage are expected to rise moderately over the next three years, peaking at 3.5x and 3.3x in 2027, respectively, driven by its robust capex program partially financed with debt. Despite this increase, Fitch anticipates leverage will remain consistent with the IDR's 'BB' rating, supported by the conservative leverage levels of 2.3x (gross) and 2.0x (net) for the LTM ended in June 2025. Fitch forecasts adjusted net leverage to increase to 2.5x in 2025, 3.0x in 2026, and 3.3x in 2027, returning to 3.0x and below starting in 2028.

Capex Plan to Pressure FCF: Fitch expects Cemig to remain consistently FCF negative over 2025-2028 as it executes an aggressive capex program totaling BRL25.1 billion, including BRL5.6 billion in 2025. Capex is primarily concentrated at Cemig D to strengthen the asset base and will be incorporated into the next tariff review in 2028. Fitch estimates consolidated negative FCF of about BRL4.2 billion in 2025 and BRL5.3 billion in 2026, assuming dividend distributions of 50% of net income. Consolidated EBITDA is forecasted at around BRL7.0 billion in 2025 and 2026, with cash flow from operations (CFO) approximately of BRL3.4 billion, pressured by higher interest rates in Brazil.

Ratings Equalization: Under Fitch's Parent and Subsidiary Linkage Rating Criteria, Fitch equalizes the ratings of Cemig, Cemig D, and Cemig GT. This reflects the holding company's strong legal and strategic incentive to support the subsidiaries in a stress scenario, including Cemig's consolidation of the subsidiaries, guarantees on a significant portion of their debt, and cross-default provisions across

most debt instruments. Debt financial covenants are measured on a consolidated basis, with centralized strategy and cash management. Fitch also views the subsidiaries as core to Cemig's business profile.

Controller Does Not Constrain Ratings: Cemig is assessed on a standalone basis relative to its controlling shareholder, the state of Minas Gerais. The rating does not incorporate a potential federalization of the company, which remains under discussion by the controller and the Federal Government, nor a privatization. While completion is not expected in the near term, any developments will be assessed when and if they are announced.

PEER ANALYSIS

Compared with Brazilian peers in the power sector, Cemig's Local Currency IDR is weaker than that of CPFL Energia S.A. (CPFL Energia; BBB/Stable), Engie Brasil Energia S.A. (Engie Brasil; BBB-/Stable) and Transmissora Alianca de Energia Eletrica S.A. (Taesa; BB+/Stable). Cemig faces higher business risk due to the concentration of its distribution segment within one concession area and the typically weaker operational performances of state-owned companies.

CPFL Energia's IDRs benefit from its controller's moderate strategic and operational incentives to support it. The company's IDRs are based on a combination of its Standalone Credit Profile plus a two-notch uplift. The group has a robust business profile with significant, diversified, and profitable operations in the energy distribution, generation, and transmission segments and a healthy financial profile.

Taesa operates in the highly predictable transmission segment, with 14,400km of transmission lines across the country, compared to Cemig's 5,060km. Engie Brasil is the second-largest player in the generation segment, with an installed capacity of 10.6GW, compared with Cemig's 4.5GW. Additionally, Cemig's financial profile presents more negative FCF and expected higher leverage than these two peers.

KEY ASSUMPTIONS

- Cemig D's energy distribution volume flat in its concession area in 2025 and average annual growth of 1.4% from 2026 to 2028;
- Cemig D's non-manageable costs fully passed through tariffs;

- Cemig GT's average sales price of BRL226 per MWh from 2025 to 2026, with annual energy sales of 5.1GWh per year;
- Concession expiration of Hydro Plants Sa Carvalho, Emborcacao, and Nova Ponte in August 2026, May 2027 and August 2027, respectively;
- Average annual consolidated capex of BRL6.3 billion from 2025 to 2028;
- Dividend payout of 50% of net income.

RATING SENSITIVITIES

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

- Consolidated net adjusted leverage higher than 4.0x on a sustainable basis;
- EBITDA-interest coverage below 3.0x on a sustainable basis;
- Short-term debt exceeding cash;
- Significant operational issues in its main subsidiaries, CEMIG D and CEMIG GT;
- Loss or costly renewal of generation concessions, depending on the financial structure.

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

- Neutral to positive FCF;
- Consolidated net adjusted leverage below 3.0x on a sustainable basis;

-- EBITDA interest coverage above 4.5x on a sustainable basis.

LIQUIDITY AND DEBT STRUCTURE

Cemig Group is expected to retain broad access to funding, mitigating the anticipated maintenance of a modest to moderate cash position throughout the investment cycle through 2028. This year, the group successfully extended its debt maturity profile, lengthening the average tenor to 6.0 years in June 2025 from 3.4 years in June 2024, with BRL3.1 billion coming due by 2026. As of June 30, 2025, consolidated cash and equivalents totaled BRL3.0 billion compared with short-term debt of BRL2.7 billion. Total adjusted debt was BRL18.5 billion, comprising BRL15.2 billion in debentures and BRL3.3 billion in off-balance-sheet debt obligations.

ISSUER PROFILE

Controlled by the state of Minas Gerais, Cemig holds one of the largest integrated power utility groups in Brazil. Cemig D operates in the distribution segment, Cemig GT primarily operates in generation and transmission, and Gasmig operates in natural gas distribution.

SUMMARY OF FINANCIAL ADJUSTMENTS

Revenues and EBITDA do not incorporate construction revenues and construction costs.

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

Companhia Energetica de Minas Gerais (CEMIG) has an ESG Relevance Score of '4' for Governance Structure due to the inherent governance risks that arise with a dominant state shareholder, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

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>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Cemig Geracao e Transmissao S.A.	LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable
	LC LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable
	Natl LT	AAA(bra) Rating Outlook Stable	Affirmed	AAA(bra) Rating Outlook Stable
senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)

Cemig Distribuicao S.A.	LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable
	LC LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable
	Natl LT	AAA(bra) Rating Outlook Stable	Affirmed	AAA(bra) Rating Outlook Stable
senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)
Companhia Energetica de Minas Gerais (CEMIG)	LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable
	LC LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

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

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

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

[Government-Related Entities Rating Criteria \(pub. 18 Jul 2025\)](#)

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 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Cemig Distribuicao S.A.

EU Endorsed, UK Endorsed

Cemig Geracao e Transmissao S.A.

EU Endorsed, UK Endorsed

Companhia Energetica de Minas Gerais (CEMIG)

EU Endorsed, UK Endorsed

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