Tear Sheet:

Companhia Energética de Minas Gerais--CEMIG

November 9, 2026

This report does not constitute a rating action.

What's new: Cleiton Azevedo (Republicanos Party) will take office as governor of Minas Gerais in January 2027, succeeding the current administration. The governor elect has ruled out privatizing the company, reducing uncertainty over a potential change in its ownership structure. However, he has already selected a new CEO, after several changes in the executive management of Companhia Energética de Minas Gerais (CEMIG) in the past year, although final approval is still subject to the company's Board of Directors. We will continue to monitor the new administration's approach to CEMIG's financial policy, dividends, and investments.

In parallel, the Ministry of Mines and Energy authorized the 30-year renewal of CEMIG's 78 megawatt (MW) Sá Carvalho hydro concession, providing greater visibility over the retention of this generation asset. ANEEL has also recommended the renewal of the 1,192 MW Emborcação and 510 MW Nova Ponte concessions, which expire in 2027.

Why it matters: The renewal of Sá Carvalho is positive for asset retention, although its impact on credit metrics is limited given its small size, with expected annual revenue of about Brazilian real (R$) 25 million compared with CEMIG's consolidated expected adjusted revenue of up to R$37 billion in 2026. The potential quota-based renewals of Emborcação and Nova Ponte represent upside to our base case, which currently excludes cash flow from these assets after concession expiry in mid-2027.

Renewals under the quota regime would preserve the plants' cash generation without the potentially material concession fees associated with a free-market renewal, which could accelerate deleveraging from 2028 onward. Alternatively, renewing the concessions under the free-market regime could provide greater flexibility to manage CEMIG's energy balance and additional upside from merchant sales. However, this option would entail grant fee payments, whose amount remains uncertain, and we believe CEMIG would most likely finance them with incremental debt, which could initially strain credit metrics.

At the same time, continued financial discipline under the new state administration remains important for the rating. Given CEMIG's sizable R$43.7 billion 2026-2030 investment plan and our expectation of negative free operating cash flow (FOCF) through 2027, a material shift toward higher dividends, investments, or other politically driven uses of cash could weaken credit metrics, while continued limited state intervention and adherence to prudent financial policies would support the rating at its current level.

Primary Contact

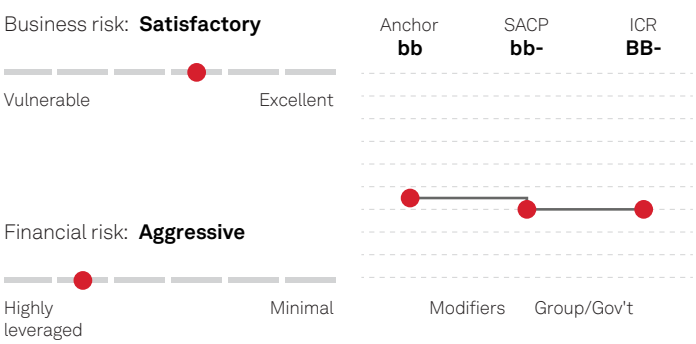
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Ratings Score Snapshot



Issuer credit rating
BB-/Stable/--

ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Brazilian Electric Utility CEMIG Outlook Revised To Stable From Positive On Limited Near-Term Credit Metrics Improvement, Aug. 5, 2026

Company Description

CEMIG is one of the largest utility groups in Brazil, with adjusted revenues of R$36.5 billion and EBITDA of R$7.1 billion in the last 12 months as of June 30, 2026. It operates across three segments: electricity and gas distribution (approximately 70% of projected EBITDA for 2026), generation and energy trading (20%), and transmission (10%). The group is responsible for distributing electricity to its roughly 9.6 million clients in the state of Minas Gerais, which is one of the most densely populated states in Brazil.

Additionally, CEMIG has an installed generation capacity of 4.8 gigawatt (GW) and benefits from R$1.44 billion in permitted annual revenue from its 5,066 kilometers of fully owned power transmission lines. CEMIG also holds a 21.68% stake in Transmissora Aliança de Energia Elétrica S.A. (TAESA; not rated), a power transmission company based in Brazil. CEMIG is controlled by the state of Minas Gerais, which holds 50.97% of the voting shares and 17.04% of the total shares.

Outlook

The stable outlook reflects our expectation that CEMIG's credit metrics will remain pressured over the next two years, given its sizable investment program, high interest burden, and shareholder distributions of 50% of net income. We expect adjusted net debt to EBITDA of about 3.5x in 2026-2027, funds from operations (FFO) to debt below 23%, and negative FOCF at least until the end of 2027. The stable outlook assumes that the incoming Minas Gerais administration will not materially alter CEMIG's financial and investment policies.

Downside scenario

We could lower our ratings on CEMIG and its subsidiaries if credit metrics deteriorate beyond our expectations, with adjusted net debt to EBITDA above 4.5x, FFO to debt below 13%, and persistently negative FOCF. This could result from weaker operating performance, including

adverse hydrological conditions or continued losses in power trading, particularly while capital expenditure remains elevated.

A downgrade could also occur if changes in the company's financial strategy under the incoming state administration lead to more aggressive shareholder distributions, higher leverage, or investment decisions that weaken cash flow generation and delay deleveraging. We would also monitor whether greater influence from the State of Minas Gerais results in governance or financial policy changes that weaken CEMIG's stand-alone credit quality.

Upside scenario

We could raise the ratings over the next 12-24 months if CEMIG's operating cash flow strengthens as investments enter the regulatory asset base and concession renewals provide greater earnings visibility, resulting in debt to EBITDA below 3.5x, FFO to debt above 23%, and positive FOCF. An upgrade would also require greater visibility that the company's financial and investment policies will remain prudent under the incoming state administration, without material state intervention that could weaken its stand-alone credit quality.

Key Metrics

Companhia Energetica de Minas Gerais - CEMIG--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. BRL)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	28,392	30,089	33,601	36,093	37,065	38,427	40,002	42,465
Gross profit	8,372	10,267	11,623	12,412	12,564	13,837	15,070	16,350
Adjusted EBITDA	4,995	6,240	7,499	7,296	7,926	8,999	9,988	10,946
Less: Cash interest paid	(1,014)	(1,031)	(962)	(1,395)	(1,725)	(2,335)	(2,247)	(2,220)
Less: Cash taxes paid	(704)	(601)	(1,136)	(736)	(546)	(643)	(884)	(1,025)
Funds from operations (FFO)	3,277	4,608	5,401	5,166	5,655	6,021	6,858	7,700
EBIT	4,380	5,193	6,354	6,066	6,508	7,513	8,346	9,114
Interest expense	1,642	1,782	1,589	1,605	1,913	2,591	2,493	2,463
Cash flow from operations (CFO)	6,613	6,644	5,497	4,827	4,544	5,141	5,968	6,853
Capital expenditure (capex)	3,405	4,942	5,358	6,464	6,725	6,811	5,708	5,246
Free operating cash flow (FOCF)	3,208	1,702	138	(1,637)	(2,181)	(1,669)	260	1,607
Dividends	2,094	1,823	4,294	3,968	2,450	1,589	1,680	2,042
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	1,114	(121)	(4,156)	(5,605)	(4,630)	(3,259)	(1,420)	(435)
Debt (reported)	10,579	9,831	12,279	19,465	25,398	28,937	30,029	30,958
Plus: Lease liabilities debt	355	433	429	417	436	454	471	487
Less: Accessible cash and liquid Investments	(3,185)	(2,311)	(2,256)	(2,661)	(3,396)	(3,107)	(2,250)	(2,250)
Plus/(less): Other	9,959	8,389	7,594	6,313	4,976	4,976	4,976	4,976
Adjusted debt	17,708	16,341	18,046	23,534	27,414	31,261	33,226	34,170
Equity	21,783	24,655	27,383	28,582	29,311	31,081	33,485	36,210
Adjusted ratios								
Debt/EBITDA (x)	3.5	2.6	2.4	3.2	3.5	3.5	3.3	3.1
FFO/debt (%)	18.5	28.2	29.9	22.0	20.6	19.3	20.6	22.5

Companhia Energetica de Minas Gerais - CEMIG--Forecast summary

FFO cash interest coverage (x)	4.2	5.5	6.6	4.7	4.3	3.6	4.1	4.5
EBITDA interest coverage (x)	3.0	3.5	4.7	4.5	4.1	3.5	4.0	4.4
CFO/debt (%)	37.3	40.7	30.5	20.5	16.6	16.4	18.0	20.1
FOCF/debt (%)	18.1	10.4	0.8	(7.0)	(8.0)	(5.3)	0.8	4.7
DCF/debt (%)	6.3	(0.7)	(23.0)	(23.8)	(16.9)	(10.4)	(4.3)	(1.3)
Annual revenue growth (%)	(2.9)	6.0	11.7	7.4	2.7	3.7	4.1	6.2
Gross margin (%)	29.5	34.1	34.6	34.4	33.9	36.0	37.7	38.5
EBITDA margin (%)	17.6	20.7	22.3	20.2	21.4	23.4	25.0	25.8

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R$--Brazilian real.

Financial Summary

Companhia Energetica de Minas Gerais - CEMIG--Financial Summary

Period ending	**Dec-31-2020**	**Dec-31-2021**	**Dec-31-2022**	**Dec-31-2023**	**Dec-31-2024**	**Dec-31-2025**
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	R$	R$	R$	R$	R$	R$
Revenues	24,273	29,245	28,392	30,089	33,601	36,093
EBITDA	6,326	4,756	4,995	6,240	7,499	7,296
Funds from operations (FFO)	5,001	2,662	3,277	4,608	5,401	5,166
Interest expense	1,703	1,269	1,642	1,782	1,589	1,605
Cash interest paid	1,085	1,593	1,014	1,031	962	1,395
Operating cash flow (OCF)	8,609	3,683	6,613	6,644	5,497	4,827
Capital expenditure	1,538	2,032	3,405	4,942	5,358	6,464
Free operating cash flow (FOCF)	7,072	1,652	3,208	1,702	138	(1,637)
Discretionary cash flow (DCF)	6,473	235	1,114	(121)	(4,156)	(5,605)
Cash and short-term investments	5,041	2,549	3,185	2,311	2,256	2,661
Gross available cash	5,041	2,549	3,185	2,311	2,256	2,661
Debt	19,457	19,584	17,708	16,341	18,046	23,534
Common equity	17,477	19,462	21,783	24,655	27,383	28,582
Adjusted ratios						
EBITDA margin (%)	26.1	16.3	17.6	20.7	22.3	20.2
Return on capital (%)	15.4	13.0	11.2	12.9	14.7	12.4
EBITDA interest coverage (x)	3.7	3.7	3.0	3.5	4.7	4.5
FFO cash interest coverage (x)	5.6	2.7	4.2	5.5	6.6	4.7
Debt/EBITDA (x)	3.1	4.1	3.5	2.6	2.4	3.2
FFO/debt (%)	25.7	13.6	18.5	28.2	29.9	22.0
OCF/debt (%)	44.2	18.8	37.3	40.7	30.5	20.5
FOCF/debt (%)	36.3	8.4	18.1	10.4	0.8	(7.0)
DCF/debt (%)	33.3	1.2	6.3	(0.7)	(23.0)	(23.8)

Rating Component Scores	
Foreign currency issuer credit rating	**BB-/Stable/--**
Local currency issuer credit rating	**BB-/Stable/--**
Business risk	**Satisfactory**
Country risk	Moderately High
Industry risk	Low
Competitive position	Satisfactory
Financial risk	**Aggressive**
Cash flow/leverage	Aggressive
Anchor	**bb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Moderately Negative (-1 notch)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bb-**

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

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