



Comunicato Stampa

## **FITCH RIVEDE I RATING DEL GRUPPO ATLANTIA**

Roma, 31 ottobre 2018 – L'agenzia di rating Fitch, ha rivisto oggi i rating del Gruppo Atlantia in particolare il rating del Gruppo Atlantia passa da 'A-' a 'BBB+' così come il rating di Autostrade per l'Italia, Atlantia (holding) passa invece da 'BBB+' a 'BBB'.

Il rating di Aeroporti di Roma rimane confermato 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 Fitch.

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## Fitch Downgrades Atlantia and Autostrade per l'Italia; Affirms AdR at 'BBB+'

Fitch Ratings-Milan/London-31 October 2018: Fitch Ratings has downgraded Atlantia SpA's EUR10 billion euro medium-term note (EMTN) programme's senior unsecured rating to 'BBB' from 'BBB+' and Autostrade per l'Italia Spa's (ASPI) Long-Term Issuer Default Rating (IDR) to 'BBB+' from 'A-' and removed the ratings from Rating Watch Negative. The Outlook is Negative. Fitch has also affirmed Aereporti di Roma S.p.A's (AdR) IDR at 'BBB+' and revised the Outlook to Negative from Stable. A full list of rating actions is at the end of this rating action commentary.

The rating actions follow the group's material re-leveraging following the co-acquisition of Abertis Infraestructuras S.A. (Abertis; BBB/Stable).

Atlantia Group's consolidated rating of 'BBB+' considers the high leverage profile of above 5x in the context of the Abertis acquisition, resulting in a shorter average life of its concession portfolio as well as a more geographically diversified portfolio of mature assets. The rating further reflects the Atlantia group's solid liquidity position and the large financial flexibility embedded in its balance sheet.

The Negative Outlook considers the limited visibility of the financial consequences of the collapse of Genoa Bridge. The early termination of ASPI's concession is not our base case scenario.

### KEY RATING DRIVERS

On 29 October, Atlantia, ACS and Hochtief completed the joint acquisition of Abertis. Hochtief sold its 98.7% stake in Abertis to a Spanish SPV, which is 50% plus one share owned by Atlantia and the remaining 50% minus one share by ACS group. To fund the EUR16.5 billion acquisition, the SPV raised EUR6.9 billion of equity from its shareholders and a debt package - before disposals - of EUR9.8 billion. The debt is senior unsecured, non-recourse, without financial covenants and no restrictions on re-leveraging unless the SPV/Abertis credit profile falls below a pre-set threshold.

Atlantia also acquired a 23.9% stake in Hochtief for a consideration of EUR2.4 billion. The funding needs for the equity injection in the SPV and the purchase of Hochtief stake were covered by a mix of available cash and five-year term loans/revolving credit facility, the terms and conditions of which are substantially aligned with Atlantia's unguaranteed EUR10 billion EMTN programme.

### Governance on SPV/Abertis

Atlantia and ACS group entered into a shareholders agreement to regulate the investment and governance in Abertis. Atlantia has operational control of Abertis, which will be consolidated line by line in its accounts. Atlantia will also appoint the majority of the SPV's board, Abertis's CEO/CFO and the majority of board members, while ACS will appoint the non-executive chairman. A qualified majority vote is required for M&A activities and changes to the agreed financial/dividend policy.

### Rating Approach: Consolidated

We rate Atlantia on the basis of its consolidated credit profile, including Abertis Group. This approach considers Atlantia's operational control over Abertis as well as the limited ring-fencing features at the Abertis group level. The consolidated approach also considers Atlantia's access to the cash flow generation of most of its current subsidiaries as it controls their dividend and financial policies and can re-leverage these assets in case of need. Some subsidiaries have bank financing with financial covenants, but in our view, the ring-fenced nature of these features is often limited as covenants are

loose or could be easily removed by refinancing the relevant bank debt.

Based on these considerations, we have reassessed our rating approach for AdR. Its rating is equalised with Atlantia's consolidated credit profile in view of the strong linkage between the two entities and the absence of material ring-fencing features in AdR's debt. This approach is based on Fitch's Parent and Subsidiary Rating Linkage criteria. For information on AdR's standalone credit profile, see 'Fitch Affirms Aeroporti di Roma at 'BBB+'; Outlook Stable' at <https://www.fitchratings.com/site/pr/10049246>

#### Issuer Structure: Parent Rating (Atlantia) Notched Down For Subordination

Atlantia's unguaranteed debt was rated one notch below the group's consolidated credit profile. The notching down reflected the higher probability of default of Atlantia's debt compared with that of its main cash flow generating entity, ASPI. This is because ASPI's concession agreement contains provisions which allow upstreaming of cash to the parent (Atlantia) only via ordinary and extraordinary dividends.

Even after the acquisition of Abertis, the one-notch difference between Atlantia and its consolidated credit profile still applies. Cash within the Abertis group can be moved without any major restriction as most of the debt at Holdco and subsidiary levels has no or loose covenants. The acquisition financing for the Spanish SPV is free of covenants, although we note that releverage is subject to a minimum credit profile of Abertis group. The JV nature of the Spanish SPV might be another constraining factor to upstream cash. In our view, this implies that Atlantia's access to Abertis's cash flow could be limited.

#### World's Largest Toll Road Operator

The Abertis transaction allows Atlantia to quickly implement its diversification strategy from its historical core Italian toll road business. The new group is the world's largest toll road operator with some exposure into airports. The portfolio of mature assets is geographically diversified and predominantly located in developed countries with a well-established concession legal framework.

However, the deal makes Atlantia's group structure and governance more complex, and lowers the weighted average maturity of its portfolio of concessions to 16 years from 20 years. We also note that Atlantia has recently purchased financial stakes in non-core assets (GETLink (BB+/Stable) and Hochtief), away from the traditional brownfield toll road business.

The cooperation agreement with ACS/Hochtief to identify and potentially develop new projects in various jurisdictions could increase Atlantia's indirect exposure to selected greenfield projects that the group want to pursue. However, we do not believe that this option will materially alter Atlantia's current business risk profile.

#### Mature, Diversified, Resilient Portfolio - Revenue Risk (Volume): Stronger

The new Atlantia-Abertis group operates around 50 concessions under direct control, predominantly in Spain, France, Italy and Latin America. The toll road business accounts for 87% of consolidated EBITDA and the airport business for 9%. Despite the geographical diversification of the group's portfolio, there is still some concentration in Italian toll roads, which account for 38% of overall EBITDA.

Most assets are either national networks with no material exposure to competition (Sanef, ASPI) or assets strategically located in core areas (ie. roads around Santiago in Chile, some Brazilian assets). Traffic is predominantly made up of more stable light vehicles (85% in France, Spain, Italy and Chile). The overall portfolio has a low 2007-2017 peak to trough (5%) as performances in the downturn were balanced across geographies. The group's airports have predominantly inbound and stable origin and destination traffic structures.

#### Inflation-linked Tariffs - Revenue Risk (Price): Midrange

The concession frameworks where Atlantia operates are robust and generally track inflation or a portion of it. Some jurisdictions also allow the recovery in tariff of capex execution, partly de-linking the group's cash flow generation from negative traffic performance. Generally, tariffs have regularly increased over the past years although in our view, risk of political interference is rising especially in Italy, Atlantia's historical core market.

**Flexible Plan, Experienced Operator- Infrastructure Development & Renewal: Stronger**  
The group's capex plan is large but also flexible. We believe Atlantia Group is well-equipped to deliver its investment programme as it has extensive experience and expertise in executing investments on its network.

**Bullet Debt, Solid Liquidity - Debt Structure: Midrange (Atlantia/ASPI)**

The non-amortising nature of the majority of the debt and lack of material structural protections are weaknesses. However, refinancing risk is mitigated by a well-diversified range of bullet maturities, a proactive and prudent debt management policy and proven access to banks and capital markets as the recently-contracted three-year revolving credit facility of EUR2 billion demonstrates. The liquidity position is solid. Cash and committed lines of Atlantia (not including Abertis) cover debt maturities until the end of 2020 under Fitch's rating case.

**Financial Profile**

In Fitch's rating case, which uses more conservative assumptions than management, mainly on traffic, inflation and expected synergies with Abertis Group, Fitch-adjusted leverage is expected to remain at around 5.5x in the next four years. In our view, in the context of the shorter concession tenor of portfolio of assets (16 years compared with 20 years pre-Abertis deal) this leverage profile is commensurate with a 'BBB+' consolidated rating. The starting point of Atlantia's consolidated forecasts is our estimate of the pro-forma 2017 financials of the Atlantia and Abertis combined entity

**Rating Above the Sovereign**

Atlantia (consolidated) can be rated up to two notches above the sovereign rating. This reflects the group's moderate exposure to the Italian banking system and well-established access to capital markets as well as the large geographical diversification of its portfolio after the completion of the Abertis deal.

**Peers**

Atlantia has a number of common features with APRR (A-/Stable). Both issuers are pure brownfield toll road operators with similar concession maturities, pricing systems, corporate-like bullet debt structure and Stronger assessment of Volume risk. After the Abertis deal, Atlantia is much bigger in size and has a more geographically diversified portfolio of assets. However, APRR showed higher resilience during the economic downturn (peak to trough of around 3% compared with 5% for the Atlantia portfolio) and has lower projected leverage of below 4.5x supporting its one-notch higher rating than Atlantia.

**Morandi Bridge Collapse in Genoa**

On 14 August, a section of the Morandi Bridge in Genoa collapsed, causing 43 casualties. The causes of the collapse are still unknown and are under investigation, as are the yet to be determined potential liabilities of ASPI. In the aftermath of the tragedy, ASPI announced an initial action plan of around EUR500 million to rebuild the bridge and financially support people affected by the event. The insurance policies cover part of the damages. We believe that the full financial impact on ASPI and related liabilities of the collapse of the bridge is difficult to assess at this stage.

The early termination of ASPI's concession is not our base case scenario. The procedure would be a long-lasting process with a number of steps that could be subject to jurisdictional reviews. In all cases of early termination, ASPI is always indemnified, assuming that the contract is complied with.

If the scenario of concession revocation materialises or if the concession is declared to cease by the

competent authorities, each single ASPI bondholder would be entitled to exercise the put option set out in the bond documentation and ask for the redemption of the notes. Under the scenario of concession declared to cease by authorities, in our view it is unclear when the concession would be considered legally terminated. However, we note that Atlantia's view is that the concession will be legally early terminated only when the indemnity is being paid. In this context, the time matching between the early termination of the concession and the payment of compensation is essential as the indemnity is the primary source for redeeming bondholders that decide to exercise the put option.

#### RATING SENSITIVITIES

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action:

Fitch-adjusted leverage consistently above 6.0x under Fitch's rating case.

A material change of the creditor-protective Italian regulatory framework or costs and liabilities linked to the collapse of Genoa Bridge impacting the group's overall leverage profile.

A formal procedure to terminate the ASPI concession early could lead to a multiple-notch downgrade if there are doubts about the size and timely payment of compensation, which is the primary source for redeeming bondholders that decide to exercise the put option.

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action

The Outlook could be revised to Stable if there is more visibility on the financial impact on ASPI of the Genoa Bridge collapse, provided that the leverage profile under Fitch's rating case is not materially altered.

#### AdR

As AdR's IDR is equalised with Atlantia's consolidated credit profile, negative rating action on Atlantia would directly impact AdR.

A revision of the Outlook on Atlantia to Stable would lead to the same rating action on AdR.

#### Fitch Cases

The Fitch base case (FBC) assumes average traffic growth of around 0.9%-4.0%, depending on asset location and tariff increases of between 1.2% (France) - 8.5% (Brazil). The capex plan is aligned with the management case while we haircut the expected synergies from the Abertis deal by 10%. We also considered the maturities of a number of group concessions over the forecast horizon (2018-2022) and cumulated compensation payments of around EUR2 billion related to the expiry of the Acesa, Invicat and Autostrade meridionali concessions.

Compared with the FBC, the Fitch rating case haircuts traffic growth and has more conservative assumptions, mainly for expected EBITDA margin growth and expected synergies from the Abertis deal.

#### Asset Description

The new Atlantia group is the world's largest toll road operator with approximately 14,000 km of network under management predominantly located in Spain, Italy France, Chile and Brazil. The group has also exposure into airports (Rome and Nice).

The rating actions are as follows:

#### Atlantia:

EMTN programme of EUR10 billion: downgraded to 'BBB' from 'BBB+'; Negative Outlook

EMTN programme of EUR10 billion (guaranteed by ASPI): downgraded to 'BBB+' from 'A-'; Negative Outlook

Senior unsecured bonds: downgraded to 'BBB' from 'BBB+'; Negative Outlook

#### ASPI:

Long-Term IDR: downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-Term IDR: affirmed at 'F2'

EMTN programme of EUR7 billion: downgraded to 'BBB+' from 'A-'; Negative Outlook

Senior unsecured bonds: downgraded to 'BBB+' from 'A-'; Negative Outlook

Senior unsecured bonds (guaranteed by Atlantia): downgraded to 'BBB+' from 'A-'; Negative Outlook

Aeroporti di Roma SpA:

Long-Term IDR: affirmed at 'BBB+'; Outlook revised to Negative from Stable

Short-Term IDR: affirmed at 'F2'

Senior unsecured bonds: affirmed at 'BBB+'; Outlook revised to Negative from Stable

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#### **Applicable Criteria**

Parent and Subsidiary Rating Linkage (pub. 16 Jul 2018)

(<https://www.fitchratings.com/site/re/10036366>)

Rating Criteria for Infrastructure and Project Finance (pub. 27 Jul 2018)

(<https://www.fitchratings.com/site/re/10038532>)

Toll Roads, Bridges and Tunnels Rating Criteria (pub. 30 Jul 2018)

(<https://www.fitchratings.com/site/re/10038900>)

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