

RATING ACTION COMMENTARY

Fitch Affirms Aqualia at 'BBB-'; Outlook Stable

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Fitch Ratings - Barcelona - 28 May 2026: Fitch Ratings has affirmed FCC Aqualia, S.A.'s Long-Term Issuer Default Rating (IDR) at 'BBB-', senior unsecured rating at 'BBB-' and senior secured rating at 'BBB'. The Outlook on the IDR is Stable.

Aqualia's IDR reflects its low business risk as a water and wastewater network operator with long-term municipal concessions in Europe, mainly Spain, while its subsidiaries in Czech Republic and Georgia own and operate their water networks. It also operates water-related infrastructures under build-own-transfer (BOT) concessions for treatment facilities in LATAM and MENA. Non-regulated earnings are limited and stem from operation and maintenance (O&M) contracts and water-related engineering, procurement and construction (EPC) activities.

The Stable Outlook reflects our expectations that Aqualia will maintain funds from operations (FFO) net leverage at 4.5x on average for 2026-2029, below its 5.0x negative sensitivity, supported by steady earnings growth, despite increasing investments and dividends. We expect it to refinance its 2027 secured debt on an unsecured basis in the upcoming months.

KEY RATING DRIVERS

Unchanged Investment Strategy: Fitch expects Aqualia to invest about EUR1.5 billion over 2026-2029, of which about EUR1.3 billion allocated to existing business and organic growth, and the remaining EUR0.2 billion to M&A. Aqualia's organic capex is primarily driven by municipal water concessions in European countries where the company already operates (eg Spain, France), allowing it to make use of its strong knowledge of the concessional framework.

Outside Spain, a significant share of investments will be allocated to Georgia Global Utilities JSC (GGU; BB-/Positive). We expect these investments to be approved by the regulator during 2H26, in line with the new regulatory period starting in 2027, which

aims to modernize GGU's water network, reduce water leakages and enhance efficiency. We also expect further investment initiatives in Latin America and the United States.

Robust Business Profile: Aqualia's resilient municipal water concessions, largely in Spain, had an average remaining life of about 17 years and annual renewal rates of above 90% at end-2025. We expect municipal water and BOT concessions to represent 91% of EBITDA over our rating horizon, supporting Aqualia's robust business risk profile. The company primarily targets municipal water concessions in Europe and BOT projects related to treatment facilities, with non-recourse funding and local partners. We expect the higher-risk EPC and O&M activities to contribute 5% and 3% of EBITDA, respectively.

Protection Against Cost Inflation: In Spain, where most of Aqualia's business is concentrated, tariffs adjustments depend on municipalities. Aqualia's domestic concessions include provisions allowing tariff revisions based on CPI indexation (34% of revenue), polynomial formulas (28%), or economic studies (38%). Aqualia's 2026 energy consumption is largely hedged with PPA contracts with only 7% of the consumption exposed to spot prices. Aqualia's major subsidiaries outside Spain, GGU and Severomoravske vodovody a kanalizace Ostrava (SmVaK), benefit from regulated asset based frameworks that protect profitability from cost inflation.

Strong EBITDA Growth: Fitch forecasts Aqualia's EBITDA to reach EUR590 million in 2029 compared with nearly EUR440 million in 2025. The material EUR150 million rise by 2029 is mainly supported by tariff revisions (EUR80 million) and contributions from organic growth and M&A (EUR70 million)

Sustained Negative FCF: Fitch forecasts Aqualia's cumulative free cash flow (FCF), after acquisitions and divestitures, to remain negative at about EUR0.5 billion until 2029. We forecast increased capex and M&A, together with higher dividend distributions following less restrictive distribution covenants under the new debt documentation (including the removal of the maximum dividend payout), to lead to a slight increase in net debt to EUR2.3 billion by 2029 from EUR1.9 billion in 2025.

Leverage to Remain Within Sensitivities: We believe the company will remain disciplined in pursuing growth opportunities and dividend distributions, while maintaining its credit metrics. In our forecasts, we expect Aqualia to be close to our 5.0x FFO net leverage negative sensitivity in 2026, followed by steady deleveraging to 2029, with FFO net leverage averaging 4.4x in 2027-2029, indicating adequate rating headroom.

2025 Performance Aligned with Expectations: Aqualia's EBITDA at about EUR442 million was broadly in line with our expectations (EUR432 million), which was supported by tariff increases in municipal water concessions, the end of drought restrictions in Andalusia, Catalonia and Italy, and new O&M contracts, partly offset by provisions to clean up the recent acquired portfolio in Colombia and EPC delays. FCF after net investments was a negative EUR101 million, reflecting the acquisition of the remaining 20% of GGU and higher dividend distributions. FFO net leverage improved to 4.7x in 2025 from Fitch's previous expectation of 4.9x, supported by better operating cash flow.

Rating Scope: Our rating approach remains based on Aqualia's consolidated credit profile. SmVaK became a recourse subsidiary following the refinancing of its debt in 2022. We will continue to include GGU within Aqualia's consolidated group, even though its debt is non-recourse, reflecting our uplift of GGU's rating by one notch for parental support. We believe Aqualia has strategic incentives to support the subsidiary, if needed.

Ringfencing with FCC: Fitch rates Aqualia on a standalone basis from its parent, Fomento de Construcciones y Contratas S.A. (FCC). We assess the legal ringfencing and access and control between the company and its parent as 'insulated'. This is based on contractual ring-fencing provisions in Aqualia's bond documentation, including limitations on indebtedness and dividend distributions, the strong presence of minority shareholders and financial separation from FCC. We expect the 2027 refinancing to be structured with similar ringfencing provisions.

PEER ANALYSIS

Aqualia is a water and sewerage network operator that, unlike some of its peers, does not fully own its asset base. However, its investments are supported by the value of its concessions. Its water infrastructure construction activity makes its cash flow more volatile than that of pure water asset operators, including Spanish peer Canal de Isabel II, S.A., M.P. (BBB+/Stable). Aqualia operates in a decentralized and less developed regulatory environment than Italy and the UK, which have independently regulated and consultative frameworks and longer licensed concession terms.

Holding d'Infrastructures des Metiers de l'Environnement (SAUR; BB+/Negative) is Aqualia's closest peer in terms of business mix and scale. Aqualia's municipal concessions account for more than 90% of EBITDA, compared with about 80% for SAUR, given its exposure to non-regulated industrial water. Aqualia has a longer average concession residual life, higher renewal rates, better profitability and greater debt capacity compared with SAUR.

Fitch applies a one-notch uplift to Aqualia's senior secured bonds from the IDR, based on the creditor-friendly provisions in the company's financing package (security, a debt service reserve account and a covenanted structure). None of these features alone would be sufficient to support an uplift.

We do not apply a one-notch uplift to Aqualia's senior unsecured debt for above-average expected recoveries, unlike for many other regulated networks. This is due to Spain's less developed regulatory framework, the complexity of Aqualia's highly granular base contract base and its lack of ownership of the asset base.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Renewal rates of water concessions for 2026-2029 in line with historical trends
- Revenue growth averaging about 6% over 2026-2029
- EBITDA margins averaging about 30% for municipal water and BOT concessions, 9% for O&M and 13% for EPC over 2026-2029
- Net investments (including capex and M&A) of EUR300 million-400 million a year on average over 2026-2029
- Dividends distributions averaging EUR115 million a year over 2026-2029

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb-', Higher), market and competitive positioning ('bb+', Moderate), diversification and asset quality ('bbb', Moderate), company operational characteristics ('bbb', Lower), profitability ('bbb-', Moderate), financial structure ('a-', Moderate), and financial flexibility ('bbb-', Moderate).

The quantitative financial subfactors are based on custom CRT financial period parameters: 20% weight for the historical year 2025, 20% for the forecast year 2026, 20% for the forecast year 2027, 20% for the forecast year 2028 and 20% for the forecast year 2029.

The Governance assessment of 'Good' has no impact.

The Operating Environment assessment of 'bbb+' has no impact.

The SCP is 'bbb-'.

To derive the Long-Term IDR:

Application of Fitch's Parent and Subsidiary Linkage Rating Criteria results in a(n) standalone approach.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade

- Weaker cash flow generation, leading to FFO net leverage above 5.0x and FFO interest coverage below 4.5x
- Higher business risk, such as a lower share of regulated activities in the business mix in favour of higher-risk activities (EPC or O&M) or a material increase in non-recourse funding
- Looser legal ringfencing or an increase in related-party transactions could trigger a re-evaluation of the parent/subsidiary linkage between Aqualia and FCC

Factors that Could, Individually or Collectively, Lead to Positive Rating

Action/Upgrade

- Stronger cash flow, leading to FFO net leverage below 4.3x and FFO interest coverage above 5.5x on a sustained basis
- Lower business risk, such as an independent and centralised water regulator or increased transparency in the regulatory framework

LIQUIDITY AND DEBT STRUCTURE

Aqualia had readily available cash and cash equivalents of EUR314 million at end-2025, sufficient to cover the expected EUR104 million negative FCF (after acquisitions and divestitures) in 2026.

Upcoming maturities comprise a EUR650 million secured bond raised at Aqualia and due in June 2027, which we expect to be refinanced in the upcoming months on an unsecured basis; refinancing risk is mitigated by a bridge-to-bond facility. Following this refinancing, there will be no material refinancing risk until 2029.

Aqualia's gross debt was EUR2.2 billion at end-2025. Its major debt instruments are raised at the Holdco level, in addition to the USD300 million opco notes at GGU due in 2029. Following the 2025 refinancing, large maturities have been moved to 2030 and beyond, except for the EUR650 million secured bond maturing in June 2027 and the GGU bond maturing in June 2029.

Structurally and legally, priority debt was about EUR1 billion at end-December 2025. Following the upcoming refinancing in 2027, priority debt will be reduced to EUR0.3 billion, lowering the priority debt ratio to below 1.0x EBITDA from 2.2x in 2025.

ISSUER PROFILE

Aqualia is a water and wastewater network operator in Spain, with projects across Europe, the US, Latin America, the Middle East and North Africa in more than 700 municipalities.

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.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate VS. screener did not indicate an elevated risk for Aqualia.

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>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
FCC Aqualia, S.A.	LT IDR	BBB- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Stable
senior secured	LT	BBB	Affirmed	BBB
senior unsecured	LT	BBB-	Affirmed	BBB-

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

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

[Corporate Rating Criteria \(pub. 09 Jan 2026\)](#) (including rating assumption sensitivity)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

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 \(1\)](#)

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