Comunicato Stampa

STANDARD & POOR'S RIVEDE I RATING DEL GRUPPO ATLANTIA

Roma, 5 novembre 2018 – L'agenzia di rating Standard & Poor's, ha rivisto oggi i rating del Gruppo Atlantia, in particolare il rating del Gruppo Atlantia e i rating di Autostrade per l'Italia passano da 'BBB+' a 'BBB' mentre il rating del debito di Atlantia (holding) passa da 'BBB' a 'BBB-'. Il rating di Aeroporti di Roma è riaffermato a 'BBB+'.
L'agenzia di rating ha anche risolto il rating watch negativo e ha posto tutti i rating del gruppo in outlook negativo.

Si riporta di seguito il testo integrale del comunicato di Standard & Poor's.

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Ratings

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Research Update:

Infrastructure Holding Company Atlantia Downgraded On ASPI's Concession Governance Risk; Outlook Negative

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Research Update:

Infrastructure Holding Company Atlantia Downgraded On ASPI's Concession Governance Risk; Outlook Negative

Overview

- Autostrade per I'Italia's (ASPI) concession is subject to increased regulatory and operational risk in the aftermath of the Genoa bridge collapse.
- As yet, the government has not taken any steps to start the revocation of the concession. However, the government's somewhat negative, and at times contradictory, sentiment toward privately owned infrastructure, in particular roads, raises uncertainty on the future operating environment and could lead to tougher concession terms on new investments.
- These operational uncertainties, coupled with potential for drawn-out legal proceedings, may result in ASPI, and its owner Atlantia, facing challenging conditions to refinance on the capital markets, which could lead to higher refinancing costs.
- We are therefore lowering the issuer credit rating on Atlantia and ASPI to 'BBB' from 'BBB+'. We are affirming Aeroporti di Roma at 'BBB+' due to its partial insulation from the credit stress at its parent.
- The negative outlook reflects the continual uncertainties relating to next actions that government may initiate and its related operational or financial consequences. Furthermore, the bridge collapse investigations could bring additional litigation that could result in contractual penalties and material legal fines for ASPI, and consequently Atlantia, which might take a long time to crystalize and are difficult to quantify.

Rating Action

On Nov. 5, 2018, S&P Global Ratings lowered to 'BBB' from 'BBB+' its long-term issuer credit rating on Italy-based Atlantia SpA and toll road network operator Autostrade per I'Italia SpA (ASPI). At the same time, we affirmed the 'BBB+' rating on airport operator Aeroporti di Roma SpA (AdR) and the 'A-2' short-term rating on the three companies.

We also lowered to 'BBB' from 'BBB+' the issue ratings on the senior unsecured debt under the €10 billion euro medium-term note (EMTN) program (originally issued by Atlantia but recently transferred to ASPI); and the €7 billion EMTN program and senior unsecured debt issued by ASPI. At the same time, we lowered to 'BBB-' from 'BBB' the issue rating on Atlantia's €10 billion EMTN program. We affirmed our 'BBB+' rating on the EMTN program and senior unsecured debt issued by AdR.

We removed all the ratings from CreditWatch with negative implications where they were placed on Aug. 16, 2018 (see "Atlantia And Subsidiaries 'BBB+' Rating On CreditWatch Negative Following Bridge Collapse In Genoa").

Rationale

The rating actions reflect the continuing uncertainty surrounding the operating environment and potential toughening of concession terms on new investments for Atlantia's Italy-based toll road operator subsidiary, ASPI, in the aftermath of the Genoa bridge collapse. This is particularly in light of the government's less supportive sentiment toward privately owned infrastructure companies, especially road operators. The extent of any regulatory, operational, and financial ramifications from the Genoa bridge collapse are not yet fully known. Nevertheless, we see a risk to the future cash flows under ASPI's concession agreement due to the strained relationship between the company and the concession grantor, the Ministry of Infrastructure and Transport (MIT). For instance, we are uncertain as to the amount of new investments and the rate of return for the next period (2018-2022), which are yet to be approved by MIT. Meanwhile, we understand that tariffs and investments may continue under the previously approved period (2013-2017). Positively, the successful acquisition of Spain-based toll operator Abertis by an Atlantia-led consortium is strengthening Atlantia's asset and country diversification.

We believe that Atlantia would need to maintain some cushion in its credit ratios to withstand any potential penalties or fines that might ensue from the Genoa bridge collapse; a ratio of S&P Global Rating-adjusted funds from operations (FFO) to debt of 12% would be commensurate with the 'BBB' rating. Furthermore, we are monitoring the refinancing of Abertis' acquisition facilities, in particular the €4.7 billion bridge-to-bond facility at a special purpose vehicle above Abertis expiring in 18.5 months. Atlantia has demonstrated uninterrupted access to bank financing as it recently raised a €2 billion liquidity facility with 18 months maturity, which can be extended to 36 months at the company's discretion. That said, a large proportion of the bank financing, which increased by €3.9 billion for the Abertis acquisition, is provided by Italian banks. We believe that the group has sufficient and accessible resources to address its refinancing of about €1.8 billion of bonds and loans at the Atlantia and ASPI levels in the 12 months to June 30, 2019. Going forward, ASPI faces recurrent maturities of about €700 million, on average, over 2018-2020. The extent of future funding will depend on the discretionary cash flow generation of the group, and lower capital expenditure (capex) or revision of the dividend could reduce the overall requirements.

In our view, Atlantia is highly exposed to domestic country risk. We can, however, rate the group up to two notches above the sovereign credit rating on Italy because, based on our stress-test scenarios, we believe Atlantia would be reasonably likely to withstand a sovereign default thanks to our expectation that the group will generate broadly neutral free operating cash flows (before dividends). Furthermore, Atlantia can access back up liquidity lines provided by a diverse group of Italian and international banks.

To date, the cause of the bridge collapse remains unknown, as does the outcome of the criminal investigation and any legal proceedings. If the concessionaire finds ASPI to be in breach of the concession contract, the government may consider contractual fines, which we understand are capped at €150 million under the concession agreement up to a potential revocation of the concession. A revocation of the concession is not currently our base case. Additionally, if we consider these penalties--including ASPI's already announced voluntary corporate actions to remedy the situation (a €500 million fund to reconstruct the bridge, pay damages to civilians, and manage traffic disruption)--we forecast FFO to debt of about 11%-12% over 2019 and 2020 based on the full consolidation of Abertis. We forecast flat traffic growth over 2018 and 2019, as well as recurrent maintenance and safety inspection costs of €150 million annually that could be agreed with the grantor. We also consider that ASPI may receive proceeds from insurance claims within 18-24 months. We do not factor in any credit supportive measures at this point, although we understand that Atlantia could lower capex or dividends, or sell minority stakes as it did when bidding to acquire Abertis. Legal claims related to the criminal investigation remain unpredictable and currently difficult to quantify, and will depend on the outcome of the investigation and any associated legal proceedings.

We do not currently foresee a scenario that would lead us to downgrade ASPI, and consequently Atlantia, to speculative-grade (that is, below 'BBB-'). This is because we see termination of the concession agreement as unlikely in the immediate term. Finding a replacement concession or taking over the operations of such a large tollroad network (2,850km, or 52% of Italy's motorways) could deter the government on practical grounds, in our view. We also believe termination of the concession through a law decree enforcing expropriation or nationalization of the assets is remote. Such actions might impair foreign investment in the country if the rule of law and control of disputes become unpredictable. The financial consequences of termination, be it due to breach of the contract or in the public interest, might be mitigated by the contractually agreed termination compensation (see "Infrastructure Operator Atlantia 'BBB+' Rating Remains On CreditWatch Negative Following Genoa Bridge Collapse" published on Oct. 4, 2018).

The rating on AdR

We rate AdR one notch higher than its parent and almost 99% owner, Atlantia. We assess AdR's stand-alone credit profile (SACP) at 'a+' with a relatively strong balance sheet, even considering the heavy investment required to ramp up terminal capacity. There are no cross-default provisions or guarantees in AdR's EMTN program or facilities, and AdR is not defined as a material subsidiary under Atlantia's EMTN program. In addition, AdR must meet certain conditions in its concession agreement with ENAC (The Italian Civil Aviation Authority) as the grantor. We believe that ENAC's requirement that AdR maintain a debt service coverage ratio (DSCR) of above 1.2x (2017: 3.9x) means its credit metrics are likely to stay commensurate with the 'BBB+' rating. The requirement is gradual--if the DSCR is below 1.6x, the grantor must authorize special transactions such as disposals and acquisitions. Furthermore, the concession agreement requires three statutory auditors apiece from the Ministry of Economic Affairs, Ministry of Finance, and MIT.

Liquidity

We assess Atlantia's liquidity on both a stand-alone and consolidated basis because we do not expect it to have full access to Abertis' cash flows until late 2018. Atlantia's adequate liquidity assessment is based on our forecast that although sources will cover uses by more than 1.5x over the next 12 months on a stand-alone basis, the ratio is less than 1x over the next 24 months on a consolidated basis. We recognize that the acquisition of Abertis is now closed and that Atlantia has covered the required equity funding.

Principal liquidity sources over the 12 months to June 30, 2019, include:

- €575 million available under Atlantia's five-year revolving credit facility and the new €2 billion facility, totaling around €2.6 billion of available liquidity;
- Cash of €136 million after the acquisition of Abertis;
- About €2.7 billion of cash at subsidiaries within the Atlantia group as of June 30, 2018--ASPI has €1.5 billion unused under investment loans and ADR about €600 million of investment loans, provided by mostly by CDP and EIB; and
- Positive FFO of €2.4 billion.

Principal liquidity uses over the same period include:

- Debt maturities of €2.4 billion;
- Capex of €1.0 billion-€2.0 billion (including reconstruction costs for the Genoa bridge; and
- Total dividends paid up to €1.3 billion subject to board approval.

We understand that there are acceleration clauses in certain credit facilities at ASPI's level totaling €2.3 billion, if the rating falls below investment grade. We understand that the company is currently negotiating these clauses with the banks.

Principal liquidity sources for the consolidated Atlantia and Abertis group over the 12 months to June 30, 2019, include:

- Cash of €4.16 billion;
- Undrawn bank lines of €7.85 billion; and
- Positive FFO of €5.0 billion.

Principal liquidity uses over the same period include:

- Debt maturities of €3.0 billion;
- Capex of €2.5 to €3.5 billion (including reconstruction costs for the Genoa bridge); and
- Total dividends up to €1.3 billion to be paid by Atlantia (subject to board approval) and dividends due from Abertis as per the shareholder agreement between the consortium partners.

Furthermore, we are monitoring the refinancing of Abertis' acquisition facilities, in particular the €4.7 billion bridge-to-bond facility at a special purpose vehicle above Abertis that expires in 18.5 months.

Outlook

The negative outlook reflects the continual uncertainties relating to next actions that the government may initiate and its related operational or financial consequences. Furthermore, the investigations into the cause of the Genoa bridge collapse could bring additional litigation actions that could result in Atlantia facing contractual penalties and material legal fines for damages that are difficult to quantify. Over the next 18-24 months, we are also monitoring the capital market access for the group to fund its medium-term maturities and the acquisition debt raised at a level close to Abertis.

Downside scenario

We could lower the ratings by one notch if Atlantia's FFO to debt ratio were to trend toward 10%, for example driven by operational challenges or fines from the Genoa bridge collapse. Downside to our forecasts could follow from additional safety operating costs or maintenance capex in combination with a spillover effect on traffic performance over the entire network. Significant costs to restore the motorway not covered by any potential insurance proceeds could also depress the ratios. The ultimate impact on the rating will depend on whether Atlantia mitigates the pressure on its credit ratios by additional divestments or by revising its financial policy.

At this point, we believe that revocation of ASPI's concession agreement, and without compensation, is not likely in the near term and therefore, we do not expect to lower the ratings on Atlantia and ASPI to below speculative grade. That said, we could lower the ratings by more than one notch if, in contrast to what is specified by the concession contract, we see a higher likelihood of termination without timely or adequate compensation creating a liquidity event for ASPI's bonds, which contain a put option. We expect to review the ratings as new information emerges in relation to the investigation into the material causes of the event. If we were to lower the ratings by one notch, we might not lower the issue rating on Atlantia to speculative-grade. This will depend on our view of the capital structure at the time and the possibility of less priority liabilities if more debt is raised at the holding company. Recovery prospects for holding company creditors could also benefit from the significant geographic and asset diversity following the acquisition of Abertis.

A weakening of the group's and Atlantia's liquidity position resulting in Atlantia eroding its cushion to the extent that there is less than 20% buffer on the expected uses over the next 12 months could lead us to lower the rating by two notches.

Upside scenario

We could revise the outlook to stable if the extent of any regulatory, operational, and financial ramifications from the Genoa bridge collapse became known and were within our base-case scenario. Under our base-case scenario, as described above, we expect the company to maintain a FFO to debt of about 11%-12% over 2019 and 2020, based on the full consolidation of Abertis.

Ratings Score Snapshot

Issuer credit rating: BBB/Negative/A-2

Business risk: Strong
- Country risk: Intermediate
- Industry risk: Low
- Competitive position: Strong

Financial risk: Significant
- Cash flow/leverage: Significant

Anchor: bbb

Modifiers
- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2018, Atlantia's capital structure consists of €17.5 billion of debt, of which only €2.8 billion is issued at the Atlantia level.

Analytical conclusions

- The priority debt ratio is higher than 50%;
- We therefore rate Atlantia's unsecured debt at 'BBB', one notch below the issuer credit rating; and
- We rate the unsecured debt issued or guaranteed by the operating subsidiaries ASPI and AdR at 'BBB+', the same as the issuer credit rating.

We recognize that Atlantia has added asset and geographical diversification with the acquisition of Abertis. Atlantia controls about 1,850km of toll road concessions in Latin America, notably in Chile and Brazil, and also holds stakes in toll roads in Poland (61km) and India (110km). Atlantia also owns AdR, which exclusively operates the two airports serving the City of Rome, Roma Fiumicino, and Ciampino. From June 2017, Atlantia also consolidated Aeroports de la Cote d'Azur in Nice, France. Abertis is a global leader in toll road management, operating about 8,000km across Europe, America, and Asia. It manages toll roads in 14 countries, 70% of the network in Spain (1,559km), 25% in France (1,760 km), and a small stretch in North Italy (236 km). In Latin America, it manages 17% of all toll roads in Brazil (3,251km), in Chile (772km) and a small portion in Puerto Rico, Argentina, and Colombia. It recently entered India.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013

- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Ratings List

Downgraded; Removed From CreditWatch

	To	From
Atlantia SpA		
Autostrade per I'Italia SpA		
Issuer Credit Rating	BBB/Negative/A-2	BBB+/Watch Neg/A-2
Atlantia SpA		
Senior Unsecured	BBB	BBB+/Watch Neg
Senior Unsecured	BBB-	BBB/Watch Neg
Autostrade per I'Italia SpA		
Senior Unsecured	BBB	BBB+/Watch Neg

Ratings Affirmed; Removed From CreditWatch

	To	From
Aeroporti di Roma SpA		
Issuer Credit Rating	BBB+/Negative/A-2	BBB+/Watch Neg/A-2
Senior Unsecured	BBB+	BBB+/Watch Neg

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.